3 Timely Aid Strategies to Reduce Students' Financial Stress

Just-in-Time Grants and Behavioral Incentives Have an Outsize Impact on Student Success

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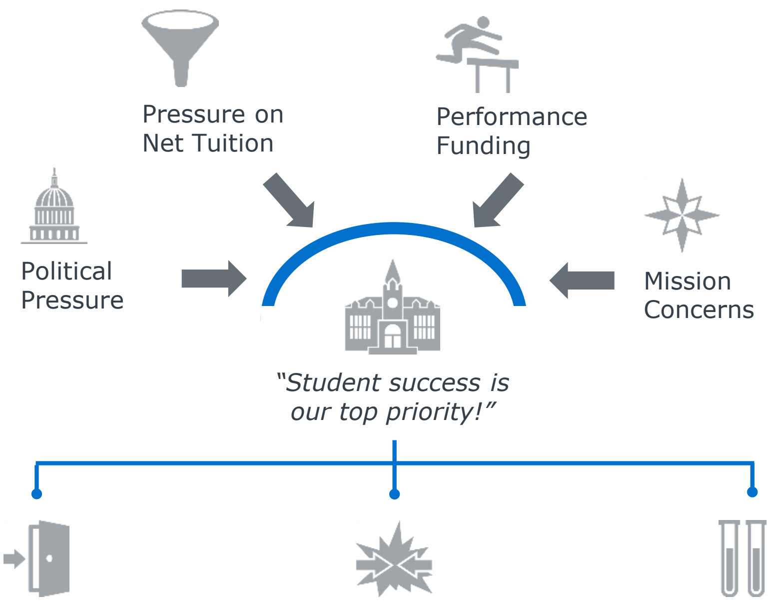
Greater Pressure Than Ever to Improve Success

Student Success Anxiety Universal Across Institution Types, but Details Differ

Administrators across higher education have been calling student success a “top priority” for years, but pressures to improve success are 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 shifting demographics and price sensitivity is also making it crucial that institutions keep every student they recruit.



Open Access

- Politics, performance funding force action
- Vulnerable to competition from more selective institutions

Regional Private

- Pressure to compete on outcomes
- Every tuition dollar counts

Highly Selective Research

- Mission imperative to serve more diverse population of students
- Competition with peer set

Access-focused institutions are increasingly under stress from performance funding formulae 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. Small private colleges that recruit students primarily from within their region must improve retention to counteract flagging freshman enrollments. Some also aim to differentiate by branding themselves around student outcomes. And even with high retention rates, highly selective research-intensive institutions have a mission imperative to more consistently graduate students from historically underrepresented populations, such as first-generation students.

Source: EAB interviews and analysis.

Financial Attrition a Greater Problem Than Ever

Institutional Research Confirming Attrition Risk of High Unmet-Need Levels

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

An Emerging Trend

Exit Survey Responses from Private and Public Universities Cite Financial Reasons for Attrition

University of Washington **75%** increase in financial attrition over 20 years	Seattle University **>50%** of leavers cite finances as one reason
Humboldt State University **#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
>$11K	University of San Francisco
>$9K	The University of New Mexico

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 close to $10,000, while higher-priced privates saw retention drop after unmet need exceeded $25,000. An institution-specific unmet-need cliff provides a clear risk marker to guide additional support to highest-risk students.

Source: EAB interviews and analysis; 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).

Reckoning with the Consequences of Bursar Holds

Holds Meant to Encourage Payment Instead Fuel Attrition

Bursar holds are a common practice used to ensure that students stay on top of accumulating bills from student accounts, parking tickets, and student conduct, among others. Yet oftentimes, these holds block students from registering for courses, catalyzing a series of events that increase attrition rates and decrease the odds that the university will ever collect the missing revenue. Many institutions who complete an audit of their bursar hold practices are surprised to learn the vast number of hold types that can prevent registration and the number of students who are affected.

Stopping Proliferation of Holds

EAB partner schools undergoing strategic review to eliminate obsolete or unhelpful registration holds

University of Colorado, Denver

42 hold types that could prevent registration

Wayne State University

56 hold types that could prevent registration

University of Central Florida Identifies and Resolves Six Common Minor Holds

Hold Type	Cases	Resolution
Student Accounts	1,650	Raise balance threshold from $100 to $500
Housing	150	Raise threshold
Student Health	52	Defer to next term
Parking	29	Defer to next term
Advising Hold	26	Defer to next term
Student Conduct	12	Personal outreach

30% of first-year class impacted by holds

Universities can do more to prevent student attrition triggered by bursar holds, yet a surprising number of universities do little to inform students of financial hurdles prior to registration. Since it is typically parents and families, not students, who monitor bursar statements, students are frequently unaware of an unpaid balance until the moment they are blocked from registering.

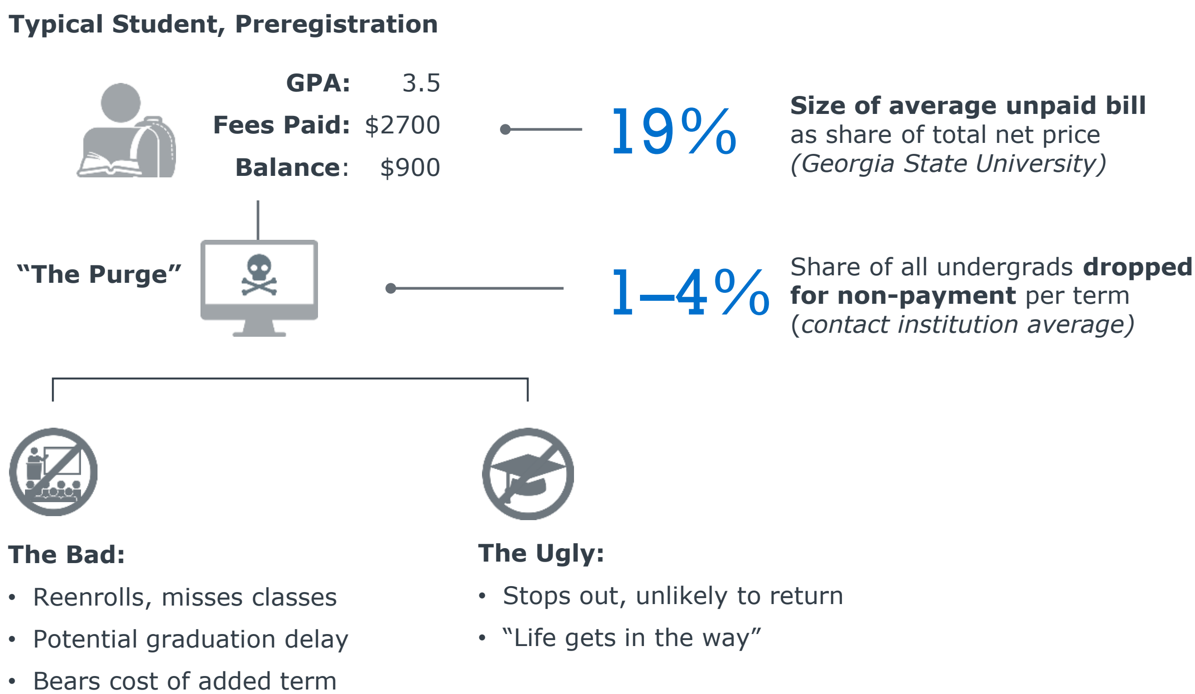
Source: EAB interviews and analysis.

So Many Lost for So Little

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

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 paying their bills. Although unpaid balances receive little attention in the student success literature, a small but notable share of students stops out every term because of an unpaid bill. This phenomenon is especially troubling given that students can often pay most of the bill. For example, an analysis from Georgia State University found that students can typically pay more than 80% of their balance. Yet, unable to pay the last 20%, these students would often forgo registration for the next semester.

The Standard Story of Non-Payment



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 reenroll in the same semester they left. However, these students will often find that the courses they need are already full, delaying on-time completion and prolonging financial burdens should additional semesters be required. All too often, students purged for unpaid balances simply never return. In one study of California stop-outs, only 37% of students who left school intending to return ever did so.

Source: Terriquez, Gurantz, and Gomez, "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.

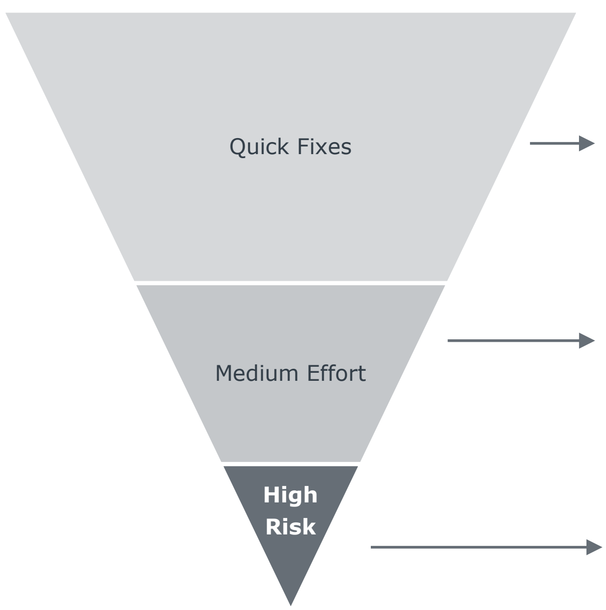
Easy Fixes for Most Unpaid Balances

Students with Significant Outstanding Need Constitute Small Portion of Holds

Administrators at Georgia State University analyzed unpaid balances and found that more than 15,000 students had bursar holds. In many of these cases, 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.

15,000+
unpaid balances before classes begin

The Universe of Unpaid Balances



Easy Wins (Most Students)

- 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

Attrition Risks (Fewest Students)

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

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.

Forgiving Balances Without Breaking the Bank

Targeted Partial-Balance Grants Ensure Financial Viability of Aid Programs

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. To ensure that balance forgiveness generates net revenue for the institution, 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 decreases 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**

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 under-leveraged 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, Gurantz, and Gomez, "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.

Giving Grants When Students Need Them Most

Maximize Retention Impact of Balance Forgiveness via Proactive Targeting

Georgia State University's (GSU's) Panther Retention Grants proactively target grants to 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.

Panther Grants Are Proactively Disbursed to Retain Students

Georgia State University

1 — Jun.-Jul.

Risk Sorting

- Resolve most balances with reminders
- Pull lists of likely grant candidates
- Gather intel from advisors on student issues

2 — Jul.-Aug.

Proactive Grants

- Offer grants before deadline to avoid missing courses
- Constitutes 75% of grants

3 — Final Payment Deadline

4 — Aug.

Reactive Grants

- Reinstate eligible students purged for non-payment
- Constitutes 25% of grants

5 — Sept.-Dec.

Financial Literacy

Recipients must complete financial literacy courses in person or online.

Eligibility Criteria

- Unmet need
- FAFSA completed
- Eligible aid exhausted
- On track to graduate (senior status preferred)

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 who appear to face 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 awards 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.

Outsize Impact from Well-Designed Grant Programs

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 students do not require additional awards and graduate within two semesters, reflecting GSU's effective targeting mechanism and its focus on seniors.

Key Principles of a Successful Grant Program

1. Collaborate with Academic Affairs Offices

- Academics, 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

Increased Revenue and Completions, Little Evidence of Double-Dipping

Georgia State University

$3M
Net tuition revenue preserved since 2011

70%
of students graduate within two semesters

20%
Require additional awards

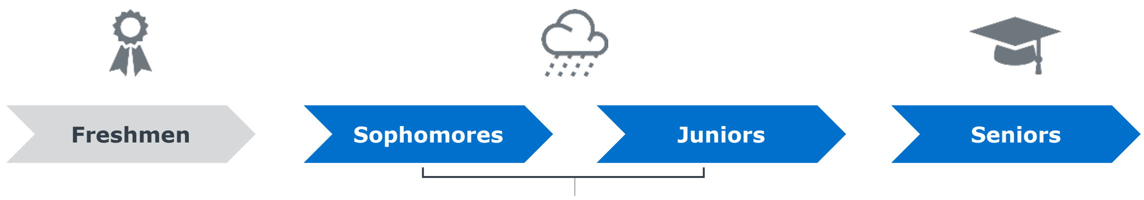
Georgia State identified three principles for effective balance forgiveness programs. First, collaboration with academic affairs offices to collect additional information on potential grant candidates ensures the neediest students receive aid. Second, prioritizing eligible seniors who are on track to graduate maximizes 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, diversity, or other priorities. Finally, Georgia State provides grants directly to students rather than asking students to apply, so that administrators can prioritize students with the most need.

Source: EAB interviews and analysis.

Continuing Students Are Particularly Vulnerable

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

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.



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 freshman 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*
> *Asst. Vice President for Student Services & Retention, Nazareth College*

As students advance toward graduation, financial concerns typically 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” in student engagement, which has been well documented in 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 at risk compared with sophomores or juniors, financial attrition in that population is troubling because of their 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 as possible in student departures.

Source: Stainburn, Samantha, “The Sophomore Slump,” *The New York Times,* November 1, 2013; Venit, Ed, “The Murky Middle,” EAB, January 2015; EAB interviews and analysis.

Continuing Student Merit Award

Targeted Grant Assistants Continuing Students, Can Be Financed Affordably

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. Leverage existing underutilized funds
2. Small awards with large retention returns
3. Reward proven merit to maximize impact

Financially sustainable continuing student grants leverage 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. Though these funding amounts may be comparatively small, initial experimental findings at several contact institutions indicate that even small amounts of grant aid given to continuing students yield an outsize retention impact. Because continuing students are already enrolled and the costs of leaving school midway are high, a small grant can encourage students to persist. Targeting grants to financially at-risk students with high demonstrated performance also generates high return on investment by focusing on students who are highly likely to graduate with financial assistance but highly likely to stop out without it.

Source: EAB interviews and analysis.

Promising Results from Predictive Modeling

Consider Equity, Impact, and ROI When Awarding Emergency Grants

Since Georgia State University has gained notoriety for its Panther Retention Grant program, a number of universities have innovated on the idea to make these microgrants as strategically targeted as possible. Unable to disburse microgrants to all students with financial need, Xavier University completed an analysis to identify the students who would most benefit from microgrants.

Using Predictive Modeling to Prioritize Students for Microgrants

30% of students face financial risk → **20%** of students cannot pay on their own → **10%** of students prioritized for microgrants

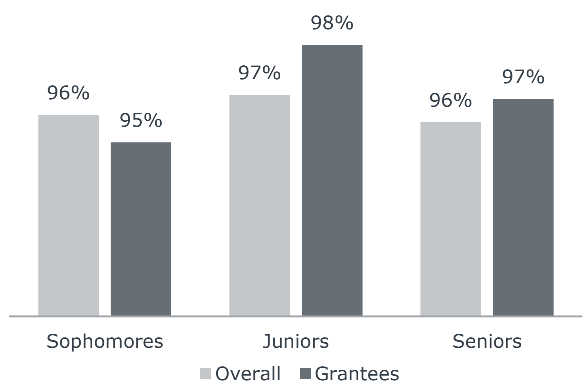
Who Gets Prioritized (and Why)?

1. Underserved Populations (Equity)
2. Smaller Balances (Maximum Impact)
3. High Likelihood of Graduation (ROI)

Financial Risk Included in "Likelihood to Graduate" Calculations

- Progress to degree
- Registration status
- Risk score
- Early-alert notes
- **Financial aid eligibility**
- Entrance scores
- Date of last payment
- Transcript requests
- Email response rate

Grantees Retain On-Pace with Others



At Xavier University, about 30% of students have some sort of financial challenge in any given term. About 20% of students struggle to overcome their financial challenge, but only 10% of students receive microgrants. In response, Xavier does not award the microgrants on a first-come, first-served basis or on the basis of amount of unmet need. Xavier determined that there were three factors on which they wanted to prioritize microgrant disbursement. As a result, students who receive microgrants have higher retention rates than students without holds.

Source: EAB interviews and analysis.

The Limits of Outcomes-Based Incentives

Typical Merit Aid Programs Fail to Give Aid to Students Most in Need

In recent years, colleges and universities have given growing attention to performance-based scholarships, enticed by the assumed benefits of offering incentives for strong academic performance. However, 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.

Traditional aid type	**Traditional Merit Scholarship** Scholarship tied to GPA requirement and SAP	**Graduation Rebates or Guarantees** Students receive cash, free courses for being ready to graduate in four years	**State Performance-Based Scholarships** $2–4K 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 inventivized • May not address all financial need

One of merit aid's primary limitations is that it incentivizes outcomes (GPA), not behaviors. This ignores students who may not know which 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 produce some positive results, but because of the lack of specific performance criteria they often do not reach the desired scale or address all financial need.

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.

A Graduation Pledge with Financial Rewards

Temple Scholarship Program Allocates Biggest Investment to Biggest Risks

Successful performance-based scholarships must overcome the main drawbacks of existing aid incentives: rewarding students who were already likely to graduate, 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.

TEMPLE UNIVERSITY

83% of freshman 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–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

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 grants, limiting students' need to take a part-time job off campus.

Students who do not qualify 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; a "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.

Proactive Touchpoints Across the Student Lifecycle

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 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.

TEMPLE UNIVERSITY

Preenrollment	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 advisors 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 to Fly in 4 begins after a prospective student has been accepted. Grants are not included in students' aid packages. Admissions staff first recruit students into the pledge program during yield events and orientation, and then then financial aid administrators assess their eligibility for the scholarship.

Students must complete all academic behavior checkpoints to maintain a 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.

Fulfilling the Graduation Pledge

Scholarship Program Sees Early Success Among Freshmen

Early results from Temple's Fly in 4 program 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** vs. 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 noncognitive indicator of attrition risk**

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.

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.

Filling the Gaps in Traditional Merit Aid

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

Using a nominal merit grant to show institutional commitment is common in freshman recruitment but can also apply to retaining continuing students. Seattle University 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.

SEATTLE UNIVERSITY

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

Given that Seattle University lacks the resources to meet full demonstrated need, the goal of the program is to slightly reduce a student's out-of-pocket expenses and to demonstrate caring and commitment. Early notification of the grant builds engagement from the start of term. However, the university provides additional advising support to participants, to help meet the GPA requirement.

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.

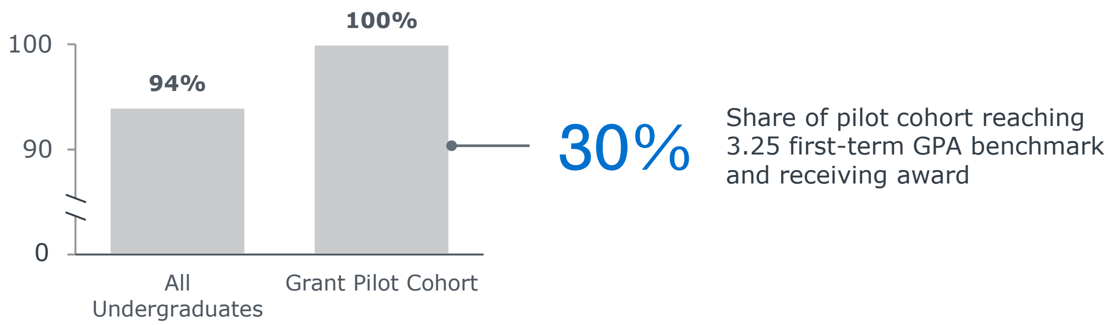
Setting Expectations Even for Non-Recipients

Early Results Suggest Prospect of Grant Itself Incentivizes Greater Efforts

Although Seattle University's program began in fall 2014, early results from its first term suggest that it may improve retention both for grant recipients *and* non-recipients. Only about 30% of students in the pilot cohort actually met the required first-term GPA to earn the grant, but all of the students in the cohort retained from fall to spring. Overall, fall-spring retention in the grant cohort was considerably higher than for Seattle University's general population.

Grant Recipients Retain at Strong Rates Despite Weak Grant Performance

First-year Retention (Fall to Spring) Overall vs. Challenge Grant Recipients, Seattle University, 2014–2015



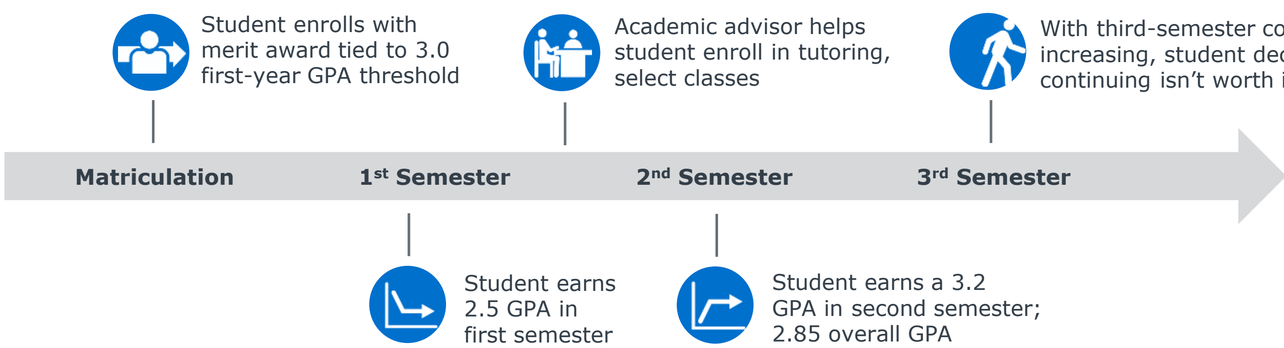
While it is unclear why the cohort's performance exceeded the general population given the relatively small share of students receiving the grant, two possible scenarios may explain this result. First, the incentive may work; students might improve their academic performance in an attempt to qualify for the grant, even if they do not actually meet the 3.25 benchmark. Second, the personal attention that students receive during the grant marketing process demonstrates commitment and caring on the administration's part, encouraging students who might otherwise stop out to remain. Seattle University will conduct further research to examine these and other options to determine the precise effects of the grant.

Source: EAB interviews and analysis.

Three Techniques to Mitigate Merit Award Loss

Small Policy Changes Keep Students from Walking Away

One of the major barriers leading to financial attrition is the loss of merit aid. Many universities have a GPA threshold for the maintenance of merit awards, often a 3.0. This usually kicks in after the first year, such that if a student doesn't maintain the 3.0 over the course of their first year, they lose their merit aid in the second year. Though common, this approach to merit aid has many pitfalls. For example, a student who earns a 2.5 GPA in the first semester may be dedicated to improvement in the second semester, earning a 3.2 GPA. However, their combined GPA is still below 3.0, meaning they will lose access to their aid in the following year. Many students who lose their aid stop out or enroll elsewhere.



Need-Merit Swap

American University, Washington, DC

Substitute need aid for merit aid whenever possible if a student loses merit eligibility.

2-Yr GPA Threshold Swap

NOVA Southeastern University

Set the GPA threshold for two years rather than one so that students who struggle with the transition to college have time to course-correct.

SAP as Threshold

Susquehanna University

Set the threshold for maintenance of merit aid at satisfactory academic progress (SAP), rather than GPA, since that's what matters most.

A number of universities recognize that these thresholds unnecessarily depress retention, so they have found creative solutions. At American University, before increasing the net price, the university will see if it is possible to back-fill the lost merit award with need-based grant aid. NOVA Southeastern does not set the GPA threshold until year two so that it is easier for students to course-correct if they have a challenging transition to college. At Susquehanna, the threshold for maintaining a merit award is simply satisfactory academic progress toward on-time graduation.

Source: EAB interviews and analysis.

Depleting the Already Depleted

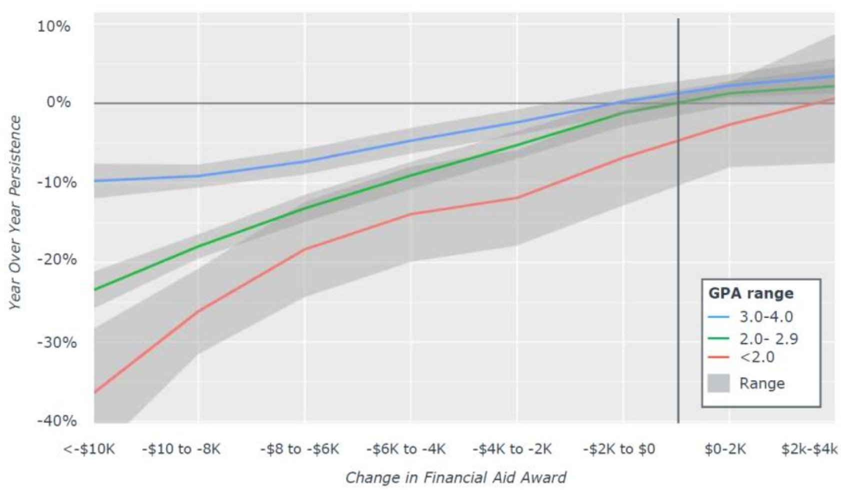
Across all GPA Bands, Students Who Lose Aid Are Less Likely to Persist

Receiving a failing grade in a course is already discouraging, and the impact is significantly more damaging if students also risk losing financial aid. Data from EAB's Student Success Collaborative demonstrates the influence of financial aid on retention. The decrease in rate of persistence is correlated with the amount of aid lost by students, resulting in a sharp retention decline as more aid is lost.

One private institution in the Northeast saw 18% of its first-year class lose its GPA-dependent scholarships. At another institution, our research found that 30% of students receiving a 3.0 GPA-dependent scholarship lost the scholarship every year. The retention rate for these students was very low. The institution dropped the GPA requirement for financial aid to 2.75 and now expects to lose only 12% of students per year as a result.

Diminishing Aid, Diminishing Retention

Next-Year Persistence Rates by GPA Range and Change in Financial Aid Award[1]



Institutional, GPA-Dependent Aid Can Be a Double-Edged Sword

18%
Proportion of first-year students who lose GPA-restricted scholarships at three public universities[2]

$1,000
Average amount of institutional grant aid students at private colleges lost between first and senior year 2011–12

19
Percentage-point increase in proportion of student costs covered by Gates Millennium Scholars Program from first year to sophomore year[3]

1. Findings from EAB analysis of data at three large public universities.
2. Private university in the Northeast.
3. Attributed to change in financial aid from first to second year.

Source: Rochelle Sharpe, "Why Upperclassmen Lose Financial Aid," *The New York Times,* April 6, 2016; EAB interviews and analysis.

A Plan to Keep HOPE Alive

Academic, Personal, and Financial Intervention Lets Students Course-Correct

Georgia State uses an innovative approach to support students who lose scholarship aid. The state of Georgia offers the HOPE scholarship, which has a 3.0 GPA cutoff. Administrators at Georgia State identify students whose GPAs are between 2.75 and 2.99, particularly sophomores, and invite them to participate in the Keep HOPE Alive program, a collaboration between the Office for Undergraduate Studies, Advising, and Academic Coaching.

Improving Outcomes for HOPE Regainers and All Participants

20.2

Percentage-point improvement in 6-year graduation rate of participants, even for students who never regain

55%

of participants regained the HOPE scholarship by the next year (2011–2015)

370+

Students served since 2009

1. Target first-year students with GPA between 2.75 and 2.99, just below 3.0 cutoff for HOPE
2. Students create an academic recovery plan, including use of academic and financial literacy services and taking 30 credits
3. Receive a $1,000 scholarship to aid in completion of requirements ($500 per term)
4. Regularly meet with success coach for financial and personal guidance before reapplication for HOPE

Students who are accepted into the program get a $1,000 scholarship that is tied to specific outcomes and goals. Students have to take 30 credit hours, meet with academic coaching, receive financial counseling, and attend student success workshops. Before this program, graduation rates for the population of students losing the scholarship were 20%, about 40 points lower than for those who maintain their HOPE scholarship. Only 9% of students ever regained the scholarship once lost. Now, since implementing the Keep HOPE Alive program, 55% of students regain the scholarship, and retention rates are back up to 75%, with graduation rates up to 60%.

Staff members at Georgia State know that the funding itself is important, but they also tout the benefits of the extra support that students receive. The program is also a relatively light lift to finance, because it is attractive to donors and can even pay for itself with retention gains.

Source: Tim Renick; "Four Strategies for Supporting Low-Income Students," Student Financial Success Conference at Georgia State University, May 30, 2018; Georgia State University, Keep HOPE Alive; Complete College Georgia, "Georgia State 2016 Financial Aid Interventions"; Martin Kurzweil and D. Derek Wu, "Building a Pathway to Student Success at Georgia State University," *Ithaka S+R*, April 23, 2015; Georgia State University, "Keeping HOPE Alive," Georgia State University Giving, September 26, 2012.

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