

*Shamarli Kollock:*

So my name is Shamarli Kollock, and I work for FSA's Customer Experience office, and Misty Parkinson also works for the Customer office. And everyone knows the infamous Jeff Baker, our policy guru.

We're gonna cover the FAFSA application updates today, some of the changes to the IRS data retrieval tool, and Jeff is gonna answer all of your questions about verification.

So just to start off the session, we wanted to set some context about what we've been seeing with some of the application trends this year. For 2010-11, we saw over 21 million applicants file a FAFSA. That was an eight-percent increase compared to the previous year. On our peak day in February, we saw over 300,000 people complete an application in one day.

For 2011-12, we have so far, 18.8 million applications. That's through October 2nd, so I'm sure it's higher now. That's a five-percent increase when compared to the previous year, and on the peak day for '11-'12, we saw 373,000 people submit an application.

Some of the trends that we've seen in our applicants is the number of independent students is nearly double the increase of applications completed by dependent students. We think that's just a signal of the times, of people needing to return to college to get enhanced skills.

We've also seen that while the low-income filers' rates have held steady at around between 32 and 35 per cent for the past several years, we have seen a significant jump in the number of families with incomes over \$40,000.00 who filed an application.

The other thing that we've done over the last couple years with all of our simplification changes is we really wanted to be able to kind of measure our progress and our success on how we were doing with the application, and we do that using two key indicators. We have the American Customer Satisfaction Index which is a national indicator of customer service. It's used by private and public entities to measure customer satisfaction. For our current year, we have a current score of 89, and that's up 3 points from the previous year, and it's significantly higher than most other federal websites, which the average score for federal websites is 75.

We also deployed a Web trend measure-to-measure completion time of the application. Several years ago, the average time it took

an applicant to complete the application was about an hour. In 2010-11, with some of our initial changes, we saw that go down to about 32 minutes, and then with the most recent application, the '11-'12 application, we've seen that it's taking, on average, about 23 minutes for someone to complete the application. So we know that the changes that we've made have had an impact the student experience in terms of how they're applying for aid.

Some of the recent changes during this last cycle, SSA made some changes to how they assign Social Security numbers. They began assigning SSNs in ranges that were previously unused, and so we had in our system excluded those values. So with their change, we had to make some changes to our system to allow for these new kind of generated SSNs.

The changes took effect on October 23rd in our system, specifically for Pacific Islanders who were positively assigned an 88 number, they were reassigned a 666 number. It's not intended to say anything about those students, but that was the number that was available for us to use with the changes with the SSA.

Just to talk about the '12-'13 changes, there are no data element changes to the application this year. We've made some minor instruction changes, but nothing really significant in terms of data elements. We did post all of the application materials in the Federal Register in September, and we're in the final comment period, and we're hoping to get final O&B approval within the next few weeks.

The need analysis for the automatic zero income thresholds has gone from \$31,000.00 to \$32,000.00 for 2012-13.

Regarding the high school question, the question was added last year during '11-'12, and it collected information about what school the student graduated from. We did see some challenges with people reporting that information this year. Based our search logic it was sometimes difficult for people to academy find their school in the database. We're re-presenting the question to anyone who answered the question last year, so they can use our updated search logic to identify the school and determine if it is actually in our database.

We're also using the Smarter search logic with the school code functionality. In previous years, we've had students who have typed in abbreviations, common known abbreviations for schools, and were unable to successfully identify their federal school code,

so we've updated the logic around the school code search and the high school search to make it easier for people to identify their high school and their college.

This is just a screen shot of what the new display looks like in FAFSA on Web. People will be able to search using those common things listed on the previous screen. Their best match will display and they'll be able to just add to the selected school table. They'll still be able to see all of the information that was previously displayed, like the graduation rate, retention rates, transfer rates, and the school's website, tuition and fees, and all those other things. It's just displayed a little differently.

Once all the schools are added to the student's application, they can then select their housing plan on the subsequent page.

So for '11-'12, we did add the asset threshold question, and it was for independent students and parents of dependent students that we've determined met the asset threshold criteria, and what the question was intended to do was to determine if they needed to provide detailed information about their assets to be used in the EFC calculation.

The question displays if the student is not eligible for auto zero simplified needs, and if the state allows for the students to skip income and asset questions.

So for 2011-12, we used comment codes to notify schools about when the asset threshold question was displayed and the applicant answered no. For 2012-13, we are deleting those comment codes, and we are actually adding the information the ISIR so that you can have the specific information that was used in the asset threshold question.

For the legal guardianship dependency question, we did find based on some feedback this year that a lot of students were answering this question incorrectly, so what's listed on this screen is the current instructions. We have added instructions to the '12-'13 application that explains to students that the definition of legal guardianship for purposes of federal aid do not include their parents, even if they were appointed by a court, and that they also do not include the student, as they cannot be legal guardians of themselves, according to our definition.

For the homeless youth determination, when the legislation initially came out, the intent was that if a student couldn't meet the

initial definition of homeless youth, that an FAA was be able to make a separate determination of their homeless youth status. In the previous cycles, we had not separately provided a way for an FAA to identify that they were making that homeless youth determination. It was categorized as a dependency override. So for 2012-13, we've built in system logic and we've added a field dependency override field that specifically indicate an FAA homeless youth determination has been made, and that information is also on the paper FAFSA.

So for marital status, a regulation change, and I think Jeff is gonna talk about this a little bit, but it allows for a school, at its discretion, to determine that a student can change after the date that they have signed their FAFSA, their marital status. And so we have built in system logic and instructions to help the student know that they should follow up with you if they have a marital status change that they would like to report, and then the FAA can make a final determination if that marital status is going to be changed.

For 2012-13, the verification tool functionality in FAA Access is being disabled. The department is working to further assess kinda the future of the verification model for the next cycle, and we didn't want to make changes to this tool without it really being formed by the need of all the colleges. So we have disabled the tool for '12-'13, and we're making some decisions about what it may look like in the future.

So I'm gonna take some questions now. We're gonna try to stay on track. Even though the session is extended, we didn't have enough time yesterday, so we're gonna take a few questions between each of our sections, and then we'll take questions at the end. So if anyone has any questions now, they can come to Mike 1, 2, or 3, or 4.

*Audience:*

Just regarding the legal guardianship question, if the student is still answering that incorrectly and answering it as a yes, and then going and changing it to a no later on, can we have a comment code or something so that we know that the dependency status has now change for the student? 'Cause they originally come in showing that they're independent. If they're selected for verification, we assign the documents telling them, "You need to turn in the correct verification forms." Then we get a correct form from them saying they're dependent, so what we've got in our system is that we've assigned them the dependent verification forms and the independent verification forms. So is there some

way we can have a comment code saying that the dependency status has changed?

*Misty Parkinson:* Are you specifically looking for a comment code tied to that specific dependency question, or any dependency status change?

*Audience:* Really, any dependency question, because we also get students who answer the other dependent question incorrectly a lot, too.

*Misty Parkinson:* Okay. I'll take that down as a suggestion.

*Audience:* Thank you.

*Shamarli Kollock:* Two?

*Audience:* On the high school, could you do the logic like you do for the schools or the colleges where you ask the state first, then the city, and then maybe a drop-down of the high schools in that city? The reason is, is because the way it goes now is they want the name, then the city, then the state, and if they don't have the exact spelling of their high school, they can't find it. And the high schools in my area, the federal government doesn't have the word "school" on their name, so it's the town, "high," and that's it. And when they type in "high school," it's not found.

*Shamarli Kollock:* And I think that's the intent of the smarter search logic that we're deploying it is gonna solve for what you just indicated, some of the misspelling issues, abbreviation issues, and people should not have trouble finding their school if they're in the database.

The reason that the city is not displayed in a drop-down is the database is over 100,000 different schools. It's from schools that currently exist, schools from previous years, and so it's really not feasible to do the display of the city. The State field is required, though.

*Audience:* No, I'm not asking for a display of the city. I'm asking for the state, then the city, then a drop-down of the schools.

*Shamarli Kollock:* So currently, the way that it works is that the state is required, and a student can also put in information about the name or the city, and then once they search, there is a drop-down of all the high schools that meet that search criteria.

*Audience:* Okay. Just a suggestion.

*Shamarli Kollock:* Okay.

*Audience:* The second thing, it would be nice if we knew why the students did not pick the match with the IRS.

*Shamarli Kollock:* Okay. Misty's gonna cover the IRS data retrieval tool, so I think she's gonna explain that.

*Audience:* Okay.

*Shamarli Kollock:* Okay.

*Audience:* Thanks.

*Shamarli Kollock:* I can't see if there's someone back there. No? Oh, two.

*Audience:* Thanks. This is more a comment than a question. I attended the unaccompanied homeless youth session yesterday, and there was a question about when making the determination that a student is, in, a homeless youth, that there was a workaround when making the correction on FAA, and you were to use the professional judgment as the option. And from what I understand, you're indicating here that an option has been created to indicate that.

*Shamarli Kollock:* That's correct. \_\_\_\_\_.

*[Crosstalk]*

*Audience:* Okay. So my recommendation is just that the speakers, before their presentation goes up after the conference, update their presentation so that everybody can have that same understanding.

*Shamarli Kollock:* We'll take that back, thank you.

*Audience:* Thank you.

*Shamarli Kollock:* Two.

*Audience:* Just one suggestion. I have a parent who tried to update their marital status on the FAFSA after it was processed. So they updated the marital status and then their income, and when they went to hit Submit, it said, "You can't do this. You need to talk to your school." Is it possible that after FAFSA has been processed you can go ahead and stop them when they try to change the marital status? Just when they try to change there, say, "You can't do this," and then, "Contact your school"?

*Misty Parkinson:* You're talking about the parents \_\_\_\_\_ –

*[Crosstalk]*

*Audience:* The parent, yeah. Not the student.

*Misty Parkinson:* And they're using FAFSA on the Web, and they're encountering an edit that tells them they have to see their FAA?

*Audience:* Right.

*Misty Parkinson:* Well, you can contact me, Misty Parkinson. If you could maybe provide me with identifiers for that situation, because that is not an edit that we should be displaying, so it would be helpful if I could take a look at the record and see why that's happening.

*Audience:* Okay.

*Shamarli Kollock:* Okay, thank you. So I'm gonna let Misty talk about the IRS data retrievals now. I don't see anybody else at the mike. All right, thank you.

*Misty Parkinson:* Okay. So I'm going to talk about the changes that we are making this are to the IRS data retrieval tool. The IRS data retrieval tool became available during the 2009-2010 year in FAFSA on the Web, and that was available for a period of six months. We were a year into processing before that became available. In 2010-2011, it became available at the end of September, so during the ninth-month period that the 2010-11 cycle was available, we had approximately 934,000 users who transferred their information the FAFSA.

For 2011-12, the tool became available just a month after startup, and so far we've seen approximately 4.5 million users transferring their information, so we're seeing a lot more usage from the IRS data retrieval tool.

For 2012-13, again, we plan to start making that tool available about a month after startup. The IRS doesn't have data for people to retrieve at the same time that FAFSA on the Web goes live, which is why we don't make the tool available right at the very beginning of the cycle. So about a month after startup, we make that available. And we're making some changes this year that we hope will do a better job of messaging to students and parents about the importance of using the IRS data retrieval tool, how it's

so much easier, et cetera, et cetera, in the hope that more people will use it, resulting in more accurate data, which obviously, we hope will lead to increased accuracy in awarding aid.

So for 2011-12 and prior years, the design of FAFSA on the Web basically relied on students and their parents to read and follow directions, which we can probably all agree is not the best idea. So this year, we decided to make this part of the application a little more interactive, making the students and parents actually do something in order to help us figure out whether they should be linking to the IRS or not.

We have some basic criteria that we use to determine who we should be displaying the IRS data retrieval tool to. People have to have a valid Social Security number. They have to indicate that they already completed their taxes. They have to have a marital status that's prior to the current calendar year, and there's some other basic eligibility criteria. But that eligibility criteria is based on the way that FAFSA questions have been answered. But there are some other reasons why we would not want somebody to use the IRS data retrieval tool and pull their data into FAFSA on the Web. We can't determine, based on the FAFSA questions, how to weed those people out.

For example, if somebody has filed an amended tax return, then the right information is not in the database that we are getting data from. If the student or parents are married and filed as married, filed separately, or as head of household. They wouldn't be getting the right information from the IRS, or if they filed a foreign tax return, they wouldn't be getting a complete picture if they did successfully transfer data from the IRS. So in the past, we had text on the page that basically said, "If you meet one of these criteria, you shouldn't link," and we relied on them to read that and not link.

What we're doing this year is we're adding a series of checkboxes to FAFSA on the Web, and the student and parent, if the preliminary criteria indicates that they're eligible to have the tool displayed to them. Then they checkboxes will display on the page for them, and then they are required to check at least one of the boxes. I know that the screen shot is rather small, but there a total of six checkboxes that could possibly display. The first two only display if the marital status that's been provided in the FAFSA is married, and those first two checkboxes are asking if the tax filing status is married filed separately, or if the tax filing status is head of household. There's nothing wrong with filing as head of



household as long as you are not married. But if you are married, we believe that's a problem, and so as I said, that question will only display as if somebody indicates their marital status as married. And if they check that box, we're not going to let them link to the IRS and transfer their data over.

The next two checkboxes are for instances where the student or parent filed an amended return, or filed a Puerto Rican or foreign tax return. So if any of those four checkboxes are checked, then we will display a message to the user saying, "You don't meet the criteria to use the IRS data retrieval tool, click Next and proceed."

The last two checkboxes for people that we believe should be using the IRS data retrieval tool, so we have one that is for those who recently filed their taxes. If somebody checks this box, then we display messaging that lets them know how long it normally takes IRS to process data, whether the tax information was sent via a paper return, or whether the tax return was filed electronically.

If the user wants to link to the IRS after reading that message, 'cause they'll read it very carefully, I'm sure, there is a link that they can click on and then that makes the IRS data retrieval tool functionality available to them.

If the user indicates that none of those criteria identified with those checkboxes is true, then they can check the None of the Above checkbox and then the IRS data retrieval tool functionality will be made available. So this screenshot shows you what that looks like. It's very similar to what is available now.

Once the FAFSA is submitted, there is some new messaging that may display on the confirmation page, depending up on whether the student and/or the parent could have linked to the IRS and didn't transfer data, as well as for students and/or parents who would have been eligible to link to the IRS, except that they indicated that they haven't yet filed their taxes. So we have created six new messages. One is specific to the student. One is specific to the parent. One is if both of them meet the criteria. So there's three messages for each scenario here.

So we're telling them within the application that they should be using the data retrieval tool. When they get to the confirmation page, if they didn't use the tool, we're telling them they should have used the tool, and that they can come back, make a correction and use the tool at that time. So we're trying to message more than we have been in the past.

If the student and parent still have not linked the IRS and transferred their information, then we have some additional opportunities to message to them. We'll be sending out e-mails to both categories of users, those who were eligible to link and didn't, as well as those who may have been eligible but hadn't yet filed their taxes.

So the first group is those who estimated their tax information because they indicated they hadn't filed their taxes yet. Right around March 15th, we'll be querying our system to find out how many people meet that criteria, and we'll be sending out an e-mail to the students, as well as the parents who meet that criteria, to let them know that they should go back – they've probably filed their taxes by now – and they should go back into FAFSA on the Web and use the data retrieval tool, indicate that they have now completed their taxes, and bring the data over from the IRS.

Around May 8th we will be querying our system again to catch those people who either received that first message, but didn't make any changes and transfer their data from IRS, as well as to catch any new people who have filed FAFSA since then that meet that criteria. So people could potentially be receiving two e-mails if they fall into that category.

Our other group of people are the eligible filer group. They already answered all the question and basically told us that they were eligible to link to the IRS, but they have at this point chosen not to link to the IRS. We are going to be sending notifications to those people as well. Beginning on April 1st, we'll query our system to see who meets that criteria, send the e-mails to those people, and then approximately 45 days after that, we'll query our system again and see who meets that criteria. Anybody who already received an e-mail the first time around will not receive another one, but anybody who meets the criteria and hasn't already received a notification, those people will receive an e-mail. And we'll continue to do that every 45 days until mid-September, and then every 60 days after that until the end of the cycle.

We made some changes to help you better understand what the different IRS request flags mean. This chart shows the definitions for each of the IRS request flags, and the values of blank and 00 through 04 are the flags that we're using now, and that we have used in prior years.

As we sat down and actually defined what each value meant, we

realized that it would probably be more helpful if we took the flag of 01 and split it into two different values. Currently, the flag of 01 covers those people who were presented with the option to link, and they did link, but they didn't transfer their data back. It also includes people who were presented with the options, but didn't use it at all. So what we're doing for 2012-13 is splitting that group of people into two distinct groups, and identifying them with the flag values of 01 if they linked, but didn't transfer, and 05 if they didn't link at all.

We're also adding the value of 06, and this covers people who transferred their data from the IRS, but then made some kind of change that made them ineligible to link to the IRS. So the data that they transferred back is still there, but we're providing you with a flag to let you know that maybe that data isn't really good based on some other change they've made. And just a simple example, if they transferred their data in their original FAFSA and then they went into make a correction, and now they indicate that they filed an amended return. Then we would be setting that flag to six. You would get your clue that maybe some of the data for those IRS fields needs to be looked at by seeing the change to the IRS request flag value.

So those are the changes that we're making related to IRS data retrieval functionality. Just gonna review some of the stuff that we've been doing over the last few months, to provide information to you in the form of our many guides that we post on an annual basis. We posted the "Federal Need Analysis Methodology" in May, so you should all be able to access that. In October, we posted the "2012-13 CPS Test System User Guide" on the FSA download website, and the EFC formula guide is listed here as having been posted in October, but we actually made that available back in August.

Additionally, in October we posted the electronic data exchange technology reference to SAR comment codes and text and the ISIR guide, and then also at the very beginning of November, we posted our 12-13 summary of changes.

December is the 12 date that the CPS test system will be made available. And I know that there have been some questions recently about the test.

I'm looking at **Terry** to help me out with this. The test files? Yeah. And I just saw the response was spotted on FAFSA Tech today. I believe that's December 5th. Did I see that correctly?

Monday? So Monday, those test files will be available for those of you that have been waiting for those.

January 1st is when the FAFSA on the website will be made available as well as FAA Access and processing will begin at the CPS on January 3rd. And for those of you who do use our FAFSA on the Web and FAA Access demonstration site, that will have 2012-13 functionality added to it on December 18th.

Okay. So I am going to take any questions that you have related to any of the material that either Shamarli or I have talked about. I would just like to remind everybody that Jeff is focusing on the verification piece, so while I did discuss IRS data retrieval tool functionality and I did discuss the codes, if you have questions specific to what that means in terms of verification, I like to ask that you hold those questions until Jeff has had a chance to give his little speech, and then he will be happy to answer those. Yes.

*Audience:* Is the e-mail address on the FAFSA going to become a required field so you can send out those e-mails that you talked about on Slide 39 and 40?

*Misty Parkinson:* At this time, it's not a required field. Can I have a show of hands how many people think that's something we should consider? Thank you. Okay.

*Audience:* Have you considered releasing the FAFSA later, now that we're in to the tax retrieval system, rather January 1st, making it available February, the actual FAFSA?

*Shamarli Kollock:* The whole FAFSA website?

*Audience:* Mm-hmm.

*Shamarli Kollock:* I'm not aware of any discussions around that.

*Shamarli Kollock:* Can you maybe explain a little more about –

*Audience:* Well, if the data retrieval is not going to be available until February 1st, and we want to encourage people to use that, then why would we open up the FAFSA on January 1? Why wouldn't we delay having access to the FAFSA website?

*Jeff Baker:* One thing is the reason we don't turn on the data retrieval until the first is 'cause there's virtually no data at the IRS, so that \_\_\_\_\_ –

*Audience:* Exactly.

*Jeff Baker:* But to be honest, I'm not sure your colleague would want to have a delay in the start up. The schools that we heard yesterday, the schools start evaluating in February and doing the awards, we've actually been asked to try to find a way to have the application system start up in October or November to match up with that admissions applications and all of that, so I think at least until we see a couple more years of this activity and maybe the IRS match can be even more efficient than it is, we're gonna primary hold with this school.

*Audience:* It just seems to me that we're duplicating work. So if we're having them apply early, and then go back in and update their information from the IRS data retrieval tool, we're looking at that file again.

The next question [*laughs*] is with regards to the time that a person submits their IRS either electronically or on paper, how long does it take to get into the system, approximately?

*Misty Parkinson:* I knew somebody would ask that question. I think it's one to two weeks if it's electronic, and six to eight weeks if it's paper. And we do have that in the text that's displaying to them on the website.

*Audience:* Thank you.

*Jeff Baker:* And let me add to that, too. These guys can correct me. The IRS has told us that something in the 60 or 70 percent of tax filers are filling electronically. Now whether that goes to financial aid applicants, we don't know enough yet. But the fact that it's only a couple a weeks, a week or two is pretty good. Paper, it takes longer for obvious reason, but there are far fewer filing paper these days.

*Audience:* Thank you.

*Misty Parkinson:* Microphone 2.

*Audience:* Yes. Has the IRS been made aware that they likely to see – I'm sorry. I'm getting feedback. [*Laughs*] Has the IRS been made aware that they're likely to see an increase in requests for tax transcripts? And if so, should we still expect taxpayers to get to within ten days?

*Jeff Baker:* I'll take that later. That's a question I'm gonna talk about the whole IRS verification thing, and I'll try to remember to cover that, 'cause that's put it in context with the rest of the discussion.

*Audience:* Okay.

*Misty Parkinson:* Okay. Microphone 5.

*Audience:* Hi, thanks. Oh, the feedback is bad. Okay. There's a question about the students and their marital status changing, and the need to make a correction on the FAFSA. But my understanding is that parents marital status if that changes after the first filing, there is no way to make correction to that?

*Misty Parkinson:* You can make a certain, but I believe it's only if they're selected for verification.

*Audience:* Oh, I thought it was only if they had made an error the first time they were filing, and they were looking to correct the error, not if there had been an actual change in the marital status.

*Misty Parkinson:* They can correct an error at any time. That would not be reporting a date that occurred after they filed the FAFSA. To report a date that occurred after the FAFSA was filed, that can be done, but only if they were selected for verification.

*Audience:* I see. Okay. Thank you.

*Misty Parkinson:* And we updated our comment codes a couple a years ago to be a little more vaguely specific without mentioning verification, because we do display a comment code if the parents change their marital status.

*Jeff Baker:* So we just take a couple more.

*Audience:* Hi. For the IRS data retrieval tool, what are the elements that are extracted from IRS to the FAFSA? For example, education credits, **work** \_\_\_\_\_ credit? Does it check to see if –

*Jeff Baker:* Can we – I apologize. \_\_\_\_\_ time. I'm gonna get to those things. Those are the verification things. I apologize. I make sure that we cover those things.

*Audience:* Okay, thank you.

*Jeff Baker:* And do need to cut this short, 'cause I gotta do my thing.

*[Laughter]*

And then we'll have time for questions at the end. So maybe the two people here, and then there's one or two people there, and I think that'll be it, and then you can come back afterwards.

*Audience:* Has there been any more talk about using prior, prior year?

*Jeff Baker:* Same thing. Let me get to that when we get to verification.

*Audience:* Okay.

*Shamarli Kollock:* Okay. Microphone two.

*Misty Parkinson:* Jeff has all the good stuff.

*Audience:* Okay. So my question here is will the FAFSA on the Web demo site actually have the IRS data retrieval tool on it this year?

*Misty Parkinson:* It does not, no, because we don't have a demonstration version of the IRS data retrieval tool. So the screenshots that you saw of what FAFSA on the Web looks like with the checkboxes and everything, that's all there on the demonstration site. If you actually click on the button to link to the IRS, then you're just gonna get a message that says the tool is not available in the demo site.

*Audience:* Okay. But the questions will be there.

*Misty Parkinson:* I'm sorry.

*Audience:* The questions will be there, though.

*Misty Parkinson:* What you saw on these screenshots, yes.

*Audience:* Great.

*Misty Parkinson:* Yeah.

*Audience:* My second question is we anywhere several students this year whose parents had completed rollovers in the prior tax year, and because of the way the returns work, that gets reported as income on the FAFSA when they pull in the data. And so their income's actually being inflated quite a bit. Are there any plans to notify

parents who have significant retirement income that this data may not be accurate if they use the tool?

*Shamarli Kollock:* We have instructions on the IRS site on FAFSA on the Web that if they bring the data over and they need to exclude the rollovers. We do recognize that some people may not be paying attention to the instructions, but we have seen that some people have changed it once they've transferred the data back.

*Audience:* Where does that warning display, or where is that information located?

*Misty Parkinson:* It's in the Help text for the specific questions. It defines for you what you should be doing if there are rollovers. And there are help topics next to each of those fields on the IRS website.

*Audience:* Thank you.

*Shamarli Kollock:* You can't see the IRS screens on the demo site. If you go up to the PC lab, they are doing demos of the FAFSA, and you are able to see the IRS site questions and the layout.

*Audience:* Is there a way for us to derive from the IRS request flags who you're gonna be sending those e-mails to so that we could do our own outreach? Or if not, is there a way we could request for our school code who you're sending 'em to again so that we can do our own outreach to the same population?

*Misty Parkinson:* Well, the people we would be sending them to, we would be sending the one group is the people who indicated that they will file, so they'll get one set of notifications. The other set of notifications would be people with a flag of 01.

*Audience:* Okay –

*Misty Parkinson:* Okay, basically, anybody except for 00 and 06.

*Audience:* Okay. So we can basically derive it from the flags and do our own outreach.

*Misty Parkinson:* Yes.

*Audience:* Okay, thank you.

*Misty Parkinson:* Mm-hmm. Microphone 5.



*Audience:* Yeah, back on that rollover question, if they do import the data and they change it because it's a rollover, does that change them from an 02?

*Misty Parkinson:* Yes, it does.

*Audience:* So we have to collect a tax transcript, which doesn't reflect the rollover, so we're gonna change it back.

*Shamarli Kollock:* No, they would provide by subsequent additional documentation to show that they were excluding the rollovers.

*Audience:* If we ask them to. But how are we gonna know to ask them to?

*Jeff Baker:* The problem is that the IRS, the data we can get, at least for now from the IRS, cannot make that distinction. We clearly understand the problem and we'd like to be able to have IRS data do that same kind of arithmetic that's pointing to the middle of a tax return \_\_\_\_\_. But we're not able to get there from the IRS, so we're kind of where we are, and what you describe will happen.

*Audience:* Okay. Well, I guess that leads me to another question that I've had for a while. I wasn't gonna ask this, but I'm going to. When you were initially doing the work on developing this data retrieval tool, you came back to us at I think one of these conferences and you said that there was a very high correlation between the data you were seeing on the FAFSA and the data that you were getting pulled from the IRS. And that made you feel comfortable with moving forward with the data retrieval tool. Am I right on that? I mean, if you didn't have a high correlation, you wouldn't feel comfortable moving forward with it, right?

So I guess then my next question is why then is the transcript better than the tax returns which was returning a high correlation?

*Jeff Baker:* As we've asked a couple of times, can we hold that until I do my presentation? Thank you.

*Audience:* Okay.

*Jeff Baker:* Which apparently is gonna be right now.

*Misty Parkinson:* Okay.

*Jeff Baker:* Okay. And we will save time for some of these questions. I made a couple of notes on things that have already come up to try to

remember do to them. If not, I'm sure you'll remind me.

So the question might be why did we mess around with the verification regulations? Now for a number of reason, not necessarily the most important one, but we really haven't done much in the way of changing the verification regulations for 25-26 years, and a lot has changed. Obviously, the financial aid programs have changed. The ways people finance their education has changed. Income tax rules have changed. And the technology has changed. And we are also moving ahead to kind of target our work so we don't have the one size fits all, which all of you have said over the years, and we agree, is not really the way to run a program. To where we can, we want it to be more targeted.

We want to take advantage of the IRS data retrieval, which after many, many years trying to get his done a number of ways, including statutorily and regulatorily and working with the IRS, we were able to reach agreements with them. It's not perfect, but it's very, very good. You saw the numbers that Shamarli mentioned, 4.5 million, and we expect that, obviously, go up by this year and next year, even more so.

All of this, though, is about making sure – we use this expression unofficially around our place is that it's getting the right money to the right people at the right time and in the right way. And some of you have heard me say this before, it's not just that that's what the law says we're supposed to, and it's just that it's the right thing to do, but in this economic situation, in this budgetary situation for the federal programs, we cannot afford have a \$35 billion Pell grant program where people it's not being run well, and that we're not giving the money to the right people in the right amounts. And so we made specific commitments to the congressional budget off and to the White House and others that we will do everything we can, balancing simplicity and burden, but also making sure that we're getting these awards, particularly federal Pell grant awards on the right information.

So as you've seen a couple times this week, we issued and NPRM in our program integrity regulations which included verification in June. We did the financial regulations the end of October in the full package. When we do regs before November 1st or by November 1st of a year, they are generally effective the following award year. So all of the regulations in the program integrity package were effective July 1st, 2011, except for verification. We specifically delayed it for a number of reasons, including having opportunities to train more, having opportunities to change our

systems, and for you to change your system.

Minor technical correction. In April, and then as the regulations provide – and I have another slide in a minute – the regulations tell a secretary that the secretary has to publish a notice in the Federal Register each year of the items that are possibly gonna be selected for verification, and what the acceptable documentation is. We did that in the middle of July. We followed it with a Dear Colleague letter which writes the same stuff that was in the Federal Reg a little bit more plain language, and including some additional information, particularly about the transcripts.

But we preceded that with this GEN-11-03. We did that way back in January so we gave folks plenty of lead time to be thinking about it, and it was basically this commitment that we were gonna get the information as many times as best we can, directly from the Internal Revenue Service, 'cause that's what our law says Title IV is based upon. And so we talked about using the data tool. Then we talked about verification, and we talked about the transcript, which we'll have more in a minute.

So what did we do here in the regulations? Now you have to pretend here a little bit. That first bullet really covers the three that follow it. They shoulda been spaced in a little bit. We want to make sure that we're getting all changes that have to be made as a result of verification, and we would hope all other changes that you make for other reasons be submitted to the central processing system for reprocessing, for a number of reasons. One is so we recalculate an official revised EFC and so that you know you have an official approved expected family contribution that you can drive the awarding of subsidized Title IV aid off of.

And to do that, we've eliminated the \$400.00 tolerance. That was put in many years ago when making a correction was very difficult. It was sometimes still in paper, but even the automated was kind of clunky. It's very easy to make corrections now. And, in fact, most schools do it anyway, 'cause they don't wanna mess around with worrying about tolerances.

The same with all changes, the regulations prior to what will be in effect for '12-'13 says that if you have to make a change, you only have to report it to us if it affects federal political grant eligibility. If it doesn't you do not have to report it to us, but you better calculate EFC properly and use it for direct subsidized loans and for campus-based aid. We need to have all of the data in all of the case. And, again, not schools are submitting us all the stuff

anyway. It's just easier to do that as you're integrated systems.

The last one which we eliminated is the provision that allowed school to stop verifying, even if we kept selecting them once they verified 30 percent of their applicants. Most schools don't use that, partially because it's kind of complicated to make sure you do the arithmetic right, but I hope most of you don't use this because it's just wrong to have a student who we selected for verification – and by the way, all evidence, including information from you folks is that while not every student we select, but the vast majority of students we select because our selection tool, our model, our risk model, as it were, is pretty good, need to have some corrections.

So why should someone who we've identified as very likely as an error on their application not have to verify, because they happen to go to a school that uses 30 percent or not. So we've made these changes.

We don't think this is gonna be a big burden. We have consulted. This went through negotiator rulemaking. Obviously, this is a little bit more burden than maybe more importantly, it's just some change in procedures that once schools get those procedures then it'll flow through pretty well. Before I go to the next slide, I don't – and I can't give you a reason why I didn't do this. There's not a slide on here about the marital status change that Shamarli talked about, but it'll just take a second to remind people of that.

Prior to these new regulations for '12-'13, a school or an applicant could not have a change in marital status that would result in a change of dependency. So they reported their marital status as of the day they filed the FAFSA, and even though the marital status might have change, they got married or they were married and got divorced or whatever, they couldn't change it. For years, we've been wrestling with that. It didn't seem exactly the right way to do it. It depended upon when you happened to file the FAFSA compared to when you got married and all this kind of stuff.

In working with the schools, we tried a couple of options, and the one we came up with which we think is the most effective and actually it may not sound like it, but it puts the least burden on schools, is to say that an applicant whose marital status changes after the file a FAFSA, and that change could result in a change of dependency status, that marital status may be changed if the school decides to do it. So it's on you to do that or not do it. And you can make that decision across the board, or you can do it on a case-by-case basis.

Well, we've built into the system because the next question from the schools was, "Well, how do I know if somebody's marital status changed?" Well, you might know for a number of reasons, but what we've done is the student can go in and change the marital status. In the past, that would have been blocked. Now I think we have a couple of messages that come up, but it'll go through, but we will not automatically switch – let's say it's going from a dependent to independent, single to married – it will not automatically change the dependency status and it will not create an EFC.

But you'll get a transaction with codes on it that will tell you that this student is attempting to change their marital status, and then you can decide whether to go along with it or not. And we didn't give you any guidance about can you just accept it. Do you have to talk to the student? Do you have to get a copy of a marriage – whatever you wanna do, you make your decision on that.

And then you go in and you make the changes using FAA Access, and then the change of dependency status and the change of EFC will take place. So that's how that works. You have more flexibility here.

Now perhaps the biggest thing we did here was to change the model that's probably 30 years old, which said that we run our risk analysis, our risk assessment – and, like I said, it's pretty good and it gets better and better each year – but when we do that, we select the person for verification, and the regulations say you have to verify for everyone these five items, adjusted gross income, taxes paid, number in household, number in college, and any untaxed income.

Well, we wanna move and use the technology and the richness of our database to move to more targeted approach or a customized verification. We wanna run our models and say not that this student's application might have errors in it, is error prone, but that this item might be in error, is error prone. And so we would want to get to a point where we would run our models and choose a person not for verification, but for verification of just AGI and taxes paid and not for anything else, or just for number in household and not for anything else, or some combination and so on. So that's where we wanna go in customization.

We also move to allow the secretary to choose any item from the FAFSA, from the ISIR, to include for verification, because there's

a lot more than just those five items. You'll see in a minute that – and you already know about the two we've added even for this upcoming year, but we've had schools ask us all the time, "Aren't we supposed to verify the person who's independent 'cause they say they're an emancipated minor? Aren't we supposed to verify we have this guardianship thing that was mentioned here?" So we wanna have the opportunity to, looking at data and getting feedback from the school as to what items in a particular year might be on the table to be verified.

We're not to 100 percent. We're not even close yet to 100 percent customized for a couple of reasons. Systems issues and phasing this in, and we also need to get the database just a little bit more robust in terms of the data it has so it can do these risk assessments. So what happens for '12-'13 in a way is not a lot different than what has happened in the past. We'll run our risk model.

We'll select someone for verification. You'll get the flags on the ISIR and the codes, the SAR will have the asterisk or whatever it has, and then you implement the federal registered notice which I'm gonna go over now for everyone. Okay? We're not yet to say you only have to verify AGI and taxes paid. We not there yet. We're hopeful we can get either there or very close to there for '13-'14, and very confident by the time we get to '14-'15 that we're really doing targeted and keeping the burden down for families and for schools.

Excuse me. So we did do the federal register notice and the letter, and here's what we said. Now remember, this is for anyone who's selected for verification, but then there are some sub-decisions to be made. For all applicants – we haven't change this. We will eventually – number in household. But with all these extra words on here, and we did go out our way and give some examples in the Dear Colleague letter. We wanna remind people that the regulations say, yeah, you have to verify number in household, but only if there's a reason to. If the number in household reported on the FAFSA, and, therefore, on the ISIR is exactly what it should be given the student's dependency status and marital status, then you don't have to verify anything.

So the simplest example to explain this is you have single, independent student whose family size is one. What are you gonna verify. That's that student. They already told us that. So you shouldn't have to go out and ask the student to verify her family size of one. It's her.

The other common one, there's actually eight or ten of them, is the dependent student who indicates that their parents are married, and they have a family size of three. Well, that's the mother, the father, and our applicant. That's three. There's nothing else you have to verify. Now if they listed four or five or six, you gotta then find out who these other folks are. But we think in this area, and then you'll see in the next one in a minute, that even though the notice says that they'd have to verify these things, there's nothing to verify, and so don't go hassling the family and the student. That's not a big deal to send you a piece of paper with the names on it, but why should they bother with that when you already have it?

Number on college very similar. That has to be verified for all applicants. But, again, if the number in college is one, that's the applicant. You don't need to ask anything else. That's the applicant. If it's two or three or something else, obviously, you have to find out who these other folks are and what schools they're going to and so on.

So while we haven't made a big change here, if we remind people and as you think about how you're gonna request information from your applicants, take a look at these things and realize that, okay, the notice, which in effect, the regulation, says I have verify household size and number in college. But guess what? I don't have to do either or both of those for this particular applicant.

Now also for all applicants, and this is where we took the secretary's authority now under the regulation to add something beyond AGI, taxes paid, number in household, number in college, and untaxed income, and said this food stamps or supplemental nutritional assistance program I think is what SNAP is calls or food stamps.

Why do we choose food stamps? Well, because we're taking some baby steps here. We don't wanna lay it all down at once. But we thought about it about it and said what else on the eligibility if it's reported wrong has a significant impact on the a student's eligibility? And because, as you know, for simplified needs test, and for **auto zero simplified needs**, which is a big deal, one of the ways the family can be eligible for auto zero simplified needs test – well, first of all, they have to have the income below \$32,500.00, and \$50,000.00 for simplified needs test, and file a 1040, 104EZ or not filing, or the Congress added six or seven years ago, receive benefits from one of these means tested benefits programs, free

and reduced lunch, welfare, SSI, and food stamps.

We chose one, and we didn't just close our eyes and choose one of them. We choose food stamps because it's the easiest one to verify 'cause the recipient of food stamps has a document, and mostly it's a card now so they don't have to go running off to the Department of Agriculture or HSS or the state or anything. They have this information. Now this is gonna be a test in a way, 'cause we're gonna see how many times where the applicant was selected for verification, had indicated that they were receiving food stamps, you verified it as you're supposed to, and you didn't have to change anything.

If it turns out that you hardly – you as in the country – hardly ever had to change anything, then maybe won't do that next year because we're wasting our time. Maybe we'll look at another one. On the other hand, if it turns out that a fair number of 'em are misreported, then that's important and we oughta pay attention to that. Keep in mind, though, that even though we say "all applicants," it's only if food stamps is reported. They answered the question yes or checked the box or whatever. And they only get presented with that question if it's needed for an auto zero or simplified needs test determination.

So if their income is over \$50,000.00, they never get this question. If their income is under \$50,000.00 and they answer that they file a 1040A or EZ or didn't file, that makes them eligible for auto zero, they don't get this question. So it's a very limit number who actually get this question. And not many of them will be able to say yes on food stamps. A lot of people get food stamps, but – so it's a relatively small number, and we'll track it.

We also added child support paid. Now child support paid is not income, but it has the same affect 'cause it's a reduction income. And we chose this for a couple of reasons. One, is it's a significant amount of money in many cases, and so if it's important, for example, to know that someone's income is \$3,000.00 or \$4,000.00 different than what was reported, then it's important know that somebody's claim that they're paying \$3,000.00 or \$4,000.00 or more in child support be verified. Again, not everybody, obviously, pays child support, but when it's reported, you have to verify it.

The other reason we chose this is it also is very easy to verify. The document is not to get a court order or a cancelled checks or a statement from usually the other parent who's receiving the



money. It's simply a signed statement by the person who claim that they're paying child support, as to who they're paying it to, how much, and what are the names of the children for whom they're paying. We assume they'll be able to answer those questions.

So, again, this doesn't come up a lot. These are the two new items added. But if the student is selected for verification and either of these play, either for the parent or the student, you do have to verify these things.

Now that's for all applicants. For tax filers, and there's nothing really exciting and new here, is AGI, taxes paid, and untaxed income. But for untaxed income, the only items you are required to verify by our rules are these five. And those were not arbitrarily chosen. Those are five that are on a tax return, the front page of the tax return, or back of the tax return, and they're items that come over from the IRS data exchange. So when you get the IRS data retrieval information, you'll get this stuff and you'll see – and I think you already know, but you'll see why that's very important, okay?

Now in answer to a couple of questions that I think came up and you may have some more, we are working with the IRS every year to – a couple things, to make the operational process better, and we've talked about that, and they've done some better work on the authentication with the addresses and those kinds of things. We also work with them on the speed and the timeliness, and I think we see a lot of improvements there. We also are working with them on what data items are eligible to come over to the FAFSA, and we have constant conversations about “Can we add this thing, and is it possible, and does it make any sense?”

Now that doesn't mean we're gonna get everything we want, for a couple of reasons, one of which this stuff costs money, but also, the IRS, and they've been very cooperative. Their primary function is keeping track of our taxes. Helping us out in awarding financial aid, they're very committed to, but it's not gonna be the highest priority for them. But we think we'll have some success in the next couple of years on filing status. This one about the rollover is a little bit tricky, but we've had some preliminary conversations to see if we can handle some of that, and some of the other things that schools have pointed out. But this is where we are now.

Non-filers, and nothing has changed here for non-filers.

Obviously, there's no AGI. There's no taxes paid. There's no untaxed income. That's reported on the tax return. So they have to provide, as they always have for the last many years, copies of their W-2s if they have them for any employment, and a statement of any other income or resources that they have. And that, you've always had to do, and you'll have to do this for non-tax filers, and that statement includes a statement from them that they did not, and are not required to file a tax return.

Now this gets to another question that comes up every once in a while at these conferences and other places that we go, no we do not expect you folks to be tax experts, but we do expect, and I think we've made it clear, and I think everybody kinda gets it now that there's two things you need to pay attention to, and one is that if somebody reports that they make more money than the IRS threshold for filing a tax return and then they say they're not required to file a tax return, they are wrong. They are wrong, okay? And so that, you have to tell them, and we put this out in our guides and it's in the IRS publications. It depends upon marital status and stuff, how much and at what point income you have to file a tax return.

They get all their money back, and maybe that's why they think they don't have to, but they do. They do have to file tax return. The other one is head of household question. But for non-tax filers, this is what you have to get, okay?

So we're moving slowly, purposely, added a couple items, food stamps and child support paid, and reminded you about some of the things. But think about what might happen – and this is not just something that's one out of a million. So we selected someone for verification and they're dependent student whose parents are married. And they put family size three. Well, I'm supposed to verify that, but I guess I already have. The number in house – number in college one. Well, I'm supposed to verify that, and they already have. Okay.

They didn't get food stamps. That's gone. They didn't pay child support. That's gone. And in a minute, you'll see, of course, if they used the IRS data retrieval tool and didn't change anything, they're verified. So you have the odd situation where we selected them for verification, but there's nothing more that you or the student has to do or the family has to do. Now that won't be 100 percent. It probably won't even be 50 percent, but it should be a very high number.

So in the list of acceptable documentation that we put in \_\_\_\_\_ in July in the letter, we've made it very clear, we hope, that acceptable documentation – number one acceptable documentation is IRS data retrieval tool, information coming from the IRS directly. We believe that's appropriate for a couple a reasons. It's from one federal agency to the other, which this morning or yesterday a number of people asked why we don't have these better matches with other federal agencies. Well, here's where we have one and get the information directly; therefore, it's accurate information and it's information that a law requires to be used to establish eligibility. And it's simple.

It take, I don't know. I keep saying 90 seconds. It may even be less than that, for the student or the parent to go in and answer those few questions to see if they're eligible, and then go over to the IRS, put in their address authentication, and that works most of the time, not all of the time, but most of the time. Go get their information and bring it back and they're done in 90 seconds, whether they do it initially when they fill out a FAFSA, or come back on the corrections process because you suggested that they do it or in response to some of these e-mails that Misty mentioned.

If the applicant or the parent, student or the parent, is either not allowed to – and we talked about some cases we don't allow them to use the IRS data retrieval. Like if marital status changed or they've kinda weed themselves out because they filed an amended return or a foreign return. Well let's say away from foreign returns. Amended return or whatever, or they just choose not to. And to anticipate a question, we are not able, because of the Internal Revenue code, to require people to use the IRS data retrieval. We're pushing 'em pretty close to requiring, but we can't just give that last shove.

So for any of those people, even after all of our encouraging them to do the easy part, which is the easy way, we are no longer, in most cases, going to be allowing the verification to be met by handing in of a tax return, a 1040A or EZ to the financial aid office. It's a transcript from the Internal Revenue Serve, for the same reason. We wanna make sure it's the information from the IRS.

Before I forget, the IRS transcript when you get it, does not have to be signed. Shoulda had this on the slide. I'm sorry. It does not have to be signed by the – it's okay if it is, but it doesn't have to be signed.

There's an extra line on here. This really should say, "IRS data retrieval process is our first choice, if not, a transcript," and delete the word "request." You can re-get a transcript. The tax filer can get a transcript by going online to the IRS, fill in some information and then that will be the request for a transcript.

They call the 800 number and give the automated machine – occasionally they'll get an operator, usually an automated machine, the same kind of information. And that will be the request, or they can get the paper 4506TEZ, and submit that. People sometimes like paper, but that will take two or three more because it's a paper process.

The IRS at this point, the transcript is still paper coming back. It's not electronic back to either the tax filer or the school. They're working on that, but it's not there. The transcript will be sent to the tax filer's address, so they'll have to bring it into you. And it should be within ten days to two weeks if it's requested online over the telephone we told 'em our requirements here. We've told 'em about the volume that we have. We reminded them we sometimes forget when we talk about the number of applicants we have. Half of them are dependent, so there's two going on there, the parents and the students, and those volumes and they're confident that they'll be able to handle this volume and turn these transcripts around as quickly as they always have.

We think we're big time when we have 22 million FAFSAs and we kinda make a point of that around, and the IRS looks at us and said, "We got 300 million Americans we work with." So they're confident that they can get that information for us.

The only time – the regulations and the notice actually do allow occasionally for a copy of tax return to be used. But right now, we can't think of any reason except for if the tax filer filed a Puerto Rican or a foreign tax return. There might be some other reason to come up. That's why we gave it some flexibility that we have to decide up on and get in the information off to the community. If the person selected for verification, and they were a tax filer, a verification documentation is IRS data retrieval without being changed, using the codes, or a transcript from the IRS, and that's pretty much the end of that story.

I'm not sure, maybe I didn't get the gentleman's question right, and he can come in a minute and clarify it, but we're not requiring a transcript and the IRS data retrieval. If you've got the IRS data retrieval, that's the end of it. So the fact that a person was selected

for verification, their FAFSA information by definition is questionable. And, again, it's a risk model, so it doesn't mean that particular person, but the likelihood of error is there. And so just like we've been doing verification for 30 years, we want it from the IRS. This time we want it directly from the IRS. So if that wasn't your point, and I missed it, I apologize, and we can get up in a minute and try to clarify that.

As was mentioned, there's all these flags and the codes that get sent on the ISIR, depending on whether – and it's student or parents separately for dependent who uses the IRS data retrieval tool, and if so, what happened. And you have these actually seven codes now.

Here's, I thought an interesting statistic. Of those people who are able to and choose to go to the IRS data retrieval tool and bring their information in, 90 percent of 'em don't change it. So they do come back with a 02, which is gonna be the important one. And we're gonna do some work on what are the other people changing those ten percent. And what we're really interested in is and then when the school got it, did they go back and change it to the original data, or was there something else going on. We need to understand that a little bit more, and maybe our IRS colleagues can help us with that.

So this is the statement that's most important. David mentioned this the other day. There's 02 on this list of codes that you saw. That says that the tax filer, the student or the parent, separately, was able to, chose to, went to the IRS data retrieval, went through their authentication process – and, by the way, most do – was displayed their information, AGI, taxes paid, and any or all of those five untaxed incomes, a couple of little items, and chose to load it into their FAFSA. That's a 02. That means that's verified.

And so going back to what I said earlier, even though they were selected for verification, they used the IRS data retrieval tool because you encourage them to do that, and/or we did. They're verified for those adjusted gross income, tax paid, and any of those five untaxed income and then depending on what the rest of the stuff shows.

Again, the letter back in January described this, gave you the reasoning. Whether you bought it or not, I don't know, about the importance of getting accurate information from the IRS for all of our applicants but particularly for the ones that are own systems have identified as probably have an error, probably have an error.

And one thing we'll be able to do here after a year or so, is really do some good analytics on what's going on here with people that we thought something was an error, and then the IRS data retrieval came in, and everything was fine, or they changed it. Why are they changing it? These are the things we put into our risk model.

Less likely to get selected for verification. I need to be careful here, 'cause I don't want people to take away a promise or say, "Jeff said this," or something, but it is true that if an applicant or the parent uses the IRS data retrieval when they're first filling out the FAFSA, and we know lots can't do it 'cause they haven't filed their taxes yet, but if they are able to and they use it, they are much less likely to even get selected for verification. Because why would we waste a verification on somebody who we already have the information in and it hasn't been changed? Okay.

So to the extent you can encourage your applicants or if you're at a school that has students applying late, particularly after April or rolling admissions, all those kinds of schools and so on, really, those people should really use the IRS data retrieval when they're filling out the FAFSA. But if not, anyone goes back in later using the correction process. It takes a minute or so and it's taken care of.

And, by the way, all those e-mails we're gonna send out, whether they were selected for verification or not, we're gonna send 'em out to those people, because everyone should have that information directly from the IRS. And I'll tell you just a little secret 'cause there's only a few of us here.

There were some people who suggested that we forget about verification, and we require all students to go through the IRS data retrieval. Well, 100 percent. We resisted that and we were successful, and I think we'll be okay with that because we've shown that our risk model is pretty good.

So here's some contact information if you need to get back to us, but don't call me. Call them, I don't – so we appreciate – we do have 20 minutes to a half hour or so for your questions either on the verification things that I spoke to maybe, I missed something I promised it'd get to and I didn't, or thing else that – Misty, if you – before I do that, while you're getting to the mikes, I meant to say this at the beginning. On the high school – and I said this over and over again, and you've probably heard it four times here at this conference, there's no such thing as a list of approved high school, of validated high school, of US government approved or

disapproved high school. There's no such thing.

The 10th Amendment to the Constitution of the United States prohibits that, not specifically, but more broadly. All that list is, is the public high school that states have submitted information to our National Center for Education Statistics, and that's pretty complete because the states submit it, and private high schools who have chosen voluntary to provide their information to NCES. And that's why we don't have as many private high schools 'cause they don't have to. There's nothing about it.

So not being on that list isn't anything bad. It's just that it wasn't on the list. Or in the case of particularly last year, and I'm sure a little bit this year, the students just couldn't find his high school. That's all that is.

Okay. I'm gonna start at number two because I think they started lining up earlier. Then I'll come around and pick up you guys. Yes.

*Audience:* Okay. I actually have a couple, but they're quick. I promise. Regarding Reject 21, if a applicant changes their marital status, but the date still remains prior to the initial ISIR received date, will that trigger Reject 21?

*Misty Parkinson:* No.

*Audience:* Okay.

*Shamarli Kollock:* That was easy

*Audience:* Said they're quick. I promise.

*Jeff Baker:* The answer was pretty quick, wasn't it?

*Audience:* Yes. Regarding the education credits, I noticed that you had that listed under untaxed income, but that's never been considered untaxed in some in the past. I'm wondering if that's changing or if that was just an error.

*Jeff Baker:* No. I'm sorry. What?

*Misty Parkinson:* It's not untaxed income, but it's in one of the data elements that come back from the IRS and what we previously called the worksheet questions.

*Audience:* Okay. And the last question is one I asked before, but the person didn't know the answer. Regarding the IRS transcript, we had a situation where a student or a parent turns in an IRS transcript, and upon review, we determine that something needs to be changed, like the filing status or exemption amount or whatever, our policy has always been that when we make them file an amended tax return that they're required to take it to the IRS office and get a statement showing that it was received as proof of filing.

Under the new regulations, would that still be acceptable, or would the student have to wait 8 to 12 weeks for the IRS to process it and get an updated transcript?

*Jeff Baker:* So this is a situation where in the past, you got a tax return and this year you might get a transcript. But I think the same issue would arise, and you discovered that they filed incorrectly.

*Audience:* Yeah. That would be one reason we would request an amendment.

*Jeff Baker:* What did they do wrong? Give me an example.

*Audience:* Like they filed head of household and we're requesting that they change it to married filing separately. And then they take the 1040X to the IRS and get a stamp showing received. The question is would that still be acceptable, or would they have to wait for the IRS to process it and get an updated transcript?

*Jeff Baker:* They'd have to get an updated transcript. And I know that sounds onerous and bad, but the thing is they were supposed to fill out their taxes properly the first time, and taxes are almost as complicated as financial aid. But they're supposed to fill it out properly, right.

*Audience:* Okay.

*Jeff Baker:* I'll go over here, and then we'll switch sides.

*Audience:* You showed an interesting statistic there a little bit ago, 90 percent of the data retrieval filers just submitted it and it was good to go and 10 percent were bad. We've actually been using data retrieval this year extensively, and I'd say of those 10 percent that are bad, about 90 percent of those are because we altered the data because of either a rollover or because of a professional judgment decision. Is there any plan to use an IRS request flag when an FAA alters the information that was retrieved from the IRS?



*Jeff Baker:* Let me back up just a little before I get to the question. With all due respect, don't use the word "bad," it was just that it was changed by someone, the ten person. So the question is that, yeah, that's true. But at least in your case it may not be 90 at other places, that change, the subsequent change, which is why it wasn't a 02, was made by the school making a legitimate change based upon something they learned like the rollover, which is a big one, right? And yet it still comes back as four or a five or something.

*Audience:* Four, yeah.

*Jeff Baker:* Right. I'm not sure. We'd have to change our systems.

*Shamarli Kollock:* I think we can think about that, but maybe it's too simple an answer, but we consider that to be your process of verifying the data. And so there's nothing further for our system to do. We don't really need to have any additional flags set. Would you agree, Jeff?

*Jeff Baker:* Right. And I shoulda – so it came in as a two. You chose – I wanna mention this in a minute. You chose to get additional information, or the family said, "Hey, there wasn't this much. I did my rollover. I'm allowed to do that." That was a verification step you just did when you changed it. So nothing else needs to be done. You're done. So even though the next transactions, gonna come back with not a two, one of those other numbers, that doesn't mean you have to go through any verification process you just did that to get to that point.

*Audience:* No, I understand. And I think having a separate flag might help us in identifying those when they come back, because right now what we're doing is we're just treating the '04s as something that we need to go out and check.