



## Leaving Money on the Table

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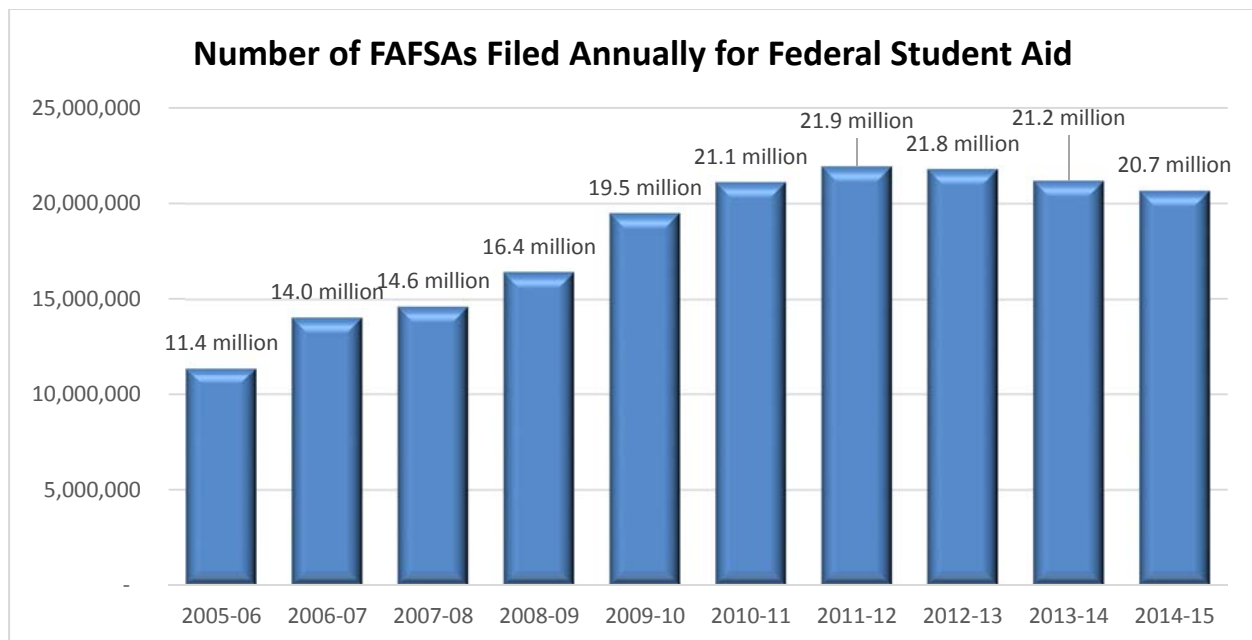
# Leaving Money on the Table

Millions of students are missing out on billions of dollars of free money for college because they don't file the Free Application for Federal Student Aid (FAFSA) or because they don't file the FAFSA early enough.

- About 2.0 million students did not file the FAFSA in 2011-2012, the most recent data available, but would have qualified for Federal Pell Grants totaling as much as \$9.5 billion if they had filed the FAFSA (averaging about \$4,700 each). They might also have qualified for an additional \$2.9 billion in state and institutional grants (averaging about \$1,400 each).<sup>1</sup>
- Students who file the FAFSA in January, February or March receive more than twice as much grant funding, on average, as students who file the FAFSA later. More than 1.1 million students might have received as much as \$3.8 billion more in state and institutional grants (averaging about \$3,400 each) had they filed the FAFSA during the first three months of the FAFSA application cycle. Some states and colleges have very early FAFSA deadlines for awarding their own financial aid funds. In the 2015-2016 award year, nine states award state grants on a first-come, first-served basis until the money runs out, three states have February deadlines and 11 states have March deadlines.<sup>2</sup>

## Decrease in the Number of FAFSAs Filed

As illustrated by this chart, the number of FAFSAs filed each year has decreased from a peak of 21.9 million in 2011-2012 to a projected 20.7 million in 2014-2015.



<sup>1</sup> This result is based on an analysis of data from the 2011-2012 National Postsecondary Student Aid Study (NPSAS).

<sup>2</sup> This result is based on an analysis of data from the 2009 follow-up to the 2003-04 Beginning Postsecondary Students longitudinal study (BPS).

The decrease in the number of FAFSAs has occurred despite recent efforts to increase the number of students applying for financial aid, such as the White House’s [Reach Higher](#) initiative and the U.S. Department of Education’s [FAFSA Completion by High School](#) and [Financial Aid Toolkit](#) projects. The increase in the number of applications through 2011-2012 predates these initiatives.

Most of the decrease is probably due to the improving economy and the end of the countercyclical effect. During an economic downturn, college enrollments increase as unemployed and underemployed workers go to college to retrain in new fields and to get credentials to make themselves more marketable in a tight job market. More students apply for financial aid because of lower income, job losses and decreases in the value of investments. These trends reverse during an economic recovery.

Nevertheless, the decrease in the number of FAFSAs filed each year underscores the need to increase the number of applicants, especially among low-income students who are most likely to qualify for federal, state and institutional grants.

Although slightly more than two-thirds of applicants have family adjusted gross income (AGI) under \$50,000, only about three-quarters of low-income students file the FAFSA. More than half of the students who don’t file the FAFSA are from low-income families.

## Students Who Do Not File the FAFSA

Based on data from the 2011-2012 National Postsecondary Student Aid Study (NPSAS), 58.9% of undergraduate students who file the FAFSA qualify for a Federal Pell Grant.<sup>3</sup> Unfortunately, 29.9% of undergraduate students don’t file the FAFSA, and about a third of these would have qualified for the Federal Pell Grant.

Approximately 2.0 million students would have qualified for a Federal Pell Grant but did not file the FAFSA.<sup>4</sup> Of these, 1.3 million would have qualified for the maximum Federal Pell Grant. The number of non-applicants who could have received the maximum Federal Pell Grant has been increasing, as shown in this table.

Did Not File FAFSA NPSAS Year	Number Who Could Have Received a Federal Pell Grant	Number Who Could Have Received the Maximum Federal Pell Grant
<b>2011-2012</b>	2.0 million	1.3 million
<b>2007-2008</b>	2.3 million	1.1 million
<b>2003-2004</b>	1.9 million	620,000

If these students had filed the FAFSA, they would have received Federal Pell Grants totaling about \$9.5 billion, or an average of about \$4,700 per student. Since state governments and colleges also use the FAFSA for awarding their own student financial aid funds, these students would also have qualified for an additional \$2.9 billion in state and institutional grants, or an average of about \$1,400 per student.

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<sup>3</sup> Of students who filed the FAFSA with an expected family contribution (EFC) within the eligible range, 85.3% received a Federal Pell Grant. It is unclear why the remaining 14.7% did not receive a Federal Pell Grant. Some may have failed to maintain satisfactory academic progress and some may have failed to complete verification.

<sup>4</sup> This analysis is restricted to U.S. citizens and permanent residents, excluding international students.

When students who would have qualified for a Federal Pell Grant were asked why they didn't file the FAFSA in the 2011-2012 NPSAS, the reasons were as follows:

- 46.7% thought they were ineligible
- 37.5% said that they had no demonstrated financial need
- 34.1% did not want to take on the debt
- 13.6% had no information on how to apply for financial aid
- 9.4% said that the financial aid application forms were too much work

Figures sum to more than 100% due to overlap. After eliminating overlap, these five responses account for 91% of the reasons why Federal Pell-eligible students did not file the FAFSA. The first three responses account for 89% of the non-applicants.

Among students who are likely eligible for the Federal Pell Grant, there are some significant differences between those who file the FAFSA and those who do not file the FAFSA.

- 62% of students who did not file the FAFSA are enrolled at 2-year institutions, compared with 45% of students who file the FAFSA.
- 55% of students who did not file the FAFSA are enrolled mostly<sup>5</sup> part-time, compared with 30% of students who file the FAFSA. Likewise, 42% of students who did not file the FAFSA are enrolled mostly full-time, compared with 66% of students who file the FAFSA. Surprisingly, most of the difference is due to students enrolled at public colleges, especially community colleges, as shown in the next table.
- 71% of students who did not file the FAFSA are independent.
- 36% of students who did not file the FAFSA work full-time while enrolled in college, compared with 25% of students who file the FAFSA.
- Of non-filers with family adjusted gross income (AGI) below \$50,000, 47% would have qualified for a Federal Pell Grant, compared with 20% of non-filers with AGI between \$50,000 and \$99,999 and 6% of non-filers with AGI of \$100,000 or more.
- Of the non-filers enrolled in colleges that charge less than \$8,000 in tuition and fees, 34% would have qualified for a Federal Pell Grant.

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<sup>5</sup> A student is considered to be enrolled *mostly* part-time if the number of months of part-time enrollment exceed the number of months of full-time enrollment. A student is considered to be enrolled mostly full-time if the number of months of full-time enrollment exceed the number of months of part-time enrollment. Otherwise, the student is considered to be enrolled full-time and part-time equally.

This table shows the percentage of Federal Pell-eligible students who did and did not file the FAFSA and who are enrolled mostly part-time.

Federal Pell-Eligible Students		
Enrolled Mostly Part-Time	FAFSA Non-Filers	FAFSA Filers
<b>Overall</b>	55%	30%
<b>4-Year</b>	38%	21%
<b>2-Year</b>	66%	42%
<b>&lt; 2-Year</b>	14%	16%
<b>Public Colleges</b>	59%	36%
<b>4-Year</b>	39%	22%
<b>2-Year</b>	68%	46%
<b>Private Non-Profit Colleges</b>	38%	15%
<b>4-Year</b>	39%	16%
<b>Private For-Profit Colleges</b>	25%	20%
<b>4-Year</b>	31%	24%
<b>2-Year</b>	12%	14%

This table shows the percentage of Federal Pell-eligible students who did and did not file the FAFSA and who are enrolled mostly full-time.

Federal Pell-Eligible Students		
Enrolled Mostly Full-Time	FAFSA Non-Filers	FAFSA Filers
<b>Overall</b>	42%	66%
<b>4-Year</b>	59%	76%
<b>2-Year</b>	31%	52%
<b>&lt; 2-Year</b>	86%	83%
<b>Public Colleges</b>	37%	59%
<b>4-Year</b>	57%	74%
<b>2-Year</b>	29%	48%
<b>Private Non-Profit Colleges</b>	61%	83%
<b>4-Year</b>	60%	82%
<b>Private For-Profit Colleges</b>	74%	78%
<b>4-Year</b>	67%	75%
<b>2-Year</b>	88%	84%

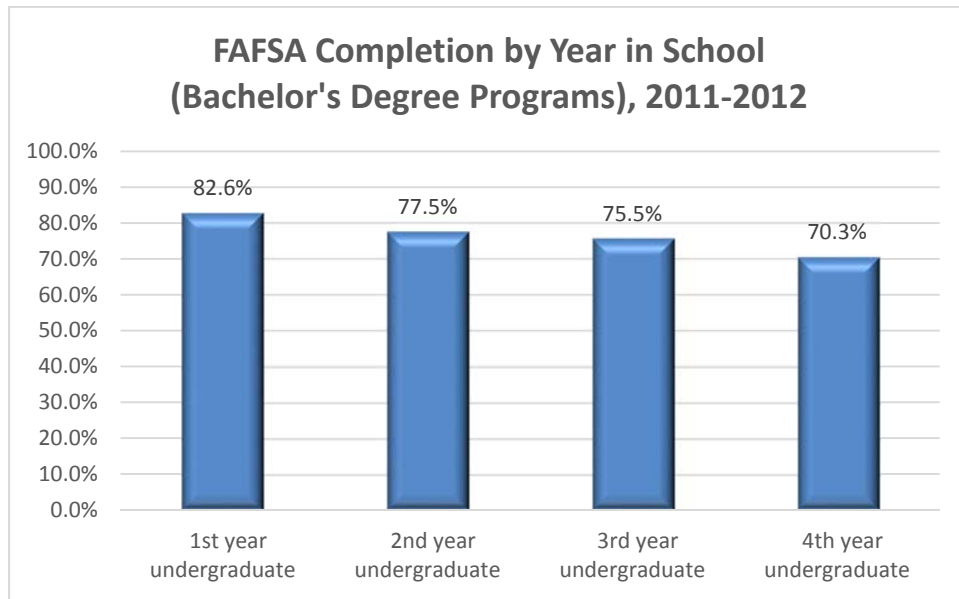
The lower cost of community colleges may be a contributing factor, since students may believe that they do not need financial aid when the costs are low. However, students who do not apply for financial aid are more likely to work while enrolled to pay the college bills. About a third (33.5%) of non-applicants work a full-time job, compared with about a quarter (24.2%) of students who file the FAFSA. Students who work full-time are half as likely to graduate in six years as students who work 12 hours or less a week. Increasing the number of students who file the FAFSA might decrease the number of students who work full-time while enrolled, thereby, increasing the number of students who graduate.

Based on data from the 2009 follow-up to the 2003-04 Beginning Postsecondary Students longitudinal study (BPS:04/09), 52.4% of students who filed the FAFSA for the freshman year graduated within six years, compared with 44.1% of non-filers. The next table shows the impact of filing the FAFSA on degree

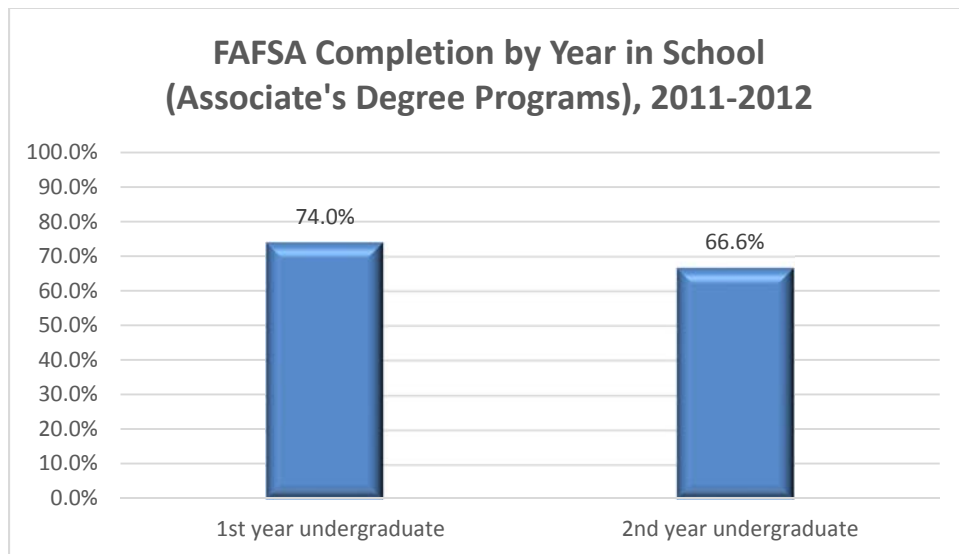
attainment rates for students who intended to obtain a Certificate, Associate's degree or Bachelor's degree.

Six-Year Degree Attainment Rates by Degree Goal	Students Who Filed the FAFSA	Students Who Did Not File the FAFSA
<b>Certificate</b>	48.0%	35.1%
<b>Associate's Degree</b>	19.6%	17.4%
<b>Bachelor's Degree</b>	59.9%	57.2%

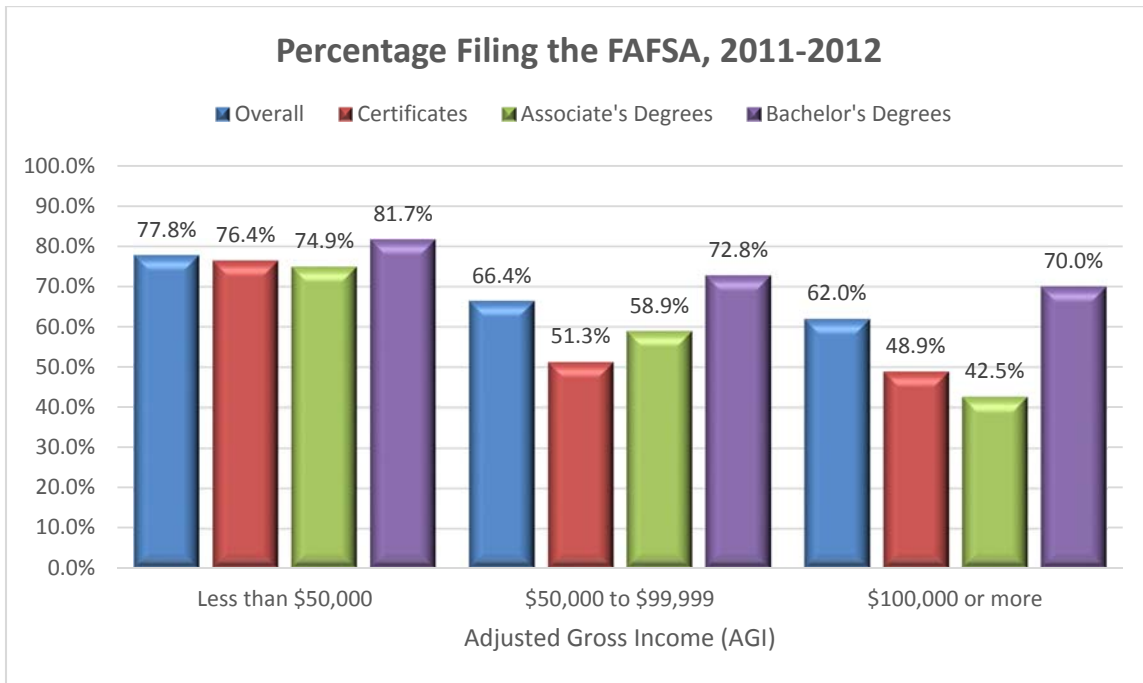
The next chart shows that a student's year in school affects the likelihood of filing the FAFSA for students in Bachelor's degree programs. Perhaps students who do not receive grants one year are less likely to apply for financial aid in subsequent years?



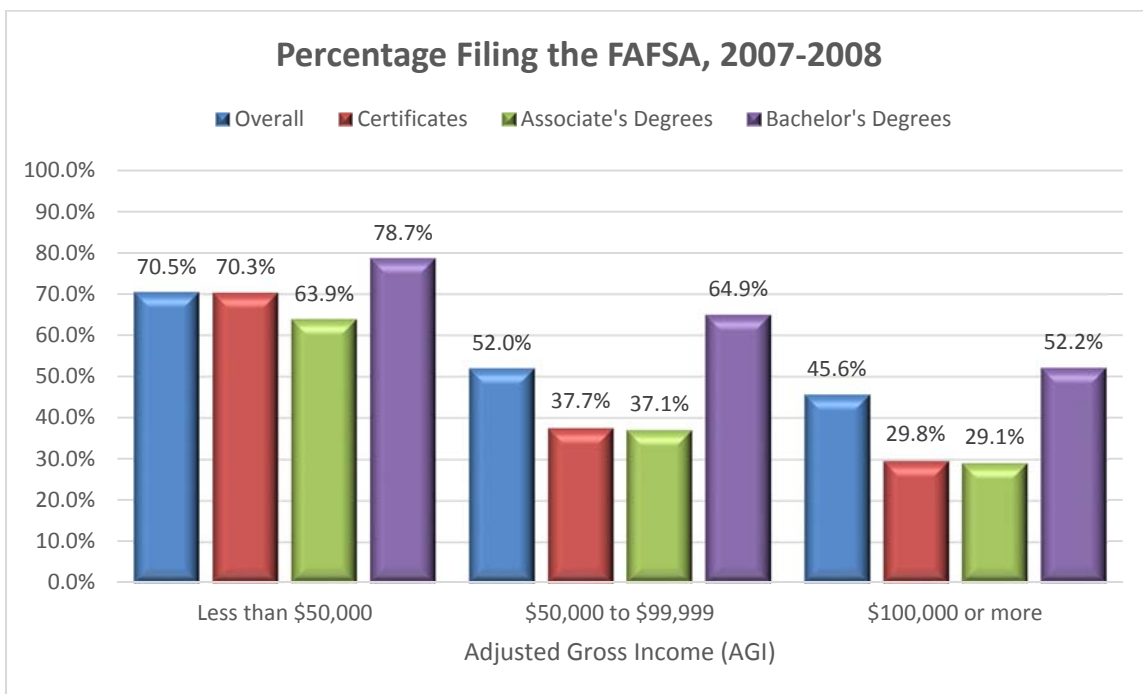
The next chart shows similar results for students in Associate's degree programs.



The next chart shows that wealthier students are less likely to file the FAFSA. The chart shows the percentage of U.S. citizens and permanent residents who filed the FAFSA in 2011-2012 by degree level and family adjusted gross income (AGI).



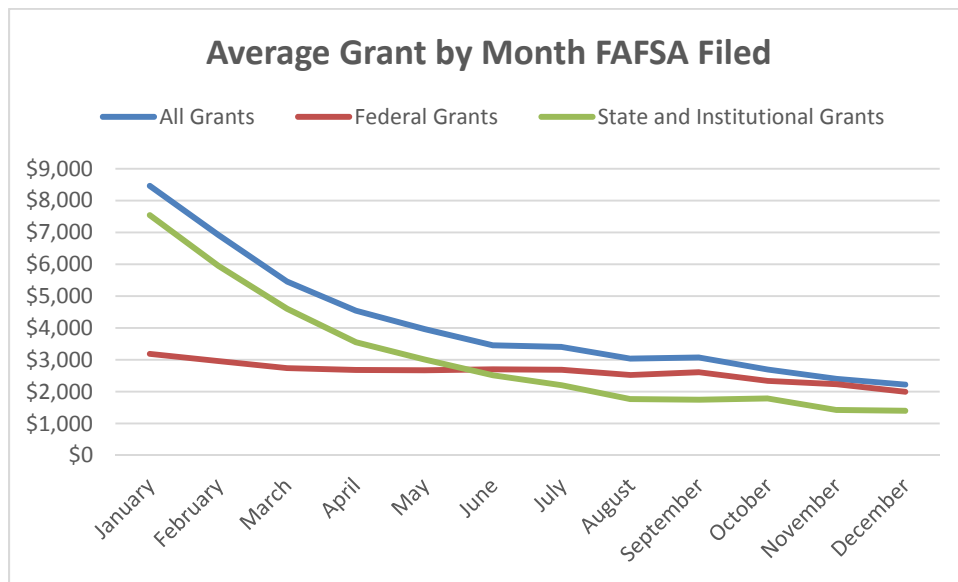
The next chart shows similar data for students who filed the FAFSA in 2007-2008. Comparing the two charts demonstrates that the percentage filing the FAFSA increased during the economic downturn, especially among high-income students, although the percentage of high-income students filing the FAFSA still lags behind the FAFSA application rate of low-income students.



## Students Who File the FAFSA Later

Students who delay filing the FAFSA may get less grant funding. Students who file the FAFSA in January, February or March at the start of the 18-month financial aid application cycle receive more than twice as much grant funding, on average, as students who file the FAFSA later, about an additional \$3,400. Moreover, students who file the FAFSA in January receive about an additional \$1,500 in grant funding, on average, as compared with students who file in February, and students who file the FAFSA in February receive about an additional \$1,500 in grant funding, on average, as compared with students who file the FAFSA in March.

This chart shows the average grant received for students filing the FAFSA in each of the first 12 months of the FAFSA application cycle. As the chart demonstrates, the greater average grants for students who file the FAFSA earlier is due mostly to differences in the average state and institutional grants.



This table provides the data corresponding to the previous chart.

Application Month	All Grants (Average)	All Federal Grants (Average)	All State/Institutional Grants (Average)
January	\$8,459	\$3,186	\$7,542
February	\$6,916	\$2,961	\$5,947
March	\$5,457	\$2,738	\$4,604
April	\$4,544	\$2,681	\$3,556
May	\$3,964	\$2,671	\$3,011
June	\$3,453	\$2,697	\$2,512
July	\$3,402	\$2,683	\$2,200
August	\$3,035	\$2,523	\$1,765
September	\$3,072	\$2,609	\$1,746
October	\$2,695	\$2,339	\$1,787
November	\$2,402	\$2,232	\$1,421
December	\$2,224	\$1,997	\$1,398



This table provides similar data, but aggregated by quarter.

Application Date	All Grants (Average)	All Federal Grants (Average)	All State/Institutional Grants (Average)
January – March	\$6,730	\$2,910	\$5,862
April – June	\$4,018	\$2,684	\$3,133
July – September	\$3,181	\$2,601	\$1,943
October - December	\$2,438	\$2,186	\$1,501
April+	\$3,318	\$2,507	\$2,501
Ratio Jan-Mar to Apr+	2.03	1.16	2.34

The most likely explanation is that some states and colleges have very early FAFSA deadlines for awarding their own financial aid funds. In the 2015-2016 award year, nine states award state grants on a first-come, first-served basis until the money runs out, three states have February deadlines and 11 states have March deadlines. Accordingly, students should file the FAFSA as soon as possible after January 1 to avoid missing these deadlines. By filing the FAFSA later, more than 1.1 million students lose eligibility for more than \$3.8 billion in estimated state and college grants.

The timing of the financial aid application affects eligibility for federal grants to a lesser extent. While filing the FAFSA later does not necessarily affect eligibility for the Federal Pell Grant, it may affect eligibility for other federal grants, such as the Federal Supplemental Educational Opportunity Grant (FSEOG). Each college has a limited allocation of FSEOG funds, which many colleges award on a first-come, first-served basis.

Wealthier students are more likely to file the FAFSA in January, February or March. Of students who file the FAFSA, 32.6% of students with family adjusted gross income (AGI) under \$50,000 file the FAFSA during the first three months of the FAFSA application season, compared with 58.1% of students with family AGI of \$50,000 to \$99,000 and 70.5% of students with family AGI of \$100,000 or more. The lowest income of the low-income students are even less likely to file the FAFSA early, with 25.9% of students with family AGI under \$25,000 filing the FAFSA in January, February or March, compared with 44.8% of students with family AGI of \$25,000 to \$49,999.

## Colleges Could Do More to Increase FAFSA Completion

There is a lot of room for improvement, especially at community colleges, as shown in this table. Overall, 70.1% of undergraduate students file the FAFSA each year. Perhaps, public colleges have a lesson to learn from for-profit colleges, since for-profit colleges have much greater FAFSA completion rates. Increasing the number of students who apply for financial aid makes college more affordable and increases college graduation rates.

Type of College	Percentage Filing the FAFSA	Share of Non-Applicants
<b>Public</b>	65.7%	84.2%
4-Year	71.8%	29.5%
2-Year	61.0%	54.4%
< 2-Year	79.9%	0.3%
<b>Private Non-Profit</b>	76.5%	10.3%
4-Year	76.5%	10.0%
2-Year	75.2%	0.3%
< 2-Year	91.3%	0.0%
<b>Private For-Profit</b>	87.6%	5.6%
4-Year	87.4%	0.0%
2-Year	86.0%	3.6%
< 2-Year	91.1%	1.4%

There are similar trends even when the data is restricted to students with family adjusted gross income (AGI) under \$50,000. Overall, 74.5% of these students file the FAFSA each year.

Family AGI < \$50,000 Type of College	Percentage Filing the FAFSA	Share of Non-Applicants
<b>Public</b>	70.3%	84.4%
4-Year	76.9%	23.8%
2-Year	66.3%	60.3%
< 2-Year	84.8%	0.3%
<b>Private Non-Profit</b>	77.7%	8.8%
4-Year	77.7%	8.4%
2-Year	77.3%	0.4%
< 2-Year	92.9%	0.0%
<b>Private For-Profit</b>	90.1%	6.8%
4-Year	89.3%	4.5%
2-Year	89.8%	1.5%
< 2-Year	93.4%	0.7%

## Recommendations

There are several solutions that should be implemented to increase the number of students filing the FAFSA and to get these students to file the FAFSA sooner.

- High school guidance counselors, high school teachers, principals, college financial aid administrators, college admissions officers and college faculty should all increase student and parent awareness of the importance of filing the FAFSA and of filing the FAFSA early. Publicizing the impact of filing the FAFSA early on the average amount of grant funding per student will not only get more students to file the FAFSA early, but might also increase the overall number of applicants and college graduates. Students should be reminded that, “you can’t get financial aid if you don’t apply.”
- FAFSA completion statistics should be made part of the annual performance reviews for high school guidance counseling staff and college financial aid staff.
- Public and private non-profit colleges, especially community colleges, should encourage all incoming freshmen and less than full-time students to complete the FAFSA by providing one-on-one personalized counseling, adopting the practices already widespread among private, for-profit colleges.
- School districts should considering requiring high school seniors to file the FAFSA as a graduation requirement. Colleges and universities should consider requiring all U.S. citizen and permanent resident applicants to file the FAFSA as a prerequisite for admission.
- Proactive FAFSA completion programs, such as College Goal Sunday, should be expanded to provide free help to more students.
- Simplifying the FAFSA will increase the number of applicants because the complexity acts as a barrier to completion. The approaches to simplification used so far, such as skip logic, are not enough, especially since questions are often added to enable other questions to be skipped. This turns a very complicated student financial aid application form into a slightly less complicated form. Much more drastic simplification is necessary, to allow most applicants to complete the FAFSA in fifteen minutes or less. The FAFSA needs to become so simple that it can fit on the back of a postcard.
- The U.S. Department of Education could create a free lottery as part of the FAFSA submission process to increase the number of students filing the FAFSA. For example one applicant from each state could be randomly selected to win a \$100,000 college scholarship. After all, low-income people are more likely to buy lottery tickets than high-income people. But, unlike state lotteries, there will be no losers, since most applicants will qualify for student financial aid for college and there is no cost to file the FAFSA.

Increasing the number of students who file the FAFSA and increasing the number of students who file the FAFSA earlier in the application cycle will increase the number of students enrolling in and graduating from college.