FINANCIAL AID: WHAT DO WE KNOW AND HOW DO WE KNOW IT?

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Why should aid matter?

- By most accounts, financial benefits outweigh costs
- Short-term $$$ constraints → worse societal outcomes
  - Creation of federal loan programs

Why should aid matter?

- "Overcorrect" for misperceptions
- Reduce stress and defrays unobserved "costs"
- "Option" value lets them try it out
- Impact type of institution attended

- Problems: lack of information;

burdensome forms;

awards not transparent

Methods of evaluating aid

Regressions / Matching	• Adjust for background characteristics • Cannot control for everything (e.g., motivation)
Difference-in-difference (DD)	• Examine changes in “treatment” group after introduction of a policy change
Regression Discontinuity (RD)	• Examine outcomes for students who just met criteria for program eligibility
Randomized control trials (RCT)	• The title says it all – randomly assigning eligibility eliminates all (or most) potential bias

Evaluating aid – who is the comparison group?

- Comparing Pell Grant recipients to those with no aid…
- "Naively" comparing low-income recipients to high-income non-recipients
- Adjusting for income → Comparing students with same income but only one "chose" to get the Pell Grant
  - Cannot say whether differences in outcomes are due to Pell Grant or characteristics that predict Pell Grant application
  - Motivation; stronger support network; college services

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Randomized Control Trial (RCT)

- Create pool of eligible students and randomize aid offers
  - Method does not require everyone to participate

- Least amount of bias and easiest to evaluate

U. of Michigan's HAIL Scholarship

- Low-income, high-achieving students typically "undermatch" by attending less selective institutions
- "High Achieving Involved Leader" scholarship
  - Personalized mailing
  - Promised four years of free tuition
- Identified through ACT/SAT scores
  - MI subsidizes for free in public schools


University of Michigan
Office of Undergraduate Admissions
515 E. Jefferson St.
1220 Student Activities Building
Ann Arbor, MI 48109
FIRST-CLASS
US POSTAGE
PAID
ANN ARBOR, MI
PERMIT NO. 144
HAIL SCHOLARSHIP
UNIVERSITY OF MICHIGAN
#VICTORS2020
93
Sample A. Sample
12345 Sample Rd.
Anytown, US 12345-6789


UNIVERSITY OF MICHIGAN
BECOMING A WOLVERINE
STEP 1
PREPARE & RESEARCH
Need a timeline and planning resource? collegeaccess.org
Are you the first in your family to go to college? Check out mifirst.org
Looking for guidance and advice on the college admissions process? nacacnet.org
At Michigan, you apply to one specific School or College, or apply for dual enrollment in two Schools or Colleges.
The seven academic units that admit freshmen are:
College of Literature, Science, and the Arts
College of Engineering
School of Music, Theatre & Dance
School of Art & Design
College of Architecture and Urban Planning
School of Nursing
School of Kinesiology
STEP 2
APPLY
You can apply to Michigan online now at commonapp.org
How we review:
STEP 3
ATTEND WITH FREE TUITION
If admitted you will be attending U-M with 4 years of free tuition.
Although not required for your HAIL Scholarship, you are strongly encouraged to fill out two forms that will help with other expenses.
After October 1 of your high school senior year:
Complete the CSS/Financial Aid PROFILE through the College Board. If the College Board does not automatically waive the required fee, then U-M will.
student.collegeboard.org/css-financial-aid-profile
After January 1 of your high school senior year:
Complete the Free Application for Federal Student Aid (the FAFSA). There is no charge for this.
fafsa.gov
FEE WAIVER: COMMON APPLICATION
The Common App is available online at commonapp.org
There is a fee for filling out the Common App. However, by checking the "fee waiver" box, the fee will be waived.
NO FEE: FAFSA (FREE APPLICATION FOR FEDERAL STUDENT AID)
The form can be accessed online at: fafsa.gov
On the FAFSA, there will be a space for U-M's Federal Code.
U-M's Federal Code is 002325.
There is never a fee to fill out the FAFSA.
FEE WAIVER: CSS/PROFILE
You can find the CSS/PROFILE at: student.collegeboard.org/css-financial-aid-profile
On the CSS/PROFILE, there will be a space for U-M's Code which is 1839.
You may be offered a fee waiver while completing this application. If you are not, please contact Steven Foster at the Office of Financial Aid at 734-763-6600.


#1
PUBLIC UNIVERSITY IN THE U.S.
HAIL SCHOLARSHIP
UNIVERSITY OF MICHIGAN
#VICTORS2020
Four Years of Free Tuition
If Admitted to the University of Michigan
564,000
LIVING
ALUMNI
Sample,
Mark Schlissel
President

U. of Michigan's HAIL Scholarship

- Applications 26% → 67%
- Enrollment 13% → 28%

- What issues were solved?
  - Uncertainty about their suitability for an elite school
  - Students typically over-estimate the (net) cost of college
    - "Low cost" intervention as most would have received institutional aid
  - Procedural barriers (e.g., FAFSA forms)

Randomized Control Trial (RCT)

- Other examples: Buffett Scholarship in Nebraska, Wisconsin Scholars Grant

- Potential issues with RCTs:
  - Ethical concerns, but often limited resources allow for “rationing” and can ensure program stability
  - May be difficult to run in practice and/or legally infeasible
  - Outcomes not available for years

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Regression discontinuity (RD)

- Program eligibility determined by numeric threshold
- Can compare students on either side of threshold
  - Students with 5570 EFC and 5580 EFC should be similar on both observed and unobserved (e.g., motivation) characteristics

Expected Family Contribution (EFC)	Annual Pell Award Full Time 12+ Credits	Semester Award Full Time 12+ Credits
5401-5500	745	373
5501-5576	657	329
5577+	0	0

Regression discontinuity (RD)

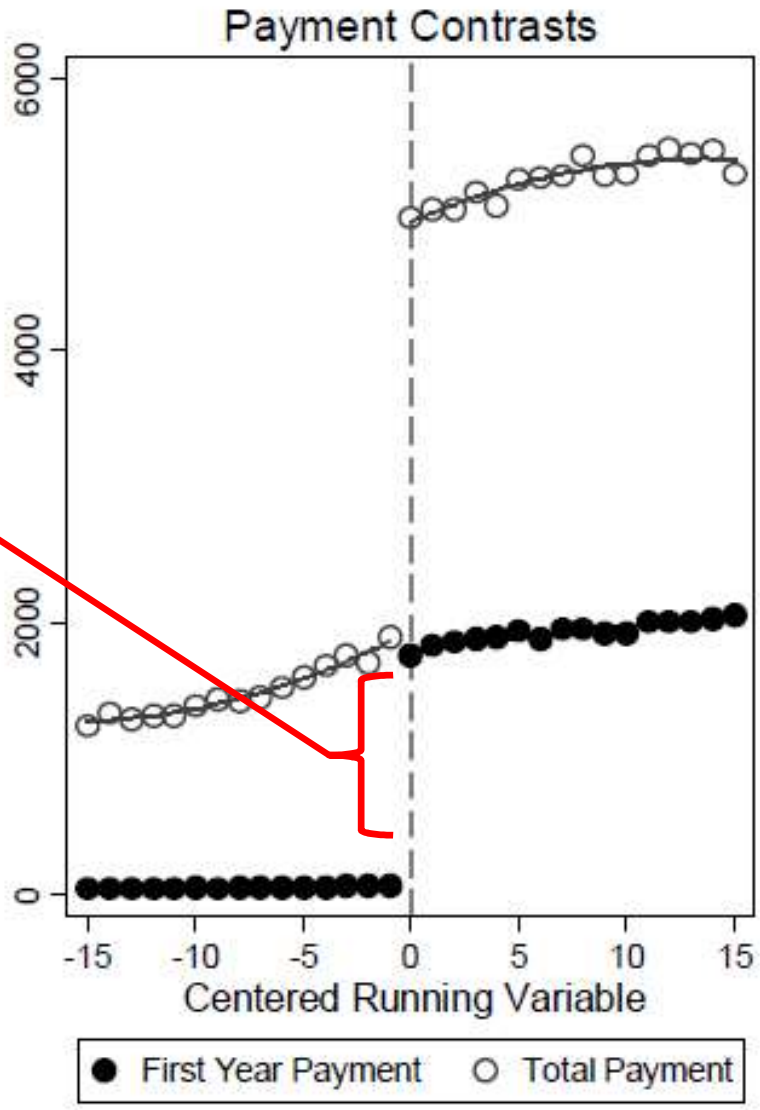
- Program eligibility determined by numeric threshold
- Can compare students on either side of threshold
- Functionally equivalent to RCT but less statistical power and slightly more complicated evaluation procedures

California's Competitive Award

- State aid for "non-traditional" students
- Students assigned 200 points based on GPA and "disadvantage" (income, education, age)
- State gives 12,500 awards, starting with 200 points and going down until awards are exhausted
  - Cutoff varies from year to year and is unknown to applicant

- In 1st application year, those below cutoff get no money and those above cutoff ~$2000

- Some students will reapply in later years
  - Over time the difference between two groups is ~$3,000



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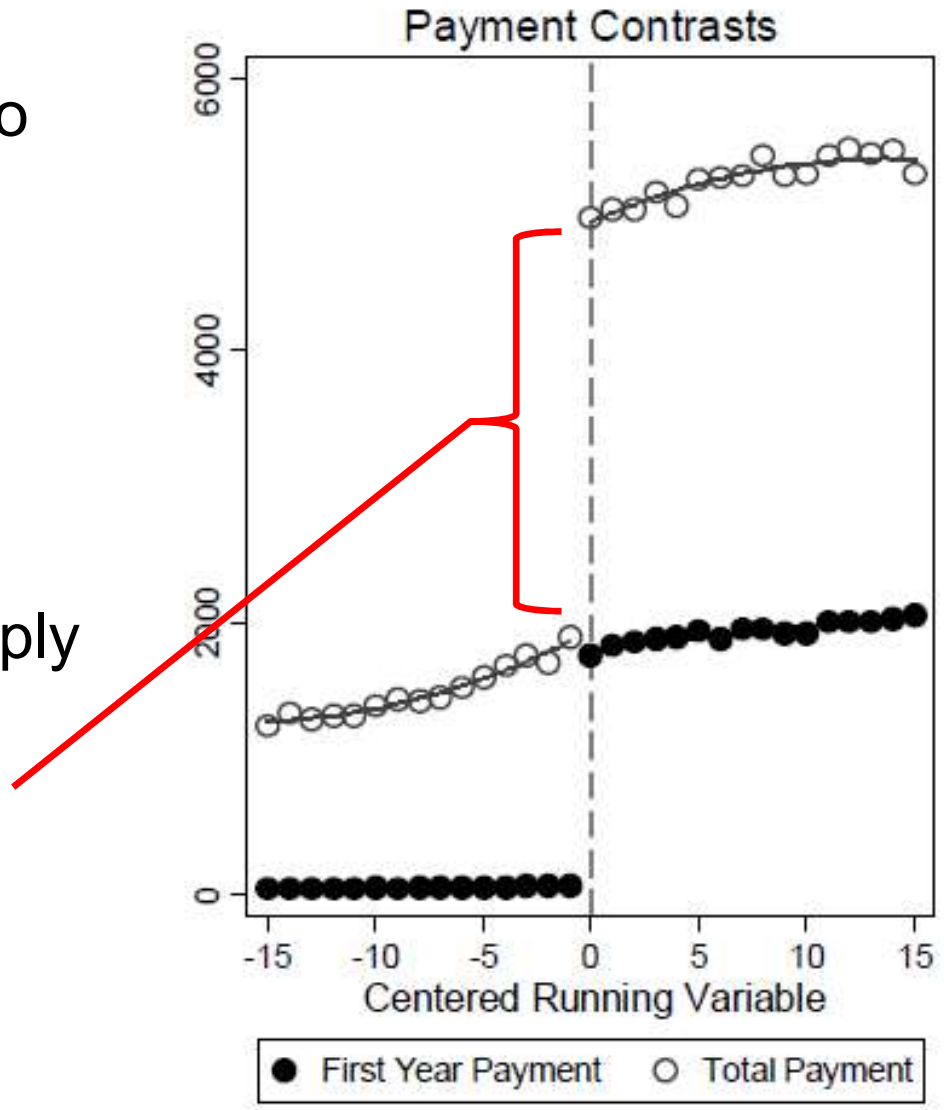
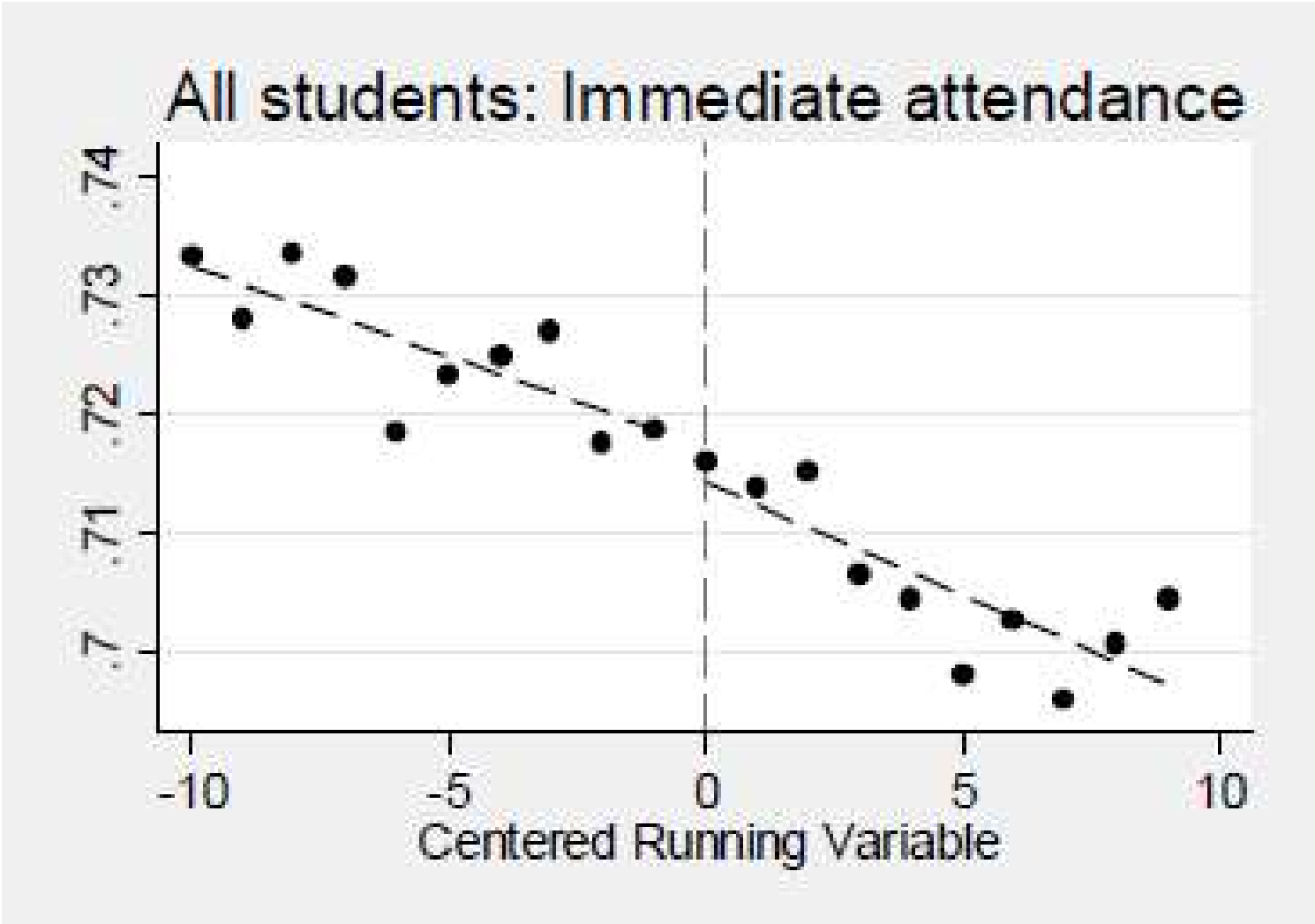
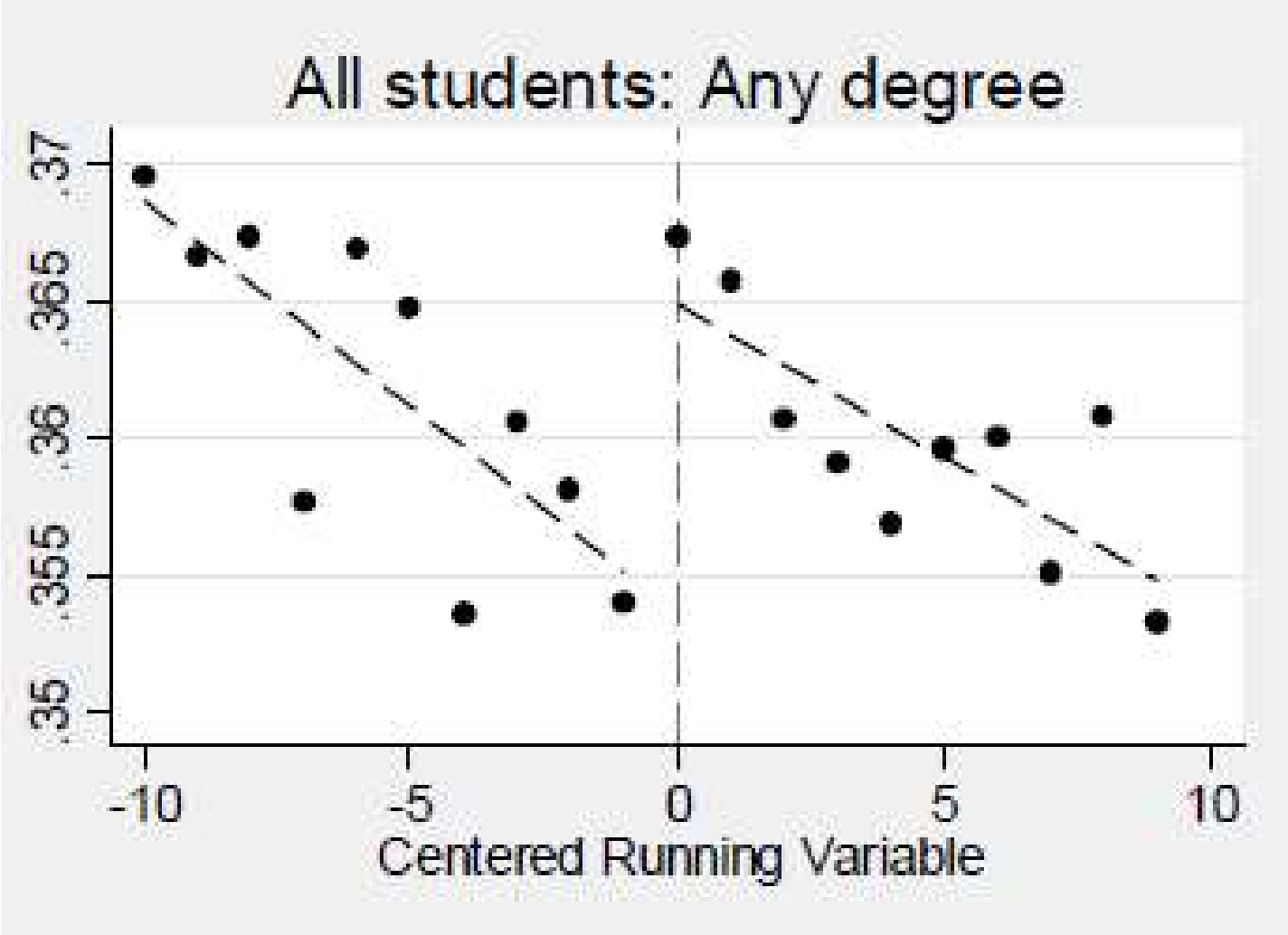


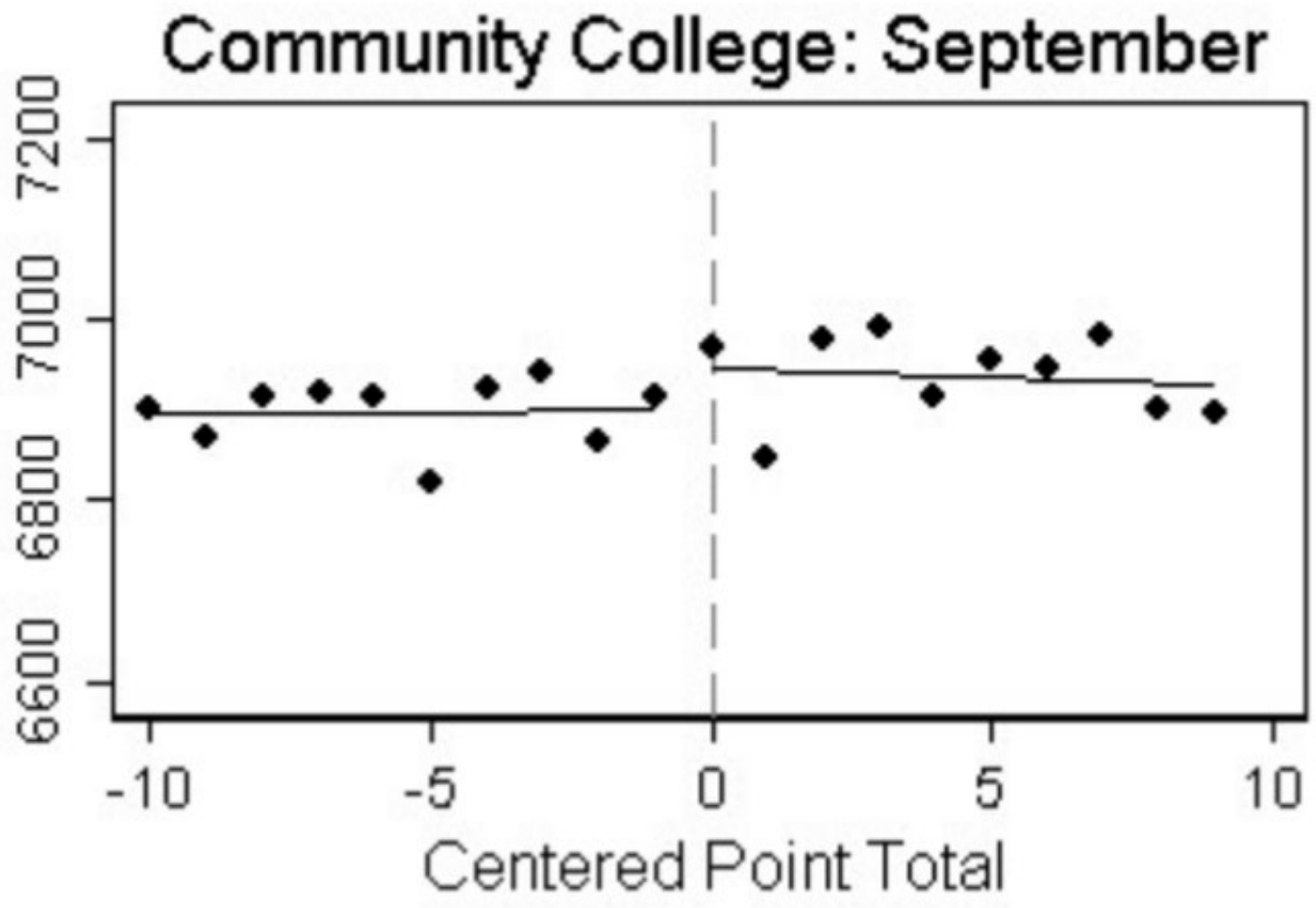
- Award had no impact on going to college



- Award increased degree completion increased…but only by 1 percentage point



- No impact on wages



California's Competitive Award

- What issues were solved? Not enough
  - $1500 is ~1 month of min. wage work
  - Aid offer not particularly transparent

- Potential problems:
  - If people can manipulate their position potentially invalid
  - Threshold doesn't have "teeth" or coincides with other programs
  - Impact only pertains to those near threshold
    - In this case impacts unaffected by shifting location of threshold

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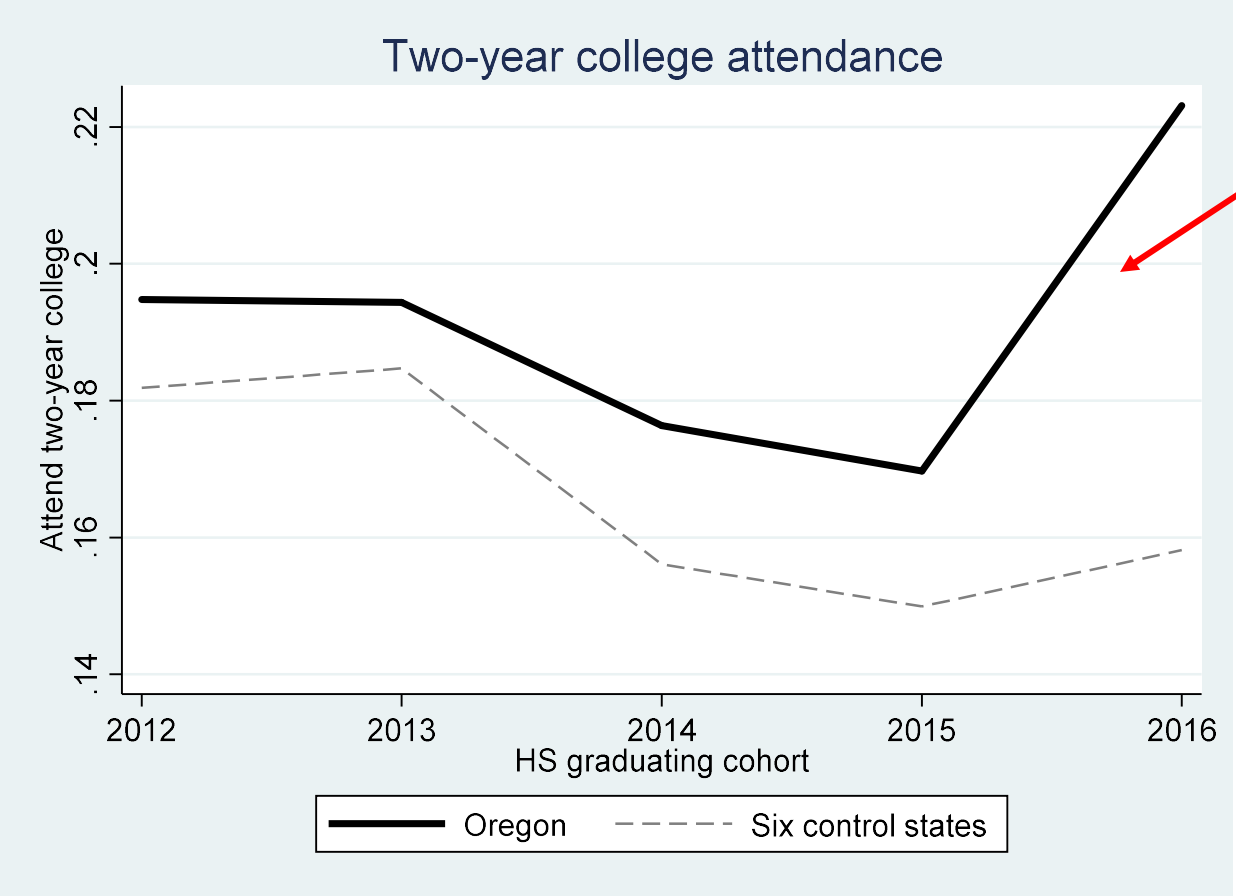
Difference-in-difference (DD)

- “Treatment” affected by policy but “control” unaffected
- It’s ok if the two groups are different from each other
- Requires data before and policy change for both groups
  - Instead of overly simplistic regressions, the method “differences” out the “differences” between the two groups

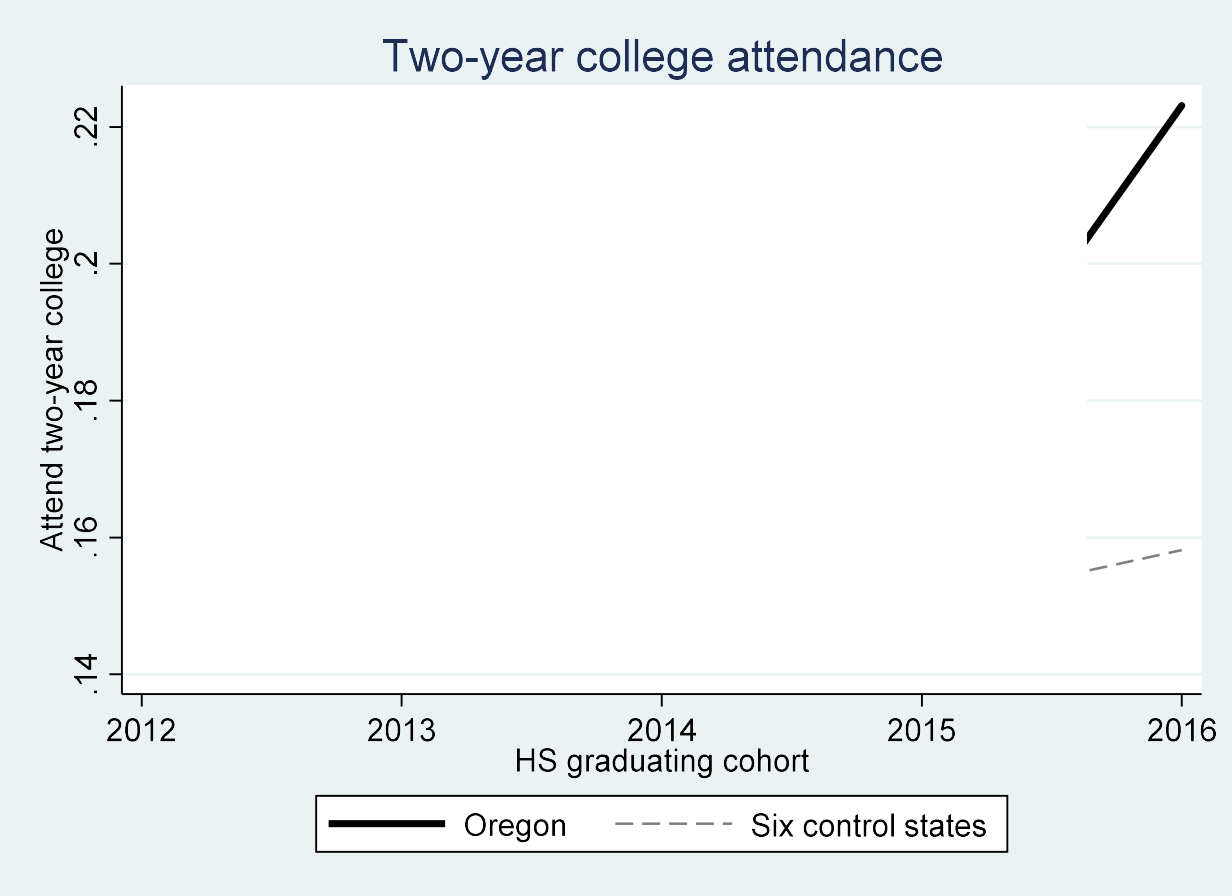
Oregon Promise

- Oregon Promise is a state-level “free” community college tuition program begun in 2016

- Treatment = Oregon
- Control = a variety of states
  - Selected states that had universal 10th grade PSAT coverage



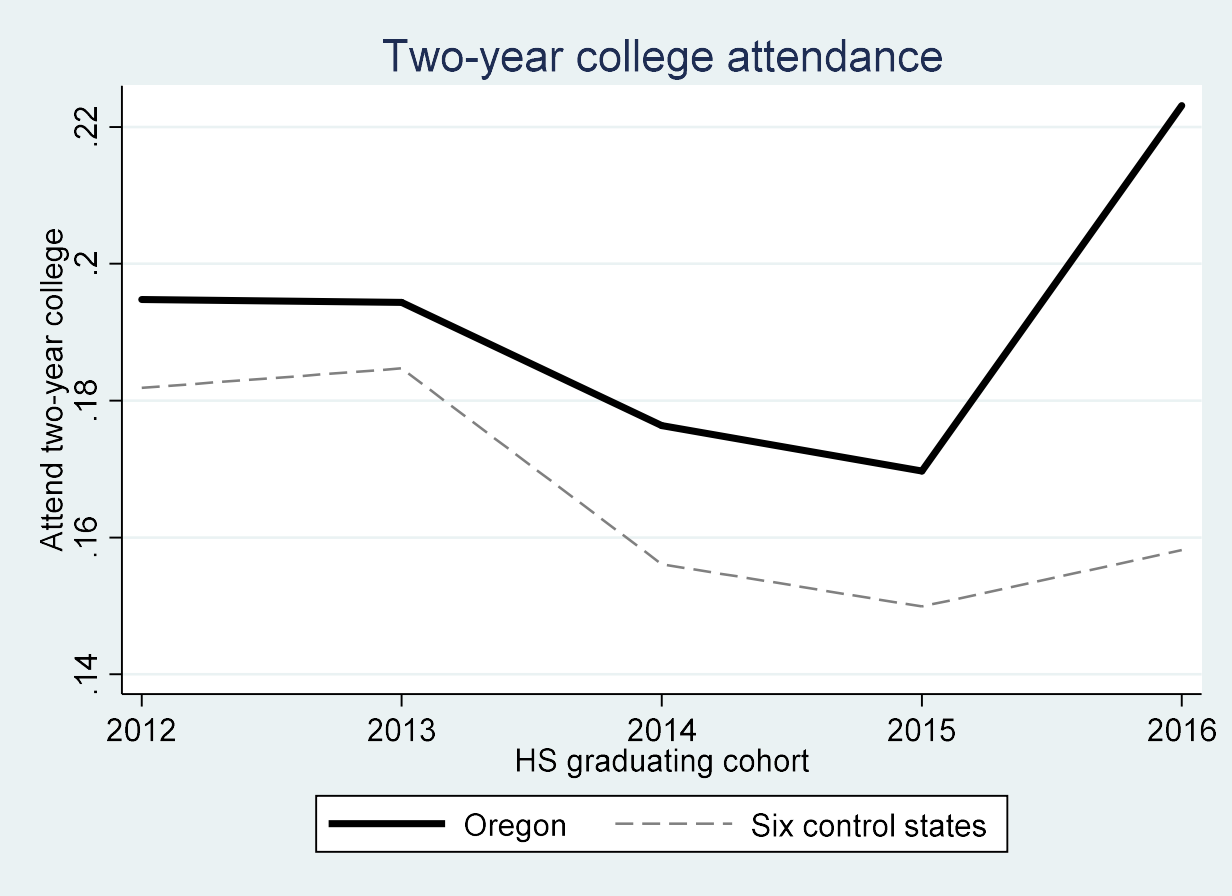
Oregon Promise started in 2016



Compare OR to control states

(Bad) answer: 6pp more likely to attend CC

But OR students more likely to go to two-year college even before policy!

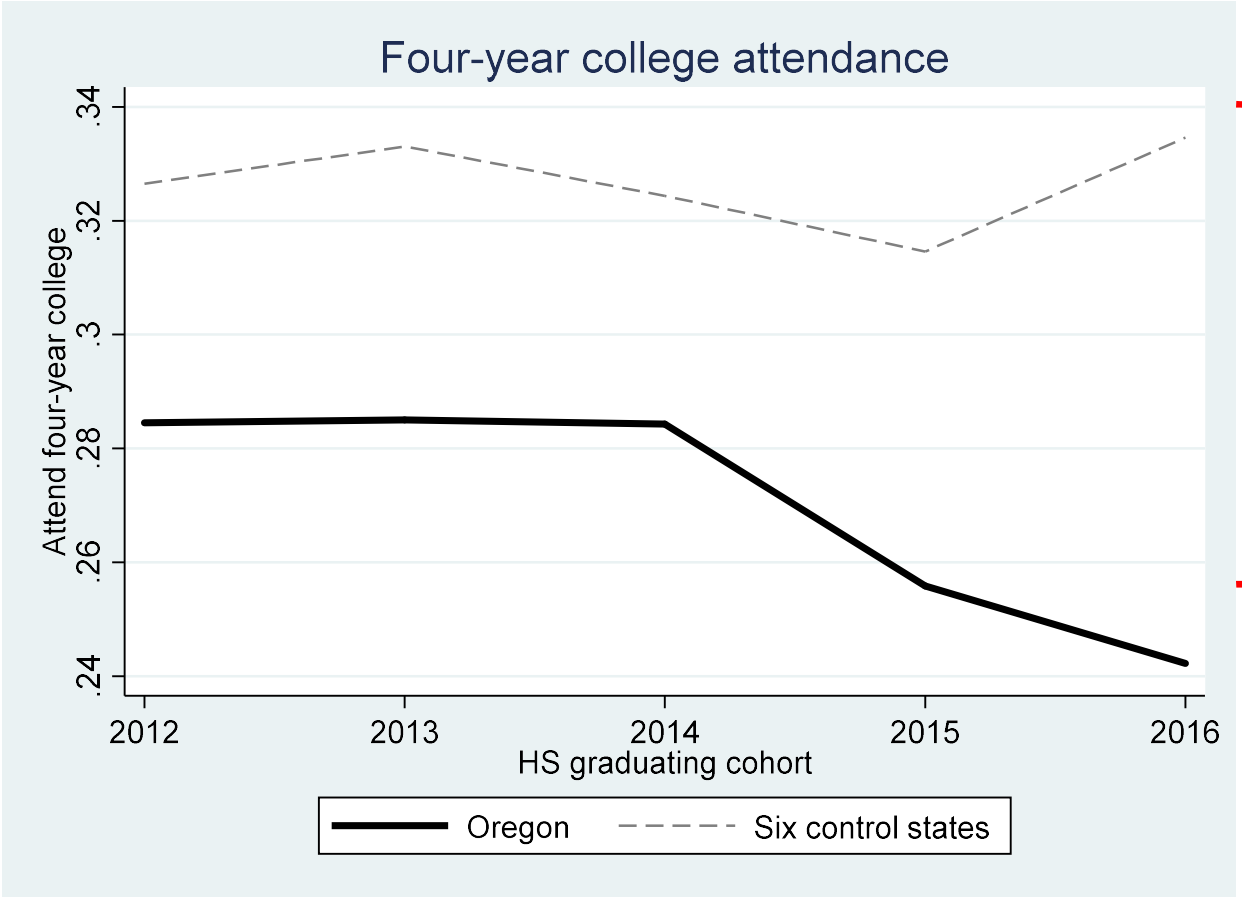


Difference before policy? ~2pp

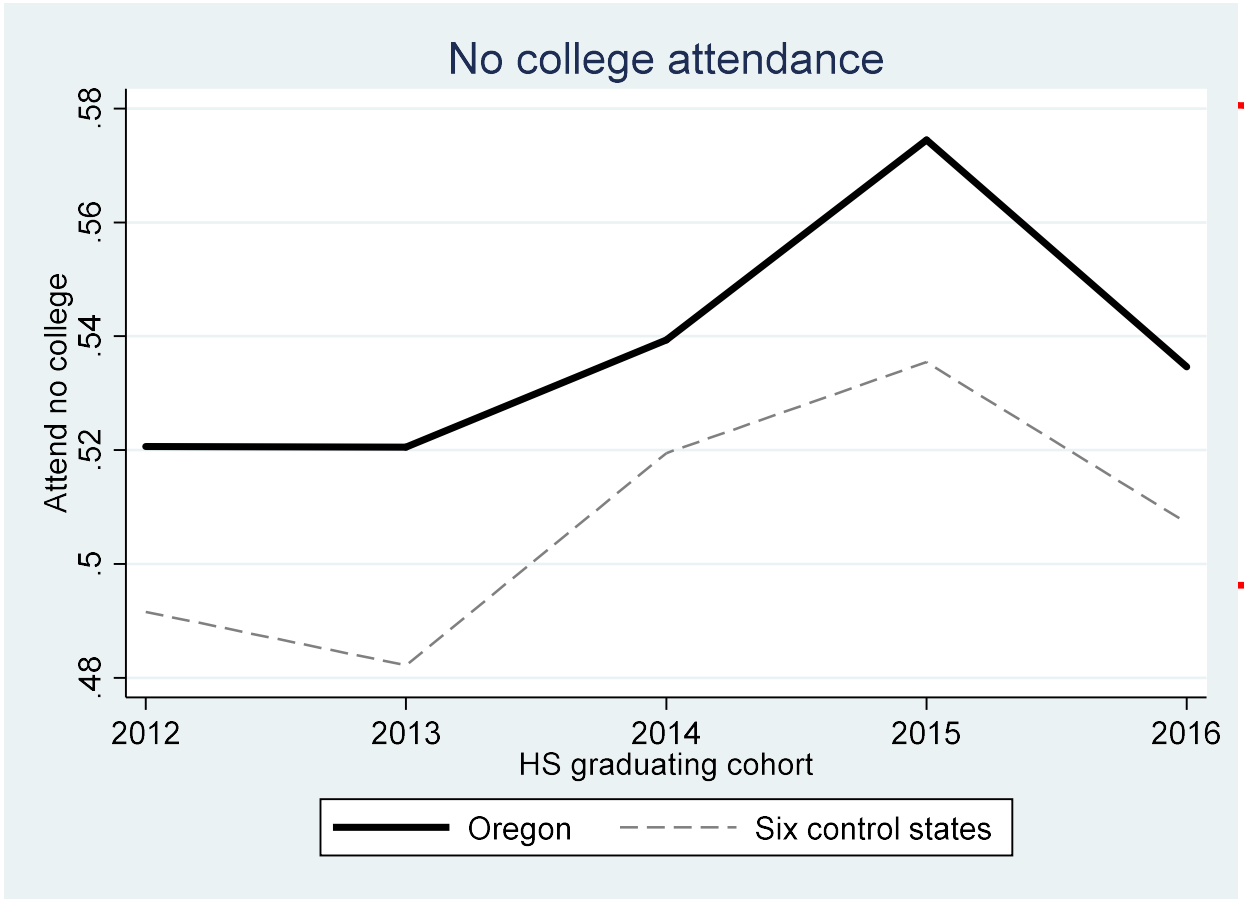
Difference after policy? ~6pp

"Difference-in-difference" policy impact?

~4pp increase in CC enrollment



Students in 1st year mostly shifted out of four-year colleges



No increase in overall college enrollment

Oregon Promise

- Large increase in community college enrollment
- What issues were solved?
  - Clear signal of affordability
  - But, “last-dollar” scholarship gave fewest $ to lowest income students, leading to initial shifting out of four-year colleges
- In second year Oregon (1) imposed EFC cutoff and (2) program was better known, leading to increase in overall enrollment

Difference-in-difference (DD)

- "Treatment" affected by policy but "control" unaffected
  - Most common policy evaluation tool
- Requires data before and policy change for both groups
  - Instead of overly simplistic regressions, the method "differences" out the "differences" between the two groups
- Key assumptions (required but not "sufficient"):
  - Two groups have similar paths prior to policy
  - "Nothing else" happened when treatment was adopted

Overview

- Multiple methods to evaluate program effectiveness that improve upon typical regression methods
- Have led to a number of insights as to the effectiveness of financial aid in particular

What have we learned?

- Positive long-term impacts for HS students
  - CA, TX, WV all tracked students for many years after HS and found positive impacts on completion and employment

What have we learned?

- Positive long-term impacts for HS students
- Effectiveness relies on targeting the right students
  - No impacts for federal tax credits
  - Challenges for “non-traditional” students

What have we learned?

- Positive long-term impacts for HS students
- Effectiveness relies on targeting the right students
- Effectiveness relies on targeting the right colleges
  - MA: eligibility only for public four-year colleges likely decreased graduation rates
  - TN: promotion of only two-year colleges reduced bachelor's degrees

What have we learned?

- Positive long-term impacts for HS students
- Effectiveness relies on targeting the right students
- Effectiveness relies on targeting the right colleges
- Clear signal of affordability matters
  - Neediest students often do not obtain all the information they need
  - Promise programs typically show large effects

What have we learned?

- Positive long-term impacts for HS students
- Effectiveness relies on targeting the right students
- Effectiveness relies on targeting the right colleges
- Clear signal of affordability matters
- Information alone typically has little impact
  - Sending students information about program benefits
  - Updating information about college costs appears to have little effect, though potentially larger results for college benefits

What have we learned?

- Positive long-term impacts for HS students
- Effectiveness relies on targeting the right students
- Effectiveness relies on targeting the right colleges
- Clear signal of affordability matters
- Information alone typically has little impact
- Minimizing application barriers helps
  - Frequent support to complete application forms: text message "nudges"; human counselors; online AI
  - Changing "default" loan letters to push students into aid

Data Sources

- National Student Clearinghouse (NSC)
  - Student level data matching for entire country (except for-profit)
  - Cost is levied per student (though decreases for large samples)
- Unemployment Insurance (UI) data
  - Typically cannot track students out of state
- Credit Bureau data (e.g., Transunion)
  - Breadth of data: income estimator, state of residence, debt
  - High fixed cost, low variable cost

Questions?