

**Increasing College Enrollment among Low- and Moderate-Income Families:
An Intervention to Improve Information and Access to Financial Aid**

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ABSTRACT

Higher education plays an increasingly important role in helping individuals attain social and economic success. Yet, despite decades of financial aid policy, substantial gaps in college access remain by income level and race. One major impediment to increasing college enrollment among low-income students is the lack of information about financial aid. In particular, few families appear to know about the types of aid available, and the federal application process for financial aid is so complex that it may actually impede student access. The Commission on the Future of Higher Education, assembled by Secretary of Education Spellings, recently concluded that some students “don’t enter college because of inadequate information and rising costs, combined with a confusing financial aid system.” The Commission further emphasized 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, the American Council on Education found that 850,000 students who would have been eligible for federal financial aid in 2000 did not complete the necessary forms to receive such aid (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 college financial assistance.

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 programs that are meant to educate students about the availability of financial aid. However, little research has been done to determine whether such policies would truly address the problems of access for low-income students. This project provides an intervention that streamlines both the aid application process and students' access to accurate and personalized higher educational information. Using a random assignment research design, H&R Block tax professionals are helping a group of eligible low- to middle-income families to complete the federal aid application form (FAFSA). Then, families are immediately given an estimate of their eligibility for federal and state financial aid as well as information about local postsecondary options. To track the impact of this intervention, the project data are being linked with college administrative files to determine which individuals elected to enroll and persist in higher education.

In summary, our research will examine the effects of a program that tries to increase awareness about aid and simplify the application process. We will test the importance of simplifying college financial aid and providing guidance and encouragement throughout the application process. Moreover, we will examine how providing information about expected financial aid awards impacts college decisions. Our analysis will answer key questions about the importance of information and financial barriers in college access and persistence. Moreover, we aim to provide concrete examples of ways to improve college access for low-income students and the effectiveness of financial aid policies.

PROJECT DESCRIPTION: A SUMMARY

The Problem: Low Awareness of Financial Aid and the Complexity of the FAFSA

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 by Kane and Avery (2004) demonstrates that low-income high school students have very little understanding of actual college tuition levels, financial aid opportunities, and how to navigate the admissions process. Other work has also found a significant lack of information among prospective college students in general (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 is long and cumbersome. To determine eligibility, students and their families must fill out an eight-page, detailed form with over 100 items called the Free Application for Federal Student Aid (FAFSA). Not surprisingly, students and their families are often confused and even deterred by the form (ACSFA 2005). The Commission on the Future of Higher Education, assembled by Secretary of Education Spellings, recently concluded that some students “don’t enter college because of inadequate information and rising costs, combined with a confusing financial aid system.” The Commission further emphasized 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 on examples of highly-publicized financial aid programs characterized as being simpler in design and application has found large enrollment responses. For example, Dynarski (2002) found that the Social Security Student Benefit Program, which had a very simple application process, was highly influential in providing college access to the children of dead, disabled, or retired Social Security beneficiaries.¹ Another good example is the Georgia Hope Scholarship. Partly due to extensive advertising and the training of high school guidance counselors, nearly all students and families in the state quickly learned of the aid, and researchers have found that the program had a surprisingly large impact on college attendances rates (Dynarski, 2000; Cornwell, Mustard, and Sridhar, 2006). In summary, the research suggests aid programs are most successful when they are well-publicized and relatively easy to understand and apply for. 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 provide more assistance in filling out the form and enhance the visibility of programs that are meant to educate students about the availability of financial aid. However, little research has been done to determine whether such policies would truly address the problems of access for low-income students, and there is almost no information about how programs designed to increase awareness affect the likelihood students attend college and receive aid. This project addresses these questions by measuring the effects of an intervention designed to streamline and provide direct

¹ Students were notified by the government that they could receive the aid and only needed to return a short form.

assistance with the application process as well as test the impact of providing accurate and timely higher education information.

The Interventions: Assistance with the FAFSA and Information about 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. Although our partnership with the company may seem unusual, 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. As noted by Dynarski and Scott-Clayton (2006) in their study of the FAFSA and federal need analysis, "the IRS 1040EZ already collects most of the key pieces of data that determine aid eligibility" (p. 4). H&R Block views their 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.²

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, H&R Block will screen families for eligibility based on income and exclude families with incomes greater than \$45,000. Second, using the tax return information, we will determine whether any family member is between the ages of 15 and 30 and does not already have a bachelor's degree.³ 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. We will observe their college attendance and aid receipt in the coming years (most starting in one year).

After identifying the eligible participant, the H&R Block tax professional will ask the individual and their legal parent or guardian (if necessary) to complete a Statement of Informed Consent. To encourage eligible individuals to participate, we will offer a \$20 discount or gift card reward. Such participation incentives are common in research in both health and social studies.

Once consent was secured, we will randomly place a family into either the control or treatment group. Eligible individuals chosen for the control group serve as the main comparison group to determine the impact of the interventions on college attendance, choice, persistence and

² Beyond community service, the company hopes to create positive publicity as well as build client loyalty and retention. If this model is successful, 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.

³ 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, the intervention may help them to get additional funds for college, which could impact the likelihood that a student transfers to a different institution, changes enrollment intensity (e.g. from part-time to full-time) and/or persists to the next year.

financial aid receipt. To minimize disappointment among these participants, H&R Block will give them a booklet with basic information on college costs, aid, and the benefits of a postsecondary degree. This information is already accessible through H&R Block's website and is unlikely to affect participant's behavior.

In contrast, in addition to getting a copy of the information booklet, the treatment group will receive help from the tax professional in filling out their FAFSA. Software we are helping to develop with H&R Block simplifies the process of completing the aid application and guides the tax professional as he/she provides assistance to the client in filling out the form.⁴ After completing the FAFSA, the tax professional will offer to submit it to the U.S. Department of Education free of cost.⁵ Finally, the tax professional will provide the family with information on how much financial aid they could expect to receive at a number of local colleges. This information will be 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).

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

The Research Plan

To study the effects of these interventions, we will track the college enrollment patterns, outcomes, and financial aid awards of participants. These data are available through collaborative partnerships with two organizations:

- *The Ohio Board of Regents:* Through its agreements with all of the in-state public postsecondary institutions the Ohio Board of Regents (OBR) collects a variety of information including student applications and transcripts. Collaborative arrangements with other agencies also link the data to ACT and SAT scores along with the accompanying student surveys. This allows us to observe high school preparation and performance, outcomes of importance for the 14 to 17 year olds in the study.
- *The National Student Clearinghouse:* This source provides another way to track students across states and in private schools, but it has a more limited set of student information. The Clearinghouse is a useful and accurate way of following students as they move from one institution to another, even across state lines.

⁴ The program first transfers information from the tax return completed by H&R Block onto 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

⁵ If a FAFSA is not completed in the office, follow up can be handled by an external customer service organization that will call families after receiving their information and consent forms.

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.

Intellectual Merit

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 programs that are meant to educate students about the availability of financial aid. However, little research has been done to determine whether such policies would truly address the problems of access for low-income students. The potential effects of simplifying the FAFSA are unknown, and there is almost no information about how programs designed to increase awareness affect the likelihood students attend college and receive aid. This proposed project will address these questions by directly estimating 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. The proposed research will also create a new dataset that academics can use to study the long-term effects of financial aid.

Broader Impact

Supporting access to higher education is a major goal of both federal and state governments, but puzzles remain about why current policies have not been more effective. This project would provide concrete examples of ways to improve the effectiveness of aid policies and programs by addressing four major policy questions. First, is the complexity and low-visibility of the FAFSA a major deterrent in college access? By examining the impact of direct assistance with filling out the FAFSA on postsecondary enrollment, we will be able to comment on how much of a barrier the current application process is. Second, our project would answer whether there are many eligible students already in college not receiving the financial aid benefits for which they qualify. Underutilization is a key policy issue because small increases in the amount of need-based financial aid that students receive may improve college retention. Third, we will test how knowing the actual expected financial aid amount (beyond just filling out the FAFSA) influences students. If students behave differently based on knowing their expected awards in a timely manner, it may suggest alternative kinds of support the government could provide. Finally, we will test whether knowledge and projections about financial aid help young high school students to plan and enroll in postsecondary education. If students respond to such aid estimates in the long term, then there may be some support for an automated policy in which the federal government or individual states could target students with early information.

PILOT YEAR IMPLEMENTATION RESULTS

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."

Annie summarized the project in the following way:

"It's a great partnership: a tax company, helping people, that's the bulk of what the [inaudible] is. That's genius. That's definitely my favorite part about it. That was just an ingenious partnership."

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."

Harron, another tax professional also commented:

"My clients just loved the program. I think my own experience with trying to get into college helped me motivate the clients more why they should be doing this. I think this is the greatest program Block has offered."

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

- *Inside Higher Ed* (February 20, 2007) "Lifeline to Low-Income Students." By Doug Lederman
- *Christian Science Monitor* (March 8, 2007) "Low-income families get college aid help: A partnership with a tax-preparation firm would give qualifying students and parents free help completing FAFSA forms." By Stacy A. Teicher

Additionally, several Op-Eds have referred to our study as a positive example of how education could be reformed:

- *New York Times* (April 22, 2007) "Too Much Information." By David Leonhardt
- *The Post-Crescent* (February 26, 2007) "Thumbs Up – Our Views."

PLANNING FOR FULL IMPLEMENTATION

Given the positive results of the intervention and the success of its implementation, we plan to expand the project significantly next tax season to target 30,000 families. We are committed to providing the service in most of Ohio, including offices in the metropolitan areas of Cleveland, Akron, Columbus, and Cincinnati. The development process for this has already begun. However, external funding is crucial for this expansion. H&R Block has also expressed a willingness to expand the intervention into other states if funding is available. The partnership with the National Student Clearinghouse ensures that we will be able to gather extensive enrollment data in nearly any other state, and in several cases, we have already made contacts with officials in other states with a positive response to the possibility of expanding this intervention.

The rough timeline for year two of the study is:

- *Planning and Quality Assurance*: May – November 2007
- *Study Implementation*: January – April 2008
- *Debriefing and Initial data on the Sample from H&R Block*: May – August 2008
- *Data Matches with OBR and National Clearinghouse*: October 2008 – February 2009
- *Analysis*: January – December 2009

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