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New Study Shows Post-FAFSA Paperwork Keeps Students from Getting Financial Aid

Proposed Regulatory Changes Could Make Problem Worse

(Oakland, CA) – A new report by The Institute for College Access & Success examines how the complicated process *after* students submit their federal financial aid application can keep them from getting grants they would otherwise qualify for. The report also notes that the U.S. Department of Education’s pending draft regulations, which are intended to streamline the “verification” process for the Free Application for Federal Student Aid (FAFSA), could actually increase paperwork burdens on some of the neediest students and the colleges that serve them.

The report, *After the FAFSA: How Red Tape Can Prevent Eligible Students from Receiving Aid*, examines the back-and-forth required to confirm low-income students’ eligibility for aid, and the specific processes and student outcomes at 13 California community colleges. On average at these schools, about a third of all aid applicants who appeared eligible for federal Pell Grants did not receive them. Results varied widely from school to school.

The large overall share of aid applicants who were likely eligible for grants but did not receive them, and the significant differences in outcomes for similar students at different schools, raise important questions about the federal application process, including the unintended consequences of federal verification regulations and the way schools implement them. *After the FAFSA* includes recommendations for the Department of Education and college financial aid offices to help ensure that eligible students are able to access needed aid.

“Filling out the FAFSA is just the first step for students and families applying for aid,” said Debbie Cochrane, the report’s author and program director at The Institute for College Access & Success. “Unfortunately, what happens after the FAFSA is most costly for low-income students and the colleges that serve them, and can leave otherwise eligible students without the aid they need to succeed.”

After receiving students’ FAFSAs, the Department flags certain applications for colleges to verify, which requires students to document specific income and demographic information from their applications. Some colleges also request information not required by federal or state regulations, such as copies of drivers’ licenses or completion of additional forms and surveys. In addition to the verification process, schools also have an obligation to check any discrepancies in a student’s FAFSA. To be eligible for aid, students must also meet basic standards for enrollment, academic progress, and course load.

Almost all the students who undergo verification are lower-income students who appear eligible for Pell Grants, and who may have fewer resources to successfully navigate the bureaucratic process. While very few verified applicants across the 13 colleges (2 percent) became ineligible for Pell Grants, students selected for verification were still less likely to receive grants than those

who were not selected. The 13 colleges in the report together spent between \$1.7 million and \$2.5 million attempting to verify aid applicants in 2007-08 alone.

The report also draws on interviews with financial aid administrators and a student survey, which further illustrate the negative effects the post-FAFSA process can have on students. “Some students have legitimate problems where there are eligibility criteria that they can’t meet, but some students just can’t get through the process,” said an administrator from one college included in the study. Students who filed FAFSAs but had not completed the process also showed widespread confusion about their eligibility and what they needed to do next.

Federal regulations currently require colleges to verify up to 30 percent of their own aid applicants, and colleges where fewer than 30 percent of applicants are flagged need only verify those flagged. However, many schools verify all applicants flagged by the Department, or every applicant regardless of whether or not they are flagged. At colleges that serve high numbers of low-income students, who are the most likely to be flagged for verification, this process can strain already limited resources. The report suggests that better guidance from the Department about how to comply with federal regulations would help both schools and students.

Proposed Regulations Would Inadvertently Make Problem Worse

The Department of Education is currently seeking public comments on a proposed regulation to eliminate the 30 percent cap and require schools to verify every flagged application. The proposal may reduce the number of items each student has to verify, but it would *increase the number of students required to be verified at many colleges*, including the 13 the Institute examined.

The Department expects these changes—the decrease in the number of items to be verified and the increase in the number of students to be verified—to offset each other in terms of schools’ administrative burden. However, this is unlikely to be the case for several years. One proposed change—eliminating the need for schools to verify income data that applicants electronically transfer from the IRS into the FAFSA—may not help the students and schools most affected by verification. Most Pell Grant recipients have incomes too low to owe federal income taxes, yet only data from the 1040, 1040A and 1040EZ income tax forms can currently be imported into the FAFSA.

“The proposed rules would drag more low-income students into the verification process and keep some of them from receiving the grants they’re eligible for, while putting more pressure on the cash-strapped community colleges that serve them,” said Cochrane. “We believe there should still be a cap, and that colleges could use more guidance from the Department of Education to minimize unnecessary hurdles for students and also contain their own workloads.”

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Download the report: www.ticas.org/files/pub/AfterFAFSA.pdf

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