

Carney McCullough: Welcome to “Customized Verification 2013-14, and Beyond.” Once again, if I could get you to move down closer, I’d really like it. This is an interactive presentation. We’re really looking to get feedback from you. We’re not gonna do all of the talking here. Some of it’s gonna be from you, and the microphones are down here, I believe. So with that, like I said, we really don’t bite.

I’ve also been asked by our register crew to give you an announcement, and I’m gonna try to explain what was explained to me, but when you leave here, if you are going to the Signature rooms, you should exit out the back and to the left and through the glass doors. If you’re going to the MGM Grand Hotel, exit to the rear, and turn to the right, and there’re are going to be red shirts and security that are gonna give you a path directly back. I guess it’s kind of a shortcut. And they’re gonna have security. The gonna stop traffic. I guess we have to cross the street or something. But supposedly, it’s shorter than – I don’t know about you, but it’s taking me like 15 minutes to walk through to get over here, so I was really happy to get this announcement because I plan to take the shorter cut to get back, too *[laughs]*.

So once again, thank you for being here today with us. I’m Carney McCullough with the US Department of Education’s office of post secondary education, and with me today, I have **Terry Hunt**. Marilyn LeBlank was not able to make it. But Terry’s been working with us for last 27-28 years – we were talking about that – on our system, so she works with ICF Macro. And so I’ve known Terry for a very long time, and I’m thrilled to be presenting with her this afternoon.

Okay. This is what we’re planning to cover in today’s session. I’m going to cover the information up to customized verification, where Terry’s gonna take over. I’m gonna talk about why we revised the verification regulations, some highlights of the new regulations, including the ’12-’13 verification items. And then Terry will talk about customized verification 2013 and beyond. And then we have left a significant amount of time for questions and discussion.

So first of all, why are we, or why did we decide to revise the verification regulations? After all, they were working just fine, weren’t they? Well, let’s see. We really hadn’t made any significant changes in our verification regulation since they were first published back in 1985. And so we’ve had over 25 years worth of experience to draw onto and form policy and operational decisions as have you. You’ve also had 25 years of experience in

this area.

There've been significant changes in the need analysis formulas over the past several years, in particular. And as we continue to work towards additional simplification of the FASFA need analysis, there will be even more. And at long last a day came that sometimes we thought was never going to come, which is we now have the IRS data retrieval process which we can use to simplify verification.

And, finally, and certainly not least at all, the last 25 years there've been huge operational changes in the way the department and educational institutions do business. I keep thinking back to when I was on a campus and we used to have – this tells you how long ago it was – we used to have the tri-part form, and we had to stick carbon copies in 'em to process Pells. Remember that? Remember bubbling those little payment documents? All that? Things have changed in the last 25 years, and we thought it was time to kind of catch up or get ahead a little bit. So that was why we revised the verification regulations.

Now they were part of that big program integrity regulations package, which you heard a lot about this morning. It was referred to several times. We publish a "Notice of Proposed Rulemaking," back in June 18th, of 2010, and we received a lot less than the gainful employment regulations. We received only around 1,200 comments. Yeah, what's that, right? 1,200 compared to 90,000. But the 1,200 comments were very significant. They were very helpful. They were very informative, and that was really a significant number of comments. That's a lot more than we usually receive on packages. We published the final regulations last October 29th, 2010. And the general effective date for everything but verification was July 1st, 2011. Verification, we extended the deadline and had it effective for the '12-'13 award year.

Now I've got two links up here, and what I really want to stress for you is the need to read both the NPRM preamble, and the final regulations preamble, and the regulatory language, and for additional information. And the reason I want to point out that you need to read both is they do different things. The "Notice of proposed Rulemaking Preamble" walks you through what is the statutory requirement, what do the current regulations say and what do the proposed regulations proposed to change, and why. It gives you that whole rationale for every change that we're proposed integrating to make in the regulations. And, then, of course,

there's proposed regulatory language.

We get to a final regulation, obviously, the regulatory language, that's the regulatory language you wanna focus on, because that's the final regulatory language, but the preamble summarizes the comments that we received, gives a response to those comments, and explains the changes that were made, if any. Now let's just say there were some thing that we proposed that nobody commented on, and there's no change, it's not gonna be discussed in the final regulations preamble. You're gonna have to go back the NPRN preamble to understand it. So that's my little advertisement for sort of how to track our regs, and how to get a good and through understanding. I also tell people that it's a really good cure for insomnia, also, because it's great fun reading for you. Okay.

I mentioned that the general effective date for the regulations package was July 1st, 2011 with the exception of verification, which is effective July 1st, 2012, which really means for the 2012-'13 award year. We published a technical corrections package on April 14th, 2011, and there were some technical corrections to the verification reg language. They were truly, truly technical, and you might even have been able to pick 'em out without where there needed to be changes without even us publishing them, but you would want to take a look at those as well.

We've also published two Dear Colleague letters that address changes for 2012-'13. The first was Gen 1103, and that explains the enhancements to the FASFA and IRS data retrieval process. And the second is Gen 11-13, and that accompanied the federal register notice which was published on July 13th, 2011, and that's the federal register notice that in our regulations we tell you weren't nothing publish annually. That's going to identify what items are possible to be selected for verification for applicants.

We also have additional information that will be coming your way soon, such as the Application of Verification Guide, which I'm sure you're anxious awaiting, and there are people back in Washington working on that as we speak. We're also planning to pose some frequently asked questions with answers to that program integrity website, which you can link to from IFAP that was mentioned this morning where we're able to sort of publish questions on certain topics that are in the program integrity regulations. I don't think there's anything up there right now for verification, or, if so, there's maybe one or two little things, but you wanna check back on that because we're collecting questions

that we're hoping to post soon on that.

Okay. So I'm just gonna go over highlights, and I mean highlights at a high level of the new requirements for the 2012-2013 award year. I already mentioned that we delayed the effective date, and the reason for that was really twofold. It was in order to give you, the institutions, time to make needed changes to their institutional processing systems, and also to give us some time to implement systems changes as well. So we all needed a little extra time to implement these new changes.

We're gonna be targeting our selection criteria based on the most error-prone data elements that are specific to each applicant selected. That's the whole idea behind customizer verification. Terry's gonna talk a bit more about this later on, and how we envision this happening. We're really not at customizer verification for 2012-'13. We're kind of moving in small increments as you can see.

Now one of the biggest changes to the current regulations with the elimination of the 30-percent limit, now you're going to have to verify all the applicants that were selected by the department for verification.

We heard some concerns when we were negotiating these regulations about the potential increase in workload for certain institutions, but we also heard at the same time, that many of you were already verifying all of the selected applicants. And when we were talking to people who were, in fact, doing that, we said, "Well, what are you finding?" And the answer was, "Well, we're finding those applicants, in fact, have errors and they do need to be corrected." So our selections seems to be working, so that's sort of bolstered our decision to say, "Well, let's do away with the 30-percent limit that you have."

We're still planning to only select around 30 percent, but we obviously know that the distribution of that 30 percent may not be equally distributed among all institutions and some institutions may, in fact, see an increase in the number of applications that are selected for verification under this new process. But with the change to more customized verification and some of the changes in documentation thing, we still think that the verification will be reduced for each individual applicant and that the burden overall will be reduced for institutions, and most particularly for applicants.

Under the customized verification, the information that an applicant would have to verify would be very specific to each individual applicant. For example, an applicant might only have to verify household size and number in college, and not have to verify AGI and **taxes paid**, and that's really kind of true now with the data retrieval process.

the new regulations also require all of the non-dollar items that have changed and that corrections that are above the tolerance, that I'll talk about on the next slide, to an applicant's FASFA information do have to be submitted to the department for processing even if the student isn't eligible for Pell or if the amount of the Pell grant would not change. And we think it's pretty simple to send corrections. Back in 1985, you had to put it on paper things, stick a stamp on the envelop, **send the SAR off**, et cetera. Now it's almost instantaneous, and so it's not as difficult, and it enables us to have correct data on which we're gonna be able to be running our models that Terry's gonna discuss more later. Okay.

We removed the \$400.00 tolerance that's been in the regulations for a long time, and replaced with a requirement to submit all the corrections that are \$25.00 or more for processing. So as I said before, you're gonna have to do that.

We continued to believe that submitting all the required corrections, even those that were less than \$25.00 would be a great idea, and we'd really love to see you do that. We certainly heard from the commenters during the comment process that the really small dollar items, like, "Come on. Do we really have to do that?" So, hence we came up with the \$25.00 tolerance in the final regulations.

Now if an applicant's been selected for verification by the department or by your institution, you have to complete verification before exercising professional judgment to adjust a data element that's used in the EFC calculation. You do not have to verify an applicant before exercising professional judgment unless the applicant was selected by the department or by the institution. There's been some confusion in the field about that, and that's why I wanted to stress that. People were getting confused when we said you had to complete verification before you could excess cash professional judgment. Some people interpreted that to mean that you had to verify anybody you were going to be exercising professional judgment for, and that's not the case, so I wanted to clarify that.

There's also been a requirement in the verification regulations that's really about updating application information. An applicant has to update all changes in dependency status throughout the award year, except for changes that result from a change in applicant's marital status. And we had proposed some changes around this, and we ended up with a final regulation that says that for the first time a financial aid administrator, however, may require the applicant to update a dependency status as a result of a change in that student's marital status to address an inequity or to reflect more accurately the student's ability to pay.

Because we all have those circumstances we were on campuses where you had two of your same students, and they had gotten married to each other, and one of the students had applied early, so they had applied before they got married and they were a dependent student, and the other student had procrastinated in filling out their FASFA, and filled it out after they were married, and they were there for an independent student. And that seemed a little bit inequitable, and so this will allow you to choose whether or not to require that applicant to update their dependency status as a result, and change of marital status. And it allows you to also be to pick, say, a particular date by which they had to have been married to excess cash this, as opposed to waiting through the entire award year. So that was a compromise that we made in the final regulations.

As I mentioned earlier, we eliminated from our regulations the five specific data _____ that we've all known and loved for a million years as being the absolute requirements for verification, and instead said that we would be publishing in the federal register each year, a notice that would specify the FASFA information and the documentation that an institution and an application may better required to verify in the documentation that they would be collecting to complete that verification. We published the 2012-'13 federal registered notice on July 13th, 2011, and we also posted that Dear Colleague letter, Gen 11-13, to accompany it, where we sort of tried to say things in plain English as opposed to federal register-ese.

You'll note that for '12-'13, those longstanding current five data elements that we've all known and loved for a million years, right, continued to be there, and that we only added a couple of new items that we think would be fairly easy to verify. We promised when we were moving this way, that we were gonna progress cautiously and carefully. We weren't gonna have huge changes all

at once for everybody in terms of adding data elements. And I think we've kept to that promise so far. So for 2012-'13, we've not moved to real targeted verification yet, but I want to go over briefly with you the items that may need to be verified by the applicant, and if appropriate, his or her parents or spouse.

So for all applicants will have to verify number in household and number in college. That's one of our tried and true favorites. And there's some specific things, though, that you don't have collect additional documentation that was in the regulations before. For example, let's say you've got a dependent student with married parents and they report household size of three with one in college. You don't have collect any additional documentation for those part individuals.

The other two items that have to be verified for all applications would be food stamps received, also noticed SNAP – Supplemental Nutrition Assistance Program is the program that they come from – if these student had indicated that they'd received those benefits and that showed up on the ISIR, and also child support paid, if that's indicated on the FASFA and shows up on the ISIR.

Now for tax filers, they have to verify AGI taxes paid, and then only certain specific untaxed income items. This is certainly not all the untaxed income items that we collect on the FASFA, but these are five items that are all taken directly from the tax return, and more importantly, they're all part of the IRS data retrieval. So that can be used to complete verification, and that's the untaxed IRA distributions, untaxed pensions, education credits, IRA deductions, and tax-exempt interest. And for non-tax filers, they just have to verify income earned from work.

The comprehensive list of what documentation's acceptable is published in that July 13th federal register notice, so you should check that notice for the comprehensive list of acceptable documentation to meet verification requirements. Obviously, we really are encouraging and want you to know that information that was retrieved using the IRS data retrieval process that was not subsequently changed is considered acceptable documentation for the IRS-related information. Now if the student made changes to the transferred information or if you have reason to believe that the information transferred was inaccurate, the applicant would have to provide alternative acceptable documentation as outlined in the federal registered notice.

Under certain conditions, obviously, those who can't complete IRS data retrieval process, some applicants will need to submit the IRS tax return transcript of their 2011 tax year information. That would be people who didn't use the IRS data retrieval either initially or through the corrections process. That would be if they had subsequently changed information that was retrieved through the IRS data retrieval process. If you've got a married student and their spouse or an applicant's parents filed separate tax returns, that can't use the IRS data retrieval so you need to get a tax transcript. When the applicant or the applicant's parents had a change of marital status after the end of the tax year, and when the applicant's parent or spouse filed an amended tax return, you need to get an IRS tax transcript in those circumstances and can't use the IRS data retrieval process.

In very, very limited circumstances if an institution determines that obtaining and IRS tax return transcript is not possible, the institution may accept a signed copy of the 2011 tax return, but would have document the reasons. One example would be the applicant filed a Puerto Rico tax return. But there are very, very limited circumstances where that would be the case.

And I jokingly told **Jeff** I was gonna do this, 'cause this is kind of like concludes the overview of the 2012-'13 FASFA and verification changes for this portion of our session. So if you're looking for more information on that, there are three sessions at this conference, at these particular times, where you could go and get more information on that.

So now I'm gonna turn it over to Terry to talk more about customized verification.

Terry Hunt:

Okay. I'm going to acknowledge how long I've been doing this by finally starting to wear my glasses so I can see my notes.

Okay. So Carney has shared with you sort of the vision of customized verification and the policy discussions and decisions that led to that point. What I'm gonna talk about now is how we plan to operationalize customized verification in the CPS perhaps as early as the '13-'14 processing year. And when I'm finished then Carney and I would like to have a discussion with you, get your feedback on your general reactions and impressions to this approach, whether you think we've missed anything or anything else that you think we should consider or want to share with us. So we're hoping that you'll give us that kind of feedback when we get to that point.

Our plan to operationalize how customized verification will work is focused around the ISIR because that is the mechanism that we use to communicate with you about students who have been selected for verification and what it is that you need to do to verify those applicants.

When we were designing this approach, we had two major objectives that we were trying to meet. The first was to try to make this approach as helpful to you and to the students as we possibly could, and, hopefully, as I go through the presentation here, you'll see that we're trying to do some of the work that up until now, you've had to do to determine what exactly has to be verified, which items need to be verified for each particular student.

The second objective that we needed to adhere to was to ensure that we were getting accurate information reported on the FASFA, and that aid is going in the right amounts to the right students, and so in order to make sure we were meeting that objective, we decided that we needed to use a phased approach to implementing this customized verification. So that's why you'll see we're gonna sort of take it a step at a time, do some things, some minor things in '12-'13, and then some more things in '13-'14, and, ultimately, then get to totally customized verification.

So to start out with I'm gonna kind of go through how we currently do verification selection in CPS, how it currently works, make sure we're all sort of on the same page before we start talking about how we're gonna move into the future, and then we'll look at customized verification.

So in our current process, which is for both '11-'12 and also the upcoming '12-'13 cycle, verification selection occurs when the FASFA is submitted for processing through the CPS. And in this CPS, we're applying risk model to that FASFA data. And if an applicant and/or their parents meets one of our predetermined risk criteria, then that record is selected for verification.

When corrections are made against an application, if they weren't selected on the original application, then that applicant is re-subjected to those same risk model criteria using the corrected data, and if the corrects that have been made to the FASFA data now trigger or hit one of those risk criteria, then that applicant could be and would be selected on their correction transaction on that subsequent transaction. So I think you're probably all familiar

with that situation. We hear about that a lot, where they're not selected on the application, and then they do make corrections which cause them to be selected subsequently.

The way that we communicate to you that selection status or verification status of the applicant is on the ISIR. So we have the verification flag on the ISIR. We are familiar with the values there. Yes, they've been selected. No, they haven't been selected. And we're using that asterisk to indicate that they were selected on a subsequent transaction. And currently, this is basically all that we tell you on the ISIR, they've been selected, and then it's up to you to use the information in the Federal Student Aid handbook and in the federal register where there is guidance about which specific data elements need to be verified, depending on whether they're tax filers or non-tax filers, and what is the acceptable documentation for those different specific items.

So you do the work now to figure out for each student what do I have to verify and how do I go about doing that. So this is basically how it is working currently in terms of verification. And like I said, we're gonna really continue this approach for '12-'13.

So now let's talk about moving more into the future, beyond '12-'13, even maybe beyond '13-'14, but the ultimate goal is that in the future the ISIR would indicate not only whether an applicant has been selected for verification, but also which specific items that particular applicant needs to have verified. We're not quite there yet, but we're moving that way in '13-'14 as sort of a transition year to get us to this fully customized verification approach.

So at '13-'14, as I said, we're viewing as a transition year, and what we'll be thinking about or looking at doing in that year is sort of what we're calling a hybrid approach, which is sort of in between what we currently do and the ultimate future vision for how verification would work. So let's look at what this sort of hybrid would look like.

Like the current process, we'd start out with the applicant data on their original application transaction would be subjected to the risk model, so we're still planning to use that model that we've developed that look at historic data to identify applicants who appear to be error-prone or more likely to be error-prone based on the information that they submitted on their FASFA. So that would be still the basic process that we would use for verification.

Then we would sort of have three different categories of selection,

and I wanna sort of define at a high level what each of these are, and then I'll go through them more specifically. So first, we would have targeted selection, and these are the records where the data meets one of the risk criteria and the record is selected for that targeted verification. So that's similar to what we do now with the actual criteria that are targeted.

But then we would in addition to that, at a second category which we're describing as discretionary selection, and this would be data that where the applicant doesn't meet one of our target criteria, but selected to verify a particular non-targeted data element. So these are sort of like the food stamps and the child support paid that Carney mentioned we'll be looking integrating at, at sort of discretionary criteria, or discretionary data elements in '12-'13.

And then the third category are what we call a combination, so you would have records that quite possibly would meet both. They would meet one of our targeted criteria, and they also might be reporting and meet one of the discretionary selection criteria as well. So that would be sort of the third category.

So if we use the data elements that Carney mentioned in her presentation that we've identified for '12-'13, if we use those as sort of the example, let's say we're gonna use those same data elements in '13-'14, then this is what this targeted selection would look like. So we would identify records that have met targeted verification, they've met our risk model. And if they were tax filers, then they would need to identify these same fields that she mentioned, AGI taxes paid, the five untaxed income fields that on the income tax form, and then family members and number in college. And you see AGI, family members, and number in college are noted here that if the record meets the automatic zero EFC, those would be the only data elements that they would need to verify. So the others wouldn't apply in that case. And then for non-filers, it would be earned income, family members, and number in college.

Then for the discretionary selection, if the applicant was not selected for the targeted verification, then they might be selected for one of the discretionary data elements on the FASFA. So, again, if we use the '12-'13 as an example, this would be food stamps if they reported them as being received, or child support paid, if, again, they reported that they had paid child support on the FASFA.

And in looking at '13-'14 and beyond, we're thinking that we

probably wouldn't select all the applicants that that might have reported data in these data elements, but maybe some nth value so we would have some subset of that group that would actually be selected for verification, and that would give us some data that we could use to learn more about whether a particular data element was really error-prone or not.

And then for the combination, the targeted and the discretionary, where an applicant would meet both the targeted risk criteria plus one or more of the discretionary data elements, then those would be records where they'd have to verify all of those data elements, the ones associated with the targeted selection, as well as those associated with the discretionary selection.

So that's sort of conceptually how we see it working, but this is just sort of a framework of what would be going on within the CPS, and not really something that you would need to be concerned about or be that familiar with. What's really gonna matter to you is what you'll see on the ISIR that comes out. So let's look at how we envision that that might work.

So starting in, hopefully, '13-'14, maybe, on the ISIR, we would include, first of all the verification flag, so that's not new. It's what you have now to tell you a record has been selected for verification or not. But in addition to that, we would add to the ISIR new individual flags for the FASFA data elements that are subject to verification for that particular year. So as Carney mentioned, they would be published in the federal register for each year what the sort of pool of data elements that are subject to verification for that particular year. And so we would build in to the ISIR a set of flags for all of those part data elements, so there might be 24 or 25 different, between the parent and the student, fields that could possibly need to be verified.

And then for each of those particular fields, we would put a code to tell you either yes, this data element was selected for verification and needs to be verified, or no, it doesn't, or maybe a V, which we might use to indicate that that data element was selected for verification, but because the student transferred their data, or the parent transferred their data from the IRS using the data retrieval tool, it's considered to already be verified, so you don't need to verify it. But we would give that a special code so you would know that that data element was selected, but we'd considered it as already verified.

Okay. The specific data elements that are selected for an applicant

would be based on several different things, besides the fact that they met a targeted criteria or they've met one of the discretionary things like their dependency status, whether they're independent or dependent, whether they're married or whether they're single, then which criteria they were selected for, whether it was the targeted, the discretionary, or a combination of both, whether they're a tax filer, whether they're not a tax filer. All of these things would be factors that would decide or determine which of those fields would be flagged as the ones that needed to be verified for that particular applicant.

So these are things that currently you have to consider all of these variables when you're looking at a record and determining which fields need to be verified. And what we're trying to hopefully, do is have the CPS do all that work and set those flags for you to tell you which are the ones that you have to verify, and you can just go by that.

To make sure that we try to avoid confusion as far as the students and parents are concerned, our plan would be on the SAR to tell the students that they've been selected, like we do now, but we wouldn't tell them which specific fields they would need to be verifying. We'll leave that up to you to communicate with the student. We don't wanna get into a situation where we may tell them we think that these are the data elements, but the school has additional information or data elements that they require, or it may be a QA school and so they have a different verification approach, and so that could be confusing to the applicant. So we are not planning to give that much detailed information on the SAR.

So I have a couple of examples here of what this might look like, how this would work. If you can imagine that this is sort of the ISIR, these would be an example of the flags, the fields that we might have identified for that processing cycle. So you see that the ones that are currently associated with the targeted selection, the income fields, and the household size, number in college, and then food stamps and child support paid, for both the parent and student. So this might be what it would look like in terms of this group of potential data elements that need to be verified.

So in this example, let's say we have a dependent student. They only selected for a targeted selection criteria, and they didn't use the IRS data retrieval to bring their income information into the FASFA. So in this particular case, we would set the indicators for each of these data elements and we would indicate that those associated with the targeted criteria, the AGI, taxes paid, and the

untaxed income fields, as well as the household size and number in college or the ones that would need to be verified. But things like the income earned or work, which only applies to a non-tax filers, or the food stamps and child support paid are indicated as not needing to be verified 'cause they didn't meet one of the discretionary criteria.

In this example, this is sort of the same type of applicant, except that they did use the IRS data retrieval tool to import their information into their FASFA. So in this case, it's basically the same data elements that were identified as the ones that needed to be verified, but now we've set that code to a V for the AGI, the taxes paid, and all those untaxed income fields, because that information came from the IRS, so it's considered to be verified. So in this particular case, even though the applicant was selected, you don't really need to do anything.

And then here's an example, if it were a dependent student where the parent received food stamps and they were only selected to verify a discretionary item, so they didn't hit any of the targeted criteria. So in this case, the only field that would be flagged as needing to be verified for this student would be the food stamps.

So now I wanna talk just a minute about how things might work with corrections, with subsequent transactions. So verification selection, as we said earlier, would generally happen on the 01 transaction, on the application, and then the correction transactions that would be processed after selection would continue to be flagged like they are now. So you know we have sort of the rule now once selected, always selected. So if you're selected on your application all of your subsequent correction transactions will continue to be selected. So we wouldn't change that approach. But what we would change is if the student was not selected on the 01 transaction then we wouldn't change their status on a correction unless they did one of these two things. They either change their dependency status or they changed their auto zero E of C eligibility.

So we thought about first of all eliminating that situation. We got a lot of feedback. If they're not selected on their application and they make corrections, that they wouldn't be selected on their correction transaction. But we thought there were these two situations that were so dramatic in terms of the information changing, it's almost like they're starting over again. If they're changing their dependency status, then they're reporting different sets of income, and if they're no longer eligible for auto zero,

they're also reporting additional information that needs to be looked at. So those were the only two situations where we felt that it would be a case where we would wanna take another look at those records.

So what we would do is if one of those conditions existed on a correction, then we would take them through the process again. So we would apply the risk model, look through the same criteria, and see if now they do meet a criteria that they might not have met on the application. And in that case, they would be selected for verification. Again, we would just set the verification flag, and identify which data elements are the ones that need to be verified on the ISIR.

So Marilyn said when I said that we weren't gonna select corrections if they weren't selected on their application, that you would applaud, but you didn't.

[Applaud]

So I have to report back to her whether that was true or not. Okay. I'm gonna move on.

Another consideration about the subsequent transactions in the correction situation, one of the other things that we did recognize is that for records that were selected on their application transaction, there, again, might be because of corrections that are made, some situations where the data elements that needed to be verified might change. And, again, these were the more kind of dramatic changes, so dependency status changes, changing your tax filing status, like you go from a non-filer to a filer. If you did retrieve your data for the IRS, but then changed it in a subsequent correction, you changed that data after it had already been pulled into from the IRS, or, again, your auto zero eligibility changing, that sometimes these things might cause the fields that needed to be verified, to change from one transaction to another transaction.

So in these cases, what we thought we would do is leave the verification flag as a Y. They're still selected, but now we wanna reset those field flags that tell you which are the data elements that need to be verified, 'cause they might be different data elements than they were originally. And to sort of help identify that situation, what we were thinking of doing is adding a new verification tracking flag which we would set to an R, so an R would really mean that the applicant was selected in an earlier transaction, and they're still selected, but the items that need to be

verified have changed. So it's kind of like we reset the flags and the data elements that need to be verified now are different than they were on that earlier transaction.

Okay. And that's about it. That's what it looks like. I know it sounds like a lot, but basically this is the summary of where we're going with this in terms of customized verification. First of all, selection will generally happen on the 01 transaction, only, that the CPS will figure out for you which FASFA data elements must be verified, that specific information will come to you on the ISIR, that some applicants may get selected on their 02 transaction or higher, but that number should be very low, just those who make those dramatic changes, like dependency status or auto zero eligibility. And students who are selected and then change their FASFA data later, they may have different data elements that need to be verified, but we'll tell you that. We'll notify you and give you the information you need to know that that's happened and what it is that you need to do. So hopefully, this would make it easier for you to do verification.

So with that, we're ready now for some feedback. Don't everybody rush up at once. We'd like to know first of all, just in general what your reaction to this approach is. Like I said, if you think we've missed anything or gotten anything wrong, or things that could be better, we'd like to hear that. Is this idea of adding this verification tracking flag in the R, that whole approach, would that be helpful? Things like what should we do with FA-access in the verification tool. Are you using the verification tool? Do we need to customize it more so that it would work with this approach and be something that you would use? What should we do with the verification worksheet? Those are some of the questions that we have that we really need some feedback from you all on.

So if we could kinda get some feedback on these types of things first, and then after that, maybe talk about what data elements we should look at as the ones that we want to consider for verification. Okay. So we'll start over here.

Audience:

We were just discussing a little bit, and we think this is a good move. One question we have, though, is now that we have split out the data items, so to speak, customer service-wise in our office, we might ask a student for several different pieces of paperwork to verify different things where we ask for one piece of paperwork currently. So we were just trying to think through how that would work customer service-wise to make it easier for a student.

So if you select AGI and say, “Did you receive food stamps?” that might require two different pieces of verification where currently, they only have to deal with one.

Carney McCullough: Are you gonna address this **still**? Okay.

Terry Hunt: Why don’t you stand up. You’re probably _____.

[Crosstalk]

Carney McCullough: You think I’ll be answering the question? When you say that – well, I mean, currently, for example, if you collect a verification worksheet in many cases, and you also collect tax information, so that’s two pieces of documentation there. So I guess I’m not completely sure I understand the example that you gave where you’re using the surface receipt. That’s some documentation from the agency that did it, and AGI, you’d be collecting a tax transcript.

Audience: Well, let’s throw in household size then, or number in college. Those could all be maybe on a separate form, and so the student might see it as – I agree with what we’re doing, but I’m just saying the student might see it as now they have to turn in 1 of 25 different forms to complete their – that’s all I’m saying.

Carney McCullough: Sure. So I’ll throw some questions back at you. So what do you think about the verification worksheet? Looking at this, and you may not have thought about this, but would you be customizing for a student so that you would send somebody a single letter, for example, and just say, “You need to provide A, B, and C,” and somebody else you needed to provide A and D, and someone else, you only needed to provide B, or how would you be – how do you see it like a verification worksheet working?

Audience: Yeah, I we would have to somehow come up with a single from that we sent student. So that kind of begs the question would an institution still be able to select or verify all the items in a single shot, so to speak, to make the process easier for the student?

Carney McCullough: When you say, “verify all the items,” you mean all the items for which the application was selected, or verify all the items that they possibly could have been selected for?

Audience: Possibly could have been selected.

Carney McCullough: And see, of course, the reason we're moving to targeted verification is to reduce burden on students. Part of the idea was so that everybody didn't have to verify all five data elements.

Audience: Yeah, I agree. Okay. Since I don't have an answer, I have another question.

Carney McCullough: Okay. Why not?

Audience: For this year, the food stamps question, will that be part of the verification worksheet? I've heard talk about that. I'm just not sure if that can be added to the verification worksheet, or is it okay if we add it?

Carney McCullough: Yeah. We're working on what we might do. One of the questions we have even for '12-'13 is, is a verification worksheet helpful to you. Do you want us – is there something that would be helpful even with the changes to do a verification worksheet? Because things are different with this year.

Terry Hunt: How many want a verification worksheet?

[Applause]

Carney McCullough: Okay. And when you say – would it be something – let me just go back to your food stamps thing. Self-certification of receipt of the food stamps is not the acceptable documentation. So using a verification worksheet, it would say, "Food stamps attached documentation," from an agency.

Audience: Say more about that.

Carney McCullough: *[Laughs]* Self-certification of receipt of food stamps is not listed as acceptable documentation for verification of food stamps. It's collecting information from an agency that provided them to the student. In other words, having the student sign, "Yes, I got food stamps last year," is not acceptable documentation to verify that data element.

Audience: So you're saying then it's not something that could be verified on the verification worksheet.

Carney McCullough: Right. You could have a check-off box that, "Yes, I did this, and here's my documentation attached, but it wouldn't be just signing, "Yes, I have received food stamps."

Audience: Okay. I wasn't sure about that up until now.

Carney McCullough: Okay.

Audience: Okay.

Carney McCullough: Well, good. I clarified something, right? Okay. Shall we just alternate the – oh, wow. Okay. How many microphones are there? I see one, two, three. Is that correct?

Terry Hunt: There's one in the middle there.

Carney McCullough: There's one in the middle. Okay. Well, we'll go to this one 'cause I saw people lining up here next.

Audience: Hi. I've got one question in eight parts.

[Laughter]

Carney McCullough: Sounds like verification.

Audience: I see what you're doing for the following year, but for this coming year, are you gonna be highlight for us on the ISIR output document that people who are reporting child support paid and food stamps received or when we pick 'em up for verification, are we going to have to eyeball each application?

Terry Hunt: We're not highlighting them. If someone has been selected for verification, then you have to see if they've reported food stamps or reported the other one –

Carney McCullough: Child support.

Terry Hunt: – child support paid that they have to be verified.

Audience: Well, in the form of feedback on that then, that presents a problem for us in terms of requesting documents from the student as part of our automatic load. We load the ISIR into the software and the software then creates documents that we want from the student. And so under these circumstances, were not asking students for those documents selectively. We would be saying to those students, 'If you reported food stamps received, then you're gonna have to do this. If you reported child support paid, you're gonna have to do this,' and a lot of these students have no idea what they reported. Okay. So I have a bad attitude.

[Laughter]

Are we still self-reporting household size and number in college over the years? In other words, are we at some point going to have to get the kids to document, provide third-party documentation of the number in college?

Terry Hunt: That's not required at this point in time.

Audience: Okay. Yay. And my last part of my six-point questions, proof of non-filing status. If they don't do the retrieval, or even if they do, do the retrieval, if it comes back as a non-filer, are they gonna have to go at it after a transcript, or can we accept their self-certification that they're non-filers?

Carney McCullough: You can accept their self-certification that they're non-filers if they did not file and were not required to file.

Audience: So we remain the IRS police in terms of determining whether or not they filed correctly?

Terry Hunt: Sure.

[Applause]

Audience: Get a sense that's a negative?

Carney McCullough: Wanna go to the middle. We'll go to the middle one, so we'll go left, right, middle. Okay.

Audience: Hi.

Carney McCullough: Hi.

Audience: In your targeted selection, you said that you were gonna use the auto zero E of C as something to target for verification. If I could suggest during what additional items should be verified, I know this isn't looked kindly upon by the feds, but I was say assets because if as a result of those verification, the student is kicked out of the auto zero E of C formula, then we have to follow up again for assets..

Carney McCullough: Okay. So noted.

Audience: Did that make sense?

Terry Hunt: Yes. We got that.

Carney McCullough: Thank you.

Audience: No response?

Carney McCullough: Back over here.

Audience: Okay. Well, you folks have more confidence in the IRS retrieval system being timely than anything else.

[Applause]

My thoughts are this. You have the statutory capability to use prior, prior income information. Why don't you? Why not do it when the students have already done the tax forms and let them have more of a chance to move ahead? Right now, you're gonna hold 'em up. We are forced to move up deadlines because of funding. So that's gonna encourage more estimation. But we had prior, prior, we'd be making our awards now for this upcoming fall.

[Applause]

Carney McCullough: I'll make a note of that and pass it along. Thank you.

Terry Hunt: Yes.

Audience: I have two questions. If a student is selected for verification on Transaction 01, then the student goes in and makes corrections using IRS data retrieval, will that create a second transaction? Therefore, would we be then set that one to V as opposed to Y? 'Cause the students now have the ability to go in and make corrections all day, every day. *[Laughs]* So we wanna try and –

Carney McCullough: Right. We wanna encourage people to use the IRS data retrieval through the corrections process, and so I'm letting Terry think about how that shows up on an ISIR so that you would know that they've done that.

Terry Hunt: We hadn't really talked about updating those flags on subsequent transactions unless they are selections status changed. But we'll take that back. That's something worth considering.

Audience: And if an institutions does verification, would they then need to set it to Y or V? If an institution decides to select a student for a particular data element.

Carney McCullough: For institutionally selected verification.

Terry Hunt: No, you won't be setting those flags. We're just setting those flags based on what we've done to tell you what, according to the CPS, you need to verify. If you choose to verify additional fields, you don't have to do anything on the ISIR or tell the CPS anything at all.

Audience: So we would not have to submit the corrections that we made from our own institutional verification?

Terry Hunt: No, you –

Carney McCullough: No, you still will have to submit the corrections. You have to follow the regular verification process. But what I think Terry's saying –

[Crosstalk]

Terry Hunt: You don't have to set any new flags. You just submit the correction, but you don't have to set those flags.

Audience: All right. Thank you.

Carney McCullough: Back to the middle.

Audience: I have a couple of comments, and a couple of questions. On Slide 23, I believe, where you talk about the SAR will tell students that they were selected, but will not indicate the specific fields that need to be verified, why not?

[Applause]

Why wouldn't you tell them?

Carney McCullough: Well, I think that the reason that we made a decision not to tell them the specific fields that would need to be verified were there were – I think Terry had mentioned a couple of them. One was if you, the institution, selected additional items, we didn't want to get in a situation where you were having a debate with a the student that says, "Oh, the federal government says I only have to verify, AGI, and taxes paid," and here the school is trying to tell me I've

gotta verify assets or something. We didn't wanna get you in a Catch 22 there. So we thought it was appropriate to tell them that they've been selected for verification. You'll hear from the institution as to what documentation and what items and what documentation you need to provide. And she also mentioned, right, the quality assurance schools. Since we don't know for sure where a student is going to go to school, if you're a quality assurance school and you've got a whole different process, we didn't want to confuse that as well.

Audience: Well, that kind of leads to the next concern, which is the change with the verification flag where you're asking will the R be helpful. It will, but the student will still be frustrated with a change in the items that are needed. So it's kind of the same thing, but the reverse of what you just said. It's like the opposite thinking.

Terry Hunt: Well, I think we understand that that's gonna be somewhat confusing. But again, the situations where we see that happening are those where there's been a dramatic change like going from independent to dependent, and now there's all the parent data elements that are a factor in this, or losing your auto zero eligibility. So it's not just on any correction. It's on those where you have those significant status changes, where that potentially could happen, where the flags are gonna get reset, and there's different data that have to be verified now.

Audience: And then just a couple of quick clarifications. For '12-'13, we are changing to verify the like food stamps and those additional items. That is in effect for '12-'13, correct?

Carney McCullough: That's correct. Food stamps and child support paid – people who indicated that they had received food stamps and were eligible for simplified needs test were auto zero, because those were the only ones that you're gonna see on the ISIR. And for people for whom reported that they reported child support that was paid.

Audience: But you're not gonna flag those items for us to help us do the request. Is that correct?

Carney McCullough: Terry's nodding –

Terry Hunt: No, that was addressed earlier as an issue, right.

Audience: Okay. And then you mentioned, and I believe it was on Slide 7, you made a comment, and I'm sorry, I didn't hear the full comment regarding student marital status changes.

Carney McCullough: Right. This is the updating requirement. Historically our regulations has said a student shall not – oh, I'm sorry. A student shall update any changes to their dependency status throughout the entire award year, except for a change in dependency status that we result from a change in the applicant's marital status. So basically, if a student had filed when they were unmarried and they didn't qualify, they were dependent student and the student got married, they were forbidden from updating their dependency status due to a change in marital status.

We changed the regulations on that and said that rather than requiring students to do that, because if you did that it's through the award year, we said the institution could decide to have the applicant update the change in dependency status as a result you a change in the applicant's marital status to address an inequity in treatment, or to reflect more accurately the student's ability to pay. So it's sort of like a professional judgment. It's not a PJ, but it's kind of like a professional judgment. And that goes into effect for '12-'13.

Audience: And do we have to mark it as PJ when we report it?

Carney McCullough: No, you do not.

Audience: Okay, thank you.

Carney McCullough: Okay. I wanna throw something else 'cause since we've got a nice lineup and really glad, but needed to – Terry mentioned we also have got some questions here about '13-'14 and beyond what additional items should be selected. And a couple people had mentioned that, and what the documentation would go along with that. That's another thing 'cause whenever we're thinking verification, we're also thinking, "Well, what are you gonna be able to get to verify that?" And I was also asked to just throw out there to remind you that we did issue a recent Dear Colleague letter GEN 11-17 on distance education fraud rings.

And we mentioned in that Dear Colleague letter that in future years, we might specify some items for verification such as high school diploma information, and apartment identity information for all or some of an institution's title for applicants who are engaged in distance education, and that we might be selecting those

applicants, if we did that, it would be based upon common addresses and other patterns and discrepancies that were noted in the OIG's – Office Inspector General's investigations.

And there are some additional session here at the conference about these fraud rings that you might wish to attend and give some feedback there, but I wanted to throw that out there as just so you would know that that's something that's under consideration for some future outgoing year. I wanted to throw that out there, and just also open up these issues as things we wanna get feedback on also. So back over here. Sorry.

Audience: Carney, I'd like to jump back in history, and it'll tell a little bit how long I've been in it and how long you've been in it. I recall once up on a time, where was a discussion that when an institution completed verification that it would then be frozen so that a student couldn't go back and, in essence, dispute the verification and make changes which prompted another. If I might suggest that probably woulda been one of the big time-savers that would have occurred probably about five to eight years ago, and we're still not – I heard someone from the front say the student can still go in and make changes. And I'm wondering at what point in time the process of verification is going to become finalized so that we're not continually verifying and re-verifying. Just a point of observation.

[Applause]

My questions pertain to a couple of things. One, you mentioned that for '12-'13, and I believe this is correct, and if it's not you can tell me it's '13-'14, that we would ask for either the IRS transfer of information, or an IRS transcript. Is that effective for '12-'13 or for '13-'14?

Terry Hunt: '12-'13.

Audience: And you cited one example where the student would have to submit a tax return. Would that submission of the tax return come as a result of a verification selection, or ...

Carney McCullough: You mean, for example, the Puerto Rico tax return person, or – I'm sorry. I'm not sure if I understand.

Audience: Maybe I missed something. I heard you say the Puerto Rican tax return, but then I thought I heard you say something about a tax return that was discrepant, but with the other information.

Carney McCullough: I think we said if for some reason you had some information, you would need to get the tax transcript to confirm that, 'cause IRS will have the information that was reported, and so that was what I said.

Audience: Okay. So we can officially request that if they don't do the IRS transfer, that they must submit a tax return transcript.

Carney McCullough: Correct.

Audience: Okay. I just wanted to make an observation. That helps a lot. The other thing is which elements when you're – you said from '13-'14 on there would be specific elements. From the long time that I've been in financial aid, I've never seen an individual element come up that didn't trigger some other element for consideration. Are we arriving at a point where if it's not an element, that is identified, we're not required then to chase that sheep all over the field?

Carney McCullough: I believe so. I mean, I say that assuming that there's no conflicting information that's created, but using our tried and true, it's going to be completely possible that somebody has let's say used the IRS data retrieval so, in effect, they've really verified AGI and taxes paid, and they're selected only to verify household size and number in college, for example.

Audience: Could convince someone above your pay grade to submit that in a printed document to us before that time?

Carney McCullough: [Laughs] I'll make a note of that.

Audience: Thank you.

Carney McCullough: Sure. Over here.

Audience: Hi. Yes. I just wanted to verify and make sure I understood this correctly. In Example 2, on Slide 25, it says that the student is selected for targeted selection only. So they are selected for verification, but because they did a data retrieval we do not need to do anything. So I guess my understanding of verification is that we need to verify something. Why wouldn't we ask for household size and number in college if they were still selected?

Terry Hunt: In this particular case, the household size is two, and the number in college is one. So what we're saying is that logically makes sense and doesn't need to be verified. So in this particular case, because

that's what the household size and number in fact college are equal to, those two don't need to be verified. So –

Audience: Would that student have a notice that said, “You were selected for verification”?

Terry Hunt: Well, I don't know.

Audience: 'Cause my thought is they would say –

Terry Hunt: No.

Audience: – “Well, what do you mean I'm selected for verification?”

Terry Hunt: Actually, no, they wouldn't. Even in – no, they would. I was gonna say even in '12-'13.

Carney McCullough: Right.

Terry Hunt: Even in '12-'13, for dependents, both the parent and the student, or for independent, the student, have retrieved their data from the IRS, and not changed it, we're not going to select them.

Audience: So they would not be targeted, selection.

Terry Hunt: Right.

Audience: Okay. All right. And one other question, because depending on the time of year, students may opt to go back and do a data retrieval instead of ask for a tax transcript.

Carney McCullough: Mm-hmm.

Audience: Is that something that if they get a notice that we're asking for verification and a tax transcript, and they know that it's gonna take two weeks because it's a busy time of year, they can go back onto FASA, select data retrieval process instead, and then that will come back through as a V instead of a Y?

Terry Hunt: Yeah, actually, that's what we want them to do. We want them to use correction on the Web and go and retrieve the data. And I remember now since that earlier question came up, we would reset the flag to a V so you know they've done that.

Audience: Is that something that maybe we can include on that verification worksheet, where it says, “Attach a signed copy of the tax transcript,” or, “Use data –

[Crosstalk]

Terry Hunt: Use the **IRSD** – absolutely.

Carney McCullough: Yeah, we’re looking at what we might do as far as the verification worksheet and definitely whatever we do is going to encourage the data retrieval as like *[foreign language spoken]* thing to do. And, “Oh, by the way, if this doesn’t work, then you can go to the IRS tax transcript.”

Audience: Okay, thank you.

Carney McCullough: Sure.

Terry Hunt: We’re even going to be sending some new e-mail messages out coming up in April of this coming here to encourage students or parents who estimated to not only go in and do their update, but use the retrieval tool to do it.

Carney McCullough: Back to the middle.

Audience: Hi. Yes. My question is related to what you were just mentioning. I would have applauded when you said that people would be selected for verification generally on the initial transaction, but we are concerned about populations that have to file early. Most of our incoming freshmen applicants would have to file the FASFA before they have completed their taxes, so they wouldn’t be able to use the data retrieval right away, and also state grant applicants have early deadlines in many states and have to file before their taxes are completed.

So we are concerned that they’re all going to get selected for verification, but I wanted to ask if you had any plans in place for the families that are using estimated data, haven’t file yet, to just reach out to them and ask them via e-mail to go in and make the corrections and use the process.

Terry Hunt: Yeah, we are looking, we’ve already put in to the system to send e-mails out. I think they’re targeted for the March/April timeframe to encourage those applicants who have estimated to go out and retrieve their data as soon as they’ve completed their income tax. We’re also looking at some additional messaging to put into the

FASFA on the Web application to encourage that as well. So we are looking at that.

The other thing I wanted to mention is just the fact that someone has estimated their income does not mean that they'll be selected for verification. It is part of the risk model, but there are other factors in that risk model. It's a combination of didn't that's reported on the FASFA and what that data is that determines if the record is gonna be selected. But the fact that you estimated doesn't automatically mean you'll be selected for verification.

Audience: Okay. Thank you.

Carney McCullough: Over to the left.

Audience: All right. I have a comment, and two either questions or clarifications. In terms of the comment, you had indicated if I heard you correctly that you were surprised that people didn't applaud when you said that students wouldn't be selected for verification on subsequent transactions. But I guess I would argue that you did not say that they wouldn't be selected on subsequent transactions. You said they wouldn't be selected under certain circumstances on subsequent transactions. So, in fact, you did say that they would be selected in some cases.

In terms of my questions or clarifications, if I understand it correctly, if a student is, quote/unquote, selected for verification, they will automatically be required to verify the targeted items such as for '12-'13, the number in household, and the number in college, but then separate from the, quote/unquote, verification process when you look at the discretionary items, a student may be selected to be verified on certain discretionary items whether they were selected for verification overall or not. Is that understanding correct?

Terry Hunt: Yes.

Audience: Okay. So, in fact, I think we're gonna get confused about what verification really is or not. I'm not sure why we even have the overall verification status, because you've got students who aren't selected for verification, yet they have to verify individual items. And then you've got –

Terry Hunt: No, no, no. First of all, you're selected or not selected.

Audience: Okay. So the discretionary items would only be for students who were selected for verification.

Terry Hunt: You could be selected for a discretionary item only, or a targeted criteria only, or a combination, but you're either selected, or you're not selected.

Carney McCullough: That's more about sort of our internal process calling it targeted or discretionary. It's gonna be transparent to the student – they're not gonna know, "Oh, this is targeted and this is discretionary." They're just gonna know selected for verification for these three items.

Audience: So when we look next to the EFC for whether it's selected for verification or not, it may be selected for verification, yet the only thing it that be required would be a discretionary item.

Carney McCullough: Correct.

Terry Hunt: Right.

Audience: Okay. And the last question or clarification was with regard to the reset and the R status. Those students who had discretionary items that were selected, you mentioned if they made a change that looked at other items that there would be a reset. And I guess I wanted to make sure I understood in terms of what you meant on the reset there. Are you indicating in some cases a discretionary items that was originally required on a correction then would not be required on a subsequent transaction?

Terry Hunt: Yeah. It's more likely that it would be a situation where say they're dependency status changed. So they initially were independent and then they changed to dependent. So now they're gonna go back through the risk model, and because of parent information, meet a different criteria. So, therefore, there are now fields of parent data that would need to be verified that hadn't been flagged on the original transaction. So we would reset those flags on the data elements to indicate a parental field or fields that now need to be verified.

Carney McCullough: Okay. Back over here.

Audience: Yes, ma'am. Like most of my colleagues, I have a few points that I would like to discuss, the first being kinda to pin you down on what a couple of my colleagues have said about the difference between the discretionary and the targeted. At what point are the

schools gonna be held liable for say, for instance, you say, “Please verify the food stamps,” and we verify food stamps, but there’s a discrepancy in their AGI, but you never requested us to do that. Currently, we don’t want any documentation to show that something is not supporting one another, but at what point are we gonna be held liable doing that?

Carney McCullough: Okay. Well, maybe – I don’t know if this helps or not. The conflicting information regulations or not a part of the verification regulations. They’re separate and apart. So if were to ever have conflicting information, you’re still required to resolve any conflicting information, which is separate, and that’s not changing. That’s nothing that’s been under consideration of change at all here.

Audience: But it seems that the conflicting information regulation supersedes the verification, so we’re verifying everything, anyway.

Carney McCullough: Only if you have ac conflict. You had a conflict, yes, then you would be required to resolve the conflict. Now the resolution could be – and I’m making something up here, okay? But bear with me here. The resolution could be well, the student had use the IRS data retrieval, so we know what was reported to the IRS, so I’ve resolve that conflict by virtue of the fact that even though they weren’t selected for this, we know that came from the IRS.

Audience: Yes, ma’am. And then y’all mentioned the verification took the FAA, and kinda what we think about all that. If there was ever a point in the future, whether it be ’13-’14 or later years, ’18-’19, where you all selected certain data elements and then we went in to do the corrections from the correction tab at the Verification tool, submitted the student’s Social, the last two letters of their last name – or excuse me. The first two letters of their last name, and then what came up was only what you wanted.

So say, for instance, you wanted the targeted items, but you didn’t want anything else. We would put in the targeted items based on the information that we have, and then that would be what was verified based on what you all wanted.

Terry Hunt: So you would be interested in customization of the verification tool?

Audience: Yes, ma’am.

Terry Hunt: Okay. That’s good to know.

Audience: And then nobody else has said other documentation that should be selected for verification, and I don't want any lettuce or tomato thrown at me, so in the last year, we were doing things with unemployment compensations and requesting 1099Gs and for whatever reason, that went away probably due to the large amount of unemployment that was happening in the population of the students.

However, that's caused students to have a low income, and high AGIs and maybe getting an EFC that really isn't applicable to their situation, that students is, in turn, filling out PJ and we're having to do PJs, and say, "Oh, you have unemployment all this time." Is there something that we would do as far as verifying, saying, "This is the student's unemployment compensation," and maybe adding it in like an untaxed income, even though it's not, but like one of those data fields, and saying, this is their unemployment, and refiguring the EFC calculation, so they're not as hindered or kind of punched in the gut by that.

Carney McCullough: Okay. Make a note of that. I think that would take a statutory change, but I'll make a note of that. 'Cause I just ask how many others would be interested in customized version of the verification tool that would be useful, or something you would use?

[Applause]

Yes? Okay. Good to know. Oh, we're getting the five-minute flag, so let's ask people to pick your top thing you wanna tell us about. I'm not sure we'll get around to all of that. But we're back to the middle here.

Audience: I'm actually gonna be rather quick. I'm in favor of the worksheet. I'm in favor of, as far as suggestions go, not allowing a student or family to make any changes if they do an IRS correction. I don't understand why we even allowed them to make correction if they're pulling it over from the IRS to make it incorrect. And, finally, if they do a verification and we verify them, I would like to see that the FASFA gets locked so they're not allowed make any further changes. I agree with the gentleman from the front that said, "Why are they being verified and then go in and make more changes?"

[Applause]

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Carney McCullough: Okay. Thank you.

Audience: Would it be possible to eventually have a verification worksheet that could be eSigned with the pen?

Carney McCullough: I think that's possible now if you're using the correct s that you would have to have to – I mean, there are things under the eSign Act require institutions to do certain types of things. I'm not that familiar with eSign, but it has to do with how you would be able to authenticate the signature being made with something appropriate. So it would be up to you, because we're not gonna – the student's not gonna ever be giving you their PIN,, and they're not gonna be verifying with us. So there is a –

Audience: To fill out the verification worksheet?

Carney McCullough: Correct. Because they give that to you.

Audience: Okay. And who would I talk to about the regulatory requirements behind that?

Carney McCullough: If you want to send me an e-mail, I can send you the correct people. I believe the eSign Act and regs are administrated through Department of Treasury or something. There's a whole set of things. I can try to find a contact person for you.

Terry Hunt: Sure. Over here

Audience: Are friends and child support for '12-'13, if somebody marks those, will they automatically be picked for verification?

Carney McCullough: No.

Audience: Okay. Your slide was a little ambiguous that way

Terry Hunt: I'll make it clearer next presentation. Okay.

Terry Hunt: [Laughs]

Audience: But if they are picked for verification and they have something in there, when we have two _____.

Carney McCullough: Correct.

Audience: And then I would like reiterate, it would be nice if there were some kind of falling back to us so that our computer can pick it up to send out to the students.

Terry Hunt: Absolutely. Middle.

Audience: Yes, thank you. Good afternoon. With the customization of the verification tool, I like that idea, but it wanna carry it one step further and suggest that perhaps we can customize the verification worksheet and send that with the student aid report to the student, based upon your targeted verification or discretionary verification or a combination of those of those items. I think a specific verification worksheet sent to a student would help expedite the verification process.

[Applause]

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Carney McCullough: And to the left.

Terry Hunt: Yeah. I just wanted to comment simply on ISIR codes. Is the N really necessary or certain we just stick with the Y and V, just for the sake of us not having to look at the ISIR?

Terry Hunt: You mean leave it blank instead of putting it – that’s certainly possible then that –

[Crosstalk]

Yeah, we haven’t nailed any of that down, so that’s –

Audience: Okay. And then just to follow up, again. I think for schools, it would really be helpful for if we’re going this way, some kind of notification get sent with the SAR. I think that the advantages much outweigh the disadvantages for the one percent in here that are QA schools. 99 percent of us still need to request that. And I’ve also heard from other – like Jamie Malone, she mentioned we can’t hold up this student’s aid processing for items that we decide to verify that you haven’t required.

Carney McCullough: Well, you could hold up if you institutionally selected that person for verification and it’s an eligibility item that affects their Federal Student Aid eligibility. But you can’t hold it up if it is for something that is for your own institutional methodology such as like home value, which some schools that use profiles do, or non-custodial parents income.

Audience: My opinion, anyways, is if we decide to ask for additional stuff, then we can deal with the student that wants to argue with us. But,

personally, yeah, if you could help us out and get that on the SAR, that would be great.

Carney McCullough: Great. Back to the right.

Audience: In terms of the codes that you're using for the verification elements, I'm assuming that it's gonna be in some way compatible with the different software systems that we use. We currently are very heavily electronic at our institution. Just about everything we do is E rather than paper, and so we need a way to pull off that information and spit it back out to the students, capture a query on it, that kind of thing. I'm assuming that's part of what you're planning to do?

Terry Hunt: Right. The codes will be on the ISIR. So if you're reading in the ISIR record, you'll be able to read those codes and set up your system to do whatever accordingly.

Audience: Great. Thank you.

Terry Hunt: Yeah, absolutely. We all wanna go electronic.

Carney McCullough: Yes. The middle.

Audience: My comment is more about two data elements that have been left off the acceptable documentation. And these come up in doing verification as well as with conflicting data. One is the grant and scholarship aid that is received and reported on a tax return, and then the other one is on tax portions of a pension or an IRA distribution when, in, it's actually a rollover.

With the data retrieval as well as an IRA tax transcript, neither one of these items is identified. So we are now gonna be faced with a number of students who have incorrect information on their FASFA and there's gonna be complaints coming through, a lot of confusion, and we're not going to have documentation that we can collect from them easily, because we can't collect an actual copy of their tax return anymore.

Carney McCullough: Okay. Okay. Over to the left.

Audience: Yes. Good evening. **Debora Martinez** from Inter American University of Puerto Rico. And I don't know if any other people from Puerto Rico here, but I'm really concerned about things that are coming about tax returns in Puerto Rico because they're not as fast as here. So we're gonna have to go with the paper form or do

I prefer to have like another button that says Puerto Rico Tax Return. So if you can get that done somehow and we can get that electronic transfer and transmit it, it will be very, very helpful.

But I was wondering, are we gonna have a problem with that, because certainly, we are not going to even be able to get any tax return transcript till maybe now in December. And how we are supposed to do verification for those students if we need a transcript to –

Carney McCullough: You can collect the tax return. That's one of the – you can actually do a tax return rather than tax transcript because the IRS wouldn't have the information from the Puerto Rican tax transcript.

Audience: Okay. So we will do that now and '13-'14, and we won't have a problem.

Carney McCullough: Correct.

Audience: As long as the tax return is stamped.

Carney McCullough: Correct.

Terry Hunt: All the appropriate –

Audience: And I would like to not second or third, but fourth, support the comment about the verification, 'cause this year, I have been going crazy with completing verification, and these students believe it or not, they don't like the result of the verification because they were EFC0, but now they're not. So they go back and they change it. And I know when I get the ISIR, so I have to go back and call and them and say, "No, you cannot do this." So if there is a lock in there, or maybe we can use the FAA Access verification tool as an institution to verify that the verification was completed and lock that student information so they cannot go in and do any more changes, it will be very helpful. Thank you.

[Applause]

Carney McCullough: It's actually, past the time I'm supposed to let you go, but we can stay for a few more minutes, I think. So it's kind of up to you, but I wanna thank you for coming and don't wanna be accused of holding you too late, but we'll keep taking questions as long as we can do that, 'cause some of you've been in line for a while. Go to the right.

Audience: All right. Thank you.

Carney McCullough: Sure.

Audience: My question involves acceptable documentation for the number in college when it is more than one. I know that there was some discussion via the LISTSERVs about what was acceptable documentation, but I have not been able to find that in the Dear Colleague letter. So what is really the acceptable documentation for documenting the number in college when it's more than one?

Carney McCullough: It can be a signed statement, unless you have reason to believe that the information in the signed statement is not correct, and in that case, you might want to get documentation from the institutions that they have listed that the other students are going to other than your applicant. Sorry, back to the right.

Audience: In a recent NASFA publication, it was suggested that for students or parents who filed a foreign tax return, that you would need to get a tax return transcript from that foreign country. Is that correct?

Carney McCullough: I don't think so. I'm trying to think. I don't believe so.

Audience: Good. Okay. Thank you.

Carney McCullough: Could follow up, but I'm like blank. Can't remember. Back to the left.

Audience: Okay. On Slide 9, under specific untaxed income items, you say untaxed IRA distributions. Up until now, that has read untaxed IRA contributions. The idea was to capture income that was excluded from adjusted gross income, by way of –

Carney McCullough: It's possible I could have a mistake on my slide. It is possible.

Audience: Okay. And that one little word.

Carney McCullough: It's whatever is on the FASFA for that line item, and on the income tax return. It's one of the five items that will fly over from the IRS data retrieval.

Audience: Okay. But if it's untaxed distributions and you've got as the other – my colleague back there mentioned, you're looking at rollovers and you're looking at distributions from – that would have to be Roth IRA distributions.

Carney McCullough: I'll go back and look at my slides.

Audience: I didn't think that really was what we intended to do.

Carney McCullough: I'll double check. Yep. They're getting the stop sign back there. Okay. Go ahead. Or maybe it'd be easier if people come forward and just ask us. I guess they're wanting us to clear people out because of the bottleneck, so we'll stay up here and answer what we can. Thank you.