

Simplification

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NASFAA's Preliminary Recommendations from the National Conversation Initiative on Access and Aid for Student Success in Postsecondary Education (NCI) are a launch point for continued consensus building, support, and eventual enactment of changes necessary to eliminate the financial barriers to higher education. The NCI Issue Papers Series takes a deeper look at selected topics and provides additional insights on specific policy areas.



Simplification and College Access

For years, the financial aid community has attempted to combat the growing complexity of the student aid application process. With recent efforts at the federal level to streamline needs analysis, the discerning reader may wonder why simplification is still a cornerstone of NASFAA's National Conversation Initiative Preliminary Recommendations. The answer is that recent efforts to simplify the Free Application for Federal Student Aid (FAFSA) do not go far enough to ensure that the process does not pose a barrier to students most in need of assistance. Efforts to modify the FAFSA over the past several years merely tweaked the current process. In fact, some attempts to simplify the determination of a student's eligibility for federal student aid have had the opposite effect.

Changes Prompted by the Advisory Committee Report

In 2005 the Advisory Committee on Student Financial Assistance released its report, *The Student Aid Gauntlet: Making Access to College Simple and Certain: The Special Study of Simplification of Needs Analysis for Title IV Aid.* Congress and the U.S. Department of Education (ED) implemented a number of the report's recommendations, but the law of unintended consequences meant that some changes resulted in more, not less, complexity.

The Committee recommended the expansion of the definition of an independent student to more clearly address the eligibility of foster youth and to recognize the unique situation of students who have gone through specific legal proceedings regarding the relationship with their families. Among the provisions included in the College Cost Reduction and Access Act of 2007 (CCRAA) was an amended definition of an independent student to include an expanded definition of foster youth, emancipated minors, students in a legal guardianship, and unaccompanied youth who are homeless or at risk of becoming homeless. Although the expanded definition was well-intended, ED had to add five questions to the Student Status section of the 2009-10 FAFSA to implement the changes. Anecdotal evidence suggests that financial aid administrators and students have struggled to understand who qualifies as independent under the new criteria and how to document such status. And because all students are presented with these questions, the process is now more complex for all applicants. (In recognition of the problem, ED recently announced it would implement skip logic in FAFSA on the Web to help alleviate it.)

The 2005 report also suggested modifying the definition of untaxed income, which Congress accomplished with the passage and enactment of CCRAA. The Advisory Committee recommended deleting from the definition of untaxed income such items as welfare benefits and the Earned Income Tax Credit, which are likely to be received by applicants qualifying for simplified formulas. This change allowed ED to eliminate the questions previously included on FAFSA Worksheet A and reduced the number of questions found on Worksheet B. Consequently, ED eliminated all three worksheets from the FAFSA and incorporated the remaining questions into the body of the form. While changing the definition of untaxed income resulted in a reduction of the data collected on the FAFSA, parents and students must still respond to 14 items about untaxed income and additional financial information. The complexity of the remaining questions can be overwhelming to the many students and their families who have no additional financial information to report. Impoverished families may not even recognize the words used in questions about specific types of income, because their relatively uncomplicated financial circumstances -being poor- means that they have had no opportunity to encounter, much less benefit, from them. Phrases such as "untaxed portions of IRA distributions" or "payments to self-employed SEP, SIMPLE, Keogh and other qualified plans" are simply not on their radar, and for some families the fear of answering incorrectly can cause them to shrink from completing the form.

Congress also responded to recommendations to streamline eligibility for the automatic zero Expected Family Contribution (EFC) and the Simplified Needs Test (SNT). Congress recognized the necessity of increasing the income threshold to qualify for an automatic zero EFC (to \$30,000) and added alternatives to the tax-filing criterion for both simplified formulas. The alternate criteria, added by the Higher Education Reconciliation Act of 2005 (HERA) and CCRAA, are receipt of means-tested federal benefits and dislocated worker or displaced homemaker status. While these simplified formulas do more to recognize the need of applicants with limited financial resources, high-need students and their families must still complete a complex form requiring them to demonstrate again that they are poor. This complexity and duplication of documentation can discourage students from seeking out assistance for which they are clearly eligible.

Finally, another recommendation made by the Advisory Committee addressed the need to provide information to students and their families earlier through a Web-based tool that could estimate eligibility for federal student aid. In response, ED launched FAFSA4caster in 2007. While the FAFSA4caster is a useful tool for students and families who will need to file a FAFSA in the near future, it is less effective for younger students. FAFSA4caster collects much of the same data applicants provide on the FAFSA. While this is beneficial for students who will soon need to submit an actual application, the number of data elements required to estimate a student's eligibility for federal student aid is daunting, and may discourage many families, especially those from disadvantaged backgrounds, from seeing FAFSA4caster as a

meaningful part of the college-planning process. Compounding this limitation is the reality that many individuals are wary of providing personal information over the Internet.

Previous Efforts Towards Simplification

In response to a directive included in the Higher Education Opportunity Act of 2008 (HEOA), ED proposed a simplified need analysis process using a two-page FAFSA. While NASFAA applauds the Department's efforts to streamline the application, we believe that even more can be done to achieve true simplification. ED's draft FAFSA does not adequately address the circumstances of individuals who are not required to file a federal tax return and those who receive means-tested federal benefits. Such applicants, by the nature of their financial situation, clearly demonstrate maximum eligibility for federal student aid. There is no reason to require this population to submit a full application to again confirm that they are poor.

Without congressional action, ED must still include questions about information unrelated to financial need, such as selective service registration and drug convictions, on the FAFSA. To truly simplify the aid process and ensure access to postsecondary education, the application should only include questions relevant to determining a student's need. The FAFSA should not be used to achieve other societal goals. NASFAA opposes, for example, the selective elimination of students with drug-related offenses in their past. A postsecondary education is a means to lifting students out of poverty; and this avenue of self-improvement is most needed by those who may have made errors in the past and wish to change their lives.

ED's proposal still requires the collection of information that is easily verified through other sources. With applicant authorization, adjusted gross income and exemptions data could be collected directly from the IRS. To accomplish true simplification, ED should leverage available data sources instead of requiring applicants to submit identical data to multiple agencies.

NASFAA Recommendations Advance FAFSA Simplification

During NCI listening sessions nationwide, financial aid professionals stressed that simplification of the aid application process must play a primary role in improving college access. An essential aspect of simplification, according to aid administrators, is predictability. They emphasized, however, that integrity must not be sacrificed to simplification; the system must differentiate between truly needy students and those who merely appear needy on paper.

Preliminary recommendations in NASFAA's NCI report would dramatically simplify the application process and increase predictability, while protecting the integrity of the programs. In particular, the following recommendations would help to simplify the process and increase college access:

Recommendation 1: Streamline the FAFSA so that it collects only demographic, student eligibility, and dependency status data.

The FAFSA should collect only data that is not readily available from other sources. Leveraging information collected by other federal agencies makes the aid process easier for students, less prone to error, and could alleviate some administrative burdens related to data verification that currently keeps financial aid administrators from focusing on student service.

Recommendation 2: Students and their families who are not required to file taxes due to low income, or who receive means-tested federal benefits, should automatically qualify for the maximum Federal Pell Grant.

It is unnecessary to make students and their families prove multiple times that they are poor. Documenting benefit recipients through the use of a database matches is sufficient to establish that such students are eligible to receive the maximum available federal grant aid. Implementing this recommendation will allow truly needy students to apply only once to receive many federal benefits.

Recommendation 3: Give schools the option to waive reapplication every other year for individual students or for groups of students whose circumstances have not changed significantly, as identified by the institution.

The financial situation of many students does not change significantly from year to year. Giving financial aid administrators this flexibility will allow students make thoughtful, informed decisions about their future plans by extending the timeline during which their benefits are certain. An application process with reapplication requirements that can be waived would focus attention and effort on those students whose data is most likely to fluctuate from one cycle to the next.

Recommendation 4: Allow families to initiate the financial aid application process through the federal tax system.

Research has shown that for the vast majority of students, eligibility can be determined using a small number of data elements from the federal tax return. Allowing students and families to initiate the aid application through the tax system simplifies the process for a significant number of families by eliminating the requirement to report data multiple times.

Recommendation 5: Provide look-up tables for students and families to show them how much they would qualify for in Federal Pell Grants and loans.

Simplifying the need analysis and application process not only helps students to apply, it also provides the basis for creating straightforward, easy-to-understand tools to assist families with children in elementary and secondary school. When low- and moderate-income families clearly understand their eligibility, they are far more likely to view postsecondary education as a reality for which they can plan and prepare, rather than an impossible dream.

Recommendation 6: Eliminate needs analysis and replace it with an eligibility analysis that relies on Adjusted Gross Income and tax exemptions to determine the amount that financial aid applicants can expect to receive in Federal Pell Grants and Loans.

Using an eligibility analysis based on only a few key factors permits the streamlined FAFSA described in Recommendations 1 through 5. Rather than a complex need analysis process, eligibility for federal funds would be based on the parents' income for dependent students or student (and spouse's, if applicable) income for independent students, and number in household. Studies have shown these to be the most valid and reliable indicators of financial need (Baum and McPherson, 2007; Dynarski and Scott-Clayton, 2006).

Recommendation 7: Use relevant tax schedules for independent students or the parents of dependent students to gain a more accurate picture of their financial eligibility.

One challenge inherent in simplification is the possibility of unintentionally awarding aid to students who appear needy on paper, but are in fact well off. To prevent paper losses and other tax-related factors from artificially increasing a student's eligibility, NCI recommends obtaining additional information from those families filing specific tax schedules.

Recommendation 8: Eliminate all non-financial aid related questions from the application process (e.g., Selective Service Registration, drug convictions).

Tying unrelated social agendas to the financial aid process increases complexity of the application process. Financial aid administrators participating in the NCI process felt strongly that to improve access, financial aid should solely focus on helping students who cannot afford college to meet their educational costs, and non-financial aid issues should be eliminated from the application process.

Conclusion

Halfway simplification measures that unintentionally create, rather than reduce, financial barriers to college defeat the very purpose that the student aid system is designed to achieve. True simplification of the FAFSA and the eligibility determination process requires a radical change to the system. While federal efforts to date move in the right direction, implementation of the NCI simplification recommendations will help ensure that the promise of college access embodied in the Higher Education Act of 1965 is a reality for all students.

References

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