

# BETTER FOR STUDENTS:

## SIMPLIFYING THE FEDERAL FINANCIAL AID PROCESS

Our country needs more people earning college degrees and certificates with labor market value to remain economically competitive. By 2025, two-thirds of all jobs in the U.S. will require education beyond high school. At the current rate the nation is producing college graduates, there will be an estimated shortfall of 11 million workers with postsecondary credentials to fill those jobs.

Meeting the nation's economic needs will require better outcomes for all students, especially those most at risk of not making it to or through college: low-income students and students who are first in their family to attend college.

One of the biggest hurdles is the process of applying for federal financial aid. Today's process is complex, redundant, and does not allow much time for students and their families to complete their applications and make important decisions.

Fortunately, there are three pragmatic steps that can make the aid application process simpler, more transparent, and better timed for students. By removing unnecessary questions, utilizing already submitted tax data, and having students submit tax information from a full year earlier, more students will be able to apply to get the aid they need. The result will be more of the college graduates the economy needs.

### THE PROBLEM

The current student aid process suffers from three basic problems:

**It is complex.** The Free Application for Federal Student Aid (FAFSA) currently contains more than 100 questions, nearly one-third of which are answered by less than 1 percent of applicants.

The FAFSA also uses terms such as “emancipated minor” that are unfamiliar to many applicants. Additionally, the information produced by the process focuses on what the student is expected to *pay* rather than the amount of aid he or she will *receive*, which is confusing to many.

**It is redundant.** Students must assemble and send the same information twice—once to the federal government and then, in many cases, again to the institution(s) they want to attend. Additionally, students are asked to provide tax information that they already provided to the IRS.

**It is poorly timed.** Students and their families now must provide tax information that is not available until January (or even February) of the year they will attend college. This leaves little time to complete aid applications and then less time to weigh options once aid decisions are made.

These challenges hit low-income and first-generation college-goers especially hard. According to a recent analysis, roughly 2 million students eligible for Pell Grants do not file a FAFSA, and more than half of those would be eligible for the maximum grant. Getting even a portion of these students through the aid application process and into college would represent a significant step toward increasing postsecondary access and success, all while bolstering our economy.

### THE SOLUTION

The Bill & Melinda Gates Foundation proposes three steps to address these challenges and make the aid application process more straightforward for students and their families.

- **Simplify the FAFSA by sorting students according to the complexity of their financial situations and eliminating unnecessary application questions.** Three-quarters of all aid applicants do not have situations that would require them to file tax schedule documents (e.g. assets beyond home or retirement account, small business); these students should face the minimum number of questions. For the remaining applicants, more information is needed to consider their aid application, but the number of questions can still be reduced.
- **Streamline the FAFSA by using tax data already provided by students and families to the IRS.**

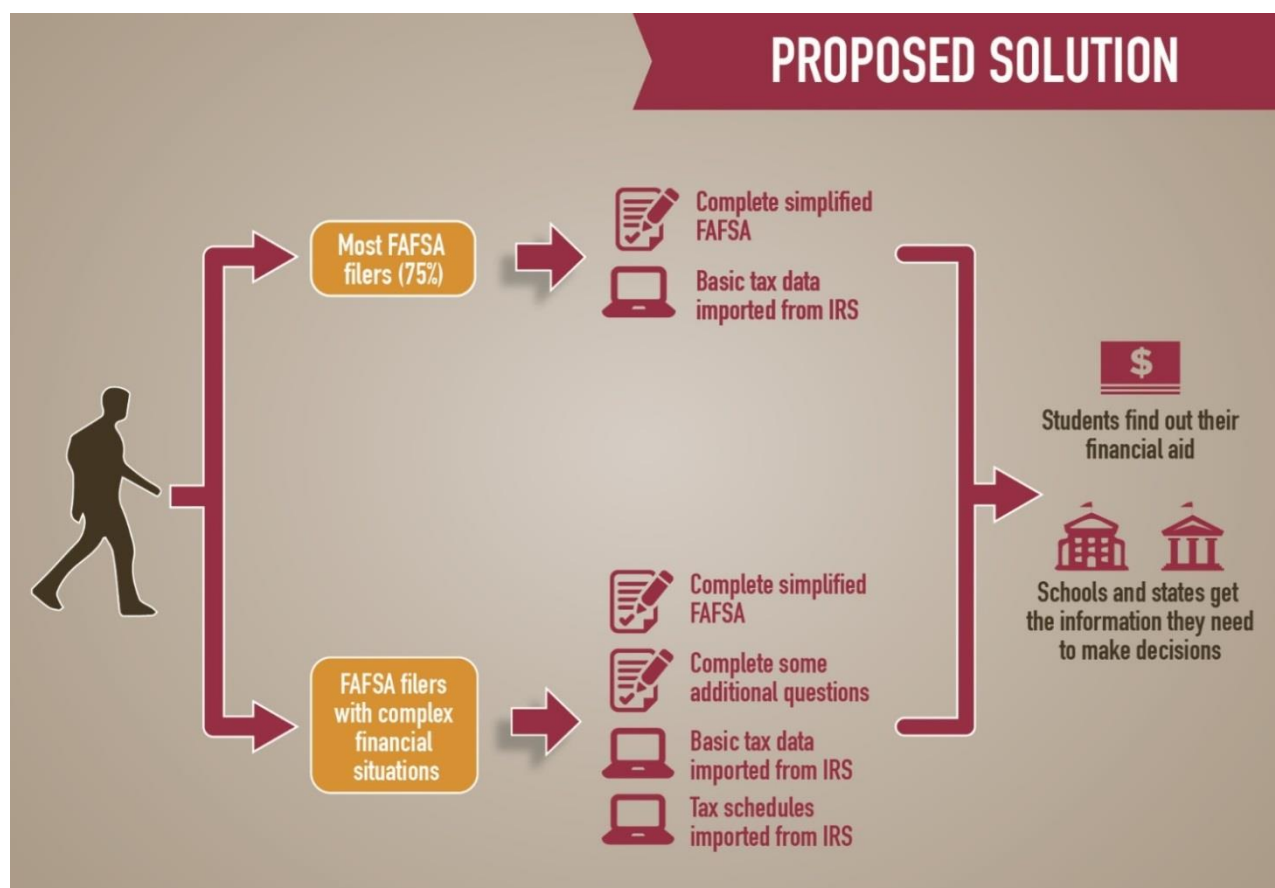
This will reduce the FAFSA application burden and improve the accuracy of the information provided, which in turn will reduce the need for institution-level verification and free up time to focus on things like aid counseling.

- **Stretch out the application window by allowing students and families to use prior-prior year tax data—tax data from a full year earlier.** The current system uses prior year data, which students and their families must scramble to assemble on time. This will allow students to apply for aid months earlier than they can now, giving them needed time to weigh their options and make informed decisions.

## THE PAYOFF

Fixing the FAFSA will:

- Give students and their families better information and more time to make decisions about where and how to attend college.
- Increase the number of students seeking credentials.
- Improve the odds of students completing certificate and degree programs. Research indicates that an additional \$1,000 in grant aid per student increases persistence by 4 percentage points.
- Free up time for counselors and aid administrators to advise students instead of filling out needlessly long forms and re-verifying tax information.



For more information, please visit [www.postsecondary.gatesfoundation.org/fafsa](http://www.postsecondary.gatesfoundation.org/fafsa).

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