December 16, 2015

Dr. Ted Mitchell
Under Secretary
U.S. Department of Education
400 Maryland Ave, SW
Washington, DC 20202

Ms. Ajita Menon
Special Assistant to the President for Higher Education
White House Domestic Policy Council
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Dear Under Secretary Mitchell and Ms. Menon:

Since 1993, and reaffirmed in 2011[1], the Executive Branch has directed its agencies to reduce regulatory burden and maximize innovation and flexibility. Given its position as the main contact point for postsecondary schools, Federal Student Aid (FSA) should be at the forefront of the Department of Education's (Department) efforts for actively seeking to reduce burden and increase institutional flexibility. We fear, though, that the direction the Department is pursuing, as evidenced by the discontinuance of the quality assurance (QA) program and the failure to implement targeted verification fully, is an indication that ED is actually doing the opposite. However, a rare two-pronged opportunity to reduce burden significantly for both students and schools is within grasp: the move to prior-prior year income (PPY), and targeted verification as supported by the QA program.

I am writing to urge the Department not to allow this dual opportunity to reduce burden and facilitate innovation to slip away. NASFAA asks the Department, and specifically FSA, to:

- Resist expanding verification just because it anticipates a vacuum in financial aid offices as PPY reduces current verification burden;
- Fully implement and strengthen targeted verification, as promised during negotiated rulemaking from 2010;
- Reverse its intention to discard the QA program; and
- Maximize the use of the Internal Revenue Service Data Retrieval Tool (IRS DRT) by expanding those who are eligible.

[1] EO 13563

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Use of Freed Resources from Reduced Burden

Verification of Free Application for Federal Student Aid (FAFSA) data is consistently named one of the most burdensome Title IV processes for aid administrators, students, and families. Despite database matching and years of data analysis, verification remains a significant drain on financial aid office resources and, as part of a complex application system, a potential barrier to student access. The use of PPY, the first aforementioned opportunity to reduce burden, as the basis for deriving expected family contributions will move the period of time from which income is measured back a year, enabling many more families to use the IRS DRT to populate the FAFSA. IRS DRT-supplied figures are considered accurate without need for further verification, which is otherwise a highly manual process. The resulting reduced burden will likewise free up institutional resources.

Whether the benefits of PPY are fully realized depends on how freed resources are allowed to be used. Institutional resources are limited, and demand on them is unlimited. Schools need the flexibility and authority to prioritize the use of freed-up resources to meet the most pressing demands for enhancing innovative service to students. Improved student counseling, for example, is high on the list of steps that can drive up completion rates while keeping debt levels down.

It is quite disturbing, therefore, to hear murmurings that the Department would consider ramping up or introducing new verification requirements in place of those that would be reduced by the move to PPY. NASFAA urges ED to resist diverting soon-to-be freed-up resources to new onerous and unnecessary verification requirements. In all of our discussions with lawmakers and the White House, one of the primary benefits that made PPY attractive was a reduction in burden to both students and schools.

Targeted Verification

The second opportunity to reduce burden is improved targeting of verification. In June 2010, ED announced in a Notice of Proposed Rulemaking that it could better identify and select applicants for verification based, in part, on Quality Assurance Program analysis. Selection criteria would be "based on the most error prone data items that are specific to each applicant selected." ED expressed confidence that this targeting would result in a "more efficient and effective verification process," and that "overall burden will be reduced across institutions."

Many commenters agreed with the goal of targeted verification. NASFAA in particular has steadfastly supported this concept, through the final rule process and the subsequent decision to phase in the changes over time.

Nevertheless, ED has repeatedly delayed full implementation of the targeted approach to verification. NASFAA urges ED to press forward with full implementation of targeted verification: only those data elements that are likely incorrect on any given application should be selected for verification, rather than one likely error triggering a set group of data elements.

If problems to full implementation exist, we encourage the Department to convene focus and working groups to help overcome those problems, and we offer our assistance in doing so.

Quality Assurance (QA) Program

Executive Order 13563 directs agencies to "specify performance objectives, rather than specifying the behavior or manner of compliance that regulated entities must adopt." Further, "our regulatory system... must measure, and seek to improve, the actual results of regulatory requirements." The QA program accomplishes those goals. In the preamble to the October 29, 2010, final rules introducing targeted verification, the Department acknowledged QA as a major source of data that makes targeting possible, and a project worthy of expansion:

"The changes made to the verification regulations... will not diminish the importance of the QA Program. In fact, we are currently in the process of developing a plan to expand the number of institutions that participate in the QA Program... Also, the changes made to the verification regulations are not expected to alter the way the QA Program operates. In fact, the Department expects that data and results generated from institutions participating in the QA Program will help us assess the effectiveness of the new verification regulations...."

We ask: what has changed to make the Department take a completely contradictory position now, in disbanding QA? NASFAA requests ED to rescind this decision, and, instead, to renew efforts to find innovative and campus-based initiatives for improving program integrity while reducing burden.

IRS Data Retrieval Tool (DRT)

An essential driver of the move to PPY is the IRS DRT, and at the same time the move to PPY makes enhancement of the DRT possible and desirable. NASFAA urges the Department to revisit its agreement with the IRS to explore ways of maximizing the use of the DRT, given the earlier time frame and expanded IRS database that PPY allows. We also wish to underscore the importance of resolving, as soon as possible, current problems with accessing IRS data in certain cases, such as married couples who file separately. To support ED in that effort, we hope that Congress will direct IRS to cooperate more fully and timely in improving the DRT process. More lenient rules for releasing tax transcripts, especially for individuals with a balance owing on tax liabilities, would also serve to enhance training and employability. We realize the provision of data for student financial aid purposes is a small part of what IRS does, but the need of the nation to strive for a highly educated populace that can compete globally and to afford its most disadvantaged elements an opportunity to lift themselves out of poverty makes that function critical.

To summarize, a real opportunity now exists to shift institutional resources to more meaningful and effective uses, if the move to PPY is fully exploited through DRT, and if improved efficiency through targeted selection for verification is fully realized and supported by QA. Schools should be allowed the discretion to direct this shift as best meets their students' needs.

Thank you for your consideration of our concerns. We reiterate our willingness to assist in any way to achieve a resolution and move forward.

Sincerely,

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