

# Financial Aid For Future Educators: Assessing A Federal Grant's Impact On Students' Postsecondary Decisions

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*If you could lower the cost of college for aspiring teachers by thousands of dollars, would it actually keep them on the path to graduation and into the classroom?*

Schools across the U.S. face persistent challenges in attracting and retaining qualified teachers, especially in high-demand fields such as special education and secondary STEM. At the same time, enrollment in traditional teacher preparation programs (TPPs) has declined. Cost is a major barrier: teacher preparation students, who are disproportionately women and students of color, often face financial pressures that make it hard to persist, especially in the early years of college.

One policy response is the federal Teacher Education Assistance for College and Higher Education (TEACH) grant, created in 2007, designed to ease the financial burden and build the teacher pipeline. The program offers grants up to \$4,000 annually (up to \$16,000 for undergraduates, \$8,000 for graduates) to students pursuing teaching degrees. Students do not have to pay back the grants if they complete a four-year service commitment in a high-need school or subject. If recipients fail to meet this requirement, their grants convert to unsubsidized federal loans, with interest accrued retroactively from the date the grant was disbursed.

By following students over time, this study shows who takes up the TEACH grant, how it shapes their persistence and completion, and what its limits are. The results point to important lessons for policymakers and higher education leaders seeking to attract, retain, and diversify the next generation of teachers.

## STUDY AND METHODS

The research focuses on the University of North Carolina (UNC) System. Made up of 16 public universities across the state, the UNC System is one of the state's largest providers of new teachers.

Using detailed financial aid and enrollment data for more than 1 million students from 2011–2021, the study estimated the impact of TEACH grants by:

- (a) Comparing grant recipients to similar peers in the same majors and institutions. By holding constant the college and program, the study reduces bias from differences in institutional policies or program structures. The models also control for observable student characteristics (like GPA, race/ethnicity, and gender), so the comparison is between similar students in the same context, differing mainly in whether they received TEACH.
- (b) Comparing students to themselves across years using fixed effects. The study takes advantage of the fact that some students receive TEACH in certain years but not others. By comparing the same student's persistence and completion in years when they had TEACH versus years when they didn't, the model controls for fixed, hard-to-measure individual traits like motivation, commitment to teaching, and family background.

## KEY FINDINGS

### Who receives TEACH grants?

- 1 Only about 1 in 100 eligible undergraduates in UNC teacher prep actually receives a TEACH grant. For eligible graduate students, this is about 2.6%.** This limited uptake suggests that many students preparing to become teachers either don't know the program exists, are confused by its eligibility requirements, or get lost in cumbersome application and certification processes. For example, students must complete extra paperwork, counseling, and sign a legally binding service contract to get the grant, which may deter some from applying.
- 2 The students who do receive TEACH grants are disproportionately Black, female, and academically higher-achieving than their peers.** This means the program may be reaching groups that are both underrepresented in the teacher workforce (students of color) and academically well-positioned to succeed in teacher preparation.

### Do TEACH grants lower the costs of preparing to teach?

- 3 Undergraduate TEACH grant recipients generally do not end up with less student debt than non-recipients. This appears to be because of the common practice of scholarship displacement, where colleges consider grants, like TEACH, as assets available for students to use toward college and reduce how much they would have provided in grants for recipients in response to what they understand as a reduction in need.** For example, if a student was going to get \$5,000 in scholarships from the school and then qualifies for a \$3,700 TEACH grant, the college might reduce its scholarship to \$1,300. On paper, the student still gets \$5,000 total in grants, but the TEACH money has replaced part of what the school was already planning to give, and this doesn't reduce the amount the student needs to borrow.

- 4 For graduate students, the TEACH grant actually does reduce student debt by about \$1,700 per year.** Because graduate teacher prep programs are short (usually 1–2 years) and students carry fewer competing grants, the TEACH grant plays a larger, more immediate role in affordability.
- 5 TEACH grants do reduce the out-of-pocket costs students face to attend college.** Even if borrowing doesn't change, the grant still makes college cheaper for students because it lowers the portion of tuition and fees they (or their families) would otherwise have to cover with savings, income, or other sources. This can matter just as much (or more) for student persistence and completion as lowering debt at graduation.

### Are TEACH grant recipients more likely to persist in or complete teaching degrees?

- 6 TEACH grant recipients are ~7 percentage points more likely than similar peers in the same degree program to persist in or complete teacher education programs.** Nonwhite recipients benefit slightly more than their white recipient peers. This suggests that TEACH grants could play a role in diversifying the teacher workforce by helping students of color persist through teacher preparation.
- 7 Students who receive TEACH Grants early in college are significantly more likely to persist and complete their teaching degree, while those who first receive the grant in their senior year see little impact on completion, as the aid functions more as financial relief than as motivation.** Students who received TEACH in their first year are between 11 and 15 percentage points more likely to persist and complete compared to peers who received the TEACH grants after their first year. In contrast, for TEACH recipients in their fourth year of college, the likelihood of finishing their teaching degree is about 25 percentage points lower than for those who got the grant earlier.

This suggests that getting financial support earlier helps students commit to completing their degree. For seniors, the TEACH Grant seems to serve more as financial relief than as a motivational factor. By the fourth year, most students have already committed significant time, effort, and money to their program, and they are generally determined to finish regardless of additional aid.

- 8 TEACH grant recipients who don't meet the service requirement can end up with a larger loan balance than if they had never received the grant at all, and with worse repayment terms.** If students don't complete the service requirement, the grant is retroactively converted into a federal unsubsidized loan. That conversion has two costly consequences:
  - Interest is backdated: Converted TEACH grants are treated as if they had always been unsubsidized loans. This means interest accrues from the date the grant was first paid out, often adding years of charges.
  - Total amount that students borrow goes up: Because the TEACH grant often replaces institutional grants, rather than reducing students' need to borrow, students whose

TEACH grants convert to loans end up with the loans they started with *plus* the converted TEACH amount, with years of interest already added on

## IMPLICATIONS FOR POLICY AND PRACTICE

- 1 Expand access and uptake:** One of the striking findings about the TEACH Grant is how few eligible students actually receive it. To change this, both federal policymakers and institutions can take concrete steps:
  - Improve awareness: Launch coordinated information campaigns so that aspiring teachers hear about TEACH early in their college careers, through financial aid offices, academic advisors, and teacher-prep faculty, not just through federal websites.
  - Streamline application processes: Currently, students often have to re-certify eligibility each year, and small mistakes can cause grants to convert to loans. Simplifying forms, reducing redundant paperwork, and aligning TEACH with standard FAFSA processes would make uptake much easier.
  - Institutional encouragement: Colleges that participate in TEACH could play a much more active role, designating a staff member to support applicants, sending reminders about deadlines, and integrating TEACH information into teacher-prep orientation.
- 2 If states bundled their teacher-aid programs with the TEACH Grant, or at least marketed them together, students would see a clearer, larger financial package upfront.** Many states already operate their own teacher scholarship or loan forgiveness programs alongside the federal TEACH Grant. But students often don't know these programs exist, or they have to apply separately, each with its own paperwork and eligibility rules. For example, a student might learn not just about the \$4,000 TEACH Grant but also that, when combined with a state scholarship or service-based loan forgiveness, they could receive \$8,000–\$10,000 annually to pursue teacher preparation. Presenting aid in this way reframes the offer from a modest grant into a substantial, easy-to-understand incentive to enter teaching.
- 3 Revise aid packaging rules to better align TEACH funds with their intended goals.** If the purpose of TEACH is to reduce student borrowing, then reclassifying TEACH as loans in aid packages would more directly lower students' future debt burdens while also preventing individuals from increasing their overall liabilities. However, this would limit the program's impact on reducing the unmet need for future teachers, since the grant would no longer function as new, additional aid. If the ultimate goal of the program is instead to maximize the amount of money that actually reaches students, state teacher-aid programs may be more effective because they are often "last-dollar awards," filling in remaining gaps without reducing students' eligibility for other aid.
- 4 Consider shifting the model to a heavier investment in the first few years of college, instead of steady but modest aid throughout.** Policymakers could still cap total award amounts, but redistribute them so that students see more of the money when it's most likely to influence their enrollment and persistence decisions. Many students leave teacher prep programs

after the first year or two because of financial pressures. Early awards would ease those pressures at the most vulnerable stage and would make teaching a more attractive option compared to other majors with better earnings potential.

## FULL WORKING PAPER

This report is based on the EdWorkingPaper “*Financial Aid For Future Educators: Assessing A Federal Grant's Impact On Students' Postsecondary Decisions*,” published in September 2025. The full research paper can be found here: <https://edworkingpapers.com/ai25-1278>

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