

A Simpler Aid Application for Low-Income College Students

Policymakers, postsecondary education leaders, and researchers agree: the Free Application for Federal Student Aid (FAFSA) can be a barrier to achieving our nation's college access goals. The sheer number of complicated and personal questions asked on the form can deter some students from going to college, or from receiving federal aid. Concerns about the FAFSA's negative impact on enrollment and financial aid have sparked a bipartisan push to simplify and shorten the form by removing 'unnecessary' questions.

For low-income students, though, it's critical to expand the current political thinking about simplification. The simplification discussion should include raising the threshold for the automatic zero Expected Family Contribution (EFC). "Autozero EFC" allows low-income students to skip income and asset questions, thereby providing minimal information while still automatically qualifying for the maximum Pell Grant. It also allows low-income dependent students and independent students with dependents to maximize their eligibility for federal student aid. Students are eligible for autozero EFC if they have low income (up \$25,000), and either receive public benefits, have status as a dislocated worker, or are allowed to file a simplified tax form or are not required to file a tax return at all.

As a cost-savings measure in 2012, Congress lowered the threshold for autozero EFC from an adjusted gross income (AGI) of \$32,000 to \$23,000 (which has since risen with inflation to \$25,000). By lowering the threshold, fewer students are eligible for the autozero EFC. Had the rollback not taken place and the \$32,000 threshold continued to rise with inflation per the statute, the threshold would be nearly \$35,000 today.

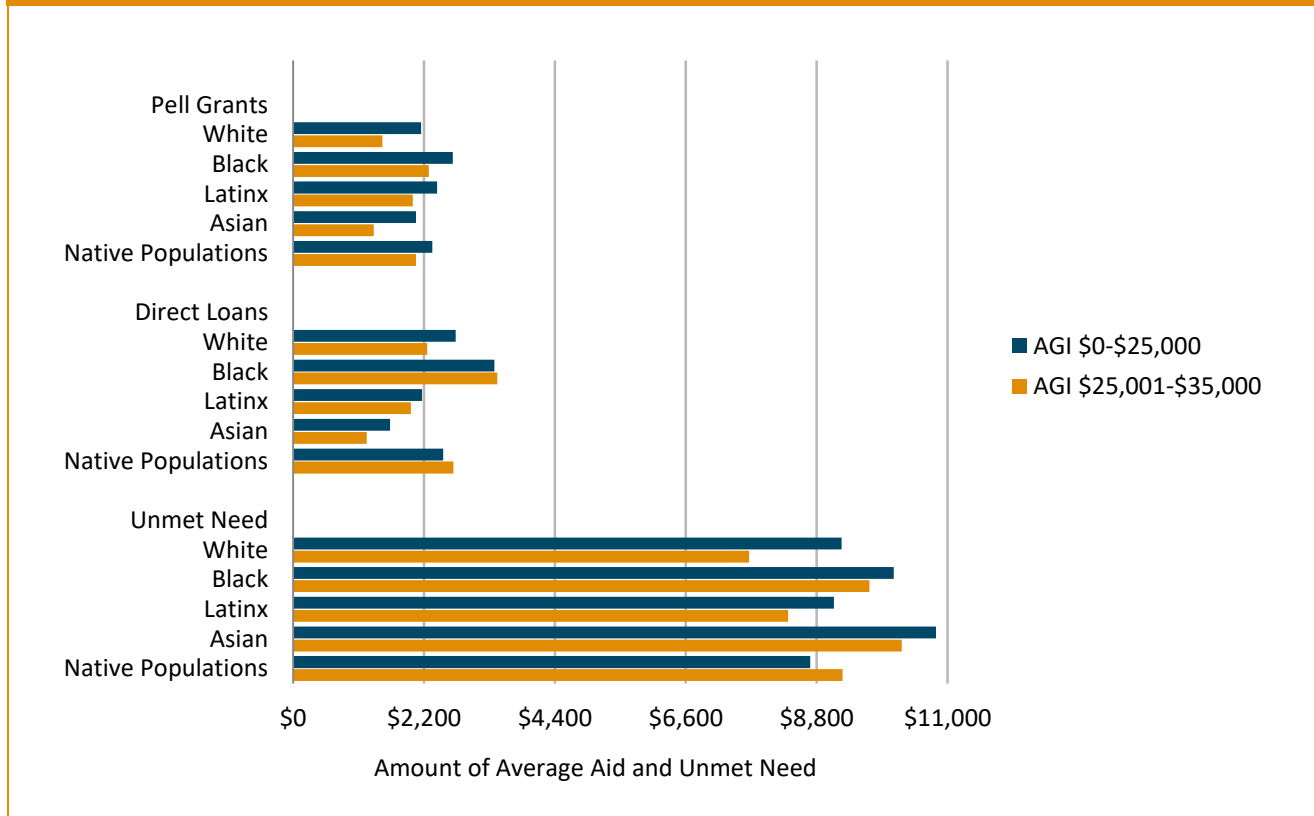
This brief addresses two reasons why policymakers should raise the limit back to \$35,000:

- financial need goes further up the income stream than it once did, and the conception of 'low-income' should include students with incomes up to \$35,000; and
- students who earn between \$25,000 and \$35,000 have significant financial need and are disproportionately students of color and frequently financially independent from their parents.

Current federal poverty guidelines start at \$12,140 for an unmarried person with no dependents. But we recommend adopting rates used by other federal programs at increments above the base.¹ For instance, states that expanded Medicaid under the Affordable Care Act allow families with incomes up to 138 percent of poverty to be eligible for the program; for a family of three that is \$28,676. Additionally, income-driven student loan repayment plans calculate a borrower's loan payment by determining discretionary income, which excludes all income up to 150 percent of poverty. For a family of three, that figure is \$31,170.

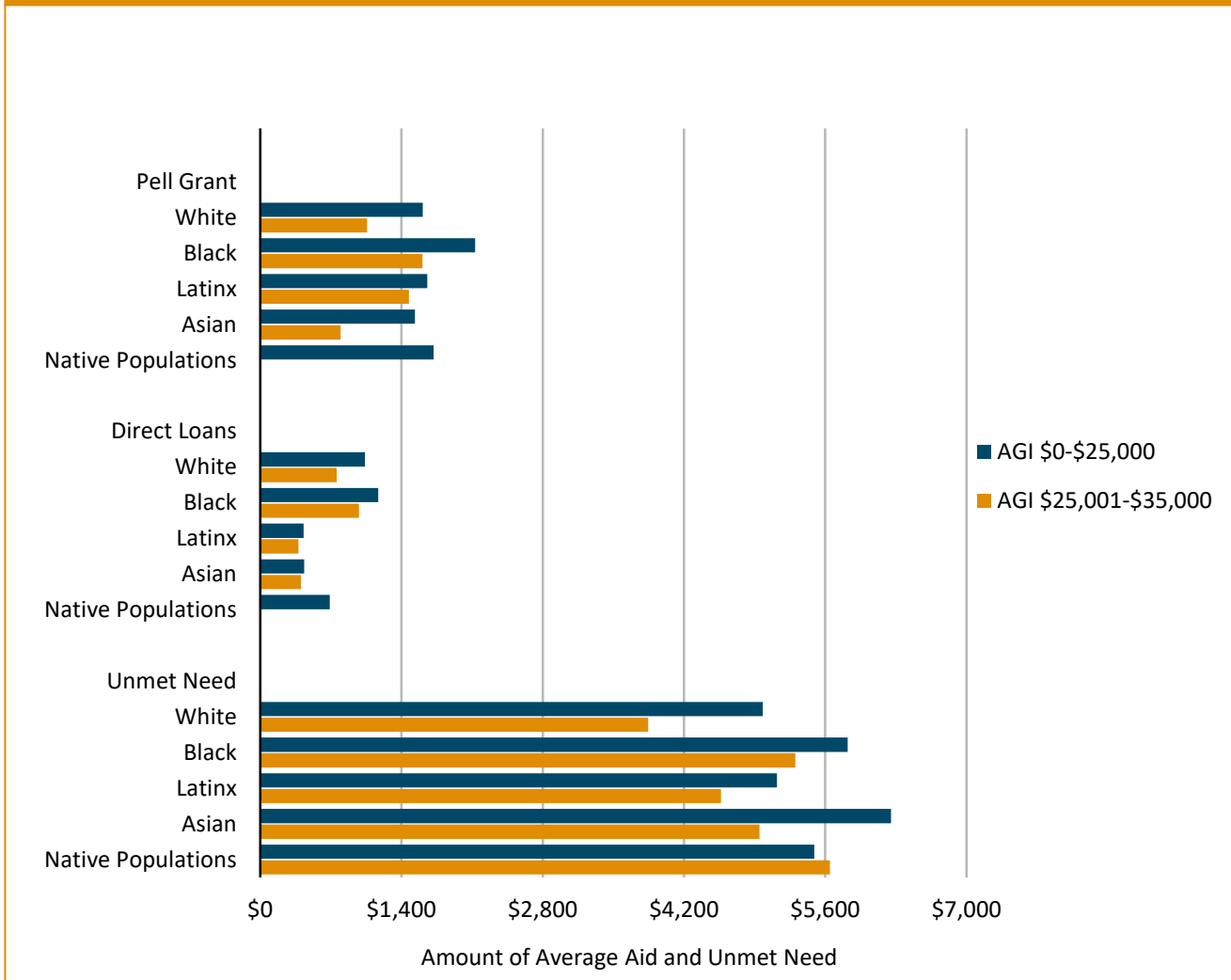
Charts 1 and 2 provide a select view of student aid receipt and remaining unmet financial need for all students in the lowest income categories, broken out by race/ethnicity.² For simplicity, several charts in this brief consider AGIs in two brackets: from \$0 to \$25,000 (the current autozero EFC population), and from \$25,001 to \$35,000 (the proposed expansion population). It's also instructive to note that we use National Postsecondary Student Aid Study (NPSAS) data from academic year 2011-2012, when the autozero EFC threshold was still \$32,000. Chart 1 shows students at all postsecondary institutions, and Chart 2 presents data for students enrolled at community colleges only.¹ This demonstrates how much aid the average low-income student typically receives and what deficits remain.

Chart 1. Average Student Aid & Need by Race/Ethnicity, for Select AGIs



¹ Pell Grant and Direct Loan data for Native Population students with AGI \$25,001-\$35,000 doesn't appear because the standard error was too high. In this paper, Native Populations include American Indian, Alaska Native, Native Hawaiian, and Pacific Islander.

Chart 2. Average Community College Student Aid & Need by Race/Ethnicity, for Select AGIs

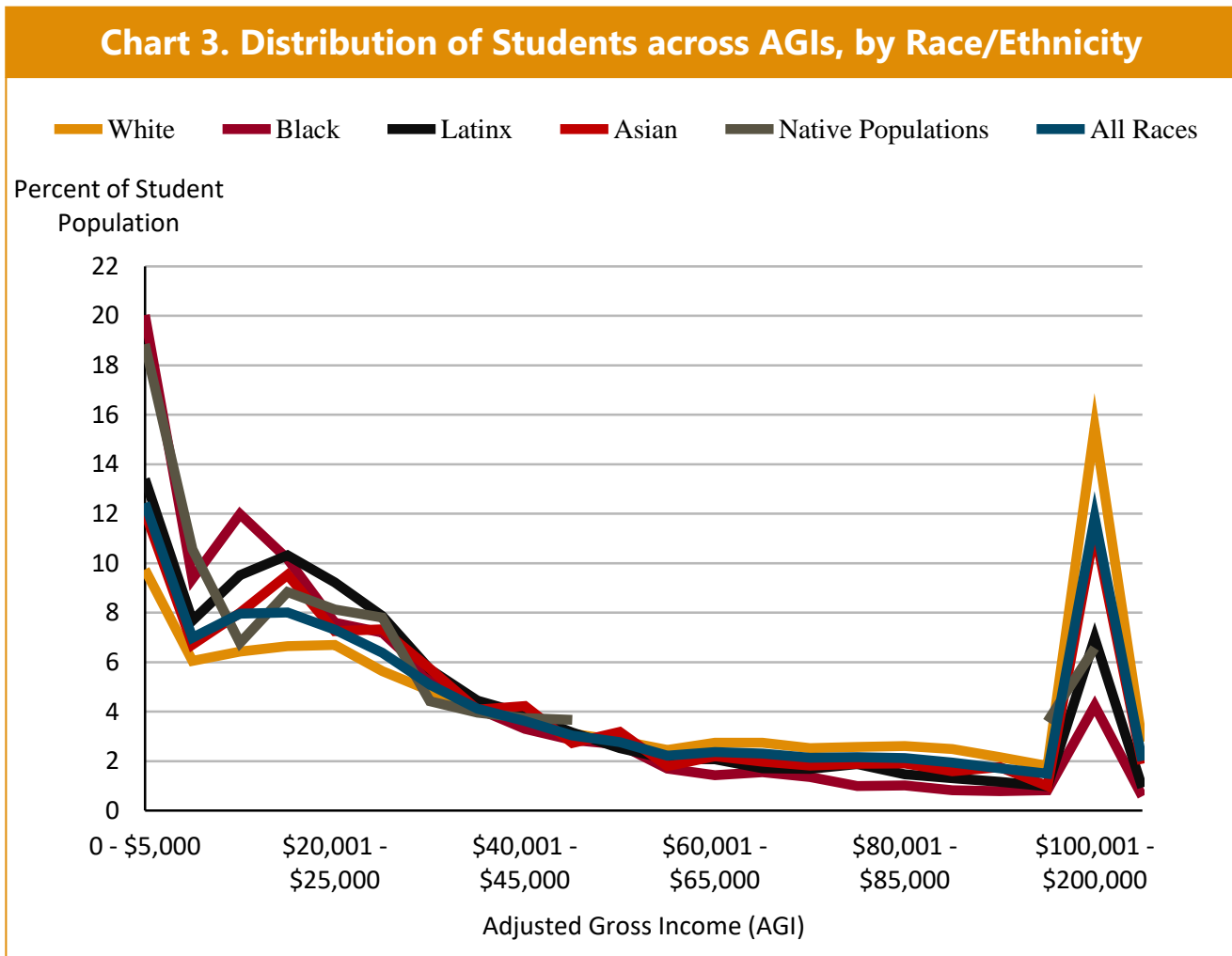


The average Pell Grant is generally the same across both income bands and all race/ethnicities, with the exception of white and Asian students with AGIs of \$25,001 to \$35,000. This is true at all institutions and at community colleges. The same can be said for Direct Loan borrowing, although Asian and Latinx students borrow less (this is consistent with prior findings).³

Most significantly, and least surprisingly, unmet need is high for all students in both income categories. Because these students have low incomes, they generally lack financial resources for all their living and school-related expenses. The student aid system compounds that by providing inadequate grant aid. Even students attending community colleges, where costs are typically lower, average several thousand dollars in unmet need. In particular, the unmet need for Black, Asian, and students of Native heritage with AGIs between \$25,001 and \$35,000 is consistently higher than the need of white students with lower incomes (\$0-\$25,000). Earlier CLASP research⁴ showed these deeper levels of unmet need among students of color, which is largely a result of (comparatively)

significant intergenerational wealth among white families and historic and continuing racism that harms people of color.⁵

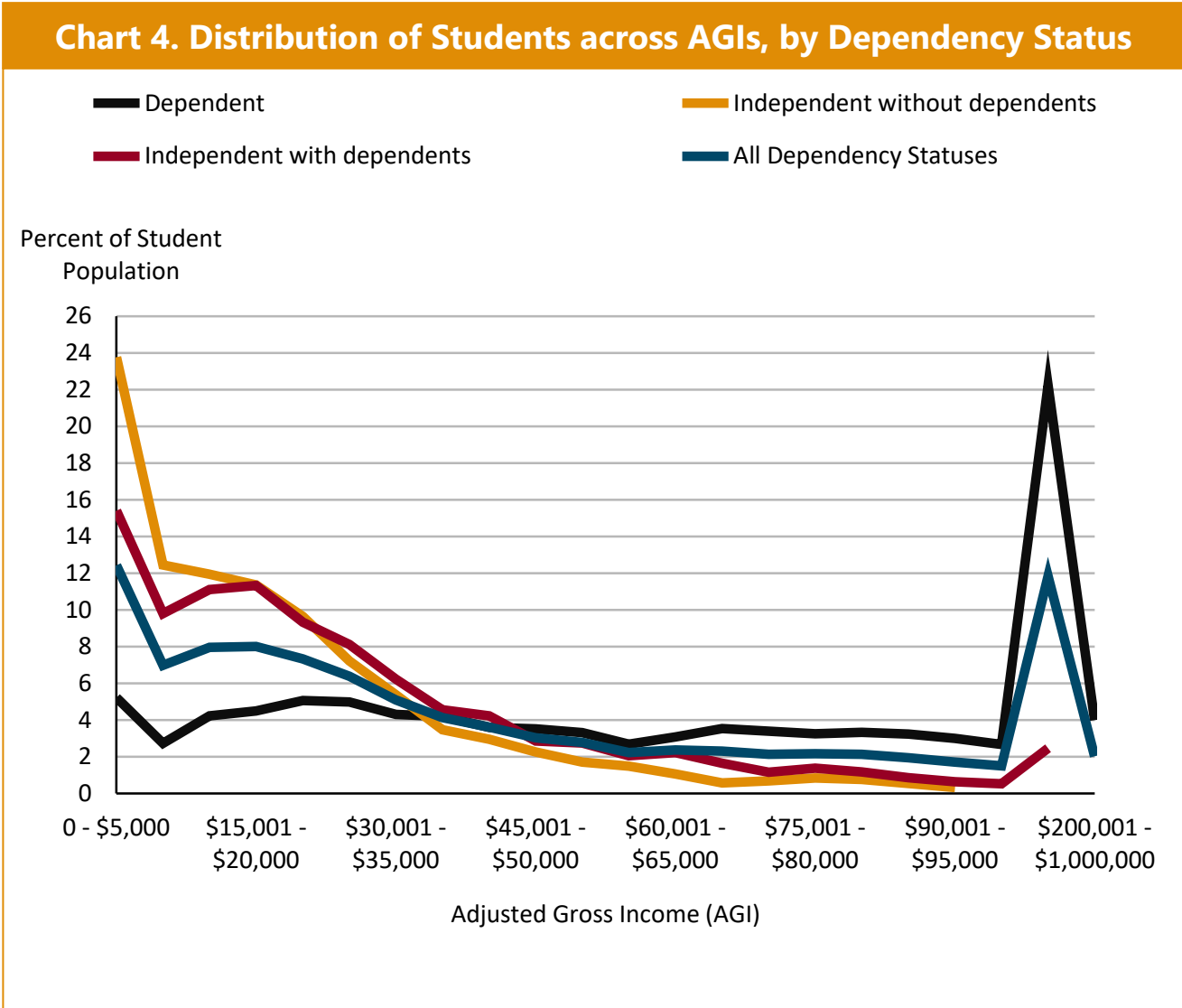
Students of color have been most negatively affected by lowering the income threshold for autozero EFC to \$23,000. Chart 3 shows that they more typically have AGIs below both the previous (\$32,000) and current (\$25,000) cutoff points for autozero EFC.ⁱⁱ



While 42.7 percent of all undergraduate students have AGIs between \$0 and \$25,000, Black (59.2 percent), Latinx (50.1 percent), and students of Native heritage (53.2 percent) have family incomes in that category at significantly higher rates.

ⁱⁱ Data for Native Population students are missing because the standard error was too high.

Chart 4 shows this distribution by dependency status to better explain the circumstances of students across AGIs.ⁱⁱⁱ Students who are financially independent from their parents more commonly have lower AGIs. In fact, 56.9 percent of independent students with dependents have AGIs between \$0 and \$25,000. (Independent students without dependents are not eligible for autozero EFC, but are included on the chart for comparative purposes.)



ⁱⁱⁱ Data for independent students without dependents and independent students with dependents are missing because the standard error was too high.

Because independent students without dependents aren't eligible for autozero EFC, it's also important to consider what portion of each racial/ethnic population has both an eligible dependency status and an income that meets either the current autozero EFC AGI limit or the proposed \$35,000 limit. Looking at data on student characteristics by both race/ethnicity and AGI, as Chart 5 does, helps illuminate this.

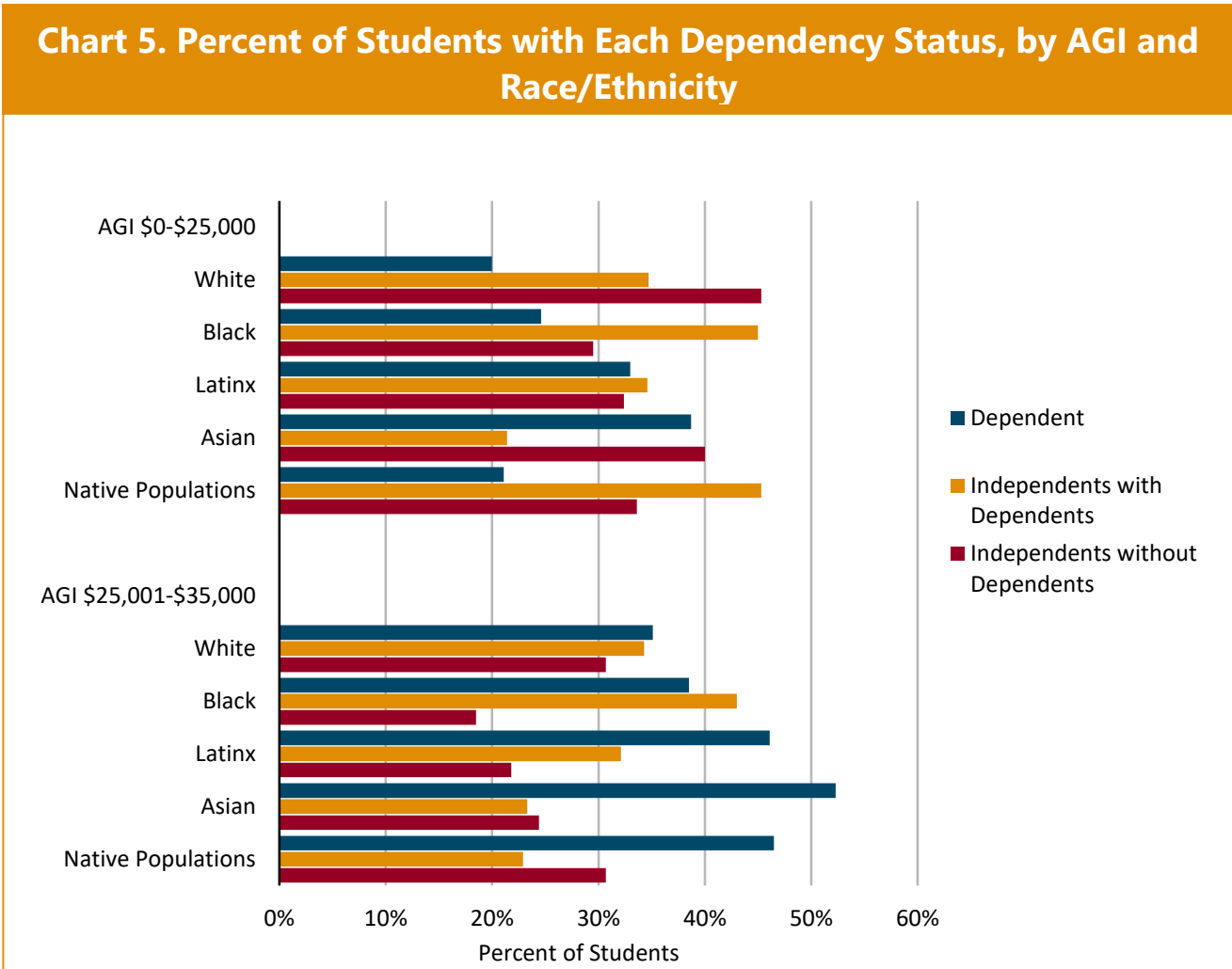
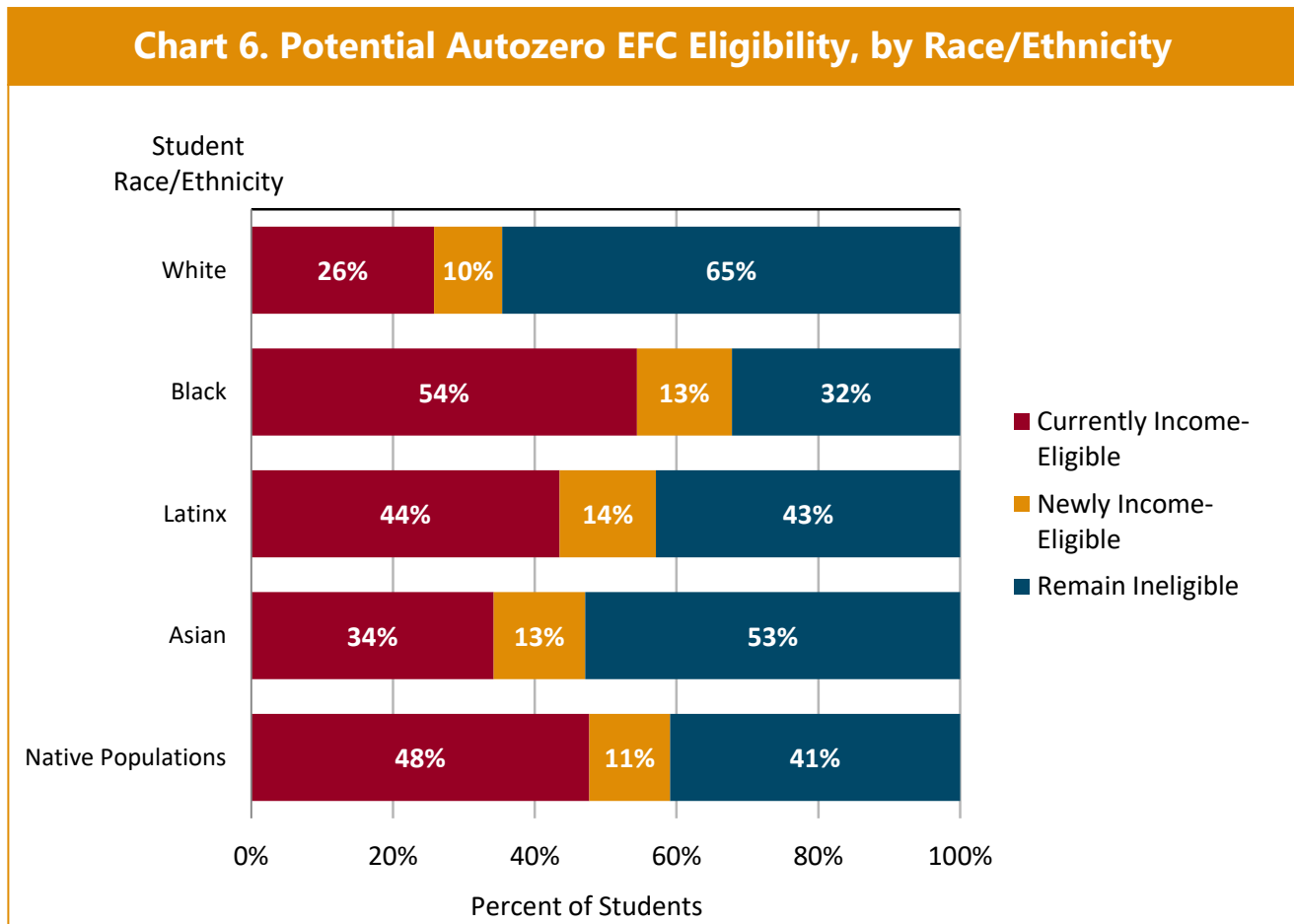


Chart 5 shows that 20 percent of white students with the lowest AGI are dependents. The remaining 80 percent are independents, either with or without their own dependents. Under the current AGI limits, slightly more than half (55 percent) of white students in that income bracket could be eligible, based on their incomes and dependency status. For all other race/ethnicities, those rates are slightly higher, between 60 and 70 percent.

Given the student characteristics presented above—and the consistent need for aid across both income categories discussed earlier—it is apparent which students would most benefit from simplifying the FAFSA by allowing autozero EFC up to an AGI of \$35,000. After excluding independents without dependents, the newly eligible AGI range of \$25,001 to \$35,000 includes 11.1 percent of all remaining undergraduate students. Chart 6 presents how this change would be distributed within each race/ethnicity. Currently, income-eligible students are defined as those with AGIs from \$0 to \$25,000 and newly income-eligible are those with AGIs from \$25,001 to \$35,000.



While this change could benefit any independent student with dependents who has an AGI between \$25,001 and \$35,000, it is likely to provide the most significant benefit to Black students, who at that income are most often enrolled as independent students with dependents rather than dependent students (or independents without dependents).

Policy changes providing targeted and tangible benefits to low-income independent students with dependents would most significantly assist students who are Black, Latinx, and of Native heritage. Given continuing demographic changes among those enrolled in postsecondary education, students of color will soon outnumber white students.

Broadly, reforms to support these students must focus both on improving college access—such as through the autozero EFC change—and on supporting student persistence and completion. Forty-seven percent of Black women enrolled in college are also parenting.⁶ Access to affordable child care

on or near campus would greatly support student-parents in their ability to go to class and study. Higher levels of parental education lead to positive two-generation effects, decreasing the likelihood that parents and children live in poverty.⁷ CLASP has also advocated for state financial aid programs⁸ and college promise⁹ initiatives that provide significant financial support, along with sometimes offering academic, non-academic, and/or career planning support to better support holistically. We also believe these programs should be targeted to students beyond only those coming directly from high school.

Chart 6 shows not only who would benefit from increasing the autozero EFC income cap, but also who was harmed when it was rolled back in 2012. Since the rollback, the costs of postsecondary education and training—as well as all other expenses of living—have increased significantly. The current \$25,000 cap for autozero EFC is about 150 percent of poverty for a family of two; moving it to \$35,000 (just above 200 percent of poverty for a family of two) provides a more realistic benchmark of a low-income family's finances. Because people earning at- or near-poverty-level wages could be most positively transformed by education and training, they deserve to have the fewest barriers possible to college enrollment. Policymakers should increase the autozero EFC, because doing so is a targeted simplification step that goes right to students who have the least resources and greatest need.

Endnotes

- ¹ Office of the Assistant Secretary for Planning and Evaluation, "U.S. Federal Poverty Guidelines Used to Determine Financial Eligibility For Certain Federal Programs," U.S. Department of Health and Human Services, January 2018, <https://aspe.hhs.gov/poverty-guidelines>.
- ² Lauren Walizer, *Barriers to Success: High Unmet Financial Need Continues to Endanger Higher Education Opportunities for Low-Income Students*, Center for Law and Social Policy, June 2015, <https://www.clasp.org/publications/report/brief/barriers-success-high-unmet-financial-need-continues-endanger-higher>.
- ³ Alisa F. Cunningham and Deborah A. Santiago, *Student Aversion to Borrowing: Who Borrows and Who Doesn't*, Institute for Higher Education Policy and Excelencia in Education, December 2008, <https://files.eric.ed.gov/fulltext/ED503684.pdf>.
- ⁴ Katherine Saunders, *Barriers to Success: High Unmet Financial Need Continues to Endanger Higher Education Opportunities for Low-Income Students*, Center for Law and Social Policy, June 2015, <https://www.clasp.org/publications/report/brief/barriers-success-high-unmet-financial-need-continues-endanger-higher>.
- ⁵ Angela Hanks, Danyelle Solomon, and Christian E. Weller, *Systematic Inequality: How America's Structural Racism Helped Create the Black-White Wealth Gap*, Center for American Progress, February 2018, <https://www.americanprogress.org/issues/race/reports/2018/02/21/447051/systematic-inequality/>.
- ⁶ Barbara Gault, Lindsey Reichlin, Elizabeth Reynolds, and Meghan Froehner, *4.8 Million College Students are Raising Children*, Institute for Women's Policy Research, November 2014, https://iwpr.org/wp-content/uploads/wpallimport/files/iwpr-export/publications/C424_Student%20Parents_final.pdf.
- ⁷ Sophia Addy, Will Engelhardt, and Curtis Skinner, *Basic Facts About Low-income Children*, National Center for Children in Poverty, January 2013, http://www.nccp.org/publications/pub_1074.html.
- ⁸ Wayne Taliaferro and Amy Ellen Duke-Benfield, *Redesigning State Financial Aid to Better Serve Nontraditional Adult Students*, Center for Law and Social Policy, September 2016, <https://www.clasp.org/sites/default/files/public/resources-and-publications/publication-1/Redesigning-State-Financial-Aid-to-Better-Serve-Nontraditional-Adult-Students.pdf>.
- ⁹ Lauren Walizer, *Making a Place for Nontraditional Students in Free, Reduced Price College Programs*, Center for Law and Social Policy, May 2015, <https://www.clasp.org/publications/report/brief/making-place-nontraditional-students-free-reduced-price-college-programs>.