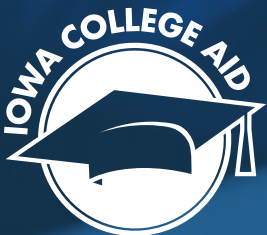




Exploring Ways to Enhance FAFSA Efficiency

A Stumbling Block on the Road to College: How FAFSA Verification Hinders Low-Income Students

*Meghan Oster and Mark Wiederspan, Iowa College Aid
Stephen DesJardins, University of Michigan*



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The National Association of Student Financial Aid Administrators (NASFAA) is a nonprofit membership organization representing more than 20,000 financial aid professionals at nearly 3,000 colleges, universities, and career schools across the country. NASFAA member institutions serve nine out of every 10 undergraduates in the United States. Based in Washington, D.C., NASFAA is the only national association with a primary focus on student aid legislation, regulatory analysis, and training for financial aid administrators. For more information, visit <https://www.nasfaa.org>.

Iowa College Aid is the state agency that promotes college access and success for all Iowans. The agency administers state-funded grant, scholarship, and loan forgiveness programs, as well as federally funded GEAR UP and AmeriCorps grants to promote college attainment. Iowa College Aid coordinates the statewide school-based Course to College program, community-based Local College Access Networks, the online Iowa College and Career Readiness Academy for school counselors and other college access professionals, and the Future Ready Iowa Texting Program for college-bound students and new college students. The agency is also responsible for authorizing institutions to offer courses and programs to Iowans and ensuring consumer protection for students.

Meghan Oster is Statistical Research Analyst at Iowa College Aid. She earned a B.A. in Psychology from DePauw University and an M.S. in Higher Education and Student Affairs from Baylor University. She is currently finishing her doctoral degree in Higher Education Administration from the University of Michigan’s Center for the Study of Higher and Postsecondary Education. Prior to attending the University of Michigan, she worked at Northern Virginia Community College in institutional research. She researches higher education finance, financial aid, and student loans.

Dr. Mark Wiederspan was named Executive Director of Iowa College Aid in January 2020. He previously served the agency as Division Administrator for Research and Communications and as Executive Research Officer. He has also served as a faculty member at Arizona State University. Wiederspan earned a B.A. in Political Science from Nebraska Wesleyan University and an M.A. and Ph.D. in Higher Education Administration from the University of Michigan’s Center for the Study of Higher and Postsecondary Education. He is an Affiliated Researcher at the University of Michigan’s Education Policy Initiative, and his work has been published in academic journals including the Journal of Higher Education, National Tax Journal, and Economics of Education Review. In 2019, he was invited to testify before the U.S. Senate Committee on Health, Education, Labor, and Pensions regarding simplification of the federal student aid process.

Dr. Stephen L. DesJardins is the Marvin W. Peterson Collegiate Professor of Education and Professor of Public Policy at the University of Michigan. He teaches courses related to public policy in higher education, economics and finances in postsecondary education, statistical methods, and institutional research and policy analysis. His research has been published widely in education and economics journals. He is also on the editorial board of Economics of Education Review and is a contributing editor to Research in Higher Education. DesJardins received a B.S. in Economics from Northern Michigan University, an M.A. in Policy Analysis and Labor Economics from the Hubert H. Humphrey Institute of Public Affairs at the University of Minnesota, and a Ph.D. in Higher Education with a concentration in research and evaluation methods, also from the University of Minnesota.



The Free Application for Federal Student Aid (FAFSA) is a significant document in a student’s college enrollment journey. The application is required if students want to receive federal financial aid, and it can be mandatory for state and institutional financial aid as well. Of the graduating high school class of 2019, roughly 57% completed the form. Given that the FAFSA is a key component in providing financial assistance for college, over the past decade many have argued that the inability to complete the FAFSA can be a barrier to college enrollment. To overcome this obstacle, advocates recommend simplifying the application to encourage more students to file the FAFSA and enroll in college.

In response to these recommendations, the federal government has made efforts to simplify the application process over the past decade. The results of these efforts included the elimination of questions; introduction of skip-logic; ability to automatically import Internal Revenue Service (IRS) tax information through the Data Retrieval Tool (DRT); and use of prior-prior-year income tax information, which allows individuals to file their FAFSAs earlier in the process.

Despite these simplification efforts, some students still face another barrier to receiving financial aid: verification. Verification is a process in which institutions must confirm the accuracy of students’ and their families’ financial information reported on the FAFSA. Over the 10-year period starting with 2007-08, the percentage of Federal Pell Grant-eligible students nationwide who were selected for verification ranged from between 42% and 66%, with roughly 55% selected in 2017-18 (see Figure 1). This process requires additional paperwork and time for both students and institutions. After a student submits the FAFSA to the Central Processing System (CPS), the system uses a series of risk assessment models to determine selection for verification. Unfortunately, no public information is available on the formula for these risk assessment models. If selected, students must submit documentation to confirm the information they reported in the FAFSA.

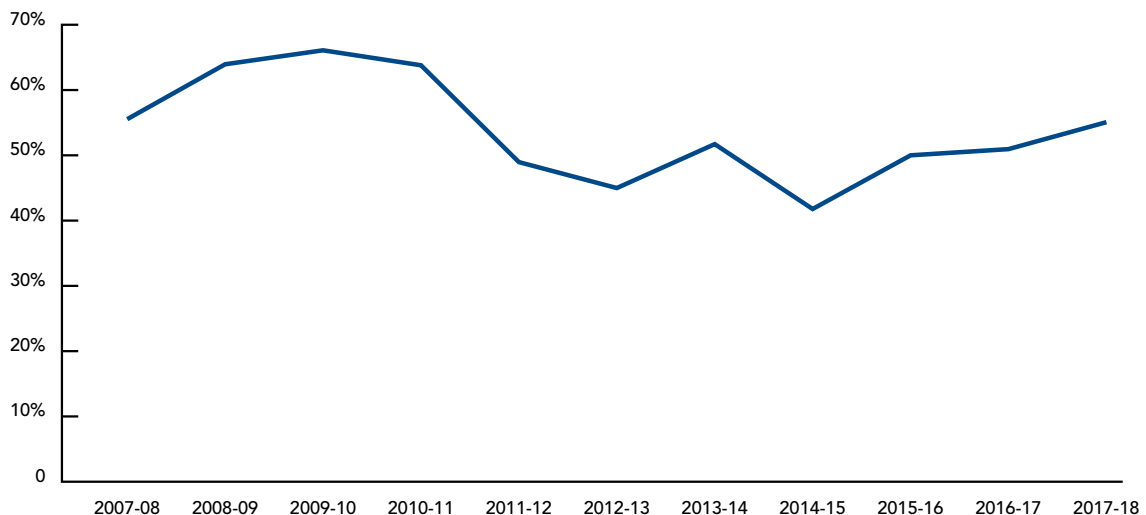


Figure 1. Share of Pell-eligible students selected for verification nationally by year.

Source: U.S. Department of Education Federal Pell Grant Program End of Year Reports, <https://www2.ed.gov/finaid/prof/resources/data/pell-data.html>.

¹ National College Access Network, National FAFSA Completion Rates for High School Seniors and Graduates. Washington, DC, <https://www.ncan.org/general/custom.asp?page=NationalFAFSACompletionRatesforHighSchoolSeniorsandGraduates>.



Many higher education stakeholders have described this verification process as bloated and complex.² The most recent federal action to alleviate verification burden occurred when President Donald Trump signed the FUTURE Act on December 19, 2019. This Act enables the IRS to share taxpayer information directly with the U.S. Department of Education (ED). Prior to enactment, the transfer of tax filer information from the IRS to ED was possible only through the DRT. Additionally, non-tax filers needed a letter from the IRS confirming their non-tax filing status. Direct data transfer between IRS and ED reduces the redundancy for students to collect and resubmit tax information and eliminates the need for non-tax filers to confirm their status. As of March 2020, ED has yet to release guidance on the implementation of the IRS-to-ED data transfer and how it will alter the verification process. Therefore, the extent to which this new data transfer will alleviate verification burden is unknown. More importantly, enactment does not eliminate students' selection for verification.

From prior research, we know Pell-eligible students are significantly more likely to be selected for verification than non-Pell-eligible students.³ Because the Pell Grant is the largest federally funded student financial aid program, it is prudent to ensure that the students with the greatest financial need receive these grants. Unfortunately, research has found that by targeting low-income students disproportionately, verification introduces an additional barrier to their college enrollment. Prior analyses have found some students do not know they have been selected for verification or lack the information necessary to complete the process.⁴ Even when students submit the necessary verification documents, evidence suggests it results in little to no change in their Expected Family Contribution (EFC).⁵

More importantly, verification has the potential to negatively affect students' receipt of financial aid, and ultimately their academic persistence, if institutions are unable to complete the process in a timely manner.⁶ Delays in verification cause delays in receiving financial aid, resulting in postsecondary education being more expensive for selected students. For example, if a student selected for verification begins classes in August but does not complete the process by September, the student may be required to pay a portion of tuition without financial aid. Further, students who request that Institutional Student Information Records (ISIR) be sent to multiple institutions may be required to go through the verification process several times with different institutions.

While we know a significant amount about the verification process and the negative effects on receiving financial aid, more research is needed to understand the relationship between verification and college enrollment. Previous research has provided some baseline understanding of the impact of verification on enrollment. A 2018 article from the National College Access Network (now the National College Attainment Network) suggested that 25% of Pell-eligible students selected for verification do not complete the verification process, thereby limiting their access to the Pell Grant and other financial aid.⁷ While this result demonstrates the macro-level impact of verification, it does not help us ascertain the likelihood of enrollment after verification selection.

² Advisory Committee on Student Financial Assistance, *The student aid gauntlet: Making access to college simple and certain*. Washington, DC: U.S. Department of Education, 2005; National Association for Student Financial Aid Administrators, *NASFAA issue brief: Verification*. Washington, DC, 2018, https://www.nasfaa.org/uploads/documents/NASFAA_Issue_Brief_Verification.pdf.

³ Debbie F. Cochrane, Andrew LaManque, and Laura Szabo-Kubitz, *After the FAFSA: How red tape can prevent eligible students from receiving financial aid*, (The Institute for College Access & Success, 2010), <https://ticas.org/affordability-2/after-fafsa/>; U.S. Department of Education, *Federal Pell Grant program 2016-17 end-of-year report*, 2018, <https://www2.ed.gov/finaid/prof/resources/data/pell-data.html>; Carrie Warick, *FAFSA verification: Good government or red tape?* National College Attainment Network, 2018.

⁴ Cochrane, LaManque, Szabo-Kubitz, *After the FAFSA*; J. Cody Davidson, "Improving the financial aid process for community college students: A literature review of FAFSA simplification, information, and verification," *Community College Journal of Research and Practice*, 39, (2015): 397-408.

⁵ Lindsay Ahlman, Debbie F. Cochrane, and Jessica Thompson, *On the sidelines of simplification: Stories navigating the FAFSA verification process*, (The Institute for College Access & Success, 2016), https://ticas.org/wp-content/uploads/legacy-files/pub_files/on_the_sidelines_of_simplification.pdf.

⁶ Mike MacCallum, "Effect of financial aid processing policies on student enrollment, retention and success." *Journal of Student Financial Aid*, 37, (2008): 17-32, <https://pdfs.semanticscholar.org/3735/728d7a15f8167dcd3954748905069a304182.pdf>.

⁷ Bill DeBaun, *Verification melt rate ticks up to 25 percent*, (National College Access Network, 2018, November 18), <https://www.ncan.org/news/news.asp?id=456084>.



For this study, we shed light on the extent to which selection for verification poses a barrier to college enrollment. We intend to answer the following questions regarding the relationship of verification to college enrollment:

- a. Based on elements reported in the FAFSA, what students are likely to be flagged for verification?
- b. What is the predicted probability that students selected for verification will enroll in college relative to students who are not selected for verification?

Similar to prior research, the first part of our analysis examines the likelihood that a FAFSA filer will be selected for verification. In the second part, we estimate the probability that a FAFSA filer will enroll in college after being selected for verification. This analysis not only accounts for student-level observables, such as gender and age, but also considers the relationship between verification selection and the use of DRT for FAFSA submission.

Data and Sample

Due to Iowa College Aid's administration of state-funded scholarship and grant programs, the agency receives ISIR data from the ED CPS for all Iowans who file the FAFSA. For our analysis, we used ISIRs for first-time FAFSA filers from the 2012-13 through the 2016-17 filing years. This dataset included not only detailed measures used to calculate students' EFCs (e.g., household earnings, dependency status), but also a variable identifying which students the CPS selected for verification. The verification flag remains on students' ISIRs even if they submit the FAFSA multiple times in a given year. For example, if a student is selected for verification and in the process has to resubmit a FAFSA, the verification flag will still be reported in the ISIR. ISIRs also contain demographic information, such as age, gender, first-generation college student status, and year in college.

We matched ISIRs to the student-level database maintained by the National Student Clearinghouse (NSC). NSC compiles enrollment data for each term that a student attends a participating postsecondary institution, covering 97% of all enrollments at Title IV degree-granting institutions.⁸ The NSC data contains information on students' enrollment duration at a particular institution, degrees received, and programs of study. For our purposes, the primary variable of interest was an indicator of whether students enrolled in college in the same academic year they filed a FAFSA.

When filing the FAFSA, students can use Federal School Codes to identify up to 10 institutions to receive their financial information. We created a crosswalk between the Federal School Codes and the unit identifiers from the Integrated Postsecondary Education Data System (IPEDS). This allowed for identification of institutions receiving the ISIR and their institutional sector, which were classified as public two-year, public four-year, private not-for-profit, proprietary, and foreign colleges. While students can identify up to 10 institutions on the FAFSA, we focused on the institutional sector of the first college that students reported. Previous research found that students rank-order their preferred institutions on the FAFSA.⁹ Our sample matched to NSC showed similar results. Among students who enrolled in college, roughly 92% attended a college in the same institutional sector as the college reported first on the FAFSA.

⁸ National College Attainment Network, National FAFSA Completion Rates for High School Seniors and Graduates, (n.d.), <https://www.ncan.org/general/custom.asp?page=NationalFAFSACompletionRatesforHighSchoolSeniorsandGraduates>.

⁹ Stephen R. Porter and Johnathan G. Conzelmann, "Strategic use of FAFSA list information by colleges." *Research in Higher Education*, 58, (2017): 568-579.



Between 2012-13 and 2016-17, a total of 204,848 Iowans filed a FAFSA for the first time. We restricted the sample to filers who were older than 17 at the time of their FAFSA submission. We also excluded graduate students and limited the sample to filers whose first reported institution on the FAFSA was a public two-year, public four-year, or private nonprofit institution. We dropped students who requested their ISIR be sent to a proprietary or foreign college because schools within these institutional sectors do not consistently report enrollment data to NSC. This yielded an overall sample of 172,903 students, of which 91,146 (roughly 53%) were Pell eligible.

Methodology

We estimated a series of binary logistic regressions to answer our two research questions. For the first part of our analysis, the dependent variable was an indicator of whether a student was selected for verification. In the second part, the dependent variable was an indicator of whether a student enrolled in college. For both regressions, we included controls to account for differences in verification and college enrollment rates across various student demographics, including gender, first-generation status, EFC, institutional sector, year in college, and the academic year the student filed the FAFSA. Additional controls included the type of FAFSA formula used to calculate the EFC, such as automatic-zero EFC. For the second part of our analysis, we used the same controls described above, but included the main independent variable of interest, which was an indicator of whether a student was flagged for verification.

Limitations

Our analysis had several limitations. First, we did not have access to data on students' receipt of federal or institutional financial aid nor their financial aid packages. Such financial aid information would have been helpful in understanding whether selection for verification affected students' aid eligibility, aid receipt, and the type of aid they may receive, which would help us better understand how the loss of financial aid affects college enrollment.

Second, we did not know how colleges complete the verification process or how much time they spent doing so. Thus, our analysis could not account for instances where students did not receive their financial aid in a timely manner and had to delay their enrollment. For example, if a student who was flagged for verification wanted to attend a specific two-year college, this two-year college would be responsible for verifying the student's FAFSA. We could not observe in the ISIR data what documents or forms were submitted to the two-year college or the duration of time from document submission to financial aid disbursement.

Results

Who Is Selected for FAFSA Verification?

Table 1 presents demographics for the full sample and Pell-eligible filers. For the whole sample, 34% were selected for verification. However, among Pell-eligible students, the share selected for verification increased to 57%. Similar to previous research findings,¹⁰ the share of students who were selected for verification increased depending on Pell eligibility. Among students who were not Pell eligible, roughly 7% were selected for verification (not displayed in Table 1 but available on request). Of students who were verified, 91% were in the V1 group, which requires confirmation of financial information.¹¹

Table 1: Descriptive Statistics of Analysis Sample: Demographic Differences Between Pell-Eligible Students Selected and Not Selected for Verification

	Full sample		Pell eligible		Verified & Pell eligible		Not verified & Pell eligible	
	Mean	SD	Mean	SD	Mean	SD	Mean	SD
Enrolled	0.81	[0.39]	0.74	[0.44]	0.75	[0.44]	0.73	[0.44]
Selected for verification	0.34	[0.47]	0.57	[0.49]	1.00	[0.00]	0.00	[0.00]
Age when FAFSA was submitted	21.25	[7.88]	22.85	[8.82]	22.20	[8.34]	23.72	[9.36]
Female	0.53	[0.50]	0.54	[0.50]	0.54	[0.50]	0.54	[0.50]
1st-generation	0.28	[0.45]	0.36	[0.48]	0.35	[0.48]	0.37	[0.48]
Dependent	0.74	[0.44]	0.58	[0.49]	0.62	[0.49]	0.53	[0.50]
Independent w/o dependents	0.13	[0.33]	0.18	[0.39]	0.15	[0.36]	0.23	[0.42]
Independent with dependents	0.14	[0.34]	0.24	[0.43]	0.23	[0.42]	0.24	[0.43]
Household heads' income ^a	70,545	[96,140]	26,344	[33,674]	32,540	[38,534]	18,060	[23,342]
Expected Family Contribution ^a	13,479	[32,641]	1,001	[1,522]	1,387	[1,637]	485	[1,168]
Filed taxes	0.91	[0.28]	0.83	[0.37]	0.88	[0.33]	0.77	[0.42]
Did not file taxes	0.09	[0.28]	0.17	[0.37]	0.12	[0.33]	0.23	[0.42]
Used DTR transfer	0.36	[0.48]	0.39	[0.49]	0.41	[0.49]	0.37	[0.48]
Did not use DTR transfer	0.63	[0.48]	0.59	[0.49]	0.57	[0.49]	0.61	[0.49]
Changed DTR transfer information	0.02	[0.13]	0.02	[0.14]	0.02	[0.14]	0.02	[0.13]
Automatic-zero EFC	0.16	[0.37]	0.31	[0.46]	0.21	[0.40]	0.44	[0.50]
Simplified needs test	0.37	[0.48]	0.67	[0.47]	0.57	[0.49]	0.79	[0.41]
Pell eligible	0.53	[0.50]	1.00	[0.00]	1.00	[0.00]	1.00	[0.00]
Sent ISIR to public 2-year	0.54	[0.50]	0.69	[0.46]	0.67	[0.47]	0.72	[0.45]
Sent ISIR to private 4-year	0.27	[0.45]	0.17	[0.37]	0.18	[0.39]	0.14	[0.35]
Sent ISIR to private nonprofit	0.18	[0.39]	0.14	[0.35]	0.14	[0.35]	0.14	[0.35]
N	172,903		91,146		52,142		39,004	

Note: Variables on institutional sector where ISIR was sent is based on the first institution students reported on the FAFSA. Includes academic years 2012-13 through 2016-17.

^a In U.S. dollars adjusted for inflation and top coded at 999999 for EFC and 9999999 for household heads' income.

¹⁰ See Cochrane, LaManque, and Szabo-Kubitz, "After the FAFSA."

¹¹ This statistic is only for students in academic years 2013-14 through 2016-17. Prior to 2013-14, ED did not provide the verification track codes to financial aid administrators.

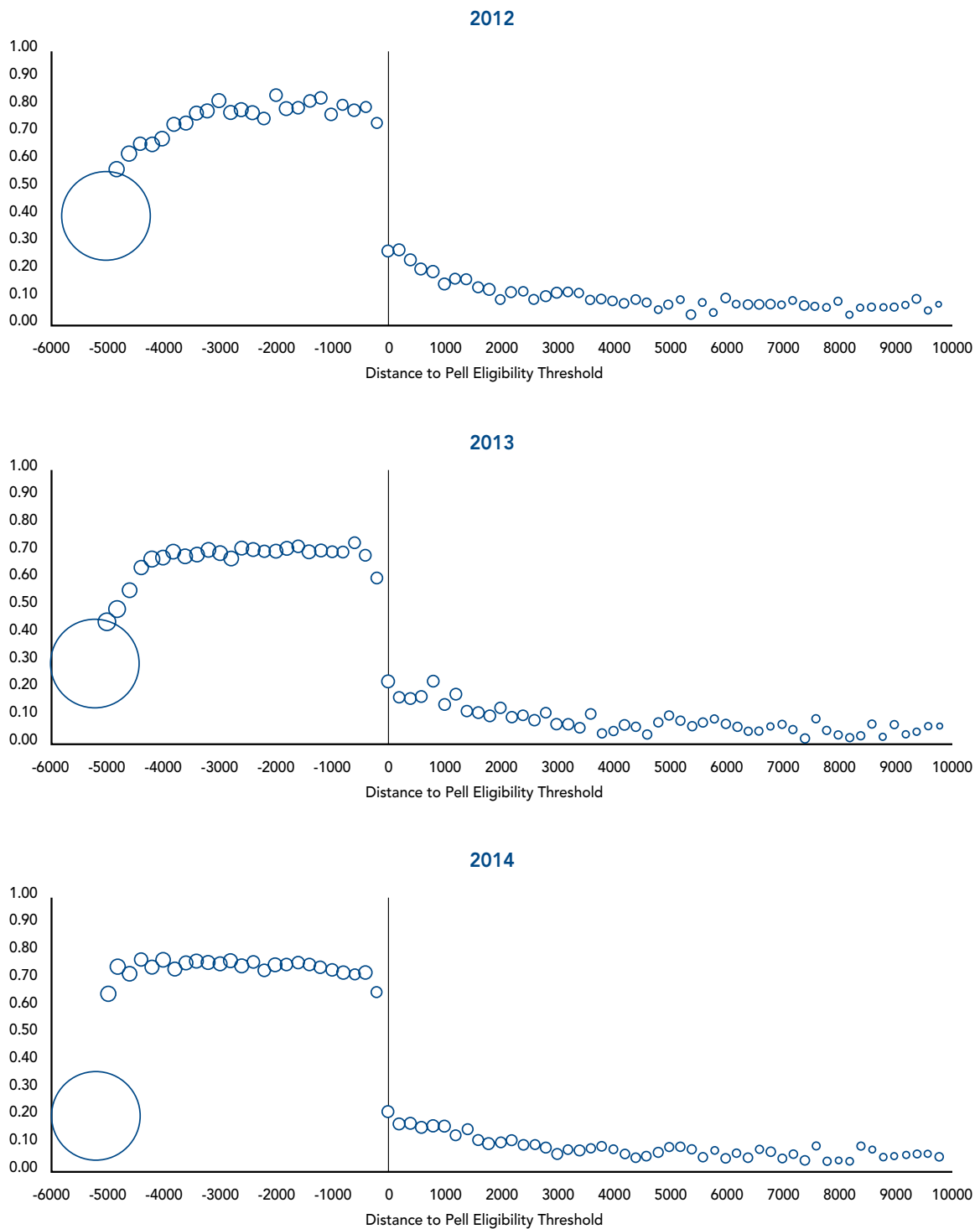


Figure 3. Share selected for verification by distance to Pell eligibility threshold, by year.

Note: Figure consists of \$200 EFC bins and examines EFCs up to \$10,000 above the Pell eligibility threshold. Each circle represents the share of students flagged for verification in the bin. Larger circles represent larger sample size.

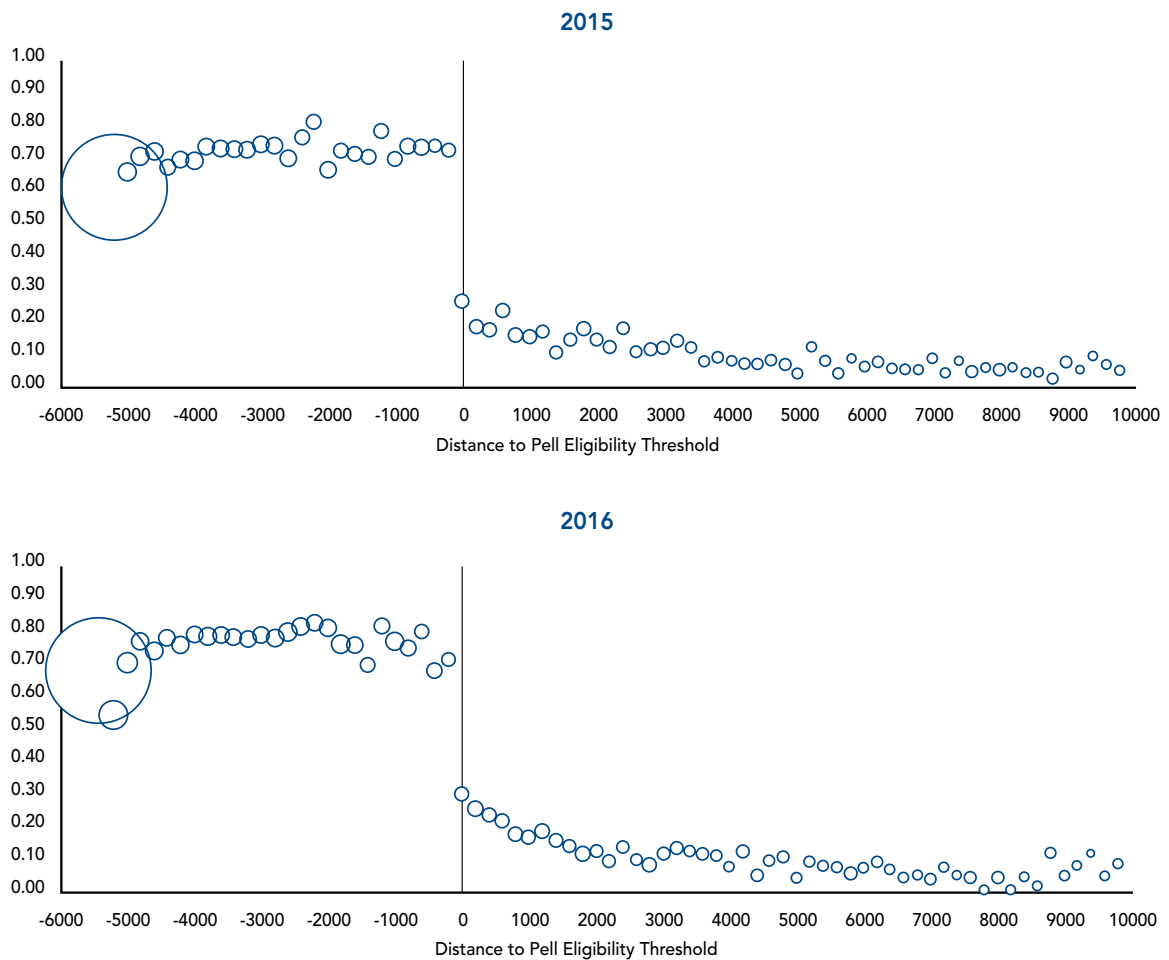


Figure 3. Share selected for verification by distance to Pell eligibility threshold, by year. (Continued)

Note: Figure consists of \$200 EFC bins and examines EFCs up to \$10,000 above the Pell eligibility threshold. Each circle represents the share of students flagged for verification in the bin. Larger circles represent larger sample size.

Table 2 illustrates a student’s probability of being selected for verification relative to their Pell eligibility status. The table includes both the odds ratios and the average marginal effects for the full sample and a reduced bandwidth of \$5,000 above and below the Pell eligibility threshold. We reduced the bandwidth to test the sensitivity of our findings between Pell-eligible and non-Pell-eligible students and do not consider students on both ends of the EFC distribution.

Table 2: Regression Results for Verification Status

	(1)	(2)	(3)	(4)
	Full sample		Reduced bandwidth	
Pell eligible (odds ratios)	16.849*** (0.252)	23.818*** (0.718)	12.886*** (0.274)	36.712*** (1.723)
Pell eligible (average marginal effect)	0.499*** (0.002)	0.525*** (0.005)	0.537*** (0.003)	0.627*** (0.004)
Controls		X		X
N	172,903	172,903	72,731	72,731

Note: Controls include gender, first-generation status, automatic-zero EFC status, simplified needs test status, EFC, dependency status, institutional sector, year in college, and academic year. EFC adjusted for inflation. The reduced bandwidth is \$5,000 above and below the Pell eligibility threshold. Includes academic years 2012-13 through 2016-17.

*p < .10, **p < .05, ***p < .01.

As Figures 2 and 3 and Table 2 findings further emphasize, Pell eligibility was highly correlated with a student’s probability of being selected for verification. Within the full sample and conditional on control variables, the average predicted probability of being selected for verification was 53 percentage points higher for Pell-eligible students than non-Pell-eligible students. Overall, Pell-eligible students, even when controlling for other factors, were much more likely to be selected for verification than non-Pell-eligible students.

We constructed several models estimating the probability of verification, including models that controlled for using the DRT and not filing taxes. Regardless of the model specified, Pell eligibility was always the strongest predictor of verification, and the magnitude of the coefficient remained consistent. Therefore, the following analysis of the relationship between FAFSA verification and college enrollment focuses on Pell-eligible students only.

What Is the Impact of Verification Selection on College Enrollment for Pell-Eligible Students?

As Table 1 demonstrates, 81% of the full sample enrolled in college. However, enrollment differed across important subgroups. Pell-eligible students enrolled at lower rates (74%) than the overall population. Unconditionally, students who were Pell eligible enrolled at similar rates regardless of their verification status: 75% of Pell-eligible students selected for verification enrolled while 73% of Pell Grant students not selected for verification enrolled.

We estimated the relationship of verification selection on college enrollment through two main logistic regressions across four groups. First, we estimated the correlation between verification and enrollment for the entire sample without controls. Then, we added demographic and institutional controls. We then estimated the same two regressions again but limited the sample to Pell-eligible students at public two-year institutions, public four-year institutions, and four-year private nonprofit institutions. We analyzed these subsamples to reflect how verification selection varies across institutional sectors. For example, as shown in Table 1, verification selection was highest at public two-year institutions.

Table 3 displays our results examining the relationship between FAFSA outcomes and college enrollment. In Panel A, the first column is without controls and the second column includes controls for the full Pell-eligible sample. All models with controls fit the data better than the models without controls.¹² Without student-level and institutional sector controls, students selected for verification were 1.5 percentage points more likely to enroll — a difference that is significant at the 1% level. However, once we introduced controls, students selected for verification were 2.3 percentage points less likely to enroll. This finding illustrates that it is critical to account for underlying enrollment differences across demographics when examining the effect of verification on enrollment.

Table 3: Regression Results for College Enrollment: Pell-Eligible Students Only

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Full sample		Public 2-year		Public 4-year		Private nonprofit	
<i>Panel A: Main results</i>								
Verification (odds ratios)	1.081*** (0.016)	0.876*** (0.015)	0.985 (0.017)	0.845*** (0.017)	1.242*** (0.060)	0.971 (0.055)	1.271*** (0.052)	0.920* (0.045)
Verification (average marginal effect)	0.015*** (0.003)	-0.023*** (0.003)	-0.003 (0.004)	-0.033*** (0.004)	0.026*** (0.006)	-0.003 (0.006)	0.044*** (0.008)	-0.014* (0.008)
Controls		X		X		X		X
N	91,146	91,146	63,178	63,178	15,042	15,042	12,926	12,926
BIC	104,462	96,682	76,366	72,245	12,106	11,426	14,334	13,007
<i>Panel B: Interaction Results (Average Marginal Effects)</i>								
Verification	-0.023*** (0.005)	-0.032*** (0.006)	-0.030*** (0.006)	-0.048*** (0.008)	-0.010 (0.008)	-0.013 (0.011)	-0.022** (0.011)	-0.010 (0.013)
Automatic-zero EFC	-0.030*** (0.005)		-0.033*** (0.007)		-0.021** (0.010)		-0.041*** (0.013)	
Automatic-zero EFC x verification	-0.004 (0.007)		-0.004 (0.008)		-0.009 (0.014)		0.001 (0.018)	
Simplified needs test		-0.030*** (0.006)		-0.034*** (0.008)		-0.025** (0.012)		-0.02 (0.014)
Simplified needs test x verification		0.011 (0.007)		0.019** (0.009)		0.014 (0.013)		-0.005 (0.016)
Controls	X	X	X	X	X	X	X	X
N	74,397	91,146	50,013	63,178	13,379	15,042	11,005	12,926

Note: Controls include gender, automatic-zero EFC status, simplified needs test status, first-generation status, EFC, dependency status, institutional sector, year in college, and academic year. Panel A displays estimates in odds ratios and the average marginal effect of the odds ratios. Panel B displays the average marginal effects only. In Panel A, the first column is without controls and the second column includes controls for the full Pell-eligible sample. In Panel B, all models include controls. Includes academic years 2012-13 through 2016-17.

*p < .10, **p < .05, ***p < .01.

¹² See Table 3 for Bayesian Information Criteria [BIC] for model fit. A lower number suggests better model fit.

Panel A in Table 3 further displays estimates across institutional sectors, which helps show where the impact of verification was greatest. Conditional on controls, verification had the biggest impact at two-year colleges, where Pell-eligible students selected for verification were 3 percentage points less likely to enroll than their non-selected Pell-eligible counterparts. We see the biggest impact for verification within this sample of Pell-eligible students because two-year colleges have a large population of Pell-eligible students.

The difference in enrollment for non-selected and selected Pell-eligible students was also negative at public four-year institutions, but the magnitude was small and insignificant. Pell-eligible students selected for verification at private not-for-profit institutions were 1.4 percentage points less likely to enroll than Pell-eligible students not selected for verification, a difference that is significant at the 10% level. In a separate analysis (not shown but available on request), we estimated the same logistic regression models only for first-year students based on the assumption that the impact would be greater for students who have no postsecondary enrollment or FAFSA filing experience. The results were similar to those displayed in Panel A of Table 3, except for the finding related to private nonprofits, where there was no statistical difference in enrollment, conditional on other controls.

In Figure 4, we graphically display the predicted probability of enrollment between Pell-eligible students selected for verification and Pell-eligible students not selected for verification. The average marginal effect, as reported in Panel A of Table 3, is located above each predicted probability. This figure not only demonstrates the overall differences in enrollment across institutional sector (two-year colleges having the lowest overall), but also graphically displays the gaps in enrollment between selected and unselected students within an institutional sector. In sum, students who send their ISIRs to four-year institutions are not as negatively affected by verification as students who send their information to two-year colleges.

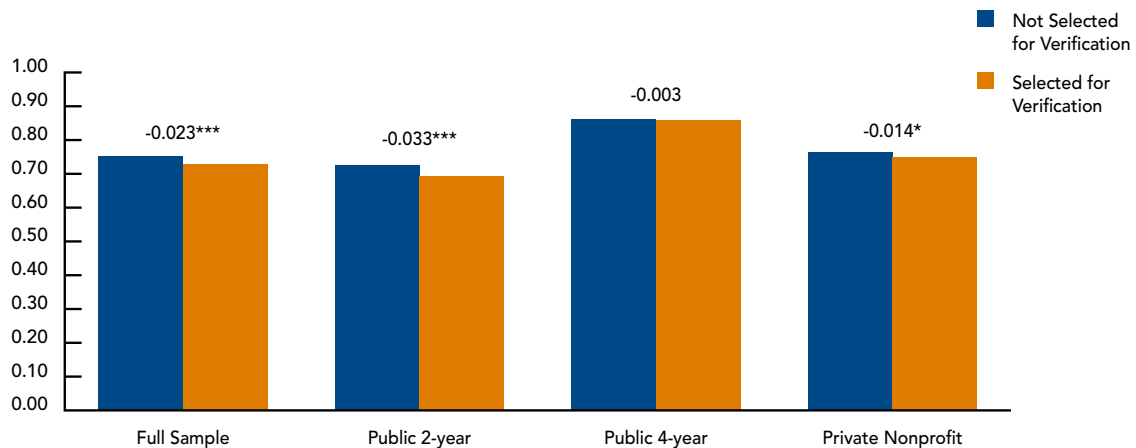
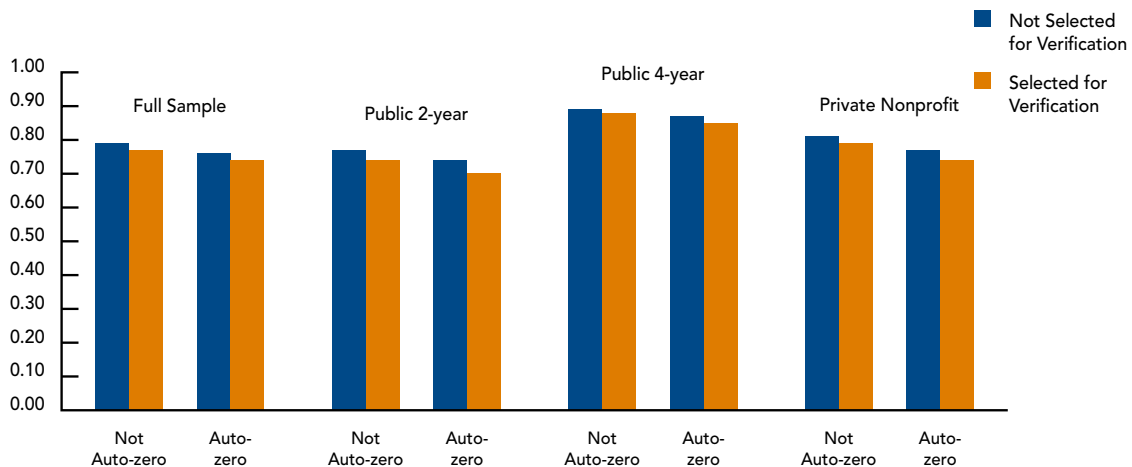


Figure 4. Predicted probability of college enrollment by verification status.

Note: Numbers displayed above the columns are the estimated difference in college enrollment between students selected for verification and students not selected for verification. *p < .10, **p < .05, ***p < .01.

Panel B of Table 3, and Figure 5 examine the predicted probability of enrollment by verification status and the FAFSA formula used to calculate filers' EFC based on our findings. For the full sample and across institutional sector types, our findings are fairly consistent. Note that the model that presents the interaction of verification and automatic-zero EFC, shown in Part B of Table 3 and in Figure 5, excludes independent students without dependents because they are not eligible for an automatic-zero EFC. The group most likely to enroll in college was Pell-eligible students who were not selected for verification and not eligible for the automatic-zero EFC. The group least likely to enroll in college was Pell-eligible students who were selected for verification and had an automatic-zero EFC. The effect of verification and automatic-zero EFC on college enrollment was greatest at public two-year institutions. The difference in enrollment rates between these two groups ranged from 4 percentage points at public four-year institutions to almost 7 percentage points at public two-year institutions.

(a) Automatic-zero EFC Status



(b) Simplified Needs Test Status

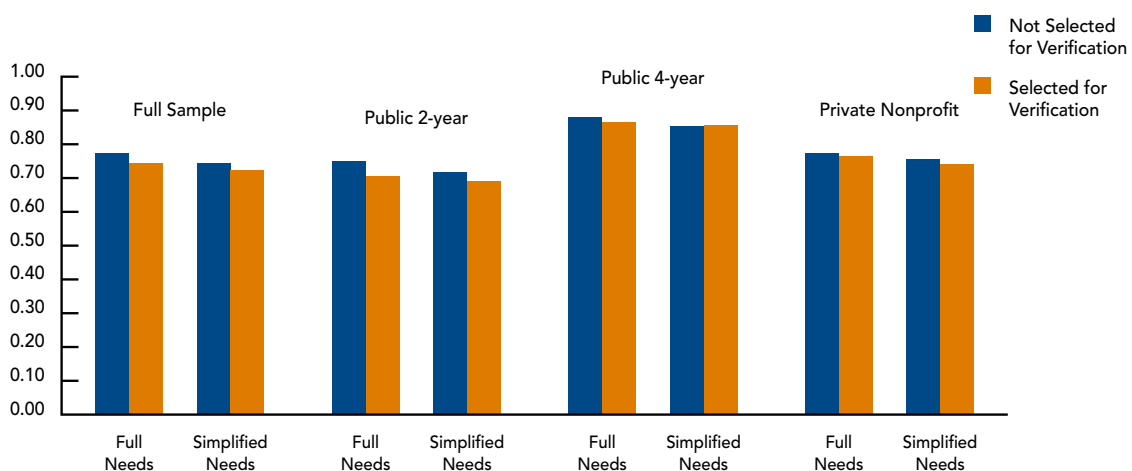


Figure 5. Predicted probability of college enrollment by verification status and FAFSA formula.



Results for verification and the simplified needs test show similar patterns. Students who were selected for verification and whose EFC was calculated under the simplified needs test formula were least likely to attend college. Again, the effect of verification and this type of FAFSA test was greatest at two-year colleges. Overall, these findings provide further evidence that selection for verification is negatively associated with college enrollment for the students with the greatest financial need. These results held when we limited the sample only to first-year students.

We also examined the differential effect of verification on enrollment across EFC and sector. Figure 6 shows the predicted probability of enrollment across the EFC dependent on a student's verification status. The first panel provides estimates for the full sample, while the subsequent graphs disaggregate the results by sector. Overall, as EFC increases, the effect of verification on enrollment decreases. For example, the marginal difference in enrollment between selected and unselected students with a \$0 EFC was about 2 percentage points. However, if a student's EFC was \$3,500 or above, there was no difference in the probability of enrollment by verification status. This effect was once again concentrated at two-year colleges. We saw no difference in enrollment probabilities across EFC by verification status for public four-year and private colleges.

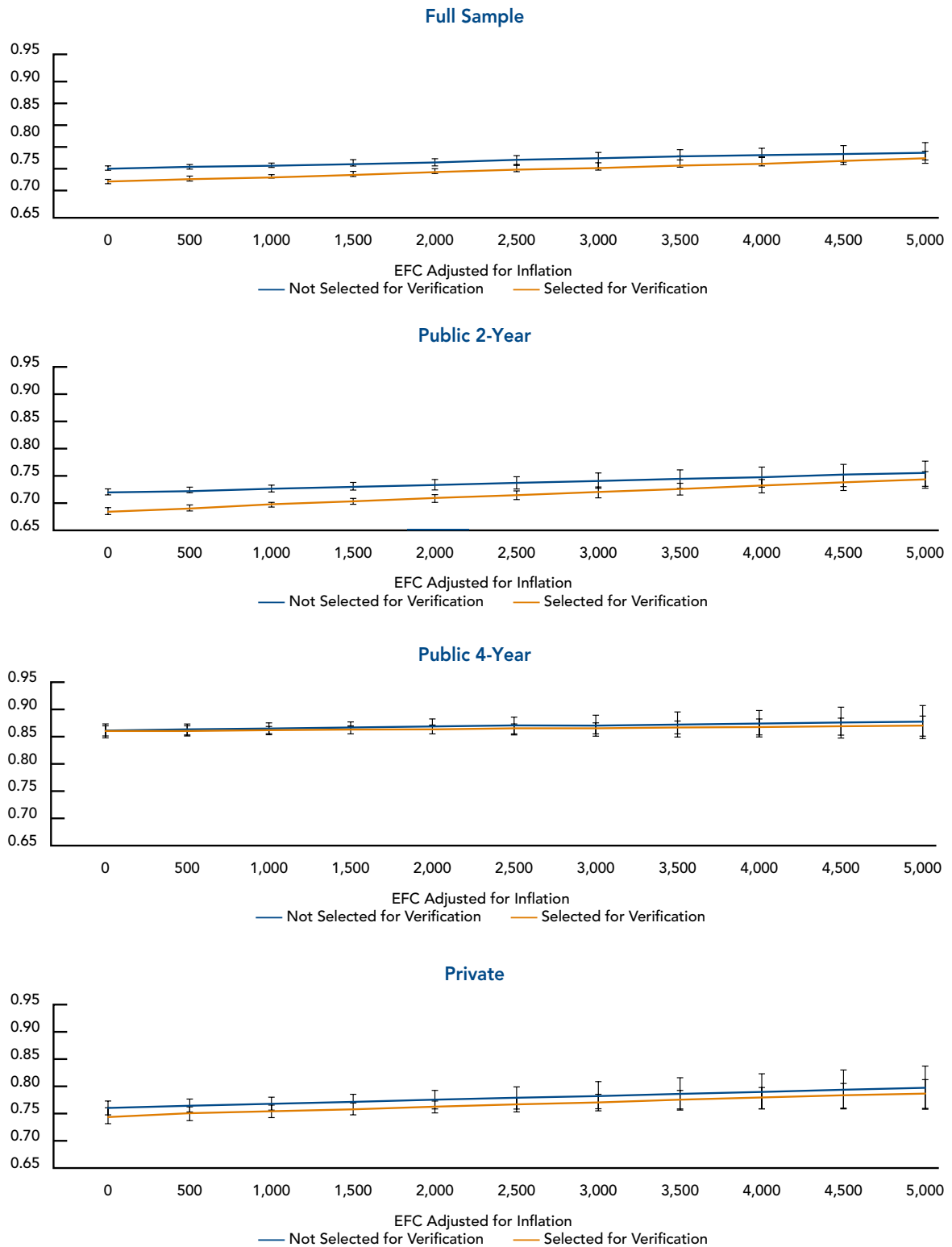


Figure 6. Predicted probability of college enrollment by verification status, EFC, and sector.

Note: Each graph represents a separate regression and presents the predicted probability of enrollment conditional on EFC, verification status, and other controls. EFC adjusted to 2016 U.S. dollars.

Recent Policy Developments

Even though recent policy changes increase data sharing between ED and IRS and reduce the burden of filing a FAFSA, they do not completely eliminate verification. Students will still be selected for verification — possibly students who have non-traditional financial circumstances that make it difficult for them to use IRS data to pre-fill their FAFSA form.

To examine the relationship between a simplified FAFSA process through DRT usage, verification, and enrollment, we interacted selection for verification with use of the DRT. Interestingly, Figure 7, which presents a graphic illustration of the results in Table 4, shows that students who used the DRT and were selected for verification had the highest probability of enrollment relative to the other groups analyzed. For example, students selected for verification who used the DRT were about 5 percentage points more likely to enroll in college than non-selected students who did not use the DRT. Our findings suggest that students who used the DRT and were selected for verification were not affected by the additional burden of the verification process such that it deterred them from enrolling. It is also possible that students' use of the DRT reduced the burden of verification for institutions because the students' IRS information was already available in the system.

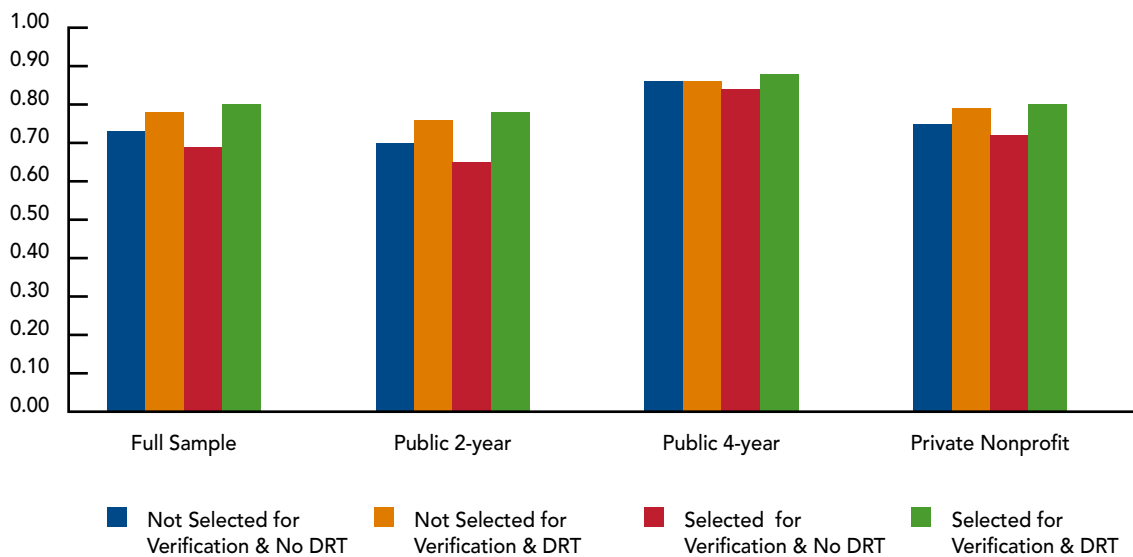


Figure 7. Predicted probability of college enrollment by verification status and DRT use.

Table 4: Regression Results for College Enrollment: Data Retrieval Tool Analysis

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
	Full sample		Public 2-year		Public 4-year		Private nonprofit	
Verification	-0.022*** (0.004)	-0.039*** (0.004)	-0.035*** (0.004)	-0.048*** (0.005)	0.001 (0.007)	-0.017** (0.008)	-0.002 (0.009)	-0.028*** (0.009)
Data Retrieval Tool	0.103*** (0.006)	0.065*** (0.006)	0.100*** (0.008)	0.076*** (0.008)	0.064*** (0.012)	0.041*** (0.012)	0.109*** (0.016)	0.041*** (0.015)
Data Retrieval Tool x verification	0.049*** (0.005)	0.046*** (0.004)	0.072*** (0.006)	0.058*** (0.006)	-0.006 (0.009)	-0.001 (0.009)	0.023* (0.012)	0.039*** (0.011)
Controls		X		X		X		X
N	91,146	91,146	63,178	63,178	15,042	15,042	12,926	12,926

Note: Controls include gender, automatic-zero EFC status, simplified needs test status, first-generation status, EFC, dependency status, institutional sector, year in college, and academic year. This table displays the average marginal effects only. Includes academic years 2012-13 through 2016-17.

*p < .10, **p < .05, ***p < .01.

One might believe that students who used the DRT were selected for verification for different reasons than students who did not use the DRT, such as for a missing signature or some other piece of missing information. However, our data confirmed that roughly 93% of the students who used the DRT and were selected for verification were in the V1 verification group, which is the standard verification group that requires financial information confirmation.¹³

An important caveat of these findings is that DRT users elected to use the tool; therefore, these students might be different than Pell-eligible students who did not use the DRT. Descriptively, Pell-eligible students who were selected for verification and used the DRT were more likely to be dependent (71%) and file their taxes, and as such they were able to use the DRT compared to the overall Pell-eligible sample. Also, selected Pell-eligible students who used the DRT were less likely to have an automatic-zero EFC (16%) or a simplified needs test (48%) relative to the Pell-eligible sample (results available on request).

¹³ This analysis only includes students from 2013-14 through 2016-17.



Conclusion

Verification is an important process to ensure that financial aid to pay for college goes to the neediest students. However, the process can be complex and time consuming, both for the student and for the institution performing the verification. And, for those students who are able to complete the process, there is little to no change to their calculated EFC. For Pell-eligible Iowa students who filed more than one FAFSA after being selected for verification, we found that roughly 93% experienced no change to their EFC, and the average change in EFC ranged from negative \$97 in 2014 to positive \$212 in 2012 (see Table 5). We argue that for low-income students, the significant barrier to college enrollment constructed by verification is too high for such a small change in EFC.

Table 5: Change in EFC for Pell-Eligible Verified Students

EFC	2012	2013	2014	2015	2016
Average change in EFC ^a	\$212	\$206	-\$97	\$199	\$105
Percent of students with EFC change	6.9	6.8	7.5	6.9	6.5

^a In 2016 U.S. dollars.

The results of our study demonstrate that being Pell eligible significantly increases a student's likelihood of being selected for verification, as Pell-eligible students were 24 to 36 times more likely to be selected. These results are consistent with prior findings but provide a more accurate estimation on the selection magnitude.

Our main findings illuminate how the impacts of such a process can hinder students' likelihood of enrolling in college. While the overall differences in enrollment rates are small, they are statistically significant. Pell-eligible students selected for verification were 2.3 percentage points less likely to enroll than their counterparts who were not selected for verification. The impact of verification is greatest at public two-year institutions, an institutional sector with a large Pell-eligible population. Pell-eligible students who indicated a public two-year institution and were selected for verification were roughly 3 percentage points less likely to enroll than students who indicated a public two-year but were not selected.

The findings also give insight into the relationship between the formula used to calculate EFC and verification selection. Students who received an automatic-zero EFC or an EFC calculated under the simplified needs test were less likely to be selected for verification. However, students who were selected for verification and received an automatic-zero EFC or an EFC under the simplified needs test were significantly less likely to enroll than their non-verified counterparts.



Our findings also suggest some promising developments in FAFSA filing. Pell-eligible students who used the DRT and were selected for verification had the highest probability of enrollment regardless of the institutional sector. We believe this is a critical finding given the recent policy changes to expand the use of the DRT enacted by the FUTURE Act. The exchange of more information between the IRS and ED can help alleviate the need for verification, and, in turn, eliminate verification as a barrier to college enrollment. Future research should evaluate the effect of this policy change on verification and college enrollment to understand whether making the FAFSA easier to file reduces administrative burden for both students and institutions and eliminates a barrier to enrollment for the financially neediest college-bound students.

Even though we provide estimates of which students are more likely to be selected for verification and the extent to which the process poses a barrier to college enrollment, CPS's risk assessment models that determine verification selection are unknown. So long as CPS selects students to be verified, more transparent information is needed on this criteria or formula. Making this information more public could not only help students understand why they were selected, but it could also assist institutions in developing procedures that help students complete the verification process.

