

Factors Associated with Delayed Submission of the Free Application for Federal Financial Aid

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This study presents the results of a survey of FAFSA applicants aimed at learning why some students delay their FAFSA application to the weeks and months just prior to college enrollment. The assumption is that an early FAFSA filer is more likely to receive a better financial aid package and might be more likely to succeed and persist in college than later FAFSA filers with exactly the same need. The study hypothesizes that variance in knowledge about the college system can affect when the financial aid application is submitted. To test the hypothesis, the study uses a segmentation analysis that relies mostly on behavioral rather than demographic variables. The results suggest that there is a direct relationship between FAFSA knowledge and the timing of the FAFSA application. Financial aid offices might use the approach outlined in this study to focus outreach efforts on students who are more likely to delay their FAFSA application.

Introduction

This article presents the results of a survey of Free Application for Federal Student Aid (FAFSA) applicants aimed at learning why some students delay their FAFSA application to the weeks and months just prior to college enrollment. Community college students who make their decision to attend college in the weeks before classes start may be hampered by reduced and delayed financial aid awards because of the lateness of their applications (King, 2004; Cochrane and Hernandez-Gravelle, 2007). An important reason for delayed decision-making may involve a student's perception of the cost and benefits of attending college. This perception may be based on differential access to information and thus vary by student group (Post, 1990).

A late financial aid application can result in less aid awarded for students with equal need because of fewer funds being available to later applicants. For example, in California, Cal Grant Entitlement awards have a deadline of March 2 (postponed to September 2 in 2007), Cal Grant Competitive awards have a September 2 deadline, Extended Opportunity Programs and Services (EOPS) grants are finite and awarded early in the term to students with completed applications, and federal campus-based funds such as the Supplemental Educational Opportunity Grant (SEOG), Perkins Loan, and Work-Study are finite and can run out in summer or early fall (Cindy Castillo, personal communication, March 9, 2008). Earlier application and

award are less likely to result in the need for working extra hours, asking friends and family for help, or applying for loans. The assumption is that an early FAFSA filer with a good financial aid package will be more likely to succeed and persist in college than later FAFSA filers with exactly the same need and less financial support.

The purpose of this study is to examine the variance in knowledge about the college system and its relationship to when the financial aid application is submitted. This study tests the hypothesis that students with more knowledge about the college-going system will apply for financial aid earlier than students with less knowledge.

Literature Review

Cochrane and Hernandez-Gravelle (2007) outline the deadline dilemma students face in the California financial aid application process. For example, the deadline for the Cal Grant program is March 2, while application for federal financial aid has no deadline. The variance in deadlines can be confusing for students unfamiliar with the process. The community college open admissions process, in which late registration is allowed, means that completing the FAFSA is often considered after, rather than before, the admissions process.

Tierney and Venegas (2006) discuss the role peers play in the college and financial aid processes. They introduce the importance fictive kin may play in increasing awareness about college going. Under their definition,

“fictive kinship among peers is one that is based on close ties and can constitute a type of social capital to increase awareness about college going” (p. 1692). Fictive kinship may be defined by race but may also involve relationships and interactions in other group settings.

Expanding on the themes outlined by Tierney and Venegas (2006), De La Rosa (2006) reiterates that the research suggests that college going plans are connected with knowledge of college costs. They conclude that “from the findings, it is clear that low-income students make sense of this information within their school culture, core beliefs about college affordability, and family backgrounds” (p. 1685). This point is also supported by Perna’s (2006) work: “But information is not available to all students and/or not being used by all students, as research suggests that many students and their families are poorly informed about college costs and financial aid” (p. 1632).

Dynarski and Scott-Clayton (2006) use a theory-based approach to analyze the impact of reducing the information required by the FAFSA. They use a rationale choice approach to argue that, “simply put, potential college students cannot respond to a price subsidy if they do not know it exists” (p. 2). Low-income students often lack personal experience with the aid system.

During the summer of 2007 the reauthorization act debate included a discussion of simplifying the FAFSA. In the winter of 2008, Bettinger, Long, and Oreopoulos (2007) conducted a pilot with H&R Block to increase the number of FAFSA filers as well as promoting early submission. Their intervention targeted low-income individuals. The premise is that simplification can be a powerful mechanism for improving FAFSA participation and result in earlier FAFSA application. High school students in the pilot program filed one month earlier on average than the control group and independent students filed three months earlier (Bettinger, Long, Oreopoulos and Sanbonmatsu, 2009).

In summary, these articles and others (The Institute for College Access and Success, 2008) imply that the more knowledgeable students are about the college system – the application and financial aid processes – the more likely they are to apply and apply early. That is, college system knowledge is associated with the timing of the decision as well as the decision itself. Rational economic theory suggests that persons will act in their own best interests, given the information known to them. The more a student truly understands the costs and benefits of applying early for financial aid, the earlier a student might complete the FAFSA. If knowledge of the system is important, then variation in the knowledge is also likely to influence the timing of the decision to apply for financial aid. This suggests that students who know about the college system are more likely to apply to college and complete the FAFSA early

when all aid sources are available, rather than waiting until the weeks before college enrollment starts.

Setting

The survey was supported by the financial aid outreach office at a large community college as a way to better target its efforts. The community college enrolls about 25,000 students each quarter. Although located in a relatively affluent area in California, the college draws about 40% of its students from less affluent areas approximately 20 miles away. While average incomes may be higher than other parts of the country, the cost of housing and transportation make even the low community college tuition (about \$800 a year for a full-time student) out of reach of many students. About 15% of the college’s students select ethnicities of Hispanic origin and 8% select Vietnamese on the student application. About 30% of Hispanic students receive some type of financial aid, compared to 15% of White and Chinese students. Vietnamese students make up more than 20% of all financial aid recipients, with 50% of Vietnamese students receiving some type of financial aid. Seventy-five percent of Vietnamese students reside in relatively less affluent areas.

Instrument

Figure 1 includes a list of questions from the survey. The survey consisted of 18 questions and was developed in consultation with the financial aid office. Questions were included on the students’ experience with the financial aid application as well as the decision to attend college. One open-ended question was included on suggestions for getting students to apply earlier. The instrument was piloted by financial aid staff. Students were invited to include their name and email address to be entered into a drawing for a prize.

Sample

The sample began with an extract of all students (7,726) noting the college on their 2007-08 FAFSA application by October 26, 2007. The 6,750 students with a valid e-mail address (976 did not have an e-mail address on file) were sent the survey via e-mail on November 13, with 179 “bounce backs.” A reminder e-mail was sent on November 19 to 5,988 students, which did not include prior bounce backs or respondents to date.

Responses were received from 1,269 students. Only students answering all questions were included in the final analysis of 1,074 students (195 students were excluded – 68 were excluded because they could not remember their FAFSA application date and did not enter a valid e-mail

address, and 19 because they did not list their parents' education).

Of the 1,074 students included in the final analysis, 991 (92%) listed an e-mail address for the drawing. Of the 1,074 students, 83 did not list an e-mail and another 160 listed an e-mail different than the one given on the FAFSA application. The lack of an e-mail match for 240 students limited the analyses that relied upon data from the student information system, including dependency status.

Results

The 1,074 students studied matched the larger group in terms of gender and ethnicity. Financial aid recipients from 2006-07 were also used as a comparison group with similar results. The final group represented about 14% of the population of applicants. This response rate is typical for the college's e-mail surveys.

Approximately one-third of the respondents indicated that they could not remember when they submitted their FAFSA. For students who could not remember their

application date but did include a valid e-mail address, the date of the FAFSA application was pulled from the database and included in the survey results. The results were similar to the overall group of students, with about two-thirds filing before July.

There were 134 students (12%) listing "Multi Ethnic," "Not Listed Above," or no selection for ethnicity. For 86 of the 134 students, data from the question "if not listed above please enter here" was used to determine ethnicity. For the 48 remaining students, a link was made to their college application to determine ethnicity for 36 students with 12 students remaining as "Not Listed Above" or "Multi Ethnic."

Sixty-five percent of respondents indicated that they filed the FAFSA prior to July ("early"), with 19% of the respondents filing in July or August ("summer"), and 16% of the respondents filing in September or October ("late"). The fall 2007 term started on September 23, 2007. The groupings (early, summer, late) were based on prior assumptions of the financial aid office - that these groups would best determine the targeting of outreach efforts. These three groups will be analyzed in more detail below.

Twenty-two percent of respondents were Vietnamese, which is consistent with the overall percentage of students receiving some type of financial aid at the college. Forty-eight percent of respondents rated their experience filling out the FAFSA as either a 1 or 2 on a scale of 5, with 1 being "very easy." The respondent group was split fairly evenly in terms of parental education with 30% of parents having a college education and 19% of parents having some high school. Thirty-two percent of respondents were the first in their family to attend college. Forty percent of the respondents indicated that it was their first year at the college. Forty-four percent of respondents were working more than 20 hours a week, with 70% attending college full-time.

Of note, only 29% of respondents were aware that fees had been reduced the previous year. This is lower than the 47% found by Zarate and Pachon (2006), although their group of respondents included mostly current community college students, and Zarate and Pachon indicated that the percent was lower for students who had never attended college. In this current study, 40% of the students were first-time students to this college. This correlates with Zarate and Pachon's (2006) assertion that many students don't understand the true cost of college.

Early, Summer, and Late Filers

Forty-five percent of the early filers, compared with 24% of the late filers, listed multiple colleges on the FAFSA. Thirty-one percent of the early filers, compared with 24% of the late filers, knew enrollment fees had been reduced. Thirty-eight percent of the early filers, compared with 57%

When did you submit your FAFSA?
What or who prompted you to submit the FAFSA in that month?
How do you describe your ethnicity?
Did you list multiple colleges on your FAFSA?
Did you know that enrollment fees were reduced last year?
Is this year the first time you completed the FAFSA?
Are you the first person in your family to go to college?
Do you have any family members who have applied for financial aid?
Is this your first year at [this college]?
Are you enrolled in 12 units or more this fall?
Are you currently working 20 or more hours per week, on average?
When did you apply for admission to [this college]?
What is the current status of your financial aid application?
What is your current enrollment status?
What is the highest education level of either parent?
What is the Zip code where you live?
Experience filling out FAFSA:
At [this college] less than one third of all students complete the FAFSA. What do you think is the most important reason why students do not complete the FAFSA?

Figure 1. Survey Questions Given to Students

of the late filers, were first-time FAFSA applicants. These three variables will be returned to later in the segmentation analysis.

Thirty-seven percent of new students applied early, compared with 63% of continuing students. Seventy-three percent of the early filers, compared with 60% of late filers, were enrolled full-time. For the question what or who prompted FAFSA filing, most students responded "Myself" or the categories that included parents and friend. Sixty-six percent of the early filers, compared with 40% of the late filers, had been awarded aid of some kind. These results lend support for the argument that the more knowledgeable students are about the financial aid process, the more likely they are to apply early and the more likely they are to be awarded aid.

It appears that the respondents had similar income levels. The expected family contributions, for those where information was available, were similar across filing times. Seventy-four percent of late filers, compared with 75% of early filers, were eligible for Pell Grants. This information lends support for the argument that late filers, who were just as likely to get Pell Grants, were unaware of their likeliness to receive aid. If they had more knowledge of their aid status and the deadlines for programs such as Cal Grant, the assumption is that they might have been more likely to apply earlier.

College and Financial Aid Knowledge

Segmentation analysis is a methodology often used in industry "where customer segmentation is a hallmark of companies with effective marketing and customer relationship management practices" (Johnstone, 2003, p. 1). The methodology used in this analysis is a step-wise approach with a defined group of respondents first "pulled out" into a group and the remaining respondents then broken into other groups in similar fashion. The result is mutually exclusive groups.

The segmentation groups outlined below are based on two variables that represent behaviors and two variables that are proxies for knowledge about the financial costs of attending college or the financial aid process. The groups might be seen as representing a continuum of college and financial aid knowledge. The selection and order of variables are based on experience and potential use and was not statistically driven.

The first group uses a demographic rather than behavioral variable and was selected based on previously observed outcomes of the group at this college. At this college Vietnamese students have the highest rate of financial aid participation with about 50% receiving some type of financial aid. About 75% of Vietnamese students reside in "low income" areas. These students tend to be second-generation immigrants with parents who came to

the United States as refugees after 1975. For many in this group, the government provided relocation assistance as they attempted to start a new life in the United States. In addition, this community appears to have close extended family relationships that place a high value on education; and, as noted by Tierney and Venegas (2006), these types of fictive kin relationships may lead to greater awareness of the financial aid process. Future research is needed to test these assumptions and shed light on why these characteristics may lead to greater financial aid awareness for some groups but not others. If these assumptions hold, we would expect this group to have a high propensity for completing the FAFSA application early. Based on this college's experience, Vietnamese students are analyzed separately.

The second group is students who responded "Yes" to the question "did you apply to multiple colleges on the FAFSA." The act of applying to multiple colleges demonstrates that these students are aware of financial aid and admissions processes. These students likely have been planning for college during their high school years. This awareness should lead to an earlier FAFSA application. Since these students are college bound, they are likely to make their decision in part based on the aid package awarded at each college to which they applied.

The third group, excluding Vietnamese students and multiple college FAFSA applicants, is made up of students who answered "Yes" to the question "were you aware that fees were reduced last year." These students have demonstrated an awareness of college costs and likely the role of financial aid in assisting them. Since they are aware of college costs, these students might be more inclined than other groups to apply earlier. This group did not apply to multiple colleges and may not have been considering college throughout their high school years. They may be new students or are planning to continue at this college, and they are clearly motivated to attend college.

The fourth group includes students who had previously completed the FAFSA. These students, while not exhibiting the behaviors noted above, are still likely to be aware of the FAFSA process, having applied before. They may not be as motivated toward using financial aid for college attendance or are skeptical as to their eligibility for financial aid grants, but are aware of the process.

The fifth and final group includes all students remaining after applying the four categories above, namely, first-time FAFSA applicants who did not apply to multiple colleges, were not aware fees were reduced, and are not Vietnamese. These students have applied for financial aid, demonstrating a degree of knowledge about financial aid and motivation to attend college. However, the lack of other behaviors suggests that they may lack a plan for the future. These students may not be aware of

the assistance financial aid can provide them, and may be most likely to apply late.

The five groups represent distinct categories of respondents. The purpose of these groups is to allow a comparison of survey responses based largely on behavioral factors rather than demographic characteristics alone. Table 1 shows the average month of the FAFSA application for each segment group. New FAFSA Applicants had the lowest average, with respondents applying in June on average, compared with Vietnamese students who applied on average in April, two months earlier. Figure 2 shows the filing times for each of the segment groups. The percentage of each group that filed during the periods listed (Oct-Sept, Aug-Jul, Jun, May-Apr, and Mar-Feb) are depicted by the bars. The average month of FAFSA application appears to be correlated with the groups and with the hypothesis that when students apply is related to knowledge of the college and financial aid process.

Table 1. Average Month of FAFSA Application

Average Month of FAFSA Application	
Vietnamese	6.45
Multiple College FAFSA	6.31
Know Fees Reduced	5.75
Previous FAFSA Applicants	5.33
New FAFSA Applicants	4.39

1=October, 6=May

Thirty-five percent of New FAFSA Applicants indicated either “Seems Too Complicated” or “Takes Too Much Time” for the reason students do not complete the FAFSA. This compares with 27% for the Multiple College FAFSA groups and 18% for Know Fees Reduced group. The results suggest that New FAFSA Applicants may have a tendency to apply late, not so much because they think they are not eligible, but because they believe the FAFSA process is too complicated and takes too much time. One-third of Late Filers were New FAFSA Applicants.

One of the most striking results in the survey is related to what motivated students to apply for financial aid. Eight-five percent of the 123 students selecting “high school guidance counselor” applied early, with only 2% applying late. This pattern holds across groups, with 76% of New FAFSA Applicants indicating influence from high school counselors, also applying early. Clearly, high school guidance counselors can play an important role in getting students to file the FAFSA early.

Financial need appears to be similar between the segmentation groups, with the exception of the Vietnamese students. When looking at the students’ expected family contribution when available, 85% of the Vietnamese respondents compared with 72% of New FAFSA Applicants were eligible for Pell Grants. The percentage of Pell eligible applicants for other segmentation groups varied from 69% for the Multiple College FAFSA group to 74% for Previous FAFSA Applicants. These results, similar to the results by filing timing, seem to suggest minimal linkage between financial aid knowledge and actual need.

Conclusions

The results are consistent with other research demonstrating the importance of knowledge of the college and financial aid processes in a student’s decision-making. This research suggests that variations in financial aid knowledge are related to the timing of the FAFSA application.

The results also suggest that including behavioral variables can increase the strength of the analysis. The five segment groups might be given names such as those depicted in Table 2. The group names are meant to highlight the idea that behaviors represent differing levels of knowledge. Information helps in decision-making by allowing individuals to plan ahead and thus reduce uncertainty about the outcomes of their decisions. Students that are least informed about the pro-

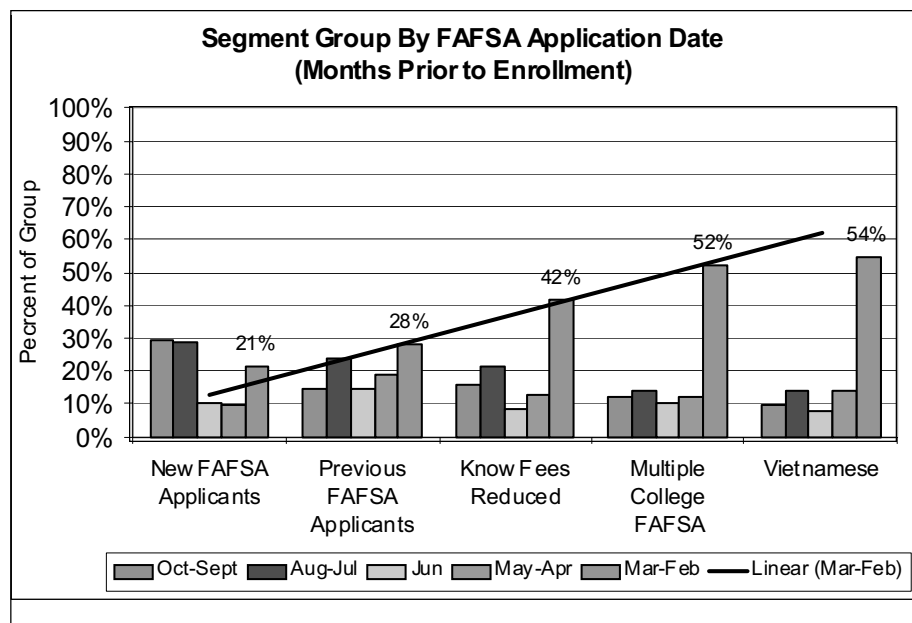


Figure 2. Segment Group By FAFSA Application Date

cess are more likely to be uncertain about the decision to attend college and apply for financial aid. This uncertainty can then lead to delayed financial aid as well as college application, all else equal. In the end, uncertainty stemming from a lack of information can result in less financial aid awarded and lower student persistence.

As noted by Mundel and Coles (2004), future research should look more deeply at the transmission of knowledge about college and financial aid. The categorizations used in this study may provide a unique way to identify students likely to apply late; more research is needed to further define and pre-identify students likely to apply late to encourage earlier FAFSA application.

While data limitations would not allow a complete matching of survey and institutional records, preliminary analysis indicates that the New FAFSA Applicant segmentation group received less aid on average than other groups. In 2007-08, New FAFSA students received \$3,266 in aid on average, compared with \$4,800 for students in the Vietnamese group, \$3,657 for Multiple College FAFSA, \$4,473 for Know Fees Reduced, and \$3,844 for Previous FAFSA Applicants. In addition, the New FAFSA Applicant segmentation group lagged behind other groups in persistence to the spring quarter. Of those indicating enrollment at the college, 54% of the New FAFSA students were enrolled the following spring (spring 2008), compared with 72% for students in the Vietnamese group, 56% for Multiple College FAFSA, 64% for Know Fees Reduced, and 63% for Previous FAFSA Applicants. The linkage between financial aid knowledge, a late application, reduced award amounts, and student persistence makes the study of financial aid knowledge an important part of efforts to improve student success.

The results suggest an approach financial aid offices can use to focus outreach efforts on students who may be likely to delay their FAFSA application. The data suggests that the college's financial aid outreach office might focus its energy on new students who are likely to be first-time FAFSA applicants. Perhaps technology can be used to cross-reference late college applications against FAFSA applicants to better target students not completing the FAFSA prior to the college application.

Of those students who were prompted by high school counselors to complete the FAFSA, nearly all applied early.

Outreach to high school guidance counselors by the financial aid office might bring better results as compared to other outreach efforts. This effort might be separate from the general college admissions' efforts. The goal would be to cultivate a greater understanding of the financial aid process among high school counselors.

While the survey gives us some clues as to the types of students the financial aid office might target, thus reducing the number of late filers, it is less clear on how. Friends and family seem to be important, although many early filers say they were not prompted by someone. Parents' education seems to have only a slight association with the time of application. The Vietnamese community may give us some insight into the transmission of college and financial aid knowledge. Additional research is needed to determine the applicability across institutions.

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Table 2. Hypothetical Student Groups

Segment Name		Conceptual "Customer" Group
Vietnamese Student Segment	→	Financial Aid Knowledgeable
Multiple College FAFSA	→	Planned College Goers
Know Fees Reduced	→	Informed College Consumers
Previous FAFSA Applicants	→	Experienced Applicants
New FAFSA Applicants	→	Uncertain College Goers

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