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Half the FAFSA:

Cutting the Red Tape to Postsecondary Student Aid

Executive Summary

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EXECUTIVE SUMMARY

The current Free Application for Federal Student Aid (FAFSA), while enabling millions of students to apply for college aid, also presents significant barriers for low-income and first-generation students seeking to attend college. The application process is complicated, resulting in only a 44-percent completion rate for all high school seniors by graduation. This translates into \$24 billion in unclaimed federal aid, including \$2.7 billion in Pell Grants. While previous legislative efforts have sought to reduce FAFSA complexity, the need to simplify and demystify the FAFSA form and financial aid could increase college access and completion.

Other concerned parties, including the National Association of Student Financial Aid Administrators (NASFAA), The Institute for College Access and Success (TICAS), the Council of Economic Advisers with the National Economic Council (CEA & NEC), and the Bill & Melinda Gates Foundation (Gates Foundation), and now the National College Access Network (NCAN), have all explored a simplified FAFSA and the elimination of unnecessary and redundant questions. NCAN's model, the Streamlined FAFSA, was developed and consumer-tested to resolve the current form's shortcomings by reducing completion time, improving accuracy and increasing usability for families and students. These improvements were made while maintaining the original purpose of the FAFSA: to serve as the single, universal and free form to apply for financial aid.

The FAFSA: Goal and History

First created in 1992, the FAFSA is a universal and free electronic form, with 142 questions, that is used by students to apply for financial aid from the U.S. Department of Education, and by institutions and states to allocate other non-federal aid. Prior to the creation of the FAFSA, each state awarding aid had its own form and, on top of that, some institutions had their own forms, resulting in a complicated, multiform and multistep system for students. Since the original paper-based version, improvements have been made. The form has moved online, instituted "skip logic" (the automatic skipping of certain unnecessary questions based on an individual's circumstances), and partnered with the IRS Data Retrieval Tool (IRS DRT). The IRS DRT allows users to import information from their tax returns, thereby simplifying and expediting the process.

The FAFSA: Barriers to Completion

While the creation of the FAFSA eliminated the need for a myriad of different forms and processes to allocate federal, state and institutional aid, today's FAFSA form still presents barriers to college access for many students. FAFSA completion is closely correlated with college enrollment. High school graduates who complete the FAFSA are 63 percent more likely to enroll in college than those graduates who do not fill out the form (ELS, 2002/06).

An NCAN study also shows that there is significant unfamiliarity with the FAFSA application and completion process among 17- to 19-year-olds, with most students who did not apply for aid failing to have any contextual understanding of what aid is or their eligibility for it (NCAN, 2016). FAFSA completion also impacts college completion, with

research finding that filers are 72 percent more likely to persist in college than those who do not file (Novak, Heather & McKinnely, 2011).

NCAN has identified the following factors as the top barriers to FAFSA completion:

- A lack of understanding of financial aid or the application process;
- Overly complex questions and the length of the current FAFSA; and
- The multitude of separate financial and other sources necessary to complete the form.

These issues pose large, sometimes insurmountable, barriers for some students, especially first-generation college students. As discussed earlier, low-income and first-generation students who do not complete the FAFSA often fail to enroll in college or complete a postsecondary education, shortchanging themselves, their families and the American economy. Simplifying the FAFSA in a user-friendly manner that still maintains the free and universal nature of the form is the focus of this brief.

A New and Improved Form: The Streamlined FAFSA

NCAN studied the impact of the current FAFSA to identify how to reduce barriers to its completion. After extensive research, development and testing, NCAN has created and tested a new form, the Streamlined FAFSA, that reduces complexity for student aid seekers, meets the needs of institutions and maintains the integrity and universality of the current FAFSA form.

The Streamlined FAFSA opens with a shortened series of eligibility and demographic questions for the student. With an updated Federal Student Aid ID (FSA ID) and expanded access to the IRS DRT, many identifying and financial questions can be automatically filled in, saving time and reducing errors. Moreover, NCAN's form would eliminate complicated, unnecessary questions, such as driver's license number.

In addition to using existing information from the U.S. Department of Education's Federal Student Aid office and IRS data to auto-complete certain questions, the Streamlined FAFSA decreases the number of questions that applicants must answer by guiding them down one of three pathways:

- *Pathway One:* as few as 20 questions for applicants from families who receive benefits from one of most federal means-tested programs, allowing these individuals to automatically skip all financial questions and receive the maximum Pell Grant award
- *Pathway Two:* as few as 23 questions for applicants who do not participate in a means-tested benefit program and do not have to file tax schedules with their taxes
- *Pathway Three:* as few as 25 questions for applicants who file tax schedules with their taxes

Streamlined FAFSA



Key to the universality and brevity of the Streamlined FAFSA is its “State Page,” which collects the information that certain states need to administer their aid. Filers would be required to fill out this form in states that have opted into the inclusion of these questions. Students in states that do not require the inclusion of additional questions would move directly to the signature page. The State Page ensures that the Streamlined FAFSA can maintain its universality for all federal and state aid needs.

Streamlined FAFSA Results in Increased Completion Rates, Accuracy, Usability and Aid to Needy Students

NCAN’s Streamlined FAFSA outperforms the current form. Independent testing of the NCAN Streamlined FAFSA model examined completion time, error rate, satisfaction and usability. Using the Streamlined FAFSA resulted in:

- up to 50 percent fewer questions that needed to be answered, with as few as 20 questions;
- a 39-percent improvement in completion times;
- a 56-percent lower error rate; and
- greater satisfaction and usability by applicants.

NCAN's efforts also uncovered the importance of organizing the college search process on the form onto a single page, strategically placing the "exit" button on the Streamlined FAFSA, accelerating and simplifying disclosure questions, expanding the IRS DRT to help users identify which tax form they filed, and rewording the language of tax questions to reduce errors.

Additionally, the Streamlined FAFSA increases transparency and reduces the uncertainty in the FAFSA filing process. For example, applicants from families who receive benefits from a federal means-tested program can be certain, prior to dedicating their time and efforts, that they would receive the maximum Pell Grant award – if they enroll full-time. Therefore, in addition to simplifying the application process, the Streamlined FAFSA boosts awareness of student financial aid as well as an applicant's eligibility.

If NCAN's Streamlined FAFSA is implemented as is outlined above, Pell Grant expenditures would increase by approximately \$1.4 billion, a 5.1-percent increase in the cost of the Pell Grant program, which is in line with the other simplification proposals referred to above. Breaking down this 5.1 percent, nearly 80 percent of the increase in Pell Grant expenditures would come from Pathway One Pell Grant recipients. Thus, the Streamlined FAFSA could ensure that our neediest, most vulnerable students have access to the student aid they need for a postsecondary education. Furthermore, simplifying the FAFSA could increase FAFSA completion by 7.4 percent.

Conclusion

With 85 percent of four-year college students receiving some form of financial aid, improving the application process for student aid is crucial. The Streamlined FAFSA maintains the universality and free aspects of the form while significantly reducing completion time and error rates as well as increasing usability for students and families.