

Reasons Why Students Do Not File the FAFSA

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Publisher of Fastweb.com and FinAid.org

January 18, 2011

EXECUTIVE SUMMARY

This student aid policy analysis paper continues the work of a previous paper concerning the reasons why students do not apply for financial aid.¹ It presents several new results.

Although the *percentage* of college students failing to file the Free Application for Federal Student Aid (FAFSA) has decreased over the last two decades, this was caused by an increase in the number of undergraduate and graduate students and not by a decrease in the *number* of students failing to file the FAFSA. The number of students failing to file the FAFSA each year has remained flat for over a decade.

Of the students who did not apply for financial aid from any source,² almost all (95.3%) gave at least one of five reasons for not applying: thought ineligible (60.7%), no financial need (50.6%), did not want to take on the debt (40.2%), no information on how to apply (22.9%) and forms were too much work (18.9%). The first three reasons accounted for 92.2% of the non-applicants.

Many of these students, however, would have qualified for financial aid. About a third of these students, for example, would have qualified for a Pell Grant and about a sixth for a full Pell Grant. At least 1.7 million students fail to file the FAFSA each year because they incorrectly believe themselves to be ineligible. Of the students who thought they were ineligible for student aid, more than half (56.3%) did not express an unwillingness to take on debt. Yet most of these students would have qualified for the unsubsidized Stafford and PLUS loans, which are low-cost loans that do not depend on financial need.

Almost two-thirds of the non-applicants who thought they were ineligible or didn't need financial aid were at community colleges, disproportionately so. This may be a reflection of the lower cost of community colleges, since more than three quarters of the students were enrolled at colleges costing less than \$10,000. Less than half of students at community colleges (43.9%) and less than half of students at colleges costing less than \$10,000 (43.1%) completed the FAFSA in 2007-08, compared with much higher rates at private colleges and more expensive colleges.

Of the students who did not apply for financial aid because they felt the forms were too much work, more than half were enrolled part-time, compared with about a third of all undergraduate students. Part-time students are less likely to file the FAFSA than full-time students.

¹ Mark Kantrowitz, *Analysis of Why Some Students Do Not Apply for Financial Aid*, April 27, 2009. www.finaid.org/educators/20090427CharacteristicsOfNonApplicants.pdf

² There are two variables that measure application rates. FEDAPP reports whether the student submitted the FAFSA to apply for federal student aid. AIDAPP reports whether the student applied for any aid, including aid from non-federal sources. This report includes analyses derived from both variables.

RECOMMENDATIONS

Accordingly, FAFSA completion initiatives should be targeted at students who are likely to enroll in community colleges and low-cost colleges, especially students who will enroll part-time. These students are less likely to file the FAFSA. As a result they are forgoing money – including federal grants – that could improve their ability to graduate (and their ability to graduate on-time).

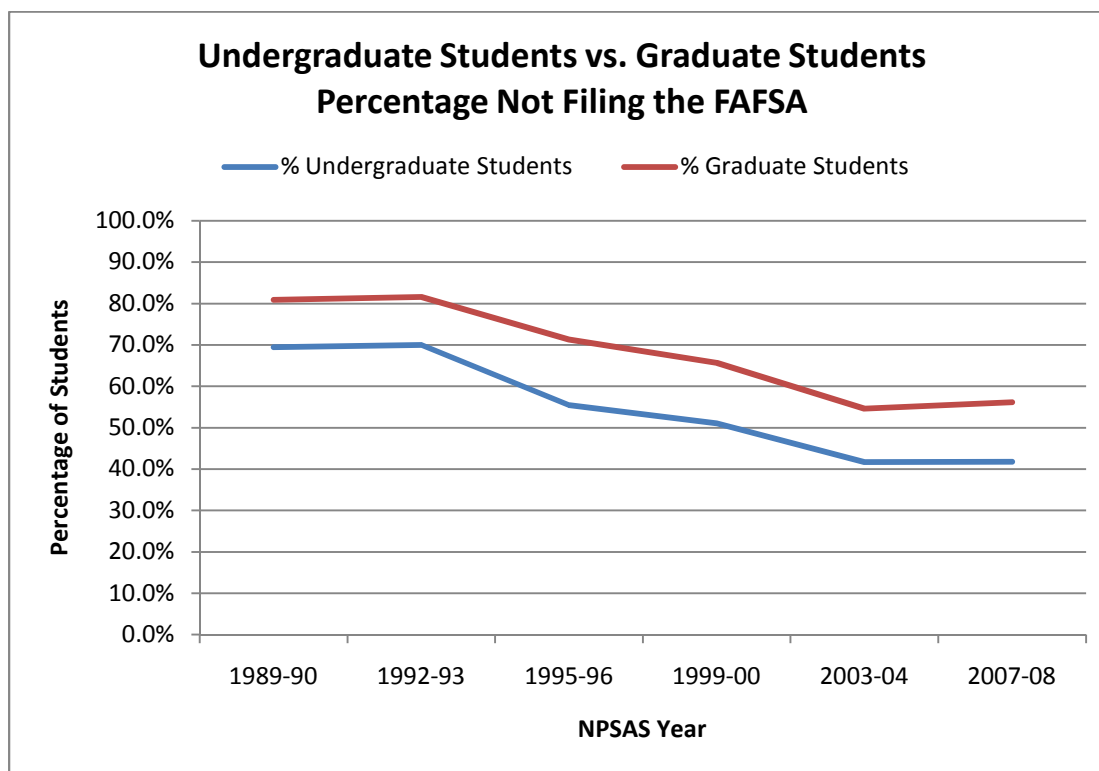
The National Center for Education Statistics (NCES) should consider asking non-applicants for federal student aid, in addition to non-applicants for any student aid, the five questions concerning the reasons for not applying for financial aid and add a separate set of variables corresponding to that sample population.

METHODOLOGY

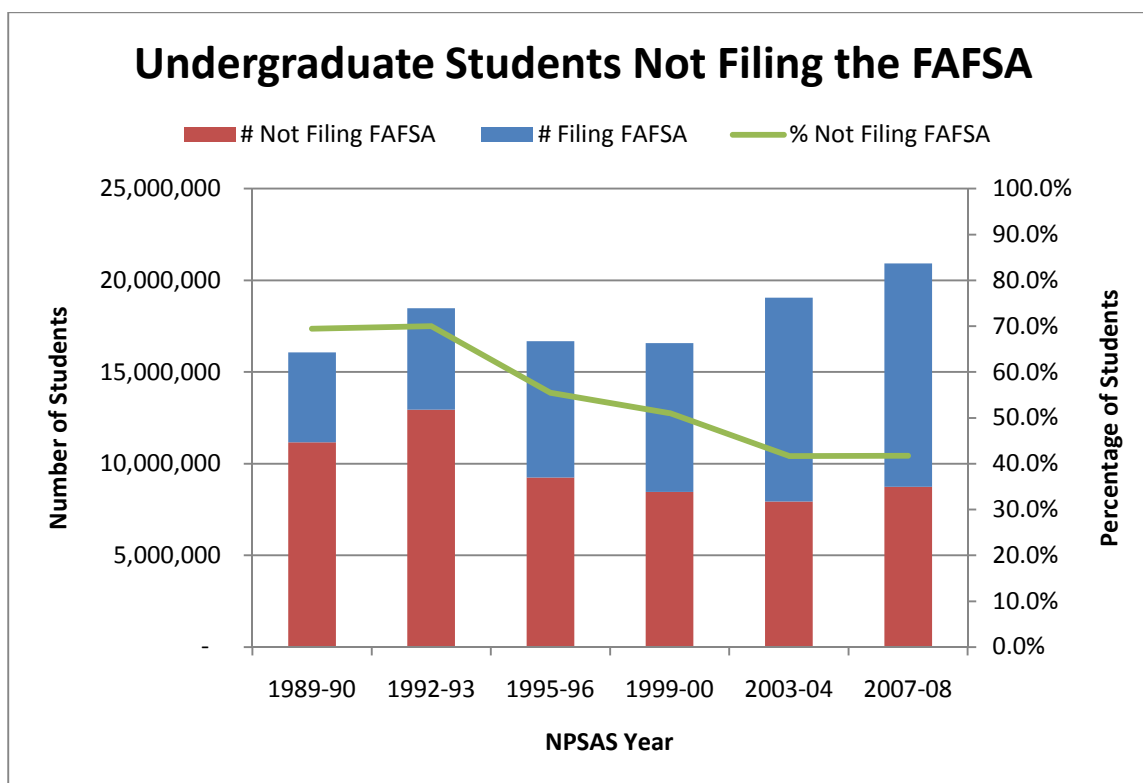
The analysis in this report was performed using the data analysis system for the 2007-08 National Postsecondary Student Aid Study (NPSAS). The NPSAS is a large survey conducted every four years by the National Center for Education Statistics at the US Department of Education. The 2007-08 NPSAS surveyed 114,000 undergraduate students and 14,000 graduate and professional students. Longitudinal comparisons in this report are based also on the 1986-87, 1989-90, 1992-93, 1995-96, 1999-2000 and 2003-04 NPSAS studies.

LONGITUDINAL CHANGES IN FINANCIAL AID APPLICATION RATES

There has been steady improvement in the percentage of undergraduate and graduate students completing the FAFSA, as demonstrated by the following chart. This chart shows steady decreases in the percentage of students who are non-applicants.



However, the decline in the *percentage* of students failing to file the FAFSA is caused by an increase in the number of students enrolled in college and an increase in the number of students completing the FAFSA and not by a decrease in the *number* of students failing to file the FAFSA. The number of students failing to file the FAFSA has remained more or less flat from 1995-96 to 2007-08 after an initial drop from 1992-93 to 1995-96. Thus the following chart demonstrates that there has been no progress in reducing the number of students as opposed to the percentage of students who fail to apply for federal student aid for over a decade.



Recently, there have been a variety of initiatives to increase FAFSA application rates, such as sharing application rate data with high schools,³ the H&R Block FAFSA Experiment⁴ and College Goal Sunday.⁵ However, it will not be possible to evaluate the overall effectiveness of these initiatives in reducing the number of students who fail to file the FAFSA until the 2011-12 NPSAS data becomes available in 2013. The US Department of Education publishes FAFSA application statistics on a quarterly basis.⁶ The quarterly FAFSA application data does demonstrate steady improvements in the number of applications submitted, but it is unclear whether this is due to the economy or where it is due to the more aggressive counseling initiatives. Also, the quarterly FAFSA application statistics provide data on the number of applicants, not on the number of non-applicants nor their reasons for not applying. This is in contrast with the NPSAS studies, which provide data on the number of college students who do not apply for federal

³ Federal Register 75(74):20346-20350, April 19, 2010. www.ifap.ed.gov/fregisters/FR041910.html.

⁴ www.gse.harvard.edu/blog/news_features_releases/2009/09/new-study-shows-simplifying-financial-aid-process-improves-college-access-for-low-income-students.html

⁵ www.collegegoalsundayusa.org

⁶ See www.finaid.org/fafsa/fafsastatistics.phtml for a summary.

student aid in addition to the number of college students who do apply, as well as data concerning the reasons for not applying for federal student aid.⁷ Unfortunately, the NPSAS studies are conducted only at four-year intervals, making it difficult to more immediately evaluate the effectiveness of the FAFSA completion initiatives in reducing the number of students who do not apply for federal student aid.

WHY STUDENTS DO NOT APPLY FOR FINANCIAL AID

The 2007-08 NPSAS included five variables about why students did not apply for financial aid.

- REANOAPA: Did not want to take on the debt
- REANOAPB: Thought the application forms were too much work or too time consuming
- REANOAPC: Did not have enough information about how to apply for financial aid
- REANOAPD: Did not need financial aid
- REANOAPE: Thought you would be ineligible

These questions were asked of all students who did not apply for financial aid, a subset of those who did not file the FAFSA. A total of 8,740,000 students did not apply for federal aid, 41.8% of all undergraduate students. Of these, 5,541,200 (63.4%) did not apply for any aid, not even from non-federal sources, representing 26.5% of all undergraduate students.

The responses to the five questions by students who did not apply for any aid are not necessarily reflective of what the responses would have been by students who did not apply for federal aid. While the students who did not apply for any aid represented almost two-thirds of the students who did not apply for federal aid, and so would dominate statistics for those students, this is not necessarily so for characteristics relating to non-federal sources of aid. For example, a student who did not apply for federal aid because he or she did not want to take on debt might still have ended up borrowing from non-federal sources.⁸ However, the focus on the subset of students who did not apply for any aid precludes this.

The following table shows the percentage of all students and the percentage of non-applicants who chose each reason for not applying, in various combinations. The percentage of non-applicants is an indication of the contribution of each reason to the failure to apply for financial aid. For example, students choosing at least one reason represented 95.3% of non-applicants, meaning that all five reasons together account for most of the reasons why the students did not apply for financial aid. The top three reasons – avoidance of debt, no financial need, thought ineligible – together account for most of the non-applicants (92.2%).

2007-08 NPSAS Undergraduate Students Reason for Not Applying for Aid	Percent of All Students	Percent of Non-Applicants
A. Did not want to take on the debt	10.6%	40.2%
B. Forms were too much work	5.0%	18.9%
C. No information on how to apply	6.1%	22.9%
D. No financial need	13.4%	50.6%
E. Thought ineligible	16.1%	60.7%
None of the above	1.2%	4.7%

⁷ Note that the NPSAS surveys only college students. It does not provide any data on students who do not enroll in college and whether their reasons for not applying for financial aid contributed to a failure to enroll in college.

⁸ 4.9% of students who did not file the FAFSA obtained private student loans. 57.2% of students who borrowed private loans but not Title IV federal education loans did not file the FAFSA.

Any of the above	25.3%	95.3%
A and/or E	19.7%	74.4%
D and/or E	22.9%	86.7%
A, D and/or E	24.4%	92.2%
E and not A	9.0%	34.2%
A is only reason	1.3%	4.9%
B is only reason	0.1%	0.6%
C is only reason	0.5%	1.8%
D is only reason	4.4%	16.5%
E is only reason	3.8%	14.3%
Just one reason	10.1%	38.1%
Two or more reasons	15.2%	57.2%

Of the students who did not apply for financial aid because they thought that they would be ineligible, about a third (33.1%) had imputed EFC scores that would have qualified for a Pell Grant and 17.1% had EFC scores that would have qualified for a full Pell Grant. At least 1.7 million students who would have been eligible for financial aid are failing to file the FAFSA each year because they believe themselves to be ineligible.

Most students are eligible for the unsubsidized Stafford loan and the Parent PLUS loan, which do not depend on financial need.⁹ Of the students who did not apply for financial aid because they thought they would be ineligible, more than half (56.3%) did not choose “Did not want to take on debt” as one of their reasons for why they didn’t apply for financial aid. About a third of these students (32.0%) would have been eligible for the Pell Grant, with 17.3% eligible for a full Pell Grant.

Almost two-thirds (65.1%) of the students who thought they were ineligible were at community colleges. This is disproportionately large. Similar results were reflected in statistics for students enrolled at 2-year colleges (65.3%) and in Associate’s degree programs (56.1%). This is consistent with previous results demonstrating that only 43.9% of students at community colleges and 52.1% of students at public colleges completed the FAFSA, compared with 71.7% of students at non-profit colleges and 95.4% of students at for-profit colleges.¹⁰

This result may be a reflection of the lower cost of community colleges. More than three quarters (76.2%) of the students who believed they were ineligible were enrolled at colleges with a cost of attendance less than \$10,000 and about a fifth (19.9%) at colleges costing \$10,000 to \$20,000. College costs also correlate with FAFSA completion, with 43.1% of students at colleges costing less than \$10,000 completing the FAFSA, compared with 70.7% at colleges costing between \$10,000 and \$20,000 and 77.5% at colleges costing \$20,000 or more.¹¹ Of the students who did not file the FAFSA, 36.7% would

⁹ International students and students who fail to maintain satisfactory academic progress would be ineligible for federal student aid. Only 12.1% of students who thought they were ineligible for financial aid had a GPA under 2.0 and only 3.5% were international students. (0.3% of students satisfied both criteria.)

¹⁰ Mark Kantrowitz, *FAFSA Completion Rates by Level and Control of Institution*, October 14, 2009. www.finaid.org/educators/20091014fafsacompletion.pdf

¹¹ Combining institution type with institution cost further differentiates the FAFSA application rates. 38.8% of students at community colleges costing less than \$10,000 filed the FAFSA in 2007-08, compared with 63.3% of students at community colleges costing \$10,000 to \$20,000 and 72.7% of students at communication colleges costing \$20,000 or more. FAFSA completion rates at public 4-year colleges costing less than \$10,000 are higher, at 47.6%. Thus both the type of college and the cost of attendance have an impact on FAFSA completion rates.

have qualified for a Pell Grant (17.7% for a full Pell Grant) at colleges costing less than \$10,000, 26.3% would have qualified for a Pell Grant (15.3% for a full Pell Grant) at colleges costing \$10,000 to \$20,000, and 18.2% would have qualified for a Pell Grant (11.4% for a full Pell Grant) at colleges costing \$20,000 or more.

On the other hand, these students are also disproportionately low-income, with 45.7% coming from families earning less than \$50,000 a year, 33.1% from families earning \$50,000 to \$100,000 and 21.2% from families earning at least \$100,000.

There are similar results for students who believed that they did not need financial aid. More than a quarter (28.4%) would have qualified for a Pell Grant and 14.2% for a full Pell Grant. Almost two-thirds (62.5%) were enrolled at community colleges, a disproportionately high figure. Similar results were reflected in statistics for students enrolled at 2-year colleges (62.8%) and in Associate's degree programs (52.5%). Almost three-quarters (73.6%) were enrolled at colleges costing less than \$10,000 and a fifth (21.6%) at colleges costing \$10,000 to \$20,000. The income distribution was 39.1% earning less than \$50,000, 33.3% earning \$50,000 to \$100,000 and 27.6% earning \$100,000 or more.

Of the students who did not apply for financial aid because they did not want to take on debt, more than a third (35.7%) would have qualified for a Pell Grant and 17.7% for a full Pell Grant. Almost two-thirds (65.9%) were enrolled at community colleges. More than three-quarters (77.7%) were enrolled at colleges costing less than \$10,000 and almost a fifth (19.6%) at colleges costing \$10,000 to \$20,000. None of these students borrowed from federal, state, institutional or private student loans, but that's because the five questions were presented only to students who did not apply for any financial aid. It is unclear whether students who did not apply for federal aid would have borrowed from non-federal sources or not.

Among students who did not apply for financial aid because they said that the application forms were too much work:

- Two-thirds (66.9%) were enrolled at community colleges. This is a disproportionately high figure.
- More than a third (36.3%) would have qualified for a Pell Grant and almost a fifth (18.7%) would have qualified for a full Pell Grant.
- Half (50.2%) were male, compared with 43.1% in the undergraduate student population as a whole.
- More than half (52.2%) were enrolled part-time in the fall, compared with 33.8% in the undergraduate student population as a whole.¹² For annual statistics, almost three-fifths (59.4%) were mostly enrolled part-time, compared with 38.9% in the undergraduate student population as a whole.
- The income distribution was 50.5% under \$50,000, 32.6% with income of \$50,000 to \$100,000 and 16.9% with income of \$100,000 or more.

Non-applicants at more selective colleges were more likely to give the no need reason than students at less selective colleges. 62.1% of non-applicants at very selective colleges gave this reason, compared with 56.4% at moderately selective colleges, 53.3% at minimally selective colleges and 44.5% at open

¹² Less than half (45.6%) of part-time students file the FAFSA, compared with 70.3% of full-time students.

admission colleges. The other four variables did not show similar trends. The trend was more muted when limited to low or moderate income students, suggesting that the tendency of higher income students to enroll at more selective colleges may account for some of the differences in application rates according to institutional selectivity. Two-fifths (40.6%) of students at very selective colleges did not file the FAFSA, compared with 33.7% of students at moderately selective colleges, 32.5% of students at minimally selective colleges and 36.9% of students at open admission colleges. This conflicts with the trend toward greater FAFSA completion rates at more expensive colleges. Still, two thirds (66.8%) of students with family AGI under \$50,000 complete the FAFSA, compared with 48.9% of students with family AGI of \$50,000 to \$100,000 and 43.2% of students with family AGI of \$100,000 or more. So this selectivity trend may have more to do with family income than the cost of college as an influence on FAFSA completion.

Graduate and professional students who did not apply for financial aid gave a similar ranking of the reasons for not applying for financial aid, although more of the graduate students said that they were not interested in borrowing to pay for their education.

2007-08 NPSAS Graduate Students Reason for Not Applying for Aid	Percent of All Students	Percent of Non-Applicants
A. Did not want to take on the debt	11.1%	52.3%
B. Forms were too much work	3.1%	14.5%
C. No information on how to apply	4.1%	19.5%
D. No financial need	11.0%	52.0%
E. Thought ineligible	13.5%	63.9%

In the 1992-93 NPSAS there were more detailed variables for identifying the reasons why students did not apply for financial aid, with separate variables for student and parent reasons. The SNOAPP1 variable reports the first reason a student gave for not applying and SNOAPP2 the second reason. The PNOAPP1 variable reports the first reason a student's parents gave for not applying and PNOAPP2 the second reason.

The following table shows the percentage of non-applicant students and parents giving each reason as their first reason for not applying for financial aid.

1992-93 NPSAS Undergraduate Students First Reason for Not Applying for Aid	Percent of Students	Percent of Parents
Family and student could pay	38.9%	43.1%
No debt wanted	3.6%	3.7%
Family income too high to qualify	27.5%	34.2%
Grade/test scores too low to qualify	0.5%	0.6%
Too hard to apply for aid	2.4%	2.2%
Didn't wish to disclose finances	0.9%	0.3%
Ineligible since part-time	4.2%	0.6%
No money was available	0.4%	0.2%
Missed deadline for application	1.7%	0.2%
Didn't know about financial aid	NA	2.3%
Any other reason	20.0%	11.7%