

The Upshot

At Last, a Little Breathing Room in the Financial Aid Gantlet

Economic View

By SUSAN DYNARSKI SEPT. 16, 2016

Applying for financial aid and choosing a college in the United States is still much too complicated, but some long-overdue reforms are finally underway, and in the nick of time.

A flurry of aid forms, essays and applications are due between November and March. Parents with resources, who have gone to college, can help their children through this byzantine process, with some paying experts to advise them. But many smart, low-income students don't have that kind of help. As a result, they don't get financial aid, don't go to the school that is a good fit, or don't go to college at all.

Change is coming, and even if it is imperfect and incomplete, it is definitely welcome. Students can now find out much earlier whether they qualify for federal aid — getting this critical information before they start to make decisions about applying to college. Until this fall, students could not submit their Fafsa (the Free Application for Federal Student Aid, required for all federal student aid) until Jan. 1. This left only a brief window between when a Fafsa could be filed and a Fafsa had to be filed, since many states and schools have deadlines as early as February.

Starting this year, families can file the Fafsa as early as Oct. 1. Students will therefore have more breathing room to meet state and college aid deadlines.

More people will also be able to use a shortcut when filling out the aid application. The Fafsa asks dozens of questions about finances and taxes, requiring tedious, error-prone transcription of information from tax returns to aid applications. The I.R.S. Data Retrieval Tool, introduced in 2009, allows the automatic transfer of tax information from the I.R.S. into the Fafsa. But there was a hitch: Only applicants whose tax returns were already filed and processed by the I.R.S. were eligible for this shortcut. Since the Fafsa is generally due well before taxes are filed, only about a quarter of applicants could use this helpful tool.

A simple change in the aid rules now allows millions more to use the I.R.S. Data Retrieval Tool. The Fafsa now asks for income information from the previous year's tax forms. Aid eligibility for the next school year (2017-18) will be calculated using information from tax forms filed last spring, which cover the 2015 tax year.

Research shows that for the vast majority of filers, using tax information from 2015 will result in exactly the same federal aid as using tax information from 2016. With Mark Wiederspan, now a professor at Arizona State University, I analyzed data on thousands of aid forms from the 2012-13 school year (the most recent available). We found that, for 70 percent of aid applicants, there was absolutely no difference between the federal grants they would qualify for when 2010 tax returns were used, rather than 2011 returns. For an additional 11 percent, the change was less than \$500. Over all, the correlation between aid amounts calculated using the two different tax years is 90 percent.

Given how small these differences are, it makes sense to allow students to file earlier, and with less hassle, so that they can get more timely information about their aid eligibility. As has always been the case, families whose finances have changed significantly since they filed their taxes can request an exception.

Earlier filing will also give families a jump start on the college search. They will learn about their federal aid eligibility as soon as they file, giving them solid information they can use to compare the affordability of colleges. Many low-income applicants will learn

when they file in October, for example, that their Pell Grant will fully cover the cost of tuition at the local community college.

A longer time frame gives students more time to obtain and compare information about colleges. A bizarre feature of our college-application process is that students find out how much a college will cost only after they have applied. Since aid letters go out in April, and decisions are due in May, students have little time. This tight schedule was forced by the timing of the Fafsa.

With the new schedule, colleges could make aid offers months earlier than they do now, giving students time to carefully weigh their options. Many elite colleges fill a large share of their freshman class with early-decision candidates, who apply several months before the standard deadline to increase the odds of admission. The catch: Early-decision applicants have to decide whether to accept admission before they get a firm aid offer, which is contingent on a completed Fafsa. This locks many low-income students out of the early-decision process and puts them at a disadvantage in admission to elite schools. The earlier Fafsa allows colleges to make firm offers to these students when they are admitted.

It remains to be seen how many colleges will take the opportunity to make earlier aid offers.

More time will help students in comparing colleges, but so would standardization of aid letters. While consumer law mandates that auto dealers and real estate agents provide pricing in a consistent format, there is no such rule for colleges. This makes it difficult to compare costs.

In 2008, Congress directed the Department of Education to develop a standardized pricing form for colleges to use when making aid offers. The resulting form is a model of clarity, but colleges are not required to use it. Requiring colleges to use a standardized form would make life a lot easier for college students, who are making one of the most consequential financial decisions of their lives.

There are other simple fixes that would make the aid process easier for students and their families. In particular, the aid form is unnecessarily long, repetitive and dense. For example, the Fafsa signing statement, where applicants attest to the accuracy of their submission, is 278 words long (the equivalent statement on the I.R.S. 1040 is just 49 words).

I gauged the readability of these 278 words with the Flesch-Kincaid readability test, which is widely used to assess documents. The formula yields the estimated education level required to read a passage of text. A handy online app does the calculations for you.

I was aghast at the results when they popped up on my screen: You need more than a college degree (17 years of education) to comprehend the Fafsa's signing statement. The form that should be a gateway to aid for college is instead a barrier for the vast majority of American families.

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