

## Financial Aid for HUD-Assisted Youth

### *Letters sent to HUD-assisted youth has no detectable effect on FAFSA completion*

**Agency Objective.** Determine whether mailers could be used to increase completion of the Free Application for Federal Student Aid (FAFSA) among youth and full-time students living in subsidized housing.

**Background.** Research shows that the positive returns to college are high, yet low-income students attend college at rates lower than their more affluent peers.<sup>32</sup> Completing the Free Application for Federal Student Aid (FAFSA) is the first step to receiving federal financial aid, but the application process can create barriers to access for some students; potential borrowers who qualify for financial aid may not receive it because they do not complete the FAFSA.<sup>33,34</sup>

**Methods.** The Department of Housing and Urban Development (HUD), Department of Education (ED), and SBST partnered to test several mail interventions to increase the proportion of HUD-assisted youth who complete the FAFSA. HUD randomly assigned youth and full-time students ages 17 to 20 in households using Housing Choice Vouchers to be sent one of 9 mailings or no mailing. The nine variations tested both the messenger and format of the mailing. The messenger was either: Federal Student Aid (FSA) or the First Lady, with one of the variants including a personal message from the First Lady. The three formats included a standard letter, a letter with a copy of the paper FAFSA included, and a postcard. Variations targeted both direct behavioral impediments—including the paper FAFSA with the letter allowed for immediate completion for those without internet access—and leveraged insights

from the behavioral literature.<sup>35</sup> The personal story from First Lady Michelle Obama was intended to motivate educational aspiration and reduce the anxiety low-income students may feel when thinking about college,<sup>36</sup> and the postcard presented information without requiring the recipient to open an envelope.<sup>37</sup> Approximately 5,000 individuals were sent each of the nine variations; the control group includes approximately 160,000 individuals ( $n = 203,191$ ).

**Results.** All youth and full time students 17 to 20 as of January 2016 were included in the trial, and random assignment was performed without knowing which individuals already submitted a FAFSA for the 2016–2017 academic year. The mailings were sent on March 24, 2016 so we only consider individuals who had not submitted a FAFSA by the mailing date in the results below.<sup>38</sup> There are no significant effects of sending mailings on the rate of FAFSA completions. Twenty-two percent of individuals who were sent some kind of mailing completed the FAFSA, which was 0.30 percentage point higher than the rate of the control group ( $p=0.24$ , 95% CI [-0.20, 0.80]). The most effective sender was the First Lady using her personal story, with a 22.4 percent FAFSA completion rate, 0.65 percentage point higher than the control group ( $p=0.11$ , 95% CI [-0.16,

<sup>35</sup> Additionally, it is possible that having the paper FAFSA available to use as a worksheet will make the process less cumbersome even for those who ultimately complete the application online.

<sup>36</sup> Claude M. Steele and Joshua Aronson, "Stereotype Threat and the Intellectual Test Performance of African Americans," *Journal of Personality and Social Psychology* 69 (1995): 797–811; Clinton Amos, Gary Holmes, and David Strutton, "Exploring the Relationship between Celebrity Endorser Effects and Advertising Effectiveness," *International Journal of Advertising* 27 (2008): 209–234.

<sup>37</sup> Niklas Karlsson, George Loewenstein, and Duane Seppi, "The Ostrich Effect: Selective Attention to Information," *Journal of Risk and Uncertainty* 38 (2009), 95–115.

<sup>38</sup> Completion data are current through August 10, 2016. Mailings were sent over the course of one week. Postcards were mailed March 24, 2016, letters were mailed March 28, 2016, and letters including the paper FAFSA were mailed March 31, 2016. Results including data from January 1 to March 24 are qualitatively similar.

<sup>32</sup> David Deming and Susan Dynarski, "Into College, Out of Poverty? Policies to Increase the Postsecondary Attainment of the Poor," (NBER Working Paper No. 15387, 2009).

<sup>33</sup> Eric P. Bettinger, Bridget Terry Long, Philip Oreopoulos, and Lisa Sanbonmatsu, "The Role of Application Assistance and Information in College Decisions: Results from the H&R Block FAFSA Experiment," *Quarterly Journal of Economics* 127 (2012): 1205–1242

<sup>34</sup> Susan Dynarski, and Judith E. Scott-Clayton, "Complexity and Targeting in Federal Student Aid: A Quantitative Analysis," (NBER Working Paper No. 13801, 2008).

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1.46]). The letter including the paper FAFSA was the most effective format, also with a 22.4 percent completion rate (0.69,  $p=0.10$ , 95% CI [-0.12, 1.50]).

**Conclusions.** The effects of the mailings were not large enough to say with confidence that they increased FAFSA completion rates but there is suggestive evidence that some messengers and formats were more effective than others. The most effective messenger appeared to be the First Lady using her personal

story, but the least effective was the First Lady using FSA's language.

This could suggest that the messenger was more effective when the message seems authentic. The most effective format was including the paper FAFSA. From a behavioral perspective, this format likely was effective because it made it easier for recipients to follow through on intentions that they already held.

<i>Group</i>	<i>Difference (p.p.)</i>	<i>p-value</i>	<i>95% CI</i>
<b>Any Mailing</b>	<b>0.30</b>	<b>0.2351</b>	<b>[-0.20, 0.80]</b>
FSA	0.50	0.2185	[-0.30, 1.30]
First Lady with FSA message	-0.24	0.5513	[-1.04, 0.56]
First Lady with personal message	0.65	0.1110	[-0.15, 1.45]
Letter	0.34	0.4005	[-0.46, 1.14]
Paper FAFSA	0.69	0.0924	[-0.11, 1.49]
Postcard	-0.12	0.7723	[-0.91, 0.68]

Notes: Each row reports the estimated difference between the FAFSA completion rate for the indicated group and that of the control group in percentage points, the associated  $p$ -value and 95% confidence interval. The control group FAFSA completion rate was 21.7 percent.