

# **THE STUDENT AID GAUNTLET:**

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**MAKING ACCESS TO COLLEGE  
SIMPLE AND CERTAIN**

**FINAL REPORT OF**

**THE SPECIAL STUDY OF SIMPLIFICATION OF  
NEED ANALYSIS AND APPLICATION FOR TITLE IV AID**

**ADVISORY COMMITTEE ON  
STUDENT FINANCIAL ASSISTANCE**

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## EXECUTIVE SUMMARY

Millions of students and adult learners who aspire to college are overwhelmed by the complexity of student aid. Uncertainty and confusion rob them of its significant benefits. Rather than promote access, student aid often creates a series of barriers—a gauntlet that the poorest students must run to get to college. Replacing complexity with a steady stream of encouragement that makes access to college simple and certain is a top priority of Congress and the higher education community.

Congress mandated this simplification study as part of the current reauthorization of the Higher Education Act in order to identify and eradicate major sources of complexity in student aid. Our major finding is that a sweeping and cost effective simplification initiative could significantly improve access and increase the return on the nation’s already sizeable investment in student aid.

Three broadly inclusive regional hearings uncovered remarkable consensus about complexity in student aid and potential solutions. Dozens of participants from state agencies, public and private colleges, and early intervention programs were in agreement that students and families are battered by a series of complexities in student aid. They must overcome ambiguous and uncertain information about financial aid, likely awards, and college costs as well as intimidating and burdensome application questions, forms, and processes. In addition, they confront inadequate application of advanced technology and a lack of coordination among federal, state, college, and private funding sources. To dismantle this gauntlet, four imperatives have emerged:

### *National Imperatives*

**Empower Students**—to make sound decisions about higher education.

**Make It Easy**—to ensure students get the financial aid they deserve.

**Lose the Paper**—to create an integrated web-based student aid system.

**Work Together**—to forge creative public-private access partnerships.

These four imperatives are translated into ten recommendations (Exhibit One) to Congress and the Secretary of Education that, if implemented, will result in direct benefits to all students and families, but especially to the very poorest. Eight of the ten recommendations do not require an increase in program costs. Aspects of two of the recommendations require a small investment that, if necessary, can be phased in over several years.

For each imperative, we also identify steps that states, colleges, and other stakeholders can take to ensure that each of the recommended legislative and administrative improvements become real simplicity *on the ground* for students and families. Together the recommendations constitute a comprehensive strategy for eliminating complexity and confusion in student aid. Designed first to meet the needs of students and families, the strategy reflects the shared views and expertise of all major stakeholders in higher education.

We look forward to supporting Congress and the Secretary in creating and implementing these improvements. We are confident that they will increase access to higher education, making the dream of college a reality for more students each year.

**THE STUDENT AID GAUNTLET**  
**EXHIBIT ONE: SIMPLIFICATION STUDY RECOMMENDATIONS**

- 1. Create a System of Early Financial Aid Information.** Provide students from middle school through adulthood with accurate and timely information about financial aid, including estimates of awards from multiple sources in the context of college costs.
- 2. Make Federal Need Analysis Transparent, Consistent, and Fair.** Reform four major structural weaknesses in the current eligibility model: the treatment of student earnings, college savings plans, state and local taxes, and special circumstances.
- 3. Expand Existing Simplification to More Students.** Extend the benefits of the automatic zero Expected Family Contribution (auto-zero EFC) and the Simplified Needs Test (SNT) to as many low- and moderate-income students as possible.
- 4. Allow All Students to Apply for Financial Aid Earlier.** Align the financial aid application and college admissions processes and allow students to apply in order to receive estimates of their eligibility earlier in the college preparation process.
- 5. Make the FAFSA Relevant and Understandable.** Eliminate questions that are redundant or irrelevant to federal or state aid eligibility and simplify the language used on the form to make it more accessible to students and families.
- 6. Create a Simpler Paper Form for Low-Income Students.** Provide low-income students with a paper EZ FAFSA, a highly simplified paper application, and maximize to the extent possible the number of students who can use this form.
- 7. Phase Out the Full Paper Form and Increase the Use of Technology.** Establish a five-year timeline for phasing out the complex, full paper FAFSA and move all applicants to FAFSA on the Web.
- 8. Simplify and Streamline FAFSA on the Web.** Ensure that applicants complete a tailored, on-line form that contains the minimum number of questions necessary to deliver federal and state aid and can sign their application electronically without delay.
- 9. Simplify the Verification Process.** Create and implement a centralized, web-based verification system to reduce burden on students, lower costs to institutions, and improve the quality of data used to ensure program integrity.
- 10. Create a National Partnership to Make Access Simple and Certain.** Strengthen public-private partnerships based upon effective state models already in place in order to fully implement the improvements outlined above and lower unmet need.

Note: Recommendations one and four through ten require no increases in program costs. Recommendations two and three do but can be phased in over several years, if funds are not currently available.

## ACKNOWLEDGEMENTS

The Advisory Committee is indebted to countless individuals for their invaluable contributions to the completion of this study and report. Dozens of scholars, policy makers, educators, practitioners, and students provided us with extensive guidance and support as we collectively worked to provide students and families with a student aid system that is transparent, simple, and fair. All of these individuals share a commitment to providing equal access to postsecondary education for low-income students. Many of these people served as panelists during our hearings in Washington, D.C., Chicago, Illinois, and Los Angeles, California, which dealt with student aid complexity and opportunities for simplification. Included at the end of this report in Appendix B is a complete list of these individuals. In addition, we would like to thank the individuals who have contributed in the past to Advisory Committee reports, including *Access Denied* and *Empty Promises*, for their support in our efforts to identify ways to maintain and increase access to higher education for low- and moderate-income students.

We would also like to thank the Office of Postsecondary Education and the Office of Federal Student Aid at the Department of Education (ED) for their contributions to this report. In particular, we recognize the following individuals from ED without whom the necessary analyses for this study could not have been conducted: Assistant Secretary for Postsecondary Education Sally L. Stroup and Chief Operating Officer for the Office of Federal Student Aid Theresa S. “Terri” Shaw, as well as other ED staff members, including Dan Madzellan, Stephen D. Carter, and Jeffrey Baker.

In addition, we would like to thank Dr. Brian K. Fitzgerald for his exceptional contributions to both this report and to the Advisory Committee. Under Dr. Fitzgerald’s leadership, the Advisory Committee has been able to contribute significantly to efforts to ensure that college is accessible to low- and moderate-income students. We would like to thank him for the remarkable dedication he demonstrated over the past 16 years and throughout this study to increasing access to higher education.

Finally, we are indebted to Dr. Jeneva E. Stone for her important contribution as editor of this report.

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## THE STUDENT AID GAUNTLET

The nation has invested very heavily in need-based student aid and rightly deserves a substantial return on its investment. We naturally expect the billions of dollars spent annually by the federal government alone to produce measurable results in the form of higher rates of college enrollment and completion among the intended beneficiaries of student aid.<sup>1</sup> Why are the results to date less than completely satisfying? And what can be done to get a better return on the nation's sizeable investment?

Major increases in enrollment and persistence among high school graduates, especially those from low- and moderate-income families, will require additional federal, state, institutional, and private need-based grant aid.<sup>2</sup> More need-based grant aid from all sources matched with limited increases in college costs would make the dream of college a financial reality upon high school graduation. It would also send an encouraging signal from middle school through adulthood that college is financially possible, stimulating academic aspirations and preparation throughout the entire education pipeline.

Equally important, however, is the fact that pervasive complexity continues to create unnecessary barriers to access and lowers the impact of our current level of investment, despite previous Congressional and Departmental efforts to simplify student aid. This suggests that a small additional investment in simplification might improve college enrollment and completion. To test this possibility, as part of the ongoing reauthorization of the Higher Education Act (HEA), Congress directed the Advisory Committee on Student Financial Assistance (Advisory Committee) to conduct this one-year study to determine whether a broad and cost effective simplification initiative could increase the power of student aid to achieve greater access to college, especially for low-income students. Our major finding is that it can.

But to appreciate fully how we can maximize the impact of the nation's large investment in student aid through simplification, we must traverse what our poorest students and families see as a never-ending series of barriers—a gauntlet of complexity—that spawns uncertainty and confusion from middle school through adulthood, and undermines the hard work and best efforts of millions of students each year.

### How Students and Families See Student Aid

Our nation has invested in student aid to ensure that financial barriers do not rule out college for anyone who is qualified and desires to attend. Student aid is the primary reason millions of students from low- and moderate-income families can attend and complete college each year.<sup>3</sup> These students are success stories and living proof that our commitment to access through student aid is a sound investment in the nation's future.

But a simpler and more effective student aid system could help millions more. To understand how, we must take a fresh and honest look at student aid from the perspective of the poorest students and families. Our study revealed that, to many of them, the promise we see in student aid often amounts to a long ordeal of scaling access barriers: poor information, unfair expected contributions, impenetrable forms, inflexible processes, burdensome verification, lack of

coordination among funding sources, and insufficient total aid. While each barrier alone may not prove fatal to educational aspirations and plans, confronting all of them in succession and experiencing their full cumulative impact often does.

In light of these barriers, students and families, as well as adult learners, would be fully justified in challenging us with the following questions:

*Is college possible for us?*

**Intimidating news stories about record increases in college costs make college seem flatly unaffordable.**<sup>4</sup> Low- and moderate-income parents with children in middle school are confused about how financial aid works, how much financial aid there really is, and what their children can expect to receive upon successful completion of high school. Even as college enrollment approaches, adequate and timely information about financial aid and college costs is unavailable for students in high school or for adult learners. The vast majority of high school seniors from low- and moderate-income families—even those who have been on pre-college academic tracks—and adults who seek to enroll in college find it impossible to compare college costs to estimates of the aid they can expect to receive from federal, state, college, and private sources.<sup>5</sup>

*Why treat us this way?*

**While federal need analysis does a reasonably good job overall in targeting student aid toward the neediest students, for some it makes paying for college much more difficult.** Clearly, the most egregious example is the exceptionally harsh treatment of student earnings from work.<sup>6</sup> Penalized at a taxation rate of 50 percent, even low levels of student earnings quickly translate into small increases in income that, in turn, mean lower awards the following year. Students confronted by record-level out-of-pocket expenses, even at public colleges, work longer hours in order to limit borrowing, only to find higher expenses the following year, but lower grant aid to meet them—a Catch-22 that can force them to work even longer hours at the expense of academic pursuits, enroll part time, or drop out all together.

*How often must we prove we're poor?*

**Unfortunately, we require our very poorest students—especially those whose families have participated in federal means-tested programs like the Food Stamp Program or the National School Lunch Program—to complete forms that duplicate these means tests.**<sup>7</sup> Ironically, our current student aid system creates the highest level of uncertainty and complexity for students whose eligibility for federal student aid is, in fact, most certain.

*Why keep us from applying until it's too late?*

**Although students are increasingly encouraged to apply for college early, the student aid system sends a stream of messages that students should delay completion of the Free Application for Federal Student Aid (FAFSA).** Students cannot submit the FAFSA before January 1, and any delays in the application process can cause students to miss state and institutional grant aid deadlines and reduce the aid they receive. The current system also encourages students to apply to college without knowing with any certainty if they can even afford it.

*Have you ever tried filling out this form?*

**Low- and moderate-income students face unnecessarily complex student aid forms and application processes.** The paper version of the FAFSA is eight pages long and contains over 100 questions. To answer just three of these questions, students must complete three additional worksheets with nearly 40 additional questions. In addition, many low-income students do not have Internet access and are unable to take advantage of simplified forms and processes available on-line.<sup>8</sup>

*Didn't we tell you all this at least once already?*

**Large numbers of low-income students applying for federal financial aid are required to confirm, correct, document, explain, and supplement the data included on their FAFSAs.** To do so, they are routinely required to complete complex and lengthy paper forms or follow complex and lengthy processes that ask for information they have already provided or data not required to determine eligibility for federal financial aid. Students applying to more than one college are confronted with multiple processes that are often very different.

*How will we ever come up with the rest?*

**Finally, once low- and moderate-income students are informed of their total federal, state, and institutional aid package, they discover that the shortfall in grant aid from what would be required to meet college expenses is staggering.** On average, the work and loan burden facing the lowest income high school graduates at four-year public colleges exceeds \$8,000 per year.<sup>9</sup> Combined with the penalty exacted on student earnings, this burden appears truly overwhelming.

These questions define the scope of needless and harmful complexity in student aid. Until our nation collectively commits to replacing these barriers with a stream of encouragement for students to aspire, prepare, enroll, and persist in higher education, we will not reap the full return on our considerable investment in student aid, no matter how large the investment.

### **How We Conducted the Study**

To address the questions above and inform the ongoing reauthorization of the HEA, Congress charged the Advisory Committee to conduct a one-year study of student aid from middle school through adulthood. We were directed to consult broadly with the higher education community, consider any adverse effects of simplification on program costs, integrity, delivery, and distribution of funds, and pay special attention to the needs of students from low- and moderate-income families.

**Regional Hearings.** We used a variety of methods in order to ensure an understanding of complexity from the perspective of students and families: reviews of literature and reauthorization proposals, public requests for comment, interviews, focus groups, and site visits. We also held three public hearings in Washington, D.C., Chicago, Illinois, and Los Angeles,



California. These hearings brought together congressional staff, Department of Education (ED) officials, higher education policy experts, financial aid administrators, representatives from higher education associations, members of the early intervention community, representatives of local public school districts, representatives of two-year and four-year colleges, members of community-based organizations, parents, and students. (A full list of hearing participants can be found in Appendix B.) Much of the success of the study is due directly to the unique contributions of hearing panelists and attendees, and the Advisory Committee is grateful for their efforts. Driven by a strong consensus that this HEA reauthorization should be used to eliminate complexity from student aid, the hearings produced an urgent analytical agenda for the study: a long list of potential solutions requiring further specification as to feasibility and likely effects.

**Analytical Approach.** While the study hearings played an essential role in identifying sources of complexity and potential solutions, pinpointing the exact change in law, regulation, or policy that would most effectively and efficiently simplify student aid required extensive analyses. In conducting those analyses, we took four steps:

*Steps in the Analysis*

1. **Identified each source or instance of complexity** with a particular legislative, regulatory, or administrative (policy) cause, or series of interrelated causes;
2. **Specified several options** for modifying the law, regulation, or policy to eliminate the complexity in question;
3. **Assessed the benefits of each option** relative to its effect on federal program costs, integrity, delivery, and funds distribution; and, finally,
4. **Chose the best option** that maximizes simplification benefits while minimizing costs and adverse effects.

For all options requiring quantitative estimates of changes in federal program costs, recipients, and distribution of funds, we relied heavily upon the Secretary’s staff at the Office of Federal Student Aid (FSA) and the Office of Postsecondary Education, without whom this one-year study could not have been completed successfully.<sup>10</sup> For most options, identifying the best legislative change was merely the beginning. To make recommendations as useful as possible, legislative modifications were translated into the best manner of implementation for the Secretary wherever possible. Because successful implementation requires the cooperation of the entire access community, we identified corresponding suggestions for other stakeholders as well.

**The Recommendations**

The ten recommendations in this report (Exhibit One) provide Congress and the Secretary with a roadmap for making student aid easier, more responsive, and fairer for millions of students and families. They represent the extensive insight and knowledge contributed by all sectors of the higher education and college access communities throughout the study. The recommendations,

if implemented, will provide significant simplification benefits to the poorest students and families and ensure that student aid is streamlined for students at all income levels as well.

Although we evaluated numerous options for simplification, we report as recommendations to Congress and the Secretary only those options for which the benefits far outweigh potential adverse effects, such as increases in program costs (where applicable), redistribution of funds, and any negative impact on program integrity or delivery. The ten recommendations are presented in a framework of four national imperatives that emerged from the study hearings and analyses:

*National  
Imperatives*

**Empower Students**—to make sound decisions about investing in higher education by providing accurate and timely information, restoring incentives to work, standardizing treatment of savings, and improving the treatment of special circumstances.

**Make It Easy**—to ensure students get the aid they deserve by expanding the use of simplified application forms and processes and permitting all students to apply earlier for financial aid.

**Lose the Paper**—to create streamlined, fully integrated web-based systems that meet the needs of all students all the time while protecting students most at risk of not enrolling in higher education.

**Work Together**—to forge creative new public-private partnerships that guarantee access to low- and moderate-income students through transparency, simplicity, and certainty.

For each imperative, we identify the important role that states, colleges, and other stakeholders can play in ensuring that the ten recommendations result in direct benefits to all students and families.

## EMPOWER STUDENTS

To make sound decisions about investing in higher education, students from low- and moderate-income families require accurate and timely information about financial aid and college costs, and a federal need analysis system that is understandable and fair. Unfortunately, today they have neither. From middle school through high school and into adulthood, students and families cannot reasonably estimate their federal, state, college, and private financial aid awards until *after* admission to college. In addition, they are often unintentionally victimized by structural weaknesses in federal need analysis that create disincentives to work, distortions in saving, considerable instability in actual awards from year to year, and insensitive treatment of students with special circumstances. These unintended consequences of the current student aid system undermine the educational aspirations, plans, enrollment, and persistence of the intended beneficiaries of need-based aid. Fortunately, there are steps that Congress, the Secretary, and other stakeholders can take to empower students and families, increasing the impact and fairness of student aid while maintaining program integrity.

### **Recommendation #1: Create a System of Early Financial Aid Information**

A comprehensive system of early information on financial aid and college costs would provide middle school students, high school students, and adults with adequate and early information about financial aid, including early estimates of their potential eligibility for aid from multiple sources in the context of likely college costs. Such a system would enable low-income students, who are most likely to be eligible for federal grant aid, to estimate their financial aid awards in a way that directly encourages college aspirations and academic preparation. It would also increase the effectiveness of existing early intervention programs, making it easier to provide accurate and targeted financial aid information to program participants.

**What Congress Can Do.** To empower students and families, Congress can enact legislation that creates a system of early financial aid information containing the following features:

#### ***Legislative Features***

**Enhanced financial aid information.** Improving the quality of early financial aid information in terms of both content and presentation is necessary to ensure the greatest impact on students' aspirations and plans.

**Effective and efficient dissemination.** Creating mechanisms to disseminate this information, such as a large-scale public awareness campaign, is required to ensure an awareness of the availability of financial aid.

**Adequate and early estimates of aid eligibility.** Creating a web-based mechanism for determining adequate estimates of financial aid eligibility would enable students to receive a more comprehensive estimate, such as an illustrative financial aid package, by completing a simplified on-line calculator or form.

**Pilot programs with other stakeholders.** Implementing pilot programs is necessary to determine how to provide students with adequate estimates of state and institutional aid, as well as to improve information that students receive upon FAFSA completion without adverse effects on student plans.

Creating such a system would greatly reduce the barriers to postsecondary education posed by inadequate and untimely information about financial aid.

**What the Secretary Can Do.** The Secretary can design an early information system aligned with the previously described legislative features by basing this system upon three key objectives: provide students with high quality information about financial aid in the context of college costs, use multiple vehicles to disseminate financial aid information, and provide students with early estimates of their financial aid eligibility from various sources. Building upon the significant progress FSA has made in the past four years in developing and disseminating early financial aid information, the Secretary can implement this system by taking the following regulatory and administrative actions:

*Improve  
information on  
financial aid and  
college costs*

**Develop age-appropriate, tailored information.** Such information in the context of college costs reduces barriers to postsecondary education for those students who are most at risk of not enrolling in higher education. It involves providing age-appropriate information to students in middle school and high school as well as addressing the specific needs of parents and independent students.<sup>11</sup> In addition, it requires adequately tailoring information to the circumstances of specific groups of students and adults, such as low-income students and adults, students in foster care, and students with special circumstances.<sup>12</sup> Finally, it involves developing a body of research regarding early financial aid information to ensure that it has the greatest influence on student aspirations and plans.<sup>13</sup>

*Make  
information  
widely accessible*

**Implement a comprehensive strategy for dissemination.** Adopting a three-pronged strategy ensures that information is widely accessible and reaches its intended audience. First, create a formal structure for systematically increasing FSA's coordination with other government agencies on the federal, state, and local levels and with community-based organizations and private entities.<sup>14</sup> Second, improve FSA's existing website for early financial aid information, Student Aid on the Web, and, third, implement a large-scale financial aid public awareness campaign.<sup>15</sup>

*Create a web-  
based mechanism  
for determining  
estimates*

**Enhance existing websites to provide early estimates.** Students currently complete complicated and overly burdensome on-line calculators with more than 80 questions in order to receive an estimate of their Expected Family Contribution (EFC), and Pell Grant and loan eligibility. Creating a state-of-the-art, web-based mechanism for providing students with adequate, early estimates of financial aid eligibility within the context of college costs involves improving and integrating two websites: Student Aid on the Web and College Opportunities On-Line (COOL).<sup>16</sup> This would allow students to answer a limited number of questions to receive an illustrative financial aid package, and, if desired, answer additional questions to receive more specific estimates of Pell Grant and loan eligibility. Fully integrating these existing sites would create a seamless financial aid process from early information through FAFSA completion.

***Pilot test new approaches with states and institutions***

**Launch a pilot for estimating state and institutional aid eligibility.** Although students can find out the *average* state and institutional aid awards distributed at institutions by accessing COOL, these averages do not provide students with estimates of their own eligibility for state and institutional aid. Developing a pilot program with states and institutions allows the Secretary to determine how to provide students with these estimates in a manner that has minimal adverse effects on all stakeholders.

**Launch a pilot to improve the Student Aid Report.** The only information students currently receive after submitting their FAFSA is their Student Aid Report (SAR). This form only tells students whether or not they are eligible for federal financial aid and the amount of their EFC.<sup>17</sup> A pilot program with states, institutions, high schools, and other stakeholders would enable the Secretary to determine how to make the information students receive on their SAR more meaningful. Such a pilot would allow the Secretary to improve this information without causing significant adverse effects on states, institutions, or students.

In taking these five steps, the Secretary can ensure that students, adults, and parents have adequate and accurate information regarding financial aid and college costs early enough to influence positively their aspirations and plans for college.

**Recommendation #2: Make Federal Need Analysis Transparent, Consistent, and Fair**

Students and families must be able to understand and rely on the information they receive about their likely aid awards. However, four structural weaknesses in current federal need analysis make that difficult: the treatment of student earnings, college savings plans, state and local taxes, and special circumstances. The expected contribution from student earnings is so harsh as to cause disincentives to work. The treatment of college savings plans is unfair and distorts incentives to save.<sup>18</sup> The manner in which the allowance for state and local taxes is updated injects considerable instability into awards from year to year. And the treatment of students with special circumstances, who are often most at risk of not enrolling in higher education, is especially insensitive.<sup>19</sup> For example, students from nontraditional families, which include students who live in kinship care or do not have contact or a relationship with a parent, are expected to submit parental data on the FAFSA even though they may not have access to this information.

**What Congress Can Do.** Congress can reform these weaknesses in the following ways to make need analysis more equitable and responsive to the needs of students and families.

***Restore incentives for students to work***

**Reduce the penalty on student work.** Students who work to cover their unmet need in any given year are subsequently penalized in need analysis the following year. Reducing this “student work penalty” supports working students and reduces the current disincentive to work to cover unmet need. Raising the Income Protection Allowance (IPA) by \$1,000 for all students protects more student earnings from need analysis. Lowering the assessment

rate on student earnings to 40 percent for both dependent students and independent students without dependents further protects more of their earnings above the IPA.<sup>20</sup>

*Treat college savings plans equitably*

**Standardize the treatment of college savings plans.** Prepaid tuition plans are treated currently as a resource and, therefore, reduce aid eligibility dollar-for-dollar. Savings plans are treated as assets and sheltered in need analysis by the Asset Protection Allowance.<sup>21</sup> Treating both types of plans as assets in need analysis would reduce complexity and make need analysis more equitable. Valuing the prepaid tuition plan according to its monetary value at an applicant's institution of choice would ensure equity in a way that is least burdensome for students and families.<sup>22</sup> Providing students and families with information regarding the current value of prepaid tuition plans at various institutions would allow applicants to determine easily the value of their plan.<sup>23</sup>

*Ensure cross-year stability of aid awards*

**Minimize dislocations associated with updating the state and local tax allowance.** The current process for updating the state and local tax allowance results in considerable instability in individual Pell Grant awards from year to year. Eliminating the allowance for state and local taxes entirely, while raising the IPA to hold the maximum number of students harmless would remove the instability that occurs under the current system of infrequent updates. If funds are not available to increase IPAs to a level that holds the maximum number of students harmless, future updates should be phased in to avoid loss of Pell Grant eligibility for large numbers of students.<sup>24</sup>

*Improve the treatment of special circumstances*

**Clarify and broaden the definition of an independent student.** Current applications and forms do not clearly inform students in foster care about their independent student status. Dependent students who have already undergone a legal procedure acknowledging their lack of a relationship with their parents do not have the parental information required to complete the FAFSA and must navigate a burdensome dependency override process in order to submit their FAFSA successfully.<sup>25</sup> Modifying the definition of an independent student to include students in foster care and students from nontraditional families who have gone through specific legal proceedings would make it much easier for these students to complete the FAFSA.

**Simplify the dependency override process.** Dependent students who do not have a relationship or contact with their parents and do not fit the definition of an independent student must either attempt to retrieve parental information or receive a dependency override. Students in special circumstances seeking to be declared independent who apply to multiple institutions are currently required to undergo the dependency override process at each institution. Allowing an institution to accept another

institution’s dependency override decision would simplify the application process for these students by reducing the burden of the dependency override process.<sup>26</sup>

**Allow dislocated workers to use projected current year income.** Applicants who are recently unemployed, so-called dislocated workers, currently must complete the FAFSA using base-year income—income for the year prior to enrollment—and then seek professional judgment to have their income adjusted to reflect the fact that they no longer have a source of income.<sup>27</sup> Enabling dislocated workers to indicate their loss of employment on the FAFSA and report their projected current year income would simplify the application process by eliminating the professional judgment process for these applicants.

Implementing these improvements strengthens federal need analysis, ensuring that it treats students and parents fairly.

**What the Secretary Can Do.** Strengthening federal need analysis to treat student earnings, college savings plans, and allowances for state and local taxes more simply and equitably are exclusively legislative. However, to improve the treatment of students with special circumstances, there are several actions the Secretary can take:

*Tailor the application process*

**Adapt forms and processes to special circumstances.** Students from nontraditional families currently cannot indicate on the FAFSA that they do not have access to parental information. Retrieving their parental information or seeking a dependency override are obstacles that can delay students’ applications or cause them to abandon the process altogether. The on-line application process can be tailored to the needs of these students by allowing them to indicate that they lack access to parental information.<sup>28</sup> Processing their FAFSAs on a preliminary basis, pending a dependency override decision, would allow these students to seek an override without missing priority deadlines for state or institutional aid.

*Minimize burden on students and institutions*

**Improve reporting and sharing of information.** Improving the on-line process for reporting dependency override decisions would allow institutions to record more information about these decisions, such as the basis for the override and the types of documentation provided by the student, in a manner that protects the student’s privacy. An institution could then use this on-line process to share information with other institutions and accept another institution’s decision, if they choose to do so.

These actions would simplify significantly the financial aid application process for students with special circumstances, increasing the likelihood that they will successfully complete and submit a FAFSA and access student aid.

## **What States, Colleges, and Other Stakeholders Can Do to Empower Students**

The entire access community plays a role in minimizing information barriers and need analysis weaknesses that have adverse effects on access and persistence. This large community includes other federal agencies, state agencies, colleges and universities, K-12 school systems, the early intervention community, private organizations, and other community-based organizations.

In terms of minimizing information barriers, states, colleges, and early intervention programs can improve the quality of their own materials regarding financial aid and work with the Secretary to tailor these materials to student circumstances.<sup>29</sup> For example, states and colleges can provide students, parents, and guidance counselors with a clear picture of financial aid options, college costs, and application procedures in their specific state. States and colleges can also partner with local K-12 schools, community-based programs, and private entities to develop statewide early financial aid awareness initiatives and strategies to increase the number of college access counselors in public schools. Other federal agencies, such as the Department of Labor, can increase their collaboration with FSA in order to enhance dissemination of financial aid information to adult learners. Finally, states and colleges can participate in pilot programs to determine the most effective mechanisms for providing low- and moderate-income students with adequate, early estimates of their eligibility for state and institutional aid.

In the area of strengthening need analysis, administrators of prepaid tuition plans can work collaboratively with states and colleges to provide plan holders with information regarding the value of their plans at various institutions in the state. To improve the treatment of students with special circumstances, colleges, early intervention program administrators, and counselors can work with the Secretary to implement an improved application process for students with special circumstances and a simplified dependency override process. Federal and state agencies and programs that service students in foster care can also assist the Secretary in providing better information to these students regarding their independent student status and their eligibility for financial aid.



## MAKE IT EASY

Low- and moderate-income students and adults need application forms and processes that are simple, flexible, and tailored to individual circumstances whenever possible. Despite a decade of effort to simplify the financial aid process, students and families are often still baffled by this process and cringe at the sight of application forms. Many of the lowest income students, who have already established their eligibility for other federal means-tested programs and are known to be fully eligible for federal student aid, must nevertheless complete a long, complex application form containing irrelevant questions. Intensified by the negative effects of inadequate information and structural weaknesses in need analysis, these additional sources of complexity further undermine educational aspirations, plans, enrollment, and persistence. Fortunately, as in the case of information and need analysis, there are steps that Congress, the Secretary, and other stakeholders can take to streamline application forms and processes, thereby increasing the overall effectiveness and fairness of student aid while maintaining program integrity.

### **Recommendation # 3: Expand Existing Simplification to More Students**

Congress and the Secretary have made significant progress over the last decade in developing and implementing two simplified need analysis formulas for low- and moderate-income students: the automatic zero EFC (auto-zero) and the Simplified Needs Test (SNT).<sup>30</sup> Opportunities remain, however, to expand the use of these simplified formulas and their associated simplified applications to more students, thereby significantly reducing application complexity. In addition, it is possible to make it easier for eligible students to access these simplified formulas.

**What Congress Can Do.** Enacting the following legislative changes would simplify forms for millions of students and provide low- and moderate-income students with greater certainty about their eligibility for student aid:

*Expand the  
automatic zero  
EFC*

**Raise the auto-zero income threshold to \$25,000.** Currently, students from families with incomes between \$15,000 and \$25,000 must complete nearly the entire FAFSA, answering as many as 130 questions, in order to access federal and state aid. Increasing the auto-zero income threshold to \$25,000 enables the lowest-income students, who are most likely to be eligible for a maximum Pell Grant, to utilize a simplified application form. The \$25,000 income threshold aligns eligibility for a maximum Pell Grant with eligibility for other federal means-tested programs, such as the free lunch program, making it easier to notify students earlier and with more certainty about their potential eligibility for the maximum Pell Grant. Expanding the auto-zero also eliminates the work penalty for eligible applicants that have an income of \$25,000 or less.<sup>31</sup>

*Maintain  
alignment of  
the auto-zero*

**Annually adjust the auto-zero income threshold using the CPI.** The auto-zero income threshold is currently updated according to the threshold for the Earned Income Tax Credit (EITC). Raising this income threshold to \$25,000 aligns eligibility for the auto-zero with eligibility for other federal

*Expand and streamline the Simplified Needs Test*

means-tested programs, making it easier to notify students who participate in such programs of their potential eligibility for a maximum Pell Grant. To maintain the benefits of this alignment, the auto-zero needs to be adjusted annually to keep pace with the income thresholds of other federal means-tested programs, which are updated using the Consumer Price Index (CPI).

**Align SNT eligibility with eligibility for other means-tested programs.** Students qualify for the SNT if they have an income of \$50,000 or less and if they filed or were eligible to file IRS tax forms 1040A or 1040EZ. Many eligible students miss out on the opportunity to use the SNT and its simplified application form because they do not know which tax form they are eligible to file. Aligning eligibility for the SNT with eligibility for other federal means-tested programs enables more students to take advantage of the simplified SNT application form. Regularly evaluating the impact of doing so would ensure that the SNT remains targeted to low- and moderate-income students.<sup>32</sup>

*Expand use of the auto-zero and SNT*

**Encourage states to use the auto-zero and SNT.** The benefits of these two simplified need analysis formulas are currently only available to applicants in 19 states. Extending use of these formulas and simplified application forms to more states requires that the Secretary have better information regarding state data requirements and reasons for not accepting these formulas. Establishing a mechanism, such as the annual FAFSA review process, for the Secretary to collect annual information from states about data requirements and acceptance of the SNT and auto-zero would provide the Secretary with the information needed to increase the number of states that use the simplified formulas. In addition, allowing the Secretary to be more flexible and modify the use of these formulas according to state data requirements increases the likelihood that more states will accept the auto-zero or SNT.<sup>33</sup>

These changes would make more students automatically eligible for a zero EFC and would make it easier for other students to take advantage of their eligibility for the SNT.

**What the Secretary Can Do.** The Secretary has made significant progress in the past several years in developing simplified on-line applications for students who are eligible for the auto-zero and SNT. The Secretary can take the following steps to extend the use of these simplified forms and processes to more students:

*Encourage more states to simplify*

**Increase acceptance of simplified forms and processes.** The auto-zero and SNT formulas are currently only available to states in an “all or nothing” package: states have to accept both simplified formulas at the same time, and states cannot request any additional financial data elements than those that are part of the current formulas. In carrying out the previously described legislative recommendation, the Secretary can use the information collected from states through the annual FAFSA review process to work

collaboratively on increasing the acceptance of the SNT and auto-zero. The Secretary can also offer greater flexibility in state use of these formulas. For example, the Secretary could allow a state to accept the SNT but not the auto-zero. Increasing the acceptance of the auto-zero and SNT enables more applicants to access existing simplified application forms available on-line.

By actively working with states to extend the use of the auto-zero and SNT, the Secretary can ensure that the benefits of simplification are available to as many students as possible.

#### **Recommendation #4: Allow All Students to Apply for Financial Aid Earlier**

The current start date for the FAFSA application process is January 1 of the year of enrollment. For many applicants, this limits the time they have to complete the FAFSA and still meet priority deadlines for state and institutional aid. Allowing applicants to apply for financial aid earlier would increase the likelihood that students are able to compete for limited state and institutional aid resources and would align the financial aid application process with the college admissions process. This would also allow students to receive information regarding their eligibility for financial aid earlier in the college planning and selection process.

**What Congress Can Do.** To permit all students to apply for financial aid earlier, Congress can create a legislative framework that achieves the following:

#### ***Legislative Framework***

**Enable students to apply prior to January 1.** Moving back the application start date to the earliest date possible provides applicants with additional time to meet priority deadlines for state and institutional aid, and aligns the college admissions and financial aid application process.

**Allow FAFSA completion at any time to receive an estimate of eligibility.** This enables students to receive earlier estimates of their aid eligibility that are based upon preliminary processing of their data by the Central Processing System (CPS).

**Create a pilot program to test prior year application.** Such a pilot allows the Secretary to determine the benefits and adverse effects of allowing dependent students to apply for financial aid in their junior year and receive final aid award determination based on their prior year income.<sup>34</sup>

In permitting students to apply earlier for financial aid through these mechanisms, Congress can increase the likelihood that all applicants have sufficient time to determine their aid eligibility based upon full processing of their data and access limited financial aid resources.

**What the Secretary Can Do.** In order to implement this legislative framework, the Secretary can make the following regulatory and administrative changes:

*Allow students to apply for financial aid before Jan. 1*

**Make forms and processes available prior to January 1.** Allowing students to submit FAFSA on the Web, Renewal FAFSA on the Web, and paper FAFSAs on December 1 (or as soon as paper forms are available) can be done in the next application cycle without making changes to the CPS.<sup>35</sup> In subsequent years, phasing in an earlier start date for application submission as well as an earlier start date for the CPS allows students to submit their application and receive their SAR earlier with minimal program disruptions.

**Enable CPS to estimate tax information.** Students are currently able to submit a FAFSA using estimated tax and income information; however, having to estimate this information is difficult for some applicants and can deter them from submitting an application earlier. Allowing the CPS to estimate tax information for applicants using FAFSA on the Web and Renewal FAFSA on the Web would make it easier for students to apply for financial aid prior to filing their taxes in order to meet priority deadlines for state and institutional aid.<sup>36</sup>

*Allow students to apply early for an estimate*

**Reinstate the early analysis process.** Prior to the 2004-2005 application processing cycle, students could complete FAFSA on the Web at any time, have their data processed by the CPS, and receive a preliminary SAR with an estimate of their EFC. Reinstating this “early analysis” process would allow students to complete the FAFSA at any time to receive an estimate of aid eligibility based on full processing of their data.<sup>37</sup> Allowing students who use early analysis to update information and apply for final aid determination using the renewal application process would provide these students with a highly simplified application process.<sup>38</sup> The early analysis process could also be used to provide students with a preliminary SAR with estimates of aid eligibility from multiple sources.

*Test the feasibility of prior year application*

**Launch a pilot to allow students to apply in their junior year.** Many dependent students receive their final financial aid awards at the very end of the college application and selection process, in some cases after they have already graduated from high school. For low-income students, who are more likely to choose a college based on the financial aid award, this limits their ability to make concrete plans upon graduation.<sup>39</sup> Designing and implementing a pilot program with states and institutions, in accordance with legislation enacted by Congress, allows the Secretary to determine the feasibility of allowing dependent students to apply for financial aid in their junior year in order to receive final aid determination. Giving dependent, low-income students certainty about their aid eligibility prior to their senior year has been shown to influence positively the steps these students take in their senior year, such as taking Advanced Placement courses, to prepare for and enroll in college.<sup>40</sup> A pilot program that includes all the components of the traditional financial aid application process allows the Secretary to measure these potential benefits against any adverse effects on program

costs or integrity. Such a pilot program should also include a preliminary feasibility study, an evaluation of the use of data from the Internal Revenue Service (IRS) to simplify the application process, and an evaluation of the use of prior year income.<sup>41</sup>

### **Recommendation #5: Make the FAFSA Relevant and Understandable**

The requirements of federal need analysis and the current federal-state partnership in aid delivery limit the extent to which the full paper FAFSA can be simplified. It is possible, however, to eliminate questions that are redundant or irrelevant to federal or state aid eligibility without disrupting need analysis or aid delivery. In addition, opportunities remain to simplify the language used on forms in order to make student aid more accessible to all students and families.

**What Congress Can Do.** Given the previously described recommendations, Congress can take the following steps to reduce application complexity while still maintaining program integrity:

#### ***Remove irrelevant questions***

**Eliminate appropriate nontaxable income data elements.** The existing FAFSA contains three worksheets that contain more than 30 complex questions about nontaxable and excludable income, some of which only apply to families with incomes of less than \$25,000. Assuming that the auto-zero income threshold is expanded to \$25,000, eliminating certain nontaxable income data elements simplifies the FAFSA and reduces application complexity for all students without affecting program integrity.<sup>42</sup>

**Drop the drug conviction and Selective Service questions.** Students are currently required to answer three questions on the FAFSA regarding their drug conviction and Selective Service registration status. These questions add complexity to the form and can deter some students from applying for financial aid. Elimination of these questions will not alter need analysis or the delivery of federal and state aid, and will simplify the application process for all applicants.

By eliminating irrelevant questions from the form, Congress can extend the benefits of simplification to applicants at all income levels and reduce the total number of data elements.

**What the Secretary Can Do.** The Secretary can make the following efforts to reduce further application complexity:

#### ***Make the form easier to understand***

**Minimize redundancy and simplify language on the form.** The current FAFSA contains several redundant questions. In addition, some applicants continue to find the wording of some of the questions unclear. The Secretary can use the annual review process to request specific feedback and comments on redundant questions and the clarity of the language used on the form. In addition, including students, parents, and form design experts in the annual review process would help ensure that redundant questions are eliminated and that forms are not intimidating to students and families.<sup>43</sup>

By complementing Congress’s legislative changes and taking these regulatory and administrative actions, the Secretary can ensure that application forms and instructions are as simple as possible.

### **Recommendation #6: Create a Simpler Paper Form for Low-Income Students**

Low-income students face the greatest challenges in completing the FAFSA. Although they may be eligible to use a simplified web-based EZ FAFSA, many do not have the Internet access necessary to complete this form. As a result, they must complete the full paper FAFSA and answer numerous questions that are not necessary or relevant to their circumstances. Even if low-income students do have access to FAFSA on the Web, they frequently prepare for this on-line form by first completing the full paper FAFSA. However, the application process can be made easier for low-income students. By taking the following steps, Congress and the Secretary can provide low-income students with a simplified paper application for the first time and increase the number of students who are eligible to use simplified forms.

**What Congress Can Do.** Congress can address the needs of low-income students who may not have access to technology by enacting legislation to achieve the following:

*Provide the poorest students with a simpler paper form*

**Create a paper EZ FAFSA for low-income students.** Auto-zero eligible students, the lowest-income students, would be able to use a highly simplified paper application. This also ensures that low-income students who lack adequate Internet access can access simplified forms. Given an expansion of the auto-zero income threshold to \$25,000, approximately 18 percent of all Pell Grant applicants would be eligible to utilize a paper EZ FAFSA.<sup>44</sup>

**Extend use of the EZ FAFSA to as many students as possible.** For example, independent students without dependents under existing federal need analysis are not eligible for the auto-zero and would not be able to use the EZ FAFSA. Expanding the use of the EZ FAFSA to include independent students without dependents who are eligible for the SNT and earn less than \$25,000 per year would almost double the number of applicants eligible to use the simplified EZ FAFSA form, either on-line or on paper. This would bring the total number of applicants eligible to use the EZ FAFSA to approximately one-third of all applicants.<sup>45</sup> Expanding the use of the EZ FAFSA in this way would require eliminating nontaxable and excludable income from need analysis for this group of independent students only.

A paper EZ FAFSA is necessary for all low-income students, and especially for those who have not bridged the digital divide. Allowing SNT-eligible independent students without dependents who earn less than \$25,000 to use the EZ FAFSA would significantly reduce application burden for these students as well.

**What the Secretary Can Do.** In order to implement the paper EZ FAFSA effectively, the Secretary can take the following steps:

***Carefully design and implement the EZ FAFSA***

**Field- and pilot-test the EZ FAFSA.** Field-testing a prototype would ensure an effective layout and design and gauge the ease with which qualified students can complete it.<sup>46</sup> (A sample prototype of the EZ FAFSA can be found in Appendix C.) Field-testing should also include appropriate testing of the usability of a front page of instructions containing several questions that applicants answer to determine their eligibility for the EZ FAFSA. To achieve its intended benefits, the EZ FAFSA has to reach the right students and these students must be able to determine easily their eligibility to use the form. For the first year, initiating the distribution of the EZ FAFSA through a pilot program would allow the Secretary to determine the most effective methods for packaging and disseminating the form to qualified students. This pilot should include the 19 states that currently accept the auto-zero and the SNT. Once the most effective distribution strategies are identified, the Secretary can expand distribution of the form to all states.

Field and pilot testing a paper EZ FAFSA will ensure that it makes the application process easier for low-income students and that it gets into the hands of appropriate applicants.

**What States, Colleges, and Other Stakeholders Can Do to Make It Easy**

By accepting the SNT and the auto-zero at an expanded threshold of \$25,000, states can increase the number of applicants that have access to simplified forms. States can also increase the use of simplified forms by improving the information they give the Secretary about their data requirements. During the annual FAFSA review process, states can take a proactive and collaborative role in informing the Secretary of their non-financial data requirements and the status of the auto-zero and SNT in their state.

Given an increase of the auto-zero to \$25,000 and subsequent alignment of the auto-zero with eligibility for other means-tested programs, stakeholders can also partner with the Secretary and with other federal and state agencies in order to notify students who are eligible for other means-tested programs of their potential eligibility for a maximum Pell Grant. For example, K-12 school systems can partner with private entities and with state agencies to provide early notification to students eligible for the free lunch program and their parents about their potential eligibility for a maximum Pell Grant.

In addition, states, colleges, K-12 school systems, and the early intervention community can work together with the Secretary to increase awareness regarding the earlier start date for the FAFSA and the benefits of using the early analysis process. All stakeholders can also collaborate in a pilot program to determine the feasibility of allowing dependent students to apply for final award determination in their junior year.

Colleges, early intervention program administrators, and high school teachers and counselors can work collaboratively with the Secretary during the annual FAFSA review process to ensure that the language on the FAFSA is clear. Finally, in order to assist the Secretary with the development and implementation of the paper EZ FAFSA, states, colleges, and high schools can partner to field test the form and provide timely feedback to the Secretary regarding the form's design.



## LOSE THE PAPER

Students and families deserve a 21<sup>st</sup> century student aid system that makes maximum use of the latest technology in order to be simple and transparent to all users. Such a system would serve seamlessly, instantly, and simultaneously the needs of students in middle school and high school, parents, and adult learners across all important student aid functions, including: information dissemination, early eligibility estimation and notification, early application, final application and eligibility determination, data verification, and award disbursement. To do so, the system would have to be integrated fully, paperless, and web-based. Unfortunately, such a system does not exist today. Indeed, far too many aspects of student aid are holdover features of twenty-year-old technology—paper-based, stovepipe databases and processes that greatly complicate student aid for students and families. Adding to the complexity of poor information, unfair awards, impenetrable forms, and inflexible processes, failure to embrace fully the latest technology further undermines the ability of student aid to guarantee access to college.

### **Recommendation #7: Phase Out the Full Paper Form and Increase the Use of Technology**

Today, approximately 80 percent of financial aid applicants use an on-line application. Despite this, ED—based on requests from states, colleges, and counselors—continues to print and distribute approximately 25 million paper FAFSAs each year.<sup>47</sup> Since the full paper FAFSA cannot be radically simplified without altering need analysis or disrupting aid delivery, phasing out the full paper FAFSA over a period of five years and moving all applicants to FAFSA on the Web, where the number of questions can be tailored to student circumstances, is necessary.<sup>48</sup> However, this phase-out must be done in a manner sensitive to the needs of low-income students and the realities of the digital divide. Increasing the use of technology would enable more students of all incomes to utilize simplified application forms currently available on-line.

**What Congress Can Do.** Congress can move more applicants to electronic forms and reduce dependency on paper forms without punishing those applicants who do not yet have access to the Internet by enacting legislation to:

#### ***Phase out the current FAFSA***

**Establish a five-year timeline for phase-out.** This gives the Secretary and the higher education community time to provide more students with access to FAFSA on the Web and to ensure that no student is denied access to financial aid because of a lack of Internet access. Requiring the Secretary to report annually to Congress regarding the impact of the digital divide on Title IV applications and the steps being taken to eliminate it and phase out the paper form would ensure that all students can take advantage of simplified on-line applications. Creating and maintaining a paper EZ FAFSA for low-income students, who are most often adversely affected by the digital divide, reduces any potential adverse effects associated with phasing out the full paper form.

#### ***Increase access to FAFSA on the Web***

**Use any savings for low-income students.** Although the digital divide is closing, low-income students and families are still less likely to have adequate Internet access compared to their higher income peers. Congress

can help increase access to the simplified FAFSA on the Web by requiring that any savings associated with phasing out the full paper FAFSA are used to provide more low-income students with access to FAFSA on the Web.<sup>49</sup>

By enacting this legislation, Congress can overcome the limited opportunities for simplification available in the full paper FAFSA and help ensure that all applicants are able to take advantage of existing simplified forms on-line.

**What the Secretary Can Do.** By taking the following steps, the Secretary can phase out the full paper FAFSA while increasing access to FAFSA on the Web in a manner that maintains access to student aid for all potential applicants:

*Increase collaboration with other stakeholders*

**Coordinate with other agencies and organizations.** Other government agencies and private organizations are currently working to increase access to technology and bridge the digital divide. Taking advantage of these existing efforts and enhancing the Secretary's coordination with other agencies and organizations will provide students with increased access to FAFSA on the Web. For example, closer coordination across federal government agencies could make it feasible for students to access FAFSA on the Web while applying for other means-tested programs.<sup>50</sup> Creating strategic partnerships with private and philanthropic organizations allows the Secretary to leverage existing resources and use innovative strategies for expanding the use of technology and bridging the digital divide.

*Pilot the implementation of a paperless delivery system*

**Launch a pilot to test and refine a paperless delivery system.** The full paper FAFSA cannot be phased out in a fair and efficient manner without first determining the conditions that would cause minimal adverse effects. Using a pilot program allows the Secretary to determine these conditions and evaluate the feasibility and effectiveness of specific strategies for increasing access to FAFSA on the Web. It also enables the Secretary to work closely with states and institutions to develop innovative approaches to increasing technology at middle and high schools and for specific sub-populations. Finally, this pilot program allows the Secretary to determine the most efficient way to reduce the number of FAFSAs that are printed and distributed annually.

*Use alternative technologies*

**Increase access to forms and instructions.** The use of alternative and innovative forms of technology would minimize potential adverse effects associated with phasing out the full paper FAFSA. Making available a version of the paper FAFSA on-line in electronic file format, such as Portable Document Format (PDF), would ensure that counselors and aid administrators can provide applications to students who lack Internet access.<sup>51</sup> Placing financial aid information on-line in multiple languages would provide adults and parents who are not native English speakers access to financial aid information and application forms.<sup>52</sup> Enabling FAFSA on the Web to adjust to different types of Internet connections would help

address the digital divide in terms of the availability and affordability of high-speed Internet connections. Finally, identifying and exploring the feasibility of using alternative technologies potentially increases access to simplified application forms currently available on-line.

These steps form a broad approach to increasing access to FAFSA on the Web and maintaining access to student aid for all students during a phase-out of the full paper FAFSA.

### **Recommendation #8: Simplify and Streamline FAFSA on the Web**

All students today are required to answer the approximately 20 non-financial questions on the FAFSA required by various state aid agencies, regardless of their own state's data requirements. That means students in Massachusetts, which does not require additional non-financial questions on the FAFSA, must answer questions on the FAFSA that are only required of applicants in California. This holds true for both paper and on-line applications. In addition, applicants and their parents (in the case of dependent students) need to have previously applied for and received a Personal Identification Number (PIN) in order to sign an on-line application electronically. The lag time between applying for and receiving a PIN can delay the processing of applications, resulting in some students' missing priority deadlines for state and institutional aid. By streamlining FAFSA on the Web through the following steps, Congress and the Secretary can allow applicants to complete on-line forms that contain the minimum number of questions necessary to deliver federal and state aid and electronically sign their application without delay.

**What Congress Can Do.** Congress can simplify and streamline FAFSA on the Web by enacting legislation that achieves the following:

#### ***Streamline state data elements***

**Eliminate questions not needed by a student's state.** Applicants currently have to provide data elements on-line that do not apply to their state of residence because the Secretary does not have a way to determine accurately what data are required by each state. Fully tailoring forms and processes to student circumstances requires providing the Secretary with the authority to determine state data requirements on an annual basis and then use this information to tailor FAFSA on the Web to a student's state of residence. The mechanism created for the Secretary to collect systematically information from states regarding their data requirements and use of simplified formulas can also be used by the Secretary to work formally with state agencies to determine what data each state needs in order to deliver state aid.

Enacting this legislation enables applicants to utilize streamlined applications and processes that take advantage of available technology and are as simple as possible.

**What the Secretary Can Do.** Streamlining FAFSA on the Web requires that the Secretary implement this legislative recommendation and simplify the process required to sign an on-line application electronically. The Secretary can achieve this by taking the following steps:

*Simplify on-line forms to the fullest extent possible*

**Tailor FAFSA on the Web to a student’s state of residence.** By implementing the previously described recommendation to communicate annually with states regarding their data requirements, the Secretary can tailor FAFSA on the Web to an applicant’s state of residence such that each applicant answers only questions required by the federal government and their own state. This enables the Secretary to maximize the effectiveness of FAFSA on the Web and reduce the number of responses required to complete FAFSA on the Web.

*Make it easier to sign electronic forms*

**Minimize delays in the PIN process.** Improving the PIN application and generation process by reducing to the fullest extent possible the lag time between applying for and receiving a PIN would simplify the electronic signature process for all applicants and reduce potential delays in application processing.<sup>53</sup> Allowing the CPS to send preliminary EFCs to the states and institutions for applications that lack signatures would allow states and institutions to process these applications before limited state and institutional aid resources are exhausted.

Implementing these changes reduces complexity in the on-line application process and extends simplification benefits to all students, regardless of income.

### **Recommendation #9: Simplify the Verification Process**

Verification is the last hurdle for student aid applicants. Although the purpose is to ensure the accuracy of data that is used in awarding student aid, the process is bloated, burdensome, and costly to institutions and the federal government, and provides questionable results. Following federal guidance, colleges develop their own verification procedures, which must meet federal requirements but can also incorporate additional data requirements for institutional needs. About 30 percent of students applying for federal student aid are required to participate in the verification process. They must confirm, correct, document, explain, and supplement data from their earlier aid application. Students who apply to multiple institutions and are selected for verification at different institutions must complete the process multiple times, one time for each institution. Students may also be required to complete and follow complex and lengthy paper forms and processes that ask for data not required to determine their eligibility for student aid. For example, auto-zero eligible students need only provide one financial data element, adjusted gross income, in order to qualify automatically for the maximum Pell Grant. These students find, however, that they are required to provide all of the data on the full paper FAFSA in order to complete the verification process.<sup>54</sup> This complex verification process also imposes high costs—about \$90 for each student verified—on institutions but yields little data that can be used to improve program integrity or increase the efficiency of verification.<sup>55</sup> Fortunately, there are steps that Congress and the Secretary can take to simplify the verification process for all students.

**What Congress Can Do.** In order to simplify the verification process and move it into the 21<sup>st</sup> century, Congress can enact legislation establishing a framework for a streamlined, centralized,

web-based verification system. Such legislation would create a verification system that includes the following features:

**Legislative Features**

**Tailored to student circumstances.** Tailoring verification to student circumstances allows institutions to verify only the data elements required to determine a student’s aid eligibility.

**Centralized, on-line, and standardized across institutions.** Creating a centralized, on-line verification process reduces the burden of verification on students and institutions and allows students who apply to multiple institutions to undergo the verification process once.<sup>56</sup>

Establishing this legislative framework gives the Secretary the authority to simplify the verification process using advanced technology.

**What the Secretary Can Do.** The following regulatory and administrative steps are necessary to implement a verification process aligned with the previously described legislative features:

**Tailor verification to student circumstances**

**Limit verification to relevant data elements.** Requiring institutions to verify only those data elements needed to determine a student’s EFC and eligibility for financial aid tailors the process to student circumstances and reduces the burden of verification on both students and financial aid administrators. For students who are eligible for the auto-zero, this also allows institutions to verify only adjusted gross income, significantly simplifying the process for these students.

**Standardize verification across institutions**

**Design and implement a centralized, web-based verification system.** A centralized, on-line verification system that is standardized across institutions and includes a data match with the IRS reduces the burden of verification for students and institutions.<sup>57</sup> Institutions would verify a common data element or set of data elements for each type of student and students would undergo a uniform verification process, reducing the burden on those who apply to multiple institutions. A centralized, on-line system for transferring verification data from institutions to the Secretary would also allow financial aid offices to share data, reducing burden on institutions and students. Implementing a data match with the IRS would further reduce the amount of data institutions need to verify, improve the effectiveness of verification, and increase program integrity.<sup>58</sup>

In taking these steps, the Secretary can reduce barriers to enrollment created by the existing complex verification process and create a more seamless, integrated student aid system.

**What States, Colleges, and Other Stakeholders Can Do to Lose the Paper**

The access community can work with the Secretary and Congress to develop innovative strategies for increasing access to FAFSA on the Web and to reduce dependency on paper forms.

For example, colleges, K-12 school systems, and the early intervention community can reduce their requests for paper FAFSAs from the Secretary, which would make it easier for the Secretary to reduce the number of paper FAFSAs that are printed and distributed. Participating in a pilot program for a paperless delivery system would help the Secretary determine the conditions required for phase out of the full paper FAFSA and develop strategies for overcoming the digital divide.

States and colleges, partnering with K-12 schools, community-based organizations, and private organizations, can also assist the Secretary in exploring the use of alternative technologies appropriate for low-income students. Being in a better position to examine the digital limitations and needs of their students, these stakeholders can inform the discussion on selection of appropriate strategies in order to ensure that a paperless system does not penalize low-income students.

State agencies and colleges can use the preliminary EFCs produced by CPS to process preliminary financial aid awards for applications that lack signatures. In addition, states, colleges, and private agencies can take a proactive role in assisting the Secretary with the design and implementation of an on-line, centralized verification system. If successfully implemented, a centralized verification system would reduce the administrative burden on institutions and the millions of dollars spent annually on administrative costs by institutions.

## WORK TOGETHER

A large part of the complexity that students and families face in student aid can be attributed to the failure of the federal government, states, colleges, and other stakeholders to work together. Too often in the past, Congressional efforts to simplify and improve access for students from low- and moderate-income families have been unintentionally stymied by the Secretary, states, and colleges. To be effective, legislative actions in this reauthorization designed to simplify student aid and promote access must be implemented effectively by the Secretary and systematically carried through by states, colleges, and other stakeholders. There is a critical role for each stakeholder to play in ensuring that students and families have accurate and timely information, fair treatment, easy application, and sufficient awards delivered through a state-of-the-art student aid system.

The most effective way to ensure that initiatives legislated by Congress are implemented successfully and translated into real simplicity and access on the ground for students and families is to create a mechanism for doing so. This reauthorization offers the opportunity to establish a new public-private partnership that can become a winning long-term strategy to renew the nation's commitment to reward the hard work of its neediest students. Additional pilot programs and experimental projects to test alternative approaches to simplification could support this partnership. Working together through a new public-private partnership not only benefits students and families but increases the nation's return on its investment in student aid as well.

### **Recommendation #10: Create a National Partnership to Make Access Simple and Certain**

A new partnership that links the federal government to states, colleges, K-12 schools, the early intervention community, and private entities committed to access and persistence is not only feasible but essential. This partnership must be based on existing state models that have proven to be effective and should take maximum advantage of existing public and private resources. To be successful, the partnership must have the following goals and components:

#### ***Key Goals and Components***

**An Early Assurance of Financial Access**—must be integrated with a state's existing public and private early intervention and outreach programs.

**Simplified Application and Adequate Grant Aid**—must assure financial access to four-year colleges for both first-time students and two-year college transfers through a combination of existing funding sources and supplemental state grants.

**Enhanced Persistence**—must be created by continuing grant aid, providing adequate support services, and eliminating existing penalties for work that lower eligibility for need-based grant aid.

By taking the following steps to create and implement a national partnership, Congress and the Secretary will ensure that college-qualified, low-income students can access higher education.

**What Congress Can Do.** Congress can enact legislation creating a new public-private partnership through federal matching or incentive grants to states and institutions that form broad partnerships to promote simplicity, access, and persistence for low-income students. In establishing such a partnership, several legislative features are important:

**Key Legislative Features**

**Leverage additional funds from public and private sources.** Congress can provide incentives to states to partner with in-state institutions, private entities, and philanthropic organizations. The federal government can match funds contributed from these partners to provide low-income students with supplemental grant aid that lowers unmet need.

**Provide early assurance through existing programs.** The partnership should require that low-income students in the state receive early notification of their eligibility for supplemental grant aid. Through its structure, the partnership should encourage participation in existing early intervention, mentoring, and outreach programs and utilize those programs to provide early notification to eligible students.

**Enhance access and persistence.** The supplemental grant aid generated from this partnership should be enough to assure financial access to four-year public institutions in the state. The partnership should also encourage the development of support services that help students persist to degree completion.

**Simplify student aid to the fullest extent possible.** The partnership should include implementation of as many of the nine foregoing recommendations as possible and provide participating students with a streamlined financial aid application process.

Congress could first appropriate funds to a select group of states, such as those states that have a demonstrated commitment to early intervention and college access. The partnership can then be gradually phased into additional states. A maintenance of effort requirement should be included in the partnership in order to maximize access to college and encourage persistence.

**What the Secretary Can Do.** In order to design and implement a partnership that contains these features, the Secretary should follow the models created by effective programs already in place in states like Indiana, Oklahoma, and Washington. For example, the Indiana 21<sup>st</sup> Century Scholarship Program provides low-income middle school students and their families with an assurance of financial access to four-year public colleges.<sup>59</sup> With this assurance, they know that adequate financial resources will be there if they work hard to become academically prepared. They know that grant aid will be sufficient to keep work and loan burden to manageable levels upon enrollment in college and through degree completion. The success of these state efforts in advancing access and persistence is proof that, when access is certain for low-income students, educational aspirations, academic preparation, enrollment, and persistence dramatically improve. In implementing a partnership that builds on these existing state models, the Secretary should give preference to states that establish broad partnerships to achieve the following:



***Special  
Implementation  
Considerations***

**Make grant aid adequate.** Eligible students should receive a supplemental access and persistence grant that is not less than the average tuition and fees at a four-year public institution in the state.

**Notify eligible students early.** Eligible students should receive as early as middle school an estimate of their total award eligibility relative to the full cost of attendance at public and private colleges.

**Focus on low-income students.** Priority should be given to students who are eligible for the auto-zero or who are eligible for other federal means-tested programs, such as the National School Lunch Program.

**Utilize existing programs.** Participation in early intervention programs should be used as a means for identifying students who are eligible for access and persistence grants, but also as a means for delivering to students an early assurance of adequate financial aid.

**Increase persistence.** Students who receive access and persistence grants should receive additional mentoring and support services throughout their undergraduate education.

**Adequately evaluate results.** The partnership should include a mechanism to generate data and evaluate the effects of the partnership on student aspirations and enrollment and persistence rates.

When combined with simplified applications and improved need analysis, such a partnership will increase access and persistence in higher education, help equalize educational opportunities, and yield great returns to a combined public-private investment.

The national partnership should be supported and supplemented by numerous individual smaller-scale pilot programs and experimental projects that can test alternative approaches to increasing simplification, access, and persistence. This should include the five pilot programs identified in this report, which would test alternative approaches to:

- Provide students with adequate and early estimates of their eligibility for state and institutional aid;
- Improve the information that students receive upon completion of the FAFSA in a manner that positively influences students' enrollment decisions;
- Allow dependent students to apply for financial aid in their junior year and receive final aid award determination earlier in the college application process;
- Package and disseminate the paper EZ FAFSA in a manner that enables students to determine easily their eligibility to use the EZ FAFSA and encourages the use of the EZ FAFSA; and

- Develop a paperless delivery system and move all students to FAFSA on the Web while phasing out the use of the full paper FAFSA.

Congress and the Secretary can increase collaboration by creating and implementing additional pilot programs and experimental projects to test all aspects of a comprehensive strategy for simplifying student aid and improving access and persistence.

### **What States, Colleges, and Other Stakeholders Can Do to Work Together**

The access community can take a proactive role in helping the Secretary design and implement a new public-private partnership to provide low-income students with supplemental access and persistence grants. State agencies would serve as the partnership's administrative body and, in that capacity, could hold participating low-income students harmless against tuition increases. States could also fully provide participating students with a streamlined application process that included automatic aid eligibility.

Participating public and private colleges can maintain policies that are flexible enough to accommodate the diverse needs of low-income students and make every effort possible to control their costs. All of the stakeholders in the partnership, including K-12 school systems and early intervention programs, could work together to broaden and expand the program to meet the specific needs of students in their state. The partnership could also encourage participating colleges to attract, retain, and graduate low-income students; colleges could receive matching funds to provide these students with persistence grants and additional support services.

Lastly, to the fullest extent possible, the considerable resources of the private sector must be brought to bear. States should use all means at their disposal to encourage the private sector to contribute resources and increase involvement in order to boost the enrollment and retention rates for low-income students. If all existing public and private access and persistence resources and programs are pooled to work together, then significant progress can be made.

Effectively implementing a new public-private partnership and additional pilot programs or experimental projects requires that all stakeholders work collaboratively. For example, piloting a paperless delivery system in even one state is an enormous undertaking that requires the full attention and cooperation of the Secretary, the state agency, public and private colleges, the early intervention community, K-12 schools, and private or philanthropic organizations. Forging partnerships in order to make possible early assurances of access to middle school students, designing and disseminating better information on financial aid and college costs, providing better estimates of state and institutional aid, permitting earlier application, and making verification less burdensome, all while phasing out the existing paper form and implementing a paper EZ FAFSA in a manner sensitive to the digital divide, is no small undertaking. It requires the commitment of the entire access community.

## MOVING FORWARD

The ten recommendations form a comprehensive and efficient strategy for eliminating unnecessary complexity in student aid. Designed first to meet the needs of students and families, the strategy reflects the shared views and expertise of all major stakeholders in higher education. If implemented, the recommendations will extend major simplification and fairness benefits to millions of students and families across income levels. As shown in Exhibit Two, students from low- and moderate-income families are the primary beneficiaries—a key objective of Congress in mandating the study. All ten recommendations benefit low-income students and nine provide benefits to those of moderate-income. But seven of the ten recommendations provide significant benefits to middle- and upper-income families as well. And eight do not require an increase in program costs.

### Reduction of Application Burden

Another key objective of Congress in mandating this study was a major reduction in the number of questions and the amount of data required of students and families in applying for student aid. This was a significant challenge for two reasons. First, most of the questions on the FAFSA, and the associated data, are required by law to determine federal student aid eligibility and awards. Since radically reducing questions and data would require major changes in federal eligibility and award determination and would result in significant redistribution of program funds, such an approach was not a viable option. Second, other questions are required in order to maintain the current federal-state-institutional partnership in aid delivery. Including on the form questions required by state agencies enables applicants to use the FAFSA as an application for both federal and state aid in almost all 50 states. Thus, the burden reduction sought by Congress required a multi-layered approach that did not alter federal need analysis, redistribute funds, undermine program integrity, or result in the creation of multiple forms. The recommendations achieve this burden reduction by:

#### *Steps in reducing application burden*

1. **Creating a simplified paper form** for the lowest-income students;
2. **Exempting larger numbers of low- and moderate-income students** from completing questions that are unnecessary for eligibility determination;
3. **Eliminating certain redundant and irrelevant questions** for all students;
4. **Moving as many students as possible**, as soon as possible, from the paper form to a tailored, less burdensome FAFSA on the Web; and
5. **Phasing out the current overly complex, one-size-fits-all, paper form** as soon as possible.

Together, these steps make the application process easier for students and families and reduce aggregate student responses on the FAFSA by over 300 million each year.

## EXHIBIT TWO: OVERVIEW OF STUDY RECOMMENDATIONS

The Student Aid Gauntlet	Recommendation for Dismantling the Gauntlet	Benefits by Family Income Level*			Cost Neutral**
		Low	Moderate	All	
Is college possible for us?	1. Create a system of early financial aid information.	●	●	●	●
Why treat us this way?	2. Make federal need analysis transparent, consistent, and fair.	●	●	●	
How often must we prove we're poor?	3. Expand existing simplification to more students.	●	●		
Why keep us from applying until it's too late?	4. Allow all students to apply for financial aid earlier.	●	●	●	●
Have you ever tried filling out this form?	5. Make the FAFSA relevant and understandable.	●	●	●	●
	6. Create a simpler paper form for low-income students.	●			●
	7. Phase out the full paper form and increase the use of technology.	●	●	●	●
	8. Simplify and streamline FAFSA on the Web.	●	●	●	●
Didn't we tell you all this at least once already?	9. Simplify the verification process.	●	●	●	●
How will we ever come up with the rest?	10. Create a national partnership to make access simple and certain.	●	●		●

\* For the purposes of this table, low-income is defined as below \$25,000 per year and moderate-income is defined as \$25,000 to \$50,000 per year. "All" refers to students and families at all income levels.

\*\* Cost neutral refers to recommendations that do not require an increase in program costs.

## **Need for Future Research**

This study has uncovered four important research activities required to implement fully the recommendations:

### ***Important Research Needs***

- 1. Identify fully the specific type of information on financial aid** and college costs needed by students and families at each stage of the education pipeline from middle school through adulthood;
- 2. Further refine the key features of a national access partnership** and specify additional pilot and experimental projects to simplify student aid;
- 3. Update estimates of the work-loan burden** facing low- and moderate-income high school graduates, especially at two- and four-year public colleges; and
- 4. Synthesize accurately what is known from previous empirical research** about the effects of family income, financial aid, and college costs on the aspirations, expectations, plans, enrollment, and persistence behavior of low-income students.

Without advances in our knowledge in these four areas, broad simplification cannot go forward. In addition to providing expertise and technical assistance to Congress in the current HEA reauthorization and to the Secretary in the implementation of our recommendations, the Advisory Committee will be devoting a significant share of its time and resources over the next two years to making such advances.

This reauthorization offers an opportunity to make significant improvements to federal financial aid programs that would open the door to higher education for larger numbers of students. These recommendations can make the application process simpler and fairer for all students and can eliminate other substantial barriers to access for the poorest students. Congress and the Secretary can use these recommendations to make considerable progress toward renewing the nation's commitment to access and persistence and ensuring that the hard work of the neediest Americans who attempt to enroll in college over the next decade is rewarded.

## ENDNOTES

<sup>1</sup> For more information on federal government student aid expenditures, see the College Board's *Trends in Student Aid 2004*.

<sup>2</sup> High school graduates from low-income families are less likely in 8<sup>th</sup> grade to expect to finish college than their high-income peers (59 percent versus 92 percent respectively). Even two years after high school graduation, students from low-income families are less likely than their peers from high-income families to be enrolled in any college. Even those low-income students who do enroll in college are less likely to earn a degree. Students from higher socioeconomic backgrounds are 44 percent more likely to earn a degree than their low-income counterparts. For additional information, see Adelman (1999), Cabrera, et al. (2001), and the Advisory Committee on Student Financial Assistance (2002).

<sup>3</sup> For additional information on the role of financial aid in providing access to low- and moderate-income students, see Terenzini, P.T., et al., (2001), Advisory Committee on Student Financial Assistance (2002), Heller, D.E. (2002), and St. John, E.P. (2003).

<sup>4</sup> For more information about rising tuition costs, see the College Board's *Trends in College Pricing 2004* and Hoover, E. (2004).

<sup>5</sup> The Sallie Mae Fund commissioned the Tomás Rivera Policy Institute at the University of Southern California to conduct a study of financial aid awareness in the Latino community. The study determined that awareness of financial aid options is critically lacking in the Latino community. These findings support results from a Harris Poll, commissioned by The Sallie Mae Fund in 2002, which revealed that knowledge about financial aid is a key predictor in determining the likelihood of college attendance among various ethnic groups. To learn more about the financial aid information gap, see *Caught in the Financial Aid Information Divide: A National Survey of Latino Perspectives on Financial Aid* and Goral, T. (2004).

<sup>6</sup> The “student work penalty” refers to the treatment in current need analysis of students who work to cover unmet need, but earn more than the Income Protection Allowance (IPA) for dependent students (currently \$2,420) or for independent students (currently \$5,490) per year. Students who earn more than these amounts will have their eligibility for grant aid reduced the following year because any money above these limits is considered available for contribution to college costs. For more information on the student work penalty, see Advisory Committee on Student Financial Assistance (2002).

<sup>7</sup> Federal means-tested programs provide public benefits to families or individuals who meet certain income and eligibility tests. Examples of federal means-tested programs include: Medicaid, Food Stamps, National School Lunch, Temporary Assistance to Needy Families (TANF), Social Security Income (SSI), the Earned Income Tax Credit (EITC), and Special Supplemental Nutrition Program for Women, Infants, and Children (WIC). The National School Lunch Program, for example, is a federally assisted meal program operating in more than 99,800 public schools, private schools, and residential childcare institutions. The program services more than 26 million children each school day. Children from families with incomes at or below 130 percent of the poverty level are eligible for free meals, or “free lunch.” Those with incomes between 130 percent and 185 percent of the poverty level are eligible for reduced-price meals, or “reduced-price lunch,” for which students can be charged no more than 40 cents. For more information on federal means-tested programs, see the following reports by the General Accountability Office (formerly the General Accounting Office): *Means Tested Programs: Overview, Problems, and Issues*: <http://archive.gao.gov/t2pbat2/153432.pdf> and *Means Tested Programs: Determining Eligibility Is Cumbersome and Can be Simplified*: <http://www.gao.gov/new.items/d0258.pdf>.

<sup>8</sup> For more information on the digital divide, see U. S. Department of Commerce (2002), Jackson, C. (2003), Kleiner, A. & Lewis, L. (2003), Advisory Committee on Student Financial Assistance (2004a), and Park, J.E & Staesina L. (2004).

<sup>9</sup> See Advisory Committee on Student Financial Assistance (2002).

<sup>10</sup> With few exceptions, all discussion of costs and savings reflect the effect of the Advisory Committee’s recommendations on the Pell Grant Program as determined by the Pell Grant Cost Estimation Model. We did not calculate the effect of recommendations on the administrative costs associated with implementation, nor did we consider the effect of recommendations on mandatory programs (i.e., the student loan programs). Only two of the ten recommendations would require an increase in program costs. In these cases, while simplifying or improving the current system is impossible without a small additional investment, the recommendations can be phased in over several years if funds are not immediately available.

<sup>11</sup> Age-appropriate financial aid information refers to activities, materials, and curricula for middle and high school students that are at appropriate reading levels. In addition, age-appropriate information is information that is presented in an appealing manner and utilizes formatting styles and mediums popular with each age group. Appropriate financial aid information also includes materials created specifically for parents and independent students. For example, materials could be created for adults seeking to attend higher education for the first time describing the application process and financial aid available for independent students. According to Section 480(d) of the HEA, a student is considered independent if s/he is: 24 years of age or older by December 31 of the award year, is married, has legal dependents other than a spouse, is a veteran of the U.S. Armed Forces, is a graduate or professional student, or is an orphan or ward of the court (or was a ward of the court until age 18). Financial aid administrators can also make a documented determination of independence by reason of unusual circumstances, a process referred to as a “dependency override” and described in more detail on page 9.

<sup>12</sup> Students with special circumstances refers to those students with unique or unusual circumstances. This includes students from nontraditional families, that is, students who live in kinship care or do not have a relationship or contact with a parent. It also includes students in foster care and students or adults that have been recently unemployed.

<sup>13</sup> There is currently a lack of research regarding what financial aid information is most helpful to students and how to best provide students with this information. Developing a body of research regarding early financial aid information ensures that students and adults receive information that is going to have the greatest influence on their aspirations for postsecondary education. This research also ensures that students and adults receive high quality information that is relevant and age appropriate. Examining the effectiveness of providing students with early financial aid information at different times and using various dissemination strategies helps ensure that the system of early financial aid information achieves its intended effects. For more information, see Tierney, W.G. (2002) and Perna, L.W. (2004).

<sup>14</sup> Increasing coordination between FSA and other agencies and organizations would also help identify and replicate strategies that will address inadequate student to guidance counselor ratios in many of the nation’s public schools. The national average ratio of students to counselors in all public schools in 2003 was 485 students to one counselor; for public secondary schools the ratio was 407 students to one counselor. The National Association of College Admission Counselors recommends a ratio of 100 students to one counselor. These high ratios limit the extent to which school guidance and college counselors can provide early financial aid information to all students, including students in middle school and in the ninth through the twelfth grades. For more information, see National Association of College Admissions Counseling (2004).

<sup>15</sup> Student Aid on the Web is FSA’s existing financial aid information website. It was created in May 2002 and an improved version was released in September 2003. The website allows students to save their personal information in their own MyFSA account and use an on-line calculator, the Financial Aid Wizard, to calculate an estimate of their Pell Grant and loan eligibility. One way to further improve Student Aid on the Web would be to provide students who access the website with tailored messages based on the information stored in their MyFSA account. A large-scale public awareness campaign would help ensure that students and adults through the country have access to financial aid information early enough to influence their plans and preparations for postsecondary education. Implementing this comprehensive strategy for dissemination would require an increase in administrative costs and resources.

<sup>16</sup> The COOL website is part of the Integrated Postsecondary Education Data System (IPEDS) at the National Center for Education Statistics (NCES). NCES was authorized by Congress in 1998 to help college students, future students, and their parents understand the differences between colleges and how much it costs to attend college. COOL provides information regarding enrollment and completion rates and institutional data regarding college costs, including information on tuition and fees, room and board, and Cost of Attendance (COA). Available financial aid information includes the average federal, state, and institutional grant and loan award that students receive and the average number of students receiving each type of financial aid. COOL also provides links to the colleges that comprise its database and encourages students to obtain more information about them by visiting websites, writing for more information, or visiting institutions that are of interest to students. Improving and integrating Student Aid on the Web and the Financial Aid Wizard with the COOL website requires taking several steps. First, the data on COOL should be presented in a manner that allows students to easily compare average COA to average aid awards. Second, COOL and Student Aid on the Web should be integrated in order to allow users to obtain an example of a financial aid package they could potentially receive based on inputting only a few data elements, such as income bracket, number in household, and intended enrollment status. Finally, to allow students to receive a more specific estimate of aid eligibility based on inputting the least amount of data possible, all features in Student Aid on the Web and the Financial Aid Wizard should be adequately tailored to a student's circumstances.

<sup>17</sup> The SAR is a document that summarizes information the student reported on the FAFSA. Students are able to make corrections to this report before submitting it to schools to determine aid eligibility. For more information on the SAR, visit the FAFSA Frequently Asked Questions website: <http://www.fafsa.ed.gov/faq010.htm>.

<sup>18</sup> The term "college savings plan" is used in this report to describe both types of so-called "529 plans": prepaid tuition plans and savings plans. The number "529" refers to the section of the Internal Revenue Code that governs both plans.

<sup>19</sup> Students with special circumstances confront some of the greatest barriers in accessing higher education. For more information, see Levin-Epstein & Greenberg (2003) and Casey Family Programs (2003).

<sup>20</sup> Increasing the IPA by \$1,000 would reduce the work penalty for all Pell Grant recipients who are not currently eligible for the auto-zero, more than 4 million students. Implementing this recommendation would result in approximately 130,000 students becoming newly Pell-eligible and 1.9 million students receiving higher awards at a total cost of approximately \$523 million. Lowering the assessment rate on student earnings to 40 percent for both dependent students and independent students without dependents further protects more of their earnings above the IPA. (The assessment rate on adjusted available income for independent students with dependent students would not need to be lowered, as the rate is currently 22 to 47 percent, depending on the amount of adjusted available income.) Lowering the assessment rate on earnings to 40 percent for these students would make almost 140,000 students newly Pell-eligible and would allow more than 930,000 students to receive higher awards at a cost of approximately \$292 million. These options can be phased in over several years if funds are not currently available.

Other options for addressing the work penalty that were considered include lowering the assessment rate on student earnings, ignoring student earnings in the SNT, creating a ceiling on student contributions, adding a student asset protection allowance, and combining the student and parent formulas. These options were not included among the Advisory Committee's recommendations because the benefits of these options did not outweigh potential adverse effects on program cost and on the distribution of Pell Grants.

<sup>21</sup> For example, \$1,000 placed in a prepaid tuition plan would result in \$1,000 being subtracted from the calculated need, and would subsequently reduce aid eligibility by \$1,000. In contrast, \$1,000 placed in a savings plan is factored into the need analysis formula as an asset. As a result, a significantly smaller portion of savings plans are considered as part of the family's ability to pay for college. For instance, the parental contribution from assets is determined by subtracting the Asset Protection Allowance (which depends on the age of the older parent) from the total amount of assets and multiplying this number by a conversion rate of 12 percent. For more information on the treatment of college savings plans in need



analysis, see Levine, L. & Stedman, J.B. (2003), Olivas, M.A. (2003), and Ifill, R.M. & McPherson, M.S. (2004).

<sup>22</sup> Valuing prepaid tuition plans according to the “institution of choice” method means that plans would be valued on the basis of the COA at the institution the student *plans* to attend. Relying on this method may result in underestimating or overestimating the value of the prepaid tuition plan if the student ends up enrolling in a different institution that has a different COA. Other methods that were considered include placing a value on prepaid tuition plans based on their surrender or cash-out value, treating them as if they had been rolled over or converted to savings plans, and using the surrender or cash-out value of both types of plans. These options all had the affect of under-valuing prepaid tuition plans, and would also result in complex tax and penalty fee calculations for families. Implementing the institution of choice method would also require providing families with better information about the value of prepaid tuition plans at various institutions across the state.

<sup>23</sup> It should be noted that unlike savings plans, prepaid tuition plans are not portable; they can only be used at institutions within the state in which the plans were established. For instance, a prepaid tuition plan in Ohio can only be used at an institution in Ohio, while a savings plan established in Ohio can be used in Ohio or any other state.

<sup>24</sup> The effects of eliminating the state and local tax allowance and raising the IPA to hold the maximum number of students harmless depend upon the number of students who are held harmless and current allowance levels. The state and local tax allowance was updated in December 2004. If funds are not available to implement this change, proposed updates to the tax allowances could be phased in. The Advisory Committee also considered the feasibility of implementing one national tax allowance equal to the median tax rate for all states and eliminating the tax allowance altogether. These options were not included among the Advisory Committee’s recommendations because their benefits did not outweigh potential adverse effects on programs costs or distribution of Pell Grants. For more information, see Stedman, J.B. (2003, June 25).

<sup>25</sup> Section 480(d)(7) of the HEA provides financial aid administrators with the authority to make dependency overrides for students with unusual circumstances on a case-by-case basis. Currently, an abusive family environment or abandonment by parents is considered unusual circumstances that may qualify a dependent student for a dependency override. If the administrator determines that an override is appropriate, s/he must write a statement detailing the determination and must include the statement and supporting documentation in the student’s file. The current interpretation of the statute prohibits an institution from accepting another school’s dependency override decision. For more information see the Application and Verification Guide section of the 2004-05 FSA Handbook at <http://www.ifap.ed.gov/IFAPWebApp/currentSFAHandbooksYearPag.jsp?p1=2004-2005&p2=c>

<sup>26</sup> Institutions would continue to have complete decision-making authority regarding dependency overrides and would not be required to accept another institution’s dependency override decisions. Institutions could only be held accountable for the dependency override decisions for students that they eventually enroll.

<sup>27</sup> A dislocated worker is an individual who has been terminated or laid off or who has received notice of impending layoff or termination (for additional information, see Section 101 of the *Workforce Investment Act of 1998* and U. S. Department of labor press release, *Worker Displacement 2001-2003*.) Professional judgment refers to the authority of a school’s financial aid administrator to make adjustments to certain data elements on the FAFSA and to override a student’s dependency status. This authority is granted to the financial aid administrator in Sections 479A and 480(d)(7) of the HEA. For additional information, see the Application and Verification Guide section of the 2004-05 FSA Handbook at <http://www.ifap.ed.gov/IFAPWebApp/currentSFAHandbooksYearPag.jsp?p1=2004-2005&p2=c>

<sup>28</sup> Dependent students from nontraditional families often have unique family circumstances that do not necessarily “fit” in existing application forms. On-line application forms could be modified to provide a space for these students to indicate or explain their situation.

<sup>29</sup> For more information, see Oesterreich, H. (2000), Gandara, P. & Bial, D (2001), and Jager-Hyman, J. (2004).

<sup>30</sup> Under the SNT, assets are not considered in the calculation of a student's EFC. The following criteria determine which dependent students may have their EFCs calculated by the SNT: (1) the student's parents filed or are eligible to file an IRS Form 1040A or 1040EZ, or are not required to file any income tax return; and (2) the student filed or is eligible to file an IRS Form 1040A or 1040EZ, or is not required to file any income tax return; and (3) the income of the student's parents is \$49,999 or less. An independent student qualifies for the simplified EFC formula if both of the following are true: (1) the student (and the student's spouse, if any) filed or is eligible to file an IRS Form 1040A or 1040EZ, or he or she is not required to file any income tax return; and (2) the student's (and spouse's) income is \$49,999 or less. A dependent student will qualify for the auto-zero, and, therefore, automatically receive a zero EFC, if the following conditions are met: (1) the student's parents filed or are eligible to file an IRS Form 1040A or 1040EZ, or are not required to file any income tax return; and (2) the student filed or is eligible to file an IRS Form 1040A or 1040EZ, or is not required to file any income tax return; and (3) the income of the student's parents is \$15,000 or less. An independent student with dependents other than a spouse automatically qualifies for a zero EFC if both of the following are true: (1) the student (and the student's spouse, if any) filed or is eligible to file an IRS Form 1040A or 1040EZ, or he or she is not required to file any income tax return; and (2) the student's (and spouse's) income is \$15,000 or less. Note that independent students without dependents other than a spouse do not qualify for the auto-zero.

<sup>31</sup> Increasing the auto-zero income threshold to \$25,000 would make more than 700,000 additional students eligible for the auto-zero, bringing the total number of auto-zero eligible students to approximately 2.3 million. Of these, approximately 29,000 applicants would become newly eligible for a Pell Grant at a cost of \$81 million dollars. The total increase to program costs would be approximately \$319 million. If funds are not immediately available, this recommendation could be phased in over a period of several years.

<sup>32</sup> Implementing this recommendation would benefit the approximately 6.5 million applicants who are currently eligible for the SNT.

<sup>33</sup> If on-line technology permitted states to tailor data collection elements to their needs, beyond what is required for the SNT and the auto-zero formulas, then more states would be able to accept the SNT and the auto-zero. A change in statute could permit the Secretary to create simplified application forms that include additional financial information required by states as long as this information is not used in need analysis. For example, Illinois collects nontaxable income data from all students for TANF verification. This option would enable the Illinois Student Assistance Commission to continue to collect this data from auto-zero filers, thereby enabling Illinois to accept the auto-zero and SNT and still meet its data requirements.

<sup>34</sup> Use of prior year income (which is also referred to as prior, prior year [PPY] income) would allow institutions to award final financial aid based upon data and information provided by students during their junior year, that is, based on the student's economic and personal situation two years before enrollment. This pilot program would only be implemented for dependent students, as greater fluctuations in income make it infeasible for independent students to have their aid determined based on PPY income.

<sup>35</sup> Allowing students to submit a FAFSA as early as December 1, and earlier if practicable, would enable all students to apply for financial aid earlier. FAFSA on the Web would be available to students to complete and submit on December 1, and students would also be able to complete and submit paper FAFSAs on December 1 or as soon as they are available.

<sup>36</sup> The CPS currently processes estimates of tax information for financial aid administrators through FAA Access, an application program used only by financial aid administrators.

<sup>37</sup> In 2002-2003, 0.7 percent of FAFSA applicants used the early analysis option. Of this group, nearly 30 percent were Pell eligible students. The low number of participants is most likely due, in large part, to the lack of awareness and information regarding the early analysis option. If students and families were better

informed about the benefits and services of early analysis, more of them would likely take advantage of this service.

<sup>38</sup> Fully implementing the early analysis process would require increasing outreach efforts in order to make more students, parents, and counselors aware of the benefits of early analysis. In addition, it would require adequately notifying applicants who have completed early analysis of their eligibility to use the Renewal Application process in order to apply for final award determination.

<sup>39</sup> Evidence from the three hearings in Chicago, Illinois, Los Angeles, California, and Washington, D. C. suggested that receiving financial aid award information so late in the academic year could also convince some very low-income students to abandon their plans to attend college.

<sup>40</sup> Evidence from the Washington State Achievers Program (see page 27) has shown that notifying students of their eligibility for a full scholarship in their junior year of high school positively influences the steps students take to prepare for and enroll in college. For more information, see St. John, E.P. & Hu, S. (2004).

<sup>41</sup> A preliminary study in the beginning of the pilot program would allow the Secretary to determine if a particular group of state(s) and institution(s) are willing to test the feasibility of this project. Including in the program all the components of the traditional financial aid application process, including professional judgment and dependency override decisions, would ensure that the Secretary is able to accurately measure the pilot program's feasibility for all dependent students. Including in the pilot program data importation and data match systems with the IRS would allow the Secretary to measure the benefits and adverse effects of implementing such systems within the entire aid application system. Finally, including in the pilot program a comprehensive evaluation of the use of PPY income and benefits of early notification of aid eligibility allows the Secretary to weigh the benefits of such a program against adverse effects on program cost or integrity.

<sup>42</sup> Data elements eligible for elimination meet the following criteria: a majority of eligible recipients have an income under \$25,000, the average benefit is not large enough to be significant, or only a small portion of the population receives this benefit. Using these criteria, the following nontaxable income data elements could be eliminated from Worksheets A and B: EITC, the additional child tax credit, TANF benefits, untaxed social security benefits, foreign income exclusion, and the credit for federal tax on special fuels.

<sup>43</sup> Examples of redundant items include question number 16 (What is your marital status as of today?) and question 50 (As of today are you married?) on the 2004-05 FAFSA. These also appear as questions number 9 and 19 on the EZ FAFSA prototype that can be found in Appendix C. Similarly, question number 9 (Date of Birth) already answers question number 48 (Were you born before January 1, 1981?).

<sup>44</sup> Given an expansion of the auto-zero income threshold to \$25,000, approximately 2.3 million students would be eligible to utilize a paper EZ FAFSA. Approximately 700,000 auto-zero eligible applicants who currently apply for financial aid using the full paper FAFSA would have access to a simplified paper application form for the first time.

<sup>45</sup> Choosing to extend the use of the EZ FAFSA in this way would allow an additional 1.7 million applicants to access the simplified form, bringing the total number of students eligible to use the EZ FAFSA to 4 million. The total additional cost would be approximately \$74 million. More than 25,000 applicants would be newly eligible for a Pell Grant. One of the trade-offs, however, is that more than 12,000 applicants would lose Pell Grant eligibility.

<sup>46</sup> In developing the prototype of the EZ FAFSA, the Advisory Committee staff consulted broadly with institutions, students, and administrators of early intervention programs. Additionally, the Advisory Committee staff worked closely with state grant agencies in the 19 states that currently accept the auto-zero to identify the state-specific questions that would need to be included on the EZ FAFSA and to ensure that it would be feasible to implement the EZ FAFSA in these states. Finally, the Advisory Committee also sought the advice of form design experts at the IRS to identify ways to improve the prototype and make it easier to read.

<sup>47</sup> For more information, see the Information for Financial Aid Professionals Library, <http://www.ifap.ed.gov/dpcletters/GEN0413.html>

<sup>48</sup> Available technology makes it possible to create highly individualized forms on-line that are not feasible using paper forms. For example, using a web-based form, it is possible to ask for an applicant's state of residence first and then only ask the applicant those questions required by their state of residence.

<sup>49</sup> The eventual phase-out of the full paper FAFSA is estimated to result in \$5 to \$9 million in savings.

<sup>50</sup> The formation of an interagency task force on access to technology would make it possible for federal government agencies to examine how to increase data sharing in order to promote the use of simplified application forms. Section 207 of the E-Government Act requires the Director of the Office of Management and Budget (OMB) to establish an Interagency Committee on Government Information (ICGI) to develop recommendations on the categorization of government information and public access to electronic information. For more information, see the Government Accountability Office's report *Electronic Government: Federal Agencies Have Made Progress Implementing the E-Government Act of 2002*.

<sup>51</sup> This also ensures that organizations and individuals that use the full paper FAFSA during workshops have access to paper versions of the form if needed.

<sup>52</sup> For more information, see U. S. Census Bureau (2003) and Zehr, M.A. (2004).

<sup>53</sup> Decreasing the lag time between PIN application and generation would require "real-time" data matches with personal information provided on the PIN application.

<sup>54</sup> In addition, students who make a single mistake on their application (e.g., entering in one wrong number) could be required to go through verification for multiple data elements, including those that were not required to determine their aid eligibility.

<sup>55</sup> According to Inspector General estimates, it would cost about \$90 to verify an application for student financial aid. With today's application volume, verification is estimated to cost at least \$432 million. This estimate does not include the costs where a single application is verified by more than one school. For more information, see U. S. Department of Education (2002).

<sup>56</sup> If schools could rely on the data and documents collected by other financial aid officers and have access to this data, and if the verification process is simplified, savings to institutions could be as high as \$100 to \$250 million.

<sup>57</sup> Section 484(q)(1) of the HEA authorizes the Secretary of Education, in cooperation with the Secretary of the Treasury, to confirm with the IRS the adjusted gross income, Federal income taxes paid, filing status, and exemptions reported by Title IV applicants (including parents) on their Federal income tax returns for the purpose of verifying the information reported by applicants on students' financial aid applications. In addition, Rep. Sam Johnson (R-TX) introduced the Student Aid Streamlined Disclosure Act of 2003 (H.R. 3613) in the 108<sup>th</sup> Congress on November 21, 2003. This bill was co-sponsored by Rep. John Boehner (R-OH) and Rep. Amo Houghton (R-NY). This legislation would amend the Internal Revenue Code to provide for a data match between IRS data and information provided on the FAFSA in order to reduce Pell Grant over awards. Under this legislation, the IRS and ED would match the following information: adjusted gross income, Federal income taxes paid, filing status, total earnings from employment, and type of tax return filed. Taxpayer privacy would be protected by only allowing personal tax information to be released to ED and the taxpayer, not to institutions, schools, or contractors. As of January 21, 2005, this bill had not yet been re-introduced in the 109<sup>th</sup> Congress.

<sup>58</sup> In designing such a verification system, the Secretary should consult with all stakeholders in higher education, including financial aid administrators, on all aspects of the system, such as appropriate tolerance

levels for data discrepancies. In addition, the Secretary should take specific steps to incorporate information on verification into the creation of an early information system in order to increase awareness about verification and reduce potential adverse reactions to verification by students.

<sup>59</sup> The Twenty-First Century Scholars Program (<http://www.in.gov/ssaci/programs/21st/index.html>) began in 1990 as Indiana's way of raising the educational aspirations of low- and moderate-income families. The program aims to ensure that all Indiana families can afford a college education for their children. An independent evaluation of the program found that Scholars were 4.43 times more likely to enroll in a public four-year college and 6.37 times more likely to attend a two-year college than non-Scholars. For more information, see St. John, E.P., et al. (2002). The state of Washington has two similar programs, the Washington GEAR UP Scholars Project (<http://gearup.washington.edu>) and The Washington State Achievers Program (WSAP), which is managed by the Washington Education Foundation and privately funded by the Bill & Melinda Gates Foundation (<http://www.waedfoundation.org/achievers/>). For more information, see St. John, E.P. & Hu, S. (2004). Oklahoma's access initiative is called the Oklahoma Higher Learning and Access Program (<http://www.okhighered.org/ohlap/about.shtml>).

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## **APPENDIX A**

### **List of Abbreviations**

<b>Advisory Committee</b>	Advisory Committee on Student Financial Assistance
<b>Auto-zero</b>	Automatic zero EFC
<b>COA</b>	Cost of Attendance
<b>COOL</b>	College Opportunities On-Line
<b>CPI</b>	Consumer Price Index
<b>CPS</b>	Central Processing System
<b>ED</b>	United States Department of Education
<b>EFC</b>	Expected Family Contribution
<b>EITC</b>	Earned Income Tax Credit
<b>FAFSA</b>	Free Application for Federal Student Aid
<b>FSA</b>	Office of Federal Student Aid
<b>HEA</b>	Higher Education Act of 1965
<b>IPA</b>	Income Protection Allowance
<b>IPEDS</b>	Integrated Postsecondary Education Data System
<b>IRS</b>	Internal Revenue Service
<b>NCES</b>	National Center for Education Statistics
<b>PDF</b>	Portable Document File
<b>PIN</b>	Personal Identification Number
<b>PPY</b>	Prior, Prior Year Income
<b>SAR</b>	Student Aid Report
<b>SNT</b>	Simplified Needs Test
<b>TANF</b>	Temporary Assistance to Needy Families

## APPENDIX B

### Contributing Panelists

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Legislative Director  
Representative Howard “Buck” McKeon  
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Representative Ric Keller  
Washington, District of Columbia

Mr. Daniel Madzellan  
Director, Forecasting & Policy Analysis  
Staff  
Office of Postsecondary Education  
U. S. Department of Education  
Washington, District of Columbia

Dr. Sylvia Manning  
Chancellor  
University of Illinois at Chicago  
Chicago, Illinois



Dr. A. Dallas Martin, Jr.  
President  
National Association of Student  
Financial Aid Administrators  
Washington, District of Columbia

Mr. David Marzahl  
Executive Director  
Center for Economic Progress  
Chicago, Illinois

Mr. Larry Matejka  
Executive Director  
Illinois Student Assistance Commission  
Deerfield, Illinois

Dr. Joe McCormick  
Executive Director  
Kentucky Higher Education Assistance  
Authority  
Frankfort, Kentucky

The Honorable Howard “Buck” McKeon  
Chairman  
Subcommittee on 21<sup>st</sup> Century  
Competitiveness  
House Committee on Education and the  
Workforce  
Washington, District of Columbia

Mr. Michael Milkie  
Principal  
Noble Street Charter High School  
Chicago Public Schools  
Chicago, Illinois

Mr. Raul Moreno  
Coordinator  
University Migrant Services  
California State University-Fresno  
Fresno, California

Mr. Alex Nock  
Professional Staff Member  
House Committee on Education and the  
Workforce  
Washington, District of Columbia

Ms. Jane Oates  
Senior Education Advisor  
Senate Health, Education, Labor and  
Pensions Committee  
Washington, District of Columbia

Mr. Dennis Obergfell  
Deputy Director  
State Student Assistance Commission of  
Indiana and  
Member of the Federal Relations  
Committee  
National Association of State Student  
Grant and Aid Programs (NASSGAP)  
Indianapolis, Indiana

Ms. Susan O’Flaherty  
Director of Financial Aid &  
Scholarships  
Western Michigan University  
Kalamazoo, Michigan

Ms. Karoline Pfister  
Guidance Counselor and College  
Counselor  
Waukegan High School  
Waukegan Public Schools  
Waukegan, Illinois

Ms. Mary Robinson  
Associate Director  
Financial Aid  
Student Academic Support  
California State University, Office of the  
Chancellor  
Long Beach, California

Ms. Argelia Rodriguez  
Executive Director  
D.C. College Access Program  
Washington, District of Columbia

Ms. Pattie Rossman  
Financial Aid Manager  
Cleveland Scholarship Programs  
Cleveland, Ohio

Ms. Kate Rube  
Higher Education Associate  
State Public Interest Research Groups  
Washington, District of Columbia

Ms. Claudia Ruiz  
Student, The Fashion Institute of Design  
and Merchandising  
Los Angeles, California

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Special Assistant to Senator Lamar  
Alexander and  
Staff Director, Subcommittee on  
Children and Families  
Washington, District of Columbia

Mr. Boris Shimanovsky  
Chief Technical Officer  
Xap Corporation  
Culver City, California

Mr. Jimmy Tadlock  
Program Director  
CollegeBound Foundation of Baltimore  
Baltimore, Maryland

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Associate Dean for Admissions and  
Financial Aid  
University of Southern California  
Los Angeles, California

Ms. Celina Torres  
Tomás Rivera Policy Institute  
University of Southern California  
Los Angeles, California

Dr. William E. Troutt  
President and CEO  
Rhodes College  
*(Representing the American Council on  
Education)*  
Memphis, Tennessee

Mrs. Deborah Umrani  
Director of the Early Outreach Program  
University of Illinois at Chicago  
Chicago, Illinois

Ms. Rachel Unruh  
Policy Associate  
Women Employed  
Chicago, Illinois

Ms. Shawn Warden  
Postsecondary Specialist, Department of  
Postsecondary Education  
Office of High School Programs  
Chicago Public Schools  
Chicago, Illinois

Ms. Elyse Wasch  
Legislative Assistant  
Office of Senator Jack Reed  
Washington, District of Columbia

**APPENDIX C**

**EZ FAFSA Prototype**



# EZ FAFSA

We help put America through school

July 1, 2005-June 30, 2006

Free Application for Federal Student Aid

### Step One: For questions 1-16, leave blank any question that does not apply to you (the student)

1. Name (Last)	F	O	R	I	N	F	O	R	M	A	T	I	O	N	First	D	O	N	O	T	S	U	B	M	I	T	MI	
2. Social Security Number				-											3. Date of Birth	M	M	D	D	Y	Y	Y	Y					
4. Address (Street)																												
City															State													
5. Telephone Number (MS & NH Only)				-																								
6. Driver's License Information (Number)																											State	
7. Email Address															@													
8. Are you a US Citizen? (See page 2)	<input type="checkbox"/> Yes (Skip to question 9) <input type="checkbox"/> No, but am an eligible noncitizen (Fill in Alien Registration Number) <input type="checkbox"/> No and am not an eligible noncitizen														Alien Registration Number					9. What is your marital status as of today? (NY Only) <input type="checkbox"/> I am married/remarried <input type="checkbox"/> I am separated <input type="checkbox"/> I am single, divorced, or widowed								
A																												
10. Month and year you were married, separated, divorced, or widowed															M	M	Y	Y	Y	Y								
11. State Residency What is your state of legal residence?						Did you become a legal resident of this state before January 1, 2000?									If the answer is no, give month and year you became a legal resident	M	M	Y	Y	Y	Y							
						<input type="checkbox"/> Yes <input type="checkbox"/> No																						
12. What degree or certificate will you be working on during 2005-06? (See page 2)																												
13. What will be your grade level when you begin the 2005-06 school year? (See page 2)																												
14. Will you have a high school diploma or GED before you begin the 2005-06 school year? (TN Only)																				<input type="checkbox"/> Yes <input type="checkbox"/> No								
15. Will you have your first bachelor's degree before July 1, 2005?																				<input type="checkbox"/> Yes <input type="checkbox"/> No								
16. Highest school your Parents completed? (See page 2) (CA & MS Only)																												
Father:						<input type="checkbox"/> Middle School/Junior High	<input type="checkbox"/> High School	<input type="checkbox"/> College or beyond	<input type="checkbox"/> Other/ Unknown																			
Mother:						<input type="checkbox"/> Middle School/Junior High	<input type="checkbox"/> High School	<input type="checkbox"/> College or beyond	<input type="checkbox"/> Other/ Unknown																			

### Step Two: Answer all seven questions in this step.

17. Were you born before January 1, 1982?	<input type="checkbox"/> Yes <input type="checkbox"/> No
18. At the beginning of 2005-06 school year, will you be working on a master's or doctorate program (such as an MA, MBA, MD, JD, PhD, EdD, or graduate certificate, etc.)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
19. As of today, are you married? (Answer "Yes" if you are separated but not divorced.)	<input type="checkbox"/> Yes <input type="checkbox"/> No
20. Do you have children who receive more than half of their support from you?	<input type="checkbox"/> Yes <input type="checkbox"/> No
21. Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you, now and through June 30, 2006?	<input type="checkbox"/> Yes <input type="checkbox"/> No
22. Are both of your parents deceased, or are you (or were you until age 18) a ward/dependent of the court?	<input type="checkbox"/> Yes <input type="checkbox"/> No
23. Are you a veteran of the U.S. Armed Forces? (See page 2)	<input type="checkbox"/> Yes <input type="checkbox"/> No

If you (the student) answer "No" to every question in Step Two, skip Step Three and go to Step Four. If you answer "Yes" to any question in Step Two, go to Step Three and skip Step Four. Health profession students: Your school may require you to complete Step Four even if you answered "Yes" to any part of Step Two

### Step Three: For questions 24-30, report your (the student's) income. If you are married as of today, report your and your spouse's income, even if you were not married in 2004. Ignore references to "spouse" if you are currently single, separated, divorced, or widowed.

24. For 2004, have you (the student) completed your IRS income tax return or another tax return listed in question 25?	<input type="checkbox"/> I have already completed my return.	<input type="checkbox"/> I will file, but I have not yet completed my return.	<input type="checkbox"/> I'm not going to file. (Skip to question 30)
25. What income tax return did you file or will you file for 2004?	<input type="checkbox"/> IRS 1040	<input type="checkbox"/> IRS 1040A, 1040EZ, 1040 Telefile	<input type="checkbox"/> A foreign tax return (See page 2)
26. If you have filed or will file a 1040, were you eligible to file a 1040A or 1040EZ? (See page 2)	<input type="checkbox"/> Yes <input type="checkbox"/> No	<input type="checkbox"/> A tax return for: Puerto Rico, Guam, American Samoa, the US Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau (See page 2)	
27. In the past 24 months have you participated in a federal means-tested program? (See page 2)	<input type="checkbox"/> Yes <input type="checkbox"/> No		
28. What was your (and spouse's) adjusted gross income for 2004? Found on IRS Form 1040-line 34; 1040A-line 21; 1040EZ-line 4; or Telefile-line 1.	\$		
29. Enter your (and spouse's) income tax for 2004. Found on IRS Form 1040-line 54; 1040A-line 36; 1040EZ-line 10; or Telefile-Line K (2)	\$		
30. How much did you (and spouse) earn from working (wages, salaries, tips, etc) in 2004? Answer this question whether or not you filed a tax return. This information may be on your W-2 forms, on IRS Form 1040-lines 7+12+18; 1040A-line 7; or 1040EZ-line 1. Telefilers use W-2 forms.	You	\$	
	Spouse	\$	

**Step Four: Complete this step if you (the student) answered "No" to all questions in Step Two. Go to page 2 to determine who is a parent for this step.**

31. What is your parent's marital status as of today? <input type="checkbox"/> Married/Remarried <input type="checkbox"/> Divorced/Separated <input type="checkbox"/> Single <input type="checkbox"/> Widowed															
32. State Residency What is your parents' state of legal residence?		Did your parents become legal residents of this state before January 1, 1999? <input type="checkbox"/> Yes <input type="checkbox"/> No				If the answer is "No," give month and year legal residency began for the parent who lived in the state the longest				M	M	Y	Y	Y	Y
33. What are the Social Security Numbers, names, and dates of birth of the parents reporting information on this form? If your parent does not have a Social Security Number, you must enter 000-00-0000.															
Father's/Stepfather's Social Security Number				Father's/Stepfather's Last name, and				First Initial		Father's/Stepfather's Date of Birth					
- - - - -				, , , , ,				M M		D D Y Y Y Y					
Mother's/Stepmother's Social Security Number				Mother's/Stepmother's Last Name, and				First Initial		Mother's/Stepmother's Date of Birth					
- - - - -				, , , , ,				M M		D D Y Y Y Y					
34. For 2004, have your parents completed their IRS income tax return or another tax return listed in question 35?				<input type="checkbox"/> My parents have already completed their return.				<input type="checkbox"/> My parents will file, but they have not yet completed their return.				<input type="checkbox"/> My parents are not going to file. (Skip to question 39)			
35. What income tax return did your parents file or will they file for 2004?		<input type="checkbox"/> IRS 1040		<input type="checkbox"/> IRS 1040A, 1040EZ, 1040 Telefile		<input type="checkbox"/> A foreign tax return. (See page 2.)		<input type="checkbox"/> A tax return for Puerto Rico, Guam, American Samoa, the US Virgin Islands, the Marshall Islands, the Federated States of Micronesia, or Palau. (See page 2)							
36. If your parents have filed or will file a 1040, were they eligible to file a 1040A or 1040EZ? (See page 2)										<input type="checkbox"/> Yes <input type="checkbox"/> No					
37. In the past 24 months, have you or your parents participated in a federal means-tested program? (See page 2)										<input type="checkbox"/> Yes <input type="checkbox"/> No					
38. What was your parents' adjusted gross income for 2004? Adjusted gross income is on IRS Form 1040-line 34; 1040A-line 21; 1040EZ-line 4; or Telefile-line I.										\$					
39. How much did your parents earn from working (wages, salaries, tips, etc.) in 2004? Answer this question whether or not your parents filed a tax return. This information may be on their W-2 forms, or on IRS Form 1040-lines 7+12+18; 1040A-line 7; or 1040EZ-line 1. Telefilers should use their W-2 forms.								Father/Stepfather		\$					
								Mother/Stepmother		\$					

**Step Five: Please tell us which schools may request your information and your enrollment level.**

40. Enter the 6-digit federal school code and your housing plans. Look for the federal school codes at <a href="http://www.fafsa.ed.gov">www.fafsa.ed.gov</a> , at your college financial aid office, at your public library, or by asking your high school guidance counselor. If you cannot get the federal school code, write in the complete name, address, city, and state of the college. For state aid, you may wish to list your preferred school first.														
1 <sup>st</sup> Federal School Code		O R	Name of College				Address and City of College				State		<b>HOUSING PLANS</b>	
- - - - -													<input type="checkbox"/> on campus <input type="checkbox"/> off campus <input type="checkbox"/> with parent	
2 <sup>nd</sup> Federal School Code		O R	Name of College				Address and City of College				State		<input type="checkbox"/> on campus <input type="checkbox"/> off campus <input type="checkbox"/> with parent	
- - - - -														
3 <sup>rd</sup> Federal School Code		O R	Name of College				Address and City of College				State		<input type="checkbox"/> on campus <input type="checkbox"/> off campus <input type="checkbox"/> with parent	
- - - - -														
4 <sup>th</sup> Federal School Code		O R	Name of College				Address and City of College				State		<input type="checkbox"/> on campus <input type="checkbox"/> off campus <input type="checkbox"/> with parent	
- - - - -														
5 <sup>th</sup> Federal School Code		O R	Name of College				Address and City of College				State		<input type="checkbox"/> on campus <input type="checkbox"/> off campus <input type="checkbox"/> with parent	
- - - - -														

41. (See page 5.) At the start of the 2005-06 academic year, please mark if you will be: (CA Only)											
<input type="checkbox"/> Full-Time <input type="checkbox"/> 3/4 time <input type="checkbox"/> Half-time <input type="checkbox"/> Less than half-time <input type="checkbox"/> Not Sure											
42. (See page 5) Number of members in your household				Of these, how many will be college students between July 1, 2004 and June 30, 2005?							

**Step Six: Read, sign, and date** If you are the student, by signing this application you certify that you (1) will use federal and/or state student financial aid only to pay the cost of attending an institution of higher education, (2) are not in default on a federal student loan or have made satisfactory arrangements to repay it, (3) do not owe money back on a federal student grant or have made satisfactory arrangements to repay it, (4) will notify your school if you default on a federal student loan, and (5) will not receive a Federal Pell Grant for more than one school for the same period of time.

If you are the parent of the student, by signing this application you agree, if asked, to provide information that will verify the accuracy of your completed form. This information may include your U.S. or state income tax forms. Also, you certify that you understand that the Secretary of Education has the authority to verify information reported on this application with the Internal Revenue Service and other federal agencies. If you purposely give false or misleading information, you may be fined \$20,000, sent to prison, or both.

43. Signature(s) / Date this form was completed						Student X					
M M		D D		<input type="checkbox"/> 2004 <input type="checkbox"/> 2005		Parent (A parent from Step Four) X					
44. If this form was filled out by someone other than you, your spouse, or your parent(s), that person must complete this part.						Preparer's name, firm, and address					
						Preparer's Social Security Number					
						Employer ID Number					
Preparer's Signature and Date X						- - - - -					
School Use Only:			D/O <input type="checkbox"/>			Federal School Code			Data Entry Use Only:		
FAA Signature X									<input type="checkbox"/> P <input type="checkbox"/> * <input type="checkbox"/> L <input type="checkbox"/> E		

## APPENDIX D

### Advisory Committee on Student Financial Assistance Members and Staff

#### Current Members by Class of Appointment:

##### ***Class of 2005***

*(Term expires September 30, 2005)*

##### **Ms. Judith Flink (*Vice Chairperson*)**

Executive Director of University Student  
Financial Services  
University of Illinois  
(U. S. House of Representatives appointee)

##### **Dr. Claude O. Pressnell, Jr.**

President  
Tennessee Independent Colleges and  
Universities Association (TICUA)  
(United States Senate appointee)

##### **Dr. Kathleen A. Ross**

President  
Heritage College  
(Secretary of Education appointee)

##### ***Class of 2006***

*(Term expires September 30, 2006)*

##### **Mr. Michael R. Davis**

Student Representative  
University of Iowa Law School  
(Secretary of Education appointee)

##### **Mr. René A. Drouin**

President and CEO  
New Hampshire Higher Education  
Assistance Foundation  
(United States Senate appointee)

##### **Mr. Darryl A. Marshall**

Director, Student Financial Aid  
Florida State University  
(Secretary of Education appointee)

##### **Mr. Robert M. Shireman**

Senior Fellow  
The Aspen Institute  
Program on Education and Society  
(U. S. House of Representatives appointee)

##### ***Class of 2007***

*(Term expires September 30, 2007)*

##### **Mr. Don R. Bouc**

President and CEO  
National Education Loan Network (NELnet)  
(Secretary of Education appointee)

##### **Mr. Clare M. Cotton (*Chairperson*)**

President  
Association of Independent Colleges and  
Universities in Massachusetts (AICUM)  
(United States Senate appointee)

##### **Ms. Norine Fuller**

Executive Director  
The Fashion Institute of Design and  
Merchandising  
(U. S. House of Representatives appointee)

##### **Mr. Lawrence W. O'Toole**

Chairman and CEO  
America's Charter School Finance  
Corporation and  
President of TERI  
(Secretary of Education appointee)

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Staff Director

**Ms. Shelaine N. Jackson**  
Office Automation Assistant

**Ms. Nicole A. Barry**  
Associate Staff Director

**Ms. Tracy D. Jones**  
Administrative Assistant

**Ms. Michelle Asha Cooper**  
Graduate Assistant

**Mr. Brian R. Trzebiatowski**  
Assistant Staff Director for Research

**Ms. Hope M. Gray**  
Senior Administrative Officer

### **Former Advisory Committee Staff who Contributed to this Report:**

**Dr. Brian K. Fitzgerald**  
Former Staff Director

**Ms. Kimberly A. Pacelli**  
Former Assistant Staff Director for  
Legislation

**Mr. James Farmer**  
Former Senior Systems Analyst

**Mr. Justin K. Wellner**  
Former Policy Research Intern

**Ms. Ann M. Kearns**  
Former Assistant Staff Director for  
Programs

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Advisory Committee on  
Student Financial Assistance

[www.ed.gov/acsfa](http://www.ed.gov/acsfa)



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