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Aid Like A Paycheck
Incremental Aid to Promote Student Success

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Can financial aid programs do more to help low-income college students achieve academic success and complete their degrees? This brief describes Aid Like A Paycheck, a promising pilot program that distributes financial aid every other week to help students progress academically and better manage their money. The program relies on existing financial aid dollars, primarily Pell Grants, but seeks to use them more effectively. Aid Like A Paycheck has been successfully pilot-tested at two institutions, where implementation was relatively straightforward and the policy was well received by college staff and students. The early outcomes from the pilot make the case for expanding the program and testing it rigorously on a larger scale.

In the 2011-2012 award year, the federal government provided over $33 billion in Pell Grants to nearly 9.5 million low- and middle-income students.[1] Yet too many of these students do not succeed academically. More than a third of students who enroll in college do not earn a degree and are not enrolled in any postsecondary institution six years later; at community colleges, the fraction is close to half.[2] Many factors hinder students from completing college, and financial concerns are a major component. Even if they receive federal and state financial aid, often it is not sufficient to meet their needs. Financial burdens often drive students to work too many hours while in school, forcing them to cut back on study time or drop classes; some students drop out altogether.[3]

In 2009, MDRC and The Institute for College Access & Success (TICAS) launched the Aid Like A Paycheck project based on a simple, yet potentially transformative, idea: after tuition and fees have been paid to a college, disburse the remaining financial aid to students evenly throughout the term — like a paycheck. The goals of the program are to help students achieve a good balance between time in work and school, and think about school as a job where regular attendance and meaningful effort are rewarded. The theory is that payments every other week will help students manage their money more effectively and will enable them to make choices that will ultimately lead to positive academic outcomes, including higher rates of persistence in school, credit accumulation, and ultimately credential and degree attainment.

Aid Like A Paycheck might also hold promise for making financial aid programs — whether federal, state, or private — more cost-effective for both students and colleges. It would do so by ensuring that aid is distributed to students while they maintain their enrollment, thereby reducing the likelihood that students who leave college before the end of term would be required to pay it back.

While financial aid is critical to college access, with Aid Like A Paycheck the Pell Grant and other financial aid programs could powerfully influence not just access but also success for more than two million students annually.[4,5] In August 2013, the president included incremental aid disbursement as part of his proposal to make college more affordable.[6]

A CLOSER LOOK AT AID LIKE A PAYCHECK

In standard financial aid practice, a college applies a student's financial aid award towards tuition and fees, and then disburses any remaining money to the student in the form of a financial aid refund. (See Box 1.) Although the exact frequency varies from college to college, most disburse the refund in one or two lump sums in a term. Research shows that lump sum payments do not tend to last, however, so this standard method of financial aid disbursement may not fully help students cover living and school-related expenses over the course of the term.[7] Moreover, a student who receives all of his or her refund and then withdraws from all classes before completing at least 60 percent of the term may be required to pay back part of the amount.[8] If the student fails to do so, the college must bear the cost, and the student may not be allowed to reenroll until he or she settles the debt with the college.

In contrast with lump sum refunds, Aid Like A Paycheck generates disbursements every other week. (See Box 2 for a comparison between lump sum disbursement methods and Aid Like A Paycheck.) This should help students stay financially stable and promote their success throughout the term. This may happen in several ways. First, the program seeks to address poor financial management, which can force students to increase work hours or drop classes late in the semester in order to address financial needs. Second, the biweekly checks may reinforce positive student behavior — in this case, by giving students a prompt to stay enrolled in college in order to receive all of their financial aid. In some instances this method would put money in the hands of students earlier then they would otherwise receive it. Aid Like A Paycheck may also reduce the need for colleges to recoup funds from students who have dropped out — and in turn reduce the number of students who are unable to reenroll because of their inability to repay their colleges.

Importantly, Aid Like A Paycheck clearly fits within the Department of Education regulations that allow any college to "pay a student at such times and in such installments as it determines will best meet the student's needs."[9] For Aid Like A Paycheck to apply, a student must have sufficient aid, after tuition and fees are paid and books are purchased, to generate a refund that can be split into biweekly checks. In collaboration with the pilot colleges, MDRC estimated that the minimum refund needed to make Aid Like A Paycheck meaningful for students was $800 per term, or $1,600 per academic year, which translated into eight biweekly checks of at least $100 over a 16-week term.

The Origins and Implications of Aid Like A Paycheck

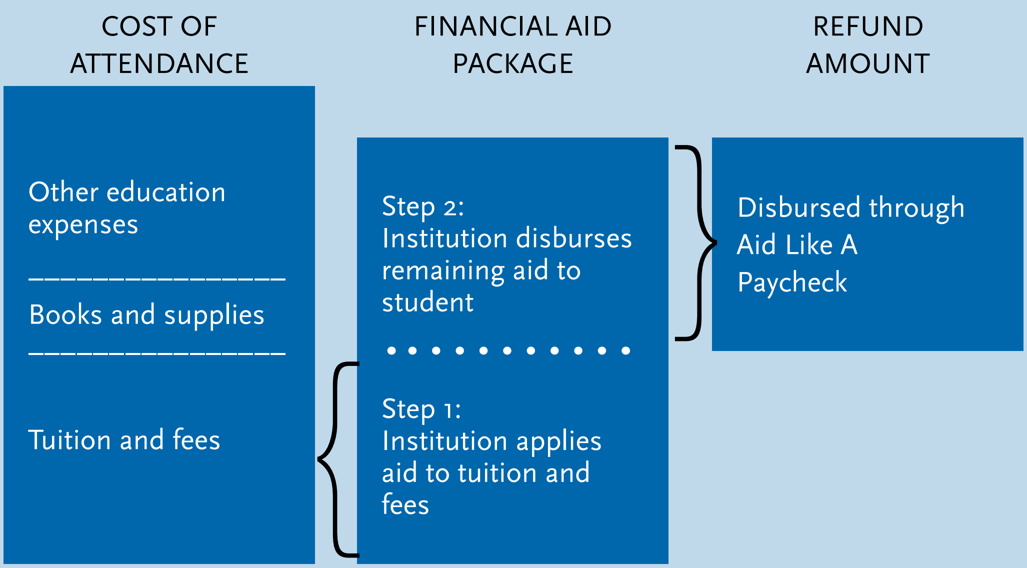
In 2007, TICAS assessed the financial aid services that students at California's community colleges receive and used the findings to encourage colleges to consider how their administrative and operational decisions could help or hinder students' access to financial aid and the likelihood of academic success.[10] TICAS developed the Aid Like A Paycheck concept as part of its continued exploration of these issues and to investigate how the administration of financial aid itself can influence student outcomes. In 2009, with support from the Bill & Melinda Gates Foundation, MDRC began collaborating with TICAS to refine Aid Like A Paycheck and implement pilot studies at several colleges.

Aid Like A Paycheck builds on MDRC's other financial aid research focused on modifying financial aid to help community college students achieve better academic outcomes, including higher rates of persistence in school and degree completion. In 2008, MDRC launched

BOX 1. CALCULATING A STUDENT'S FINANCIAL AID REFUND

To apply for both federal and state financial aid, a student fills out the U.S. Department of Education's Free Application for Federal Student Aid (FAFSA). The information contained in the FAFSA includes self-reported data on income, assets, family size, and other items that affect a student's ability to pay for higher education. Based on the student's Expected Family Contribution (estimated from the FAFSA), year in school, enrollment status, and cost of attendance, an institution's financial aid office determines the amount of monetary assistance the student will receive (the student's financial aid package). The financial aid may come from several different sources including a federal Pell Grant, loans, work-study, and state, local, and institutional aid.* However, the total package may not cover all costs, resulting in unmet need. As the figure below shows, the total cost of attendance is composed of three main elements.

Before disbursing financial aid directly to students, the college applies the aid towards the student's tuition and fees (Step 1 below). The college then provides any remaining money to the student in the form of a financial aid refund (Step 2).



NOTES
Federal requirements refer to the amount of student aid that exceeds allowable charges by an institution as a "credit balance"; school administrators typically refer to this amount as the financial aid refund.

*For more detail on calculating a financial aid package, see U.S. Department of Education, Office of Federal Student Aid (2013).

the national Performance-Based Scholarship (PBS) Demonstration, seeking to evaluate whether performance-based scholarships can accomplish these goals. Performance-based scholarships are need-based grants paid directly to students if they meet specific benchmarks (such as maintaining a 2.0 grade point average), and paid *in addition* to other aid. The hypothesis behind them is that by making additional financial aid conditional, the scholarships give students an incentive to perform better in their classes in the short term, ultimately leading to long-term gains. Preliminary results from the PBS Demonstration show modest but positive effects on important markers of academic progress, including increases in credits earned and in students' abilities to meet end-of-term benchmarks. Impacts grew for students in their second term with the program.[11]

Aid Like A Paycheck also incorporates an incentive structure, but seeks to generate benefits for students using *existing* funds and sources of financial aid. Because Aid Like A Paycheck does

BOX 2. AID LIKE A PAYCHECK IN PRACTICE

As described in Box 1, when a student receives financial aid in an amount greater than tuition and fees, the college provides the remaining money to the student in the form of a financial aid refund. Colleges typically make these refund payments in one or two lump sums during a term. In addition, federal regulations require the institution to make a sufficient portion of the refund available within the first week of the term for the student to purchase books and supplies, as indicated in the 1st Week column in the figure below.

Below are four disbursement methods, including Aid Like A Paycheck, that a college might use to provide a student with his or her refund.* The refund amount in the example assumes the student is attending full time (12 or more credits) and is receiving a maximum Pell Grant ($2,775 per term), in addition to other grants that cover the full cost of tuition and fees. This means that the student's financial aid refund includes the full Pell Grant amount.†

	1ST WEEK OF TERM: CREDIT/ DISBURSEMENT FOR BOOKS AND SUPPLIES	2ND WEEK	4TH WEEK	6TH WEEK	8TH WEEK	10TH WEEK	12TH WEEK	14TH WEEK	16TH WEEK	TOTAL
DISBURSEMENT EXAMPLE A	$400	$2,375	—	—	—	—	—	—	—	$2,775
DISBURSEMENT EXAMPLE B	$400	—	—	—	—	$2,375	—	—	—	$2,775
DISBURSEMENT EXAMPLE C	$1,388	—	—	—	—	$1,387	—	—	—	$2,775
AID LIKE A PAYCHECK	$400	$297	$297	$297	$297	$297	$297	$297	$296	$2,775

NOTES
*The disbursement examples in the chart are common at many colleges where tuition and fees are low or state aid is available. No national data available indicate which disbursement schedules are most common.
†The total amount of the financial aid refund could be larger or smaller depending on the student's financial need and the types of financial aid that make up the student's financial aid package. Students would receive the entire Pell Grant amount as a refund (as above) in cases where the state or local aid amount is enough to cover tuition and fees.

not increase a student's overall financial aid, it cannot help him or her meet financial obligations beyond the available resources. Yet because the program would be sustained as long as a student receives financial aid, even small positive impacts on student outcomes should accumulate steadily over time rather than dissipate, as is the case with many short-term interventions.

Promising Findings from the Pilot

Aid Like A Paycheck has been successfully implemented on a small scale at two colleges: Mt. San Antonio College (Mt. SAC) in southern California, with a full-time enrollment of approximately 20,500 students, and Triton College just outside Chicago, with approximately 9,100.[12] The initial phase of the project sought to answer three key questions:

1. Could Aid Like A Paycheck be implemented at the colleges?

2. Do students and administrators believe the intervention is worthwhile?

3. Are there early indications that the intervention supports students' positive academic behaviors?

Mt. SAC began providing Aid Like A Paycheck to students in the fall of 2010. The low cost of tuition at California community colleges ($780 for a full-time student in 2010-2011) made Mt. SAC an ideal site to begin implementation: its lower-income students typically receive large financial aid refunds.[13] As shown in Box 2, full-time students receiving a waiver to cover their fees could receive a refund of their entire $5,500 Pell Grant, less any money used to cover books and supplies.[14] Since 2010, Mt. SAC has provided biweekly payments to just over 200 students. After a successful start at Mt. SAC, MDRC expanded Aid Like A Paycheck to Triton College, where close to 150 full-time and part-time students have participated since 2011.

Across both sites, the implementation of Aid Like A Paycheck has been relatively straightforward, with colleges incorporating the model into their current disbursement practices, adjusting internal programming and procedures as needed, and distributing checks on time and in the correct amounts. While $100 was the minimum threshold for a biweekly disbursement, students typically received checks ranging from around $125 to $350. As students enrolled for more or fewer credits, colleges could adjust disbursements based on students' new eligibility.[15] Pilot colleges have offered hardship exemptions to students who demonstrated the need to switch to a lump sum payment in order to cover unexpected financial needs. A small number of students requested these, generally to cover large, one-time expenses such as a car repair or other bills.

"Aid Like A Paycheck ... helped ease our burden, focus on school and not so much on work. That way we can get ahead faster, work on school and not have to worry about anything else going on in our lives."

Each semester, adjustments have been made to improve implementation. Most notably, a series of optional online modules were developed to provide students with detailed information regarding the goals of Aid Like A Paycheck, budgeting and money management, and how to borrow wisely. Students were e-mailed links to and information about the modules throughout the semester at intervals that corresponded with the biweekly check disbursements.

While work continues to be done to refine the modules and the intervention, overall indicators from the pilot show that Aid Like A Paycheck has been well received by college staff and students, with students' responses and enthusiasm generally exceeding expectations. In keeping with the theory of change, when asked to describe their experience with Aid Like A Paycheck, students said that being in the program helped them to spend their money wisely, decrease work hours, and focus on their studies.

NEXT STEPS

Aid Like A Paycheck can contribute much to current national conversations about financial aid. Working with existing financial aid, Aid Like A Paycheck has the potential to affect more than two million students annually, if shown to have a positive effect on student success — about half of the more than three million Pell Grant recipients at community colleges plus additional students at public four-year institutions and private colleges. It could also have implications for state policy in places where a significant amount of state aid is disbursed directly to students.

Students affected by Aid Like A Paycheck would tend to be those who have the largest financial needs, attend school full time, or attend community colleges. Students at higher-cost private or public four-year institutions may be less likely to receive financial aid refunds and be affected by the policy. Some students with financial need attending these types of institutions could still benefit, however, particularly in states with higher levels of state or institutional aid that could be used to cover a student's tuition and fees. A review of state aid and college costs suggests several states that might have a large proportion of students who receive financial aid refunds sufficient for biweekly disbursements, including California, Illinois, Texas, Michigan, and North Carolina.

However, further research needs to be conducted to evaluate the trade-offs between Aid Like A Paycheck and the current methods of financial aid distribution, and the impact on each stakeholder in the aid process: students, colleges, states, and the federal government. It is reasonable to assume that no intervention would be entirely without costs for all parties. Further research may provide insight into whether Aid Like A Paycheck better supports access and success without placing an undue burden on students, or on an already complicated financial aid system.

The program is also relatively new and has yet to be tested on a large scale. MDRC is considering the following important questions as the idea gains national attention.

Can Aid Like A Paycheck Be Implemented on a Large Scale?

The program at the pilot colleges has been offered only to a relatively small number of students. For Aid Like A Paycheck to be expanded at these colleges, or to other colleges, it will be important to build support and share information broadly among students, faculty, and staff. While financial aid offices will take the lead in implementation, information technology (IT) and student accounts departments also play an important role: the financial management and payment systems at the pilot colleges have been only partially automated and currently require manual efforts to ensure that payments are timely and accurate. If the number of disbursements is to be increased, ultimately these systems must be modified to shift the burden of handling them to computer systems rather than line staff in financial aid or student accounts departments. Putting procedures in place to automate the payments and communicate the program to students, faculty, and staff should reduce the implementation burden over time.

How Does Aid Like A Paycheck Interact with Students' Continued Eligibility and Receipt of Financial Aid?

Increasingly, institutions are looking for ways to ensure that students receiving financial aid are in school and meeting their academic obligations. At the same time, many practitioners and stakeholders are wary of stricter enforcement efforts that may unnecessarily reduce the amount of aid available to students and institutions. Aid Like A Paycheck may offer an opportunity for institutions to align financial aid with students' eligibility in a way that is beneficial to both students and the college.

As mentioned above, when students receiving financial aid withdraw from their classes before completing 60 percent of the term, colleges can be required to return funds to the Department of Education (referred to as Return to Title IV, or "R2T4"). In turn the colleges seek to recover these funds from students, and students who fail to pay may be denied future enrollment or have their debts turned over to a collection agency. College policies may also require students to return additional funds to the institution, separate from the amount returned to the federal government. Some colleges hold students' refund disbursements until later points in the semester, which may reduce how often money has to be repaid — and how much — but that can delay students from gaining access to money they need. Aid Like A Paycheck may offer an efficient alternative that ensures students receive funds throughout the term, while avoiding early overpayments. With biweekly payments, if a student withdraws a college can adjust or stop the student's payments for the remainder of the semester, decreasing the risk to students and colleges of needing to return or recoup funds.

MDRC will monitor these efficiencies and trade-offs by tracking the refunds to students who receive their aid biweekly compared with those to students who receive lump sum payments, and by tracking the Returns to Title IV under each system.

With clear communication about eligibility criteria, biweekly payments may also help raise students' awareness and ability to meet existing satisfactory academic progress (SAP) requirements.[16] While Aid Like A Paycheck should not affect SAP policies or their enforcement, aligning biweekly payments with enrollment may help students view their financial aid as linked to enrollment and progress at the college.

How Can Colleges Ensure That Aid Like A Paycheck Does Not Create Financial Hardship?

By spreading out financial aid refunds into biweekly payments, Aid Like A Paycheck could potentially exacerbate students' financial difficulties. During the early pilot phase, colleges offered hardship exemptions to students who demonstrated the need to switch to a lump sum payment in order to cover large, unexpected financial needs. The colleges and MDRC have closely monitored these student requests for exemptions, however, and have found that they are relatively rare. Most students do not appear to be experiencing additional hardships as a result of Aid Like A Paycheck. As the pilot evolves and less student choice is granted, MDRC is continuing to monitor exemption requests and college procedures with the goal of creating a policy most likely to reduce students' financial stress.

Can Loans Be Disbursed Like A Paycheck?

Triton College has offered students the option of biweekly disbursements of federal student loans, and a few students opted to receive their loans in this manner. Triton has relatively few students who receive loans, however, so the number of students receiving biweekly loan payments is also small. The theory with loans is similar to that for other aid disbursement, but with loans there is the additional consideration that the biweekly disbursements may directly influence students' borrowing behavior and debt accumulation. Because the payments are spread throughout the term and may improve students' money management, students may realize midterm that they do not need the total loan disbursement. They could reduce or stop their loans at any time, thus limiting the amount of debt they accumulate. Alternatively, smaller, more frequent disbursements could feel less substantial to students, leading them to allow debt to accumulate gradually without being aware of the rising total.

How Could Aid Like A Paycheck Be Combined with Other Campus Efforts?

Aid Like A Paycheck could be combined with other strategies to enhance student success, potentially enhancing the effectiveness of each. In the pilot phase, students have been given access to online modules containing information and tools to help them budget their money and balance their time between work and school. Aid Like A Paycheck could also be incorporated into more robust financial assistance programs, including additional financial aid, career services, or financial literacy classes. Together, Aid Like A Paycheck and these supports could help students maintain or regain financial security as they continue in school.

Who Is Most Likely to Reap the Financial Benefits — or Bear the Costs — of Aid Like A Paycheck?

Even without impacts on student behavior, several known mechanisms could lead to benefits and costs if Aid Like A Paycheck were implemented more broadly.

The greatest potential financial benefit to colleges from Aid Like A Paycheck might arise from reduced Returns to Title IV under the program.[17] However, colleges that implement Aid Like A Paycheck would also probably bear the direct costs of implementation. These costs would diminish over time as systems are automated. Ultimately, administering biweekly refunds may be feasible at little or no additional cost compared with current procedures, particularly at colleges that offer direct deposit payment options to students.

Students could also benefit if they were required to repay less, particularly those who might otherwise fail to repay, thereby incurring debts to the college that could damage their credit ratings and prevent them from reenrolling in the future. But students could be harmed if funds are unavailable up front for large expenses. In addition, some colleges use outside vendors to disburse funds and these vendors may charge fees per withdrawal, so the program could have the unintended consequence of increasing fees for students.

The federal government could potentially reap several economic benefits from Aid Like A Paycheck. If federal Pell funds were paid out

BOX 3. IS AID LIKE A PAYCHECK RIGHT FOR COLLEGES IN MY STATE?

Before deciding to partner with researchers and test Aid Like A Paycheck at one or more institutions in a state, stakeholders and college representatives may want to explore the following considerations:

1. Given the current financial aid structure at the college(s) and the availability of state aid, is it likely that enough students at any specific institution would be affected to justify the effort? To estimate the number of students that would be affected, examine:
    a. How many students enrolled in the prior academic year?
    b. Among the enrolled students, how many were eligible for Pell Grants?
    c. Among the Pell-eligible students, how many received a financial aid refund of at least $800 (after accounting for tuition, fees, books, and supplies) in at least one of the two semesters?

    This is the number of students who could receive their refunds in biweekly payments.
2. Would loans or state aid be disbursed in biweekly increments as well? How would this affect the number of students receiving biweekly payments?
3. Does the program fit well with other initiatives and priorities in the state or at the institution?

more slowly than they are now, the federal government would benefit financially from the net interest on these funds; conversely, in cases where funds were paid earlier, the federal government would suffer a net loss. In any case, either the government or the student would benefit, to the financial detriment of the other.[18] Additionally, the federal government may benefit from a reduction in overpayments that need to be returned, because these returns are in some cases capped in ways that prevent the government from recovering the full amount of unearned funds.[19]

States would generally not see a financial impact from Aid Like A Paycheck unless a significant amount of state aid is paid directly to students (in which case the effect of shifting net interest would be similar to that described for the federal government). More often, state aid covers tuition and fees, freeing Pell Grant or loan dollars to be disbursed directly to students. States' primary interest in Aid Like A Paycheck may not be directly financial; rather, states' main interest may be in the common goal shared by many stakeholders: supporting student success and college efficiency.

CONCLUSION

Many of the economic and other benefits or costs of Aid Like A Paycheck are hypothesized to be relatively small, but the policy has the potential to affect millions of students nationally. As a result, even small effects may add up to a substantial impact. The program should therefore be tested rigorously before widespread implementation to ensure that it is tailored to produce the maximum benefits for students and other stakeholders. Important questions to be answered in an evaluation include:

- Can Aid Like A Paycheck be implemented at larger scale with fidelity to the core design? What factors facilitate successful implementation?
- Does Aid Like A Paycheck affect students' academic outcomes, such as credits earned or persistence in school?
- Does the policy affect economic outcomes, such as total aid received or debt accumulated?
- What are the costs and benefits to students, colleges, states, and the federal government?

To answer these questions, MDRC is building partnerships with colleges, states, and funders with the goal of launching a large-scale randomized control trial across several institutions and states. Box 3 provides questions to help states and colleges determine if they may be ready to test Aid Like A Paycheck.

If sufficient support is received, development of the full study will begin in the coming year, allowing MDRC to measure the impacts of Aid Like A Paycheck by comparing the outcomes of students selected to receive biweekly disbursements with similar students selected to receive their refunds through lump sum payments. A large enough research sample should allow MDRC to identify even small impacts with confidence. With follow-up, MDRC can also measure impacts on long-term outcomes such as college completion. A survey of students could potentially identify the economic impacts of Aid Like A Paycheck in the short and long term, and help to illuminate the mediating factors that may lead to program effects — for instance, students' school and work balance, economic stress, or response to the incentive structure of the biweekly payments. Finally, such a study can estimate the costs and savings related to Aid Like A Paycheck for all those parties affected.

For more information on Aid Like A Paycheck and MDRC's portfolio of financial aid work, see www.mdrc.org/focus_area/financial-aid.

NOTES

1 U.S. Department of Education, Office of Postsecondary Education (2013).

2 Radford, Berkner, Wheeless, and Shepherd (2010).

3 Johnson and Rochkind (2009).

4 This goal of using financial aid to boost both access and success is also often mentioned in the white papers produced as part of the Reimagining Aid Design and Delivery project, funded by the Bill & Melinda Gates Foundation. See Nelson (2013).

5 Based on conservative estimates using only students' Pell Grant amounts (determined by actual reported award amounts received) and disregarding other types of financial aid, Aid Like A Paycheck would affect more than 30 percent of Pell Grant recipients at two-year public institutions, or about one million students out of more than three million. About 50 percent of Pell Grant recipients would be affected if median state and local grant aid are included in the calculation, and about 70 percent would be if median institutional aid is included alongside state and local grant aid. Similar calculations for public four-year colleges and other types of institutions suggest that in total, more than two million students annually could be affected. These calculations use the most recently available data from the Pell Grant Program and the U.S. Department of Education's Integrated Postsecondary Education Data System. See U.S. Department of Education, National Center for Education Statistics (2013) and U.S. Department of Education, Office of Postsecondary Education (2013).

6 White House (2013).

7 For example, Barrow and McGranahan (2000) and Goodman-Bacon and McGranahan (2008) show that when low-income families receive lump sum payments from the Earned Income Tax Credit, they tend to spend that money on big-ticket items such as a vehicle or a household appliance.

8 U.S. Department of Education (2013).

9 This explicit permission to colleges to determine how federal financial aid is disbursed pertains to all Title IV grant and loan funds. For the Pell Grant, see U.S. Department of Education (2012a).

10 Cochrane (2007).

11 Patel, Richburg-Hayes, de la Campa, and Rudd (2013); Patel and Richburg-Hayes (2012).

12 Data are from the 2010-2011 academic year. See U.S. Department of Education, National Center for Education Statistics (2013).

13 Taylor (2012).

14 In California, low-income students can qualify for the Board of Governors Fee Waiver, which waives the requirement to pay tuition and fees. See Taylor (2012).

15 Depending on the circumstances, adding or dropping classes could cause a student's refund to go up or down, or it could stay the same. For example, a student who adds enough credits to move from part-time status (typically 6 to 11 credits) to full-time (typically 12 or more credits) might cause the refund to go up, while adding additional credits above 12 may increase fees and thus reduce the refund amount.

16 The federal government requires a student to make satisfactory academic progress (SAP) to continue receiving federal financial aid. SAP is defined as progressing through an educational program at a minimum pace (typically no longer than 150 percent of the published length of the educational program) and achieving a minimum grade point average (typically at least a "C" or its equivalent). Each institution is required to check enrolled students' progress at least annually, but has the flexibility to set stricter SAP guidelines or check progress more frequently than the federal requirements. See U.S. Department of Education (2012b).

17 The costs and burden of Returns to Title IV fall primarily on colleges, which must pay back the federal government and are only sometimes able to recoup these funds from students. No national data are available regarding the total amount of funds returned or recouped by colleges each year.

18 Because of differential interest rates and other issues, the balance between benefits for students and the government is not necessarily a "zero-sum" equation. The benefits to one may be greater or less than the detriment to the other.

19 Title IV includes a grant protection rule, commonly referred to as the 50 percent rule, which in certain cases caps the amount of unearned student aid that must be returned.

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Aid Like A Paycheck

Incremental Aid to Promote Student Success

By Michelle Ware, Evan Weissman, and Drew McDermott

Aid Like A Paycheck is based on a simple idea that is gaining national attention: after tuition and fees have been paid to a college, disburse the remaining financial aid to students evenly throughout the term — like a paycheck. The goals of the program are to help students achieve a good balance between time in work and school, and think about school as a job where regular attendance and meaningful effort are rewarded. Aid Like A Paycheck could improve students' success in college, and may also hold promise for making financial aid programs — whether federal, state, or private — more cost-effective, by ensuring that aid is distributed to students while they maintain their enrollment. This brief presents the theory behind the program and the policy landscape in which it was developed, and describes the successful pilot test of the program at two colleges. Aid Like A Paycheck has the potential to affect millions of students nationally, and the idea is ready to be tested rigorously to ensure that any policy that arises from it is tailored to produce the maximum benefits for students, colleges, states, and the federal government.