



Impact of Verification on Iowa FAFSA Filers

This brief examines the extent to which selection for FAFSA verification impacts students' likelihood to enroll in college.

KEY FINDINGS

- Similar to previous research, student selection for verification is associated with Pell Grant eligibility and the type of formula used to calculate the Expected Family Contribution (EFC).
- The current verification process is a significant barrier to college for lower-income students, as Pell-eligible students selected for verification were roughly 2.3 percentage points less likely to enroll.
- The verification process had the greatest impact at community colleges, where Pell-eligible students selected for verification were 3.3 percentage points less likely to enroll.
- Students whose EFC was calculated under the simplified needs test or who received an automatic zero EFC were significantly less likely to enroll than their nonverification, full needs test counterparts.

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Over the past decade, there have been significant efforts to reduce FAFSA complexity in order to increase the number of individuals who can file. Despite these simplification efforts, some aspects of FAFSA submission can still create barriers for students wanting to go to college. After completing the FAFSA, 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 in the FAFSA is correct. Multiple higher education groups have described verification as bloated, complex and time-consuming and have encouraged federal lawmakers to simplify the process.¹

The most important factor to consider is how verification can affect students who are in the most need of financial aid. Previous research has found Pell-eligible students are significantly more likely to be flagged for verification.² Given that the Pell Grant is the largest federally funded aid program, it makes sense that verification is used to ensure that Pell awards are properly given to the financially neediest students.

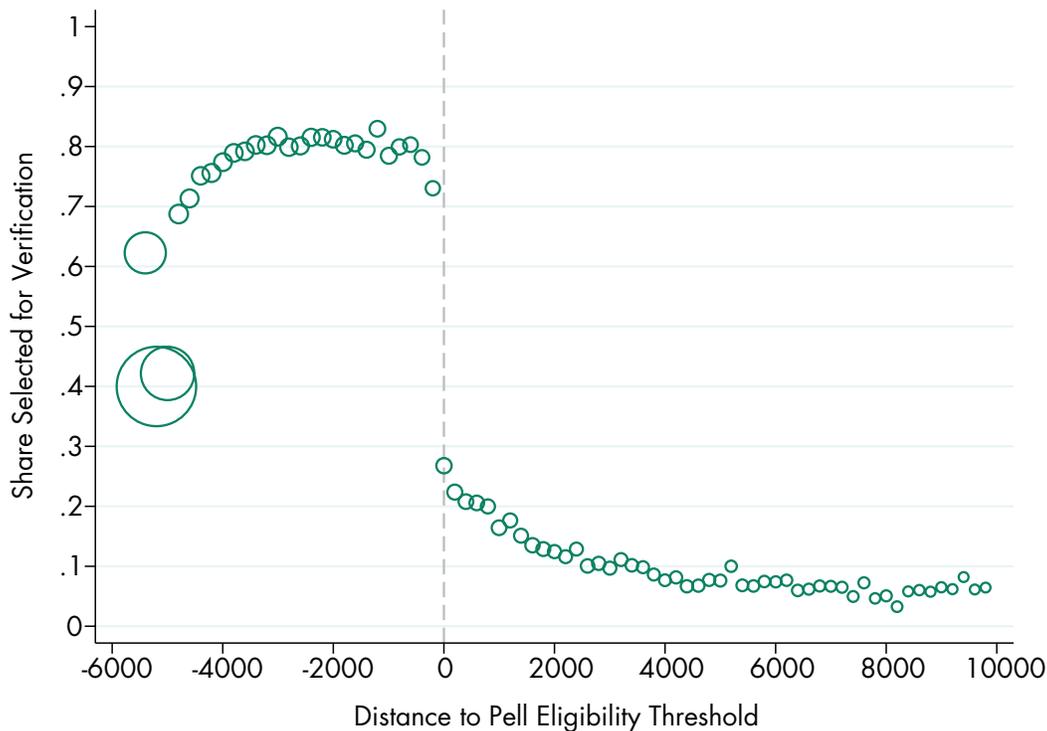
However, research has also found that students selected for verification many times are unaware of their selection or lack information needed to complete the process.³ If a student is selected for verification and completes the process, research has documented that there is little to no change in students' financial aid eligibility.⁴ But because of the time length associated with verification, students can be delayed in receiving their financial aid, which could affect their persistence.⁵

While research has examined the type of FAFSA filers selected for verification, and whether the process affects their ability to receive financial aid, there are few papers examining the effect of verification on college enrollment. The purpose of this paper is to further shed light on the extent to which the process can hinder students' ability to attend college.

This paper uses Institutional Student Information Records (ISIR) for all Iowans who filed the FAFSA for the first time from the 2012-13 to the 2016-17 academic year.⁶ Using these records allows for identification on which students were selected for verification.⁷ ISIR records were matched to the student-level database maintained by the National Student Clearinghouse (NSC), which allows for identification on whether a student was enrolled in college in the same academic year the FAFSA was filed.

When filing the FAFSA, students can use Federal School Codes to identify up to 10 institutions they wish to receive their financial information. A crosswalk was created between these Federal School Codes to the unit identifiers from the Integrated Postsecondary Education Data System (IPEDS). This allowed for identification on which institutions (and their institutional sector) were receiving the ISIR records and gave insight into where students would be submitting their additional documentation in order to complete the verification process. The analysis is limited to students who indicated public two-year, public four-year or private not-for-profit institutions. Students who reported an institution that was proprietary or foreign

Figure 1: Share Selected for Verification by Distance to Pell Eligibility Threshold



Note: Figure consists of \$200 EFC bins and examines EFCs up to \$15,500. Each circle represents the share of students flagged for verification in the bin. Larger circles represent larger sample size.

were not considered because the schools within these sectors do not consistently report enrollment data to NSC. While students can indicate up to 10 institutions on the FAFSA, this analysis focuses on the institutional sector from the first college that students reported.⁸

More information about the construction of the dataset and methodology is provided in the Appendix. The analytic sample was 172,903 first-time FAFSA filers, but this paper mostly focuses on the 91,146 filers who had an EFC that made them Pell-eligible (representing 53 percent of the overall sample).⁹

Analysis was performed using a series of binary logistic regression models to determine the probabilistic differences in college enrollment between students who are flagged for verification and students who are not. The dependent variable is an indicator on whether a student enrolled in college, and the main independent variable of interest is an indicator on whether a student was flagged for verification. Controls were used to

account for differences in college enrollment rates across various student demographics, which include gender, first-generation status, EFC, institutional sector, year in college and the academic year the FAFSA was filed. Additional controls included the type of FAFSA formula used to calculate EFC, such as automatic zero EFC status, and simplified needs test status.

WHO IS SELECTED FOR FAFSA VERIFICATION?

From the overall sample, 34 percent were selected for verification. However, selection for verification can depend on an individual's EFC. Figure 1 graphically displays the share of students who were selected for verification across EFC. Because the EFC cutoff to determine Pell eligibility changed over time, Figure 1 is centered to the Pell eligibility threshold.¹⁰ Students who are below 0 are considered Pell-eligible, whereas students above 0 are non-Pell-eligible. Figure 1 demonstrates a significant discontinuity in who is selected for

Table 1: Verification Selection by EFC Formula Type

<i>Panel A: Auto-Zero EFC Status</i>	
No Auto-Zero EFC	0.66
Auto-Zero EFC	0.38
<i>Panel B: FAFSA Formula</i>	
Full Needs Test	0.73
Simplified Needs Test	0.49
<i>Panel C: Dependency Status</i>	
Dependent	0.61
Independent w/o Deps	0.47
Independent w/ Deps	0.56
<i>Panel D: Dependency & Auto-Zero EFC Status</i>	
Dependent, Auto-Zero EFC	0.30
Independent w/ Deps, Auto-Zero EFC	0.48
<i>Panel E: Dependency Status & FAFSA Formula</i>	
Dependent, Full Needs Test	0.76
Independent w/o Deps, Full Needs Test	0.50
Independent w/ Deps, Full Needs Test	0.71
Dependent, Simplified Needs Test	0.49
Independent w/o Deps, Simplified Needs Test	0.46
Independent w/ Deps, Simplified Needs Test	0.52
N	91,146

Note: Sample consists of Pell-eligible students only. Panel D does not include independent students w/o dependents because they are not eligible for an auto-zero EFC.

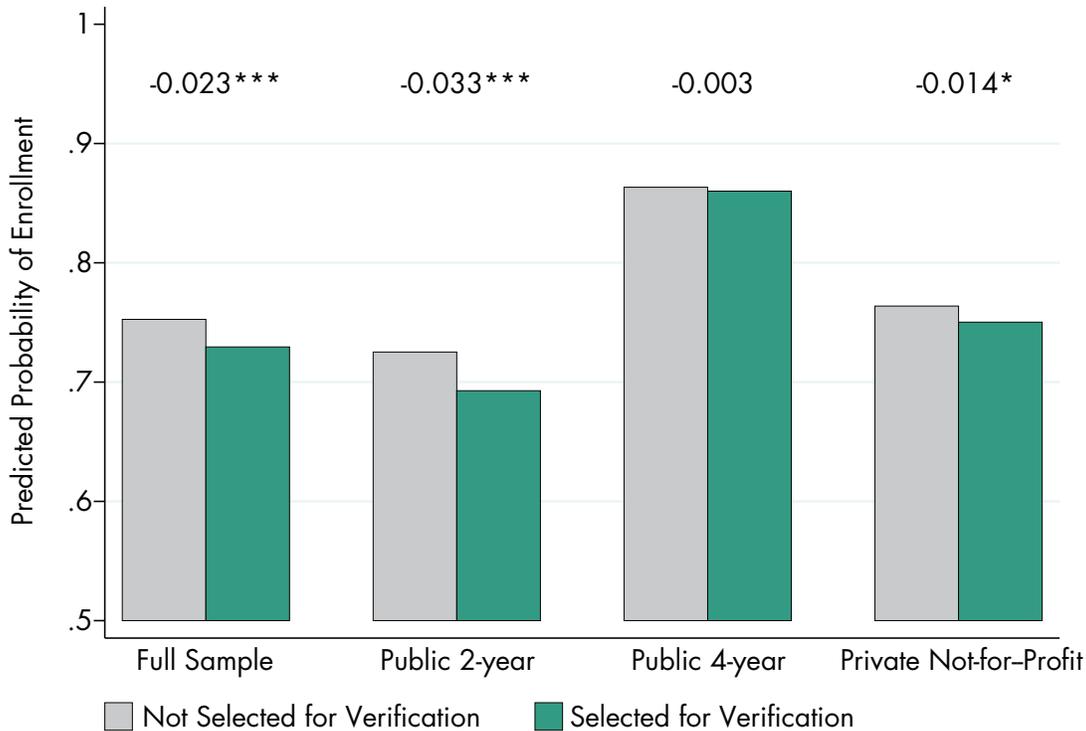
verification. Roughly 57 percent of Pell-eligible students were selected for verification, in comparison to the 7 percent of non-Pell-eligible students. Because of this sharp difference, the remainder of this paper focuses on Pell-eligible students.

Table 1 descriptively examines differences in selection for verification for Pell-eligible students by dependency status and the type of formula used to calculate filers' EFC. Similar to previous research, differences in selection are tied to the type of EFC formula. A simplified needs test formula does not consider asset information, whereas the full needs test does. An automatic zero EFC allows a student to have a zero EFC automatically. Students 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. For example, 73 percent of Pell-eligible students whose EFC was calculated under the full needs test formula were selected for verification, compared to 49 percent under the simplified needs test.

Dependent students were more likely to be selected for verification than independent students. In Panel E in Table 1, roughly two-thirds of dependent students under the full needs test were selected for verification. One plausible explanation for the large share of dependent students being selected: Dependent students and their parents must provide more financial

Figure 2: Predicted Probability of College Enrollment by Verification Status



Note: Figure displays the predicted probability of college enrollment. Numbers displayed above the columns are the estimated difference in college enrollment between students selected for verification and students not selected for verification. *p<.10, **p<.05, ***p<.01

information on the FAFSA than independent students, which creates more opportunity for error.

WHAT IS THE IMPACT OF SELECTION FOR VERIFICATION ON COLLEGE ENROLLMENT?

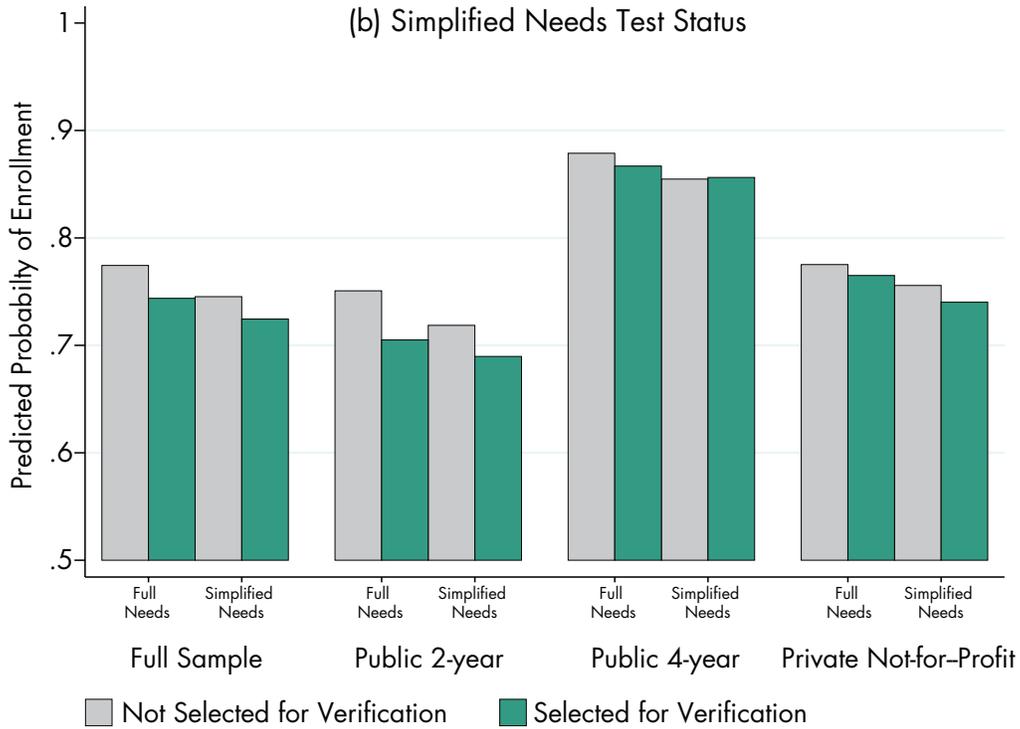
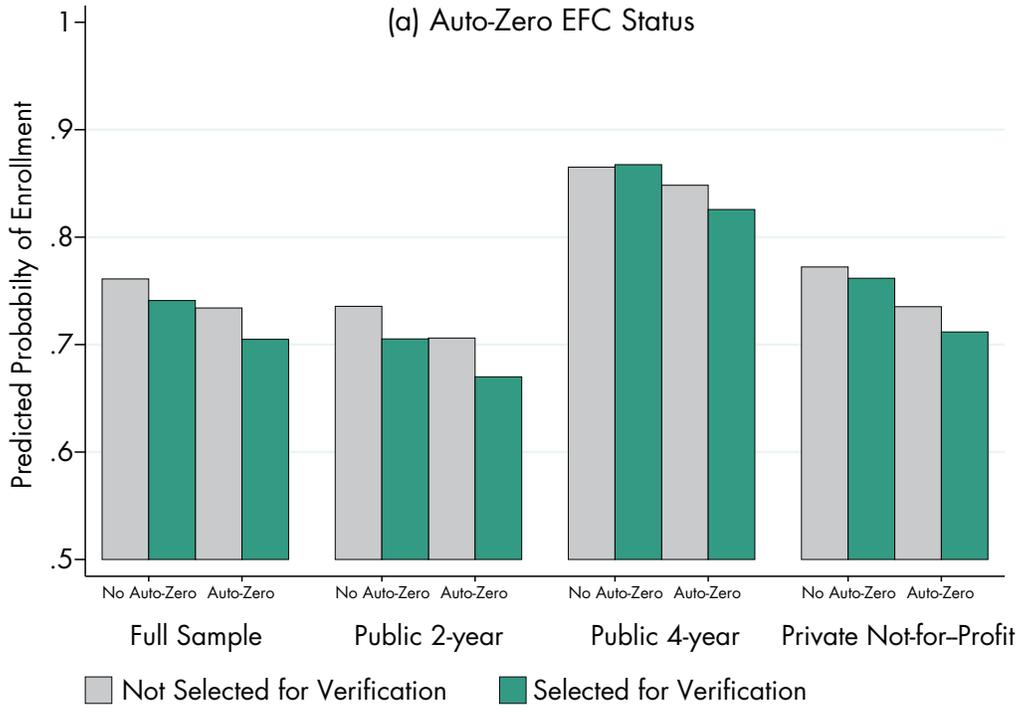
Figure 2 displays the predicted probability of enrollment between Pell-eligible students selected for verification and Pell-eligible students not selected for verification. The average marginal effect is located above each of the predicted probabilities, which provides the difference in college enrollment between the two groups and the statistical significance.

For the full sample, Pell-eligible students who are selected for verification were roughly 2 percentage points less likely to enroll in college, a difference that is significant at the 1 percent level. The difference in enrollment, however, changes when examining across institutional sectors. Verification had the biggest

impact at community colleges, where Pell-eligible students selected for verification were significantly less likely to enroll by 3 percentage points. The difference in enrollment is also negative at public four-year institutions, but the magnitude is small and insignificant. Pell-eligible students selected for verification at private not-for-profit institutions were 1.4 percentage points less likely to enroll, a difference that is significant at the 10 percent level.

Table 1 demonstrates how selection for verification varies according to the type of FAFSA formula used to calculate a student’s EFC. Figure 3 displays the predicted probability of enrollment by verification status and the FAFSA formula used. For the full sample and across institutional sector types, Figure 3a demonstrates fairly consistent findings. The group most likely to enroll in college was Pell-eligible students who were not selected for verification and not eligible for the automatic-zero EFC. The group with the lowest level

Figure 3: Predicted Probability of College Enrollment by Verification Status & FAFSA Formula



of college enrollment was Pell-eligible students who were selected for verification and had an automatic zero EFC. The difference in enrollment rates between these two groups ranged from 4 percentage points at public four-year institutions to almost 7 percentage points at public two-year institutions. The results in Figure 3b display a similar pattern: Students who were selected for verification and whose EFC was calculated under the simplified needs test formula were less likely to attend college. Overall, these findings provide further evidence that selection for verification negatively affects students who are the financially neediest.

CONCLUSION

Verification is an important process to ensure that the neediest students receive financial aid to pay for college. However, the process can be complex and time-consuming, both for the student and the institution performing the verification. The results from this paper demonstrate how the impacts of such a process can hinder students' likelihood to enroll in college. While the overall differences in enrollment rates are small, they are statistically significant. The findings also give insight on which students selected for verification are most affected: Pell-eligible students who are receiving an automatic zero EFC or receiving an EFC under the simplified needs test.

END NOTES

- 1 For example, see Advisory Committee on Student Financial Assistance. (2005). *The student aid gauntlet: Making access to college simple and certain*. Washington, DC: U.S. Department of Education; National Association for Student Financial Aid Administrators. (2018). *NASEFAA issue brief: Verification*. Washington, DC: Author.
- 2 Cochrane, D., LaManque, A., and Szabo-Kubitz, L. (2010). *After the FAFSA: How red tape can prevent eligible students from receiving financial aid*. Oakland, CA: The Institute for College Access & Success; U.S. Department of Education. (2018). *Federal Pell grant program 2016-17 end-of-year report*. Washington, DC: Author; Warick, D. (2018). *FAFSA verification: Good government or red tape?* Washington, DC: National College Access Network.
- 3 Cochrane, D., LaManque, A., and Szabo-Kubitz, L. (2010). *After the FAFSA: How red tape can prevent eligible students from receiving financial aid*. Oakland, CA: The Institute for College Access & Success. Davidson, J. C. (2015). Improving the financial aid process for community college students: A literature review of FAFSA simplification, information, and verification. *Community College Journal of Research and Practice*, 39: 397-408.
- 4 Ahlman, L., Cochrane, D., and Thompson, J. (2016). *On the sidelines of simplification: Stories navigating the FAFSA verification process*. Oakland, CA: The Institute for College Access & Success.
- 5 MacCallum, M. (2008). Effect of financial aid processing policies on student enrollment, retention and success. *Journal of Student Financial Aid*, 37(2): 17-32.
- 6 FAFSA filed during and after the 2012-13 academic year were selected because this was the first year that ED eliminated the 30 percent cap, which required colleges to verify at least 30 percent of their FAFSA filers.
- 7 From internal conversations with agency staff, this verification remains on students' ISIR records even if they submit the FAFSA multiple times. For example, if a student is selected for verification and in the process has to resubmit a FAFSA, the verification flag will still be reported in the ISIR.
- 8 Previous research has found that students do rank order their preferred institutions on the FAFSA. See Porter, S., and Conzelmann, J. (2015). *Strategic use of the FAFSA list information by colleges*. Presented at the 2015 Annual AEFPP conference in Washington, DC. Similar results were found with the overall sample. Among students who enrolled in college, roughly 92 percent attended a college that was in the same institutional sector as the college listed first on the FAFSA.
- 9 To save space, a table on the descriptive statistics of the sample are provided in the Appendix.
- 10 The EFC cutoff was 4,995 for 2012-13; 5,081 for 2013-14; 5,157 for 2014-15; 5,198 for 2015-16; and 4,234 for 2016-17.



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