

TERM 1 – TERM 2 (7 MONTH) RETENTION ACROSS WGU

Carlos Mauricio Peredo, Curtis C. Cain

May 29, 2025

EXECUTIVE SUMMARY

This study examines the impact of demographic and socioeconomic variables on Term 1 – Term 2 Retention (also known as 7-Month retention). T1-T2 Retention is a critical KPI that captures WGU’s most critical retention window and serves as an early predictor of long term persistence and ultimate graduation. Preliminary analyses reveal a compelling case for the impact of WGU scholarships in T1-T2 Retention:

- Students who receive WGU scholarships have T1-T2 Retention Rates approximately **15-20 percentage points higher** than students that do not receive WGU scholarships
- Only about **10–12%** of WGU students receive WGU scholarships
- Some demographic and socioeconomic groups exhibit **disproportionately low retention rates**
- These gaps are largely driven by students that **do not receive WGU scholarships**
- Even **modest financial awards** (as small as \$500 USD) successfully mitigate these gaps in retention rates

These findings underscore the **importance of early financial intervention** as a tool to improve student success. They also reaffirm WGU’s commitment to **Equity** as a Cultural Belief and Key Result. WGU scholarships function as a high impact, cost effective tool to improve student success, bridge equity gaps, and reinforce the retention to graduation pipeline. Crucially, they remain effective even at modest levels—yielding an outsized return on investment when they help a student stay enrolled who might otherwise have dropped.

BACKGROUND

Term 1 to Term 2 retention (also known as 7-month retention) is one of the most critical Key Performance Indicators (KPIs) for understanding student success at WGU. This early-stage metric captures whether students persist beyond their first 6-month term and provides a powerful early signal for long-term outcomes like graduation. Students who reach a second term are substantially more likely to complete multiple terms and ultimately earn their degree. As such, the 7-month mark is a pivotal inflection point that predicts future student success.

Despite its predictive value, we have historically lacked a granular understanding of which student populations are most at risk of dropping before this milestone—and how financial support might alter that outcome. This study was designed to fill that gap. It evaluates how demographic and socioeconomic characteristics influence early retention and explores whether institutional WGU Scholarships serve as a meaningful intervention. By focusing on T1–T2 retention, this work aims to inform smarter scholarship strategies and strengthen the connection between aid distribution and measurable student outcomes.

This research also aligns directly with WGU’s institutional equity priorities. Both at WGU and broadly across higher education, equity gaps tend to widen as students progress through their program of study. This phenomenon is known as the Leaky Pipeline; it explains how systemic barriers magnify to exacerbate equity gaps throughout the student experience. Addressing retention early is a chance to plug that leak before it expands. The findings in this research brief support WGU’s broader strategic efforts to advance equity, increase graduation rates, and ensure that all students—not just those already positioned for success—have the support they need to persist.

GUIDING QUESTIONS

This study was grounded in a central question that reflects WGU’s broader strategic priorities:

Central Question

Can we optimize the distribution of WGU scholarships to improve Term 1 – Term 2 retention outcomes?

Cornerstone Questions

This question is intentionally ambitious by design, and is not directly testable. However, it forms the basis for a long-term research agenda that aims to uncover targeted, actionable insights that can inform strategy and policy. In service to this *central question*, this research brief addresses several key *cornerstone questions*:

1. Which demographic and socioeconomic variables negatively impact T1-T2 retention?
2. What is the distribution of WGU scholarships among these subpopulations?
3. Do WGU scholarships affect retention rates among these subpopulations?
4. Can WGU scholarships be used as an intervention tool to boost retention rates among these subpopulations?

Together, these questions shaped an exploratory research analysis that examining the impact of WGU scholarships on students from 2002 to 2025. The results disaggregate retention outcomes across multiple student variables and evaluate the comparative impact of institutional aid. By framing the inquiry around equity and impact, the study seeks to inform data-driven decisions about aid distribution and early intervention.

KEY FINDINGS

WGU Scholarships Drive Early Retention

Students who received WGU scholarships have retention rates of approximately 90–95%, compared with rates of 75–80% among students who did not receive a scholarship (**Δ15–20 percentage points**). This pattern is consistent across college, scholarship amounts, and cohorts.

Most Students do not receive WGU Scholarships

The overall scholarship rate across the WGU student body is between 10 and 12%. Approximately **88–90% of WGU students are not receiving internal scholarships**. Because students must self-select into the application process, there is an inherent filter that may disproportionately concentrate scholarships among students who are already better positioned to retain.

Equity Gaps are Aid Gaps

Groups with the lowest retention rates—such as first-generation, Pell-eligible, and low-income students—are underrepresented among scholarship recipients at WGU. National research shows that students in these groups are significantly less likely to apply for institutional aid, often due to barriers like information gaps, perceived ineligibility, language barriers, or application complexity. At WGU, the retention gaps observed in these populations are almost **entirely driven by students who did not receive scholarships**.

Small Awards have a Big Impact

It doesn't take large sums of money to make a difference. Even most awards (\$500–2,000 USD) substantially improve retention rates. Among adversely affected populations, WGU scholarships reduce or entirely eliminate the retention gap. Thus, **financial awards yield a high return on investment and drive student success**.

RECOMMENDED ACTIONS

To improve retention and continue closing equity gaps, we recommend one broad goal and two pilot studies:

1. Goal—**expand the distribution of WGU scholarships** beyond the 10–12% of current students
2. Pilot Study—Deliver **targeted WGU scholarships** to high-need populations with below average retention rates
3. Pilot Study—Test a pseudo-random, lottery based scholarship model to measure the independent effect of WGU scholarships decoupled from student access and performance

APPENDIX

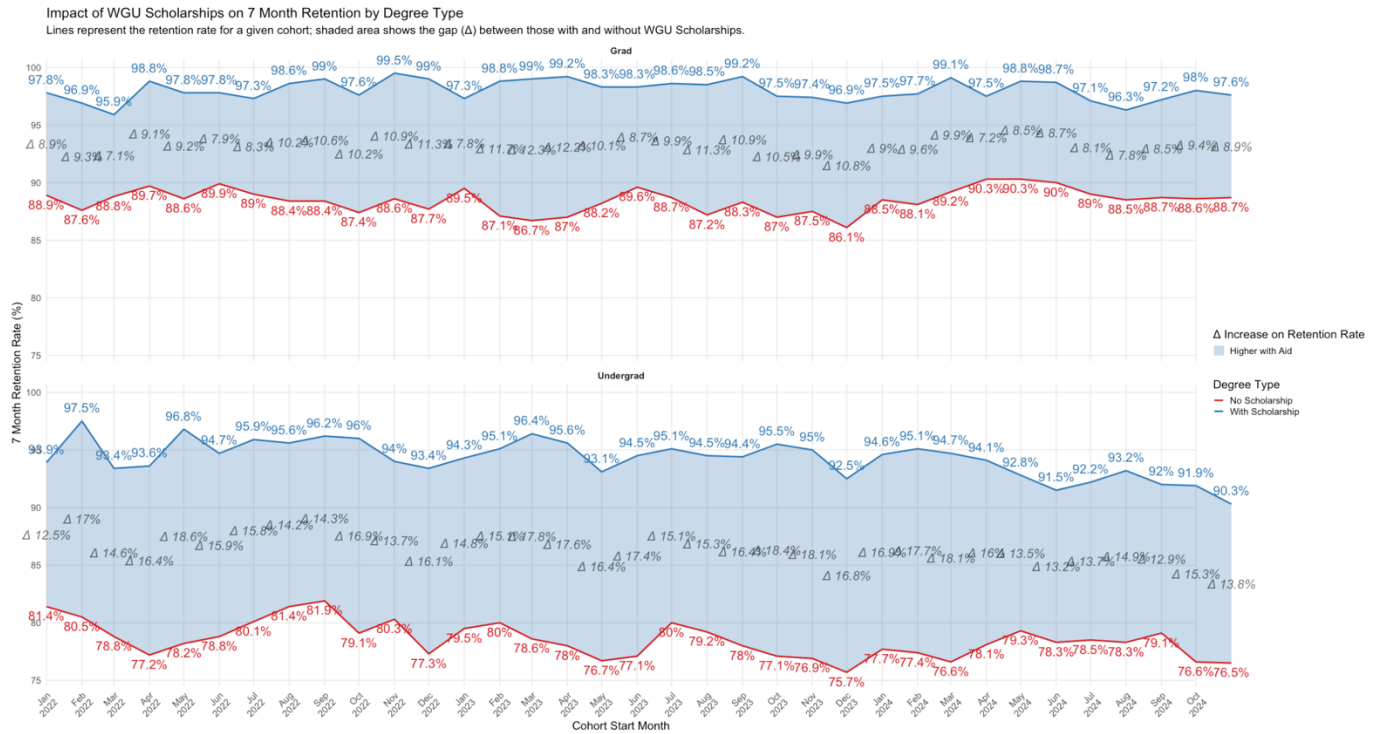


Figure 1: Impact of WGU Scholarships on 7-Month Retention by Cohort and Degree Type.

This graph displays 7-month retention rates for each cohort from January 2022 to November 2024, comparing students who received WGU Scholarships (blue) with those who did not (red). The shaded region represents the retention rate gap (Δ) between the two groups for each cohort. Across both undergraduate and graduate students, recipients of WGU Scholarships retained at consistently higher rates—often exceeding their non-aid peers by 10 to 18 percentage points. December 2024 cohorts are not shown, as they have not yet reached the 7-month mark.

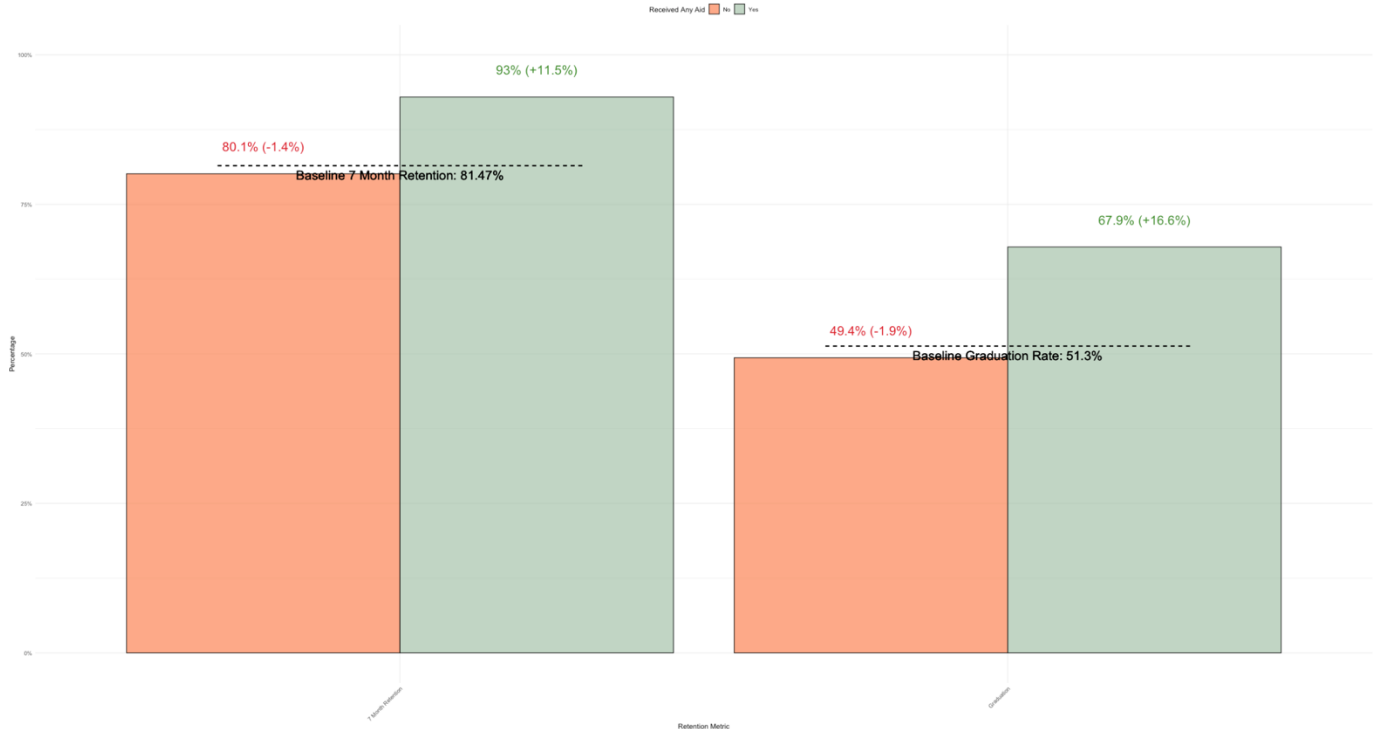


Figure 2: WGU Scholarships Improve Retention and Graduation Rates (Lifetime Data). This bar graph shows 7-month retention and graduation rates across all WGU students from 2001 to present, disaggregated by whether or not the student received a WGU Scholarship. Students who received aid retained at a rate of **93%**, compared to **80.1%** for non-recipients—a difference of **+12.9 percentage points**. Graduation rates show a similar pattern: **67.9%** for aid recipients vs. **49.4%** for those without aid, a **+18.5 point increase**. These findings reinforce the broad, long-term impact of WGU Scholarships on student success.

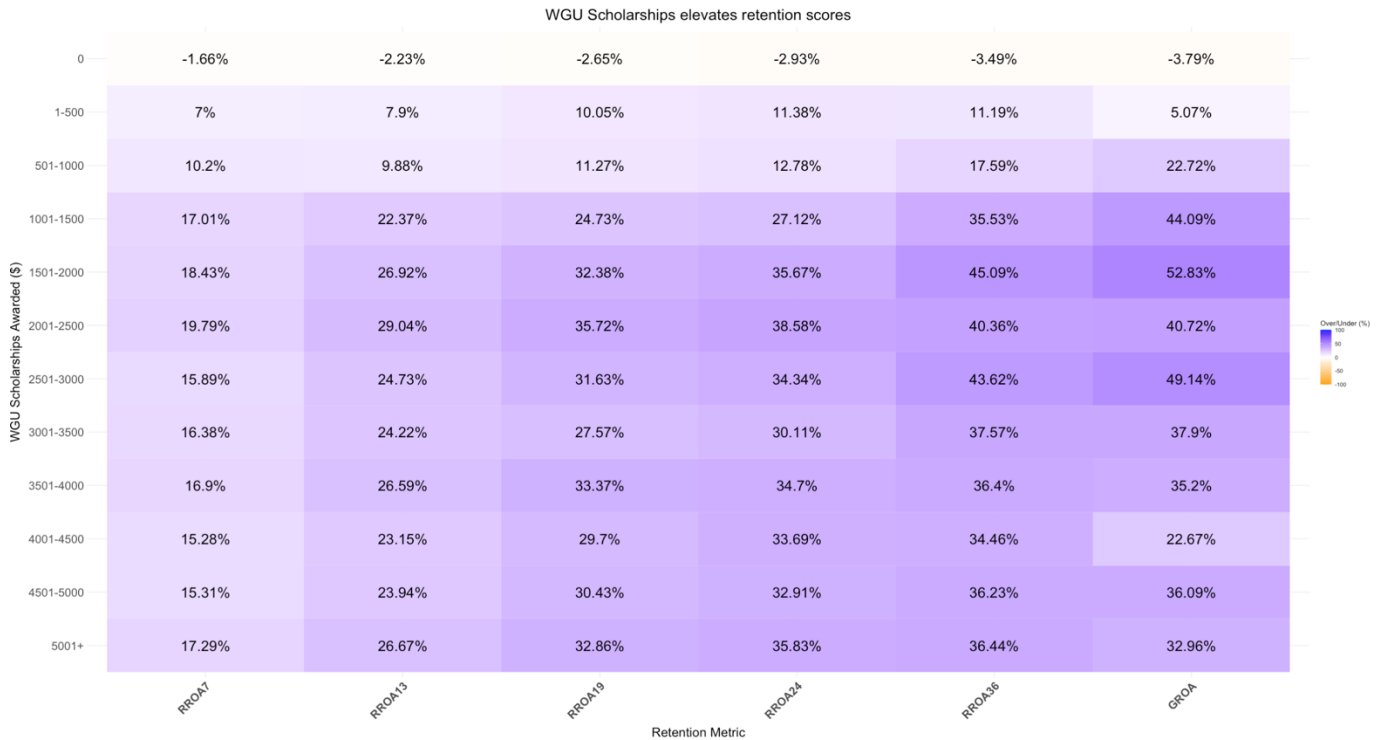


Figure 3: Retention and Graduation Rates Over Baseline by Scholarship Amount.

This heatmap shows how retention and graduation outcomes vary by scholarship amount, measured as percent increase or decrease over the institutional baseline. Columns represent key milestones: 7, 13, 19, 24, and 36-month retention rates, plus graduation rate (GROA). Rows represent total WGU Scholarships awarded in dollar ranges. Blue cells indicate **performance above the baseline**; orange cells indicate **performance below**. The key finding: even **small awards under \$500** are associated with large improvements in retention—suggesting that modest financial support can yield disproportionately strong outcomes across time.