Welcome everyone to another edition of Off The Cuff. I'm Megan Coval with NASFAA's policy team, and we are here today for another special episode related to NASFAA's FAFSA simplification paper series. We actually kicked this off last week. It'll be a mini-series that we're going to be doing related to our FAFSA paper series grant. And I'll talk a little bit about what that is in a second here. And we are lucky today to have two additional guests joining us who were authors of a couple of the papers. So let me give just a brief background for those of you who may not have been able to join us last week. We are going to be doing a series of episodes that are related to this project that was funded by the Gates Foundation, where NASFAA oversaw the development of a FAFSA paper series. So this was a series of 10 papers on FAFSA reform.

One was authored by NASFAA and nine by outside authors. And the idea here for this podcast series, is to bring folks in, some of the authors, so that we can dig in a little bit more to what was covered, and what was researched, and what was discussed. We covered a ton of different topics within this series. So things like the impact of the new federal tax forms on FAFSA simplification, the idea of using federal tax returns in place of the FAFSA. If we moved to free college, what would be the impact of that and the FAFSA and things like implications of using a onetime FAFSA.

But today we are going to talk about verification and looking at things like the impact that verification has on Pell Grant awards themselves, enrollment, access and success. And it's a really important topic, a hugely impactful one. And we really can't talk about FAFSA simplification without also talking about the verification process.

So happy to have our guests with us here today, and I'll go ahead and introduce them. So first we had Carrie Warick, and Carrie is the director of policy and advocacy for the National College Attainment Network. She leads NCAN's policy and advocacy work to promote policies that support students who are low income, first generation, or of color, access and succeed in higher education. This includes managing NCAN's policy priorities at both the federal and state level.

Carrie, it's good to have you with us today. NCAN and Carrie in particular are great policy partners for NASFAA. And I should just say that Carrie, there are times where I feel like I interact with you more than some of my colleagues at NASFAA and this week being one of them.
Thank you for having me, Megan. And yes, I feel that way sometimes too.

Megan Coval:
Yeah. So it's yeah. Good to have friends of NASFAA on the podcast. And I will just share the title of the paper that Carrie and her colleagues at NCAN authored. For those of you who have access to the list of papers, theirs is: Exploring the Relationship Between FAFSA Verification and Pell Grant Award Change. And we also have with us Mark Wiederspan from Iowa College Aid. Mark is the executive director of Iowa College Aid. And is an affiliate researcher at the University of Michigan's education policy initiative. His work has been published in academic journals, including the Journal of Higher Education, National Tax Journal and Economics of Education Review. And he has testified before Congress regarding simplification and the federal student aid process.

Megan Coval:
Mark, we're really glad to have you here. And at NASFAA we're very familiar with your work as are many of our members. So we consider it fortunate to be able to have you on the podcast today.

Mark Wiederspan:
Thank you for having me. I really appreciate this opportunity to speak to you guys.

Megan Coval:
Yeah you bet. And for those listening who want to check out the specific paper that Mark and his colleagues wrote for us here. It's called, A Stumbling Block on the Road to College: How FAFSA Verification Hinders Low-Income Students. So with that, we will go ahead and get started. Again, two papers on verification. There's some overlap between the two, but also some differences in the way that you all approach verification and what you looked at. So, Carrie, I think I'll go ahead and start with you and ask you to just dive in to what you and your colleagues at NCAN were looking at for this FAFSA paper series.

Carrie Warick:
Thank you so much, Megan. And thanks again for the opportunity to write this paper with my colleagues, Bill DeBaun and Raymond AlQaisi, and additionally for offering the podcast forum. I listen to Off The Cuff all the time. So I'm excited to get to do this episode.

Carrie Warick:
So when we started exploring questions about FAFSA verification, we really had three things that we were interested in looking at. First, whether FAFSA verification affects student enrollment. Second, whether the award size actually changes for students who do complete FAFSA verification. And then third, since the purpose of verification is to examine and look for improper payments within the financial aid system. Is there actually benefit to the taxpayer for all of the burden that's put on students and institutions for this process? So I was very glad to see that Mark and his colleagues in Iowa tackled the student enrollment question. The NCAN paper is built on data, first time ever released data, from the office of Federal Student Aid at the US Department of Education.

Carrie Warick:
So one, we’re very grateful to them for allowing us to use this data that they shared with us. But two, that also meant that we could not look at student enrollment necessarily, or look at what happens for students who don’t complete FAFSA verification. Because we had a data set that included students who completed the verification process and then ultimately received some type of financial aid. So we knew, even if it wasn’t a Pell Grant, but we knew their information because they were in the Federal Student Aid central processing system. So we looked at two years, from 2017 to 2018 academic year, and then 2018 to 2019 year. And we actually had partial data for each of those years, but looked at the data through the height of the FAFSA filing cycle, which was the first 13 months.

Carrie Warick:
And the reason that we decided to look at these two years, rather than going back up further and doing something like five years of complete study, is that Federal Student Aid made some significant changes in how they select students for the 2018-2019 academic year. And we wanted to be able to compare those changes, as our focus was on the change in award size and the impact on the taxpayer. If these improvements worked for 2018, 19, we should see that in our data. So ultimately, what did we find when we examined these data sets? For students who were selected for verification and completed it, those who were Pell-eligible, over 70% of them did not see a change in their award size at all. Which basically means there was not a change in their expected family contribution.

Carrie Warick:
And I think what’s even more telling is we looked specifically at a subset of students who are part of the auto-zero EFC selection within FAFSA filing. Which means they meet a set list of criteria to be able to do a simplified version of the FAFSA and automatically receive a $0 expected family contribution. And for the students who are in that special FAFSA filing program, who were then selected for verification, over 90% or 93% of them, to be precise, did not have a change. They kept their $0 EFC. And as long as their cost of attendance was greater than the maximum Pell award, that meant that they kept their maximum Pell award. So these were pretty telling results for us that I look forward to discussing further. I think the other top piece that I would mention, is that we looked for students who did have a change in award.

Carrie Warick:
This affects the money going out from taxpayer's pockets. And we found that from 17, 18 to 18, 19, there was actually a drop in percentage of students verified, which is good news. But in addition to that, there was 6% more dollars recouped in the process. Which means the changes made from 17, 18 to 18, 19, not only reduce the number of students, but increase the dollars.

Carrie Warick:
So the change in the algorithms, which Mark points out in his paper are completely proprietary and we know nothing about, at least seem to be working successfully. That we do have recommendations for how things can be continually improved. And I look forward to talking about it as we continue our conversation.

Megan Coval:
Thanks, Carrie. I have a few questions that came up after you gave us the initial overview. But I’d like to give Mark a chance to give an overview now too here, because I think it folds in nicely. You talked about what happened to award size for the Pell Grant. And Mark there was a focus more, in you and your
colleagues paper, on enrollment. So give you a chance to chime in here and then we can go in to some discussion.

Mark Wiederspan:
Yeah. And so originally how this paper started is, it was just simply looking at the college choice decisions that students make. There's these iterative steps that people go through on their path to go into college. You decide which college you're going to go to. You fill out the applications. You fill out the FAFSA. And then we just always say, "Oh, they go to college." But it was just always so frustrating that verification is in that process for some students. And it's not necessarily discussed. I mean, it is discussed to some extent, but many people just don't know that it exists.

Mark Wiederspan:
And so originally what we were trying to do at the very beginning of this paper, is we were just trying to figure out, what are the metrics that determine who gets selected for verification? And in the end, no matter how we looked at it, if we looked at the type of FAFSA that was filed, what type of elements that were put into the FAFSA. It always came back to be in Pell-eligible.

Mark Wiederspan:
And so we had discovered that if you're a Pell-eligible student, you are 24 times more likely to be selected for verification. And so then it got us thinking a little bit more, "Okay. So what is then the enrollment impact of this?" And there had been previous research that NCAN has done where it looked at the summer melt, like how many students have dropped off in the application process because of verification. But we just wanted to understand a little bit more at the individual magnitude of this selection. And so we used the ICA data for all Iowa residents because Iowa College Aid administers as all the state aid programs. We receive ICA records for all Iowans who filed a FAFSA.

Mark Wiederspan:
And so we tied those records to enrollment data housed at the National Student Clearinghouse. And what we'd found is that after students had been selected for verification. When we take into account their gender, their parental education, EFC, the type of FAFSA formula used. We found that students who were selected for verification were 2.3 percentage points less likely to enroll than their counterparts who had not been selected for verification. And in other words, the probability of enrollment for an individual who got selected for verification declines 12% once they get selected. And we discovered that the impact of verification is greatest at public two-year institutions. Which are the institutional sector that has the largest Pell-eligible population. For that group, we had found that those students at public two-years, that the impact was even greater. They being selected for verification resulted in a three percentage point decline that they would enroll.

Mark Wiederspan:
We also looked at this enrollment impact on verification across different types of formulas that are used. And interestingly, we discovered that students who had received an automatic zero EFC or an EFC under the simplified needs test were less likely to be selected for verification. However, these students that were selected for verification and received an automatic zero EFC or an EFC, the simplified needs test. They were significantly less likely to enroll than their Pell counterparts who were not selected for verification.
Mark Wiederspan:
And then, at the time that we were writing this, there was also the FUTURE's Act that came through. And so that holds a lot of promise. Because we really do believe that the more information that can be exchanged between the IRS and the Department of Ed. would in some ways alleviate some of the verification concerns that people have. And so we dug a little bit deeper into it to look at Pell-eligible students who use DRT versus those that didn’t. And what we had found was that those that... Pell-eligible students that use DRT and were selected for verification, were more likely to enroll in college than individuals who did not use DRT. So in general, we really had found is that verification truly is a significant barrier to college enrollment for those that have low incomes.

Megan Coval:
Thanks, Mark. And I just want to make sure I heard something that you said earlier correctly. Did you say going through the verification process decreases the probability of enrollment by 12%?

Mark Wiederspan:
Correct. Yeah. Yeah.

Megan Coval:
Yeah. It's not 50 or 60%, but it's significant, right? I mean, when you think about the students that are going through it and, particularly our lowest income students, Pell-eligible students. I mean, that is a higher number. I was surprised by that number.

Mark Wiederspan:
Yes. I mean, even though our estimates show that we had said that 2.3 percentage points, but if you extrapolate that out, that results in a 12% decline. And so, I mean, even though we say that that 2.3 percentage points is low. I mean, it is, it's a very significant number and it definitely illustrates that there is a significant barrier with verification.

Megan Coval:
Yeah, absolutely. I want to go back to something that you both mentioned with regard to the auto-zero population. And let me make sure that I get this right here. Carrie, you said that over 90% of those with auto-zeros did not have a change in their Pell award?

Carrie Warick:
Yes, that's correct, Megan.

Megan Coval:
Okay. But Mark, you said that those who were auto-zero though, were more likely to not enroll as a result of verification, is that right?

Mark Wiederspan:
That's correct. Yes.
Right. So there seems to be a little bit of a disconnect here in terms of the policies that we have in place, right? And Carrie, I think one of the recommendations that you all had in your report was for the department to pull back on the number of auto-zero students that they actually select for verification. Given that 90% number, that 90% of them don’t see a change in their award. Is that right?

Carrie Warick:
Yes, Megan. That is correct. We did make the recommendation that the department should greatly reduce the percentage of students who qualify for auto-zero for verification. Because we are seeing these negative results. So one, their words aren't changing. It's not like it comes out that they actually could pay for some amount of college. And so then in the government's mind, you're wasting taxpayer dollars. Their auto-zero still turns out to be a complete EFC of zero. They're getting the same Pell Grant award, no matter what. But from Mark's paper, I think it shows that they are more likely to experience what NCAN calls verification melt, in terms of being a population that's negatively impacted by having to go through the process. Whether that means the process is very difficult for them, or whether it just sends a message to a group of students who are more likely to be from under-represented backgrounds, that they're not meant to be in college.

Mark Wiederspan:
Yeah. And just to expand.

Megan Coval:
Sure.

Mark Wiederspan:
I mean, the great thing about the NCAN paper, it definitely helps identify with these two papers that there is still a black hole, right.

Megan Coval:
Mm-hmm (affirmative).

Mark Wiederspan:
That trying to understand a little bit more of what these barriers that these students are facing. And the paper that we wrote, it's not causal, and we're not that verification causes the dropout for zero EFC students. We just noticed that there is a very significant correlation with that group. And so there definitely needs to be a little bit in the future. A little bit more unpacking this finding of what is going on with these particular students. And that's something really important to consider when we do this, is that this is not a causal statement that we're saying that verification causes it.

Megan Coval:
Yeah.

Mark Wiederspan:
But we are saying that there is a significant correlation between verification and being auto-zero.

Megan Coval:
Yeah. I appreciate you making that point and that distinction. And Mark, one other thing was interesting to see, because I can't say that I've seen it in other work on verification, is the breakout that you did by sector and what you found with community colleges. And just thinking about all the other implications that come along with that, given that they're the sector that serves high Pell-eligible population, more nontraditional. Although now our older learners are more of our traditional learners. So I appreciated that perspective and think that that work is really important as well.

Megan Coval:
One question I have for you, this is both for you, Carrie and Mark, because I know you've worked a lot on this. When we talk about trying to get more information from the department about what goes into their model and into their risk assessment. I wonder if you could just talk a little bit about what those requests have looked like. If they've been met with opposition, what's the reasoning? And then you had it your way, how would you make it so that we could get some more transparent information while also putting appropriate protections in place for fraud?

Carrie Warick:
So requests that NCAN has made to learn more about the algorithms that choose which students are selected for verification have been pretty broadly met with the answer of, "We need to protect those and not share those. Because if we put out information about how we select students, then those who are purposefully trying to commit fraud will be more easily able to game the system." And I think from my perspective, it's less that I want to know the details of those algorithms and more that I'd like an explanation. And this was one of our policy recommendations as to why the rate of FAFSA verification is so much higher than the percentage of tax filers who are audited.

Carrie Warick:
The obvious answer one could go with there is, well there are so many more tax filers that obviously there's a capacity issue. But generally the IRS feels that for filers who are filing taxes and who are below the 1% very high earners, that they audit fewer than 1% of tax filers. However, our new lower rate for FAFSA verification from 2018, 19 was to verify 22% of FAFSA filers. That's a significant decrease from 2011, 12 to 2017, 18, where the range was 30 to 38% of FAFSA filers being flagged. But I'd like some more explanation there. Particularly because they're mostly flagging Pell-eligible students. The vast majority of students who are flagged for verification might make up 22% of all FAFSA filers, but of those 22%, the vast majority of them are Pell-eligible.

Mark Wiederspan:
So to add onto that, I was just going to say that I think it is somewhat ridiculous that they don't share the risk assessment models. Like at least giving some indication on who is being selected. I don't necessarily buy the argument that students are going to be gaming the system or filers will be gaming the system. I think if one truly wanted to game the system, they would also probably have to know how their EFC is calculated or what the formula is embedded within the FAFSA. They would need to know what are these elements actually used to calculate their EFC. And even that in of itself, if you compare it to your traditional tax return form. When I sit down and do my taxes, I fill in this box, I fill in that box. I actually see the formula as I'm going through my tax returns.
With the FAFSA you don't see that calculation. You just input it onto the website and then it spits out an EFC. So I don't necessarily buy that it would allow individuals to game the system. At the same time though, you could look at it as, "Oh, if we knew what the risk assessments were, then we could also probably provide significant outreach to those that we know are going to be the stumbling blocks that the Department of Ed determines." So yeah, I think having that information would be much more beneficial to get individuals through the verification process. At least figuring out, "Okay, this individual we know has completed it. Okay, what can we do then to help this particular individual?"

Carrie Warick:
Just to clarify from my earlier comments, I certainly don't think that students are actively trying to commit fraud. I think the individuals who are probably trying to commit fraud are also probably not trying to pursue degrees. And it's a very, very small percentage. And it's those folks who are the ones that make life more difficult for the students who are actually seriously trying to go to school.

Megan Coval:
Right. And let's not forget that in any federal program, especially one of this size, and many programs are even bigger than this. There is unfortunately always going to be some fraud, right? I mean, I'm not saying it should be the way things are. I'm not saying it's the right thing, but, I wish I could remember who, it might've been Justin or somebody else always said, "With anything that we're working on, you always have to account for a little bit of slaw."

Megan Coval:
Yeah, it's a very fancy word, I know. But the idea that we need to be careful and balance that we don't make things too restrictive. And in this case, impact, access, and enrollment, and success, all in the name of just making sure that we have zero fraud or very little fraud [crosstalk 00:24:34].

Carrie Warick:
I absolutely agree. And it's the reason we did not come out and recommend for the entire elimination of verification, even with the FUTURE Act now on the books. But we do think it can be significantly reduced and that we need to be okay with a couple of errors on the edges, whether it's fraud. I think it's much more likely to be genuine human error. That when you especially look at 93% of EFC zero students not having their award change, what impact are you really getting from those other 7%? Especially if it means that their EFC is 500 or $1,000. It's very small dollars. I think even from Mark's paper, the average change in award was much less than that, was more in the $200 range.

Megan Coval:
Yeah. I don't have any of these numbers in front of me, so I'm going to go out on a limb and risk saying that, I think that I'm right here. But when you talk about the scope of the improper payments, right. Which Carrie, you mentioned as a big focus of both Congress and the Department of Education. Making sure that the right dollars go out the door. And so every year they have to account for what were improper payments or the incorrect dollars. What is it, 22 million? 22 or 24 or something, million was the last improper payment.

Carrie Warick:
Inspector general calculates an improper payment rate for the department each year and then tries to put a dollar number on the amount that did go out in improper payments.
Carrie Warick:
We did not get into that in our paper. But if you look at the year end reports, the budget reports for the Department of Education each year, you can dig into that. The number that we had in our paper was how we calculated a net savings. Which was basically for the Pell-eligible students who had a Pell Grant decrease due to verification.

Megan Coval:
Yeah.

Carrie Warick:
How much did the department of education "save"? So these are, I guess, improper payments that were prevented because the students were flagged for verification. And the numbers are; it was 400 million for the 17-18 FASFA year, 18-19 award year. And then 428 million for the 18-19 FAFSA year or 19-20 academic year. And so those are the numbers behind my opening comment saying that we went from 30% to 22% verification rate. And then they saved an additional 24 million.

Carrie Warick:
And those numbers sound really large. But when you look at an overall government program, that's usually in the high twenties to low 30 billion with a B dollars. It's actually not that large of a percentage.

Megan Coval:
Yeah, that's what I was thinking of in terms of scope. So thanks for clarifying between your numbers and actual improper payment numbers. But yeah, definitely something to just keep in mind. And like I said, again, as you two did real ramifications here for students.

Megan Coval:
Last question for the two of you and you've hit on this a little bit, but since we are in the... Carrie and I can definitely say, we’re in the thick of implementing the FUTURE Act right now. Which was the bill that was passed last Fall that would allow direct data sharing between Ed and the IRS. I just want to wondered if you could just talk through a little bit more, what do you think the implications of this will be on verification? And Mark, maybe we can start with you because you did mention that you looked specifically at those who were selected, but did use the DRT. And I think you found some pretty good results there, correct?

Mark Wiederspan:
Yeah, we did. I think if anything, the takeaway from at least that section is that, the more information that we can transfer between the IRS and the Department of Ed for the FAFSA, I think it makes... It alleviates some of the verification burden. And so the more that we can have transfers between the two, in many cases, I think in the longterm and over time, it could be potential that we don't need to do verification anymore. If the majority of filers are being flagged for verification, with regards to their tax filing information. It doesn't serve the purpose of having students submit additional documentation to prove what they inputted is correct.

Megan Coval:
Yeah. If it comes from the IRS it's good enough, right?
Mark Wiederspan:
Yeah. Yeah.

Megan Coval:
It should be good enough. Carrie, anything you want to add there?

Carrie Warick:
I would just agree with Mark that we are very excited and anxious to see the FUTURE Act implementation. And are interested to see what that could allow for future FAFSA simplification overall, in terms of reducing the number of questions. Right now the implementation is focused on financial answers, because there are differences in definition between some of the other fields that could be brought over from the IRS. Such as number in family or what the IRS calls dependents.

Carrie Warick:
So I think there’s some future work for Congress to do in simplifying the formula and the FAFSA form that would allow us to get to that point. I don't think the FUTURE Act is the end of that road. But it certainly lays the foundation and should make... If FSA can get from 30, high 38% to 22% verification, FUTURE Act should allow them, in my mind, to decrease that number significantly more. And hopefully further action from Congress. I’d love to get to Mark's point about no verification at all. But I think we've got a few more steps before we get there.

Megan Coval:
Well, that folds into my very last question, which I asked our guests last week. And I'm going to put a little spin on this, related to the topic of verification today. So I’m going to ask the two of you, what you think, if you were sitting up on Capitol Hill and in a position to make power, what the perfect verification process would look like to you? You can go big here. Your answer doesn't have to exist within the realm of possibility in this current moment in time.

Mark Wiederspan:
I'll start. I think to answer that question, I would just bounce off of some of my prior research, just looking at the FAFSA simplification. I think if we just had a more simplified form that only had eight questions. And all the questions were derived from individuals 1040, and it's directly put into the IRS system and all that information is just used to calculate a EFC. I don't foresee the need for us to do verification. We could lean on the IRS auditing that they do, and that I think should be sufficient enough. If we just had a more simplified FAFSA. I think it would definitely reduce the need to do verification.

Carrie Warick:
In the very big picture I'd like to see us have numbers that match the tax audit numbers, those less than 1%. I've talked to enough of my financial aid friends where I think, "Oh, can we really get to zero?" Especially, I start thinking about foreign tax filers and go in all of those different directions. But ultimately I think we can get to that less than 1% number. And that’s when we then really need to explore the, "Is what you're getting from that, does that really matter?"
So yes, I think there is a path where we can make the FAFSA simple enough that verification isn't necessary. If we're going to be getting the majority of the information from the IRS or possibly from other government agencies for non-financial questions. But that ultimately it requires further simplification of the form, and the formula, as well as broader data sharing across government. And as I've learned through implementation, the privacy practices and matching database systems and all of the things that go with that.

Megan Coval:
Well, the good news is hopefully, eventually we'll have an opportunity to do a little bit more on FAFSA simplification with HEA reauthorization. We don't know when that will happen, but we have a big policy window that has to happen sometime in the next couple of years.

Mark Wiederspan:
That should be the next question, is, the bets on when that would actually happen?

Megan Coval:
Yeah well go ahead. You guys want to give me your bets?

Mark Wiederspan:
I would have said pre-COVID by December, but now with everything going on, COVID, I'm going to go December 2021.

Megan Coval:
Cool. Okay you went on to the month and year. I like it Mark. We're going to...

Mark Wiederspan:
By December, 2021.

Megan Coval:
By. Okay. Okay.

Mark Wiederspan:
I don't think we'll have it this legislative session. It'll be next legislative session and it'll be late.

Megan Coval:
Right? Gives the new Congress the time to get in and... Okay, Carrie?

Mark Wiederspan:
I hate to go with just what he said, but that was literally the same process that I was going through here. We're not going to get to HEA until after the current pandemic situation is far improved and likely that the economic situation that comes along with it has resolved. But I do think particularly if vice president Biden is elected, that higher education will be high on his post pandemic list.

Megan Coval:
All right. We'll see what happens next year. I'll see if you guys were right. I'm with you on the timing. Give the new Congress a little time to get settled and then get rolling on HEA, which is long overdue, of course. So, all right, well that is all for today. I want to thank you both Carrie and Mark for joining us, for offering these important papers, along with your colleagues. I encourage our listeners to check them out, dive in a little bit more. Lots of good stuff in there. Thanks for joining us for another edition of Off The Cuff. Remember to subscribe, tell a friend and we'll see you again next week.