

*Jim:*

I'm very pleased this morning to have with us, a very special guest that can help us with that as well. This morning we are joined by Kathleen Tighe. Kathleen was sworn in as the Inspector General for the Department of Education in 2010. Prior to that, she was Deputy Inspector General for the Department of Agriculture. Since 1988, she served as Counsel to the Inspector General's offices at the General Service Administration and also worked at the Department of Justice handling civil fraud cases.

Prior to her government service, Mrs. Tighe was in private practice with the law firm, Lewis, Mitchell, and Moore. Mrs. Tighe has lectured frequently to both government industry groups, including groups such as the Inspector General's Audit Training Institute, the Federal Audit Executive Council, the Institute of Internal Auditors, American Bar Association groups, the Coalition for Government Procurement. Ms. Tighe is a member of the Public Contract Section of the American Bar Association and is a former Chair of the Council of Counsels to the Inspector General.

Mrs. Tighe earned her law degree, with honors, from George Washington University. She holds a Master's degree in International Relations from American University, and graduated with distinction from Purdue University where she was a member of Phi Beta Kappa. Ladies and gentlemen, please join me in welcoming Inspector General Kathleen Tighe. *[Applause]*

*Kathleen Tighe:*

Good morning, everybody. Make sure you can hear me here. I really appreciate the invitation to speak to you all today. It was very brave of FSH to invite me not knowing what exactly I was going to talk about. If you have any questions about my presentation, the panel afterward is going to take those questions. *[Laughter]* So I am out of here. I understand that I am actually the first Inspector General to ever address this conference. I'm pleased to have the opportunity finally on behalf of my office to speak with you directly about the work we do, which often impacts the work you do and how we can work together to protect, not only federal student aid funds from waste, fraud, and abuse, but to protect the interests of the next generation of our nation's leaders, American's students.

I must tell you that I have really enjoyed being among so many individuals who are charged and committed to helping students make their dreams of higher education a reality. I had the chance to attend several sessions yesterday and have been very impressed with the enthusiasm and seriousness with which you have embraced this opportunity to learn how to better administer the

Title IV programs. You approach your work not as just making a living, but making a difference. That's an honorable and noteworthy maxim, as you are making this difference on behalf of America's students. You know what? So are we.

You may find this surprising. I hear some people here Office of Inspector General or OIG and images of the heartless Mr. Scrooge (to keep in the spirit of the holiday season) come to mind. Some may avoid all contact with an OIG employee unless absolutely necessary for fear the one misstated word could open the door to long headline grabbing audit or investigation. But take it from me, we are not about headlines. We are about results.

Some of you may know little about our office, and some may know us only all too well. Some of you may believe we are focused on the past, finding fault, nitpicking about compliance with the myriad rules governing student aid programs. What I want you to know is our mission is accountability to ensure the future success and viability of the essential programs you play a part in administering. As you work to allow students to pursue their college and career goals, so do we; but we not only work for America's students, we work for America's taxpayers as well, which would include everyone in this room.

In these tough economic times, you as taxpayers should demand accountability for your hard-earned dollars and you should want results. It is the mission of the Office of Inspector General to help ensure that the billions of dollars of taxpayer funds that fund the federal education programs are being used appropriately, that they are reaching the intended recipients, and achieving the desired result. Taxpayers like you are looking to us to provide that assurance, to show that there is accountability, and show that the results of the policies and programs on the books are worthy of your tax dollars.

Taxpayers aren't the only ones demanding our action. The U.S. Congress demands it as well. As an Inspector General, I serve at the pleasure of the President and report not only to the Secretary of Education, but to Congress as well. So I have 537 bosses. All of these bosses are looking to us to ensure the appropriate uses of the billions of dollars entrusted to the Department of Education. They expect the department and everyone who is responsible for federal funds to be good stewards of those hard-earned dollars. That includes me and it includes you also. To be a good steward means we are careful and responsible in managing monies to which we have been entrusted. It means that we exercise good judgment and

operate ethically when dispensing those funds. For those of us in this room, the funds that we touch serve a significant purpose. It is tied directly to the future of our country, the education of our children.

Although the Office of Inspector General conducts work in all areas within the department's purview, the reason you are here at this conference is federal financial aid for students. So in the short time we have here together this morning, I want to share with you some of what we have been doing as well as some issues we are going to examine over this next year.

Before I do that, let me give you a little bit of background about our office. The Office of Inspector General is the law enforcement arm of the Department of Education. We are responsible for the detection and prevention of waste, fraud, and abuse and criminal activity involving department funds, programs, and operations. We also are responsible for promoting economy, efficiency in those same programs and operations and to accomplish all of this, we conduct independent audits, investigations, inspections, and other reviews. We make recommendations to the department to address systemic weaknesses and take administrative action. We also refer criminal matters to the Department of Justice for prosecution.

In our audit work, we look to help improve federal education programs and ensure compliance with federal laws, regulations, and other guidance. In our inspections work, we conduct analysis, internal and external reviews, and special studies aimed at improving departmental operations. In our investigative work, we conduct investigations involving fraud, bribery, embezzlement, and other criminal activity involving federal education funds. We also operate a unit that specializes in computer crimes and it employs forensic specialists to develop risk models and perform data analytics to uncover anomalies and data reported to the department; and identify adverse trends and possible areas of fraud, waste, and abuse.

We are a staff of just about 300 employees with responsibilities that cover 56 state and territorial education agencies, 16,000 school districts, 99,000 elementary, middle, and high schools, and over 6,400 institutions of higher education. That's a lot of ground to cover, and in these tough economic and budgetary times our resources are limited. That's why we have to prioritize our work and focus on those areas we believe pose the most significant risk to federal funds.

So that's a little bit of who we are. Let me talk a little bit about what we do in the context of Title IV programs. The Federal Student Assistance Programs have long been a major focus of our work, as they have been considered highly susceptible to fraud and abuse. Our ultimate goal is to help ensure that federal funds reach only students who are entitled to receive them, but it takes a lot of work to get there. As you well know, the Federal Student Assistance Programs are very large. They are complex and inherently risky due to their design, reliance on numerous entities, and the nature of the student population.

Over the years, we've had to devote significant resources to efforts related to this area, and our work has led to statutory changes in the Higher Education Act as well as regulatory requirements and departmental guidance. As we note in this year's Annual Plan, which is a report we put together every year describing the work we intend to carry out over the fiscal year, we will once again devote a significant portion of our resources to this area.

As many of you in this room know, over the years we have focused primarily on compliance audits, looking to ensure that individual schools follow federal laws and regulations in administering federal student aid funds. We are going to continue to do this, but we are also going to emphasize program results. We are going to evaluate whether program goals and objectives are being met and serving America's students. When we find that they are, we will share those results through our reports with all the institutions and entities that participate in the federal aid programs. When we find that they do not, we will make recommendations to help improve the management of those programs, or call on Congress and the department to reevaluate program policy.

I think it is important to note that the Office of Inspector General does not make policy. We review policy as it is implemented and practiced, and based on what we find, make recommendations as to how that policy can be changed to improve program effectiveness. Let me give you an example. No one in this room was surprised by reports in 2010 that student financial aid debt surpassed credit card debt as the largest source of consumer debt in our country. One analyst described the accumulation of student loan debt as, "Like cooking a lobster. The increase in student loan debt occurs slowly, but steadily so that by the time you notice the water is boiling, you are already cooked."

In light of this growing debt, we are going to take a look at loan repayment, default prevention, and collections. We are going to evaluate the effectiveness of FSA's oversight and monitoring of loan operations and actions taken by FSA, its contractors, and its guarantee agencies to prevent defaults and to collect on defaulted loans. We are going to evaluate student loan default trends and the use of longer repayment periods, deference, and forbearances.

We are also going to try to put some answers to some of the questions that the communities we serve have. Those would include students, parents, schools, taxpayers, Congress, and the department itself, our students and taxpayers getting value from the federal investment in student aid, our students pursuing degrees and careers that will enable them to pay back their student loan. Investment, value, results – it's about accountability and it's the overall focus of our work.

Distance education is another area where we are evaluating program effectiveness. As I have testified before Congress, distance education presents unique oversight challenges, determining eligibility, regular student status, attendance, and properly calculating return of Title IV funds are a challenge in the online environment. We are currently conducting an audit to determine what the department has done and can do to help reduce the risks associated with distance education at all institutions. We are looking at whether the department adapted Title IV requirements and guidance to mitigate the unique risk of fraud, waste, and abuse inherent in this area; and whether it is adequately monitoring the participants such as accrediting agencies, state agencies, and institutions.

As part of this effort, we are looking at how the student assistance rules work in the real world by examining their application of a cross section of distance education institutions including four year public universities, community colleges, and for-profit schools. We hope this examination may provide insights on the effectiveness of student aid in distance education.

I know that a number of you attended one of the two panel discussions that our Assistant Inspector General for Investigations participated in regarding our recent report on distance education fraud rings. For those that missed it, another area of concern with distance education programs is the growth in fraud against them by large groups of people pretending to be students to improperly obtain Title IV funds. Misrepresenting eligibility and income, these fraud ring participants prey mainly, but not exclusively on

open enrollment, lower cost schools, or schools that disburse the full amount of Title IV funds up front. We have made a number of recommendations that we believe are needed to help stem this problem and improve integrity in a highly automated environment.

An issue associated with distance education that we intend to take a closer look at is cost of attendance. Since 2001, we have been recommending that the Higher Education Act be amended to address cost of attendance calculations for online learners.

Currently, students in online programs and residential programs can be eligible for the same amount of student aid. This includes tuition and fees, allowance for books and transportation, room and board, and dependent care. The Higher Education Act limits the cost of attendance for students engaged in correspondence courses to tuition and fees and, if required, books, supplies, and travel. There is no similar limitation for online students.

With the number of full time working individuals that take these courses, a cost of attendance budget that includes an allowance for room and board for online learners may not be in the best interests of American taxpayers and may allow students to borrow more than is needed.

I think it will come as no surprise to anyone in this room that the department's new program Integrity Regulations will receive our attention over this next year or so. Now that they are in effect, FSA must have adequate mechanisms in place to effectively monitor and enforce compliance and must also provide adequate oversight of the schools and servicers participating in these programs. That's why we are going to take a closer look at both of these areas. We also intend to look at the gainful employment regulations and determine whether the department has sufficient mechanisms in place to collect, analyze, and verify the accuracy of gainful employment data reported by the schools. We are going to look at incentive compensation and misrepresentation to assess the effectiveness of FSA oversight and school's compliance with prohibitions related to these two areas.

A few other areas that we intend to examine that may be of interest include school's use of servicers for federal student aid payment processing. We will look to determine whether schools and servicers are complying with requirements for processing direct payments to students and ensure that the students aren't being unfairly charged fees and have ready access to their credit balances. We are also going to look at loan discharges for total and permanent disability and identify the problems with borrowers

with disability space and pursuing discharges and assess FSA's efforts to remedy those problems.

That gives you an idea of some of the audit work that we are doing and are going to do this year. We also plan to expand our investigative capabilities. This includes establishing a forensic analytical tool to detect electronic fraud activities such as school enrollment irregularities, student aid fraud rings, and identity theft within the student financial assistance area. Without question, we are going to continue to investigate allegations of waste, fraud, and abuse. I note that a number of these allegations come to us from individuals like yourselves; administrators and employees at schools that participate in the federal student aid programs.

You who participate in these programs serve as the fiduciaries of the department and, as such, work to perform a vital public service in the delivery of financial aid to students. You have a special obligation to work with the highest degree of integrity. The schools you work for need to be able to look inward at their own operations to ensure that they are also conducted with integrity and can withstand external scrutiny. Unscrupulous school officials, administrators, and other individuals placed in positions of trust with the public's money and who use those funds to enrich themselves need to know that we will find them and hold them accountable for their fraudulent efforts. A big reason we can make that claim is because of the people in this room.

Like us, you have a lot on your plate, and that plate isn't getting any bigger. Like us, your resources are limited, but less funding can lead to opportunities and temptations. Criminals will look to take advantage of that, looking for quick cash schemes and the like. You are on the front line against fraud. I would ask you to remain vigilant and contact the Office of Inspector General with any issues and concerns.

I think my time is about ready to run out, so let me close by thanking FSA again for inviting me here to speak with you today. It's really been quite a pleasure and I very much enjoyed meeting many of you. Just by participating in this conference, it's clear you are striving for excellence in what you do and for whom you do it. We are committed to doing the same, helping the department and its program participants, like you all, address identified weaknesses and improve overall stewardship of the taxpayer dollars of which we all have been entrusted. We, like you, never lose sight of who we are really working for – America's students. Thank you very much. *[Applause]*

*Jim:* That was terrific. \_\_\_\_\_ contact \_\_\_\_\_.

*Kathleen Tighe:* Yeah.

*Jim:* Working together. Please join me in thanking Inspector General, Kathy Tighe. *[Applause]* Kathleen, we appreciate you being here and what you do, and you have our attention. We'll be on that track with you. Thank you very much. Coming up behind me is a group that you have seen before and you'll be hearing from them again today. Three of them are the usual suspects, the rat pack we know. Just officially, Jeff Baker is joined by Robin Minor from FSA, responsible for our compliance group. I'm not sure if Robin is wearing her cowgirl boots today or not, but she is our compliance gal. David Bergeron, Sue Szabo, the Chief Business Operations Officer at FSA, Dan Madzelan, and a brand new one-year-old Customer Experience Officer, Brenda Wensil.

So we're delighted to have them join us here this morning and we're delighted to open up the town hall meeting. I'm going to set the ground rules. You'll see around the auditorium here, six microphones. I'm told there are six microphones. I see one, two, and three in this aisle here on my right, your left. Four, five, and six in the aisle over here. You can see the lights on the red shirts. I would invite you now to go ahead and come up to the microphones and we'll open up the proceedings. I would ask the folks to identify themselves and their affiliation, their school, so we know who you are, and please to give as many people as possible the opportunity, limit your question to one question.

*Jeff Baker:* Jim, excuse me, before we start, on Tuesday when you introduced Dan and David and myself, you referred to us as the rat pack. You just did it again. *[Laughter]* As the audience can see, the three of us are much, much too young to be even remotely to be considered rat pack. Instead, we consider ourselves to be the brat pack. *[Laughter]*

*Jim:* Uh-huh. I think these folks are \_\_\_\_\_ us though, Jeff.

*Jeff Baker:* When we chose to do this, Brenda and Sue and Robin haven't quite figured out which of the two young ladies they want to be. We'll work on that for next year. *[Laughter]*

*David Bergeron:* Before you get going, I did want to acknowledge one sad piece of news for many of you at the conference. For many years, we've noticed comings and goings within the financial aid community people who are here because they've retired from jobs and they

continue to be passionate about their involvement in higher education. It caused us to think over the last couple of days about the fact that at least one of our colleagues, Fred Sellers, is going to be retiring at the end of the year. I know that many of you know Fred, have worked with Fred over the 38 years he has been with the department, and we know that you will all miss him as we will. We hope he will continue to be involved in the community in some way, but I did want to acknowledge Fred. Fred has been a friend, a colleague, a mentor to all of us and so, Fred, thank you for your service with the department. *[Applause]*

*Jim:* Thank you, Fred. Well, we'll go ahead and get started, but again part of the process is that you all participate as well. So we've got a number of open microphones and somebody missed the first chance, so we should start at number three. Is that the first one?

*Jeff Baker:* Yup.

*Jim:* Number three. Please, good morning.

*Audience:* Good morning. My name is Ken Wood and I'm actually an independent auditor with Deemer Dana, and Froehle. We work with approximately 100 schools and this question is actually for the Inspector General. I'm wondering if she could comment on the new Proprietary School Audit Guide and when that might be issued?

*Jim:* Well, unfortunately, the Inspector General has had to leave and is not available for questions. We would be happy to take any questions and pass them along unless somebody on the panel – I think that that kind of comment does have to come back from the Inspector General, but we would be happy to take that back.

*Audience:* Thank you.

*Jim:* We'll start from number one here, go ahead.

*Audience:* I spent a couple of sleepless hours the other night and the more I thought about it, the more perplexed I became. You made a big effort at self-congratulation of listening to us and cutting the number of general sessions, and yet the perhaps most momentous thing that's occurred in financial aid, drastic change in the verification process, was doled out in single sessions. I'm a little concerned that perhaps we should have looked at this in a general session so that when we were discussing it in smaller groups, we were a little more informed of the tactics. I don't disagree with

most of them; however, I did find it disconcerting that for something that affected everyone, that it was more or less billed as a secondary item.

The question I do have is it's been made clear that we are going to ask for either importing information from the IRS or from a tax – excuse me – I drew a complete blank.

*Jim:* Transcript.

*Audience:* Transcript, thank you. When you're among 7,000 of your closest friends, you always get help. *[Laughter]*

*Jim:* It happens.

*Audience:* The concern I have, and we experienced this just a couple of months ago, was with a person who “had no income”. In fact, the tax return that she provided was a non-profit organization tax return where she was the chief operating officer. My question comes back in cases like that, how are we going to best handle the verification process? You can have all the affiliated statements, which we did from every member of her board and whatever like that that she received nothing, but still we were taxed with the responsibility of assigning some sort of a calculation to arrive at an expected family contribution. I'm just wondering what kind of suggestions or assistance the department might provide in these cases?

*Jeff Baker:* So did this person not have a personal – she must have had a tax return?

*Audience:* No, she did not. The only tax return that was present was a non-profit with her as the chief person on the non-profit.

*Dan Madzellan:* Was that a 990?

*Audience:* Yes, it was.

*Dan Madzellan:* That's not a personal tax return.

*Audience:* Right.

*David Bergeron:* So you had no tax return or no real tax information and you didn't – that person clearly would have been required to file one.

*Dan Madzellan:* Well, maybe not. Maybe she was not required to file a personal tax return.

*Audience:* And that is what we were told and substantiated by various points was that we were assured that she did not receive a salary, that all of the material where she lived, that she used was owned by the “non-profit” and so to arrive at something, we had to assign as other untaxed income, the value of those various items.

*Jeff Baker:* Yeah, a couple of quick thoughts; one is that kind of situation would have existed in the past even if we hadn’t changed our rules and so on. Perhaps, with the data retrieval process it might be missed more than otherwise. A non-profit, though, under our rules is required to provide W-2s if they had any. Apparently, she wouldn’t have.

*Audience:* Right.

*Jeff Baker:* Well, she is an employee of this organization, so she should have had some W-2s, even if there was no earnings, but a statement as to what her income was and how she lived. To the extent that the school when you discover these things, you obviously can question those things and then use some of that information from your query of her to put into the application and either as a professional judgment or just to say, this is untaxed income. More broadly though, if I may, this question comes – questions like this come up and we’re challenged, as I think everyone is, with balancing some sense of simplicity, simplification of the process, ease of the process for our needy families with on the other hand, making sure the integrity of the program and we’re giving the right money to the right people. That’s not one or the other. It’s a balancing.

We have 22, 23 million applicants. We have 89 million Pell Grant recipients. It’s not gonna be a perfect system. I think we all feel that we appreciate what the schools do to identify these situations like this or some others and take some action, but it’s always gonna exist. The \_\_\_\_\_ is based upon statutory formulas, which pass for adjusted gross income. If she legitimately doesn’t have an adjusted gross income, at least for starters, she didn’t do anything wrong. But your responsibility and others to look into that and perhaps make some judgments, I think, is where we end up and we appreciate all of that work. It’s a tough call with this large a program.

*Audience:* Thank you.

*Jeff Baker:*

Thank you.

*Jim:*

Thank you. Is there someone at number two?

*Audience:*

Good morning, Lisa Hanson, Carl Sandberg College, Illinois.

*Jim:*

Good morning.

*Audience:*

I'm a community college, and I wanted to share with you an interesting thing that happened this summer. I had a student call who had completed her Bachelors degree plus some additional credits and in the process she was wanting to get financial aid to go to our dental hygiene program. When I talked with her, we found that she couldn't qualify for financial aid because she had her Bachelors and there is no Pell Grant. At the point that she had applied to us, she had \$57,000.00 in outstanding student loans.

When I asked her on the phone how much she had borrowed, she said, "I've borrowed between \$20,000.00 and \$30,000.00." I said, "Well, I'm looking at your record, and you have borrowed \$57,000.00." She said, "No way." I said, "I'll send you the NSLDS paperwork." She was crying by the time that we got off the phone because she didn't realize how much she'd borrowed and she couldn't get a job with her degree in women's studies.

So what I would like to ask is for the department to use the resources we have with NSLDS to send the students a link or something on an annual basis that says, "This is how much you've borrowed for your education so far. This is what your monthly payment would be under a standard repayment plan," and give them a head's up. I mean I know the information is buried on their ISIR and they can go search for it by going to NSLDS, but I think that we need to make sure that students are aware where they stand with their educational debt and what their options and payment will be as they finish up their programs. *[Applause]*

*Sue Szabo:*

I think we continue to look at ways to use NSLDS to communicate to the borrowers their total indebtedness because it is the one place where all that data does exist. So we'll continue to look through that. One of the things now that we've gone 100 percent direct lending – typically, what has happened is borrowers lose sight of their total indebtedness because their loans are scattered across servicers. One of the advantages to being 100 percent direct lending now is that when a loan is disclosed, because all servicers do disclose on an ongoing basis to the borrower their outstanding

balance, that now they will display for their entire loan portfolio on an ongoing basis.

So, that is one of the differences and we hope to see an advantage with that. We also have a new tool, which will be using NSLDS in exit counseling so that as students are, at least, going through the process of exiting school, they will see their total indebtedness there. And I think my staff is also working on something called in-school counseling where a student, while in school in an ongoing basis, will be able to go online and constantly see their total indebtedness and get many reminders and we'll do some financial literacy tools around that as well.

*Jim:* Thank you. Microphone number three we have someone? Yes, go ahead.

*Audience:* Good morning. My name is Sal **Asalum**. I'm from Baker College in Michigan.

*Jim:* Good morning.

*Audience:* Good morning. My concern going forward is that a lot of us colleges are being asked to be accountable for our students completing their program, and there's a whole group of people that by definition are not successful in the eyes of anybody except themselves. These are people who came to our institutions either trying to get their jobs back because they were laid off because they didn't have the skills needed when the company downsized, so they had to be let go. So they needed some skills. We have other people employed who need additional skills so that they won't get laid off. So when they come and somebody somewhere – and you know students find out things – because they are not declaring an eligible program, they cannot get financial aid. So they learn, don't they? We all agree they learn and they all declare programs and now they are eligible for aid.

These people are forced to do that because they cannot afford the tuition. So when they declare a program, take the classes on aid, successful pass them, As, Bs, great students. They've taken all they came to take, and now they're done and they want to go back to work and they're very happy – except our government says they are unsuccessful and they don't graduate from the program, so the colleges are held accountable for the fact that they didn't graduate from a program they never wanted in the first place. So my request is that the government take into account that we have tens of thousands of people who are in this situation that need

assistance to upgrade, but our regulations force them into a situation in college that they don't want and the colleges – we have to be told we're not doing a great job on graduation rates. Thank you. *[Applause]*

*David Bergeron:*

So I offer a couple of points. When I've done a couple of days of – I've done sessions with Bill Hamel who is the Deputy – or not Deputy – Assistant Secretary or Assistant Inspector General for Investigations. Hard to get our titles right. One of the things that comes out of the fraud ring investigations is people signing Statements of Educational Purpose that aren't truthful. This is one of these cases where you've got people who, yeah, they've learned from their friends and their classmates that if they are truthful, they won't get aid, but if they are not truthful, they will. We should discourage our students from saying they are enrolled in programs they are really not pursuing, even if that means they don't get aid because under federal law they can only get aid for a program if it's eligible for our aid programs. That's a program that leads to a degree or certificate. The certificate has to lead to gainful employment.

So that's just – unless we change the law, that's kind of where we are. The other thing I would say is so when we're talking about accountability for graduation rates and retention rates, what is the nature of that accountability? It's just public information. We disclose it on College Navigator. We disclose it on the ISIR that goes back to students. So that's a consumer disclosure. If the student knows they are not there to pursue a program of study, then it doesn't matter whether they're gonna graduate or not. That's not their intention. So, I'm not sure how that accountability system impacts negatively your institution.

Finally, I'd say Congress did recognize that there are students who are successful who don't complete degree programs. They acknowledge that and recognize that and required the department to create an advisory committee on alternative measures of student success. That advisory committee, I think, is meeting for the last time today. I'm here. I'm not there. So I don't know exactly what will come out of that conversation, but this is exactly the issue that we're trying to address was what other alternative measures would work if you can't rely on or don't want to rely on or don't want to rely *only* on a measure like graduation rates. I think the point is very valid, but at the end of the day, I'm not sure what the accountability is besides good disclosure under our current requirements.

*Jim:* Thank you, David. Microphone number four please.

*Audience:* Good morning. I'm Joan Zanders from Northern Virginia Community College, and I know some of you have heard this before, but I'm going to repeat it again before the whole group. First, congratulations Fred. You'll be missed. Tuesday morning we sat in this same room and heard Secretary Duncan speak to outcomes versus seat time, and then I went to two sessions on R2T4 that were all about seat time. *[Applause]* Not one word about outcomes. I would beg you to revisit R2T4. *[Applause]* We have students who can literally complete full time and owe money back. We have other students who can finish the entire semester without one successfully completed class and owe nothing back. It's unfair. It is a totally unfair policy. *[Applause]* It is not student-friendly. It is a mistake, and I really hope that the department will go back and revisit that again. *[Applause]*

*David Bergeron:* The Return to Title IV funds exists within statutory framework.

*Audience:* I understand that.

*David Bergeron:* It's largely statutory. I would say that this is an interesting period of time. Probably over the next year, the department will be thinking about and working on its legislative proposals for the reauthorization of the Higher Education Act, which is due in 2014. So, for us, that prescribes a particular calendar. Clearly, Return to Title IV is something that we will look at. It's something we look at more or less continuously over time. I'm not gonna sit here and debate the relative merits of different alternative approaches, but clearly and as we go forward, we're gonna have to do some serious work around making our aid programs act more equitable towards students, and we all agree on that. Return to Title IV is just a symptom of that.

*Jeff Baker:* I would also add that, again, the return of Title IV rules, temporally-based, are within a student aid context and system that is temporally-based. So, I don't know if we can go in specifically and try and tweak narrow, modify, expand, whatever the return of Title IV rules without also thinking more broadly about the system within which the return of Title IV sits.

*Audience:* And I would say that would be the right approach, to look at it from a broad perspective. I would also reinforce what was said earlier about IRS data retrieval. I think it's a step in the right direction, but it's only effective if students and parents are actually filing tax returns, which we're finding more and more that are not;

that are being paid under the table. I would also encourage you to please get SSA and DHS to talk to one another so that we have updated citizenship records. *[Applause]* I don't know why students should have to go to the SSA office to update their records.

*Jeff Baker:* Joan, just quickly on that last part because we talked about it, I think at the \_\_\_ conference, and we did reach out to – actually, we reached out to our **OMB** colleagues who we believe have some sway over the other agencies and they did acknowledge though – you're exactly right – that what Joan is talking about is a person who comes to the United States legally, goes through the whole process of everything we want that person to do for permanent residency, and then ultimately citizenship, gets naturalization process by DHS and then Social Security Administration still thinks they are a non-citizen.

*Audience:* Mm-hmm.

*Jeff Baker:* I've just got to be frank with you, there is nothing in the works to fix those right now. They understand the problem, but they have their own sets of priorities. They've got it on their list of things to try to take care of.

*Audience:* There really should be a database of citizenship some place besides the Social Security Administration.

*Jeff Baker:* The Social Security Administration is where it is. The problem is that they don't get this data transferred. They did tell me, for what it's worth, and I said this isn't gonna work, that our new citizen is instructed with all the materials they get to contact the Social Security Administration. Now that's – we know what that – you're absolutely right. It ought to be automatic. There ought to be an interface. It ought to be if not instantly, pretty quickly. It's just one of probably dozens or hundreds of things that those agencies, as we do, would like to get to, but just can't get to right away.

*Audience:* We also have a lot of the Social Security Offices that are hollering at the students saying, "You don't need to come here. You already have a Social Security number," and they are really not very user-friendly in getting those statuses changed.

*Jeff Baker:* That we can reach out to our Social Security friends and make sure they know these people are coming not to fix their Social Security number or even a name, but just to make sure their citizenship is updated, right, right.

*Audience:* Thank you. My time is up.

*Jim:* Thank you very much. On microphone five a question?

*Audience:* Yes. I'm from a two-year community college and we have a lot of online classes that are being offered and –

*Jim:* I'm sorry, your name and the name of the college?

*Audience:* Myrna Cross, Western Oklahoma State College.

*Jim:* Thank you.

*Audience:* Like I said, our enrollment has increased greatly in online classes, and I'm concerned about fraud. We're doing measures to try to make sure we're not part of that fraud ring that you sent the letter out about. But part of my concern that the Inspector General spoke about a while ago is limiting the cost of attendance for students who are taking all online classes. We have lots of students who are taking a combination. They may be in six hours online and six hours that are in class, and other students who are just in online classes, that they are successfully completing each semester. I feel like it would be unfair and also be a burden to try to sort out those students, and I don't know how you would adjust their cost of attendance fairly if they're in a combination of the classes. I just have a big concern about that.

*David Bergeron:* The Inspector General and the report included nine recommendations, one of which would require statutory change and the one that she is referring to is one of those, which is limit cost of attendance to direct education expenses for online students engaged in online programs. At a minimum, I think that if Bill were here he would say that when he's talking about these, talking about exclusively in online programs. So, from that perspective, I don't know that you would disagree with that recommendation. I will say I'm concerned about the recommendation. We think that there are legitimate reasons why \_\_\_\_\_ an independent student who is trying to be enrolled via distance gets indirect expenses paid. I'm worried about the fraud and think that we should do whatever we can to prevent it.

If ultimately we determine it's necessary, then that would be something we would recommend, but we have to decide that it's absolutely necessary before we take any step. I will say it was interesting at the first of the two **broadrng** sessions, I asked if

people supported that recommendation, and I would say it was an overwhelming positive response, and I was surprised. I will say that I will take that surprise back with me to Washington and think about what that means.

*Jim:* Thanks, David. Next question, way in the back? Microphone six.

*Audience:* Hello. My name is Dorothy Body from Edinboro University of Pennsylvania. My question has to do with a student who received \$53,000.00 in student loans last year legitimately and here is how it went: the student is a graduate student at our school. She got Stafford, sub, unsub, and grad plus. Then she's also the parent of a student. She got the parent loan for that student. She has another student at another school and got an additional parent loan for a total of \$53,000.00 last year, and that just seems unreal for me. Comments, suggestions? *[Laughter]*

*David Bergeron:* I mean the circumstances you described doesn't surprise me. We have lots of returning adults and you all are serving them very well, who are in the circumstances that they are both a student and a parent. The law provides for those individuals to get that kind of aid, and I'm not sure what we would do to prevent it. I think that we probably need to think about some ways that those kind of borrowing patterns cause us to trigger some special outreach from our perspective from our services to try to make sure that they understand the circumstances that they are getting themselves into and more importantly work with them to make sure that they're in the right repayment plan so that they are able to manage those obligations.

I think that one of the things that will help us with the move to direct loans is that we'll be able to work to identify and establish some triggers for those kind of special responses. So I know that Sue wrote notes here and might have more to say, but I think that you raise a real good point about some people that we should be particularly careful about and concerned about.

*Jim:* Sue, would you like to add to that?

*Sue Szabo:* No, David is correct. We have always known that high balance loans need special handling. We have always had high balance loans, so we do need to consider what additional special handling we can do if this is a trend that's getting bigger.

*Jeff Baker:* I think also I guess a question I would have is would this person still have borrowed \$53,000.00 total had not all of that been

available in Federal Student Aid programs, meaning private label loans? So that's another aspect here and we do have – we've been working closely over the past several months with the Consumer Financial Protection Board around issues related to what we term the private label student loans and more the issue of total indebtedness, rather than just the focus on the federal aid programs.

*Jim:* Great, thanks for the question. Back at number one?

*Audience:* Good morning. My name is Dan Burr, and I work at the University of Cincinnati College of Medicine. One comment I'd make is that the loan balance just mentioned is a very common loan balance annually or even low annual loan balance for a graduate professional school. My comment, it concerns graduate and professional schools and financial aid. I realize that this is a smaller segment of the student aid population, but the loan balances can be considerable and the function of these kinds of students in our society, they play a very important role. For the most part, they are able to repay their loan balances, but the issues while they are in school are considerable.

What I'd like to do is make a request for future FSA conferences, and that is the return of a session for graduate and professional students, schools. *[Applause]* In other words, the birds of a feather sessions. This year in particular with the elimination of the subsidized loan, that's an enormous change in financial aid for this population of students. For the aid officers, there are questions about everything from verification to use of the EFC as we go forward in a world where we will have, in some cases, no need-based loans. So, my request again is the addressing of this in the future at the conferences with a session for these schools. Thank you.

*Jeff Baker:* Yeah, I just – thank you. I think we've all heard it and our conference people have heard it and made notes. We do, as we acknowledged a couple at this conference, this kind of feedback either directly like this. We appreciate your standing there and telling us this, but also this is a plug for the evaluations and so on. On this particular one, and I think our colleagues would agree, we should have such a session, maybe a little track of four or five sessions for graduate professionals to participate and share some feedback back with us. *[Applause]*

*Jim:* I would encourage all of you to take advantage of the opportunity to evaluate the conference and we'll be looking at those certainly. On number two?

*Audience:* Yes, my name is Tracy Reisinger from Marylhurst University in Oregon.

*Jim:* Good morning.

*Audience:* I have an issue with NSLDS not being updated in a timely manner or having accurate loan amounts. *[Applause]* The example that I have is not unusual, but this student had loans from 1997 that went into default. She consolidated in 2006. They're still not showing as updated in NSLDS as consolidated. The student and I have called both NSLDS, the Default Prevention Services, loan services with direct lending, being told different things every time we call, being unable to get documentation to figure out what's been going on. I've been told repeatedly that the school has to update NSLDS, which we can't do. I'm just trying to get it so that the student can resolve it. We think she has resolved it, but we can't get documentation or anything that will help us then give her financial aid.

So I just want to know, how long – I mean it should be quicker to get this stuff updated. The amounts should be accurate and the statuses should be accurate. It shouldn't take four years to get it updated.

*Sue Szabo:* True.

*Jim:* Sue?

*Sue Szabo:* We clearly have an exception here. It does not take four years. *[Audience booing]* Interesting.

*Jim:* It takes four years?

*Sue Szabo:* Okay, that's a good conversation point then because we've been watching our statistics as we are looking at what I'll call the day that transaction occurred and how long it took that transaction to get into NSLDS. I think – I'm looking over at Valerie – the statistics for at least the loans held by the government is currently at around seven days, correct?

*Valerie:* That is correct.

*Sue Szabo:* Okay.

*Valerie:* We are working on issues with our default management updating their data. So a little of that data is dated. It takes – we're working on it. *[Laughter]* That's with the DMCS.

*Sue Szabo:* Okay. I'm sorry, say Valerie –

*Valerie:* Yeah, some of our defaulted balances with debt collection services have some updates that we are in the process of reconciling as we convert from the old system to the new system.

*Sue Szabo:* Those, I'm aware of, okay.

*Valerie:* So that's what we're working on and those balances appear to be dated and they are because we're in the cleanup process in reconciling from an old system to the new system.

*Sue Szabo:* Okay. Did everybody hear that? I think I mean we seem to have a specific condition where loans that are defaulted, that were defaulted are not always getting the balances updated in NSLDS, correct? Is that the condition that we're talking about here?

*Jim:* Was it a defaulted loan?

*Jeff Baker:* What I heard, and I don't know if she's still there, maybe I misunderstood it – this student had some loans. Unfortunately, defaulted, but she consolidated them.

*Sue Szabo:* Yeah, that's right.

*Jeff Baker:* And when you look at NSLDS – if that's true, my question is do you see the consolidation loan, but the defaulted loans are still there; or do you just see the defaulted loans are still there and a consolidation loan isn't there either?

*Audience:* *[speaking inaudibly without microphone]*

*Jeff Baker:* Can't hear.

*Sue Szabo:* No way. *[Laughter]*

*Jim:* Can somebody get her the microphone?

*Jeff Baker:* Let's play telephone. Someone repeat it.

*Jim:* Don't run. You get the personal attention of 7,500 people.  
[Laughter]

*Audience:* The consolidation loan shows and the defaulted loan shows.

*Sue Szabo:* Okay.

*Audience:* So it doesn't look like its part of it.

*Sue Szabo:* Okay.

*Jeff Baker:* Okay, and they show it still being in default? They don't show as zero balances?

*Audience:* It shows still as being in default. It does not show paid in full per consolidation. It does not show a zero balance.

*Jeff Baker:* Okay.

*Sue Szabo:* Yeah. This was a forced consolidation.

*Jeff Baker:* Yeah, maybe afterwards you can find one of us and just – or if you have a business card, just leave it. Write a quick note on the back of the issue, and we'll follow up. Don't give us the student name now. We'll get it later.

*Jim:* All right. Thanks for the question. Back at mic number three.

*Audience:* Hi, I'm Patty Carson from Humboldt State University in Arcata, California.

*Jim:* Good morning.

*Audience:* Morning. We had a problem this year with undocumented parents with no Social Security number, who filed their tax forms using tax ID numbers. They completed the FAFSA correctly putting in all zeros for their Social Security numbers, but their ISIR still rejected. We were instructed that the workaround is that they have to say that they filed a foreign tax return. If they do that, then their initial ISIR will be correct.

*Jeff Baker:* No.

*Audience:* Is this going to be a problem again this year do you know?

*Jim:* Can you get a mic over here? Can we get a microphone over here? Can we get a mic for one of our subject matter experts?

*Female:* If you were informed to have them tell you to give you a foreign tax return, that would be incorrect. You simply need to go back and confirm the Social Security number as all zeros, which is reentering on the correction all zeros all over again and that will resolve the issue.

*Audience:* That would work if – not if the students do it?

*Female:* The FAA can do that as well or the student can do it.

*Audience:* No, it didn't work.

*Jeff Baker:* We make that a double process and I know it sounds like overkill, but the first year we did this, we found that people who had Social Security numbers, but didn't want to put them in because of their status and so on they were putting zeros. So we kind of asked them a second time. So then, Jody, is should work fine, right? Yeah.

*Jim:* Question on number four?

*Audience:* Hi there. I'm Amy Perrin. I'm the Director of Financial Aid at Elgin Community College in Elgin, Illinois. My question and really very concerned about schools being held accountable for default rates in which we have very little power to deny. Basically, if they're eligible, they can receive the loan. We have implemented mandatory loan counseling for every single student who takes a loan at our college, and we're still seeing our students take the max, walking out of our school with over \$10,000.00 check of excess. I would really like to have the ability for the financial aid people to make some of those decisions on amounts and denials. *[Applause]*

*Jeff Baker:* Yeah, just a couple of quick comments. This issue is an important one to the community. It comes up all the time and so on. Our response has been that the Congress has been asked by the community to give schools broader authority to lower loan limits and Congress has consistently over four or five authorizations have said no. That said, the experimental sites that we just published in November and you have until the 12<sup>th</sup> or so of December to express some interest – one of the aid experiments is – it may not be as broad as you want, but it's an experiment.

*Audience:* I have applied for that.

*Jeff Baker:* To see if – right – to allow schools under certain conditions to reduce as an across the board basis on such size loan limits by at least \$2,000.00 to address some of these issues and so on. David mentioned it the other day. If a school volunteers for this and gets chosen, that probably is very good for that school for that year or two they are doing it, but the real reason for the experiment is to gather data, to see what happens to those students, to see what happens to default rates for completion rates for academic success and, on one hand, if this reduction for certain groups of students does not seem to have any impact on the success of the student and their academic endeavors, then maybe we have a stronger case or the community has a stronger case to present to the policy-makers, in this case the Congress.

So we would encourage all of you to take a look at all of our experiments, but that one in particular because I mean just from the applause, it comes up all the time.

*Audience:* I have applied to participate in that experimental – I believe they are only choosing three schools?

*Jeff Baker:* I'm sorry?

*Audience:* Are they only choosing three schools?

*Jeff Baker:* No, we are choosing a number of schools. We don't know the number yet because we're looking for diversity. It won't be just two or three schools. It will be – I don't know what, but --

*David Bergeron:* It will depend on – let me talk a little bit about what we're – these are real experiments, all right? The goal here is to have experiments that have results that are statistically valid and reliable for making policy decisions. So, it's unlikely that we would be able to get a sample size large enough to make those kind of inferences from the data if we only had two or three or four schools. So, we need a significant number to participate. We will likely be thinking about random assignment kind of experiments, so just keep that in your mind as we go forward with this to get some ability to, again, make some inferences from the results that we see.

So the exact size of the experiment, the number of schools in the experiment, really will be driven based on the characteristics of schools. If we got three very large community colleges, that might be enough. If we get 20 small institutions, we probably will need to have all of them. So, it will be largely by function of who

applies, what their characteristics are, how representative they are of the policy question we're trying to pursue, and then how big the sample needs to be.

*Audience:* I just want to make one more comment and then I'm done. I just want to make sure that you know that we have implemented many of the default management strategies suggested and our rate is still going up.

*David Bergeron:* Okay, thank you.

*Jim:* Thank you. Back on mic number five, question?

*Audience:* Hi. Can you hear me?

*Jim:* We can hear you.

*Audience:* My name is Helen Faith. I'm from Lane Community College in Eugene, Oregon.

*Jim:* Morning.

*Audience:* Hi. I had to type up my question because it's kind of long and twisty. I apologize in advance. I'm concerned about the burden of obtaining status information letters from Selective Service, and I realize this is enshrined in statute. The current lag time is huge and greatly impacts aid to students, delays it greatly; particularly immigrants who often belong to underrepresented minority groups, speak English as a second or third language, and come from disadvantaged backgrounds. What provisions are being made to ensure that Selective Service status information letters are provided in a timely manner? Since USCIS already reviews this issue when determining eligibility for citizenship, can we waive the letter in cases in which the student was granted citizenship after age 26?  
[Applause]

*Jeff Baker:* So the first thing, and I want to get – see if I can get confirmation if I can from Carnie and Fred – if the person entered the United States after the age of 26, then there is no need to get anything from Selective Service? So they would have show you not only something about their birth, but also their entry VISA or whatever. Then there is no issue, but for the young man who did enter the country sometime younger than 26, they still have the requirement. Much like our answer, I apologize to Joan's question about Social Security Administration and DHS, we've had these discussions with Selective Service. Selective Service is one of the smallest

agencies because they just are. They have been cut in budgets too. They understand it. They know the work load. They are just not able to have the staffing that's necessary.

Now, the idea about that when these people become citizens that citizenship will only be granted if they met all of the requirements including registration, I am not aware of that. I don't know if any of our team is, but we certainly –

*Audience:* It is on the application for citizenship.

*Jeff Baker:* Yeah, we certainly should look to that because that may be at least for this group if we can confirm all of that, that we can perhaps figure that that's enough because another government agency has said he has met the requirements or doesn't have to. So we'll take that one back and talk with our friends over at the other agency.

*Jim:* Thank you. On mic six, a question?

*Audience:* Yes, good morning. I'm Chris Freeman, Antioch University, Los Angeles. I'm just curious if there's gonna be any training on how to read a tax transcript? *[Applause]*

*Jeff Baker:* What we have is –

*Audience:* Sir, there's people in the room who haven't even seen one.

*Jeff Baker:* Yeah. What we have in almost final draft, but going back with the IRS, is a document, which we'll post as quickly as we can, that will list the items from a FAFSA/ISIR, right, and the next column over will be – I'm not sure of the order of the columns, but there will be a column of the corresponding item on the transcript and then how that corresponds to line item on a 1040 or a 1040a or a 1040EZ. So our model right now is – I think, Amber, we have it to a page? So, it's pretty quick.

The problem with the transcript – there's two issues with the transcript. The lines are not numbered, silly as that sounds. They are not numbered, so we actually haven't put the name out. In some cases, they repeat the name of an item twice because of some internal things that the IRS does, so we're explaining that. But we very much plan to have a form like that out that you can use to understand the ISIR item, how it relates to a particular item on the transcript, and because of familiarity, how that relates to the particular item on a tax return. We're committed to get that out, I'm sure, by the first of the year. As I said, it's just about done.

We're just kind of making sure we have the working right, double-checking with the IRS

*Audience:* Thank you. *[Applause]*

*Jim:* Thank you. On mic number one?

*Audience:* Yes. I'd like to bring the question back to the question of NSLDS.

*Jim:* I'm sorry, could you identify yourself and your affiliation.

*Audience:* Oh, forgive me.

*Jim:* No problem.

*Audience:* I'm Lois Madsen, Douglas J. Institutes of Michigan, Illinois, and Tennessee.

*Jim:* Thanks.

*Audience:* I'd like to bring the question back to NSLDS. I hope that you heard the applause from my colleagues, my 7,500 best friends –

*Jim:* We all heard it.

*Audience:* – about our concerns about the quality of data in NSLDS; not in just that narrow case that was described there. Perhaps there is some way you guys could set up something where we could report to you when we see data that we know is bogus and isn't correct, and you guys could work on fixing it up because when we contact our colleagues at other schools, they frequently are flummoxed and don't know what to do. Related to that is gainful employment, which personally I may get shot for this, but I think it's not a bad idea at all. The concern I have is that those of us who live through this, the implementation of the cohort default rates and how we've created an entire industry around that – gainful employment seems to have a future of the same nature to me in terms of the question of appeals and NSLDS data.

Every year schools submit cohort default rate appears to correct errors in the NSLDS data. I think we need to have an appeals process related to gainful employment as well, and I'm sure you're thinking of that already, but I anticipate that being a future as well.

*Jeff Baker:* Well, Lois, we actually do. The regulations – and we're developing the process for that do call for a challenge process

much like cohort default rates. So we'll be – we'll issue draft rates much like we do for cohort default rates, those draft metrics. We'll have the backup data for schools to go through challenge process we're gonna build to look pretty much like what we do for cohort default rates.

*Jim:* Sue, do you want to speak to that?

*Sue Szabo:* Yeah, I do. I heard the applause. So, I think we definitely have to find a way to have a reporting mechanism and a conversation about the quality that you are seeing versus what we see and really understand why there was such a pause. So we'll work on that.

*Audience:* Thank you very much.

*Sue Szabo:* Mm-hmm.

*Jim:* Thank you. On mic number two?

*Audience:* Good morning. My name is Charles Pruitt. I'm from Georgetown Law, and my question goes to President's Obama's acceleration from 2014, the 10 percent IBR. In case, I missed it somewhere, I just want to make sure that you guys really know it's important for us to know what 2012 means because I've done an examination of my students and about 60 percent of them would be eligible for this year upon graduation. In this tougher job market, it's really important that we have as many good options for them as possible. So, if there's some clarification for what 2012 means, that can get out a little bit earlier, it would be greatly appreciated.

*Jeff Baker:* Thank you. David?

*David Bergeron:* Yes, so let me talk a little bit about what this is that we're talking about. So, the President did announce a couple of loan changes, and one of them is to make regulatory changes that we're permitted to do in our direct loan program to redefine the income contingent repayment program and through the regulatory process, and that we are going to use that to make the ICR program, repayment plan look as much like the IBR plan with the two characteristics of a 10 year 10 percent of income and a 20 year repayment period before the loans are forgiven. We're gonna do that through regulations.

Well, what does that mean? Well, that means for us with the Title IV programs that we do negotiate rule making. The negotiated rule making process begins in January. So, we will take to the table a

proposal, a conceptual proposal that is as you describe it, and we will negotiate in that process to live within the financial constraints because this costs money. Moving forward or expanding and modifying the income contingent repayment program does cost money, so we have to live within financial constraints, but we will use that regulatory process. So we don't know specifically what that will look like until the process has concluded. The 2008 and 2012 dates are there because those are the groups that we think we can afford to provide this benefit to.

*Audience:* Yeah. Thank you very much, but that's the point because we have a graduating class in May. If we don't find out until April when we're in the midst of everything else, it's gonna be very difficult to try to get a new loan generated if that's what's gonna be required. So, I understand. It just needs to be as quick as possible.

*David Bergeron:* It is our intention to move as quickly as possible. As I said, this requires negotiative rule making. There are procedural requirements that are involved in that, but we are committed to moving as quickly as possible and getting information as quickly as possible through this process.

*Jeff Baker:* Just a reminder, and forgive me, I don't recall which program and for how long Georgetown Law has been in, but this will be changes to income-contingent repayment, and that's only available for direct loans. So, for you and for others, we think this is good news and when we kind of get the final regulation, we think it will be good news, but because of statutory, it's only for direct loans.

*Jim:* Thank you. On mic number three, a question?

*Audience:* Hi, my name is Naleema Tomala from Marquette University, Milwaukee.

*Jim:* Good morning

*Audience:* My question is you know those six questions that you use to determine if someone can do the IRS data retrieval, can those be sent to schools because it would be really useful for us to tailor our communications to the students to tell them what they can do to do it in the quickest manner possible.

*Jeff Baker:* Let me make sure I – and I'll get some help here – understand. Are you saying you'd like to know in our publications or some communication what questions they are gonna see on the FAFSA?

*Audience:* No –

*Jeff Baker:* Or are you saying you want the answers?

*Audience:* The answers.

*Jeff Baker:* Guys, are we planning to do – Michele? Do we have a microphone for Michele?

*Michele:* We can send them. These are just some filtering questions that we have associated with the IRS data retrieval to help applicants understand whether or not they would be eligible to use the IRS data retrieval. So we can definitely share those questions.

*Audience:* Not the questions. The answers of each individual student, so we can tell –

*Michele:* Oh, they want the answer to go on the ISIR. No, because really what it is is it's just to help them to determine whether or not they would be eligible to use the data retrieval. So the outcome is either going to be that they don't meet any of those circumstances, so they are eligible and we would port them over and actually allow them to use the data retrieval; or for some reason, as indicated by their response to one of those questions, they would not be eligible to use it at that time. For example, they may have filed a foreign tax return, so again that data is not available from the IRS. They may have filed their taxes within the time frame that the data is not currently available, so it wouldn't make sense for them to go over. So, that's kind of the intent of that logic.

*Audience:* Right. We have on our website a lot of information to direct students to go and try to do the IRS retrieval, and then in what cases they wouldn't be eligible to do that. But if we had those answers for each student, we could just send them a direct communication saying, "You are not eligible to do the IRS retrieval. Request a transcript," just to make the process a little quicker for us to get the transcript if that's possible.

*Michele:* Okay. Well, we can definitely talk about it afterwards because I guess what I'd like to understand is what would be the benefit of you having that information? We don't currently – our plan is not currently to store it. So, again, if we can understand that better, maybe that will inform a change in the way we currently developed it.

*Jeff Baker:* Yeah, I think in summary if I have it right, and correct me, for the upcoming '12/'13 year, we don't store it, so obviously we couldn't send it. It's screening routine. I think the suggestion and we'll follow up, as we have to wait a year because we're in the cycle, to see whether that's something that the community really would find of value, and whether it has the impact to change a whole record layout for all schools and all of that. So, it's a good suggestion. We'll make a note, but it's not gonna happen – we get a startup coming in 30 days. So it's not gonna happen for '12/'13.

*Audience:* Thank you.

*Jim:* Thank you very much. On mic number four?

*Audience:* Good morning. Patty Donahue from Binghamton University. We're one of the State University of New York universities.

*Jim:* Good morning.

*Jeff Baker:* My question kind of piggybacks on what that young lady just asked. We did take advantage of and communicate to families that it would be a good idea to try to use that IRS data retrieval. We did have success with doing that, but we found that there were some items that obviously are not being pulled in with the IRS retrieval that may cause some issues in light of getting the right aid to the right people. So what I wanted to know is if there is intention to pull in also wage information, child support paid, and the filing status, which is like married, filing separate or married, filing jointly, so that we can better identify those issues and use the IRS data retrieval as much as possible without having to ask for additional documentation? *[Applause]*

*Jeff Baker:* Yeah, over the years we've developed a very good and positive relationship with our IRS friends, and just doing this was like a major thing. You should have seen all the hugs and kisses. No, maybe you shouldn't have. So we continue to look at what additional data would be appropriate. I think we all agree that we're working with them. I don't know if we've got anything from them yet on the filing status because that's really important, particularly the married filing separately and all of that.

Other items we'll have to see about, again, whether it makes sense, whether lots of schools would be able to use it, find it useful, what kind of burden does that put on schools? There will be someone else who is thinking, "I don't want that," so we have to analyze all that. At least, I think the limitation, no matter what we're able to

do or the IRS is willing to do, is that it will be 1040 information only. I don't think there's anything available from any schedules or anything like that. I think the couple of items you mentioned would be on the front or back of a 1040 if you think about it like that. So we're going to go through a process, as we do every year to evaluate and get feedback from the community, including this, as to how it works in terms of operationally, but also what data makes sense to bring over from the IRS.

Like I said, I think that filing status is a critical one and there may be some others like you mentioned. I don't know if anybody wants to add anything?

*Audience:* Well, I just had another piece of the question is will that filing status in any – is there any plan to add it to the FAFSA question because I think that would also help us as administrators to make sure that we have all the income listed.

*Jeff Baker:* Right, and they are paired. So one follows the other. We would add it. If we are able to get it from the IRS, it would be a question on the FAFSA. I suppose it's possible to have a question on the FAFSA even if we don't get it from the IRS, it might help. Certainly, it has to be because the whole purpose of the IRS data retrieval is to fill an item from the FAFSA. So yeah, we're looking for that and so any of the others as well.

*Audience:* Thank you.

*Jeff Baker:* You're welcome.

*Jim:* Thank you. We've only got a few minutes left, but on number five, question?

*Audience:* Good morning, thank you. My name is Joey Derrick. I'm with the University of South Carolina Columbia. I'd like to ask a question about the Model Aid Offer Project. We attended a session earlier this week that was very helpful in determining what parts of the model aid offer that we've seen so far are in scope versus out of scope of the project. For those items that are in scope of the project, what are the next steps and what is the time frame that's being used for those steps? Do those next steps include testing the new model aid offer at a limited number of schools in a real world environment before pushing it out to the masses?

*David Bergeron:* I'll start, and I may need help from my colleagues. The model aid offer form is part of a project that we have going with the

Consumer Financial Protection Bureau and their process is a very public one. They put a model form out for public comment. They receive thousands of comments on that model form, and that's what you heard about that part of the process.

The next step is to do another iteration, take the feedback they've received both through that online system of getting feedback and feedback we've gotten at the conference and other venues and do a new form, and then again put it out for additional public comment. How many rounds of this public comment process that we will go through is really a question of the point at which we get diminishing returns. So it's intended to be and will be an interim process.

Where we go from there – we are required to do a report to Congress. That report to Congress will identify the process we went through and also make recommendations. I think that it would be unlikely that we would be recommending a full scale implementation at all institutions without some kind of pilot field test, selective use. Clearly, one thing that I would say to you all as we go forward in this process is when you see a version that you think you want to try, try it. Nothing would prohibit you from using the version that we had out for testing and have out for testing right now. It's just you get to a place where the institution says, "I really like this conceptually, let's try it out." If you do that, let us know you're doing it because we'd love to hear about the results.

This is a process that is intended to result primarily in a report to Congress with recommendations, and then we will see where we go from there.

*Audience:* Thank you.

*Jim:* We are almost out of time. If we could take one more brief question from number six?

*Audience:* Hi, Lisa McCluster from Florida College. The terms transparency and accountability have been used for us to do extra reporting. I'm just wondering a couple of years ago when we went to direct lending, it was said that the subsidies were going to be used to back up the Pell program, and now we're looking at a lot of question with the Pell program. Is there a report the government does for transparency and accountability to students and schools and taxpayers regarding what they've done with the subsidies?  
[Applause]

*Jeff Baker:*

David?

*David Bergeron:*

Yes. So every year the – every federal agency is subject to audit by an independent auditor. That audit is available to the public. I think it's available six months after the end of the fiscal year. There is also a audit of the entire federal government that is available, again. I think it's six months after the end of the fiscal year, and the President's budget goes into excruciating detail about the cash flows in our various programs. But let me be clear about one thing. There is no doubt the Pell Grant program would be substantially smaller with far fewer recipients and much smaller maximum award if it were not for the fact that the savings associated with the move from the FFEL program to the Direct Loan program were available to pay those costs.

I don't remember the number on the top of my head, but it is in the tens of billions of dollars that are moving from the loan programs to Pell Grants, helping low-income students pay for college, providing the \$5550.00 maximum award. We would not have that maximum award. We would not have 9.6 million students receiving those Pell Grants if those loans were still \_\_\_ loans.

*Jim:*

Thank you very much, David. I'm sorry we don't have time for any more questions right now, but we certainly still want to hear from you. You'll have an opportunity when you put in your evaluations. As you know, we listened last year. We still want to hear from you. Thank you for coming. Some of us will be around for a little while after the program and look forward to finding you, so thank you very much. *[Applause]*