



July 27, 2017

Mr. James Manning
Acting Under Secretary of Education
400 Maryland Ave, SW
Washington, DC 20202

Dr. A. Wayne Johnson
Chief Operating Officer, Federal Student Aid
400 Maryland Ave, SW
Washington, DC 20202

Ms. Kathleen Smith
Senior Advisor to the Assistant Secretary and Acting Assistant Secretary
400 Maryland Ave, SW
Washington, DC 20202

Dear Mr. Manning, Dr. Johnson, and Ms. Smith:

On behalf of the National Association of Student Financial Aid Administrators (NASFAA), I am writing to request a reprieve and suspension of the burdensome IRS Verification of Nonfiling (VONF) requirements for independent students and parents of dependent students who indicated on the FAFSA that they did not file a federal tax return and are subsequently selected for verification. We ask that this relief remain in effect until additional data and a cost-benefit analysis can be conducted to determine the utility of the VONF requirement.

ED introduced the VONF requirement in the 2017-18 award year, citing Internal Revenue Service (IRS) data that 14.46% of parents and 16.51% of students who indicated on the FAFSA that they did not complete a tax return had actually filed taxes. While ED has now waived the VONF requirement for dependent students for 2018-19, we are concerned that parents and independent students remain subject to this requirement based on inaccurate and incomplete data.

The inaccuracy stems from the award year the data was collected. In 2014-15, applicants were filing FAFSAs based on the prior tax year, which in many cases meant they were completing the FAFSA prior to the April 15 IRS tax filing deadline. Many instances of tax filers erroneously reporting that they would not file were likely to be due to timing; families who didn't initially intend to file later did file, and simply did not update the FAFSA. However, since the 2017-18 award year, families have been using prior prior year (PPY) tax information, meaning that the FAFSA cycle does not begin until nearly 6 months after the IRS tax filing deadline. The filing status error rate beginning in 2017-18 will likely be lower due to this timing change.

The data is incomplete because the impact on EFC and aid eligibility for these applicants who incorrectly reported their tax filing status was never established, or at least shared publicly. It is possible that a low-

income applicant may have indicated nonfiler status on the FAFSA and later completed a federal tax return in order to receive a refundable tax credit, with no change to the EFC or Pell Grant eligibility as a result of having filed a tax return. In fact, this is exactly what appears to be happening with a majority of VONF corrections, as reported by several of our institutions.

To complete and correct the data upon which justification for the VONF rests, we ask that ED:

1. **Suspend the VONF requirement for all applicant types while ED fully evaluates the data with the aid community.** The VONF requirement should never have been added without data to justify that the program integrity benefits of its collection outweigh the burden placed on applicants. We appreciate that ED temporarily suspended VONF requirements for the 2017-18 year when the Data Retrieval Tool was suspended. We ask that ED continue that suspension while it reviews the data to ensure that outcomes are actually yielding results that justify the burden on students to complete the requirement.
2. **Compare 2017-18 FAFSA applicants who indicated they were nonfilers against 2015 IRS tax filing records, and make that information public.** Institutions have noticed that many of the 2014-15 FAFSA-IRS mismatches may have been due solely to timing (filing the FAFSA prior to the April 15 IRS tax deadline). With PPY in place for 2017-18, those filing status reporting errors should be lower than what was found in 2014-15, and an accurate estimate of incorrect filing statuses can be established. We ask ED to repeat the data match with IRS, using 2017-18 award year and 2015 tax year data, and make public the percentage of parents and students whose nonfiler status was determined to be incorrect by IRS.
3. **Use ED's own data to determine the EFC and aid eligibility impact for self-reported nonfilers who were corrected to filers upon verification, and make that information public.** While we understand that IRS data from the 2014-15 award year was insufficient to allow ED to determine the EFC impact for erroneously-reported nonfilers, ED has its own data that could permit such calculations. We ask that ED calculate and make public the percentage of school-initiated corrections of tax filing status from nonfiler to filer as a result of verification, and the breakdown of EFC changes and changes to Pell Grant eligibility that resulted from those verification corrections.

Several NASFAA member institutions have examined and reported to us the results of their corrections using VONF. While not a statistically representative sample, their data have shown that, in the majority of cases, the EFC and amount of financial aid did not change. In many more instances applicants were frustrated and confused by the VONF requirement.

For example:

- One large, 4-year public institution reported only changing 2.5% of applicants (38 students) from nonfiler to filer status. Of those 38 students with changed filing status, only 7 resulted in a change to Pell Grant eligibility of more than \$500.
- Of all the institutional data we collected, the largest percentage of nonfilers whose status changed was 13.7% (42 students), and was reported by a small 4-year public institution. Of these 42 students only 16 saw a change in Pell Grant eligibility of more than \$500 after verification.

In summary, while the Department and IRS report that an average of approximately 15% of nonfilers are, in fact, filers, our sampling of schools averaged much lower. Among our large, 4-year public institutions the percentage changed from nonfiler to filer ranged from only 0.9% to 2.5%, and the average percentage change among all of our reporting schools was just 4.6%. Put another way, it appears that a large number of applicants are being made to go through a difficult verification process that results in very few changes to aid eligibility.

4. **Calculate and make public the percentage breakdown, by dependency status, of FAFSA self-reported nonfilers who were corrected through the verification process to filers.** We are interested in how different populations (dependent student, parent, independent student with or without dependents) report tax filing status and who is most likely to report it incorrectly.
5. **Revisit the VONF requirement with correct and complete data, and permanently remove the requirement if the data does not support its existence.** The VONF requirement is burdensome for students and families and is another stumbling block for application completion, usually for our most vulnerable populations. If its collection does not significantly reduce improper payments it should no longer be required.
6. **If the data ultimately support the VONF collection, continue to work with stakeholders to find a secure solution that is automated for applicants.** The manual process for applicants to obtain the VONF is tedious and time-consuming. Although we understand that privacy challenges exist, we ask that ED and IRS continue to collaborate to simplify and automate the VONF process if the data support its requirement.

NASFAA supports effective initiatives to ensure federal student aid dollars are properly spent. However, those initiatives must have a basis in sound data to justify the burden for applicants and institutions. ED's practice of waiting until the end of an application cycle to review verification documentation requirements amplifies the impact of ineffective requirements, leaving them in place for several years until data is reviewed. Applicants should not have to suffer the consequences of poorly researched program integrity initiatives while ED conducts the data analysis that should have been conducted prior their adoption.

Thank you for your attention to this matter.

Regards,



Justin Draeger, President & CEO