Incentivizing Behavioral Change with Aid Dollars

Targeted Interventions to Promote Persistence

Enrollment Management Forum

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Supporting Members in Best Practice Implementation

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For additional information about the services listed below—or for an electronic version of this publication—please visit our website (www.eab.com/emf), email your dedicated advisor, or email research@eab.com with "Enrollment Management Forum 'Incentivizing Behavioral Change with Aid Dollars'" in the subject line.

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Student Success Collaborative™

The Student Success Collaborative™ (SSC) combines technology, consulting, and best practice research to help colleges and universities use data to improve retention and graduation rates. SSC is a proprietary predictive model that identifies at-risk students and an analytics engine that isolates systemic barriers to degree completion. SSC also provides advisors and other student success specialists with communication and workflow tools to transform insight into action and to provide administrators with customized change-management advice.

With SSC, institutions can identify, reach, and monitor students at scale while accessing data to measure intervention effectiveness.

SSC membership includes:

- Data analytics and predictive modeling
- A comprehensive, proven student success platform
- Dedicated consulting support
- Peer benchmarking and collaboration

COE Forum

Competition for share of the adult, working professional, and online student market has never been greater, as institutional pressure to achieve next-level enrollment and revenue growth intensifies. The COE Forum couples best practice research on ensuring the health of current operations with real-time market research to inform strategic growth.

COE research terrains:

- Best-in-class marketing and recruiting
- Employer-focused market research
- Leading campus innovation

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Top Lessons from the Study

The EM Opportunity to Advance Student Success

Institutions are under greater pressure than ever to advance student success.

- State funding cuts and demographic stagnation make recruitment more difficult and retention a revenue imperative.
- Performance-based funding systems directly incentivize success, with some tying specific dollar amounts to completions.
- Internal stakeholders including alumni, faculty, and boards are increasingly conscious of the struggles of at-risk populations.

Enrollment managers (EMs) increasingly hold titular responsibility for success, but in practice, ownership of student success functions is highly fragmented.

- Nearly half of EMs now report that they supervise or are responsible for student success on their campuses, according to a 2014 AACRAO survey.[1]
- Some institutions have formally added student success to the EM's title or reassigned some student services offices to the EM portfolio.
- More often, an EM tasked with advancing student success does not control core success functions like academic advising.

EMs have a significant opportunity to promote student success within the functions they often control, particularly financial aid.

- Although administrators typically perceive EM as a recruitment-focused division, decades of research suggest that financial aid promotes student success by limiting a student's need to work for pay.
- The student success impact of financial aid is limited by a lack of innovation in aid delivery; most efforts to improve student success simply increase the size of freshman aid packages.
- EMs can increase the persistence impact of financial aid investments by targeting aid to needy students and linking aid eligibility to success-improving behaviors.

Filling Gaps in EM's Approach to Financial Aid Design

Financial aid, generally seen as a tool to reduce financial attrition risk, can be redesigned to promote behaviors linked to academic success and engagement.

- Research has identified student behaviors correlated with timely completion, including completing 30 credits per year, meeting regularly with an advisor, and participating in work-study.
- Academic early alert systems and intrusive advising practices that promote these behaviors are increasingly common, but few institutions link financial aid to completion of specific behaviors beyond a GPA benchmark.
- Existing tools that do link financial aid to student behaviors, such as merit aid or cash payments for on-time graduation, typically do not target the neediest and most at-risk populations.

Increasing freshman aid packages, which is the typical approach to mitigating financial attrition, ignores risk among continuing students.

- An increase in the unfunded freshman aid budget is the traditional means of ensuring students can afford to attend. EMs find it more difficult to justify these increases given the financial pressure facing most institutions.
- Even if freshman aid packages are well funded, continuing students face unique financial risks. They may receive less aid than they did as freshmen, or see the value of their aid whittled away by increases in tuition list price.
- Continuing students also face sudden financial crises that lead to attrition; few institutions can proactively identify these students and triage appropriate resources.

1) Kilgore W, "Chief Enrollment Management Officer Career Profile Report," AACRAO, June 2014.

Top Lessons from the Study

Our Insights on Linking Financial Aid to Student Success

Realizing the EM’s Opportunity in Student Success: Beyond the Recruitment Cycle

By linking institutional grant aid to specific academic and work behaviors, institutions can promote student success and engagement to reduce financial attrition. The most effective programs ensure that the most at-risk students, not those likely to complete behaviors without an incentive, receive the aid. The programs are also scalable, allowing a tight focus on a specific behavior or student segment, or a broader, more holistic approach.

- **Practice 1:** On-Pace Academic Grant—Institutional grant program that requires completion of multiple academic behaviors to maintain eligibility.
- **Practice 2:** Year-Round Enrollment Incentive—Small, targeted incentive grant that rewards summer enrollment in credit-bearing courses.
- **Practice 3:** Career-Linked Paid Internships—Institutionally funded “work-study” program that provides career-linked jobs to targeted at-risk populations.

Reducing Financial Attrition Risk for Continuing Students: Addressing Unmet Need and Decreased Engagement After the First Year

Although maintaining affordability is more crucial than ever, institutions are under significant pressure to limit the freshman discount rate. Further, providing a financial aid package for a prospective freshman in a way that encourages them to enroll does not prevent financial problems down the line. Many continuing students fail to complete the aid process every year, while others face unexpected financial stress. A greater focus on leveraging aid for continuing students can increase the retention leverage received per aid dollar invested.

- **Practice 4:** Targeted Continuing Student Outreach—Segmented outreach methods to ensure continuing students complete aid paperwork and maintain aid eligibility.
- **Practice 5:** Continuing Student Merit Award—Small, targeted merit grants for at-risk students who demonstrate high academic performance in their freshman year.
- **Practice 6:** Unpaid Balance Grant—Proactive subsidies that reduce high-performing students’ unpaid balance before their course schedule is canceled.

Road Map for the Study

The Role of Financial Aid in Persistence

Realizing the EM’s Opportunity in Student Success

Reducing Financial Attrition Risk for Continuing Students

- The imperative to double down on student success
- The expanding role of EM in advancing success
- Innovative approaches to advancing success with financial aid

1. On-Pace Academic Grant
2. Year-Round Enrollment Incentive
3. Career-Linked Paid Internships

4. Targeted Continuing Student Outreach
5. Continuing Student Merit Award
6. Unpaid Balance Grant

The Role of Financial Aid in Persistence

Realizing EM's Greatest Opportunity for Student Success Impact

INTRODUCTION

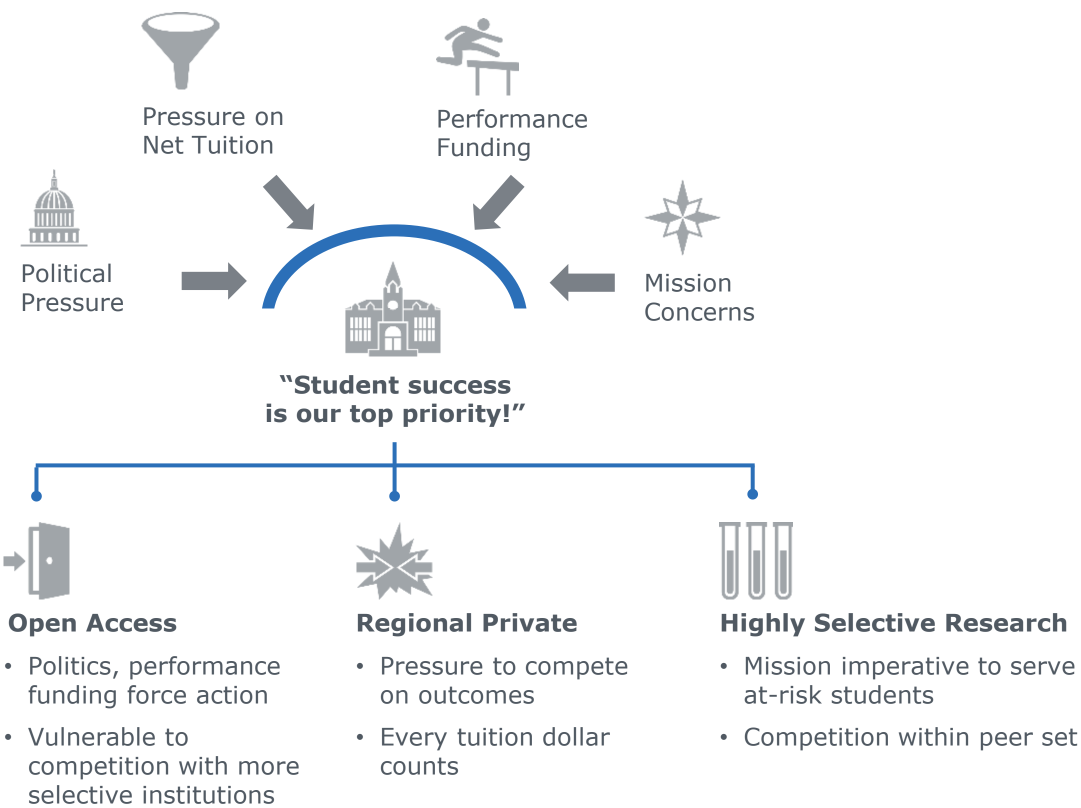
- The imperative to double down on student success
- The expanding role of EM in advancing success
- Innovative approaches to advancing success with financial aid

Greater Pressure Than Ever to Improve Success

Schools of All Stripes Feeling Greater Pressure to Invest in Student Persistence

Increasing Pressure to Improve Student Success

Administrators across higher education have been calling student success a "top priority" for years, but pressure to improve success is growing. State governments are pushing for more completions, even as state support declines and are tying more funding to student success performance metrics. Slower revenue growth due to weak demographics and price sensitivity is also making it crucial that institutions keep every student they recruit.



Student Success Anxiety Universal Across Institution Types, but Details Differ

- **Open access institutions:** Increasingly stressed by performance funding formulas and under pressure from state politicians to improve weak completion rates. EAB analysis of IPEDS data suggests that these institutions are also losing their top students to more selective competitors.
- **Regional privates:** Must improve retention to counteract flagging freshman enrollments. Some also aim to differentiate by branding themselves around student outcomes.
- **Highly selective research:** Even with high retention rates, these institutions want to more consistently graduate the most at-risk populations, such as first-generation students.

Source: IPEDS; EAB interviews and analysis.

From Observer to Owner?

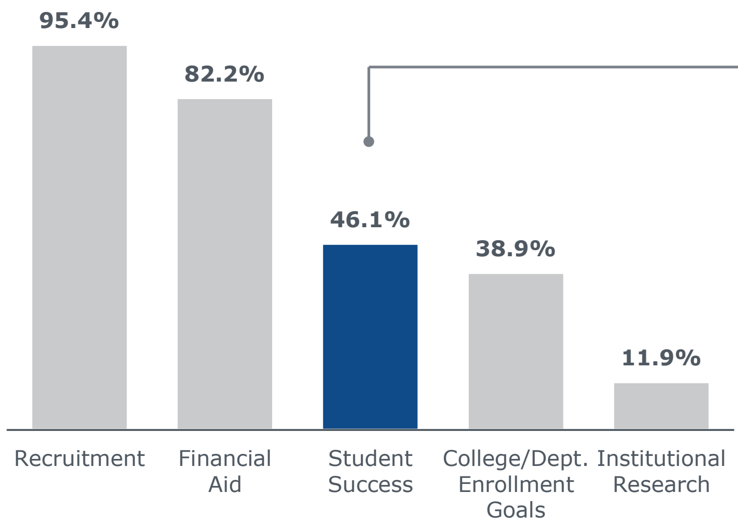
EMs Becoming Key Stakeholders in Student Success Mission

Enrollment managers (EMs) are taking on a greater role in the student success mission. Strategic enrollment management theory emphasizes a holistic, integrated approach from recruitment to the on-campus experience to alumni relations. Institutions appear to be moving slowly but surely toward this ideal.

As shown below, an AACRAO survey suggests that nearly half of EMs supervise or are responsible for student success. And many EMs now have "student success" in their titles.

Student Success Becoming a Core Responsibility Area for EMs

Share of Chief Enrollment Management Officers Identifying Their Role as "Responsible for" or "Supervise"
n=153



Moving Closer to the "CEMO" Ideal?

Old Dominion University
Vice President for Student Engagement & Enrollment Services

Miami University
Vice President for Enrollment Management and Student Success

The New School
Chief Enrollment and Success Officer

Greater EM Role Often Advisory, Consultative Rather Than Operational

The EM's operational role in student success varies enormously across institutions. At some institutions, EMs collaborate with the provost, CBO, and head of advancement on new strategic initiatives or have taken control of new support services. Several are now responsible for functions like career services, first-year experience, or academic advising. A more common "expanded" role involves more committee and task force memberships, but little control over student success functions.

Every EM can better leverage core EM functions to promote persistence. Admissions and financial aid, though typically considered recruitment- rather than retention-focused, have considerable potential. EAB research suggests institutions can dramatically improve that impact with a more innovative approach to financial aid design.

Source: Kilgore W, "Chief Enrollment Management Officer Career Profile Report," AACRAO, June 2014; EAB interviews and analysis.

The Need for Innovation

Success Investments on Academic Side Don't Address Financial Risk

Institutions are funding innovative, technology-enabled approaches to reduce attrition, and most tactics address the chance a student will leave for academic reasons or because of a lack of engagement.

On the academic side, institutions are relying on early alert systems, degree planning tools, and intrusive advising to catch academic issues faster. They also increasingly employ experiential learning opportunities like summer bridge programs, first-year experiences, or living-learning communities to broaden student learning and develop a sense of community.

Our New Bread-and-Butter Success Interventions

Academic Risk
- Poor academic preparation
- No academic plan
- Poor fit with major

Engagement Risk
- No activities
- Unresponsive to contact
- Missing assignments or paperwork

Early Alert

First-Year Experience

Summer Bridge

Degree Planning

Intrusive Advising

Persistent Problem, Fewer Solutions

Financial Risk
- Failure to complete aid process
- Persistent unmet need
- Unpaid balances in later years

?

… **larger aid budgets?**

Financial Attrition: New Thinking Necessary

The typical response to financial attrition risk has remained consistent for years—requesting larger freshman aid budgets to expand need-based aid. Tight institutional budgets make it unlikely that further increases in the unfunded aid budget will solve increasing price sensitivity.

Additionally, larger aid packages do not necessarily head off financial problems during a student's career. EAB research suggests that continuing students may actually be more at risk than freshmen for financial attrition because of diluted or reduced aid, or unexpected financial crises. Institutions must respond to these financial concerns early and effectively.

Source: EAB interviews and analysis.

Integrating Financial Aid with the Success Core

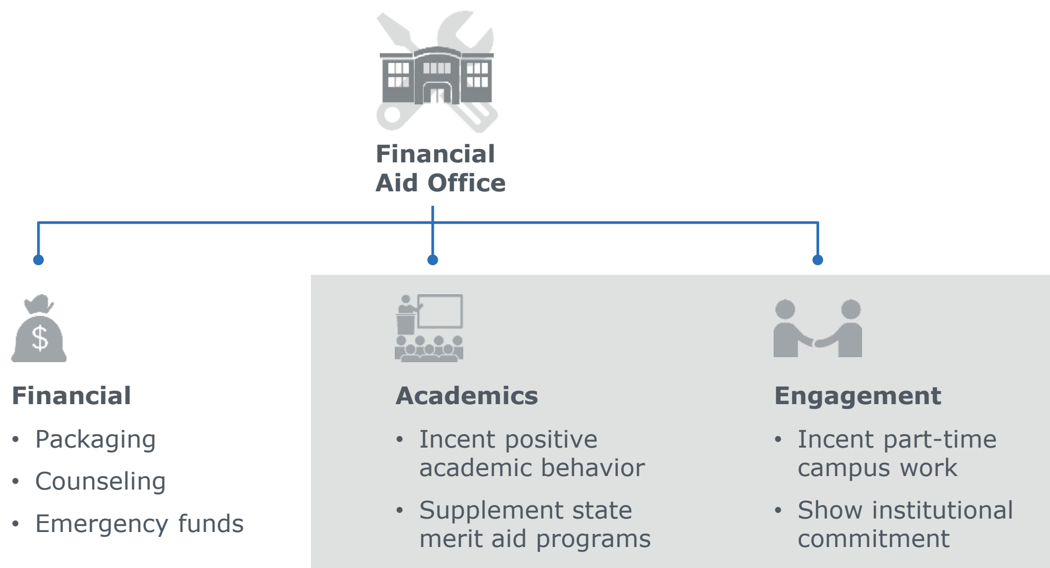
Aid Offers Additional Leverage for Academic, Engagement Interventions

The student success literature is crowded with studies of how increasing aid packages can improve a student's chance of succeeding by reducing financial anxiety or the need to work for pay. However, researchers and administrators alike have paid less attention to how aid can also address academic or engagement-related attrition.

Increasing the ROI of Each Aid Dollar Through Innovative Design

*"In the last 15 years, there has been a dramatic increase in research on the effects of financial aid on student persistence… [One] collective limitation of research in this area is that **too little attention has been given to how various design elements of financial aid programs contribute to student persistence**."*

Hossler, et al.
"Student Aid and Its Role in Encouraging Persistence" (2009)



Aid Incentives Promote Both Academic Success and Engagement

Research[1] and a growing number of experiments[2] are now demonstrating the effectiveness of performance-based scholarships, which tie targeted institutional grants to behaviors. Ensuring students take 30 credits per year or meet regularly with an advisor, for example, will increase their chance of academic success. Aid programs that promote part-time campus work, like Federal Work Study, increase a student's attachment to his or her institution and improve both completion rates and career outcomes.

1) See, e.g., Dynarski & Scott-Clayton (2013), Barrow & Rouse (2013).
2) See Patel et al. (2013).

Source: Patel, et al., "Performance-Based Scholarships: What Have We Learned?" MDRC, August 2013; Dynarski S, Scott-Clayton J, "Financial Aid Policy: Lessons from Research," NBER Working Paper No. 18710, Jan. 2013; Hossler, et al., "Student Aid and Its Role in Encouraging Persistence," *The Effectiveness of Student Aid Policies: What the Research Tells Us*, College Board/Lumina, 2008.

EAB

Realizing the EM's Opportunity in Student Success

Beyond the Recruitment Cycle

CHAPTER 1

- Practice 1: On-Pace Academic Grant
- Practice 2: Year-Round Enrollment Incentive
- Practice 3: Career-Linked Paid Internships

Practice 1: On-Pace Academic Grant

Typical "Performance-Based" Aid Programs Fail to Change Behaviors

Performance-based scholarships have received growing notice in recent years, but the concept of tying aid to academic performance is not new. Merit aid and graduation rebate or guarantee programs are intended to incentivize students to graduate faster. In reality, much of this aid functions as a reward for existing high performers who are disproportionately affluent. Newer, more effective performance-based scholarships target students more likely to benefit from explicit behavioral incentives.

Drawbacks of Existing Aid Incentives for Academic Success

Existing Aid Rewards for Academic Success	**Traditional Merit Scholarship** Scholarship tied to GPA requirement and student academic progress	**Graduation Rebates or Guarantees** Students receive cash, free courses for being ready to graduate in four years	**State Performance-Based Scholarships** $2K-$4K state grants tied to behavior (e.g., taking 6+ credits per term)
Typical Limitations	• Fails to incentivize specific behaviors • Rewards existing high performers	• Four-year time horizon too long to change behavior • Rewards existing high performers	• Effective, but lack stringent performance criteria • Only one or two behaviors incentivized • May not address all financial need

Existing Aid Incentive Limitations

One of merit aid's primary limitations is that it incentivizes outcomes (GPA), not behaviors. This ignores students who may not know what academic behaviors lead to high GPAs. Merit aid also rewards students for performance in high school, and thus students who are also likely to succeed in college. This misses at-risk students who need more explicit guidance toward success behaviors.

Graduation rebates or guarantees[1] also often reward students who do not need an incentive. Expecting 18-year-olds to change behavior now for an incentive four years in the future may also be unrealistic. Small, performance-based scholarships have produced positive results despite having few behavioral criteria; larger grants with more behavioral strings could have an even greater impact.

1) Graduation rebates distribute a cash payment to students for on-time completion. Guarantees allow students to make up additional courses they may have missed due to schedule conflicts or institutional errors.

Source: Patel, et al., "Performance-Based Scholarships: What Have We Learned? Interim Findings from the PBS Demonstration," MDRC, August 2013; Scrivener, Coghlan, "Opening Doors to Student Success: A Synthesis of Findings from an Evaluation at Community Colleges," MDRC, March 2011; EAB interviews and analysis.

Practice 1: On-Pace Academic Grant

Temple Intervention Allocates Biggest Investment to Biggest Risks

Identifying Success Behaviors and Securing Student Pledges

Successful performance-based scholarships must overcome the main drawbacks of existing aid incentives: rewarding existing high performers, focusing on outcomes rather than behaviors, and offering small, long-term rewards over large, immediate ones.

Temple University's Fly in 4 program avoids many of these problems. The core of the program is a pledge to follow four key success behaviors every year: complete at least 30 credits, register for classes early, meet with an academic advisor every term, and pick courses in line with the degree plan with those advisors.

Overview of Temple University's Fly in 4 Program

TEMPLE UNIVERSITY

83% of freshmen class (≈ 3,700 students) pledges to follow academic success behaviors before arriving

Pledge + Grant

Target: Highest-Need Students

- **500 students (max Pell, <$1,000 average EFC) receive $4,000 annual grant** to cover some remaining unmet need
- Provides tangible incentives to follow behaviors, limits need to work

Pledge Only

Target: Low-to-Moderate Risk Students

- **Functions as marketing program advertising success behaviors** to general student population
- Conserves aid for larger grants to neediest students

Fly in 4 Academic Success Behaviors

- Complete at least 30 credits per year
- Meet priority course registration deadline
- Meet with an advisor every term
- Set and follow a four-year degree plan

Triaging Large Incentive Grants to the Highest-Risk Students

Temple allocated 500 grants to the neediest students in the Fly in 4 cohort, most of whom qualified for the maximum Pell grant. Targeting the grants ensured that more affluent students likely to engage in the behaviors already did not receive additional funds. It also allowed Temple to increase the amount of the grants, limiting students' need to take a part-time job off-campus.

Designing a Lower-Cost Marketing Program for Less Risky Students

Students not qualifying for the grant do not have an explicit financial incentive for following the pledge. However, experiments at the University of Hawaii suggest that simply marketing good academic behaviors encourages adoption of those behaviors; Hawaii's "15 to Finish" marketing program increased the share of students taking at least 15 credits per term from 21% to 25% in two years.

Source: University of Hawaii System & Complete College America, "15 to Finish: The University of Hawai'i Story," April 29, 2014; EAB interviews and analysis.

Practice 1: On-Pace Academic Grant

Scholarship Provides Behavioral Guidance from Day One

The performance-based scholarship portion of Temple's program begins even before students arrive on campus. The core of the program involves rigorous tracking of student behavior, term-by-term, to evaluate their grant eligibility, as well as a degree progress audit during the junior year to ensure that students are on track.

The program necessitates close collaboration between institutional research (IR), academic affairs, and enrollment management. For example, IR must inform academic advisors if students have not completed their success behaviors and are at risk of losing their grant.

Key Points in Fly in 4 Program Lifecycle

TEMPLE UNIVERSITY

Pre-enrollment | Freshman | Sophomore | Junior | Senior

Proactively Push Pledge to Students Early in Summer

- Student services staff recruit participants during yield events and orientation
- Incentivize student admissions or orientation staff with social events, such as ice cream socials, for reaching registration targets

Share Cross-Functional Data to Track Students

- IR, registrar track progress on behavior checkpoints
- College-based advisers ensure students register during priority period
- IR, academic affairs, and EM receive weekly update on students missing credit or advisor checkpoints over summer

Implement Degree Progress Safety Nets

- Degree progress audit before senior year
- Students who fulfill criteria but have missing requirements receive additional courses free

Recruitment into Fly in 4

Recruitment begins after a prospective student is accepted. Grants are not included in students' aid package. Admissions staff first recruit students into the pledge program during yield events and orientation, then financial aid administrators assess their eligibility for the scholarship.

Monitoring Student Behavior Throughout Their Career

Students must complete all academic behavior checkpoints to maintain their scholarship. Ensuring students complete those checkpoints is one of the most complex administrative challenges of the program. IR and the registrar track the most important checkpoints—meeting with an advisor, completing 15 credits per term, and registering for courses during the priority period—every term. Advisors regularly receive notifications regarding students who are off-track in one or more of their behavior markers, particularly those who are not on track to complete 30 credits by the end of spring.

Source: EAB interviews and analysis.

Practice 1: On-Pace Academic Grant

Scholarship Program Sees Early Success Among Freshmen

Initial Results from Grant Very Promising

Temple's program began in the 2014-2015 academic year, but early results are encouraging. The higher-risk, needier students receiving the scholarship performed significantly better than non-scholarship students with similar need levels. Scholarship students also performed comparably to the relatively less needy non-scholarship students in terms of GPA, credit hours completed, and prompt course registration.

Initial Results from the Fly in 4 Program

Higher-Risk Students

Success Behavior Grant

Focus: Incentive, Reducing Need

- Reduces attrition risk for neediest students
- Limits need to work for pay
- Incentivizes academic behaviors for students most likely to struggle

5%-6% — **Fall-spring retention advantage for grant students** over non-participants with similar need

82% — Share of grant students **on track to finish 30 credits** in first year

2.9 — **Average first-term GPA for grant students,** versus 2.52 for non-participants with similar need

Lower-Risk Students

Success Behavior Pledge

Focus: Marketing, Peer Support

- Non-grant students pledge to fulfill *same behavioral criteria*
- 88% of Temple freshmen took the pledge in fall 2014 (including grant students)

Refusal to pledge is the **earliest non-cognitive indicator of attrition risk**

Pledge for Non-grant Students May Help Maintain, Not Increase, Good Behavior

So far, most students who sign the behavioral pledge but do not receive the grant perform comparably to the general population. Most Temple freshmen already register for sufficient credits and meet frequently with an advisor, so the pledge may have less room to improve behavior.

Beyond Marketing Value of Pledge, Absence of Pledge Also Functions as Risk Factor

There is some indication that *not* taking the pledge is a more important indicator than taking it. Temple analysis indicated that a student's refusal to take the pledge is the most reliable indicator that he/she will have academic difficulties during the freshman year. This correlation may be due to a lack of commitment or confidence on the student's part. Moreover, the binary nature of the indicator—a student either takes the pledge or doesn't take the pledge—is easy to evaluate.

Source: EAB interviews and analysis.

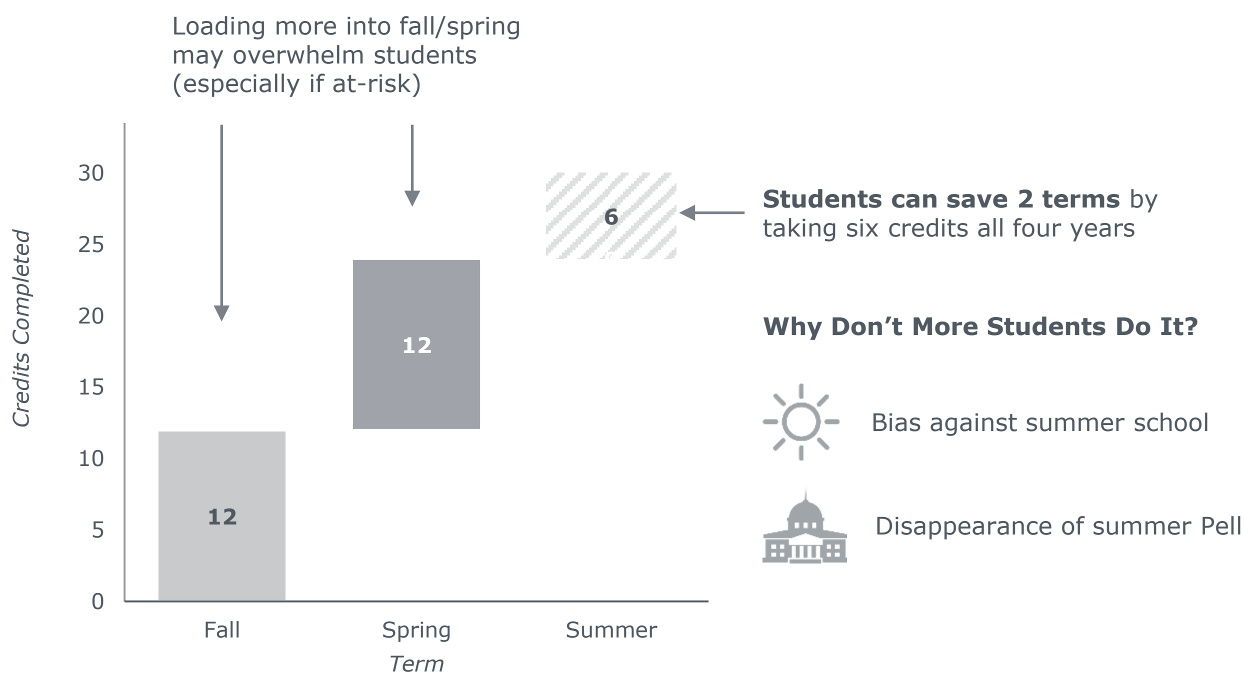
Practice 2: Year-Round Enrollment Incentive

Summer Courses: An Under-Exploited Means to Reach 30 Credits per Year

Targeting Incentive Grants to Specific Behavior Areas Needing Improvement

An institution may want a smaller, more targeted intervention focused on a single problem point. One such intervention is encouraging summer enrollment to ensure that students have ample opportunity to complete 30 credits per year and stay on track to degree. Summer courses are particularly relevant to low-income or first-generation students whose work schedules or family responsibilities keep them from enrolling in 15 credits in fall or spring.

Summer Enrollment: A Practical Path to 30 Credits



Summer Enrollment Increases Likelihood of Timely Completion

Clifford Adelman has estimated that students with a total of four or more summer credits had graduation rates nearly 24 percentage points higher than those who took none. Nonetheless, the National Center for Education Statistics’ (NCES) data suggest that most students accumulate around two summer credits during their careers. In a Public Agenda survey asking stop-outs how to help at-risk students finish a degree, 78% suggested more evening, weekend, and summer courses.

Significant Obstacles to Greater Summer Enrollment

There are several barriers to greater summer enrollment. Some students cannot make time for summer school because of family or work. Others simply want to enjoy a vacation. The cancelation of year-round Pell grants in 2011 also reduced the neediest students’ ability to take summer courses.

Source: Johnson, et al., “With Their Whole Lives Ahead of Them,” Public Agenda, 2009; Adelman C, “The Toolbox Revisited: Paths to Degree Completion from High School Through College,” U.S. Department of Education, February 2006; EAB interviews and analysis.

Practice 2: Year-Round Enrollment Incentive

Small Grant Targets Students Most in Need of Help to Reach 30 Credits

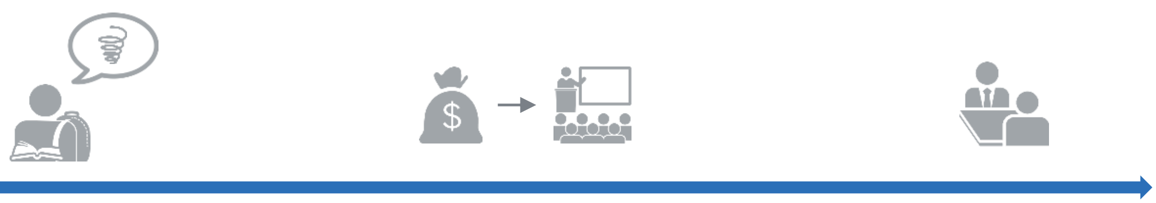
Indiana State University (ISU) began a summer scholarship program in 2014 to promote summer enrollment and fill in the gap left by year-round Pell. The program provides two free courses and a textbook stipend for students who completed 24 credits during the fall and spring terms. The program provides the additional courses needed to reach 30 credits and, significantly, meet the yearly credit accumulation requirement for Indiana’s state-wide, performance-based scholarship program.

Overview of Indiana State’s Year-Round Enrollment Incentive

Pre-Scholarship
Fall-Spring

Scholarship Allocated
Late Spring

Scholarship Period
Summer



Pre-Scholarship
- Student on track to complete 24 credits by end of spring
- Less likely to graduate on time than those completing 30+ credits
- Potentially risks losing 30-credit grant

Scholarship Allocated
- Registrar identifies students on track to complete 24 credits
- Financial aid offers grant (6 free credits, $300 for textbooks)
- Grant applies to in-person or online courses

Scholarship Period
- Scholarship students typically at-risk, require support
- Two-day summer term orientation planned
- Additional on-campus and online tutors hired to maintain student/staff ratios

Implementation Advice:

- Expect increased demand for summer courses
- Expand size of summer tutoring network
- Consider summer orientation for new online students

Promising Initial Results

ISU’s program saw promising early results in its 2014 pilot; fall-spring retention rates for scholarship students were four percentage points higher than the institutional average. Students in the program were disproportionately Pell-eligible and from under-represented minority backgrounds. Many were unable to take 15 credits in the fall and spring terms, while some had failed courses.

Increased Section and Academic Support Capacity Necessary

Administrators faced significant capacity challenges following a summer enrollment increase of 15%. Freshmen general education courses like Communications 101 were in especially high demand, and administrators had to add several additional sections. Additionally, maintaining tutor/student ratios in campus academic services centers may require additional hiring. However, if early retention results continue, tuition earned from retained program participants will fully finance the program.

Source: EAB interviews and analysis.

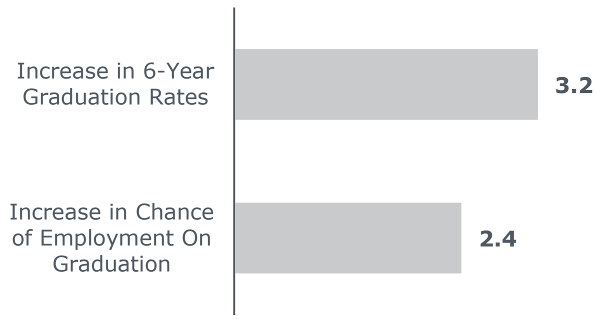
Practice 3: Career-Linked Paid Internships

Part-Time Work on Campus Promotes Retention, Particularly for Low-Income

Financial aid can also advance student success by promoting part-time campus work, particularly through the Federal Work-Study (FWS) program. Working on campus may create emotional ties with one's coworkers and the institution in general, encouraging a student to persist. Part-time work on campus also reduces the need to commute to a higher-pressure off-campus job, reducing stress and increasing time for one's studies.

The Benefits of Part-Time Work-Study[1]

Percentage Point Increase in Select Student Outcomes, Full-Time Dependent Students
n=14,064



A Boon for Low-Income Students[2]

2.4x **Greater graduation rate effect** for low-income over high-income students

1.7x **Greater employment effect** for low-income over high-income students

How Do We Increase Work-Study Funding for Low-Income Students?

"… The effectiveness of Federal Work-Study funds might be increased by modifying **the [federal fund] allocation formula—which currently provides disproportionate support to students at elite private institutions—**to better target lower-income and lower-scoring students."

Scott-Clayton & Minaya (2014)

Work-Study Improves Completion Rates and Career Preparation, but Reach Is Limited

The Community College Research Center (CCRC) notes that FWS students have higher graduation and employment rates. These effects are considerably greater for low-income students, who are particularly likely to work longer hours off-campus. Working more than 20 hours per week and, in some studies, off-campus work, reduce persistence.

The CCRC report also highlights a persistent criticism of the FWS program—that the formula allocating work-study dollars favors relatively wealthier institutions. One study noted that only 16% of students from families making less than $20,000 receive FWS, but 8% of students from families making over $100,000 do so. This limitation has led some institutions to deliver the benefit of campus work where most needed.

1) For additional detail, see Scott-Clayton & Minaya (2014).
2) Includes students at or below the median income level for FWS students, or about $49,000.

Source: Judith Scott-Clayton & Veronica Minaya, "Should Student Employment Be Subsidized? Conditional Counterfactuals and the Outcomes of Work-Study Participation," CAPSEE Working Paper, September 2014; O'Sullivan & Setzer, "A Federal Work Study Reform Agenda to Better Serve Low-Income Students," September 2014; EAB interviews and analysis.

Practice 3: Career-Linked Paid Internships

Insufficient Funding, Lack of Career Outcomes Focus Limit Effect of Work-Study

The inadequacy of Federal Work-Study (FWS) funds at institutions that disproportionately serve needy students means that many students get left out of the program. In particular, institutions often lack money for students in the low-middle portion of the need spectrum. These students may not face critical financial hardship, but they might work off-campus in the absence of FWS funds. Given the slow pace of the economic recovery and the much faster rise of tuition, many institutions are seeing greater need levels in this population.

Common Limitations of Federal Work Study (FWS)

Not Enough Jobs:
Many institutions can't finance enough FWS jobs for still-vulnerable middle-income students

Missed Opportunity for Career Training
FWS effective at building engagement, but jobs often unrelated to disciplinary, career interests

Disciplinary Training

Major-relevant jobs could prepare students for later internships or research

Career Advancement

Experienced student workers could take on more advanced duties, management of new students

Creating a More Meaningful Work-Study Experience

While research shows FWS jobs advance student success more than off-campus jobs, institutions can make two enhancements to further improve the value of on-campus work.

1. **Tie on-campus work to a student's area of disciplinary or career interest:** Scott-Clayton & Minaya's research suggests that FWS positions are generally more relevant to student's careers than off-campus jobs, but they are still rarely aligned with a student's academic interests. By linking on-campus employment to interests, the institution better prepares students.

2. **Include managerial or skill advancement opportunities:** Many FWS jobs do not advance a student's skills the longer they remain employed, limiting their career readiness value. By institutionally funding "work-study" roles similar to the federal program, administrators can both create more jobs for needy students and offer stronger experiential learning opportunities to students. Allowing students to manage each other provides valuable experience.

Source: EAB interviews and analysis.

Practice 3: Career-Linked Paid Internships

Providing Deeper Experiences and Targeting the Lower-Middle Income

Extending Work-Study to a Neglected Demographic

In 2011, Old Dominion University (ODU) began offering career-linked internships to lower-middle-income students to reduce financial pressure on that demographic. The Learn and Earn Advantage Program (LEAP) offers part-time campus jobs to freshmen with incomes just above Pell eligibility levels who also have financial need. The program captures the persistence benefits and educational value of work-study with still at-risk students who would not receive FWS because of budget limitations.

Overview of ODU's Learn and Earn Advantage Program (LEAP)

OLD DOMINION UNIVERSITY
IDEA FUSION

Proactive Targeting of Freshmen

- **Targets low-middle income freshmen:** Many needy students too "high income" for federal work-study
- **Proactive invitation:** Packaging algorithm identifies candidates; no student opt-in

Discipline-Specific Part-Time Jobs

- Program works with units to create $8/hr part-time jobs

Sample Jobs

Media Asst. | *IT Intern* | *Lab Asst.* | *PR Intern*

Professional Development

- **Sophomore LEAP:** ≈45% of students move on to sophomore program
  - Higher-level jobs prepare students for internships
- **Peer mentors:** Sophomores mentor freshmen LEAP students
- **Curriculum:** Workplace readiness and financial literacy courses

Identifying Eligible Students Proactively

ODU's aid packaging algorithm identifies eligible students in the freshman class; financial aid staff then recruit students into the program. This proactive targeting limits the chance that students will fail to apply for the program despite eligibility.

Partnering with Academic Units to Identify Career-Relevant Jobs

LEAP jobs correspond to a student's discipline or career interests. Career services staff work with academic or administrative units on campus to develop LEAP positions, which EM finances. After students complete their first LEAP year, they may apply for the selective sophomore program (LEAP II), which offers mentorship/management opportunities and more complex roles. Both levels include 10 hours of workplace and financial literacy coursework.

Source: EAB interviews and analysis.

Practice 3: Career-Linked Paid Internships

Sophomores See Outsized Benefits; Improved Retention Helps Pay for Programs

LEAP: Consistent Retention Improvements

Overall, LEAP participants see significant retention benefits in their freshman and especially sophomore years. LEAP participants are more likely to persist than their peers and perform better academically despite the fact that the LEAP population is disproportionately low-to-middle income, and otherwise at-risk. Tuition from improved retention finances about a third of the program's costs.

LEAP Retention Outcomes Significant, Help Recover Costs

Investment

- $400K for LEAP wages
- $33,000 in staff/ administrative costs

Freshman Program
≈150 students per year

Sophomore Program
≈60 students per year

Substantial Student Success Results…

0.16 — **Advantage in first-year GPA** over freshman average

3 — **Percentage point advantage in first-year retention** over cohort average (80% vs. 83%)

0.30 — **Advantage in second-year GPA** over sophomore average

11 — **Percentage point advantage in second-year retention** over cohort average (82% vs. 93%)

… That Help Defray Costs

$142K
Expected net tuition increase from LEAP cohort

Particularly Strong Benefits in Sophomore Cohort

LEAP's student success benefits are particularly strong in the sophomore year. This may reflect accumulated engagement effects over both years, the particular value of LEAP II's higher-level jobs or mentorship opportunities, or some potential selection bias due to the selective nature of LEAP II. Students in LEAP II must have at least a 2.3 GPA, have completed 27 credit hours in their first year, and have received good evaluations in their freshman LEAP jobs.

Educate Units New to Student Employment Regarding Regulations

Although the LEAP program has been highly successful, educating staff in units without work-study students about payroll and aid eligibility requirements was more complicated than leaders anticipated. Staff supervisors must ensure that students, for example, do not work more hours than they are allocated and that they complete all relevant paperwork.

Source: EAB interviews and analysis.

Key Takeaways from This Section

Our Insights on Realizing the EM's Opportunity in Student Success

1 Triage aid incentives to neediest students, not existing high-performers

- Merit aid, graduation rebates, etc., mostly flow to affluent students already likely to perform well; "ROI" in terms of behavior change is limited
- Programs should target specific at-risk groups, such as Pell students, who are needier and more likely to benefit from an incentive

2 Incentivize behaviors, not outcomes

- Wealth of available research pinpoints what makes students successful: taking 30 credits per year, meeting regularly with advisors, etc.
- At-risk students have less cultural capital and are less likely to practice success behaviors without prescriptive guidance

3 Tailor lower-cost interventions to less needy students

- Incentives for higher-risk students should be large to maximize likelihood of behavior change
- Lower-risk students are more likely to practice success behaviors on their own, but they can benefit from low-touch approach such as a marketing campaign

EAB

Reducing Financial Attrition Risk for Continuing Students

Addressing Unmet Need and Decreased Engagement After the First Year

CHAPTER 2

- Practice 4: Targeted Continuing Student Outreach
- Practice 5: Continuing Student Merit Award
- Practice 6: Unpaid Balance Grant

Financial Attrition a Greater Problem Than Ever

Institutional Research Confirming Attrition Risk of High Unmet Need Levels

Weak Family Finances Making Financial Attrition Top-of-Mind

In the post-recession era of stagnant family incomes, increased loan burden, and heightened price sensitivity, financing college is a greater challenge than ever before. EAB's review of institutional exit surveys of leaving students corroborates national surveys suggesting that one in three non-completions are financially related. At some institutions, such as the University of Washington, financial attrition has grown considerably in recent decades.

A Surge of Interest in Financial Attrition

An Emerging Trend

Exit Survey Responses at Privates and Publics

University of Washington 75% increase in financial attrition over 20 years	Seattle University >50% of leavers cite finances as one reason
Humboldt State University Number 1 reason for leaving	UC Davis, University of California 31% list finances as a major reason for departure

Where Is Your "Need Cliff"?

Sharp Declines in Retention for Unmet Need Levels >$10K

>$11K	Texas Tech University
>$9K	The University of New Mexico
>$15K	University of San Francisco

A New Indicator of Financial Risk—The "Unmet Need Cliff"

To curb financial attrition, some institutions are monitoring financial risk indicators, including expected family contribution (EFC), private loan levels, and, in particular, levels of unmet need. Retention falls as unmet need rises, but EAB research has uncovered a simple indicator for judging an excessive level of unmet need: the unmet need cliff, a level of unmet need past which persistence sharply declines.

The need cliff is surprisingly common across institutions. Several public institutions observed cliffs at ≈$10,000, while higher-priced privates saw retention drop after unmet need exceeded $15,000 to $25,000. An institution-specific unmet need cliff provides a clear risk marker to guide additional support to highest-risk students.

Source: The University of Washington Office of Educational Assessment; "UW Undergraduate Retention and Graduation Study," 2014; "Factors Contributing to Undergraduate Attrition at the University of Washington," 1994; Humboldt State University Office of Institutional Research and Planning. "Retention and Graduation Rate Initiative Report." (2013); UC Davis Student Affairs Research and Information. "2008-2009 Exit Survey: Reasons for Leaving UC Davis," 2010; EAB interviews and analysis.

Continuing Students Particularly Vulnerable

Sophomores, Juniors Receive Less Attention but May Face Greater Financial Risk

Most Interventions Intended to Reduce Financial Risk Ignore Continuing Students

Early findings from several institutions indicate that continuing students, not freshmen, are the most at risk for stopping out for financial reasons. This finding is at odds with common practice in financial aid, which focuses on the incoming class. Sophisticated statistical models guide aid packaging to maximize yield, while aid offices provide increasingly high-touch aid counseling for prospective students. By comparison, continuing students receive relatively little attention.

Financial Attrition Risk and Available Support by Class Level

Freshmen

- Receive most aid, packages designed to entice students
- Comparatively high levels of financial counseling and outreach

Sophomores / **Juniors**

- Vulnerable to reductions in aid packages after freshmen year
- Tuition increases often outpace aid
- Students suffer waning engagement (“sophomore slump”)

Seniors

- Closest to completion, stymied by unpaid balance
- Assisting seniors has high ROI in completion terms

> “For first-years, the most significant [attrition] factors are academic in nature. **When you look at sophomore leavers, you see a lot more financial factors**—unmet need, loan debt, Pell status.”
>
> *Andrew Morris*
> *Assistant Vice President for Student Services & Retention, Nazareth College*

Continuing Students Particularly Vulnerable to Financial Attrition

As students move through the life cycle, financial concerns intensify. Many continuing students face tuition increases that outpace growth in aid, while others see outright cuts in their packages. Compounding this financial risk is the “sophomore slump,” which has been well documented in institutional engagement survey data. Thus, while unmet need levels might not be prohibitive per se, financial anxiety may be the deciding factor when a disengaged student is contemplating leaving.

Although seniors are not particularly high-risk compared with sophomores or juniors, financial attrition in that population is troubling because of its proximity to graduation. Given that half of attrition occurs during the second and third years, administrators must ensure that financial struggles play as little a role in student departures as possible.

Source: Miller B, “Why Colleges Are Like Cable Companies,” 2015, *The Chronicle of Higher Education*; NCES National Postsecondary Aid Study (NPSAS), 2000, 2004, 2008, 2012; EAB interviews and analysis.

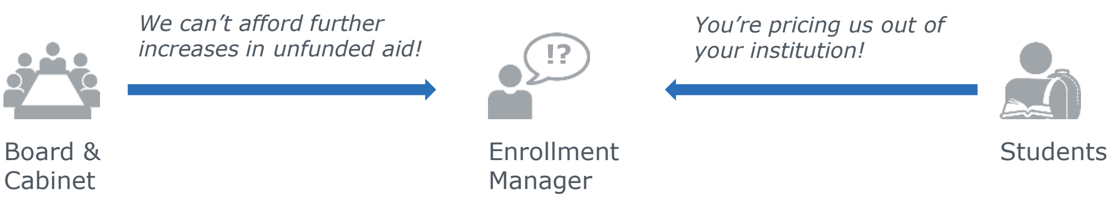
Reducing Continuing Student Risk Economically

Budget Pressures Mean New Interventions Must Have Significant ROI

Tight Budgets Make Funding New Interventions for Continuing Students Problematic

Substantially increasing the financial aid budget to subsidize costs for continuing students is not feasible for most institutions. Therefore, progressive EMs need to deliver additional persistence leverage for every dollar to reduce their demands on the unfunded aid budget.

We'd Like to Meet Full Need Up Front, but…



Three Imperatives for Low-Cost, High-Impact Aid Interventions

1. Help Continuing Students with Aid Paperwork
2. Offer Proactive Grants for Outsized Impact
3. Waive Small Balances

EAB's Three Imperatives for High-ROI Tactics to Reduce Continuing Student Financial Risk

1. **Help continuing students with aid paperwork:** To reduce reliance on unfunded aid, institutions should ensure that students maintain their federal and state aid by promptly completing their aid paperwork, especially the FAFSA.
2. **Offer proactive grants for outsized impact:** Research has demonstrated that stop-outs are unlikely to re-enroll. To avoid breaks in enrollment or permanent drop-outs, institutions should proactively award small, merit-based grants to at-risk students to help keep them in school.
3. **Waive small balances:** Students with small unpaid balances can usually pay part of their bill. Forgiving or "granting away" small balances preserves the portion of tuition a student can pay while avoiding a cycle of stop-outs.

Source: DesJardins S, et al., "The Effects of Interrupted Enrollment on Graduation from College: Racial, Income, and Ability Differences," 2005; EAB interviews and analysis.

Practice 4: Targeted Continuing Student Outreach

Many Lose Financial Aid Because of Failure to Refile FAFSA

Many Freshmen Fail to Refile the FAFSA for Their Sophomore Year

Helping incoming freshmen complete the FAFSA is a priority for institutions, advocacy organizations, and even the federal government. Until recently, few researchers realized that many rising sophomores fail to complete FAFSA as well. Research from Kelli Bird and Benjamin Castleman at the University of Virginia estimates that 10% of returning Pell-eligible sophomores do not refile the FAFSA.

The Surprising Scale of the Refiling Problem

The Problem → **The Consequences** → **The Losses**

1 in 10
Returning Pell-eligible students file the FAFSA in first year but not second

28%
Fall in sophomore-to-junior retention for Pell-eligible sophomores who fail to re-file

$332M
Revenue lost at four-year universities from Pell-eligible students who return for sophomore year without federal aid

Key Failures in Continuing Student Aid Outreach

✖ No Segmentation of Outreach
- High-touch outreach becoming common for freshmen, continuing students often ignored
- Continuing student outreach often limited to mass email reminders

✖ Delayed Outreach to Risky Students
- High-touch outreach begins late in spring after other methods fail
- State and institutional aid exhausted by the time riskiest students are contacted

Retention Consequences of Failure to Refile Are High, but Institutional Outreach Is Poor

EAB estimates that losses in federal aid among continuing students due to missing aid paperwork surpass $330 million each year. Predictably, students who lose their federal and state aid due to paperwork failures are much less likely to stay in school.

Despite the magnitude of this problem, few institutions systematically reach out to continuing students to ensure they complete the aid process. Even if students are able to renew their federally funded aid, they often do so late in the spring or summer, when most institutional and state aid has already been distributed. If administrators identify at-risk students early and intervene quickly, even relatively low-tech, low-cost tactics can move the dial on renewals.

Source: Bird K, Castleman B, "Here Today, Gone Tomorrow?: Investigating Rates and Patterns of Financial Aid Renewal Among College Freshmen," *EdPolicyWorks*, April 2015; EAB interviews and analysis.

Practice 4: Targeted Continuing Student Outreach

Target the Most Vulnerable Students with Immediate, High-Touch Outreach

Emails and Mobile Campus Aid Teams Catch Most Issues

Most existing outreach to continuing students consists of automated email reminders. However, some low- to moderate-risk students may also require real-time counseling. Several institutions employ "aid caravans"—computer-equipped teams of aid counselors and student workers in high-traffic areas—for on-the-spot aid counseling. In addition to answering queries and resolving minor issues, the caravans encourage students with serious aid issues to come forward.

Continuing Student Aid Outreach Tactics: A Basic Segmentation

Time in Aid Paperwork Cycle

All Undergraduates

Emails

Repeated email reminders work for most students

Aid "Caravans"

Station financial aid staff with computers in high-traffic areas for on-the-spot consultations

At-Risk Students

Phone Calls

Phone outreach to at-risk students surprisingly effective at the University of Missouri

Knocking on Doors

Hand-deliver aid warnings to persistent non-responders

Triaging High-Touch Aid Outreach to the Most Risky Cases

Those students most at risk of failing to refile need high-touch, timely outreach. In most instances, identifying at-risk students is not difficult. Most of the well-known existing financial risk factors, such as high levels of unmet need, Pell eligibility, and first-generation status, work well to guide early interventions. The primary challenge in outreach is making contact, which does not always require high-tech, mobile-centric interventions. In fact, some of the most effective outreach methods are the simplest.

Source: Castleman B, Page L, "Freshman Year Financial Aid Nudges: An Experiment to Increase FAFSA Renewal and College Persistence," 2014, *EdPolicyWorks,* http://curry.virginia.edu/uploads/resourceLibrary/29_Freshman_Year_Financial_Aid_Nudges.pdf, EAB interviews and analysis.

Practice 4: Targeted Continuing Student Outreach

At-Risk Outreach: Low-Tech Methods Provide Surprising Returns

At-Risk Students Difficult to Reach, Require Personal Touch

Students with high levels of unmet need and low incomes are the least likely to seek help from the financial aid office. These students are also disproportionately likely to work outside the institution and live off-campus, making them more difficult to reach, especially through email. The most successful interventions rely on low-tech means that establish direct personal contact.

Effective Low-Tech Strategies for Reaching At-Risk Students

Targeted Phone Campaign

- **Phone outreach:** Called Pell-eligible students to remind/assist them with FAFSA re-filing
- **Surprising results:** Randomized control trial showed phone calls increased refile rates among Pell-eligible students

8 percentage point increase in share of students refiling by priority deadline

In-Person Aid Reminder

- **Partnering with student affairs to extend reach:** Financial aid staff prepared warning letters; RAs hand-deliver letters to students in dorm rooms
- **Useful for multiple class levels:** Effective for freshmen or on-campus upperclassmen

100% connection rate

13% overall increase in submitted FAFSAs by February 2015

Two Simple but Effective Means of Reaching At-Risk Students

1. **Targeted phone campaigns:** The University of Missouri determined that a simple phone call can be a surprisingly effective form of financial aid outreach to Pell-eligible students.
2. **In-Person Aid Reminder:** Colorado State University had resident assistants hand-deliver letters from the financial aid office to the most difficult to reach students. The tactic was effective with freshmen, reaching all of its at-risk students. The approach can be customized for upper division students less likely to live in residence halls by using Greek life or student activities personnel.

Source: EAB interviews and analysis.

Practice 5: Continuing Student Merit Award

Targeted Grant Assists Continuing Students, Can Be Financed Affordably

Additional Grants to Continuing Students Necessary Even if Students Complete FAFSA

Even if students maintain their federal and state aid, many students face unexpected financial crises that can cause financial attrition. Others may simply feel overwhelmed by the workload required to maintain their personal payments. Most institutions employ a lengthy appeals process to reassess need, but some are now testing small, targeted grant programs to provide additional aid to needier continuing students proactively. These grants both reduce a student's bill and increase student morale by demonstrating the institution's commitment to success.

A False Dichotomy in Financial Aid

Increasing freshman aid budget to remain competitive

Reducing financial attrition among continuing students

Creating a Sustainable Continuing Student Grant

1. Leveraging Existing Underutilized Funds
2. Small Awards, Large Returns
3. Rewarding Proven Merit to Maximize Impact

EAB's Three Principles for Affordably Funding Continuing Student Retention Grants

1. **Leveraging existing underutilized funds:** Administrators can reallocate unspent endowed funds and aid freed up by stop-outs to returning students to encourage persistence without increasing the total aid budget.
2. **Small awards, large returns:** Initial experimental findings at several contact institutions indicate that grant aid given to continuing students yields an outsized retention impact. Because continuing students are already enrolled and the costs of leaving school midway are high, a small grant can encourage students to continue.
3. **Rewarding proven merit to maximize impact:** Target grants to financially at-risk students with high demonstrated performance. This generates high ROI by targeting students who are highly likely to graduate with financial assistance, but highly likely to stop out without.

Source: EAB interviews and analysis.

Practice 5: Continuing Student Merit Award

Merit Grant Triages Scarce Funds to High-Achieving, Needy Students

Allocating Grant Funds to At-Risk Students with Demonstrated Academic Ability

Using a nominal merit grant to show institutional commitment is common in freshmen recruitment, but can also apply to retaining continuing students. Seattle University (SU) began a retention grant program in fall 2014 that directs limited aid resources to high-need, high-potential freshmen based on academic performance during their first year. The grant satisfies the triple mission of helping the neediest students, prioritizing the highest-achieving students, and limiting financial outlays.

Overview of Seattle University's Continuing Student Merit Grant

Target At-Risk Freshmen

- Merit grants (≈5% of list price) offered to at-risk freshmen
- Pell-eligible, non-merit students targeted

Links to Demonstrated, Ongoing Performance

- Students must hit 3.25 GPA in first term to receive grant allotment
- Grant begins in second term of first year
- Grant made permanent if total first-year GPA >3.0

Reward Late Bloomers

- Students who miss first-term GPA mark can still receive grant with 3.0 total first-year GPA
- Eligibility criteria (GPA floor, income levels) changed based on aid budget

Balancing Competing Priorities

"We want to be as strategic as we can, as early as we can, and as resource-practical as we can."

Josh Krawczyk
Director of University Retention Initiatives, Seattle University

Triaging Non-financial Support Resources in Addition to Funds

Given that SU lacks the resources to meet full demonstrated need, the goal of the program is to slightly reduce a student's out-of-pocket expenses, incentivize academic performance, and demonstrate commitment. Early notification of the grant builds engagement from the start of term. SU also provides extra advising support to participants, to help meet the GPA requirement.

Calibrating Grant Parameters Based on Available Funds and Institutional Goals

Participants typically do not receive merit aid as freshmen because of insufficiently strong high school records. The high GPA requirement for this scholarship allows students to earn at least some merit aid through demonstrated undergraduate performance rather than their high school record. However, it also limits the number of potential awardees. Institutions can expand or contract the GPA and income requirement parameters based on the size of their aid budget.

Source: EAB interviews and analysis.

Practice 5: Continuing Student Merit Award

Grant Recipients Exhibit Strong Retention Performance Despite Remaining Need

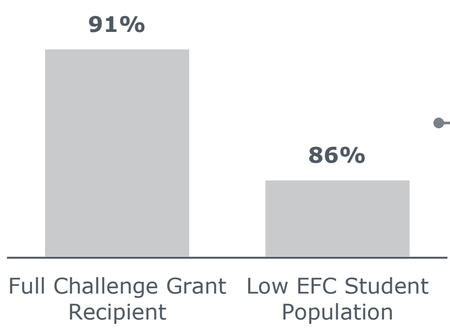
Pilot Drives Strong Retention Results for Students with Academic and Financial Risk Factors

SU's "Challenge Grant" program began in fall 2014 and targeted students who had the weakest academic records upon entry and the greatest financial need—Pell-eligible, non-merit students. The pilot's results suggest that the incentive is helping improve performance by high-risk students. About 40% of the grant contenders met the year-end cumulative 3.0 GPA to earn the permanent grant, representing a fifth of SU's Pell population. Overall, fall-to-fall retention for permanent grant recipients was considerably higher than SU's historical rate for low EFC students.

SEATTLE UNIVERSITY

Grant Recipients' Retention Exceeds Historical Rates for High-Need Students

First-year Retention (Fall-to-Fall) Challenge Grant Recipients (2014-2015) vs. Low EFC Students (2013-2014), Seattle University



40% Share of pilot cohort reaching 3.0 cumulative GPA benchmark and receiving permanent award

Modest Award Size Suggests Unmet Need is Not the Only Factor in Promoting Persistence

Challenge Grant recipients might still exhibit unmet need levels that surpass SU's need cliff. This underscores the effectiveness of the incentive; students can improve their academic performance over what it would have been without the grant, even if the grant does not cover full demonstrated need. The grant may simply foster greater enthusiasm for one's studies, increasing high-need students' willingness to stay in spite of the up-front cost.

Additionally, the personal attention that students receive during the grant marketing process demonstrates SU's commitment and caring, encouraging students who might otherwise stop out to remain.

Source: EAB interviews and analysis.

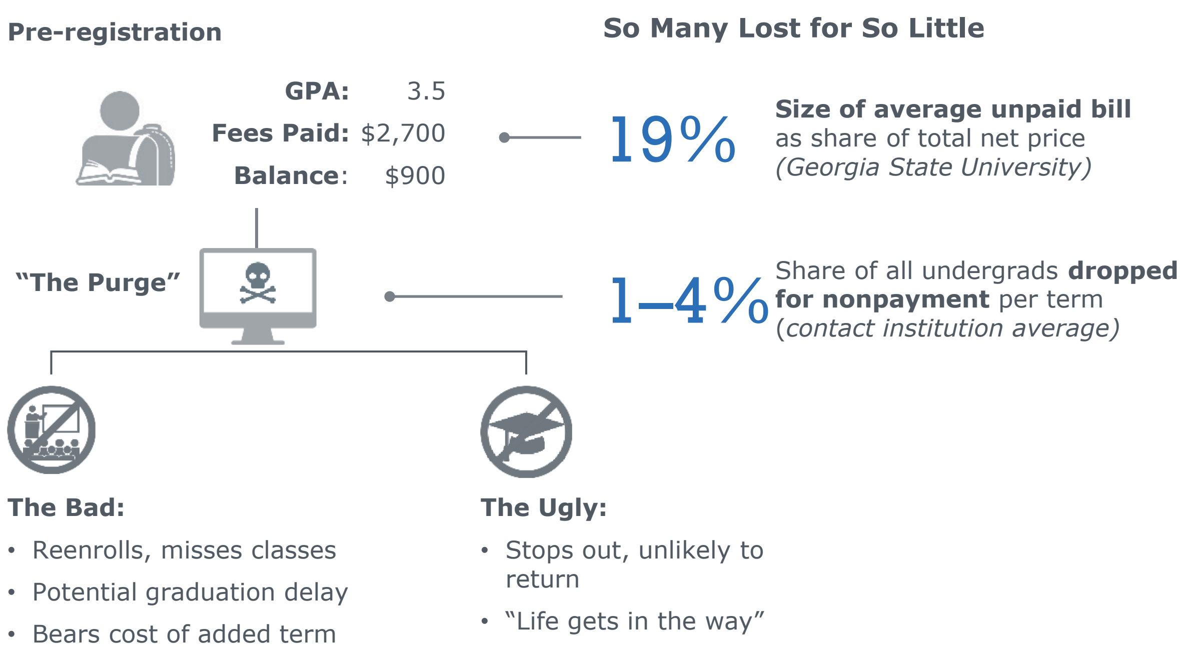
Practice 6: Unpaid Balance Grant

Small Unpaid Balances Hurt Persistence and Graduation Rates

Unpaid Balances Cause Many Students to Stop Out Even if They Can Pay Most of Their Way

Unpaid balances and their administrative consequence, bursar holds, are a constant problem. Even with targeted interventions for continuing students, some will inevitably fall behind on their bill. Although unpaid balances receive little attention in the student success literature, EAB research shown below suggests a small but noticeable share of students stop out every term due to this. This phenomenon is especially troubling given that students can often pay most of their bill; at Georgia State University, for instance, students can typically pay over 80% of their balance.

The Standard Story of Nonpayment



Students Who Stop Out Because of Unpaid Bills Often Do Not Return

Despite the small size of their bills, high-performing at-risk students are blocked from course registration or face the annual "purge" of their course schedules following the payment deadline.

At best, purged students are able to pay their balance and re-enroll in the same semester they left. However, these students will often find that the courses they need are full, delaying on-time completion and prolonging financial burdens should additional semesters be required.

All too often, students purged for unpaid balances never return. In one study of California stop-outs, only 37% of students who left intending to return ever did so.

Source: Terriquez, et al., "California's College Stopouts: The Significance of Financial Barriers to Continuous College Enrollment," UC/ACCORD, *Pathways to Postsecondary Success Policy Reports*, no. 7 (July 2013); EAB interviews and analysis.

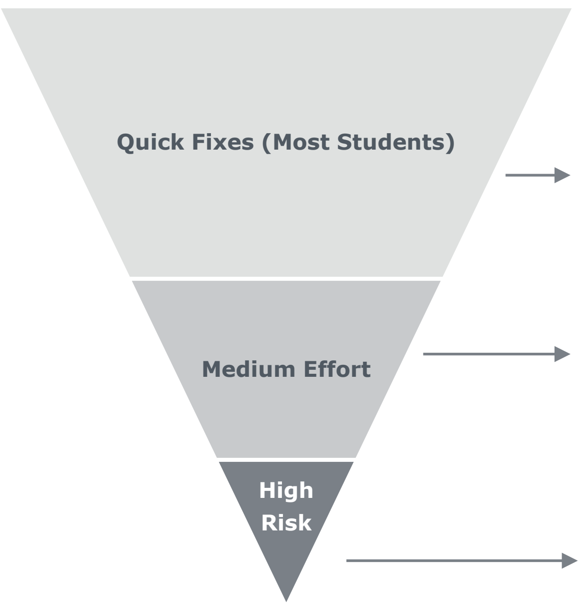
Practice 6: Unpaid Balance Grant

Segmentation of Balances Necessary to Find and Help Likely Stop-Outs

Unpaid Bills Themselves Are Not an Indication of Stop-Out

The existence of an unpaid balance is not, in itself, an indication of financial crisis. Most balances result from procrastination on the student's part or simple unawareness of payment deadlines, and are resolved easily. Other balances may have more complicated causes, such as a student waiting for a payment by a family member or another third party. These students need consultations with financial aid professionals but ultimately will be able to pay their bill.

The Universe of Unpaid Balances



Georgia State University

>15,000 unpaid balances before classes begin

Easy Wins

- Student waited until last minute to pay, unaware of balance
- Resolves immediately with reminder

Close Calls

- Student unaware of balance, has complex problem
- Resolves with parental or professional guidance

Threat to Enrollment

- Insufficient resources to resolve balance
- Student aware of hold, difficult to contact
- Resolves with grant covering part of balance

Balance Forgiveness or Grants to Prevent Highest-Risk Students from Leaving

As in Practice 4: Targeted Continuing Student Outreach, administrators can resolve most balances with outreach and counseling. This leaves only those students who are aware of their bill but are unable to pay it.

The most effective solution is to strategically forgive or "grant away" part of the student's bill. This allows the student to remain in school and on track to graduate while the university still receives most of what is owed.

Nonetheless, balance forgiveness is controversial at many institutions and even illegal in some states. Although the student success and financial case for balance forgiveness is strong, the strategy faces significant political opposition.

Source: EAB interviews and analysis.

Practice 6: Unpaid Balance Grant

Common Objections to Balance Grants Are Misplaced

Administrators Misunderstand Grant Efficacy

Opposition to balance forgiveness often stems from the belief that forgiveness is a net cost to the university. In fact, students can typically pay part of their bill but end up paying nothing if forced to stop out. However, to ensure the practice generates revenue, many grant programs cap balance forgiveness at $2,500.

A more substantive concern is that forgiving balances will encourage students to amass unpaid bills. However, administrators can use student financial data to pinpoint which balances are attributable to genuine financial problems and restrict the number of grants to a single student.

Clarifying Common Misconceptions About Balance Grants

	The Conventional Wisdom:		Insight from EAB Research:
Revenue Implications	• Students will end up attending for free • Waiving balances means lost revenue	→	• Students with balances often can pay most of their bill • Any revenue better than no revenue
Perverse Incentives	Waiving balances will lead to huge increase in handouts	→	Targeted selection process decrease chance of "double dip"
Student Outcomes	Students free to return if their finances improve	→	Only ≈37% of stop-outs ever return on their own (*California*)
Institutional Policy	✖ **Students Must Pay Bills in Full**	→	✔ **Partial Balance Grant**

A Well-Designed Balance Grant Is Superior to the Typical Emergency Fund Approach

In lieu of balance grants, many institutions have an emergency grant or loan program that offers a one-time transfer to needy students. However, most of these programs require students to apply, deterring the most vulnerable; are deliberately hidden to avoid overuse, resulting in underleveraged funds; and are reactive rather than preemptive, such that funds are disbursed too late, potentially prolonging acute financial hardship.

Rather than relying on this emergency fund system, administrators can create a targeted balance grant that minimizes overuse or exploitation while maximizing the number of students helped.

Source: Terriquez, et al., "California's College Stopouts: The Significance of Financial Barriers to Continuous College Enrollment," UC/ACCORD, *Pathways to Postsecondary Success Policy Reports*, no. 7 (July 2013); EAB interviews and analysis.

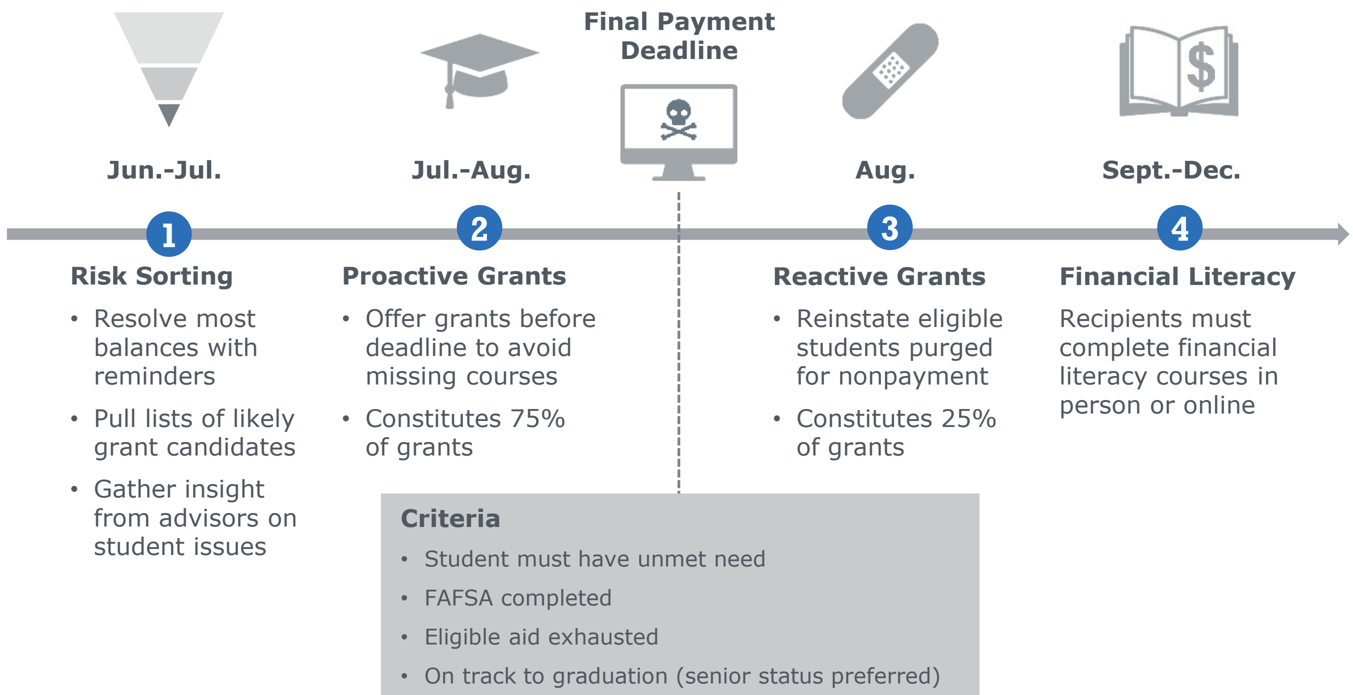
Practice 6: Unpaid Balance Grant

Maximize Retention Impact of Balance Forgiveness via Proactive Targeting

Unpaid Balance Grants Emphasize Speedy Targeting to Avoid Stop-Outs

Georgia State University's (GSU's) Panther Retention Grants proactively targets academically able students likely to be purged for an unpaid balance. The financial aid office identifies financially at-risk students with balances, works with academic advisors to collect background on the students' exact problems, and resolves their balances before the purge deadline.

Overview of Georgia State's Panther Retention Grants



Data-Driven Selection Process, Rigorous Targeting Are Keys to Success

The core of the Panther Grant program is the selection process. Students must satisfy the criteria listed above, which ensure that administrators focus on outstanding balances from students with legitimate financial concerns. To ensure awards go to the students most in need, the financial aid office consults with academic advisors to identify students facing the most hardship. Financial aid staff pull the relevant financial data and work with academic affairs to ensure grant candidates have completed the academic requirements appropriate to their level and major.

GSU makes most grants before the payment deadline in August so students do not lose time to degree, but about 25% of the funds are disbursed after the purge.

Source: EAB interviews and analysis.

Practice 6: Unpaid Balance Grant

Selection Method, Targeting Distinguish Grants from Other Emergency Funds

Panther Grants Secure Thousands of New Completions and Millions in Revenue

The Panther Grant program has seen enormous success, growing to 3,700 grants in 2013-14 from 41 in 2011. Grants have saved millions of dollars in tuition revenue, including the portion a student can pay from his or her current bill, as well as future tuition. Most recipients do not require additional awards and graduate within two semesters, reflecting GSU's effective targeting mechanism and its focus on seniors.

Key Principles for a Successful Grant Program

1 Collaborate with Academic Affairs

- Academics and financial aid cooperate on selection, ensuring students are needy and on track to completion
- Leverages academic advisors' student knowledge

2 Prioritize Eligible Seniors

- Ensures highest impact in degree completion-per-grant terms
- Limits chance recipients will need another grant

3 Forgo Student Applications

- Allows grants to follow institutional priorities, such as maximizing completions
- Limits chance students can game the system

Increases Revenue and Completions, Little Evidence of Double Dipping

Georgia State University

$3M
Net-tuition revenue preserved since 2011

70%
Graduate within two semesters

20%
Require additional awards

Three Principles for Implementing an Unpaid Balance Grant Program

1. **Collaborate with academic affairs** to collect additional information on potential grant candidates and ensures the neediest students receive aid.
2. **Prioritize eligible seniors** who are on track to graduation to maximize the chance that each grant will generate a completion while minimizing the chance of a second award. Institutions should align awarding criteria with institutional goals, such as maximizing completions, lifetime revenue, or diversity.
3. **Forgo student applications** to prevent students from gaming the grant allocation system.

Source: EAB interviews and analysis.

Key Takeaways from this Section

Our Insights on Reducing Financial Attrition Risk for Continuing Students

1 An unmet need cliff is a powerful attrition indicator

- Attrition risk generally increases with unmet need but may rise sharply after a certain unmet need level ("need cliff")
- Unmet need may indicate nonfinancial as well as financial risk, is an effective indicator for identifying students for extra support

2 Ensure students re-file for aid after freshman year

- Over 25% of students who file FAFSA in freshman year fail to refile as sophomores
- Students who fail to refile FAFSA and complete aid process are highly likely to attrit if they re-enroll
- Loss of non-institutional aid puts unnecessary pressure on stretched aid budgets

3 Forgiving small-to-moderate balances is revenue-positive

- Many students with unpaid balances can pay most of their way
- Purging students for nonpayment means immediate and long-term revenue loss
- Risk of students "gaming the system" for additional grants is limited by combining SIS data with qualitative advisor feedback to identify neediest students

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