

# Session #31

## 2012-2013 FAFSA & Verification Changes

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**U.S. Department of Education**

# Agenda

- Application Processing Statistics
- 2012-13 FAFSA Changes
- 2012-13 IRS Data Retrieval Tool
- 2012-13 Verification Changes

# Application Filing - Total Filers

## 2010-11

*01/01/10 – 06/30/11*

- Approximately 21.1 million FAFSAs
- An 8.3% increase
- Peak: 320,890 FAFSAs were submitted on 02/28/10

## 2011-12

*01/01/11– 10/02/11*

- Approximately 18.8 million FAFSAs
- A 5% increase compared to prior year
- Peak: 373,086 FAFSAs submitted on Feb. 28, 2011; w/ approximately 68K concurrent users

# Application Trends

- The increase in applications completed by independent students is nearly double the increase of applications completed by dependent students
  - Applications by independent students in 2011-12 have increased nearly 70% when compared to 2010-11 rates, while applications by dependent students are up 37% this year over last

# Application Trends

- FAFSA completion rates among low-income households continue at rates between 32 and 35% for the past six years
- Nationwide for families with incomes over \$40K, FAFSA completion is up 9.6%, but up only 3.6% for families earning less

# How Are We Doing?

## Application Simplification

- In January 2011, we deployed updates to the online application experience intending to provide a more intuitive and customized experience for each applicant

# American Customer Satisfaction Index (ACSI)

ACSI is a national indicator of customer evaluations of the quality of products and services available to U.S. household consumers.

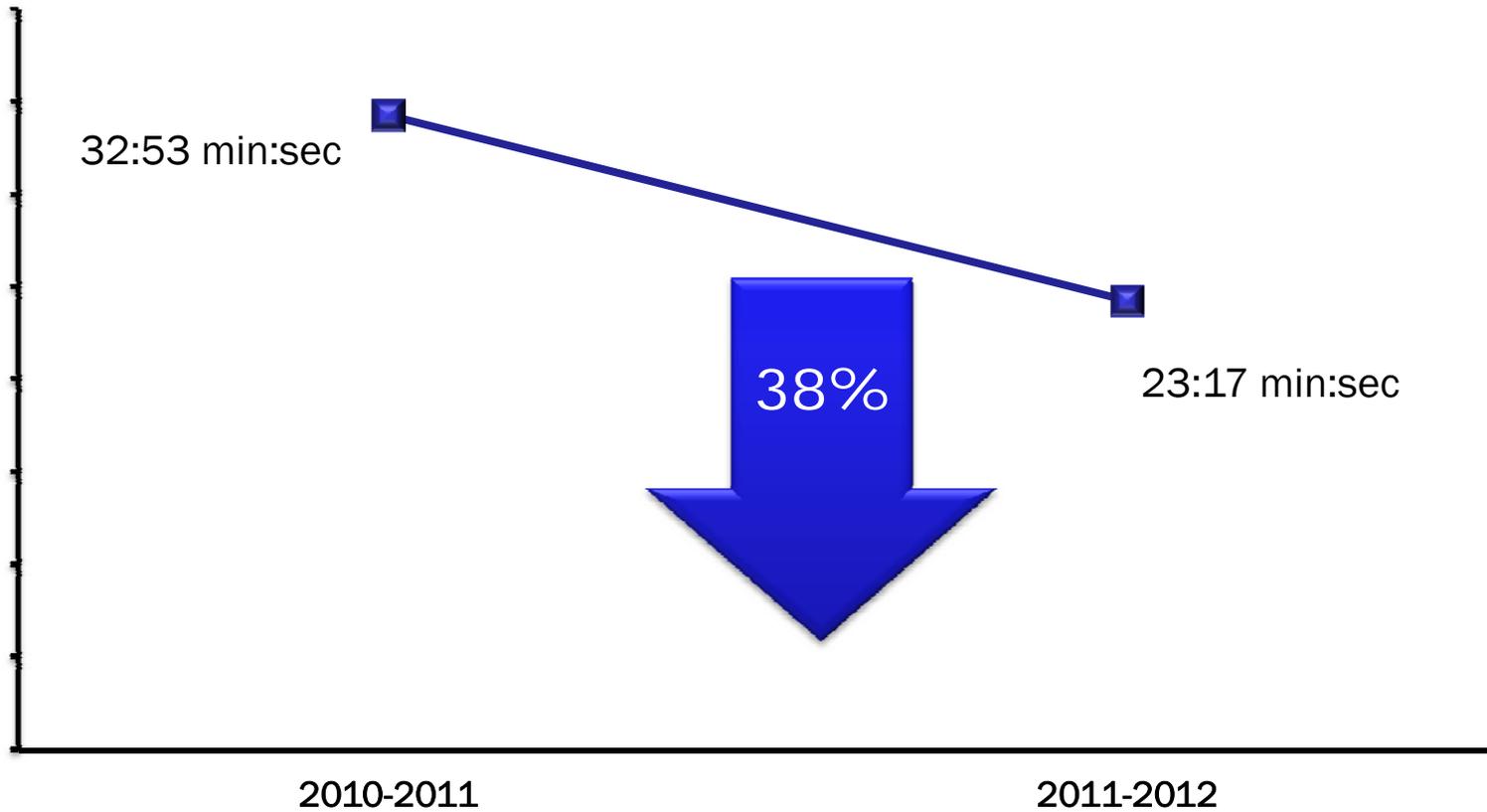
# American Customer Satisfaction Index

## FAFSA Score

*Jan 1, 2011 – October 7, 2011*

- **89** based on 18,383 survey respondents
- Up three points from 86 in 2010-11
- Significantly higher than other federal government websites, who had an overall ACSI score of 75

# Application Simplification FOTW Completion Time



# RECENT PROCESS CHANGES

# Social Security Process Change

- On June 25, 2011 the SSA implemented new guidelines for assigning SSNs
- SSA began assigning SSNs in previously unused ranges, including ranges beginning with '7' or '8'
- FSA system(s) had utilized the previously unassigned range for students (Pacific Islanders) and the system also identified SSN ranges that were not considered valid SSN values ('7' range of SSNs)

# Social Security Process Change

- On 10/23/2011, converted all Pacific Islander records from the 2004-05 cycle through the 2011-12 cycle to a new pseudo-SSN range starting with '666' (instead of '888')
- For all Pacific Islander records from the 2010-11 and 2011-12 cycles (submitted through October), we will also system-generate new SAR/ISIR transactions

# 2012-13 GENERAL FAFSA CHANGES



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# Paper FAFSA

- No data element changes
- Minor wording changes to some instructions
- Application materials posted in Federal Register in August -  
<http://www.ifap.ed.gov/eannouncements/081911Draft1213FSAApplication.html>

# Need Analysis

Automatic zero EFC –  
Income threshold change

- For 2012-13
  - increases to \$32,000 or less
- 2011-12
  - \$31,000 or less

# High School Question

- In 2011-12, the high school question was added (Q27)
- Any student that was presented the question in 2011-12 will be presented the question again in 2012-13 and have the opportunity to search the database with the “smarter” search function, to see if a code can be assigned

# “Smarter” Search Capabilities

- Federal School Code & High School Search
  - Search more user-friendly and logical
  - Aliases and abbreviations
  - U.S. Postal Service standards
  - Most commonly selected schools on *FOTW*
  - Common abbreviations found in database
  - Common alias provided by surveyed FAAs
  - Commonly misspelled words

# Federal School Code

Student Demographics	School Selection	Dependency Status	Parent Demographics	Financial Information	Sign & Submit	Confirmation
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School Selection

Search successfully completed. Check the Search Results table for schools meeting your search criteria.

You can add up to 10 colleges to your FAFSA. If you know your college's school code, use the option to the right to search. If you need help finding your college, use the state (required), city (optional), and school name (optional) fields to begin your search.

State

City  (optional)

School Name  (optional)

[SEARCH](#) [Search Tips](#)

Federal School Code

OR

[SEARCH](#)

Select a school from the Search Results table and click **Add>>** to add a school to the Selected Schools table.

**Search Results: 4**

Sort By: <a href="#">Best Match</a>   <a href="#">School Name</a>
LA'JAMES COLLEGE OF HAIRSTYLING IOWA CITY, IA Federal School Code: 009593 <span style="float: right;">①</span>
LA'JAMES COLLEGE OF HAIRSTYLING IOWA CITY, IA Federal School Code: G09593 <span style="float: right;">①</span>
UNIVERSITY OF IOWA IOWA CITY, IA Federal School Code: G01892 <span style="float: right;">①</span>
UNIVERSITY OF IOWA IOWA CITY, IA Federal School Code: 001892 <span style="float: right;">①</span>

[ADD >>](#)

**Selected Schools**

Select up to 10 schools

UNIVERSITY OF IOWA  
IOWA CITY, IA  
Federal School Code: 001892 [Remove](#)

[VIEW SELECTED SCHOOL INFORMATION](#)

[PREVIOUS](#) [NEXT](#)



# Federal School Code

**STUDENT**

Student Demographics	School Selection	Dependency Status	Parent Demographics	Financial Information	Sign & Submit	Confirmation
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### School Selection Summary

School Name	Federal School Code	Housing Plans	
UNIVERSITY OF IOWA	001892	On Campus <input type="button" value="v"/>	<a href="#">Remove</a>



# Asset Threshold Question

- Added to *FAFSA on the Web* in 2011-12
- Independent students & parents of dependent students that meet criteria are presented with the asset threshold question to determine if asset net worth must be reported and used in the EFC calculation

# Asset Threshold Question

- Question displays if the student:
  - Is not eligible for an automatic zero EFC or simplified needs calculation, **and**
  - Reports a state of legal residence that allows students to skip income and asset questions

# Asset Threshold Question

## 2011-12

- Comment codes are used to notify schools when the asset threshold question was displayed to the applicant and the response is "No"

## 2012-13

- Comment codes deleted
- Response to asset threshold question provided on ISIR record layout, Student Inquiry, and ISIR Compare

# Legal Guardianship

Instructions - Select **Yes** if you can provide a copy of a court's decision that as of today you are in legal guardianship. Also select **Yes** if you can provide a copy of a court's decision that you were in a legal guardianship immediately before you reached the age of being an adult in your state. The court must be located in your state of legal residence at the time the court's decision was issued. Select **No** if you are still a minor and the court decision is no longer in effect or the court decision was not in effect at the time you became an adult.

# Legal Guardianship

**For clarification, the 2012-13 instructions will also include the following information:**

For this question, the definition of legal guardianship does not include your parents, even if they were appointed by a court to be your guardian. You are also not considered a legal guardian of yourself.

# Homeless Youth Determination

- A student is eligible for homeless youth status if he/she meets the homeless definition and was determined to be homeless by his/her high school or school district homeless liaison, the director of a runaway or homeless youth center, or HUD
- Students who meet this criteria are independent

# Homeless Youth Determination

- A student is **also** eligible for homeless youth status if he/she meets the homeless definition, but was determined to be homeless by the financial aid office
- Students who meet this criteria can use *FAFSA on the Web to self-identify* and the system sets the “Special Circumstances” flag to ‘3’

# Homeless Youth Determination

- Currently, FAAs set the “Dependency Override” flag to ‘1’ for these students
- FAAs cannot easily distinguish between dependency overrides done to update a student’s dependency status, and those done to confirm a student’s homeless youth status

# Homeless Youth Determination

- New “Dependency Override” flag value of ‘4’ added for 2012-13

blank	No FAA override
1	FAA override from dependent to independent
2	FAA override canceled
3	FAA override failed
4	FAA homeless youth determination

**Paper FAFSA**

COLLEGE USE ONLY

D/O  1

Homeless Youth Determination  4

FEDERAL SCHOOL CODE

--	--	--	--	--	--

FAA Signature

1
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DATA ENTRY USE ONLY:

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L

E



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# Marital Status

- A regulation change allows an institution, at its discretion, to require an applicant to update his/her marital status, even if it results in a change in the applicant's dependency status, if the institution determines the update is necessary to address an inequity or to reflect more accurately the applicant's ability to pay

# Marital Status

Students can use *FAFSA on the Web* to update their marital status after submission of FAFSA

- EFC will not be calculated & Reject 21 gets set
- Only an FAA can override the reject
- Instructions have been modified to the following – “Report your marital status as of the date you sign your FAFSA. If your marital status changes after you sign your FAFSA check with the **financial aid office at the college.**”

# Verification Tool

Disabled for 2012-13

# QUESTIONS???



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# IRS DATA RETRIEVAL TOOL

**Beginning with 2009-10 year, students and parents using *FAFSA on the Web* and who have already submitted their federal tax return have been able to electronically retrieve their tax data from the IRS.**



# IRS DRT Usage

- **2010-11:** Tool available on *September 26, 2010* through *June 30, 2011*
  - Approximately 934,000 users transferred information into the FAFSA
- **2011-12:** Tool available on *January 30, 2011* through *June 30, 2012*
  - As of *October 9, 2011* approximately 4.5 million users transferred information into the FAFSA

# IRS DRT

- *Tentative* - February 1<sup>st</sup> deployment for 2012-13
- The IRS DRT process will be enhanced to more effectively encourage users to link to and transfer data from the IRS
- More applications will have more accurate data, which will contribute to increased accuracy in awarding aid

# IRS DRT

- ✓ Currently *FOTW* relies primarily on the applicant to determine whether the IRS DRT should be used
- ✓ 2012-13 *FOTW* will include logic to make a more accurate decision for the applicant

The screenshot displays the FAFSA application interface. At the top, the FAFSA logo and the slogan "START HERE GO FURTHER FEDERAL STUDENT AID" are visible. Below the logo, there are navigation links for "Contact Us" and "Browse Help", along with a search bar. The main navigation tabs include "Student Demographics", "School Selection", "Dependency Status", "Parent Demographics", "Financial Information", "Sign & Submit", and "Confirmation". The "Student Tax Information" section is currently active, showing a confirmation message: "Application was successfully saved." Below this, a question asks, "For 2011, have you completed your IRS income tax return or another tax return?" with a dropdown menu set to "Already completed". A subsequent message states, "You may be able to use the IRS Data Retrieval Tool to view and transfer your tax information from the IRS." This is followed by a list of checkboxes for tax filing status: "My tax filing status is Married Filing Separately", "My tax filing status is Head of Household", "I filed an amended tax return" (checked), "I filed a Puerto Rican or foreign tax return", "I recently filed my taxes", and "None of the above". A message at the bottom of the section reads, "Based on your response, you are not eligible to transfer your information from the IRS into this FAFSA. Click Next to continue." Navigation buttons for "PREVIOUS" and "NEXT" are located at the bottom of the section. A vertical "STUDENT" label is positioned on the left side of the form. On the right side, there is a "Help and Hints" sidebar with a title "I filed an amended tax return" and text explaining that students are not eligible to use the IRS Data Retrieval Tool under certain conditions and providing instructions on how to manually transfer tax information.



Contact Us



Browse Help

Student Demographics

School Selection

Dependency Status

Parent Demographics

Financial Information

Sign & Submit

Confirmation

STUDENT

### Student Tax Information

Application was successfully saved.

For 2011, have you completed your IRS income tax return or another tax return?

Already completed

You may be able to use the [IRS Data Retrieval Tool](#) to view and transfer your tax information from the IRS.

Check all that apply or check **None of the above**.

- My tax filing status is Married Filing Separately
- My tax filing status is Head of Household
- I filed an amended tax return
- I filed a Puerto Rican or foreign tax return
- I recently filed my taxes
- None of the above

Based on your response, we recommend that you transfer your information from the IRS into this FAFSA.

Enter your PIN and click [Link To IRS](#).

What is your PIN?

[I Forgot/Don't Know My PIN](#)

### Help and Hints

#### None of the above

Under certain conditions, students are not eligible to use the IRS Data Retrieval Tool, which allows users to link to the IRS Web site and securely transfer IRS tax return information into their FAFSA. If you meet any of these conditions, you will not be presented with the option to link to the IRS.

Select the check boxes that describe your (and if married, your spouse's) tax filing status, or select **None of the Above**.

Select **My tax filing status is Married Filing Separately** if you are married, but you and your spouse filed separate tax returns. (Note:



# IRS Data Retrieval Tool

## Confirmation Page

- Upon submission, reminds students that the IRS DRT option is the preferred method of providing tax information and they can return when their application has been processed to use the tool
- Customized messaging displays when the student and/or parent was eligible to use the IRS DRT and didn't, or the student and/or parent indicated "Will file taxes"

# IRS Data Retrieval Tool

## Income Estimator Notifications

- Around March 15<sup>th</sup>, students and/or parents will receive e-mail reminders to update the student's FAFSA with filed tax information
- Messaging encourages the use of the IRS DRT if the option is available in *FAFSA on the Web*

# IRS Data Retrieval Tool

## IRS DRT Eligible Filer Notifications

- Students and parents who were eligible to use the IRS DRT but didn't will receive an e-mail notification encouraging them to return to *FAFSA on the Web* and use the tool
- E-mails will be sent beginning on April 1, 2012, with subsequent messages sent every 45 days until mid-September, and then every 60 days until the end of the cycle
- E-mails will only be sent once per student/parent

# Updated IRS Request Flags

00	Student/Parent was ineligible to use the IRS Data Retrieval Tool and was therefore not presented with the option to use it in FAFSA on the Web
01	Student/Parent was presented with the option to use the IRS Data Retrieval Tool in FAFSA on the Web and elected to use it, but did not transfer IRS data into the FAFSA
02	IRS data for the student/parent was transferred from the IRS and was not changed by the user prior to submission of an application or correction
03	IRS data for the student/parent was transferred from the IRS and changed by the user prior to submission of an application or correction
04	IRS data for the student/parent was transferred from the IRS and then changed by the user on a subsequent transaction
05	Student/parent was presented with the option to use the IRS Data Retrieval Tool in FAFSA on the Web, but did not elect to use it
06	IRS data for the student/parent was transferred from the IRS, but a subsequent change made the student/parent ineligible to use the IRS Data Retrieval Tool
blank	IRS Data Retrieval Tool not available in the application method utilized by the student/parent(i.e., paper FAFSA, EDE, or FAA Access)



# 2012-13 Application Activities

- The Secretary of Education announces the annual updates to the tables used in the statutory “Federal Need Analysis Methodology” to determine a student’s EFC for the 2012-13 Award Year (May 24, 2011 [76 FR 30139])
- <http://ifap.ed.gov/fregisters/052411FedNeedAnalysisMethodology1213.html>

# 2012-13 Application Activities

- October 2011
  - *2012-13 EFC Formula Guide on the IFAP website, pending final 2011 IRS tax legislation. This guide can be used to calculate an EFC*
  - *2012-2013 CPS Test System User Guide on the FSAdownload website*

# 2012-13 Application Activities

- October 2011
  - *2012-13 Electronic Data Exchange (EDE) Technical Reference on the IFAP and FSAdownload websites*
  - *2012-13 SAR Comment Codes and Text*
  - *2012-13 ISIR Guide on the IFAP and FSAdownload websites*

# 2012-13 Application Activities

- December 12, 2011
  - The CPS Test System is made available
- January 1, 2012
  - 2012-13 *FAFSA on the Web* site is available to students and 2012-13 *FAA Access to CPS Online* website
- January 3, 2012
  - The 2012-13 CPS begins processing

# QUESTIONS???



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# 2012-13 VERIFICATION POLICY

# New Verification Regulations

- Part of Program Integrity Package
- Notice of Proposed Rulemaking (NPRM):  
June 18, 2010
- Final regulations: October 29, 2010
- Effective for the 2012-13 Award Year

# Why Now?

- Last comprehensive look in 1985
- Need analysis changes
- IRS data retrieval
- Operational improvements
- Right money to the right people in the right way at the right time

# Communications

- NPRM: June 18, 2010
- Final regulations: October 29, 2010
- Technical corrections: April 14, 2011
- Federal Register notice: July 13, 2011
- Dear Colleague letters
  - GEN-11-03, February 2011 (IRS)
  - GEN-11-13, July 2011 (Verification)

# Highlights of New Regulations

- Requires the processing of all changes and corrections to an applicant's FAFSA information
- Eliminates \$400 tolerance; replaces with \$25 tolerance for any item
- Must report all changes, not just those that impact Pell Grants
- Eliminates the 30% institutional verification cap

# Highlights of New Regulations

- Allows the Secretary to include any item from the FAFSA for possible verification
- Replaces the five verification items for all selected applicants with a targeted selection of items based upon each student's characteristics

# 2012-13 Verification Items

- Annual Federal Register notice—
  - Items to verify
  - Acceptable documentation
- Federal Register notice: July 13, 2011
- DCL GEN-11-13, July 2011

# 2012-13 Verification Items

- All Applicants—
  - Number in Household –
    - Not required if:
      - Dependent student household size reported is two and the parent is single, separated, divorced, or widowed; or three if the parent is married
      - Independent student household reported is one and the applicant is single, separated, divorced, or widowed; or two if the applicant is married

# 2012-13 Verification Items

- All Applicants —
  - Number in College -
    - Not required if reported is one
    - Applicant must provide the name and age of each household member who is or will be attending an eligible postsecondary educational institution as at least a half-time student in the 2012-13 award year and the name of the eligible institution(s) that each household member is or will be attending



# 2012-13 Verification Items

- All Applicants —
  - Food Stamps (SNAP), if receipt reported on FAFSA—
    - Documentation from the agency that issues Food Stamps benefit or alternative documentation as determined by the institution to be sufficient to confirm that the applicant received Food Stamps in 2010 or 2011

# 2012-13 Verification Items

- All Applicants —
  - Child support paid if amount reported on FAFSA—
    - Statement signed by the applicant, spouse, or parent who paid child support certifying:
      - Amount of child support paid
      - Name of the person to who child support was paid
      - The name of the children for who child support was paid



# 2012-13 Verification Items

- Tax Filers — (From IRS Data Retrieval)
  - Adjusted Gross Income (AGI)
  - Taxes paid
  - Specific untaxed income items from tax return -
    - Untaxed IRA distributions
    - Untaxed pensions
    - Education credits
    - IRA deductions
    - Tax exempt interest

# 2012-13 Verification Items

## Nontax Filers—

- Copy of IRS Form W-2 for each source of employment income received for tax year 2011
- A signed statement certifying—
  - That the individual has not filed and is not required to file an income tax return for tax year 2011
  - The sources of income earned from work as reported on the FAFSA and amounts of income from each source for tax year 2011 that is not on W-2s

# 2012-13 Documentation

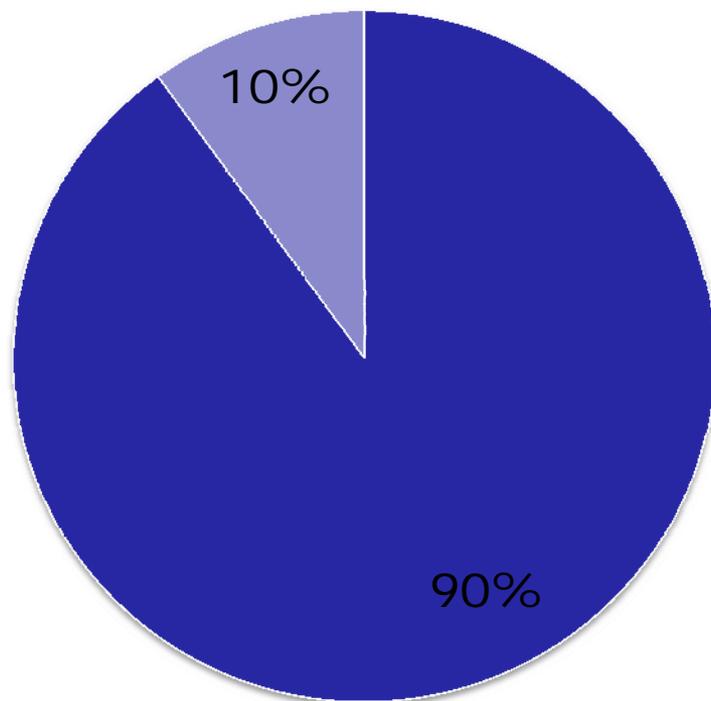
- Comprehensive list in July 13, 2011 Federal Register notice
  - IRS Data Retrieval Process
  - IRS Transcript
    - Request
    - Online
    - Phone: 800-908-9946
    - Form 4506T-EZ
  - IRS Tax Return: Limited conditions

# IRS Data Retrieval

- CPS will set flags and comment codes to indicate that the student and/or parent transferred IRS data into FOTW
- Comment codes will appear in –
  - FAA Information section of the ISIR
  - Student Inquiry section of FAA Access
- Flags and codes set based on certain conditions

# IRS Data and Verification

## 2011-12 Statistics



- IRS Data Unchanged
- IRS Data Changed

# IRS Data and Verification

- An institution may consider as acceptable documentation IRS retrieved information if the Secretary has identified those items as having come from the IRS and not been changed – IRS Request Flag = 02

# What's Next for 2012-13

- DCL GEN-11-03
  - More direction to applicants
  - Reminders to use correction
  - Less likely to get selected for verification
  - IRS transcript instead of copy of 1040

# Contact Information

We appreciate your feedback & comments.

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**Questions?**



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