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## FAQs About Aid Like A Paycheck, MDRC's Study of Incremental Financial Aid Disbursements to Promote College Success

Aid Like A Paycheck is MDRC's rigorous evaluation of incremental financial aid disbursements. Aid Like A Paycheck is based on a simple yet [innovative approach](#) to the design and delivery of financial aid: disburse refunds (the grant and loan aid that remains after tuition, fees, book purchases, and other expenses are paid to the college) to students in even, biweekly payments over the course of the term — like a paycheck. There are strong reasons to believe this approach could help students but, as of yet, no rigorous evaluation findings.

Between 2010 and 2013, two community colleges in the Los Angeles and Chicago areas piloted the concept in partnership with MDRC. MDRC is now evaluating incremental disbursements in a randomized control trial at two institutions in Texas to see if the policy improves financial and academic outcomes for low-income community college students.

### What was the motivation for Aid Like A Paycheck?

Incremental disbursements were identified by [The Institute for College Access & Success](#) (TICAS) as a potential way that the financial aid system could be changed to better support low-income students and improve their likelihood of academic success.

For many low-income students, a lack of financial resources and a resulting need to work may be major barriers to academic success. After paying tuition and fees and purchasing books, students often use their financial aid refunds to cover expenses, such as transportation and rent. However, the typical delivery of refunds — a large lump sum near the beginning of the term — may not align well with students' needs. The incremental disbursements in Aid Like A Paycheck are intended to address two problems that may arise from the standard disbursement of refunds:

- 1. Difficulty managing refunds:** Prior research and MDRC's interviews and focus groups with students in Aid Like A Paycheck suggest that lump sum payments do not tend to last over the course of a semester, and may make budgeting difficult for students. A single, relatively large, financial aid disbursement may not be the best way to help students cover recurring living and school-related expenses, which stretch over the course of the term. As financial pressures mount, students may need to work more, incur more debt, or drop classes.
- 2. Need to pay back unearned funds:** When students receive a financial aid refund and then withdraw from all classes before completing at least 60 percent of the term, they may be required to pay back part of the amount to the college (referred to as [Returns to Title IV](#)). When students fail to do so, the college must bear the cost, and students may not be allowed to reenroll until they settle the debt with the college or a debt collection agency.

### **What is the theory behind Aid Like A Paycheck and how might it help students?**

The theory is that refund payments every other week will provide students with consistent financial support for ongoing expenses that occur throughout the term. As a result, in the short term, incremental disbursements could help students budget more effectively, balance school and work better, and reduce financial stress, which might allow students to study more and stay in college rather than withdraw due to financial pressures.

Students in the [early pilot](#) of Aid Like A Paycheck said that biweekly disbursements helped them spend their money wisely, decrease work hours, and focus on their studies, suggesting that incremental disbursements have the potential to improve students' academic and financial wellbeing.

Aid Like A Paycheck is designed to continue as long as a student is receiving financial aid, and thus any impacts due to the program may accumulate each term. Over time, less financial stress, more courses successfully completed, and better persistence may lead to increased college credits earned and, ultimately, to increased rates of completion and transfer to four-year institutions.

### **Do students receive more financial aid as part of the program?**

No. Aid Like A Paycheck is testing the effects of changes in disbursement *timing*, but the total *amount* of grants and loans for which students are initially eligible remains unchanged. However, if students change their enrollment patterns as a result of the program, their aid may change. For example, if students respond to the program by reenrolling, or enrolling in more courses in subsequent semesters, they may receive more aid in future semesters than they might have otherwise.

### **If colleges save money as a result of the program, does this mean that students would lose funds?**

Not necessarily. As noted above, students who withdraw from college are sometimes required to pay back unearned aid. When students fail to pay, it's a financial cost to the college, as well as a debt incurred by students, and this is typically seen as harmful to students and colleges. If the frequency or amount of these "Returns to Title IV" can be decreased by the policy of incremental disbursements, it could be a win-win for colleges (which would save money) and students (who would be subject to less debt). The analysis of these outcomes is an important part of MDRC's current research.

### **How is Aid Like A Paycheck being evaluated?**

Aid Like A Paycheck was 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 made the case for expanding the program and testing it rigorously on a larger scale.

In 2014, MDRC began working on a large-scale evaluation of incremental disbursements at two Texas institutions: the Houston Community College System and San Jacinto College. The mixed-methods evaluation includes a randomized control trial — the gold standard in evaluation methodology. By comparing outcomes of students who receive their aid in a single lump-sum disbursement to those of students randomly selected to receive biweekly disbursements, the evaluation will estimate the impact of incremental disbursements on students' academic and financial outcomes. Outcomes being measured include credits earned, semester-to-semester persistence, hours worked, total aid received, and loan debt accumulated. The evaluation, which receives ongoing feedback from an advisory group (see below), will also measure the benefits and costs of the program to colleges, states, and the federal government. Findings are scheduled to be released in 2016 and 2018.

**Are colleges currently allowed to disburse refunds incrementally?**

Yes. Under Department of Education regulations, colleges already have the [discretion](#) to choose how frequently they want to make aid refund disbursements to students. In fact, a number of colleges around the nation already split students' refunds into two or more disbursements per term.

The findings from MDRC's rigorous evaluation of this policy will provide valuable information to colleges and policymakers as they consider how to best distribute aid in order to promote student success.

**Who are the members of the Aid Like A Paycheck Advisory Group?**

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