



U.S. Senate  
Committee on Health, Education, Labor and Pensions

Full Committee Hearing:  
*Reauthorizing the Higher Education Act:  
Simplifying the FAFSA and Reducing the Burden of Verification*

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Written Testimony of:

Dr. Mark Wiederspan  
Executive Research Officer  
Iowa College Student Aid Commission

## Biography

Mark Wiederspan is the Executive Research Officer at the Iowa College Student Aid Commission (Iowa College Aid), where he conducts research related to college affordability, optimal design of federal and state financial aid programs, educational pathways to college, and the personal and institutional barriers to college persistence and completion. He is also an Affiliated Researcher at the University of Michigan's Education Policy Initiative (EPI). His work has been featured in various media outlets and has been published in academic journals, including the *Journal of Higher Education*, *National Tax Journal*, and *Economics of Education Review*.

Before joining Iowa College Aid, Wiederspan was a faculty member at Arizona State University (ASU). Wiederspan earned a B.A. in Political Science from Nebraska Wesleyan University and a M.A. and Ph.D. in Higher Education Administration from the University of Michigan's Center for the Study of Higher and Postsecondary Education.

## Testimony Summary

### **Importance of Going to College and Significance of the College Enrollment Problems**

- Higher education offers individuals a range of economic and social benefits.
- There are significant income and race/ethnicity gaps in who is attending college.
- Many students are deterred from going to college because of the complexities and burdens in our financial aid system.

### **Completing the FAFSA Is Confusing and Complex**

- Despite recent changes to the FAFSA application process, the form is still longer and more burdensome than federal income tax forms.
- Many low-income students do not have the resources nor the knowledge to complete the form.
- Studies have demonstrated that the FAFSA is a barrier to college and undermines the effectiveness of financial aid.

### **FAFSA Verification Is a Burden for Students and Institutions**

- Even after completing the FAFSA, students can still face barriers because of verification.
- Research demonstrates that verification is targeting the poorest individuals who need financial aid the most.
- Institutions with a high share of Pell-eligible students carry a heavier burden in verifying students than institutions with a smaller share of Pell-eligible students.
- Filers selected for verification are significantly less likely to enroll in college than their non-verification counterparts.

### **Feasibility of Simplification**

- Research has demonstrated that EFC and Pell eligibility can be approximated to a high degree with only handful of questions.
- The use of DRT holds promise in making the FAFSA easier to complete, but DRT success depends on the adequate support for this function.

### **Concluding Recommendations**

- Determine Pell eligibility and awards from a limited number of questions and use the data elements that are available from the IRS as needed.
- Create and support more data transfer between the IRS and U.S. Department of Education through the DRT transfer. The exchange of more information between the two agencies can help alleviate the need for verification.
- Expand the use of the DRT transfer to allow institutions and individuals, regardless of their tax filing status, to utilize the tool. For example, non-tax filers currently must receive a letter confirming their non-tax filing status, which they then need to provide to their institution. A process could be developed where this letter is automatically pushed to institutions rather than having students download the letter, sign it, and then submit it to their institution.
- Work with states to determine which FAFSA non-financial data elements are needed to determine state aid eligibility and eliminate nonessential elements.
- Reinstate the 30 percent verification cap at institutions, which would reduce the verification burden for institutions that have a high number of Pell-eligible students.

## **Full Written Testimony**

Chairman Alexander, Ranking Member Murray, and Members of the Committee:

My name is Mark Wiederspan, Executive Research Director for the Iowa College Student Aid Commission (Iowa College Aid), which is a state agency dedicated to increasing college access, success, and completion in Iowa. Prior to and during my tenure at Iowa College Aid, I conducted and published several research studies examining the feasibility of simplifying the Free Application for Federal Student Aid (FAFSA) and the impact of verification on college enrollment for Iowa FAFSA filers. Thank you for providing me the opportunity to testify on both of these topics and to suggest possible reforms that could enhance our current financial aid system.

### **Importance of Going to College and Significance of the College Enrollment Problems**

Higher education has long been recognized as providing individuals with a diverse range of economic and social benefits. In 2015, full-time workers with an Associate's degree earned roughly \$10,000 more annually than workers with a high school diploma (Ma, Pender, and Welch, 2016). The benefits are even larger for Bachelor's degree recipients, as they experience an earnings gain of roughly \$24,600 annually. In addition to these monetary benefits, individuals with a postsecondary degree also obtain a range of non-monetary benefits in the form of lower unemployment rates, improved health, increased life expectancy, and an improved quality of life for their children (Ma, Pender, and Welch, 2016).

Any individual, regardless of income and race, should have the same opportunity to obtain these benefits. However, national trends in college enrollment indicate that the likelihood of attending college varies according to one's family income and race/ethnicity, with a higher percentage of higher-income and white students attending college than lower-income students and students of color (Bailey & Dynarski, 2011; NCES, 2018). In my state of Iowa, for the graduating high school classes between 2014 and 2016, there was a 27 percentage point difference in college enrollment between non-recipients of free and reduced price lunch (77 percent) and recipients (50 percent) (IDE, 2018). Regarding race and ethnicity, roughly 71 percent of whites attended college right after high school graduation, compared with 55 and 58 percent for Latino and African American students, respectively.

What explains these enrollment gaps? Broadly speaking, researchers have put forth several explanations. Some suggest that as a result of inequality in access to resources, some students are less academically prepared for college-level coursework, which affects their access to and success in college (Bettinger & Long, 2009; Ellwood & Kane, 2000; Greene & Foster, 2003). Others suggest the increasing inability of students to finance their college education due to rising tuition prices, a decrease in the purchasing power and availability of financial aid, and rising unmet financial need are key factors (College Board, 2018a, 2018b; Goldrick-Rab, 2016; Hemelt & Marcotte, 2011). A third explanation is that the complexities in our financial aid system, coupled with students' information constraints and lack of financial aid knowledge to overcome these complexities, creates a significant barrier to college enrollment. This last explanation bears further elaboration and is the focus of my testimony today.

## **Completing the FAFSA Is Confusing and Complex**

In its current form, the FAFSA is more than five pages long and contains over 100 questions, longer than the 1040A or the 1040EZ. To complete the form, students need access to paperwork pertaining to their income and savings, parents' income and savings (if a dependent), their receipt of government assistance programs, and their amounts of untaxed income and other liabilities (such as education tax credits and child support paid or received). Even after they fill out the FAFSA, students are not provided clear information regarding how the information they submitted determines their financial aid eligibility.

The FAFSA complexity and its impact on college enrollment can be illustrated through a well-known and frequently cited randomly controlled experiment (Bettinger, et al., 2012). Students from low-income families who visited tax-preparation centers and received personal assistance in completing the FAFSA (the intervention) were significantly more likely to enroll in college and obtain a Pell Grant than students from families who did not receive such service.

The complexity of the FAFSA makes it hard to reach students who need it the most. Many students do not have the resources or knowledge to complete the form. As Heroff and Feeney (2010) report, "low-income students and those who are first generation or who have lower access to guidance counselors are significantly less likely to complete the FAFSA on time and therefore access important financial aid" (p. 19).

Over the past decade there have been significant efforts to simplify the FAFSA. We have seen the elimination of questions, introduction of "skip-logic," the ability to automatically import tax information from the IRS through the Data Retrieval Tool (DRT), and the use of prior-prior income tax information, which allows students to apply months earlier than they could before.

I applaud those who made these changes possible, as they are a step in the right direction. However, the application is still long and contains complicated questions (such as untaxed income, value of investments, and the amount of child support paid or received). Students are still not aware of how the information they provide calculates an Expected Family Contribution (EFC), nor how it determines their financial aid eligibility. Students do have the opportunity to collect necessary documents and to complete the FAFSA on the Web Worksheet prior to beginning the online form. This allows students to know what is going to be on the application. But it remains uncertain whether this proactive step reduces the time, confusion, and overall complexity of the form.

## **FAFSA Verification Is a Burden for Students and Institutions**

Even after completing the FAFSA, students wanting to go to college can still face barriers. Some students may be required to provide additional information because of verification, a process in which postsecondary institutions need to verify that the information students have provided on the FAFSA is correct.

Roughly 30 percent of FAFSA filers are selected for verification annually. Unfortunately, there is no public information available on the U.S. Department of Education's formula or criteria for determining who is selected for verification. Due to Iowa College Aid's administration of state-funded scholarship and grant programs, our agency receives Institutional Student Information Records (ISIR) from the U.S. Department of Education's (ED) Central Processing System (CPS) for all Iowans who file the FAFSA. With this data, I am able to provide some insight into who is more likely to be selected for verification.

Unfortunately, the results demonstrate that verification is targeting the poorest individuals who need financial aid the most. For the 2017-18 academic year, approximately 33 percent of all Iowa filers were selected for verification. However, being Pell-eligible significantly increases a student's likelihood of being selected, as roughly 55 percent of Pell-eligible students were selected for verification, in comparison to the 6 percent of non-Pell-eligible students. I find that this gap in selection between Pell-eligible and non-eligible students is consistent with previous FAFSA submission years and mirrors findings of previous studies examining verification (Cochrane, et al., 2010; Warick, 2018). Because of this sharp difference in verification selection, I will focus the remainder of my discussion on Pell-eligible students.

Among Pell-eligible filers in Iowa, there is substantial variation in who is selected for verification:

- Filers who successfully used the IRS Data Retrieval Tool (DRT) to file their FAFSA were less likely to be selected for verification than filers who did not or were not eligible to use DRT (31 percent vs 64 percent).
- Non-tax filers were more likely to be selected than tax filers (62 percent vs 53 percent).
- Filers who were not eligible for an automatic zero EFC or whose EFC was calculated with the full needs test were more likely to be selected than their auto-zero or simplified needs counterparts.<sup>1</sup>
- Independent students were more likely to be selected for verification than dependent students (65 percent vs 40 percent). This selection difference is attributed to independent students being less likely to use the DRT and more likely to be non-tax filers.

Because the Pell Grant is the largest federally funded financial aid program, verification is done to ensure that Pell awards are given to students who have the greatest financial need. However, the process of having students collect additional information to verify that their FAFSA is correct can be a burden and time-consuming, both for the student and the institution performing the verification.

Students selected for verification many times are unaware of their selection or lack information needed to complete the process (Davidson, 2015; Cochrane, et. al, 2010). If a student can submit the necessary verification paperwork, the student may be delayed in receiving their financial aid because of the institution's time spent completing the verification process, which can take over a week (MacCallum, 2008).

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<sup>1</sup> A simplified needs test formula considers asset information, whereas the full needs test does not.

Starting in 2012-13, institutions were no longer required to verify 30 percent of their FAFSA filers; selection is now determined through the CPS. In eliminating this 30 percent cap, institutions are now required to complete the verification process for every selected student. This means that the distribution of selected students can vary across institutions. Because selection for verification is highly associated with Pell eligibility, institutions that have a high share of Pell students carry a heavier burden in verifying students than institutions with a small share of Pell students. Using Iowa FAFSA filers as an example, 47 percent of students intending to attend a community college were selected for verification during the 2017-18 academic year, compared to the approximately 17 percent and 25 percent at 4-year public and private non-profit colleges, respectively.

Verification is not only a burden but also creates an enrollment barrier (Wiederspan, 2019). In my most recent research, I analyzed the extent to which selection for FAFSA verification impacts students' likelihood to enroll in college.<sup>2</sup> Through my examination of all Iowans who filed the FAFSA for the first time from the 2012-13 to the 2016-17 academic year and were Pell-eligible, I found:

- Pell-eligible students selected for verification were roughly 2.3 percentage points less likely to enroll than their Pell-eligible counterparts who were not selected for verification.
- The impact of verification is greater at community colleges, the sector with the largest Pell-eligible population and the largest share of students selected for verification in the state. Pell-eligible students who indicated a community college on their FAFSA and were selected for verification were 3 percentage points less likely to enroll than students who indicated a community college but were not selected.
- Students who received an automatic zero EFC or had an EFC calculated under the simplified needs test were less likely to be selected for verification. However, students who were selected for verification and received an automatic zero EFC or an EFC that was calculated under the simplified needs test were significantly less likely to enroll than their nonverification, full needs test counterparts. The difference in enrollment rates between these two groups ranged from 4 percentage points at public four-year institutions to roughly 7 percentage points at community colleges.
- Among the Pell-eligible students who were selected for verification and refiled their FAFSA, over 90 percent did not experience a change in their Pell-eligibility status.

Verification complexity is not limited to students and their families. Iowa provides FAFSA reports to *all public high schools* in the state, an initiative that Iowa College Aid oversees. Through these reports, school counselors can know which students have completed the FAFSA and identify which students have been selected for verification. While most counselors know what the FAFSA is, our agency has been fielding questions from school counselors about verification. Many school counselors are unfamiliar with verification and unsure of the assistance they can provide students. Through the development of reference materials and

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<sup>2</sup> A copy of this paper is available at: [https://www.iowacollegeaid.gov/sites/default/files/Impact\\_of\\_Verification\\_on\\_Iowa\\_FAFSA\\_Filers.pdf](https://www.iowacollegeaid.gov/sites/default/files/Impact_of_Verification_on_Iowa_FAFSA_Filers.pdf). Appendix is available at [https://www.iowacollegeaid.gov/sites/default/files/Impact\\_of\\_Verification\\_on\\_Iowa\\_FAFSA\\_Filers\\_APPENDIX.pdf](https://www.iowacollegeaid.gov/sites/default/files/Impact_of_Verification_on_Iowa_FAFSA_Filers_APPENDIX.pdf).

conference phone calls, Iowa College Aid is doing its best to advise these school counselors on how they can help students.

### **Feasibility of Simplification**

Creating a streamlined FAFSA that is easier for students to understand is possible. With my co-authors Dr. Susan Dynarski at the University of Michigan and Dr. Judith Scott-Clayton at Columbia University, my research has demonstrated that most of the financial information collected on the FAFSA does little to determine aid eligibility (Dynarski & Wiederspan, 2012, 2015; Dynarski, Scott-Clayton, & Wiederspan, 2013). EFC and Pell eligibility can be approximated with a high level of precision with only a handful of elements: adjusted gross income (of parents and students), taxes paid, state of residence, family size, parents' and independent students' marital status, type of income tax form file, and the number of family members in college. Most of these elements can be gathered from the current income tax form.

In one of our calculated simulations, where we used only a handful of these elements with prior income tax return information, we found that almost 70 percent of applicants experience no change in their Pell eligibility (Dynarski & Wiederspan, 2012). In terms of the actual award they could receive, the simulated change in Pell amounts was less than \$500 for 78 percent of applicants.

Additional research examining FAFSA simplification has found consistent results: even with a reduced number of questions, the application can still target those whom financial aid is intended to serve (Baum, et. al., 2012; Dynarski & Scott-Clayton, 2007; Kelchen & Jones, 2015; Reuben, Gault, & Baum, 2015).

The success of simplification also depends on students' ability to use the DRT. Being able to automatically import tax information from the IRS to the FAFSA creates a less burdensome process in gathering the necessary tax information and should be able to reduce time for completing the form. However, DRT can only succeed if there is adequate support for this function. In recent years, some individuals were not able to use DRT because of outages or the IRS suspending its use, which occurred in 2017.

### **Addressing Simplification Concerns**

Should there be a change to a more simplified form with fewer questions, some worry states will lack the detailed information they need to administer their own financial aid programs. Previous research from Pingel (2017) found most states use three of five major FAFSA elements to administer state aid programs. These five elements are demographic information, EFC, other income or asset information, date the application was filed, and institutions listed on the form, although the specific elements used varied across states.

Many states, like Iowa, rely on the EFC to determine financial aid eligibility. We have a separate application to assist students in identifying their eligibility for specific Iowa aid programs, but this application does not replace the FAFSA. As I discussed previously, results demonstrated that an EFC calculated with a simplified form can be closely approximated to an EFC under the full



FAFSA. Given this, many states should be able to target their aid programs appropriately. Previous research from Baum and colleagues (2012) found that minor changes in EFC have little to no effect on the distribution of state aid.

State aid administrators will likely be more concerned with the reduction of non-financial questions in the application, as some of the demographic questions help to identify state aid eligibility. Should a more simplified FAFSA be used, the U.S. Department of Education will need to work with states to determine the essential non-financial elements. For Iowa, we have determined that, at a minimum, we would need elements that determine 1) citizenship status; 2) length of residency in the state; 3) grade level; 4) degree or program being pursued; and 5) the list of schools that students report to receive their FAFSA information.

### **Concluding Recommendations**

Based on the information presented in this testimony, my general recommendations for FAFSA and verification simplification are to:

- Determine Pell eligibility and awards on a limited number of questions and use the data elements that are available from the IRS as needed.
- Create and support more data transfer between the IRS and U.S. Department of Education through the DRT transfer. The exchange of more information between the two agencies can help alleviate the need for verification.
- Expand the use of the DRT transfer to allow institutions and individuals, regardless of their tax filing status, to utilize the tool. For example, non-tax filers currently must receive a letter confirming their non-tax filing status, which they then need to provide to their institution. A process could be developed where this letter is automatically pushed to institutions rather than having students download the letter, sign it, and then submit it to their institution.
- Work with states to determine which FAFSA non-financial data elements are needed to determine state aid eligibility and eliminate nonessential elements.
- Reinstate the 30 percent verification cap at institutions, which would reduce the verification burden for institutions with a high number of Pell-eligible students.
- So long as CPS selects students to be verified, they should make the selection process more transparent by providing students with more information on why they were selected for verification and making the criteria or formula determining selection known.

Thank you again for providing me this opportunity to speak with you today. I look forward to your questions.

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