

Increasing Postsecondary Enrollment among Low-Income Families: A Project to Improve Access to College Information and Financial Aid

THE FAFSA H&R BLOCK EXPERIMENT¹

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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 (Kane and Avery, 2004; Ikenberry and Hartle 1998; Horn, Chen, and Chapman, 2003). 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 (ACSFSA 2005). 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 (King 2004). 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.

While the existence of aid programs was once thought to be enough to enable the enrollment of low-income students, clearly the visibility and design of the program also matters. Research suggests aid programs are most successful when they are well-publicized and relatively easy to understand and apply for (Dynarski, 2000 and 2002; Cornwell, Mustard, and Sridhar, 2006). This has also been found in the examinations of other social programs (Currie, 2004). 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. However, little research has been done to determine whether such policies would truly improve college access and little is known about how to implement such efforts in a practical manner. This project addresses these questions designing and implementing an intervention that provides direct assistance with the financial aid application process and measures the effects of such efforts along with tests the impact of providing personalized, accurate higher education information.

Project Description: Assistance with the FAFSA and Information on Higher Education

To help provide assistance with the FAFSA and information on higher education, we are working with H&R Block, an accounting firm that provides tax assistance to primarily low- and moderate-income families.³

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³ 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 their involvement in this project as part of its

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. Based on these goals, software we developed first screens families for eligibility based on having a family income less than \$45,000. Second, using tax return information, we determine whether any family member is between the ages of 15 and 30 and does not already have a bachelor's degree.⁴ These criteria map on to three groups of interest:

- *High school seniors and recent graduates* (age 17-21): These traditional-age students are in the process of deciding whether to go to college or may have just entered the year before.
- *Adults who might enroll or be enrolled in college* (age 22-30): Research has shown that adult enrollments can respond strongly to financial aid availability (e.g. Seftor and Turner 2002), and so they are a group of special interest. Because this group does not have access to high school counselors, the interventions may provide information not readily available.
- *Younger high school students who are not seniors* (age 14-17): The intervention may help these students understand their options more clearly and perhaps choose to prepare for college admissions during their remaining high school years.

After identifying an eligible participant, the H&R Block tax professional asks the individual and their legal parent or guardian (if necessary) to complete a Statement of Informed Consent. To encourage eligible individuals to participate, we offer a participation incentive.⁵ Once consent was secured, we randomly assign individuals to one of four treatment conditions:

1. Aid application assistance and EFC interpretation group. In this group, we help individuals complete the federal financial aid application (i.e., the FAFSA), which is also the basis for other aid programs. Using software the research team developed with H&R Block, the tax professional goes through a simplified protocol to complete the FAFSA. First, the software program will capture information from the tax return completed at H&R Block that is relevant for the FAFSA form. Then it prompts the H&R Block professional to ask the additional questions needed to complete the FAFSA. These questions include information about parental education, marital status, the number of children in the household currently attending college, and other forms of income such as child support. Given that a substantial portion of the information required on the FAFSA will be transferred directly from the tax return, data from our pilot year study suggests that the additional questions take no more than 10 minutes to gather, to enter, and to process. We also compute the family's estimated family contribution (EFC) and then show the client what levels of national and state financial aid he or his dependent would receive at the nearest public two- and four-year colleges.
2. Financial Aid Projection group. This group focused on families with dependent children still in high school. For this group, we develop estimates of what students would receive in financial aid in the future if their family situations remain the same. The intervention focuses

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.

⁴ For those who are not already in college, we examine the impact of the intervention on enrollment decisions, aid awards, and the choice of institution. For students already attending college, we analyze the impact of the intervention on persistence, aid receipt, transfer, and enrollment intensity (part-time versus full-time attendance).

⁵ During tax years 2007 and 2008, the incentive was \$20. During tax year 2009, it is \$15. Such participation incentives are common in research in both health and social studies (Dickert, Emanuel, and Grady, 2002).

solely on helping families understand and plan for future college enrollment. The purpose of this simplified treatment is to mimic the type of policy instrument that federal or state governments could implement based solely on the tax information they already receive.

3. EFC interpretation group. This group is similar to the first group except that we do not complete the FAFSA form. The emphasis for this group is information only.
4. Control group. We provide very basic information to this group about the importance of college and basic financial aid programs. This group is our key comparison group for determining the effects of the other interventions. To minimize disappointment among the control group, H&R Block gives them a booklet with basic information on college costs, aid, and the benefits of a postsecondary degree. This information is already accessible elsewhere and is unlikely to affect participant's behavior.

For the participants in the relevant treatment group, the tax professional then offers to submit it to the U.S. Department of Education free of cost.⁶ Finally, the tax professional provided the family with information on how much financial aid they could expect to receive at a number of local colleges. This information is produced by our software, which generates a detailed report on the family's EFC (if the family is unable to complete the FAFSA in the office, a preliminary estimate will be given) and calculates individualized aid amounts based on financial aid worksheets published by the Department of Education and the cost of area colleges. The aid amounts reported to the participants focus on need-based federal and state aid (e.g. the Pell Grant and the Ohio College Opportunity Grant), but we also give them information on government loan programs.

The treatment differed slightly for families with children in high school who are not yet old enough for college. For these individuals, the H&R Block representative does not ask any FAFSA questions, but rather the tax software automatically generates an aid estimate based on the already-collected tax information alone. In the analysis, we will investigate the role personalized information can have on college preparation as well as access.

To study 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 Ohio Board of Regents and the National Student Clearinghouse. The use of randomization and our ability to track student outcomes enable our study to use the highest scientific standards in demonstrating the efficacy of the research. Our research study will directly estimate the impact of FAFSA assistance and college cost information on enrollment and financial aid outcomes. If the major impediment to receiving financial aid is navigating the application process, then this intervention could help low-income families overcome this barrier and enroll in college. In addition, we will also investigate whether increasing awareness about the true costs of higher education and giving accurate estimates of aid eligibility in a timely manner impacts college decisions.

Implications for Government Policy

We are targeting policy questions concerning simplification and early information by testing a new model concerning the aid application. We hope this will provide several valuable lessons in terms of policy. First, as we have already begun to demonstrate, it is not only possible but also likely efficient to use information from an IRS tax form to complete most of the FAFSA. During our pilot year (January through April 2007 in Cleveland, Ohio), we found that we could complete

⁶ 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.

approximately two-thirds of the FAFSA using tax information. As a result, the H&R Block 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. 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. Such a partnership could substantially reduce the time necessary to complete a financial aid application as well as improve the accuracy of the information submitted.

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, this is not enough, and there is still significant room for improvement in helping students to gain access financial aid. We have identified several major problems with the current financial aid system and attempt to address with our intervention. The first is low visibility as our Our intervention reaches out to families unlikely to be impacted by recent efforts to increase awareness about financial aid. The second is misinformation. Individuals, particularly low-income students, often greatly overestimate the cost of higher education, and our project gives 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. The third problem is that many students miss the deadline for state and institutional aid programs: 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. H&R Block tends to serve most low-income clients during February thereby addressing this problem. Finally, information about financial aid is not revealed until late in the senior year of high school and only available via the Internet. This is a major critique of the current system as families do not learn about their eligibility for financial aid until a few months before attending college. As a result, they are not able to plan ahead for college; in particular, students may not realize that they are eligible for support, think that they cannot afford college, and therefore, not prepare academically. Although the online FAFSA 4caster is now available to also give families an early aid estimate, internet access is limited among low-income students, especially high-speed internet access, which is most helpful when trying to get aid information. There is also the problem of lack of awareness of the 4caster among our target families. Finally, misperceptions about cost, as noted above, may make many families feel like it is pointless to even use the 4caster as they suspect it will tell them little aid is available to them. Our intervention addresses all of these concerns by giving aid estimates as early as the freshman year of high school.

Project Implementation – The Pilot Year (Tax Year 2007)

During Tax Year 2006, we conducted a pilot of the experiment focusing on 26 Cleveland-area H&R Block offices. From January to April 2007, we served 3,281 individuals. The bulk of the individuals served were either independent students (age 24 to 30 or independent for some other reason such as being married, having dependents, or being a veteran) or were younger students in grades 10 or 11 still preparing for college. We also served approximately 400 dependent students age 18 to 23. Overall, the response from families, tax professionals, managers, the community and the press was extremely positive. This is captured by some of the comments we heard from tax professionals during the April focus group meetings. According to Marty:

"This is my 20th year with Block and I think this is one of the best pilot programs it has ever produced. The FAFSA program is simple, uncomplicated, and unobtrusive to the clients, but it offers an incredible benefit: filling out the FAFSA for our clients."

Tax professionals from the pilot said they could easily complete the interview process in the 15-minute window allotted in almost every case. Darnell, a tax professional, noted during our focus group meetings:

"The software was so comprehensive that there was almost no need to train tax professionals."

This was also borne out in the operational data, which suggests that the average FAFSA interview, including introducing the study, obtaining consent, and going through the FAFSA questions, about eight minutes. Together with the finding that few exit the interview process early, this means that the information needed to complete the FAFSA can be obtained in virtually every case before participants leave the H&R Block office.

Several of the tax professionals expressed that their clients who were selected to receive our intervention responded favorably and expressed gratitude from receiving the program. For example, a tax professional named Mildred stated during our April focus group meeting:

"It was a really, really, really positive program. For those who would not have thought about it, it would have been a very positive program. I had clients who initially signed up to participate because they would get \$20 off their fee, but by the end were really excited and intrigued about learning how much the government would help for them to go to college."

As noted above, one of the goals of the project was to help high school students, tradition-age college students, and older, potential college students. This goal appears to have been met as the program appeared to appeal to all sorts of people. For example, Sharon noted,

"This program is attractive for single mothers and fathers who want to go back to school."

At the other end of the client spectrum, Deandre told us:

"A lot of customers appreciated that we were helping them fill out the application form, especially if they were new college students, because they'd never done it before... With the information already being provided from H&R Block, it's pretty helpful, and they don't have to do a lot of research themselves."

Reactions to the study from the larger community and press have also been extremely positive. During a conversation with a guidance counselor from a high school in the Cleveland area, the counselor 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."

We are especially excited about this response as our conversation with this counselor concerned an unrelated matter, and the counselor did not even realize that we are the researchers for this project. Her comments were completely unsolicited, and we are so 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.

There have also been several glowing profiles of the project in the press, including articles in *Inside Higher Ed* and the *Christian Science Monitor* as well as Op-Eds in *The New York Times* and *The Post-Crescent*.

Full Implementation (Tax Year 2008)

In preparation for tax year 2008, we focused on improving the software and procedures we initially tested in the pilot. We also elected to focus primarily on two populations, independent students under the age of 30 and dependent students who were under the age of 18, due to difficulty completing the informed consent process with traditional-age college students (i.e., those age 18-

21).⁷ During the development of the software, we also established additional partnerships in Ohio and North Carolina allowing us to expand the geographical reach of the project. Additionally, the Office of Student Financial Aid at the U.S. Department of Education agreed to a pilot arrangement allowing us to electronically send FAFSA information directly from H&R Block. This further streamlined the submission process.

On January 2, 2008, the program went live in all of Ohio and the Charlotte area of North Carolina (166 H&R Block offices). During the tax season, H&R Block met with 236,483 clients in the targeted offices. Of this group, 69,301 clients met the study's target criteria (29% of all clients), 35,793 expressed interest in learning more about college (52% of clients meeting the study's criteria), and 26,401 qualified for study (74% of those expressing interest).⁸ Nearly all of these individuals consented to participate in the project (26,168 individuals). These participants were assigned to the respective groups as follows: 10,634 to the FAFSA assistance and EFC interpretation group; 1,809 to the Financial Aid Projection group; 1,654 to the EFC interpretation group; and 11,916 to the Control group.⁹ Of the 10,634 individuals who received FAFSA help, we were able to completely finish the FAFSA for 69 percent. For the 31 percent of clients who began filling out the FAFSA but did not complete it, we attempted to contact them to complete the form using a call center, and if that did not work, sent a partially completed paper FAFSAs to the client's address so that they had the chance to finish the form themselves.

Here are several (preliminary) facts about the sample:

- The average income of participants was \$16,295.
- Participants had little in savings. The average current balance of cash, savings, and checking accounts was \$75.70. Few had any type of IRA or investments.
- Many received some sort of public assistance, including Federal Food Stamps, TANF or welfare benefits, Free or Reduced Price School Lunch, and WIC.
- Nearly 30 percent of the sample is African-American.
- Most have at least one child.
- Many have a GED rather than a regular high school degree

From another parts of the interview protocol, we also received these responses concerning the perceptions of higher education. From the preliminary analysis of two survey questions:

Question: What do you think is the main reason why some people don't go to college?

They have to Work	23.2%
They have to raise a family	18.2%
Tuition is too expensive	42.2%
They don't like school	6.4%
Job opportunities are not much better after going to college	2.2%
Other	2.6%
Not sure	5.2%

⁷ The difficulty stems from the fact that the FAFSA requires most individuals in this age group to submit information both about themselves and their parents. This dictates that we get signed consent forms from both parties. Often both were not in the H&R Block office at the same time, and getting consent outside of the office was near impossible.

⁸ The primary reasons why some individuals did not qualify for the study was that: (a) they already had college degrees, or (b) were not considered independent by federal aid standards and so would need information from other family members not present in the office in order to complete the FAFSA.

⁹ We are in the midst of increasing the sample size of each group during the 2009 tax season.

Question: Have you heard of the Free Application for Federal Student Aid (FAFSA)?

Very familiar with the program	46.2%
Heard of the program but do not know the details	26.1%
Have not heard of the program	27.8%

In addition to the quantitative data, we have qualitative data on the implementation process and early reactions to the project. In April 2008, we conducted focus groups with participating tax professionals. During these focus groups, we discussed the intervention and its implementation. We also asked tax professionals to provide anecdotes about specific experiences related to the study. We received dozens of responses. The following is a quote from a tax professional that summarizes many of the anecdotes:

“A client that I had was a single mom and had a child. . . The best part of the survey was that it showed what kind of aid was available to her and offered to send that to the colleges. She was so impressed by that. She had never thought that she could go back to college. . . At this point, I realized the potential impact of the program.”

Future Plans

Our longer term research goal is to measure the impact of simplification and information on outcomes. Therefore, beyond understanding the implementation benefits, we hope to provide estimates of how simplification and early information impact the number who apply for aid, enroll in college, and attain postsecondary skills. Ultimately, the goal is to determine whether such changes could help improve college access and persistence rates. This has implications well beyond education, such as increased income level and lower government dependency.

During winter 2009, we anticipate receiving basic enrollment and financial aid receipt data, and during last spring 2009, we should have transcript data for the participants of tax year 2008. This will allow for the main analysis on whether the interventions affected college enrollment for those who already have high school degrees. In subsequent years, we will examine the college enrollment behavior of the students who are currently high school sophomores or juniors.

During the current 2009 tax season, we are implementing the project once again. Additionally, we are rolling out a new treatment focusing on "college coaching." For a subsample of the participants who receive FAFSA help, we will provide follow-up emails and letters with additional information on how to enroll in college. For example, we will remind them of application deadlines, inform them about opportunities to visit campuses, and/or send them letters of acceptance from local community colleges. This provides the opportunity to test the effectiveness of another form of college assistance.

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