

THE FAFSA PROJECT: Results from the H&R Block FAFSA Experiment and Next Steps*

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SUMMARY: Concerns about the low visibility of aid programs and the complexity of the aid process have spurred calls to simplify the form and enhance the visibility of financial aid programs. This project tests the effectiveness of an intervention that streamlines both the aid application process and students' access to personalized higher education information. Using a random assignment research design, low- to moderate-income families receiving tax preparation help from H&R Block were offered free additional assistance in completing and filing an application for college financial aid (the FAFSA). The just-collected tax information was used to pre-populate the FAFSA, and then individuals were guided through remaining questions to complete the form, most in less than 10 minutes. Families were also given an immediate estimate of their eligibility for government aid as well as information about local postsecondary options. The analysis suggests that pre-population and assistance with the FAFSA has a substantial impact on the likelihood of submitting an aid application. Most importantly, the program increased college enrollment rates the following school year. Enrollment rates increased 30 percent among high school seniors and 20 percent for young adults already out of high school, with particularly large results for those with annual incomes less than \$22,000. The program also increased the percentage who received a federal student grant. These results suggest that streamlining the aid application process could be an effective and efficient way to improve college access for low-income students. We continue to explore ways to expand FAFSA preparation services into free, community tax offices and schools.

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THE PROBLEM: Do Students Know How to Access Financial Aid?

Higher education plays an increasingly important role in helping individuals attain social and economic success. However, after several decades of aid policy, access for low-income students remains a significant concern. One major impediment for many low-income students is a lack of accurate information about higher education costs and financial aid. Research demonstrates that students, particularly those from low-income backgrounds, have very little understanding of college tuition levels, financial aid opportunities, and how to navigate the admissions process. Another part of the problem is the complexity of the financial aid system. The federal application for financial aid (i.e., the FAFSA) is long and cumbersome. Not surprisingly, students and their families are often confused and even deterred by the form. The Commission on the Future of Higher Education, assembled by Secretary of Education Spellings, recently concluded that “our financial aid system is confusing, complex, inefficient, [and] duplicative” (2006). Perhaps due to the complexity of the system and the lack of information about the availability of aid, 850,000 students who would have been eligible for federal financial aid in 2000 did not complete the necessary forms to receive such aid. The FAFSA also serves as the basis to award most state and institutional need-based aid, and so it is a critical gatekeeper to most financial aid.

Concerns about the low visibility of aid programs and the complexity of the aid process have spurred calls to simplify the process, provide more assistance in filling out the form, and enhance the visibility of financial aid programs. Recently, there has been movement towards simplifying the FAFSA (with the FAFSA-EZ) and giving families early aid information (through the FAFSA 4caster available online). However, there is little research on how to implement simplification in a practical manner and whether such policies related to simplification and information will truly improve college access. This project addresses these questions by implementing an intervention that provides direct assistance with the financial aid application process and individualized aid information.

ADDRESSING THE PROBLEM: The H&R Block FAFSA Experiment (2007-2009)

The goal of the intervention is to target students who are likely to have little information about financial aid and college costs and may have difficulty navigating the financial aid process. To help provide assistance with the FAFSA and information on higher education to such families, we worked with H&R Block, an accounting firm that provides tax assistance to primarily low- and moderate-income families.¹ We developed software that screened families for eligibility based on having a family income less than \$45,000 and a family member between the ages of 17 and 30 who did not already have a bachelor's degree. After identifying an eligible participant, the H&R Block tax professional asked the individual and their legal parent or guardian (if necessary) to complete a Statement of Informed Consent. Once consent was secured, we randomly assigned² individuals to a particular intervention:

1. *Simplification and Information: Assistance with the FAFSA and personalized aid eligibility information*

For this group, we helped individuals complete the FAFSA using software which first transferred information from the tax return to the FAFSA. Then, the software lead the H&R Block professional through an interview protocol designed to ask the additional questions needed to

¹ The intervention is a natural extension of the work of H&R Block because much of the information required for the FAFSA comes from an individual's tax return. H&R Block views its involvement in this project as part of its contribution to local communities. It does not expect to turn this into a for-profit venture, and federal regulations prohibit it from charging for assistance in filling out the financial aid application. Moreover, there are no barriers to the entry of other organizations and firms in helping students in similar ways and so the profit motive is not justified in this case.

² The use of randomization enables our study to use the highest scientific standards in demonstrating the efficacy of the research.

complete the FAFSA. These questions include information about parental education, educational goals, the number of children in the household currently attending college, and other forms of income such as child support. Finishing the remaining questions took only eight minutes, on average. The software then computed the amount of financial aid the client was eligible to receive from the federal and state governments and explained these numbers. The tax professional then offered to submit it to the U.S. Department of Education (at no cost).³

2. Information only: personalized aid eligibility information

For this group, we developed individualized estimates of the amount of aid the person was eligible for using the tax data and explained these numbers, relative to part-time and full-time tuition costs at local colleges. However, no help was given on completing the FAFSA as the emphasis was on information only.

3. No intervention: Control Group

For this group, we provided very simple information about the importance of college and financial aid programs by giving them a booklet with basic facts. This information is already accessible elsewhere and is unlikely to affect participant's behavior. As such, this group is our key comparison group for determining the effects of the other interventions.

The FAFSA Experiment addresses several major problems with the current financial aid system:

- *Low visibility:* Few families know that the FAFSA exists. This intervention reaches out to families unlikely to be impacted by recent efforts to increase awareness about financial aid.
- *Misinformation:* Individuals, particularly low-income students, often greatly overestimate the cost of higher education (Horn, Chen, and Chapman, 2003). This project gave them accurate and early information about local tuition costs and eligibility for financial aid so they could have a realistic sense of the net prices they face.
- *Missed deadlines:* King (2004) found that of those who did file a FAFSA in 1999-2000, more than half missed the April 1st deadline to be eligible for additional state and institutional aid programs. A majority of families who took part in our intervention completed the process by the end of February.
- *Procrastination:* Research in behavioral psychology shows individuals tend to put off complicated or menial tasks for later. Minimizing time and effort in completing forms may therefore make individuals more likely to spare the time. For example, corporate savings plans that make participation the default while requiring employees to take action to opt-out have dramatically higher participation rates than plans that require employees to deliberately opt-in.

To determine the effects of these interventions, we are tracking the college enrollment patterns, outcomes, and financial aid awards of participants using data made available through collaborative partnerships with the National Student Clearinghouse and the Ohio Board of Regents. This policy brief reflects the outcomes of students within a year of the initial intervention. We will continue tracking the decisions of students and will analyze the longer term effects of the program in the future.

THE IMPACT OF FAFSA ASSISTANCE ON COLLEGE DECISIONS

The Impact on Aid Applications

- Assistance with the FAFSA increased the likelihood of submitting the aid application substantially.

³ If a FAFSA could not be completed in the office, follow up is handled by an external customer service organization that called families after receiving their information and consent forms.

- FAFSA submissions increased 39 percent for seniors in high school, from 40 percent for the control group to 56 percent for the treatment group.
- Aid application submissions increased 186 percent, from 14 percent to 40 percent, among independent students (those age 24 and above or who were married, a parent, or a veteran) who had never been to college before. This translates to an almost *tripling* of the number of potential students who submitted an aid application.
- FAFSA submissions increased 58 percent for independent students who had previously attended college, from 35 percent for the control group to 56 percent for the treatment group.
- Compared to the control group, FAFSA's were filed over one month earlier for high school seniors and almost three months earlier for independent students. This has implications for the treatment group in terms of increased eligibility for state and institutional financial aid programs.
- These effects, particularly for the older students, may be due to the availability of electronic filing after completing the form in the H&R Block office.
- Simply informing high school seniors and older adults about their financial aid eligibility without help to complete the form (i.e., the "information only" treatment) did not increase the likelihood of submitting a FAFSA.
 - This suggests that the complexity of the FAFSA and/or the time required to complete the form are substantial barriers to FAFSA completion, and making the form shorter would likely increase FAFSA submissions.

The Impact on College Enrollment and Persistence

- Receiving assistance on the FAFSA significantly increased college enrollment among graduating high school seniors.
 - For this group, there was a substantial increase of 7 percentage points in college going (34 percent compared to 27 percent among the group who did not receive any FAFSA help or information).
- Among older, independent individuals who had completed high school or a GED but not attended college previously, the number enrolled in college and receiving financial aid increased by about 2 percentage points. Given that only 10 percent of the control group did this, the program effect represents a 20 percent increase.
 - The effect seems to be concentrated among those with incomes less than \$22,000. This corresponds to the point at which individuals are not expected to contribute anything to college expenses (i.e., they have EFCs of zero).
- The effects on individuals who had previously attended college (but not received a bachelor's degree) were through the increased receipt of financial aid.
 - Conditional on enrollment, simplifying and providing help with the FAFSA increased the likelihood of aid receipt 5 percentage points (from 85 to 90 percent). This suggests that there are students currently in college who are not receiving the benefits they are eligible for, and this program helped address their needs.
- The intervention also affected college persistence. High school seniors whose parents received the treatment were 8 percentage points more likely to have completed two years of college, going from 28 to 36 percent, during the first three years following the experiment.

The Reactions of Families and the Community

- The project has received positive feedback from the community, clients, and tax professionals.
 - Participants have noted that the process was simple and easy, and they have responded favorably to receiving the financial aid information.
 - A guidance counselor from a high school in the Cleveland area noted: "A few of my students have brought in the aid estimates from H&R Block. These aid estimates had made the students want to come and learn more about their college options." This conversation concerned an unrelated matter, and the counselor did not realize we are affiliated with the project. Her comments were completely unsolicited, and we are excited that the early information we are providing is empowering low-income students and their families to aspire to higher education and seek out additional information concerning financial aid.

POLICY IMPLICATIONS

This project addresses policy questions concerning simplification and information, and the results provide several valuable policy lessons.

- (1) ***It is not only possible but also likely efficient to use information from an IRS tax form to complete most of the FAFSA.***

As we have demonstrated, for most families, one could complete approximately two-thirds of the FAFSA using tax information. As a result, the tax professionals were able to complete the rest of the FAFSA with the client in less than ten minutes. In comparison, the typical method of completing the FAFSA at home takes hours. The FAFSA is similar to the 1040 tax form, and the IRS (conservatively) estimates that it takes 13 hours to complete that form. Our program brought this down to less than 10 minutes. This suggests that better communication between the Treasury Department and Department of Education in terms of sharing information could significantly cut the number of necessary elements on the FAFSA.

In 2009, Secretary Duncan announced plans to streamline the FAFSA, including exploring ways to transfer information directly from the IRS to the online financial aid application. This is a positive step towards simplification. Such a change should substantially reduce the time necessary to complete a FAFSA as well as improve the accuracy of the information submitted.

- (2) ***Additional outreach and assistance, such as that provided to study participants, would also greatly improve the current system of financial aid.***

The results suggest that simplification and assistance together are effective ways of increasing the submission of financial aid applications. In our program, participants were able to complete the FAFSA quickly because it was pre-populated with tax information (i.e., simplification). The remaining FAFSA questions are relatively straightforward and easy (e.g., gender, citizenship, veteran status, state of legal residence, parents' education, intended degree, phone number, driver's license number). Participants did not have to download the FAFSA and many had the option of submitting it to the DOE electronically. Moreover, someone walked them through the remaining questions using the interview protocol we automated using computer software (i.e., assistance). The strongest effects were for those who had the FAFSA completed in the office and submitted directly to the DOE by H&R Block.

- (3) *Simply informing high school seniors and older adults about their aid eligibility did not appear to improve college access. This suggests the complexity of the FAFSA and/or the burden of navigating through the application process alone are significant barriers.*

THE EXPANSION OF THE FAFSA PROJECT

Building on the successes of the H&R Block FAFSA experiment, we were awarded funding from the Institute of Education Sciences, U.S. Department of Education and the Bill & Melinda Gates Foundation to expand our project with the goal of helping many more families based on the lessons learned from our initial interventions.

The primary goal of the proposed research is to scale up our successful intervention that simplified and provided assistance with the FAFSA. We have three key goals:

1. Expand access to the FAFSA Experiment in the most cost-effective way possible;
2. Measure the impacts of the program at scale to make sure that the program generates effects similar to the initial FAFSA Experiment and with the increased sample, generate estimates of the effects of the program on important subgroups (in different national regions, by race, ethnicity, gender, age, dependency status, and income); and
3. Test additional methods of providing FAFSA assistance and information.

In our prior research, we partnered with H&R Block, a tax preparation company whose primary clientele was low-income families. While 64 percent of H&R Block's clientele would likely qualify for financial aid, H&R Block only had access to a fraction of the market of low-income tax completers, and participation in our project was predicated on coming to H&R Block to have your taxes done for a fee. In our proposed expansion, we would instead partner with the VITA sites. The VITA sites serve families whose income falls below \$49,000. Tax filing at these sites is completely free. Almost all of the families who use VITA sites have incomes such that they would qualify for federal financial aid. In 2010, VITA sites submitted 3.5 million tax returns. We are collaborating with TaxWise who provides software at each of these sites.

The study will attempt to simplify the financial aid application process at VITA sites. As individuals complete their taxes, we will use their tax data to pre-populate the FAFSA form. Using a randomized design, we offer different levels of assistance to different individuals. The levels of assistance vary from assistance with filing the FAFSA form to interpretation of the likely aid eligibility. The randomized design will allow us to identify which forms of assistance are most effective when the project is at scale. A randomly selected group of study participants will not receive the intervention.

In collaboration with the National Student Clearinghouse and the Department of Education, we will provide evidence on the effect of the proposed intervention on the likelihood of college attendance, access to financial aid, college choice, and college persistence. The use of administrative data allows us to inexpensively track all of the study participants over time. These outcomes will be investigated for the entire sample as well as for subgroups (by income, race, gender). Given the randomization involved, simple comparisons of the control and treatment groups should identify the treatment effects. We will also use multivariate regression analysis to augment the analysis.

Our second outreach activity builds on the in-person success of receiving help from tax professionals by training FAFSA assistance providers to enter high schools and directly provide the service to graduating high school students. This service has the added benefit of reaching students whose families do not file taxes. Many schools currently hold "College Nights." At these events, school counselors often help families to complete the FAFSA. It is often difficult for organizers to work with many families since they have not completed their taxes. Our hope is to partner with free tax preparation

services (e.g., VITA sites) and to bring these partners to the schools. Instead of hosting “College Nights,” we hope to turn these events into “FAFSA and Tax Filing” events.

NEXT STEPS: THE COLLEGE ASSISTANCE PROGRAM (2012-present)

In 2012, a research team from Harvard, Stanford, and the University of Toronto, and in partnership with the National Community Tax Coalition, Internal Revenue Service, U.S. Department of Education, and CCH Small Firm Services, launched the College Assistance Program (CAP). During tax season 2012 (January to April 2013), CAP worked in 140 Volunteer Income Tax Assistance (VITA) locations across the country.

The CAP program integrates assistance to complete the Free Application for Federal Student Aid (FAFSA) with proprietary tax software, so that families can get help completing and submitting the FAFSA (in some cases) and also receive information about the size of their potential federal aid estimates when they prepare and file their income taxes.

The objective of the program is twofold: first, to help more students and their families understand their college options and connect them to available student aid; and secondly, to examine if the assistance provided through CAP impacts college decisions, increases college enrollment, and spurs progress towards degree completion.

Proposal for educational partnerships for 2013 Tax Season (January-April 2014)

Because many of the individuals poised to benefit most from FAFSA assistance have existing connections with a high school or college, we hope to reach thousands more eligible students by targeting CAP in school settings in the upcoming tax season. Such partnerships will likely include licensing our integrated tax and FAFSA assistance software to educational partners outside of the traditional VITA setting, and we are very excited to explore this partnership opportunity.

We are seeking new partners that currently meet, or are able to adopt, the following CAP participation criteria for the 2013 tax season:

- Utilize CCH Small Firm Services’ TaxWise Online software in the 2013 tax season.
- Offer tax and integrated tax/FAFSA assistance to clients at local high schools that do not currently offer these services.
- Have the ability to dedicate existing program personnel to staff school-based events where CAP is offered.
- Embrace a service design where some partner sites are randomly assigned to provide basic assistance (tax preparation and general information about the college application process) and others will provide full assistance (integrated tax preparation and FAFSA assistance with the option of submitting the FAFSA to the U.S. Department of Education).