



# NEWSLETTER

SUMMER 2017

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## Message from Milton

As the Fall approaches and all of you face the daunting task of processing financial aid applications, while complying with the increasingly complex federal financial aid requirements, all of us at HEAG want you to know that we understand the challenges that you face. We are a unique community in this regard as we try to balance the needs of our institutions with the demands of the Department of Education. Good luck with the beginning of a new academic year.

~ Milton Kerstein, President



## SUMMER READING

Have you read "*Spare Parts: Four Undocumented Teenagers, One Ugly Robot, and the Battle for the American Dream*" by Joshua Davis? The book came out in 2014 and the movie in 2015. Davis tells the inspiring, true story of four Latino high school students born in Mexico and raised in Phoenix, Arizona and how they competed against some of the best college robotics teams, including MIT. You'll have to read the book to find out what happens.



With immigration being such a hot topic these days, we thought it would helpful to provide you with an update on the Dream Act and federal financial aid funding for undocumented students.

### Dreamers: What's Changed Since 2001

The Dream Act (for Development, Relief, and Education for Alien Minors) is a legislative proposal for a process for illegal immigrants in the United States that would first grant conditional residency and upon meeting further qualifications, permanent residency, and eligibility for Title IV financial aid. The bill was first introduced in the Senate on August 1, 2001 by United States Senators Dick Durbin and Orrin Hatch. It has been re-introduced several times but has always failed to pass.

Since 2001, members of Congress have introduced several forms of this bill in both the House of Representatives and the Senate. Members in the House passed one such bill on December 8, 2010 by a vote of 216-198. Senators debated a version of the Dream Act on September 21, 2010, but it never came up for

a vote. A previous version of the bill, S.2005, which required 60 votes to gain pass, failed on a 52-44 vote in 2007, 8 votes short of overcoming a filibuster by senators opposed to the bill. Similar bills were introduced in 2009, 2010, 2011, and 2012 with never enough support to gain passage.

### Dream Act of 2017

In July 2017, Senators Lindsey Graham (R-SC), Dick Durbin (D-IL), Jeff Flake (R-AZ), and Chuck Schumer (D-NY) introduced the Dream Act of 2017. Congressman Luis Guterrez (D-IL) also introduced the American Hope Act, H.R. 3591, to provide conditional permanent resident status for undocumented individuals brought to the U.S. before their 18th birthday.

### What's New

The major changes proposed in the Dream Act of 2017 include:

- Expanding eligibility to individuals who meet work or hardship criteria. Previous versions only included college or U.S. military service requirements.
- Repealing section 505 of the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 (IIRIRA), which discourages states from making undocumented students eligible for in-state tuition.

### In-State Tuition and Title IV Funds for Undocumented and DACA Students

In at least 20 states, undocumented and Deferred Action for Childhood Arrivals (DACA) students are eligible to pay in-state tuition rates at public colleges and universities. Sixteen of those states have enacted state legislation in which eligibility for in-state tuition is based on graduation from a state high school

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**Summer Reading****FROM PAGE 1**

and long-term residence in the state. Some states, such as Indiana, specifically restrict undocumented students from eligibility for in-state tuition, and condition eligibility for in-state tuition on whether the student is lawfully present in the U.S. DACA recipients do not have lawful status, but are considered to be lawfully present in the U.S. Therefore, they may be eligible for in-state tuition in many states or universities. Students should be advised according to their state of residence and particular institutional policies in this regard.

Even at in-state tuition rates, paying for college is often a challenge, especially because DACA and undocumented students are not eligible for state or federal financial aid. Undocumented and DACA students must explore alternative sources of private funding.

**Changes Coming for DACA?**

On June 15, 2012, President Obama announced that his administration would stop deporting young illegal immigrants who match certain criteria previously proposed under the Dream Act.

On August 15, 2012, the U.S. Citizenship and Immigration Services (USCIS) began accepting applications under the Obama Administration's (DACA) program.

As of January 2017, 740,000 people have registered through DACA.

DACA is likely to become front and center in September. While the Trump administration has indicated it will preserve the program, several state attorneys general are threatening to challenge the program in court. Congress also has to pass a funding bill in September and ending DACA is one of the many bargaining chips in the debate.

To be continued...

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## NEW YEAR-ROUND PELL: HOW IT'S DIFFERENT THIS TIME AROUND

Year-round Pell is back for 2017-18. This is good news for Pell-eligible students who want to attend in the summer to accelerate their progress toward graduation. According to Secretary of Education, Betsy DeVos, "this decision is about empowering students and giving them flexibility and support needed to achieve their goals. Expanding access to the Pell Grant program, so that students who need additional resources can graduate more quickly and with less debt."

Year-round Pell allows students to receive up to 150% of a regular grant award over the course of an award year so they can continue taking classes in the summer and finish their degrees faster than they would otherwise. This change also gives the U.S. Department of Education a second shot at implementing year-round Pell grants. Congress previously approved year-round Pell in the 2008 Reauthorization of the Higher Education Act only to take it away three years later due to funding shortfalls in the program and claims that the program was ineffective.

**The Credit-Hour Earned Requirement**

When year-round Pell was first enacted back in 2009-10, there was no credit-hour earned requirement to be eligible and students could use up to 200% of the maximum yearly Pell. This changed for 2010-11. In 2010-11, the Department issued a credit hour earned requirement to the program. If the student started receiving FT Pell in fall 2010, they had to earn enough credits during the fall and winter and be registered for enough in summer to put them over 24 credits for the award year. For example, if a student received FT Pell in fall and spring, and earned 8 hours for fall and 12 hours for spring, and was registered for 8 for summer, they would be eligible for more than the 100% Pell award. If they earned 8 hours for fall, 8 hours for spring, and registered for 8 for summer they would not be eligible because that is less than the 24 required credits. Having to monitor credit hours

earned turned this from a positive to a negative for most financial aid offices and institutions as a whole as it added another regulation to monitor.

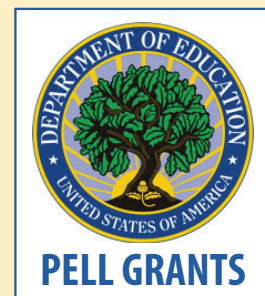
As of right now, there is no credit-hour earned requirement for the new year-round Pell. With the administration's claims of wanting to do away with over-burdensome regulations, we'll have to watch and see if the credit-hour earned requirement is truly a thing of the past.

**150% Versus 200%**

Another way that year-round Pell is different now is that students will only be allowed to use 150% of their Pell award when they could use 200% back in 2010-11. In 10-11, if a student started in summer 2010, they could receive 50% (of yearly amount per semester) FT Pell in summer 10, fall 10, spring 11, and summer 11, which equated to 200% at schools that had three 15 week semesters per year and who allowed students to be paid from either award year during the summer crossover. Again, we'll have to watch and see if it will be expanded to that in summer 2018 for students who first started receiving Pell 17-18 in summer 2017.

**Keeping an Eye on Compliance**

Year-round Pell offers students the opportunity for students to graduate faster with lower student loan debt. And it offers financial aid administrators relief from some of the monitoring and regulatory compliance. HEAG will continue to bring you the latest information as it comes available. In the meantime, please contact us if you need assistance with your financial aid compliance.



# STUDENT LOAN SERVICERS, AND THEN THERE WAS ONE

There are currently nine servicers to handle all federal student loans, with many being in place since the Affordable Care Act of 2010 which ended the Federal Family Education Loan Program program and replaced it with the current Direct Loan model. A battle is brewing in Washington that may limit those currently servicing federal student loans to one company. An exclusive contract offer from the Trump administration is in the works for just one entity to service the 1.3 trillion dollars in outstanding federal student loan debt currently on the books, with the sole company taking over in 2019.

## The Move to One Student Loan Servicer

In mid May, Education Secretary Betsy DeVos issued a press release, publishing the 9th amendment to Phase II of the Education Department's federal student loan servicing solicitation which was the first announcement of ED attempting to move to one loan servicer. According to sources, the contract is being fought over by three of the current loan servicing companies; Navient, GreatNet and PHEAA. Betsy DeVos was quoted as saying,

"the federal student loan servicing solicitation we inherited was cumbersome and confusing — with shifting deadlines, changing requirements and defacto regulations that at times contradicted themselves. Internal and external stakeholders both agreed it was destined for a massive and unsustainable budget overrun."

## And the Critics Say...

Those against the latest contract proposal believe that it will once again create a monopoly and whichever company is chosen, will have no incentives to improve upon the customer experience. Thirty-two million college borrowers will be beholden to just one company. It will be a massive undertaking in terms of ramping up enough representatives in order to tackle such a large influx of borrowers. Other negatives in the eyes of critics are the removal of Spanish language materials and the servicer will be able to erase options for a borrower to direct payments to one loan over another. "The changes may increase profits for the industry, but may do little to tame the high levels of default in the program," explains Rohit Chopra of the Consumer Federation of America and also the former student loan ombudsman at the Consumer Financial Protection Bureau.

## Navient's Mixed Message Regarding Students' Complaints

The Consumer Financial Protection Bureau (CFPB) is in agreement that some changes need to be made as complaints regarding all of the current services have increased at a rate over 400%. However, a majority of the complaints came before the CFPB took drastic action against Navient who borrowers said was cheating them out of some of the rights that they had under Obama administration rules. Navient has commented on the CFPB report, "there is no expectation that the servicer will act in the interest of the consumers," they said in the March 24 filing, adding that courts routinely agree that servicers and lenders "do not owe borrowers any specific fiduciary duties based upon their servicer/borrower relationship." This is in contrast to what the CEO has said publicly, "at Navient, our priority is to help each of our 12 million customers successfully manage their loans in a way that works for their individual circumstances."

## Change Is Coming to the Student Loan Payment Process

The bottom line is that it looks like there will be some very serious changes coming to the loan payment process that will impact anyone who has borrowed a federal student

loan and is still dealing with one of the current servicers. Like all other massive upheavals to federal programs, it is not without controversy and its critics. HEAG will continue to bring you the latest information as it comes available.

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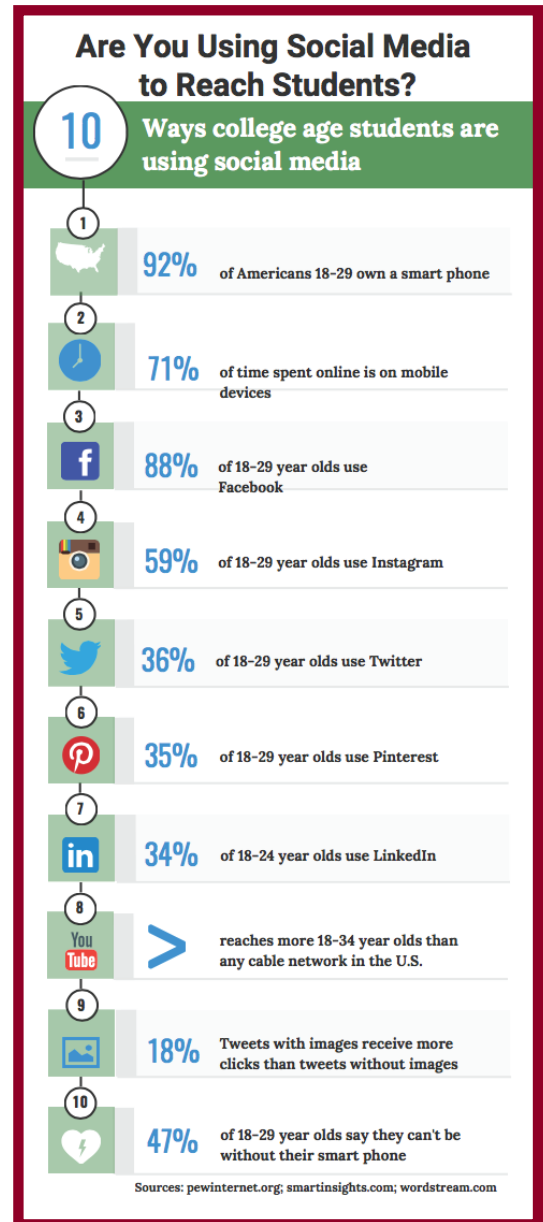
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# CHANGES TO THE IRS DATA RETRIEVAL TOOL PROCESS FOR THE 2018-19 FAFSA® FORM

August 7, 2017

By **Craig Munier**, *Assistant Director, Policy Liaison and Implementation, Federal Student Aid* ~ **Lisa DiCarlo**, *Director, Student Experience Group, Federal Student Aid*

In a May 3, 2017 Electronic Announcement, we informed the community that in an effort to address privacy and security concerns raised by the Internal Revenue Service (IRS) related to the IRS Data Retrieval Tool (IRS DRT), the IRS and Federal Student Aid (FSA) agreed to implement a solution that will reinstate the use of the IRS DRT beginning with the 2018–19 Free Application for Federal Student Aid (FAFSA) cycle. This Electronic Announcement provides detailed guidance regarding that solution and its impact on the important work done by postsecondary institutions.

## Functionality Prior to the IRS DRT Shutdown

Prior to the shutdown of the IRS DRT on March 3, 2017, most online FAFSA applicants and parents were provided the option to link to an IRS website and, once authenticated, could view their tax return information and transfer it back into the FAFSA form. Transferred tax return information was displayed to the applicant or parent and labeled with “Transferred from the IRS” next to the data entry fields on the FAFSA form. IRS Display Flags were set on the Institutional Student Information Record (ISIR) to inform financial aid administrators of the applicant’s or parent’s eligibility to use the IRS DRT. IRS Request Flags were set on the ISIR to indicate whether the applicant or parent linked to the IRS, transferred their tax information, and once transferred, whether the information was changed by the applicant or parent before submission of the FAFSA form.

## 2018–19 Changes to the FAFSA IRS DRT User Experience

To enhance the security and privacy of the sensitive personal data transferred into the FAFSA form from the IRS, the new solution will encrypt the applicant’s or parent’s information and hide it from view on both the IRS DRT website and on the FAFSA web pages.

FAFSA applicants and parents who are eligible to use the IRS DRT will still be provided the option to link to the IRS and retrieve their tax information from the IRS. Once on the IRS DRT website, applicants and parents will proceed through the usual authentication process and once authenticated, will be provided a list of all the possible fields from a tax return that could transfer back into the FAFSA form. However, applicants and parents will not be able to view their tax return information on the IRS DRT web page. If an applicant or parent agrees to transfer his/her data back into the FAFSA form, the applicant or parent will also not be able to view the transferred income and tax information on the FAFSA web pages. Instead of the transferred information, applicants and parents will see the words “Transferred from the IRS” in the data entry fields throughout the online FAFSA form and on the Student Aid Report (SAR). The transferred information will still be provided on ISIRs that are sent to schools and state grant agencies. Because the transferred information is not displayed, applicants and parents will be unable to make any corrections to the IRS DRT transferred items on the FAFSA form before or after submission. Institutions will continue to be able to make any necessary corrections. Refer to the “Corrections” section below for more detailed guidance.

Since applicants and parents will be unable to see the information that was transferred from the IRS, it is necessary to make changes to how IRA and pension rollovers and income earned from work are reported in the online FAFSA form.

- **Rollovers:** If an amount greater than \$0 is transferred from the IRS into the Untaxed Portions of IRA Distributions field or the Untaxed Portions of Pensions field in

the FAFSA form, the applicant or parent will be required to answer a new question about whether or not that amount includes a rollover. If the applicant or parent answers “yes,” he/she will be required to provide the amount of the rollover in a new entry field. Our system will then subtract the user-reported rollover amount from the amount of the IRA or Pension distribution that was transferred from the IRS, and the result will be used in the calculation of the applicant’s expected family contribution (EFC).

- **Income Earned From Work:** Because IRS-transferred information will not be displayed, applicants and parents who filed a joint tax return will no longer be able to transfer their combined income earned from work into the FAFSA form from the IRS DRT website. These joint filers will now be required to enter their income earned from work manually. Single applicants and single parents will continue to have their income earned from work transferred from the IRS into their FAFSA form.

## New and Changed IRS Request, Display, and Data Field Flags

The 2018–19 EDE Technical Reference that was posted to the Information for Financial Aid Professionals (IFAP) website on July 10, 2017, defines the values of the IRS Request Flags, the IRS Display Flags, and the new IRS Data Field Flags. Flags are provided separately for student and parent fields. We have also included that information in two appendices to this Electronic Announcement.

This section will

- provide additional guidance on the IRS Request Flag with a value of 06;
- explain the addition of a new IRS Request Flag with a value of 07;
- give details regarding the removal of the IRS Display Flag value of H; and
- describe the addition of a new set of IRS Data Field Flags.

## IRS Request Flag Value of 06

This existing flag is set when, based on information provided by the applicant or parent on the online FAFSA form, the applicant or parent was eligible to use the IRS DRT and data was transferred from the IRS, but after submission of the FAFSA, a subsequent change made the applicant or parent ineligible to use the IRS DRT. For example, an applicant reported on her FAFSA form that she was married as of 02/2007 and filed a joint tax return. She used the IRS DRT to transfer information from that joint tax return into her FAFSA form. She then subsequently corrects her marital status date to 02/2017 and becomes ineligible to use the IRS DRT. This correction to her marital status date means that she was not really eligible to use the IRS DRT initially, and therefore, the tax return information provided on her FAFSA form is very likely inaccurate.

If an institution receives an ISIR with an IRS Request Flag value of 06, it must contact the applicant or parent, as applicable, to determine if the income tax return information that was transferred into the FAFSA form is correct (e.g., does it include information for the correct parties) given the changes the applicant or parent made to IRS DRT eligibility criteria, and make any necessary changes to the applicant’s record.



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## Changes to the IRS Data Retrieval Tool Process for the 2018-19 FAFSA® Form FROM PAGE 4

### IRS Request Flag Value of 07

Based on feedback from the community and through our own data analysis, we believe that some applicants and parents incorrectly self-identify that they filed an amended tax return, resulting in their being ineligible to use the IRS DRT. In addition, some applicants and parents who filed an amended tax return do not indicate this on their FAFSA form. Therefore, for both applicants and parents, we are removing the filtering question on the FAFSA form related to filing an amended tax return so that, if otherwise eligible, they will be able to use the IRS DRT.

There will be a new IRS Request Flag with a value of 07 that indicates that the applicant or parent filed an amended tax return. This flag will be set when the applicant or parent links to the IRS, successfully authenticates, chooses to transfer his/her information into the FAFSA form, and the IRS determines that the tax filer has an amended return on file for the relevant tax year (2016 for the 2018–19 FAFSA). However, the income and tax information that is transferred from the IRS will be from the originally filed tax return and will not include changes that were made on the amended tax return (IRS Form 1040X).

If an institution receives an ISIR with an IRS Request Flag value of 07, it must contact the applicant or parent, as applicable, and make any necessary changes to any of the data items, regardless of whether those items are required to be verified.

### IRS Display Flag of H

The IRS Display Flag is used to indicate whether the applicant or parent was provided the option to use the IRS DRT. Because we will now provide the IRS Request Flag value of 07 (amended return), we have removed the IRS Display Flag value of H, which indicated that the applicant or parent self-reported having filed an amended tax return so the IRS DRT option was not displayed.

### IRS Data Field Flags

To help financial aid administrators know what, if any, specific information was changed once retrieved from the IRS and transferred into the FAFSA form, we will provide a new set of IRS Data Field Flags on ISIRs. Flags are provided separately for student and parent IRS-related data fields that can be transferred from the IRS. Below is a list of IRS Data Field Flag values for the 2018–19 FAFSA processing cycle.

Blank = IRS data not transferred from the IRS (when FAFSA transaction submitted via paper or by a financial aid administrator)

0 = IRS data not transferred from the IRS (when FAFSA transaction not submitted via paper or by a financial aid administrator)

1 = IRS data transferred from the IRS – Field not changed by the user

2 = IRS data transferred from the IRS – Field changed by the user prior to submission of the application (can only occur for IRA and Pension fields that were changed as a result of the user entering a rollover amount)

3 = IRS data transferred from the IRS – Field corrected by the user on this transaction

4 = IRS data transferred from the IRS – Field corrected by the user on a previous transaction

As noted, the purpose of these Data Field Flags is to allow financial aid administrators to know the status of each IRS DRT item that was transferred into the FAFSA form. Our longstanding guidance is that if an applicant who was selected for verification had used the IRS DRT and none of the transferred information had been changed (either prior to initial submission of the online FAFSA form or by submission of a later change),

institutions could consider all of the information transferred from the IRS to have been verified. Institutions would know if this condition existed if the value of the current IRS Request Flag was 02 (see Appendix A). Any other value would require the institution to complete verification using defined acceptable documentation.

Institutions had suggested to us that in instances where the IRS Request Flag was not 02, it would be helpful to know which IRS DRT data item or items had been changed and which had not. Providing this information would allow institutions to limit their requests for verification to only the changed data, thus reducing both institutional and family burden. The new IRS Data Field Flags, noted above, will allow for that determination. For each data item that was retrieved from the IRS, a Data Field Flag value of 1 means that the information retrieved from the IRS was not changed.

### Corrections

As stated earlier in this electronic announcement, applicants will not be able to make corrections to any of the data items that were transferred into their FAFSA form using the IRS DRT. Therefore, corrections to these fields will need to be performed by a financial aid administrator. Because the data came directly from the tax return filed by the applicant or parent and because income and tax items cannot be updated, we do not expect that there will be a need to make many corrections to these items. Examples of instances when a financial aid administrator might be required to make corrections include if (1) the tax filer did not report an IRA or pension rollover properly, (2) it has been determined that the tax filer should not have been allowed to use the IRS DRT, and (3) the tax filer had filed an amended tax return. These are described in more detail earlier in this electronic announcement. Institutions must consider whether any request from an applicant or parent for a correction to IRS DRT data is necessary and if so, make the needed corrections.

### Web Edits and SAR Comments

When an applicant completes a FAFSA form online, edits are performed just prior to submission. When triggered, these edits require online confirmation or correction of the information that caused the edit to display. Beginning with the 2018–19 FAFSA, because information transferred from the IRS does not display to the applicant or parent (nor can corrections be made), any web edits that include information transferred from the IRS will no longer be presented to the applicant or parent. Instead, new SAR comments will display on the ISIR (and SAR) to alert financial aid administrators that at least one edit was triggered but could not be displayed to the applicant or parent and therefore, could not be resolved online. The comment codes are 400 (for parents) and 401 (for applicants).

400 = Your Financial Aid Administrator may contact you to resolve any issues related to parental data reported on your FAFSA.

401 = Your Financial Aid Administrator may contact you to resolve any issues related to data reported on your FAFSA.

While the actual comment text is generic, resolution depends on which edit or edits were triggered. Reasons why Comment Code 400 or 401 might be generated include the following:

For Dependent Students and Independent Students

1. Student is a tax filer (FAFSA Question 32) and the AGI retrieved from the IRS is zero, but the total income earned from work (FAFSA Questions 39 and 40) is greater than zero.

2. The total of the Additional Financial Information fields reported on the FAFSA form (FAFSA Questions 44a-f) is greater than the AGI transferred from the IRS.

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### Changes to the IRS Data Retrieval Tool Process for the 2018-19 FAFSA® Form FROM PAGE 5

3. Any item from the FAFSA list of Untaxed Income (FAFSA Questions 45a-j) is equal to or exceeds the AGI transferred from the IRS.

#### For Parents of Dependent Students

1. Parent is a tax filer (FAFSA Question 80) and the AGI retrieved from the IRS is zero, but the total income earned from work (FAFSA Questions 88 and 89) is greater than zero.
2. The total of the Additional Financial Information fields reported on the FAFSA form (FAFSA Questions 93a-f) is greater than the AGI transferred from the IRS.
3. ny item from the FAFSA list of Untaxed Income (FAFSA Questions 94a-i) is equal to or exceeds the AGI transferred from the IRS.

To ensure that correct information is used to determine the applicant's Title IV eligibility, when Comment Code 400 or 401 appears on an ISIR, the institution must review the relevant data items for all possible conditions noted above. In many instances, this review may require contacting the student or parent and obtaining documentation to support the accuracy of the information. If the information is determined to be incorrect, institutions must submit corrections.

Special Note: Sometimes there are reasons other than those outlined in this section why Comment Code 400 or 401 may appear on an ISIR. Those technical reasons do not require follow up by an institution. Therefore, once an institution has reviewed each of the conditions discussed above, it need not take any further action.

We thank the community in advance as we address the very important issue of providing access, simplification, accuracy, and burden reduction while also protecting the privacy of taxpayer information and the integrity of our tax system.

## COMMUNITY COLLEGE WATCH: MORE STATES MOVE TOWARD TUITION FREE COLLEGE PROGRAMS

At the beginning of August, Rhode Island became the fourth U.S. state to offer tuition-free community college to its residents. There has been a change in approach over the past few years in that tuition incentive programs are becoming fully funded by state legislation and no longer need to rely on a mix of private donors or municipalities, but that doesn't mean those programs have gone away completely.

Time magazine recently posted an article that analyzed 44 programs available in 24 states that offer some sort of two year, tuition-free program, whether they are funded by a city or private industry. Many of these are hyper-local, only offered in certain counties or to attend a particular college while others had no limits on where a student could attend except they limited the tuition amount given to the highest amount charged by their state university. Some have a stipulation where a resident must live; a program offered in Pittsburgh requires the recipient who could receive up to \$30,000 in tuition help to have lived there since they were in kindergarten.

But states are starting to realize the importance of programs for all of its residents. Rhode Island joined the ranks of New York, Tennessee and Oregon to offer the benefit that is funded only by taxpayers. With the newly implemented Rhode Island program, there are certain restrictions on the students who can take advantage of the program. First, they must be recent high school graduates with at least a 2.5 GPA so adult learners looking to go back to school to learn new skills would not qualify. Also, the state is still hashing out a requirement that would require students to work in Rhode

Island a certain amount of time after graduating. This is an interesting move for the state as it ensures the money spent on education is used to fill jobs within its borders.

We likely haven't seen the end of states once again investing in their populace as the job market landscape will continue to change for recent high school grads and certain fields will require, at minimum, an associate's degree or certificate. As more and more Americans receive some sort of higher education training, legislators will see the reinvestment into their constituents pay off over the long term.

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## About The Higher Education Assistance Group

The Higher Education Assistance Group, Inc. is a comprehensive higher education consulting and financial aid consulting group located in Wellesley, Massachusetts. In operation since 1989 initially as a financial aid consulting firm, we have since grown and expanded to represent all areas of student services management. We continue to advance and evolve to meet the needs of our school clients. The Group provides exceptional administrative and professional management services to all student service fields, including Admissions, Financial Aid, Continuing Education, Bursar and Registrar offices at two and four year institutions, both public and proprietary. The Group's highly qualified team of consultants has spent decades in the field providing administrators with the tools, knowledge and support necessary to complete institutional objectives. We pride ourselves on assisting post secondary institutions to meet challenges such as program regulatory compliance, organizational structure, staffing needs, and technological support.

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