

# FAFSA Completion Rates by Level and Control of Institution

Mark Kantrowitz

*Publisher of FinAid.org and FastWeb.com*

October 14, 2009

## EXECUTIVE SUMMARY

Completion rates for the Free Application for Federal Student Aid (FAFSA) vary considerably by level and control of institution.<sup>1</sup> Increasing FAFSA completion rates at public and non-profit colleges and especially at community colleges would increase college retention and graduation rates.

For-profit colleges have significantly higher FAFSA completion rates than non-profit and public colleges. 95.4% of students at for-profit colleges submit the FAFSA, compared with 52.1% of students at public colleges and 71.7% of students at non-profit colleges. The differences are more dramatic at 2-year institutions, where 98.9% of students at for-profit 2-year colleges submit the FAFSA, compared with 43.9% of students at public 2-year colleges and 77.7% of students at non-profit 2-year colleges.

FAFSA completion rates for students with Pell-eligible estimated expected family contribution (EFC) scores were somewhat better, with 97.0% of students at for-profit colleges (99.5% of students at for-profit 2-year colleges), 64.6% of students at public colleges (57.8% of students at public 2-year colleges), and 84.2% of students at non-profit colleges (83.8% of students at non-profit 2-year colleges) submitting the FAFSA.

FAFSA completion rates at for-profit colleges improved from 2003-04 to 2007-08, while the FAFSA completion rates declined at public and non-profit colleges (with the noteworthy exception of public less-than-2-year institutions).

Differences in enrollment status had a significant impact on FAFSA completion rates at public colleges, with 41.1% of part-time students submitting the FAFSA compared with 66.4% of full-time students, a 25.3% point difference in completion rates. At non-profit colleges 60.9% of part-time students and 77.7% of full-time students submitted the FAFSA, a 16.8% point difference in the completion rates. This contrasts with the negligible difference in completion rates at for-profit colleges, where 96.5% of part-time students and 95.5% of full-time students completed the FAFSA.<sup>2</sup>

FAFSA completion rates are fairly stable according to year in school at 4-year institutions except during the 4<sup>th</sup> year at public and non-profit colleges. The 4<sup>th</sup> year completion rates were 14.6%

---

<sup>1</sup> This report explores the results mentioned in footnote 9 of the April 28, 2009 report, *Analysis of Why Some Students Do Not Apply for Financial Aid*, in greater depth.

<sup>2</sup> The difference in completion rates by enrollment status at for-profit colleges is within the margin of error for the analysis.

lower during the senior year at public colleges and 9.9% lower at non-profit colleges, compared with a 0.9% decline at for-profit colleges.

The complexity of the FAFSA form is a contributing factor to completion rates, with 18.9% of US citizens and permanent residents who did not submit the FAFSA saying that it was because the forms were too much work or too time-consuming. These students were disproportionately enrolled at public colleges, with 93.2% enrolled at public colleges, 6.0% at non-profit colleges and 0.7% at for-profit colleges.

However, the much greater FAFSA completion rates at for-profit colleges demonstrate that the complexity of the FAFSA is not an insurmountable obstacle. For-profit colleges have much stronger customer service operations than community colleges, in part because of the profit motive. Intensive counseling and handholding at for-profit colleges helps ensuring a very high FAFSA completion rate. Of course, simplifying the FAFSA form would help increase FAFSA completion rates at all types of institutions.

Increasing FAFSA completion rates at public colleges could potentially increase six-year graduation rates by as much as 5.2% and Bachelor's degree attainment rates by as much as 4.3%.

## **RECOMMENDATIONS**

The following recommendations are intended to increase FAFSA completion rates at public and non-profit colleges, ultimately increasing retention and graduation rates.

- Public and non-profit colleges should target college seniors and part-time students for additional counseling to encourage them to complete the FAFSA.
- FAFSA simplification should be accompanied by incentives for colleges to increase their FAFSA completion rates. Perhaps colleges should be required to achieve a 90% FAFSA completion rate among US citizens and permanent residents in order to get access to supplemental funding from the US Department of Education. Or perhaps the FAFSA should be required as a prerequisite for enrollment.
- Simplify the FAFSA as much as possible in order to increase completion rates.
- Expand proactive FAFSA completion assistance programs such as College Goal Sunday.
- Provide training to tax preparers to enable them to help families complete the FAFSA.

## **METHODOLOGY**

The analysis in this report was performed using the data analysis systems for the 2003-04 and 2007-08 National Postsecondary Student Aid Study (NPSAS) and the second follow-up to the 1995-96 Beginning Postsecondary Students Longitudinal Study (BPS:96/98/01). The NPSAS is a large survey conducted every four years by the National Center for Education Statistics at the US Department of Education. The 2003-04 NPSAS surveyed 80,000 undergraduate students and 11,000 graduate and professional students and the 2007-08 NPSAS surveyed 114,000 undergraduate students and 14,000 graduate and professional students.

## FAFSA COMPLETION RATES

The following table demonstrates FAFSA completion rates by level and control of institution for US citizens and permanent residents in 2003-04 and 2007-08. FAFSA completion rates improved at for-profit colleges from 2003-04 to 2007-08 while they declined at public and non-profit colleges (with the exception of a noteworthy increase at public less-than-2-year institutions).

<b>Percentage of All Students Completing the FAFSA By Level and Control of Institution</b>			
<b>Institution Type</b>	<b>2003-04</b>	<b>2007-08</b>	<b>Change</b>
<b>Public</b>	52.9%	52.1%	1.3%
Public 4-year	64.2%	63.2%	-1.0%
Public 2-year	44.9%	43.9%	-1.0%
Public < 2-year	38.2%	48.6%	10.4%
<b>Non-profit</b>	73.2%	71.7%	-1.3%
Non-profit 4-year	72.9%	71.5%	-1.4%
Non-profit 2-year	79.7%	77.7%	-2.0%
Non-profit < 2-year	81.8%	81.9%	0.1%
<b>For-profit</b>	88.8%	95.4%	1.3%
For-profit 4-year	86.2%	96.5%	10.3%
For-profit 2-year	94.5%	98.9%	4.4%
For-profit < 2-year	87.0%	88.3%	1.3%

The following table demonstrates FAFSA completion rates by level and control of institution for US citizens and permanent residents with a Pell-eligible Expected Family Contribution (EFC) in 2007-08.<sup>3</sup> While the FAFSA completion rates for Pell-eligible students were 12.5% points higher at both public and non-profit colleges as compared with all students, there were still significant differences in completion rates according to level and control of institution.

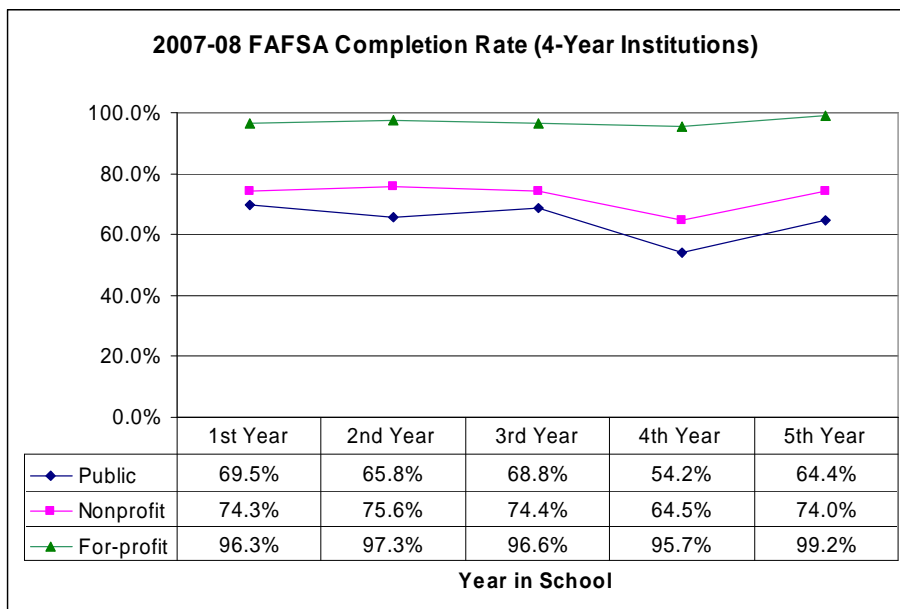
<b>Percentage of Pell-Eligible Students Completing the FAFSA By Level and Control of Institution</b>			
<b>Institution Type</b>	<b>2003-04</b>	<b>2007-08</b>	<b>Change</b>
<b>Public</b>	67.9%	64.6%	-3.3%
Public 4-year	77.1%	76.8%	-0.3%
Public 2-year	62.7%	57.8%	-4.9%
Public < 2-year	50.0%	55.8%	5.8%
<b>Non-profit</b>	83.0%	84.2%	1.2%
Non-profit 4-year	82.6%	84.1%	1.5%
Non-profit 2-year	88.9%	83.8%	-5.1%
Non-profit < 2-year	90.5%	90.2%	-0.3%
<b>For-profit</b>	94.4%	97.0%	2.6%
For-profit 4-year	93.0%	97.5%	4.5%
For-profit 2-year	97.6%	99.5%	1.9%
For-profit < 2-year	92.8%	93.0%	0.2%

<sup>3</sup> The EFC cutoff for Pell Grant eligibility was 4110 in 2007-08 and 3850 in 2003-04.

The following table demonstrates differences in FAFSA completion rates according to enrollment status. Part-time students were much less likely than full-time students to complete the FAFSA at public and non-profit colleges. The differences in FAFSA completion rates at for-profit colleges according to enrollment status were negligible, within the margin of error.

<b>Percentage of All Students Completing the FAFSA By Level and Control of Institution and Enrollment Status, 2007-08</b>			
<b>Institution Type</b>	<b>Part-Time</b>	<b>Full-Time</b>	<b>Difference</b>
<b>Public</b>	41.1%	66.4%	25.3%
Public 4-year	51.6%	69.5%	17.9%
Public 2-year	38.0%	61.2%	23.2%
Public < 2-year	36.8%	60.0%	23.2%
<b>Non-profit</b>	60.9%	77.7%	16.8%
Non-profit 4-year	60.3%	77.4%	17.1%
Non-profit 2-year	69.5%	89.3%	19.8%
Non-profit < 2-year	75.9%	86.4%	10.5%
<b>For-profit</b>	96.5%	95.5%	-1.0%
For-profit 4-year	97.6%	95.9%	-1.7%
For-profit 2-year	99.3%	98.8%	-0.5%
For-profit < 2-year	90.0%	90.5%	0.5%

The following chart illustrates the percentage of all students submitting the FAFSA by year in school at 4-year institutions according to control of institution in 2007-08. The completion rates seem to be fairly consistent from one year to the next except for 4<sup>th</sup> year students at public and non-profit colleges. A similar phenomenon persists even when the results are limited to Pell Grant eligible students, so the drop in FAFSA completion rates probably affects the number of students receiving Pell Grants at these institutions. It is unclear why there is such a decline in FAFSA completion rates, but it suggests that college seniors at public and non-profit colleges should be targeted for additional counseling to encourage them to complete the FAFSA.



FAFSA completion rates at 2-year institutions are roughly equal during the first and second years in school. However, the FAFSA completion rates at less-than-two-year non-profit and for-profit colleges increase significantly in the second year, while the completion rates at public colleges remain flat. The FAFSA completion rates at non-profit colleges increased from 77.2% to 97.4% and at for-profit colleges increased from 88.2% to 95.0%, while the completion rates at public colleges increased from 50.2% to 50.5%.

## **REASONS FOR NOT SUBMITTING THE FAFSA**

Of students who were US citizens or permanent residents who did not submit the FAFSA in 2007-08, 18.9% said that it was because the forms were too much work or too time-consuming, 22.6% said that they did not have enough information about how to apply for financial aid, 40.6% said they did not want to take on the debt, 51.0% said that they did not need financial aid and 60.6% said that they thought they were ineligible. 93.2% of the students who said that the forms were too much work or too time-consuming were at public colleges, 6.0% were at non-profit colleges and 0.7% were at for-profit colleges. Two-thirds of the students were at 2-year colleges (67.8%), 31.1% were at 4-year colleges and 1.1% were at less-than-2-year colleges, with two-thirds (67.5%) at public 2-year colleges and a quarter (25.2%) at public 4-year colleges. More than 1 million students said that the forms were too much work or too time-consuming, more than 1.2 million students said that they did not have enough information about how to apply for financial aid, and more than 2.2 million students said that they did not want to take on the debt.

Among US citizens and permanent residents who had Pell-eligible estimated expected family contribution scores who did not submit the FAFSA in 2007-08, 20.3% said that it was because the forms were too much work or too time-consuming, 26.8% said that they did not have enough information about how to apply for financial aid, 43.3% said they did not want to take on the debt, 43.4% said that they did not need financial aid and 59.3% said that they thought they were ineligible. 94.2% of the students who said that the forms were too much work or too time-consuming were at public colleges, 4.9% were at non-profit colleges and 0.9% were at for-profit colleges. Nearly three-quarters of the students were at 2-year colleges (73.4%), one quarter (24.8%) were at 4-year colleges and 1.7% were at less-than-2-year colleges, with nearly three-quarters (72.9%) at public 2-year colleges and a fifth (20.1%) at public 4-year colleges.

Students could select more than one reason for why they did not complete the FAFSA, and there was a high degree of overlap among the responses. Of the students who said that the forms were too much work or too time-consuming, three-quarters (74.5%) said that they thought that they were ineligible, two-thirds (64.6%) said that they did not want to take on the debt, half (51.4%) said that they did not have enough information about how to apply for financial aid, and two-fifths (38.9%) said that they did not need financial aid. Of students who did not want to take on the debt, two-thirds (66.0%) thought they were ineligible and half (48.4%) said that they had no need. Of the students who did not have enough information about how to apply for financial aid, 71.0% thought they were ineligible and 55.7% said that they did not want to take on the debt. Of the students who said that they had no need, 48.7% thought they were ineligible for financial aid

and 38.6% did not want to take on the debt. Of the students who thought they were ineligible, 44.2% did not want to take on the debt and 41.0% said that they had no need.

The percentage of students who said that they thought they were ineligible did not vary significantly according to adjusted gross income, cost of attendance, out-of-pocket cost or Pell Grant eligibility. The percentage of students who said that they had no need did vary somewhat according to each of these factors, but the percentages were still elevated. This suggests that student impressions of eligibility and need are not realistic.

## **POTENTIAL IMPACT ON GRADUATION RATES**

Based on data from the 2000-01 follow-up to the 1995-96 Beginning Postsecondary Students Longitudinal Study (BPS:96/98/01), 56.4% of students who submitted a FAFSA in 1995-96 received at least one degree and 32.9% received a Bachelor's degree by 2000-01, compared with 44.5% and 23.0% of students who did not submit a FAFSA. Thus students who submit a FAFSA are 11.9% more likely to receive at least one degree and 9.9% more likely to receive a Bachelor's degree.

This suggests that improving the FAFSA application rate at public colleges to the rate at non-profit colleges would increase graduation rates by 2.3% and that improving it to the rate at for-profit colleges would increase graduation rates by 5.2%. Bachelor's degree attainment rates would increase by 1.9% and 4.3%, respectively. The number of students graduating with an Associate's degree would increase by more than 200,000 per year and the number of students graduating with Bachelor's degrees by more than 50,000 per year.<sup>4</sup>

---

<sup>4</sup> The recently published results of the H&R Block FAFSA experiment suggest that the increases in the number of students graduating from college might be even greater because assistance completing the FAFSA increases the number of students enrolling in college. Thus increasing FAFSA completion rates not only increases graduation rates, but also increases access to college. See Eric P. Bettinger, Bridget Terry Long, Philip Oreopoulos and Lisa Sanbonmatsu, *The Role of Simplification and Information in College Decisions: Results from the H&R Block FAFSA Experiment*, National Bureau of Economic Research, Working Paper No. 15361, September 2009 ([www.nber.org/papers/w15361](http://www.nber.org/papers/w15361)).