

Analysis of Why Some Students Do Not Apply for Financial Aid

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EXECUTIVE SUMMARY

An estimated 2.3 million students would have qualified for the Pell Grant in 2007-08 but did not submit the Free Application for Federal Student Aid (FAFSA), missing out on thousands of dollars of student financial aid. Of these, 1.1 million students probably would have qualified for a full Pell Grant. Two-fifths (40.9%) of undergraduate students do not apply for federal student aid, and of these about a quarter (26.8%) would probably qualify for a Pell Grant. Nearly half (46.9%) of students who do submit the FAFSA qualify for a Pell Grant.

Students who do not submit the FAFSA but who might qualify for a Pell Grant are more likely to be male, independent without dependents other than a spouse, 24 years old or older, attending a 2-year institution, and earning more than \$10,000 a year while enrolled part-time.

Proposals for improving application rates have focused on simplifying the FAFSA form and formula. Calculation of question-specific completion rates and dropoff for the online FAFSA form could provide estimates of the potential impact of eliminating particular questions on overall completion rates, especially among low income students. This could help compare the benefits of each simplification strategy.

INCREASES IN THE NUMBER OF APPLICANTS FOR FEDERAL STUDENT AID

According to the 2007-08 National Postsecondary Student Aid Study (NPSAS),¹ 12.2 million US citizens and permanent residents applied for federal student aid in 2007-08, 59.1% of the student population. This represents an increase of 1.1 million applicants (10%) compared with 2003-04, when 11.1 million US citizens and permanent residents applied for federal student aid, 59.3% of the student population. Of these applicants, 5.7 million (46.9%) received a Pell Grant in 2007-08 and 5.1 million (45.9%) received a Pell Grant in 2003-04.

Although the number of applicants increased, the number of students who didn't apply for federal student aid also increased. A total of 8.4 million (40.9%) students who are US citizens and permanent residents did not apply for federal student aid in 2007-08, up 11% from 7.6 million (40.7%) in 2003-04.²

Both figures are driven primarily by overall growth in postsecondary enrollment.

¹ The NPSAS is a large statistically significant survey conducted every four years by the National Center for Education Statistics (NCES) at the US Department of Education. The 2007-08 NPSAS surveyed 114,000 undergraduate students. The statistics reported in this white paper were calculated using the NPSAS data analysis system and do not appear in any reports published by NCES at nces.ed.gov/surveys/npsas/

² A weighting problem in the 2003-04 NPSAS may have caused application rates to have been overstated in the 2003-04 NPSAS. The 2003-04 data in this report will be revisited when the problem is corrected in a few months.

NUMBER OF NON-APPLICANTS POTENTIALLY ELIGIBLE FOR THE PELL GRANT

Of the students who did not apply for federal student aid in 2007-08, 2.3 million had an expected family contribution (EFC) that would have qualified them for a Pell Grant, with 1.1 million potentially qualifying for a full grant. This compares with 1.9 million and 620,000, respectively, in 2003-04. These figures assume that the students who did not apply would have received Pell Grants at the same rate as students who did apply. For example, 28.4% of the 9.5 million students with EFC figures below the 4110 cutoff³ did not apply in 2007-08. Of those that applied, 83.9% received a Pell Grant. This yields an estimate of $83.9\% \times 28.4\% \times 9.5$ million or 2.3 million students who would have received a Pell Grant, 26.8% of non-applicants. Similarly, 27.0% of the 8.5 million students with EFC figures below the 3850 cutoff⁴ in 2003-04 did not apply, and 81.3% of those that did apply received a Pell Grant, yielding 1.9 million students who would have received a Pell Grant, 24.4% of non-applicants. About 11% of the increase in the number of non-applicants potentially eligible for the Pell Grant is attributable to the \$260 increase in the maximum Pell Grant and 89% to increases in college enrollments. The cost of the additional Pell Grants if all eligible students had applied would have been \$5.6 billion in 2007-08 (average award of \$2,480) and \$4.2 billion in 2003-04 (average award of \$2,279).

This analysis relies on the composite estimates of the EFC scores available in the NPSAS data analysis system. Since actual EFC scores are not available for students who did not submit the FAFSA, the NPSAS imputes the EFC "by regression using dependency, family size, income, and number in college".⁵

COMPARISON WITH ACE STUDY

These results differ from the American Council on Education's (ACE) estimate of 1.5 million Pell-eligible students who did not apply in 2003-04.⁶ Although both estimates use NPSAS data and arrive at similar percentages of students not applying for federal student aid in 2003-04, the ACE estimate measures Pell Grant eligibility more indirectly and so may have been too conservative.⁷ The ACE estimates may also have been skewed by the inclusion of international students in their sample. International students represented a significant percentage of applicants in 2003-04 but not in 2007-08 due to improvements in the online FAFSA. On the other hand, the current analysis does not adjust for the possibility that non-applicants are distributed among types of educational institutions⁸ or other demographic characteristics differently from

³ The EFC cutoff on Pell Grant eligibility was 200 lower than the \$4,310 maximum Pell Grant in 2007-08, namely 4110.

⁴ The EFC cutoff on Pell Grant eligibility was 200 lower than the \$4,050 maximum Pell Grant in 2003-04, namely 3850.

⁵ Excerpt from documentation for the EFC variable in the NPSAS:2008 Undergraduate Students data analysis system.

⁶ Jacqueline E. King, Missed Opportunities Revisited: New Information on Students Who Do Not Apply for Financial Aid, ACE Center for Policy Analysis, February 2006.

www.acenet.edu/AM/Template.cfm?Section=Search&template=/CM/HTMLDisplay.cfm&ContentID=21062

⁷ It is also possible that the ACE estimates may have been affected by a bug in the implementation of the inclusive flag in the NPSAS data analysis system. Researchers who use old-style queries involving half-point interval endpoints would not have been affected by this bug. The bug was fixed in 2008.

⁸ 88.2% of US citizen or permanent resident applicants for federal student aid with EFC scores below the cutoff attending 4-year institutions received a Pell Grant in 2007-08, compared with 77.8% at 2-year institutions.

applicants. Nevertheless, both the ACE estimate and the current estimate agree that about a quarter of non-applicants would have qualified for a Pell Grant, and that the number of non-applicants who could have received a Pell Grant is significantly greater than 1 million.

CHARACTERISTICS OF STUDENTS WHO DO NOT APPLY FOR FEDERAL AID

There are several characteristics that distinguish US citizen and permanent resident students who do not apply for federal student aid but who would likely qualify for the Pell Grant from those who do apply for federal student aid and do qualify for the Pell Grant. The following observations are limited to students who would have qualified for or did qualify for the Pell Grant.

- 69.7% of students who don't apply for federal student aid attend 2-year institutions and 28.3% attend 4-year institutions, compared with 44.0% and 50.5%, respectively, among students who applied for federal student aid.⁹
- 62.3% of students who don't apply for federal student aid are enrolled part-time, compared with 29.2% among students who applied for federal student aid.
- 74.2% of students who don't apply for federal student aid are independent, compared with 59.0% among students who applied for federal student aid. Of those who are independent, 56.1% of students who don't apply for federal student aid have no dependents other than a spouse, compared with 35.9% of independent students who applied for federal student aid.
- Among independent students, 70.4% of students who don't apply for federal student aid earn more than \$10,000 in annual income, compared with 59.6% of students who applied for federal student aid.¹⁰
- Among dependent students, 32.0% of students who don't apply for federal student aid earn more than \$10,000 in annual income, compared with 9.1% of students who applied for federal student aid.
- 20.2% of students who don't apply for federal student aid are married, compared with 14.8% of students who applied for federal student aid.
- 48.3% of students who don't apply for federal student aid are male, compared with 34.9% of students who applied for federal student aid.
- 33.3% of students who don't apply for federal student aid have household size of 1, compared with 18.1% of students who applied for federal student aid.
- 61.3% of students who don't apply for federal student aid are age 24 or higher, compared with 46.9% of students who applied for federal student aid.

Reweighting based on the distribution from the non-applicant sample decreases the overall percentage from 83.9% to 81.0%, corresponding with a reduction in the estimate of the number of non-applicants by about 78,000.

⁹ The attendance of non-applicants at 2-year institutions is dominated by 2-year public institutions. Private for-profit institutions represent 18.8% of applicants and only 1.6% of non-applicants, in part because 96.8% of students at for-profit institutions apply for financial aid, compared with 57.0% of students at public 2-year institutions, 76.4% of students at public 4-year institutions and 83.9% of students at private non-profit 4-year institutions. Segmenting the application rate statistics at for-profit colleges by institution level yields application rates of 97.5% at for-profit 4-year institutions, 99.5% at for-profit 2-year institutions, and 93.0% at for-profit less-than-2-year institutions.

¹⁰ The \$10,000 threshold was chosen as roughly consistent with students who work at least half-time year-round. A similar contrast also holds for higher income levels. For example, among independent students 41.2% of non-applicants had more than \$25,000 in annual income compared with 24.9% of applicants.

- 70.2% of students who don't apply for federal student aid are White or Asian, compared with 53.0% of students who applied for federal student aid.

These differences suggest that students who are probably eligible for the Pell Grant but who do not apply for federal student aid are more likely to be male, independent without dependents other than a spouse (with a household size of one), 24 years old or older (a nontraditional student), attending a 2-year institution while enrolled part-time, and earning more than \$10,000 a year.¹¹ For example, 71.6% of students with Pell Grant eligible EFCs in 2007-08 applied for federal student aid, compared with 92.0% of traditional-age dependent students who attended a 4-year college full-time and earned less than \$10,000 a year.

FastWeb included a few questions for students who did not submit the FAFSA on a student loan survey in October and November 2008.¹² The survey was sent to 6,079,974 college students and 1,007,853 parents of college students. There were 1,202 respondents, yielding a confidence interval of +/- 2.83% at the 95% confidence level.¹³ 46.1% of respondents said that they had submitted the FAFSA, 48.1% said that they had not, and 5.9% were not sure. Of those who said that they had not submitted the FAFSA, the most common reasons given were:

- 59.3% didn't think they would qualify
- 25.8% said they were ineligible because they were not a US citizen or permanent resident
- 11.3% said because they found the form long and confusing
- 10.8% said that they had no need for federal student aid
- 5.2% because of concerns about privacy

The percentages may sum to more than 100% because respondents were permitted to check more than one reason.

In the free response section of the question, respondents also gave other reasons for not completing the FAFSA, including:

- Don't have all the required documents.
- Parents and/or student have not yet filed their income tax returns.
- Previously applied for financial aid and was denied.
- Unaware of the FAFSA.
- Ex-spouse's responsibility and he/she hasn't done it yet.

POTENTIAL IMPACT OF FAFSA SIMPLIFICATION

Most public policy advocates believe that the length and complexity of the FAFSA is itself a barrier to access and may cause some Pell-eligible students to not apply for financial aid. Proposals for simplifying the form range from pre-filling the form with data from the federal

¹¹ Non-applicants are much more likely to be working than applicants, regardless of the income level. Students who believe that they can work their way through college are often forced to attend part-time and are less likely to complete their education. Applying for financial aid might enable them to reduce their work hours and devote more time to studying, improving graduation rates.

¹² www.finaid.org/loans/studentloansurvey.phtml

¹³ The survey responses are reflective of users of the FastWeb scholarship matching service.

income tax return¹⁴ to adapting the payment cap from the income-based repayment plan to need analysis (15% of the amount by which income exceeds 150% of the poverty line for the family size, divided by the number of children in college)¹⁵ to phasing out the Pell Grant from 150% to 250% of the poverty line for the family size.¹⁶

These proposals differ in whether they simplify just the FAFSA form or also the federal need analysis methodology. They also differ in the number of data elements that could be removed from the FAFSA. The proposal to obtain data from the IRS would allow the removal of 31 questions. The proposals to peg aid eligibility to the poverty line would allow the removal of a much greater number of questions, enough to fit the FAFSA on a postcard.

Nobody has yet been able to quantify the potential impact of FAFSA simplification on the number of applicants. For example, how much would FAFSA completion rates change if the 31 questions that are based on the federal income tax return were removed?¹⁷ Would this yield enough of an improvement, especially amount students eligible for the Pell Grant, or is a more drastic simplification necessary?

However, dropoff statistics associated with FAFSA on the Web could be used to estimate the potential increase in the number of completed applications corresponding to the removal of each question. Dropoff is the percentage of web site visitors who complete one step in a multi-step form but who do not complete the next step within a particular time period. Completion is the percentage of web site visitors who complete both consecutive steps, and is equal to 100% minus the dropoff rate. The overall completion rate for a multi-step form is the product of the completion rates for each step. Partial completion data helps estimate the number of applicants who would have completed the FAFSA if only the problematic questions had been removed. The impact of eliminating a step is simply the product of all the completion rates, substituting 100% for the completion rates on the omitted steps. The dropoff statistics might yield surprising results, in which case it may be necessary to rethink the current approach to simplification.

Most steps in the online FAFSA correspond to a single question from the FAFSA form. If responses are stored in a database, dropoff can be calculated from database completion statistics. Otherwise dropoff can be calculated from the web server logs. The only complexity occurs when there are multiple conditional paths through the form, such as the simplified needs test and skip logic. Dropoff rates for each such scenario can be calculated separately.

The questions on a form can also be preferentially ordered to maximize the value of the completion statistics:

¹⁴ Lauren Asher, Robert Shireman and Deborah Frankle, Going to the source: a practical way to simplify the FAFSA, The Institute for College Access and Success, March 2007. www.ticas.org/pub_view.php?id=233

¹⁵ Mark Kantrowitz, Proposal for a drastically simplified expected family contribution (EFC), FINAID-L, September 17, 2008. www.finaid.org/calculators/simplifiedefc.phtml

¹⁶ Sandy Baum and Mike McPherson, Recommendations for Reforming Federal Student Aid, Rethinking Student Aid Study Group, College Board, September 2008. professionals.collegeboard.com/policy-advocacy/affordability/student-aid

¹⁷ In all likelihood the questions that are based on the federal income tax return are among the most problematic because these questions depend on information that is not immediately available to most applicants. But the benefit of eliminating these questions has not been quantified.

- The applicant email address and contact information should be requested in the first step, to permit surveying applicants about the reasons why they didn't complete the form. This also allows one to identify and remove duplicate partial applications from the same applicant.
- Key demographic questions should be asked first, to permit segmenting the dropoff statistics according to those demographics. This may help identify at-risk populations that are less likely to complete the application. Possible demographic questions include race, gender, applicant age, state, year-in-school and family income.
- The most problematic questions should be asked last, after the applicant has already invested much time in completing the application, because then the applicant is more likely to persist in completing the last few questions.

Dropoff statistics are also extremely valuable for detecting and identifying potential problems, especially when supplemented with the average time to complete each step. Dropoff statistics can also be used to evaluate the impact of alternate wording for a question through A/B testing. Dropoff statistics can also be used to rank the steps, helping determine which steps are most problematic and which steps are least problematic.

Dropoff statistics can also be used to identify questions that are counterproductive. The FAFSA includes a question about the highest education level of the applicant's parents. This question is included for states that award aid to first generation college students. But if this question has high dropoff among low income students, one could argue that the target population would be better helped if the question were omitted.

TABLES

Percentage of US Citizens and Permanent Residents Applying for Federal Student Aid and Receiving a Pell Grant by Expected Family Contribution (EFC) for 2003-04 and 2007-08

EFC	Number Submitting a FAFSA		Number Receiving a Pell Grant		Percent Receiving a Pell Grant		Average Pell Grant	
	2003-04	2007-08	2003-04	2007-08	2003-04	2007-08	2003-04	2007-08
0	3,021,900	3,704,700	2,498,300	3,121,400	82.7%	84.3%	\$3,054	\$3,063
1 to 1000	1,160,600	959,800	941,800	819,500	81.1%	85.4%	\$2,847	\$2,975
1001 to 2000	881,200	811,700	733,600	680,200	83.3%	83.8%	\$2,012	\$2,088
2001 to 3000	714,600	688,400	567,600	590,200	79.4%	85.7%	\$1,256	\$1,476
3001 to 3850	495,500	524,800	356,600	421,800	72.0%	80.4%	\$566	\$741
3850 to 4110	151,100	130,900	0	85,700	0.0%	65.5%	\$0	\$358
> 4111	4,686,900	5,366,800	0	0	0.0%	0.0%	\$0	\$0
0 to 3850	6,273,800	6,689,400	5,098,000	5,633,100	81.3%	84.2%	\$2,492	\$2,592
0 to 4110	6,424,900	6,820,200	5,098,000	5,718,800	79.3%	83.9%	\$2,492	\$2,559
Total	11,111,800	12,187,100	5,098,000	5,719,800	45.9%	46.9%	\$2,492	\$2,559

Percentage of US Citizens and Permanent Residents Not Applying for Federal Student Aid but Potentially Eligible for a Pell Grant by Expected Family Contribution (EFC) for 2003-04 and 2007-08

EFC	Number of Students		Number Not Submitting a FAFSA		Percentage Not Submitting a FAFSA		Estimated Number Eligible for a Pell Grant	
	2003-04	2007-08	2003-04	2007-08	2003-04	2007-08	2003-04	2007-08
0	3,781,300	5,045,100	760,000	1,342,000	20.1%	26.6%	628,500	1,131,300
1 to 1000	1,719,500	1,276,900	558,800	316,700	32.5%	24.8%	453,200	270,500
1001 to 2000	1,258,000	1,207,800	377,400	396,200	30.0%	32.8%	314,400	332,000
2001 to 3000	1,052,900	1,024,800	338,000	336,100	32.1%	32.8%	268,400	288,000
3001 to 3850	780,400	772,300	284,800	247,100	36.5%	32.0%	205,100	198,700
3850 to 4110	245,700	194,300	94,600	63,500	38.5%	32.7%	0	41,600
> 4111	9,895,700	11,115,600	5,205,100	5,746,800	52.6%	51.7%	0	0
0 to 3850	8,592,100	9,326,900	2,319,900	2,639,500	27.0%	28.3%	1,886,100	2,222,500
0 to 4110	8,837,700	9,521,200	2,412,700	2,704,000	27.3%	28.4%	1,886,100	2,268,700
Total	18,733,400	20,636,900	7,624,500	8,440,500	40.7%	40.9%	1,886,100	2,268,700

Distribution of Actual and Likely Pell Grant Recipients by Expected Family Contribution for 2003-04 and 2007-08

	Year	Expected Family Contribution (EFC)					
		0	1 to 1000	1001 to 2000	2001 to 3000	3001 to 3850	3850 to 4110
Non-Applicants Eligible for a Pell Grant	2003-04	33%	24%	17%	14%	11%	
	2007-08	50%	12%	15%	13%	9%	2%
Applicants who Received a Pell Grant	2003-04	49%	18%	14%	11%	7%	
	2007-08	55%	14%	12%	10%	7%	1%