

THE H&R BLOCK FAFSA PROJECT

Increasing College Enrollment among Low- and Moderate-Income Families:

An Intervention to Improve Information and Access to Financial Aid

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FREQUENTLY ASKED QUESTIONS

QUESTION: *What are the goals of the project?*

Concerns about the low visibility of aid programs and the complexity of the aid process have spurred calls to simplify the form and enhance the visibility of programs that are meant to educate students about the availability of financial aid. However, little research has been done to determine whether such policies would truly address the problems of access for low-income students. Moreover, in what form *exactly* should "simplification" take? This project provides an intervention that streamlines both the aid application process and students' access to accurate and personalized higher educational information. We hope to not only help many low-income families access aid but also examine the impact of this intervention through our research. Our analysis will answer key questions about the importance of information and financial barriers in college access and persistence. Moreover, we aim to provide concrete examples of ways to improve college access for low-income students and the effectiveness of financial aid policies.

QUESTION: *What are the specifics of the intervention?*

The proposed treatment involves helping families fill out the FAFSA and providing them with information about potential financial aid awards. Individuals who give consent and are randomly assigned to the treatment group receive the assistance. The tax professional will first explain that filing the FAFSA is necessary for becoming eligible for financial aid and for learning how much aid an individual is eligible to receive. Then, using software the research team developed with H&R Block, the tax professional will go through a simplified protocol to complete the FAFSA. First, the software program will transfer information from the tax return completed at H&R Block onto the FAFSA form. Then it prompts the H&R Block professional to ask the additional questions needed to complete the FAFSA. These questions include information about parental education, marital status, the number of children in the household

currently attending college, and other forms of income such as child support. After completing the FAFSA, the tax professional will offer to submit it for the family to the U.S. Department of Education. Given that a substantial portion of the information required on the FAFSA will be transferred directly from the tax return, data from our pilot year study suggests that the additional questions take no more than 10 minutes to gather, to enter, and to process.

After completing the FAFSA, the computer program will generate a detailed report for the treatment group on the EFC for the family (if the family is unable to complete the FAFSA in the office, a preliminary estimate will be given) as well as estimates of their aid eligibility. The aid amounts reported to the participants will focus on need-based federal and state aid (e.g. the Pell Grant and the Ohio College Opportunity Grant), which is awarded by comparing the amount their family is expected to pay and the cost of education faced by the student. To identify the likely cost of education faced by the student, we use published information on local colleges. The software will also provide detailed eligibility information on federally-subsidized student loans as well. By providing this personalized aid estimate to the family, we can test the impact of giving students early, clear, and concise information on how much financial aid the individual could receive and how families can apply for and receive this aid.

QUESTION: *How do you calculate eligibility for financial aid?*

We use publicly-available information from the Department of Education to calculate the individualized aid amounts. After software development, we also checked to make sure our estimates are accurate. Due to the design of the computer software that is used by H&R Block professionals, the intervention does not require the interviewer to do any of the calculations. However, we have provided H&R Block professionals with training on how to run the program and answer basic questions about the aid application and process.

QUESTION: *What types of families do you target with this project?*

The goal of the intervention is to target students who are likely to have little information about financial aid and college costs and may have difficulty navigating the financial aid process. These students tend to be from lower-income families. These are also the students who are likely to be eligible for need-based aid (in particular, the federal Pell Grant). Based on these goals, H&R Block will first screen families for eligibility based on income: only families with incomes less than \$45,000 will be included. These are the families most likely to be eligible for federal or state need-based grants.

The second eligibility criterion is age. Using the tax return information, H&R Block will determine whether any family member is between the ages of 15 and 30 and does not already have a college degree. The age eligibility criteria maps on to three groups of interest:

- Adults who might enroll or be enrolled in college (age 22-30): These individuals are considered potential nontraditional college students, a growing segment of higher education. Research has shown that adult enrollments can respond strongly to financial aid availability. Because this group does not have access to high school counselors, the proposed interventions may provide information not readily available.

- High school seniors and recent graduates (age 17-21): These students are in the process of deciding whether to go to college or may have just entered the year before. This group is considered the traditional-age college student, and they would be considered financially dependent on their parents.
- Younger high school students who are not seniors (age 14-17): The intervention may help these students understand their options more clearly and perhaps choose to prepare for college admissions during their remaining high school years. For these students, we will examine the impact of information on academic preparation. Eventually, we will also be able to observe college outcomes.

QUESTION: *There has already been movement towards simplifying the FAFSA and giving families early information through the FAFSA Forecaster. Why is this not enough? What else will your project contribute?*

These developments, while positive, do not fully address the problems we have identified and attempt to address with our intervention.

- *Low visibility:* Few families know that the FAFSA exists. Perhaps due to the lack of information about the availability of aid, 850,000 students who would have been eligible for federal financial aid in 2000 did not complete the necessary forms to receive such aid (King 2004).
- *Misinformation:* Individuals, particularly low-income students, often greatly overestimate the cost of higher education (Horn, Chen, and Chapman 2003). Our project would give them accurate and early information about local tuition costs and eligibility for financial aid so they could have a realistic sense of the net prices they face.
- *Many miss the deadline for state and institutional aid programs:* King (2004) found that of those who did file a FAFSA in 1999-2000, more than half missed the April 1st deadline to be eligible for additional state and institutional aid programs. H&R Block tends to serve most of the low-income clients during February.
- *Information about financial aid is not revealed until late in the senior year of high school and only available via the Internet:* A major critique of the current system is that families do not learn about their eligibility for financial aid until a few months before attending college. Therefore, they are not able to plan ahead for college; in particular, students may not realize that they are eligible for support, think that they cannot afford college, and therefore, not prepare academically. Although the FAFSA Forecaster is now available to also give families an early aid estimate, internet access is limited among low-income students, especially high-speed internet access, which is most helpful when trying to get aid information. There is also the problem of lack of awareness of the Forecaster among our target families. Finally, misperceptions about cost, as noted above, may make many families feel like it is pointless to even use the Forecaster as they suspect it will tell them little aid is available to them. Our intervention addresses all of these concerns by giving aid estimates as early as the freshman year of high school.

In summary, there is still significant room for improvement in helping students to gain access financial aid.

QUESTION: *What are the implications of your project in terms of government policy?*

We are targeting policy questions concerning simplification and early information by testing a new model concerning the aid application. We hope this will provide several valuable lessons in terms of policy. First, as we have already begun to demonstrate, it is not only possible but also likely efficient to use information from an IRS tax form to complete most of the FAFSA. During our pilot year (January through April 2007 in Cleveland, Ohio), we found that we could complete approximately two-thirds of the FAFSA using tax information. As a result, the H&R Block tax professionals were able to complete the rest of the FAFSA with the client in less than ten minutes. In comparison, the typical method of completing the FAFSA at home takes hours. The FAFSA is similar to the 1040 tax form, and the IRS (conservatively) estimates that it takes 13 hours to complete that form. This suggests that better communication between the Treasury Department and Department of Education in terms of sharing information could significantly cut the number of necessary elements on the FAFSA. Such a partnership could substantially reduce the time necessary to complete a financial aid application as well as improve the accuracy of the information submitted.

Our longer term research goal is to measure the impact of simplification and information on outcomes. Therefore, beyond understanding the implementation benefits, we hope to provide estimates of how simplification and early information impact the number who apply for aid, enroll in college, and attain postsecondary skills. Ultimately, the goal is to determine whether such changes could help improve college access and persistence rates. This has implications well beyond education, such as increased income level, lower government dependency, and lower crime rates.

QUESTION: *What did you learn during the first year of the project?*

During Tax Year 2006, we conducted a pilot of the experiment focusing on 26 Cleveland-area H&R Block offices. From January to April 2007, we served 3,281 individuals. The bulk of the individuals served were either independent students (age 24 to 30 or independent for some other reason such as being married, having dependents, or being a veteran) or were younger students in grades 10 or 11 still preparing for college. We also served approximately 400 dependent students age 18 to 23. Overall, the response from families, tax professionals, managers, the community and the press was extremely positive. This is captured by some of the comments we heard from tax professionals during the April focus group meetings. According to Marty:

"This is my 20th year with Block and I think this is one of the best pilot programs it has ever produced. The FAFSA program is simple, uncomplicated, and unobtrusive to the clients, but it offers an incredible benefit: filling out the FAFSA for our clients."

Annie summarized the project in the following way:

"It's a great partnership: a tax company, helping people, that's the bulk of what the [inaudible] is. That's genius. That's definitely my favorite part about it. That was just an ingenious partnership."

Tax professionals from the pilot said they could easily complete the interview process in the 15-minute window allotted in almost every case. Darnell, a tax professional, noted during our focus group meetings:

"The software was so comprehensive that there was almost no need to train tax professionals."

This was also borne out in the operational data, which suggests that the average FAFSA interview, including introducing the study, obtaining consent, and going through the FAFSA questions, about eight minutes. Together with the finding that few exit the interview process early, this means that the information needed to complete the FAFSA can be obtained in virtually every case before participants leave the H&R Block office.

Several of the tax professionals expressed that their clients who were selected to receive our intervention responded favorably and expressed gratitude from receiving the program. For example, a tax professional named Mildred stated during our April focus group meeting:

"It was a really, really, really positive program. For those who would not have thought about it, it would have been a very positive program. I had clients who initially signed up to participate because they would get \$20 off their fee, but by the end were really excited and intrigued about learning how much the government would help for them to go to college."

Harron, another tax professional also commented:

"My clients just loved the program. I think my own experience with trying to get into college helped me motivate the clients more why they should be doing this. I think this is the greatest program Block has offered."

As noted above, one of the goals of the project was to help high school students, tradition-age college students, and older, potential college students. This goal appears to have been met as the program appeared to appeal to all sorts of people. For example, Sharon noted,

"This program is attractive for single mothers and fathers who want to go back to school."

At the other end of the client spectrum, Deandre told us:

"A lot of customers appreciated that we were helping them fill out the application form, especially if they were new college students, because they'd never done it before... With the information already being provided from H&R Block, it's pretty helpful, and they don't have to do a lot of research themselves."

Reactions to the study from the larger community and press have also been extremely positive. During a conversation with a guidance counselor from a high school in the Cleveland area, the counselor noted:

"A few of my students have brought in the aid estimates from H&R Block. These aid estimates had made the students want to come and learn more about their college options."

We are especially excited about this response as our conversation with this counselor concerned an unrelated matter, and the counselor did not even realize that we are the researchers for this project. Her comments were completely unsolicited, and we are so excited that the early

information we are providing is empowering low-income students and their families to aspire to higher education and seek out additional information concerning financial aid.

There have also been several glowing profiles of the project in the press, including

- *Inside Higher Ed* (February 20, 2007) “Lifeline to Low-Income Students.” By Doug Lederman
- *Christian Science Monitor* (March 8, 2007) “Low-income families get college aid help: A partnership with a tax-preparation firm would give qualifying students and parents free help completing FAFSA forms.” By Stacy A. Teicher

Additionally, several Op-Eds have referred to our study as a positive example of how education could be reformed:

- *New York Times* (April 22, 2007) “Too Much Information.” By David Leonhardt
- *The Post-Crescent* (February 26, 2007) “Thumbs Up – Our Views.”

QUESTION: *Why is H&R Block involved in this project?*

Our study is possible through collaboration with H&R Block, an accounting firm that provides primarily tax assistance to low- and moderate- income families. Although this partnership may seem unusual, the intervention is a natural extension of the work of H&R Block because much of the information required for the FAFSA comes from an individual's tax return.

This project is part of H&R Blocks Low and Moderate Income Policy Research Institute. During Winter 2006, H&R Block selected this project, which was submitted by the research team and chosen after a competitive, peer-reviewed process. H&R Block's goals have been to identify interventions that would benefit low- and moderate-income families, have national scalability, and inform important and timely policy debates. The nationally-scalable criterion is not simply from a “pure policy” standpoint. The Institute’s Advisory Board, the researchers and H&R Block all agree that the study is the property of the research team and, as such, the research team is free to publish any research that develops from this project without objection from or modification by H&R Block. All researchers partnering with the Institute understand that an eventual goal of each research intervention is to transfer some of the lessons from the intervention and incorporate them into scalable models, including, but not limited to, H&R Block. If this model is successful, there are no barriers to the entry of other organizations and firms in helping students in similar ways and so the profit motive is not justified in this case.

H&R Block views their involvement in this project as part of its contribution to local communities. It does not expect to turn this into a for-profit venture, and federal regulations prohibit it from charging for assistance in filling out the financial aid application. Beyond community service, the company hopes to create positive publicity as well as build client loyalty and retention.

QUESTION: *Can H&R Block profit from offering assistance with the FAFSA?*

No. According to federal law, the FAFSA is a "free" application meaning that no entity can charge to help families complete the form. In terms of our intervention, there is no cost for

the service. In fact, families are paid \$20 for their time. Additionally, due to the experimental design, we can not even advertise that we are doing FAFSA preparation. This is due to the fact that half of the group does not receive the treatment (i.e. they are randomly assigned to the control group) so we can test the effectiveness of the interventions (simplification, helping with the FAFSA, and early information).

Longer term, H&R Block is committed to honoring the federal law. Not only will they not charge for FAFSA completion, but they are also committed to not cross-promoting any FAFSA-related service with other H&R Block products. Our study does not involve marketing promotions related to other HRB products (e.g., Refund Anticipation Loans). We do expect, however, that our demonstration of a model works (using tax data to complete most of the FAFSA) will encourage all tax help agencies (non- and for-profit) to get involved. More importantly, Congress, the Department of Education, and the IRS are taking notice of our project. It would be wonderful for the federal government to consider ways to streamline the process so tax preparation agencies would not need to be involved at all.

As more people have heard about the study, H&R Block has been approached by several non-profit and community-based organizations interested in partnering with us. Their interest has been in leveraging H&R Block to provide FAFSA and college enrollment information to their clients/constituencies, as their constituents are less likely to receive such information and assistance and are grossly under-represented among college enrollees and graduates. Even in these cases, H&R Block would not – and cannot by law – charge families for completion of the FAFSA.

QUESTION: *Why is project focused on families in Ohio and North Carolina?*

Ohio is an ideal location for several reasons. First, Ohio is very representative of the nation and reflects the complete spectrum of communities, labor markets, and higher education options that exist across the nation. Second, the state plays a prominent role in higher education, and the only states with greater numbers of students in public colleges are California, Texas, New York, and Illinois (NCES, 2000). Ohio also has a detailed, state database with information on all students in the public higher education system. Members of our evaluation team have used these data in the past to analyze how institutional factors impact student success in college, and so we are well-versed in the strengths of the data. For this project, we have already established a partnership with the Ohio Board of Regents that enables H&R Block to merge data on participants to the postsecondary databases so that we can track the college outcomes of both the treatment and control groups. This will give us the capability of not only tracking college enrollments, persistence, graduation but also course-taking behavior and performance using college transcripts.

North Carolina also provides an important perspective to the research study. It is a growing state with increasing diversity. The proportion of individuals who are Latino is three times higher in North Carolina than in Ohio. It also provides a different education system so that we can test how the effects of the intervention may vary in different environments. Similar to Ohio, North Carolina also has a strong state data system, though its records focus on K-12 education.

In each state, partnerships with local college access programs are important to us. For example, during the pilot year, we had discussions with the Ohio College Access Network and the Cleveland Foundation and used some of their resources in developing our information on local college options and materials to help train the tax professionals. They were also helpful as we mapped out the state financial aid system, and further discussions are expected on how these organizations could help students after they receive their aid estimates and FAFSA paperwork. As we move into North Carolina, we look forward to working with organizations such as the College Foundation of North Carolina, a partnership between Pathways of North Carolina, the College Foundation, Inc., and the North Carolina State Education Assistance Authority.

QUESTION: *Who are the key personnel?*

The proposed research builds on previous research conducted by each member of the research team on the factors that impact college access. Additionally, the implementation of the proposed research builds upon our research team's previous experiences working with large datasets, including the Ohio Board of Regents database, and conducting randomized experiments.

Dr. Eric Bettinger (Case Western Reserve University and National Bureau of Economic Research) is an active researcher in the economics of higher education. Using the same Ohio Board of Regents data that we propose using in for the H&R Block intervention, Bettinger has examined how Pell Grant awards affect student retention in college. The richness and size of the Ohio data allowed him to identify small discontinuities in the Pell formula which could cause similar students to receive substantially different Pell awards. Comparing these similar students suggests that larger Pell awards significantly improve students' likelihoods of persisting in higher education after the first year. Also using the Ohio Board of Regents data in joint work with Dr. Bridget Terry Long, he has examined the role of various institutional characteristics on student outcomes. For example, Bettinger and Long recently conducted a study of the effects of college remediation on student outcomes. They identify similar students who had different experiences in college remediation because they attended different universities. Comparing these students suggested that remediation can improve student retention and success. Bettinger also has experience conducting randomized interventions to examine the factors that impact student success in primary and secondary school. Currently, he is involved in the evaluation of a randomized experiment designed to give financial awards for student success in the classroom.

Dr. Bridget Terry Long (Harvard Graduate School of Education and National Bureau of Economic Research) has completed numerous projects that focus on access and choice in higher education, the outcomes of college students, and the behavior of postsecondary institutions. She is particularly interested in the impact of government and institutional policies. As mentioned above, several of her papers are co-authored with Bettinger using administrative data from the Ohio Board of Regents. Therefore, she also brings a wealth of experience working with the data we propose to use in this study. Long has also examined the effectiveness of financial aid programs. She wrote the most complete evaluation to date of the Federal Higher Education Tax Credits (the Hope and Lifetime Learning Credits). During this project, she uncovered evidence that large increases in the take-up rates of the credits more recently may be largely attributable to the efforts of tax preparation companies like H&R Block in educating their clients. Other work has also looked at the role of information in college access. Long's research has received notice

from both academics and policymakers. In July 2005, the *Chronicle of Higher Education* featured her as one of eleven scholars profiled in "New Voices: A Look at the New Generation of Higher-Education Thinkers." As a professor at a Graduate School of Education, Long has also taught and worked with financial aid professionals and policymakers and so has a strong understanding of how the complexity of the aid process affects students on an individual level.

Dr. Philip Oreopoulos (University of Toronto and National Bureau of Economic Research, and Canadian Institute for Advanced Research) has published multiple papers attempting to understand the determinants of student enrollment and success in higher education. A major current theme of Oreopoulos' research is the difficulty that individuals have, especially youths, in making long-term decisions that involve immediate effort against distant and hard to measure costs. Oreopoulos is interested in the behavioral economics of education – how small costs or small interventions may have large effects into adulthood. An example is his work on the effects of compulsory schooling. In Oreopoulos (2005, 2006), he explores the implications of education attainment decisions from results that suggest students compelled to stay in school, who otherwise would have dropped out sooner, experience large returns to wealth and health over the rest of their lives. The possibility that youths downplay long-term consequences when making short-term decisions, over-estimate costs to school or under-estimate benefits, provides a better fit to this evidence than the more traditional view that students maximize lifetime well-being from based on accurate predictions of costs and benefits of education. The proposed H&R Block study reflects Oreopoulos' interests in understanding the potential for relatively small interventions to have significant effects on individual behavior. Oreopoulos has directed a number of randomized experiments targeting students in higher education in Canada.

QUESTION: *Who are the key project partners?*

H&R Block is a major partner in this project and has provided many resources to help develop the implementation process and other supports. During the development stage, we have customized an in-house H&R Block software program to screen for eligibility, introduce participants to the study, randomize the treatment groups, obtain consent, ask demographic questions of the treatment and control group and ask the FAFSA questions that are not part of the tax return. We have also created other supports with H&R Block for the administrators of the study, including training materials for the tax professionals and field managers, an online FAQ list that addresses tax professional questions, and an online training module for tax professionals about the study and the FAFSA. We have also created a PowerPoint presentation that introduces the research study and one that details the study's procedures.

To support the elements of the experiment that will occur outside of H&R Block offices, we have also developed a relationship with a customer center call center organization. Working with this organization, we are in the process of training personnel to help participants finish tasks that could not be completed in the H&R Block office. This includes collecting additional information over the phone, as necessary. To support these activities, we have helped customize software, which will keep track of the information that has already been collected during the initial H&R Block office visit and guides the call center personnel through the remaining questions.

The National Bureau of Economic Research (NBER) provides a central location to house the data in a secure manner as well as host face-to-face meetings between the research team

members and other project partners. The NBER's Institutional Review Board has also reviewed this proposal and is monitoring H&R Block's interactions with research subjects. The key partner there will be **Dr. Lisa Sanbonmatsu**. She is a member of the Policy Evaluation Project staff of The Brookings Institution, and has helped to coordinate activities between H&R Block and researchers to develop the project. Sanbonmatsu has a PhD in Public Policy and is a postdoctoral fellow at the National Bureau of Economic Research. Sanbonmatsu has experience working with H&R Block on randomized experiments, helping to manage, develop study materials and logistics, and customize H&R Block's software. The interim evaluation of the Moving to Opportunity (MTO) Demonstration Program of the U.S. Department of Housing and Urban Development provided Sanbonmatsu with experience in both managing and analyzing data from a large experiment. Over 4200 families participated in the MTO demonstration. Families in the treatment groups were given housing vouchers which provided them with the opportunity to move to less poor neighborhoods. In a paper with Kling, Duncan and Brooks-Gunn, Sanbonmatsu (2006) analyzed the impact of neighborhoods on the educational achievement of the MTO children.

Beyond the tools developed for the implementation of the experiment, we have also established strong partnerships with the Ohio Board of Regents and National Student Clearinghouse. We have experience working with their databases and have agreements from these organizations to match our data with their records.

QUESTION: *Who is funding this project?*

We are incredibly blessed to have support from several organizations.

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