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# Analysis of Quality Assurance Program Data: 2008-09



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## Executive Summary

Instead of following federally prescribed verification of the information that students supply on their Free Application for Federal Student Aid (FAFSA) form, schools participating in the Quality Assurance Program develop their own school procedures for verifying the accuracy of these data. During the 2008–09 award year, schools participating in this program drew random samples of at least 350 aid applicants, including those students whom they would not verify routinely, and completed federal verification worksheets for all selected students.

This report combines the samples from 138 schools (out of 147 that participate in the program) and presents a program-wide analysis of 70,710 Institutional Student Information Records (ISIR). We organized our analysis with seven research questions. This executive summary provides condensed answers to each of the questions and identifies some implications of our findings. Refer to the text of the full report for details.

### **Question #1: What types of schools participate in the Quality Assurance Program?**

- Roughly, three fourths of the schools in this program are public four-year universities.
- While only 147 schools participate in the program, they disbursed approximately 12.5 percent of Pell Grant dollars during the 2007-08 award year.

### **Question #2: How effective are school and CPS verification efforts?**

- Both school and CPS verification concentrated on low-income or otherwise high-need applicants.
- A high percentage of high-need applicants selected for school and CPS verification did not experience a subsequent change in their eligibility for aid after collecting documentation.
- The Quality Assurance process of verifying a random sample of applicants revealed that a high percentage of students with higher incomes experienced a major change in aid eligibility that both school and CPS verification missed.

### **Question #3: What effect does school and CPS verification have upon improper payments in the Pell Grant program?**

- School verification prevented approximately 60 percent of potential over- and under-payments in the Pell Grant program.

- CPS verification prevented nearly 90 percent of potential over-awards, but less than 40 percent of potential under-awards in the Pell Grant program.

**Question #4: Which ISIR data elements are most likely to be misreported?**

- We found Parents' Adjusted Gross Income; Parents' U.S. Income Tax Paid; Mother's Income from Work; Father's Income Earned from Work, and Student's Income Earned from Work to be the five most commonly changed ISIR fields among dependent students.
- We found Student's Income Earned from Work; Student's Adjusted Gross Income; Student's Total from Worksheet B; Student's Federal Taxes Paid; and Student's Tax Filing Status to be the five most commonly changed ISIR fields among independent students.
- Our previous analysis of sample data from the 2004-05 and 2006-07 award years identified similar lists of problematic fields.

**Question #5: How do Quality Assurance schools select ISIR records for school verification?**

- Schools used a variety of strategies to select records for verification.
- The strategies schools used varied with the data elements they use to select students for verification.
- Some schools used value ranges of income and expected family contribution (EFC) to target their verification efforts on groups of students past analysis had shown to be the most prone to error. Other schools used thresholds of these fields to select those students eligible for a Pell Grant, state award, or institutional assistance. Many schools looked for an unlikely combination of values on two or more different fields, for example taxes paid and income. Schools also targeted students with specific comment codes or specific values on other fields.

**Question #6: How useful do Quality Assurance schools find the ISIR Analysis Tool?**

- An overwhelming majority (93 percent) of schools found the ISIR Analysis Tool "very" or "somewhat" useful.
- Only five percent found the Tool "not very" useful. Not a single school described the Tool as "not at all" useful.

### **Question #7: How would one proposal for ISIR simplification affect Pell eligibility?**

- Replacing current EFC calculations with a proposed method of determining eligibility for Title IV aid by the ratio of a family's income to the poverty threshold changed the Pell Grant eligibility status for approximately 20 percent of the aid applicants at Quality Assurance schools.
- The 20 percent affected by this alternative method were evenly split between losing and gaining Pell Grant eligibility.
- Those applicants who lost Pell Grant eligibility under this proposal seem to have fewer financial resources available to them than those who gained eligibility.

### **Implications**

- As seen in previous analyses, both school and CPS verification continued to “over-verify” students from low income groups and “under-verify” students from high income groups.
- The experience participants of this program have using the ISIR Analysis Tool make them potential partners in exploring the implications of future progress toward FAFSA simplification.



## Introduction

Federal, state, and private financial aid programs help students and their families finance higher education. Many of these aid programs are “need based;” they target students with the least ability to pay for college themselves. This targeting of aid is based on student and parental self-reports about their financial condition. Therefore, ensuring the accuracy of the student and family’s reported economic circumstances plays an important role in equalizing the educational opportunities available to all Americans. Colleges and universities routinely check the accuracy of a subset of aid applications during a process called “verification.” This report examines the nature, efficiency, and effectiveness of verification at schools participating in the Quality Assurance Program of the U.S. Department of Education (ED).

Schools participating in the Quality Assurance Program develop their own school procedures for verifying the accuracy of the information that students supply on their Free Application for Federal Student Aid (FAFSA). The information submitted by students on their FAFSAs is sent electronically to schools on Institutional Student Information Records (ISIR). The data on the ISIR includes all the elements used to calculate students’ Expected Family Contribution (EFC) toward their postsecondary expenses. The difference between the total price of attending a specific college or university and a student’s EFC determines his or her eligibility for need-based Federal Student Aid (FSA) programs. Undergraduate applicants with an EFC less than 4,042 in 2008-09 were generally eligible for a Pell Grant.

During the 2008–09 award year, schools participating in the Quality Assurance Program drew random samples of at least 350 aid applicants, including those students whom they normally would not verify, and completed federal verification worksheets for all selected students. The schools uploaded the initial ISIR transaction information and changes to those values detected during verification for sampled students into the ISIR Analysis Tool (the Tool). Schools generated statistical reports within the Tool to evaluate their own verification procedures. Because data from these random samples contain verified information for all students, not just those students who met the schools’ own or CPS verification criteria, we can use this information to address questions about what current school and CPS verification procedures may be missing.

Federal Student Aid’s CPS and mainframe contractor, Vangent Inc., provided us with a data file containing the records 147 Quality Assurance schools had uploaded into the Tool. We deleted records from nine schools because we had reason to believe that they failed to draw their random sample properly or were unable to identify the records in their random sample that met their own school verification criteria. This winnowing process left 138 schools and 70,710 records in our analysis group.

Schools also completed a survey where they provided their opinion about the usefulness of the Tool and described their school verification criteria.

**We organize our presentation of the analysis we conducted with the following seven overarching research questions:**

1. What types of schools participate in the Quality Assurance Program?
2. How effective are school and CPS verification efforts?
3. What effect does school and CPS verification have upon improper payments in the Pell Grant program?
4. Which ISIR data elements are most likely to be misreported?
5. How do Quality Assurance Schools select ISIR records for school verification?
6. How useful do Quality Assurance schools find the ISIR Analysis Tool?
7. How would one proposal for ISIR simplification affect Pell eligibility?

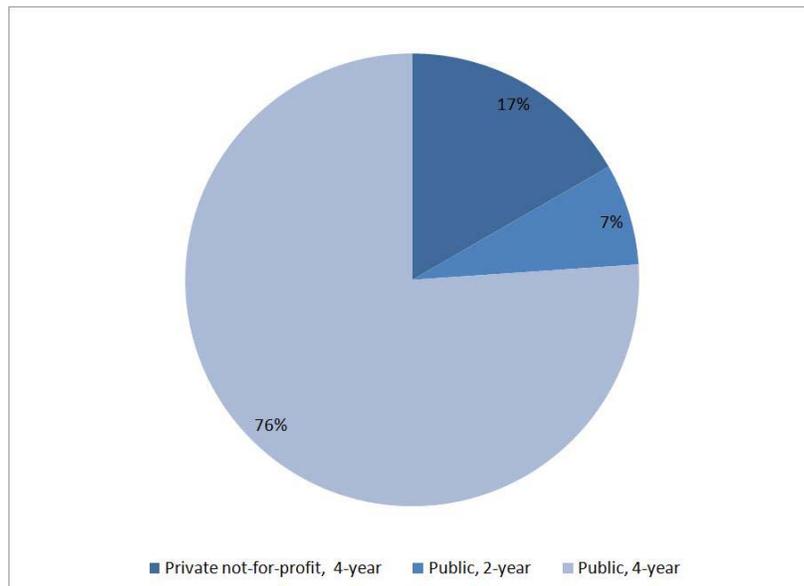
Below we address each of these research questions in turn. Before assessing the effectiveness of Quality Assurance Program school verification efforts, we start by simply describing the schools that participate and the types of students they serve.

### **Research Question #1: What types of schools participate in the Quality Assurance Program?**

It is important to keep in mind when interpreting the results we present in this report that Quality Assurance schools are not a random subset of all higher education institutions participating in the Title IV programs. Both the school's initial decision to apply for and the ED's decision to allow participation in the Quality Assurance Program depend on a school's willingness to demonstrate a commitment to improving the quality of administration of FSA programs.

In addition to being willing to take an active role in improving the accuracy of aid awards on their campus, the Quality Assurance schools providing data for these analyses are concentrated in the public four-year sector of higher education institutions. See **Figure 1**. Public two-year and private not for profit four-year schools participate as well, but there are substantially fewer of these types of schools in the analysis group.

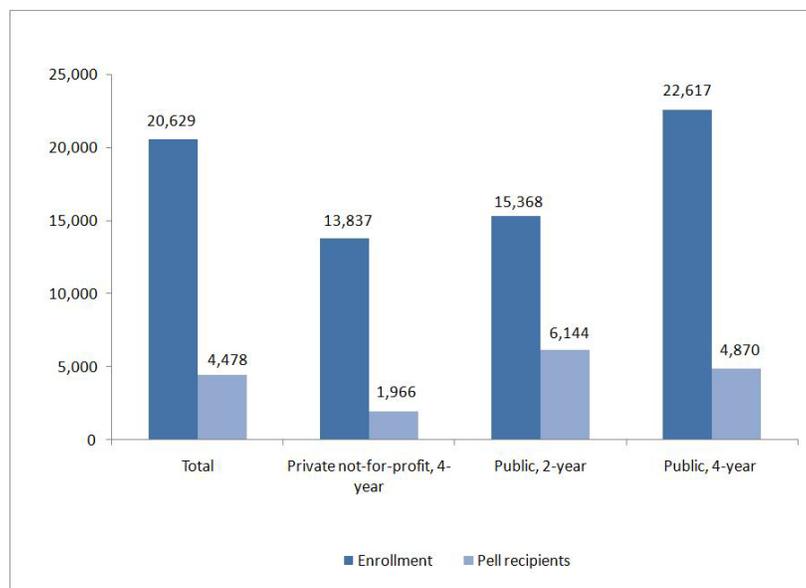
**Figure 1: Schools in Analysis Group by Sector**



Sources: Quality Assurance Program and Integrated Postsecondary Education Data, 2008–09.

Quality Assurance schools tend to be large. **Figure 2** provides the average enrollment and number of Pell Grant recipients at each type of institution. Note that Pell recipients constitute a greater proportion of total enrollment at public two-year schools (40 percent) than at either public four-year (22 percent) or private four-year (14 percent).

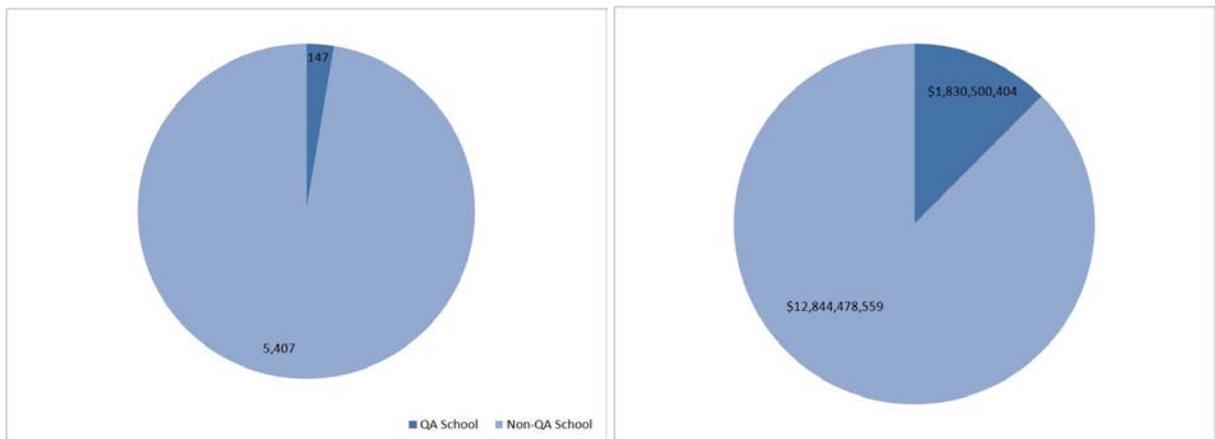
**Figure 2: Average Enrollment and Number of Pell Recipients by Type of Institution**



Sources: Quality Assurance Program and Integrated Postsecondary Education Data, 2008–09.

Because they enroll so many students, QA schools award a much larger share of the federal aid than most people think given the small number of schools that participate in the program. To illustrate this, the 147 QA schools that uploaded records into the Tool make up only 3 percent of the 5,554 schools that disbursed Pell Grants during the 2007–08 award year, but data from the National Student Loan Data System (NSLDS) indicate that these schools disbursed approximately 12.5 percent (\$1.8 billion) of all Pell Grant dollars during the 2007-08 award year. See **Figure 3**.

**Figure 3: Schools that Disbursed Pell Grants and Dollars of Pell Disbursements made by Quality Assurance Program Schools during the 2007-08 Award Year**

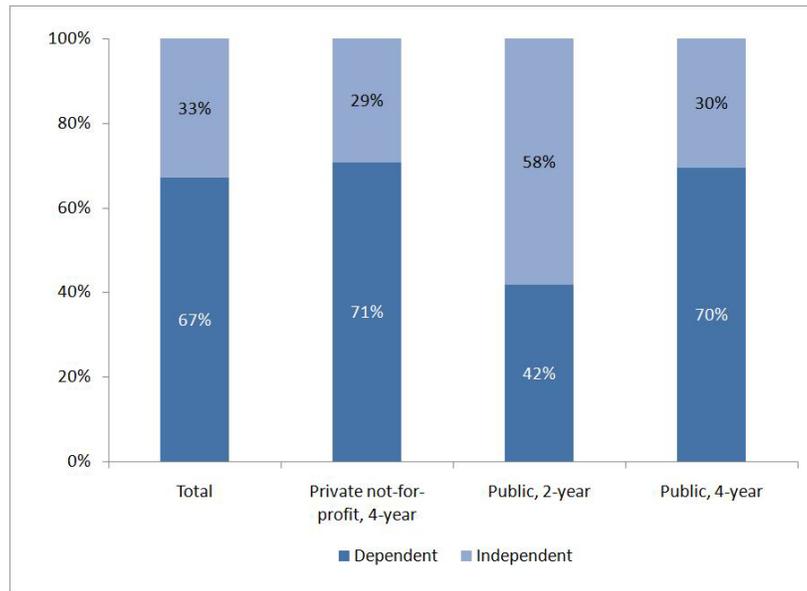


Sources: Quality Assurance Program 2008-09 and National Student Loan Data System, 2007–08.

Figures 1 through 3 describe the schools that participate in the Quality Assurance Program. The next four figures provide demographic statistics on the 70,710 individual ISIR records we analyzed.

Two-thirds of the students in the combined sample data of Quality Assurance schools were dependent. See **Figure 4**. Note that we observed the opposite pattern at the public two-year schools in the analysis group; at these schools the majority of financial aid applicants were independent students.

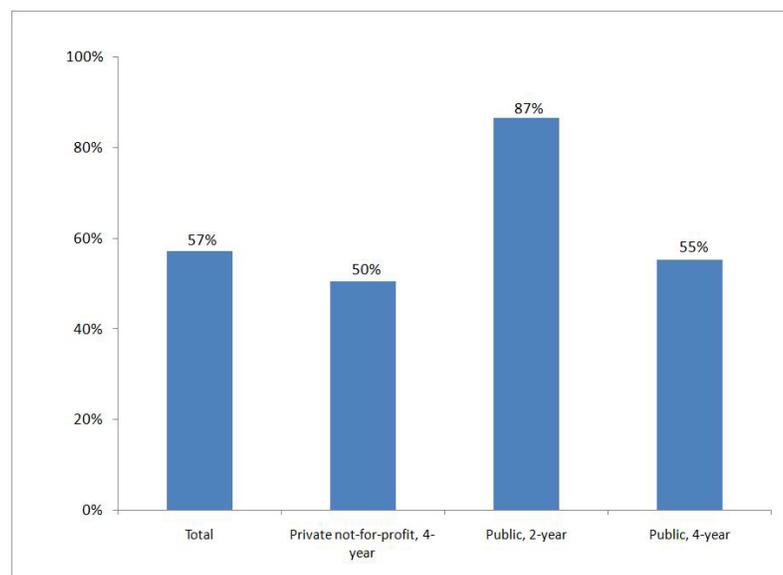
**Figure 4: Dependency Status by School Type**



Source: Quality Assurance Program 2008-09.

Over half of all the student records examined were eligible for Pell Grants based on the information on their initial ISIR transaction. See **Figure 5**. A significantly higher percentage of students (87 percent) attending public two-year schools were initially eligible for Pell than at either type of four-year school. The percentage of Pell eligible applicants is so much higher than the ratio of the total number of Pell recipients to total enrollment shown in **Figure 2** because only students who applied for aid, and therefore had ISIR data, were included in **Figure 5** while all students attending a school were included in **Figure 2**.

**Figure 5: Initial Pell Eligibility by Type of School**



Source: Quality Assurance Program 2008-09.

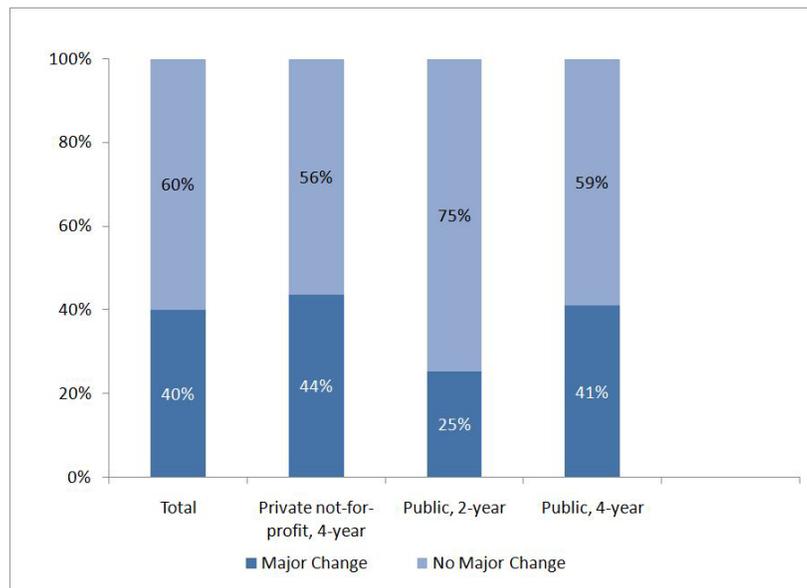
Quality Assurance schools collected the information requested by the federal verification worksheets from all the students drawn into their random samples. We used these data to identify which students were the best candidates for verification. We classified each student into two categories.

1. Verified applicants who experienced a **Major Change** defined as a change to a Pell Grant award or a change to EFC greater than 400.
2. Verified applicants who experienced **No Major Change defined as** no change to a Pell Grant and any change to EFC being 400 or less.

**Figure 6** displays the distribution of students across the two categories. First for the entire analysis group and then broken out by type of school. The most prominent finding in these results is that the majority (60 percent) of all records did not experience a “major change.” See **Figure 6**.

In fact, for every school type the majority of records did not experience a major change. At public-two-year schools, more than three-quarters of the records experienced no change to Pell and if there was a change to EFC, it was less than 400. As noted in **Figure 4** almost 60 percent of students who attended a 2-year public school were independent students generally of modest economic means. These students had incomes well below the income protection allowances used by the CPS during EFC calculation. For these students Quality Assurance schools generally found either no corrections to ISIR data or only minor corrections that did not affect aid eligibility.

**Figure 6: Impact of Collecting Documentation on EFC and/or Pell by School Type**



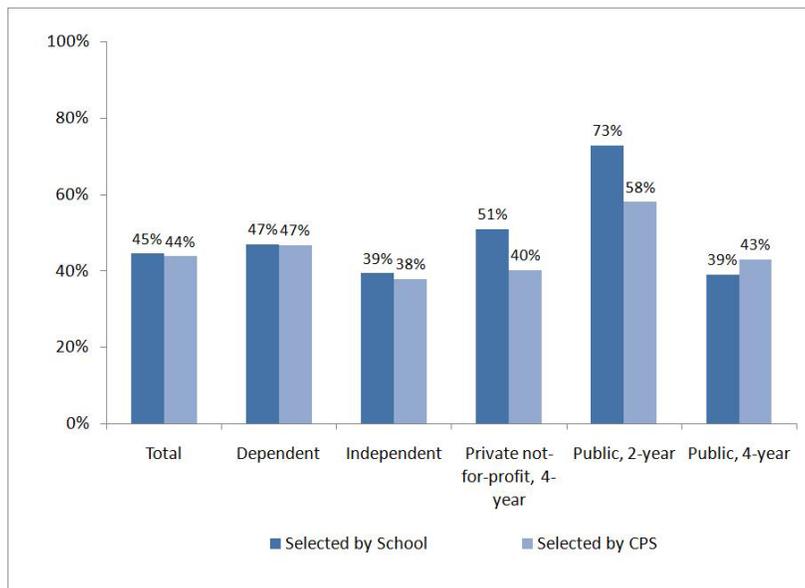
Source: Quality Assurance Program 2008-09.

The results from **Figure 6** indicate that the majority of aid applicants at Quality Assurance schools do not “need” to be verified. For most students, eligibility for need-based aid was not affected at all when schools went through the time and

expense of collecting documenting information. However, a sizeable minority of applicants experienced a “major change,” defined as a change to Pell award or a change in EFC of at least 400. For the public 4 – year and private 4 – year schools we calculate that roughly 40 percent of all initial records in the QA samples were good candidates for verification. Only a quarter of the initial records at 2-year public schools need to be targeted for verification. It is important to remember that even among the applicants with an EFC change of 400 or more there are some initial EFCs well above the cost of attendance of their school. A change to EFC only affects aid eligibility if a student’s initial or paid on EFC is less than his/her school’s cost of attendance. Due to variation in the cost of attendance between QA schools and even within schools depending on a student’s enrollment status, we did not include cost of attendance in our analysis, but remind schools reading this report that they should factor in their own cost of attendance when interpreting the results.

Based on our findings concerning the prevalence of “major changes” among Quality Assurance sample records, there is the need to verify roughly forty percent of applicants. Interestingly enough the Quality Assurance schools and the CPS selected a similar proportion of the records for verification. **See Figure 7.**

**Figure 7: Verification Status by Model and School Type**



Source: Quality Assurance Program 2008-09.

Recall that schools verified all of the records in their random sample, including those not selected for either school or CPS verification. Of course, only some of the records selected by the CPS experienced a “major” change and “major” changes occurred among some of the records not flagged by the CPS, but the point we would like to make is that verifying all the major changes would not necessarily involve verifying more applicants. Recall that Quality Assurance schools are not required to verify records selected by the CPS, but instead develop their own school verification profiles. On average schools chose to verify slightly more (45 vs. 44

percent) records than they would have to if they did not participate in the Quality Assurance Program.

**Figure 7** also indicates that both school and CPS selected a higher percentage of dependent than independent records for verification. We see in **Figure 7** that at public 2-year and private 4-year schools, Quality Assurance participants targeted a higher percentage of records for verification than the CPS. On average, public four-year schools selected slightly fewer students for verification than the CPS.

Ideally, schools would target verification exclusively at students that experience a “major” change and avoid collecting documentation from students where verification does not affect eligibility. The result of verifying a specific applicant is, of course, unknown before going through the time and expense of collecting documentation. By conducting verification on all the records in a random sample and then using the Tool to determine which ISIR fields and type of students are most problematic, Quality Assurance schools improve the focus of their school verification efforts.

Other sections of this report will use the data collected by Quality Assurance schools to identify which ISIR data elements and which groups of students are most likely to experience meaningful change to their aid eligibility when selected for verification.

### **Research Question #2: How effective are school and CPS verification efforts?**

Recall that **Figure 6** in the previous section indicated that only 40 percent of the records in the QA sample experienced a major change in aid eligibility after schools verified the information the students supplied on their initial FAFSA. We defined “major change” as any change to a Pell Grant or an EFC change in excess of 400. How well did school and CPS verification criteria target applicants with major changes? How well did verification efforts avoid selecting records without a change in aid eligibility of this magnitude? To answer these questions we divided the combined sample data into four mutually exclusive and exhaustive categories.

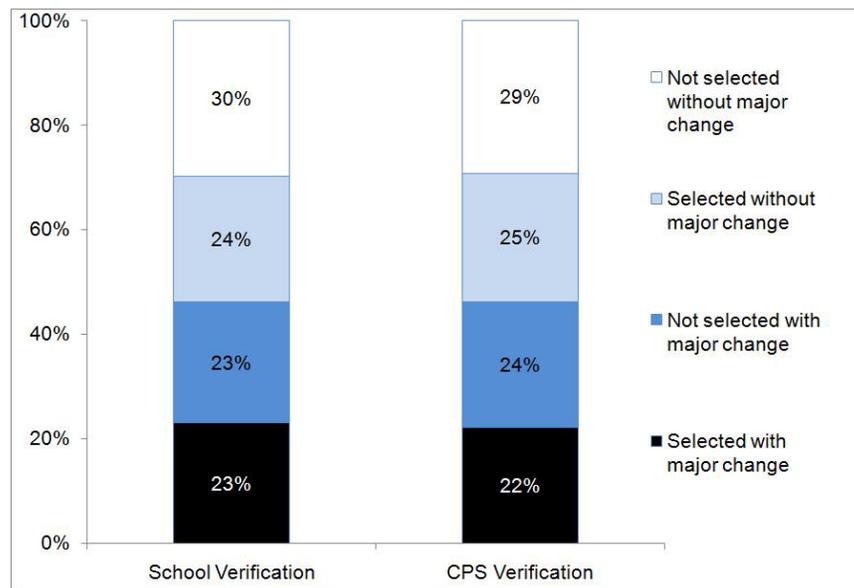
1. **Selected with a major change** – These records would have been verified even if they had not been drawn into the random sample. Current verification efforts are treating these applicants correctly. Through verification, schools are mitigating an elevated risk for a misallocation of need-based aid.
2. **Not selected with a major change** – These records were verified only because they were drawn into the random sample. Current criteria are missing these students that the QA sample exercise found to be good candidates for verification.
3. **Selected without of a major change** – These records would have been verified if they had not been randomly selected. Current verification efforts are, in a sense, being wasted on these applicants. The burden of

verification is borne by both schools and applicants with no appreciable effect on aid eligibility.

4. **Not selected without a major change** – These records were verified only because schools randomly selected as part of the QA sample exercise. Normally, school or CPS criteria would not have selected these low-risk applicants for verification.

**Figure 8** presents the distribution of dependent records across these four categories for both school and CPS verification. We found that both verification systems were treating just over half of the dependent applicants appropriately. The applicants represented in the black and white shaded areas are being handled appropriately by current verification efforts. Just over 20 percent of the applicants had major changes and were selected (black) and 30 percent of the applicants did not experience a major change and were left alone (white).

**Figure 8: Effectiveness of school and CPS verification for dependent students**



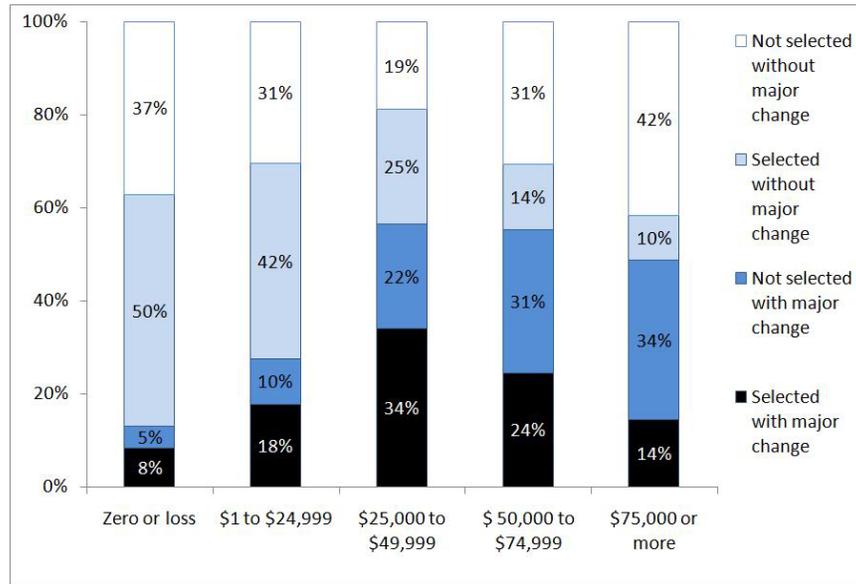
Source: Quality Assurance Program 2008-09.

Among dependent records, we found a nearly equal split between failing to select records with a major change (dark blue) and wasting verification resources on applicants without affecting eligibility (light blue). Roughly, one quarter of the dependent records fell into these categories under both verification systems.

Despite the overall balance of the two types of errors observed in current verification efforts for dependent students, we found substantial differences in the magnitude and type of errors between different types of dependent students. We did this by calculating the percentage of different groups of students who fell into each of the four categories described above.

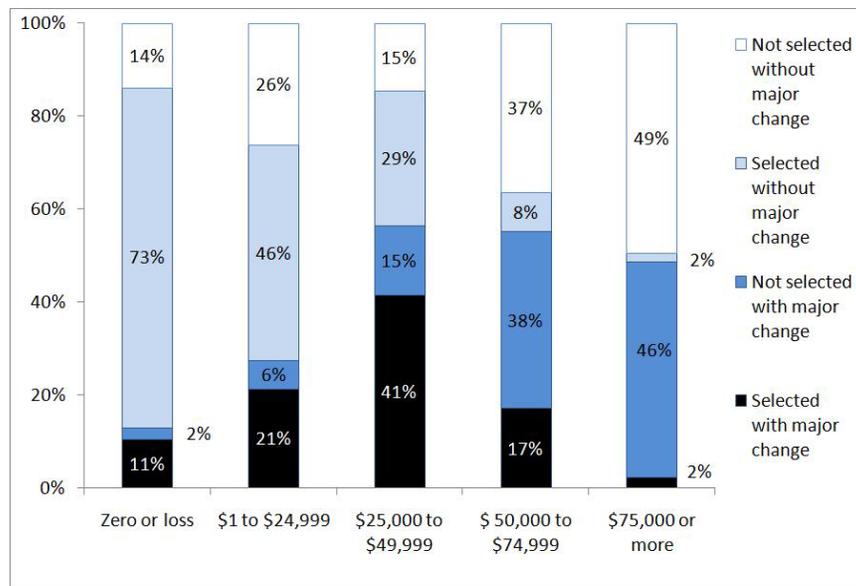
**Figure 9** presents school verification stacked-bar effectiveness graphs by parental income level. **Figure 10** displays the results for CPS verification.

**Figure 9: Effectiveness of school verification for dependent students by parent adjusted gross income**



Source: Quality Assurance Program 2008-09.

**Figure 10: Effectiveness of CPS verification for dependent students by parent adjusted gross income**



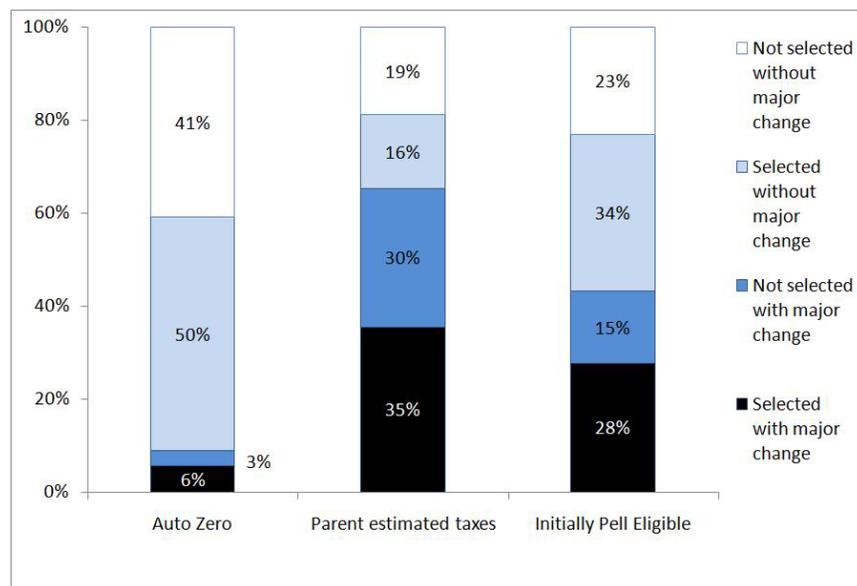
Source: Quality Assurance Program 2008-09.

Both school and CPS verification selected a high percentage of dependent students from low-income groups who apparently did not need to be verified. Schools selected 50 and CPS selected 73 percent of dependent students with parents who reported zero or negative income who did not experience a change to Pell or EFC change of more than 400.

Conversely the chances that a major change in aid eligibility would normally go unaddressed by school and CPS verification increased starkly as parental income level rose. Over a third (34 percent) of dependent students with parental incomes of \$75,000 or more experienced a major change to their aid eligibility and were not selected for school verification. The figure for CPS verification was even higher. Nearly half (46 percent) of dependent students in the highest income category had a major change and were not selected by the CPS. While most of these students missed by school and CPS verification would not be eligible for a Pell Grant, depending upon the cost of the school they are attending, they may be eligible for subsidized loans.

**Figure 11** presents the effectiveness of school verification efforts for three additional demographic groups of dependent students: auto zero, parents who had estimated their tax information, and those who were initially eligible for Pell. The results for auto zero dependent students reflect the same tendency of school verification to “over-verify” students most in need of assistance that we saw in the income results. The results for estimated filers reflect the high degree of change one might expect among those applicants who were initially estimating their adjusted gross income and federal tax amounts. Nearly two thirds (35 percent + 30 percent) experienced a major change. School verification would normally select more than half of those with changes. We cannot tell with our data how many of the students not selected for school verification would have self-corrected had they not been selected into the QA sample. Finally, among those initially Pell Eligible 43 percent experienced a major change to that initial award; this figure is the result of adding the 28 percent who were selected with a major change to the 15 percent were not selected with a major change. Thus school verification selected 65 percent of those with major changes (28 divided by 43).

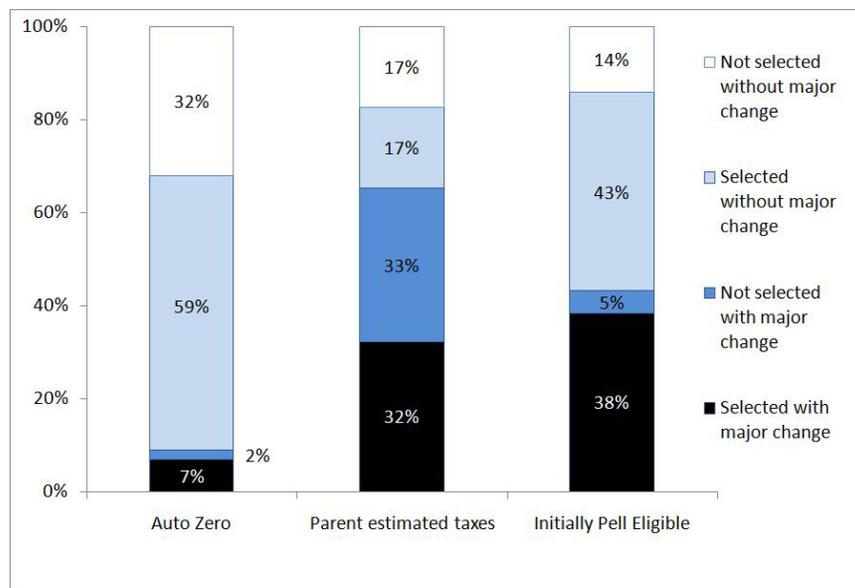
**Figure 11: Effectiveness of school verification for dependent students by demographic characteristics**



Source: Quality Assurance Program 2008-09.

**Figure 12** presents the effectiveness of CPS verification efforts for the additional demographic groups of dependent students. The auto-zero results again show that CPS “over-verifies” students most in need of assistance to an even greater degree than QA school verification does. CPS verification would normally select more than half of the major corrections among estimated filers, but we do not know how many of the students would have updated their information on their own after completing their tax return. Finally, among those initially Pell eligible 43 percent (38 + 5) experienced a major change to that initial award. CPS verification selected 81percent of those with major changes (38 divided by 43).

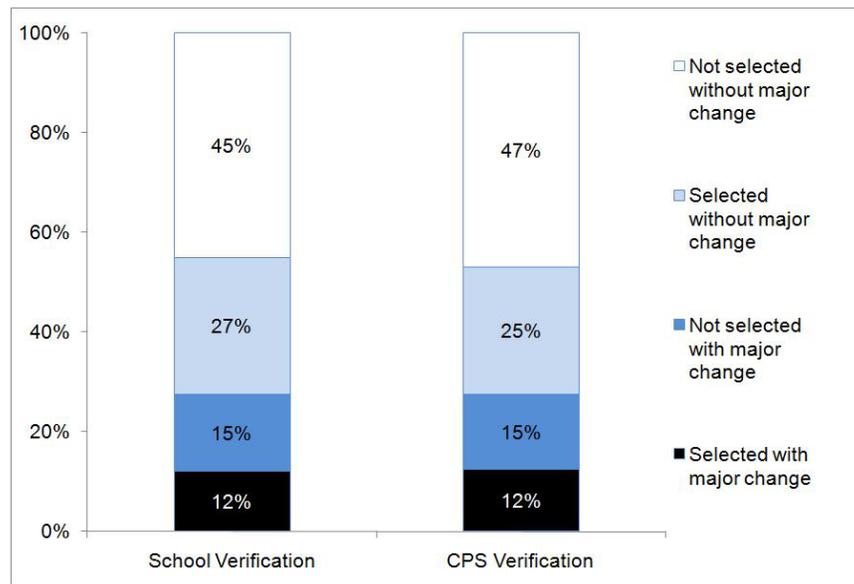
**Figure 12: Effectiveness of CPS verification for dependent students by demographic characteristics**



*Source: Quality Assurance Program 2008-09.*

**Figure 13** presents the results for independent students. Just as we found for dependent students (Figure 8), we found remarkable similarity in the overall effectiveness of school and CPS verification efforts among independent students. Nearly half (45 and 47 percent) of independent students were not selected by school and CPS and apparently did not need to be because they did not experience a major change when drawn into the QA sample process.

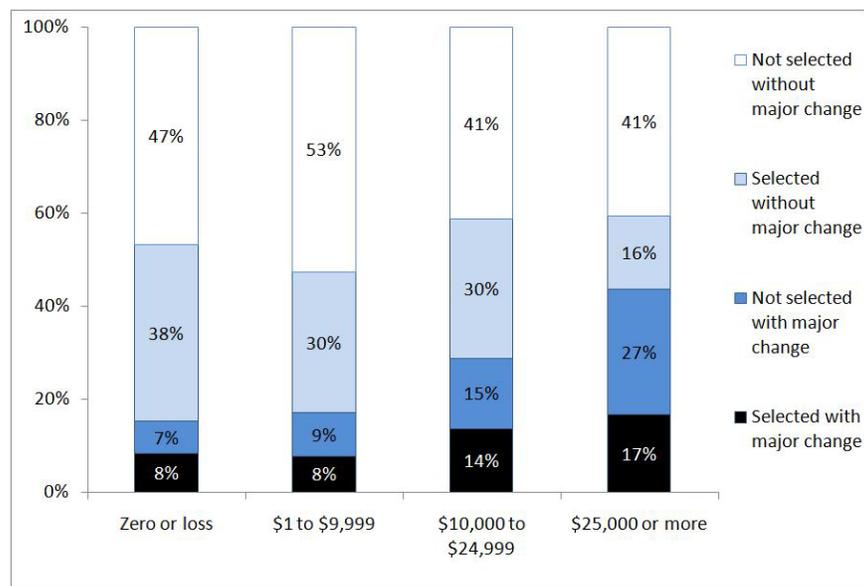
**Figure 13: Effectiveness of school and CPS verification for independent students**



Source: Quality Assurance Program 2008-09.

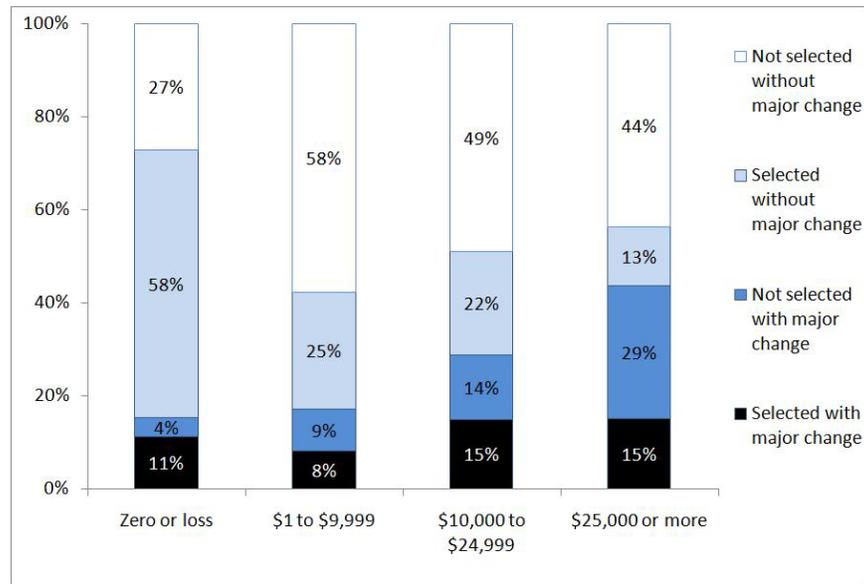
Figures 14 and 15 present school and CPS verification stacked-bar effectiveness graphs for independent students by student income level. Just as was the case for dependent students, we found a tendency for both verification systems to select students without major changes for low-income groups and not select students with major changes among higher income groups. This pattern was again more pronounced within CPS verification than in QA school verification.

**Figure 14: Effectiveness of school verification for independent students by student adjusted gross income**



Source: Quality Assurance Program 2008-09.

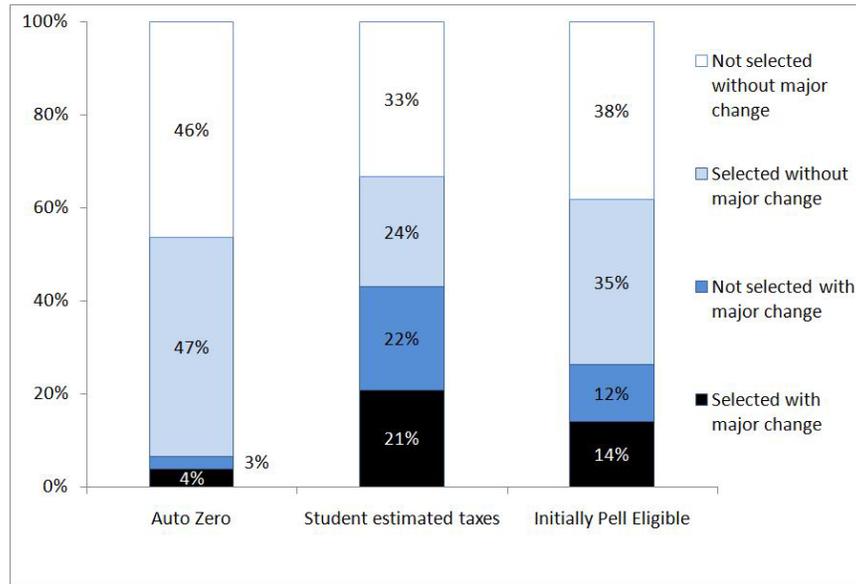
**Figure 15: Effectiveness of CPS verification for independent students by student adjusted gross income**



Source: Quality Assurance Program 2008-09.

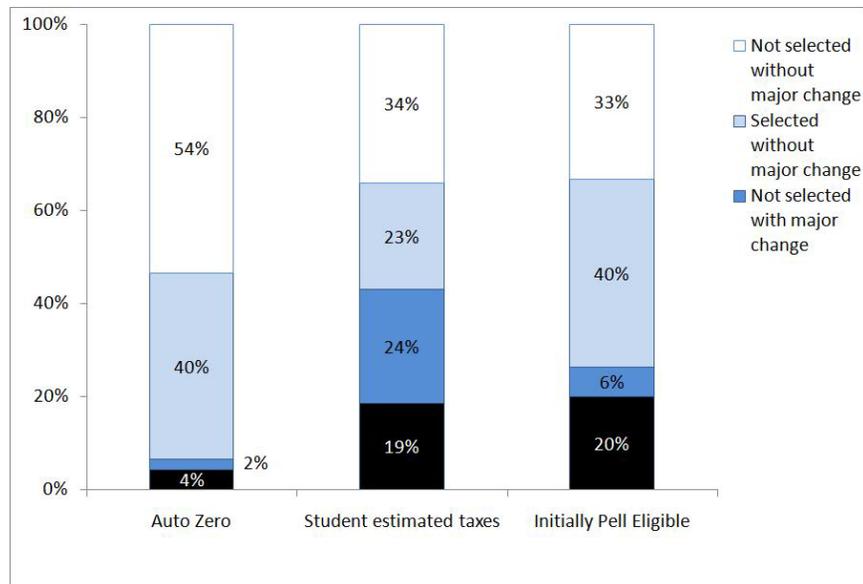
**Figures 16 and 17** present the effectiveness of school and CPS verification efforts for three additional demographic groups of independent students: auto zero, students who had initially estimated their tax information, and those who were initially eligible for Pell. The results for auto zero independent students reflect the general pattern of both school and CPS “over-verifying” students most in need of assistance. The results for independent estimated filers reflect less inherent change among those applicants who were initially estimating their adjusted gross income and federal tax amounts than was the case for dependent students. Less than half experienced a major change. School and CPS verification would normally select slightly less than half of estimated filers with changes. Some of the students not selected for verification would have come back to update their information after filing their taxes on their own. Finally, among those initially eligible for Pell, roughly a quarter experience a change to that initial award. This figure is the sum of adding the “selected with major change” and “not selected with major change” categories in the figures. Figure 16, the school verification results indicates that 14 percent were selected with a major change. Dividing this by the total percent with a major change (14 + 12) indicates that schools verified 46 percent of the records with a major change. Performing a similar calculation with the results in Figure 17, reveals that CPS selected 77 percent of those who were initially eligible for Pell who had major changes with their award after verification.

**Figure 16: Effectiveness of school verification for independent students by demographic characteristics**



Source: Quality Assurance Program 2008-09.

**Figure 17: Effectiveness of CPS verification for independent students by demographic characteristics**



Source: Quality Assurance Program 2008-09.

In general, we found a much higher level of unnecessary verification among the students from the most modest economic circumstances and the highest level of missed verification among relatively advantaged students. Keep in mind the some of what we label “major changes” in aid eligibility may not affect aid eligibility for higher income students, if the 400 plus changes to EFC occurs above the school’s total cost of attendance. Nevertheless, a change of this magnitude could have

meaningful consequences in terms of eligibility for subsidized student loans, even if a higher income student was ineligible for a Pell Grant.

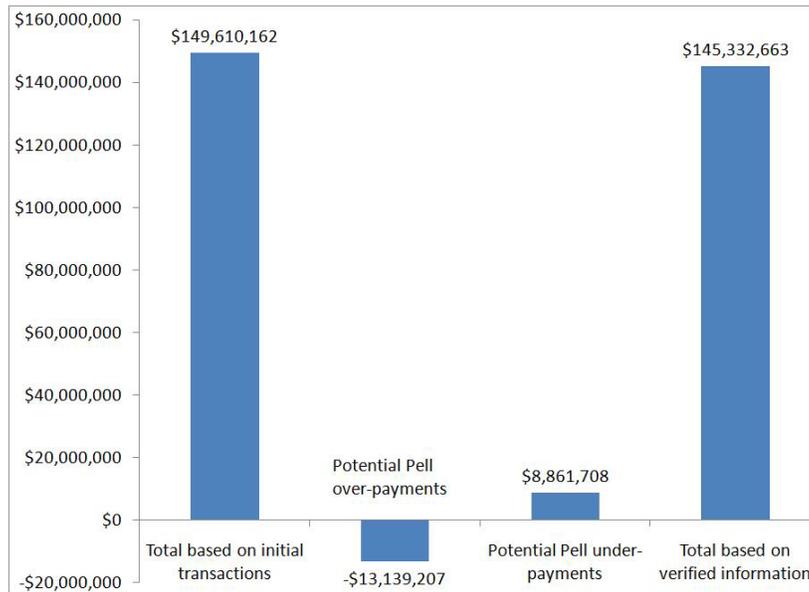
In the next section, we examine the role school and CPS verification plays in preventing aid applicants from getting more or less assistance in the form of a Pell Grant than they are entitled to.

### **Research Question #3: What effect does school and CPS verification have upon improper payments in the Pell Grant program?**

In the previous section, we noted that both Quality Assurance schools and the CPS selected many students that did not need to be verified. This section assesses the ability of schools to prevent “potential” improper payments in the Pell Grant program during the 2008-09 award year. We qualify our results with the word, “potential” because an unknown percentage of misreports on the initial application would have been self-corrected by the students involved even if they had not been selected for verification.

**Figure 18** presents four values. The first number, \$149,610,162, represents the total value of Pell Grants that would have been awarded to students in the Quality Assurance samples based on the initial ISIR transaction. Apart from student self-corrections, this value represents the sum of Pell awards that would have been made in the absence of verification. However, schools did verify all of these student records. Verification caused some students to receive less, some more and others the same amount of Pell. The next two bars on the chart represent the sum of decreases and increases to Pell awards. The over \$13 million in potential over-payments is the sum of all decreases in Pell awards observed between the initial and paid on transactions. We represent this sum as a negative number because when schools correct potential over-awards they disburse fewer Pell dollars. These potential over-payments constitute 9 percent of the Pell dollars that would have been awarded based on the initial transactions. The third column of nearly \$9 million represents the sum of all the increases in Pell eligibility uncovered by verification. While less prevalent than over-awards, under-awards still constitute a non-trivial 6 percent of initial Pell eligibility. Combining over- and under-awards corrections, schools prevented potential improper payments up to 15 percent of initial Pell eligibility. The final value in the graph is the total amount of verified Pell awards.

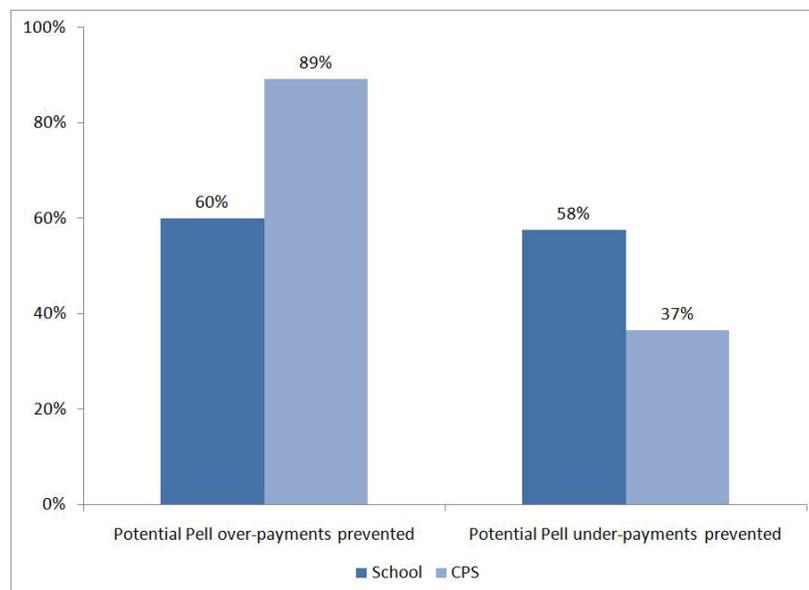
**Figure 18: Potential Improper Payments in the Pell Grant Program**



Source: Quality Assurance Program 2008-09.

**Figure 19** indicates how well both school and CPS verification address the two types of potential improper payments in Pell. By dividing the dollar amount the over- and under-payments that took place among records selected for verification by the total we calculated the values displayed in **Figure 19**. Note that CPS verification prevented a much larger percentage of potential Pell over-payments than school verification, but school verification fared better at preventing under-payments.

**Figure 19: Percentage of Potential Improper Payments in the Pell Grant Program Prevented by School and CPS Verification**



Source: Quality Assurance Program 2008-09.

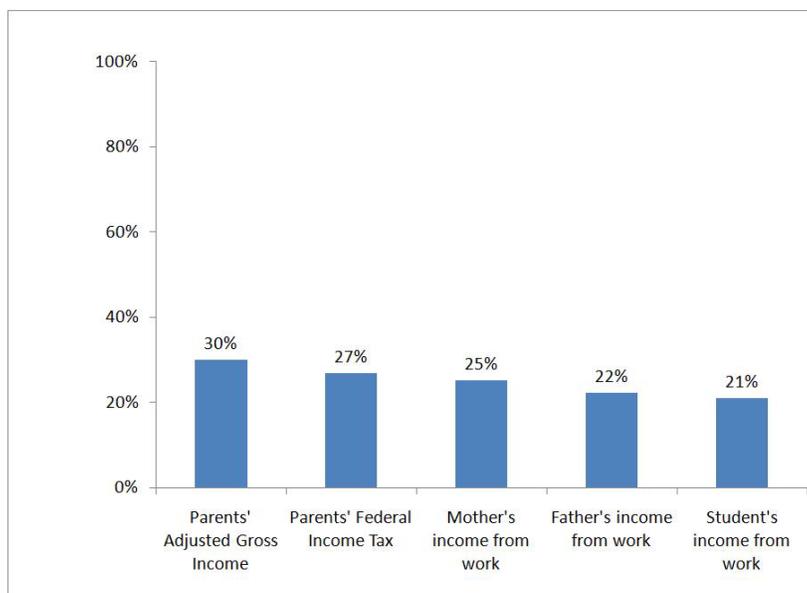
We continue our analysis in the next section by examining which ISIR data elements were the most likely to change when the Quality Assurance schools collected verifying documentation.

**Research Question #4: Which ISIR data elements are most likely to be misreported?**

This section of the report closely mirrors the Tool’s “Field Change Report.” The Field Change Report displays the percentage of records that experience a change to each ISIR field, the percentage of records with each type of change that experience an increase or decrease to EFC and to Pell, and finally the percentage of records selected for school and CPS verification. This information not only identifies the ISIR fields that were most likely to be misreported initially, but also addresses two related questions, “Which corrections were most likely to be associated with a change to aid eligibility?” and “Which corrections were most likely to be selected by CPS or school verification criteria?” Below, we present analysis inspired by the Field Change Report as a series of three graphs.

**Figure 20** identifies the five most commonly changed ISIR fields among dependent students. These fields were in descending order: Parents’ Adjusted Gross Income; Parents’ Federal Income Tax Paid; Mother’s Income Earned from Work; Father’s Income Earned from Work, and Student’s Income Earned from Work. Almost one quarter of dependent records experienced a change to each of these fields. While correcting this information when students make mistakes is important, we would like to point out that the vast majority, nearly three out of four, of dependent applicants provided the correct value on their initial application for the fields that were most error prone.

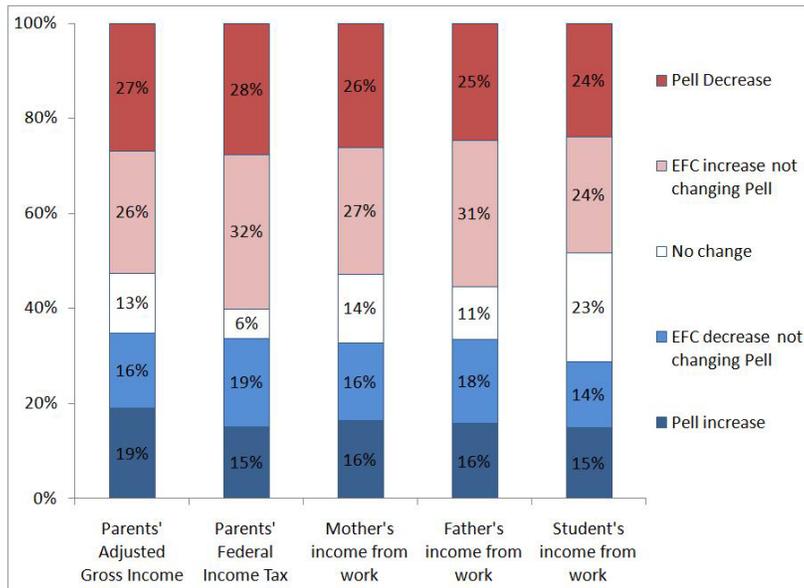
**Figure 20: Percent of Dependent Records with a Change to Indicated ISIR Field**



Source: Quality Assurance Program 2008-09.

**Figure 21** summarizes the effect of the changes to these five fields on aid eligibility by providing the percentage of records with the indicated change that experienced: a decrease to Pell; an increase to EFC that did not result in a change to Pell; no change to EFC; a decrease to EFC that did not result in a change to Pell; and, an increase to Pell. Given the prominent role that each of these ISIR fields has in the calculation of EFC during need analysis, most of the changes to these ISIR fields cause a change to EFC. At the high end, 94 percent of changes to Parents' Federal Income Tax Paid resulted in a change to EFC. It is important to note that not all changes to the five ISIR fields resulted in a change to EFC and Pell Grant eligibility. Nearly a quarter (23 percent) of the changes to Student's Income Earned from Work did not result in a change to EFC. Changes to all of the fields were more likely to result in increases to EFC than decreases. Thus, Pell decreases were more common than Pell increases; the percentage of records with a decrease to Pell was roughly 10 percentage points higher than the corresponding percent of increases to Pell.

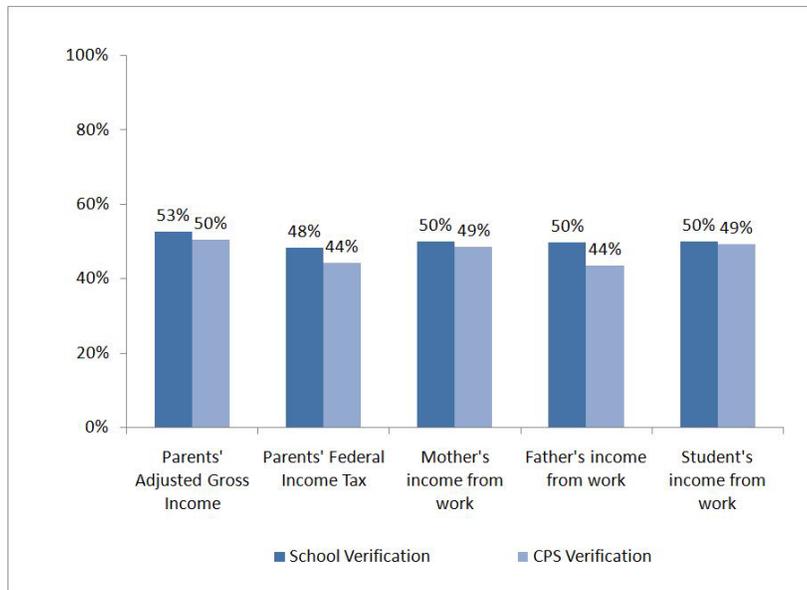
**Figure 21: The Effect of a Change to the Indicated ISIR Field on Aid Eligibility, Dependent Students**



Source: Quality Assurance Program 2008-09.

**Figure 22** provides the percentage of records that experienced a change that would have been subject to school or CPS verification even if schools had not drawn them into the random sample. Interpret these results in light of the overall percentage of all dependent records selected by the two verification systems. Recall that **Figure 7** indicated that school verification selected 45 percent of dependent records and CPS selected 44 percent.

**Figure 22: Percent of Records with Change to Indicated Field Selected by School or CPS Verification, Dependent Students**

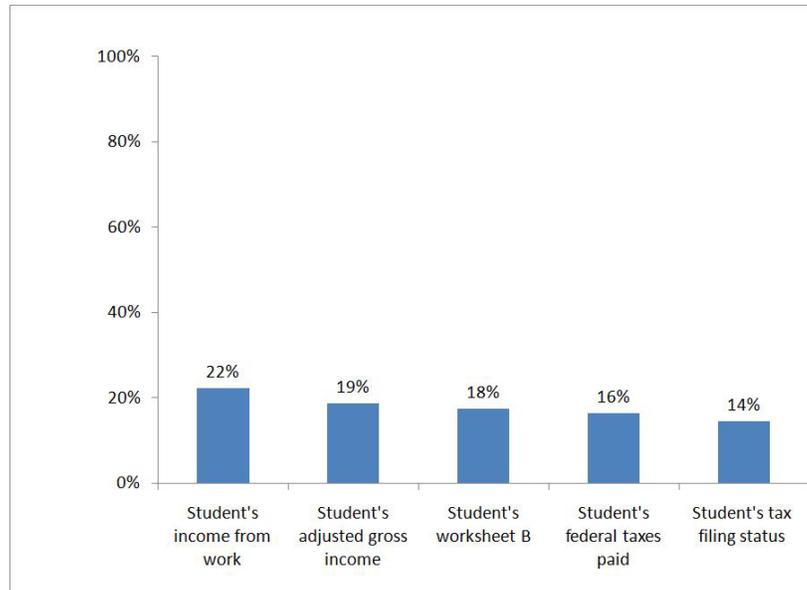


Source: Quality Assurance Program 2008-09.

The values displayed in **Figure 22** illustrate the similarities between the percentage of records that experience a change to one of the top five ISIR fields that were subjected to either CPS or school verification. In all instances, school selected records narrowly edged out CPS selected records in selecting roughly 50% of records that had a change to one of the top five ISIR fields. CPS selected a slightly lower percentage of records with changes. The values presented in **Figure 22** show greater parity between institutionally developed selection criteria and CPS verification selection criteria than was the case in previous analysis. On the other hand, the data being quite close to the overall averages suggest that perhaps improvements can be made on the part of the schools and the CPS to better target records that experience change to problematic ISIR fields.

We now move on to an analysis of the most common changes among independent records. **Figure 23** identifies the five most commonly changed ISIR fields among independent students. These fields were in descending order: Student's Income Earned from Work; Student's Adjusted Gross Income; Student's Total from Worksheet B; Student's Federal Taxes Paid; and Student's Tax Filing Status. Note that changes to independent records were even less common than changes to dependent records. Almost 80 percent of independent applicants provided the correct value for each of these fields on their initial application.

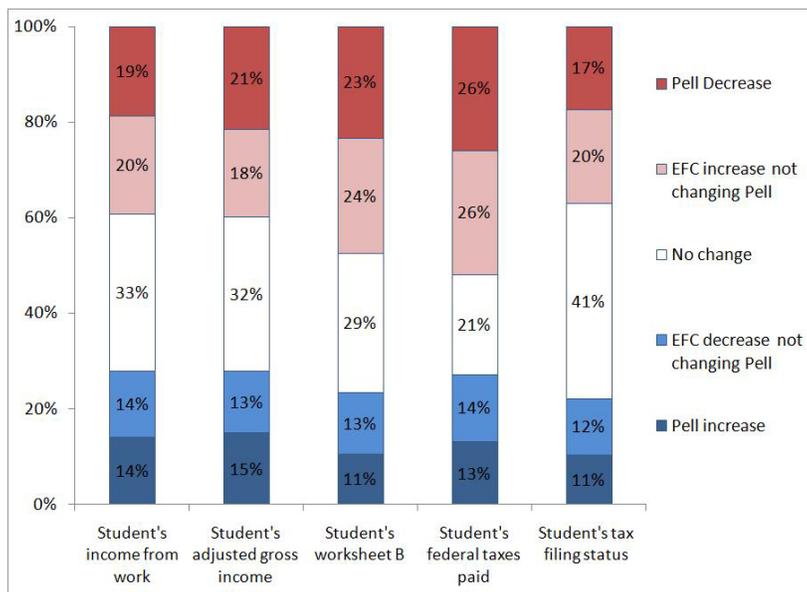
**Figure 23: Percent of Independent Records with a Change to Indicated ISIR Field**



Source: Quality Assurance Program 2008-09.

**Figure 24** summarizes the impact of changes to these five fields on aid eligibility. As we saw for dependent students, reductions to Pell were more common than increases to Pell. Note that it was much more common for an independent record to experience a change to a critical field without also experiencing a change to EFC than was the case for dependent students. The percent of records with a change to the most commonly changed fields that experienced no change to EFC ranged from 21 to 41 percent. Roughly two-thirds of the records had no change or had a correction to each of these fields but experienced no subsequent change to Pell eligibility. The reason for this lies in the combination of the modest financial circumstances of many independent students and the presence of income and asset allowances in the formulas used to calculate EFC; changes to ISIR information that occur below these thresholds will not affect eligibility for need based aid.

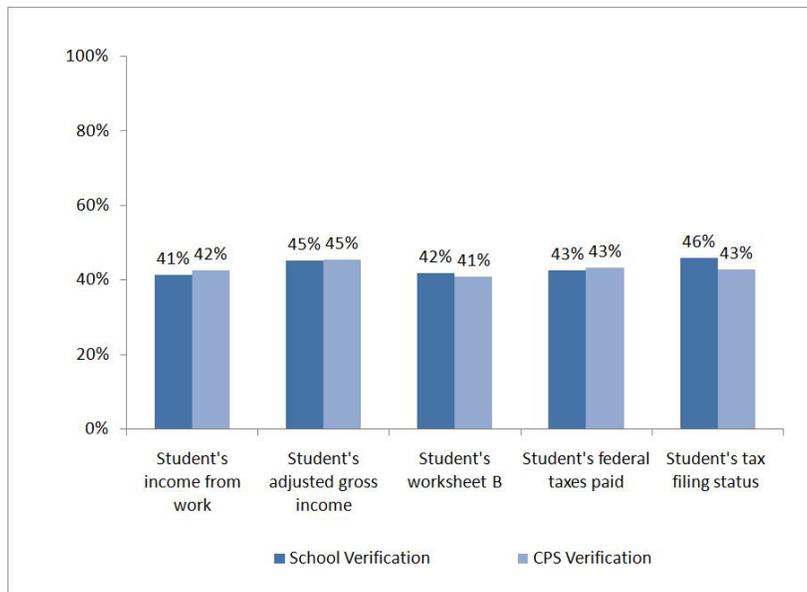
**Figure 24: The Effect of a Change to the Indicated ISIR Field on Aid Eligibility, Independent Students**



Source: Quality Assurance Program 2008-09.

**Figure 25** presents the percentage of independent records that experienced a change to each of the examined ISIR Fields that would have been subjected to school or CPS verification. We saw in **Figure 7** that school verification selected 39 percent of all independent records and the CPS selected 38 percent for verification. The values in **Figure 25** are 3-5 percentage points higher than the overall average of independent verification. This slight difference suggests that both the CPS and schools had some success targeting independent records that experienced a change to the most problematic FAFSA fields. This information should be viewed along with the data that shows that almost two thirds of independent records that experienced change to the top five ISIR fields did not affect Pell Grant eligibility.

**Figure 25: Percent of Records with Change to Indicated Field Selected by School or CPS Verification, Independent Students**



Source: Quality Assurance Program 2008-09.

Now that we have examined what ISIR data elements changed when schools verified all of the records in their random samples, we turn to describing how schools participating in the Quality Assurance Program normally select students for verification.

**Research Question #5: How do Quality Assurance schools select ISIR records for verification?**

During the spring of 2009, we surveyed the schools participating in the Quality Assurance Program. Of the 147 participants, 136 schools completed the survey. On this survey, we asked schools to identify which of the critical ISIR data elements they used in selecting records for their school verification process. Critical ISIR fields are those items on the FAFSA that are used in EFC calculation. We also asked schools to identify other pieces of information they used in the

process. We asked schools to do this separately for dependent and independent students.

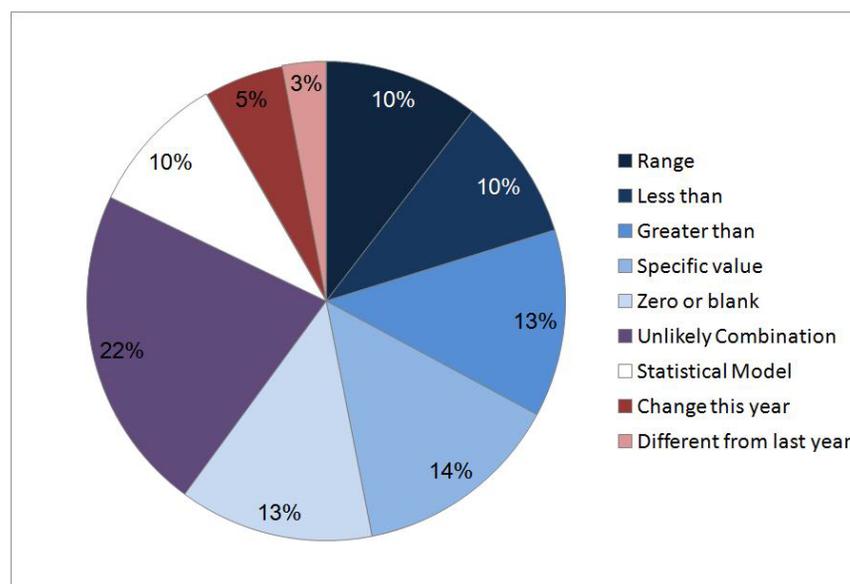
For each of data elements identified as being a part of their school verification criteria, we asked schools to describe how that piece of information was used. Schools were asked to select from the following list:

- Select records in a **range** between two values;
- Select records **less than** an indicated value;
- Select records **greater than** an indicated value;
- Select records with a **specific** non-zero value;
- Select records with a **zero or blank** value;
- Select records with an **unlikely combination** of values of two or more fields;
- Using information as an element in a **statistical model**;
- Select records with a **change this year** to this field; and
- Select records with a value **different from last year**.

Because the same data field could be used in multiple ways by the same school, we asked schools to indicate all that applied.

The results of the survey indicate that schools use a variety of strategies to select records for verification. **Figure 26** presents the percentage of Quality Assurance schools using the indicated verification selection strategy for dependent students. The most common single strategy used for dependent students was to select records that exhibited a combination of information that was unlikely to be correct (22 percent). If we combine range, less than, and greater categories we see that a third of the school criteria involved a “range” of values.

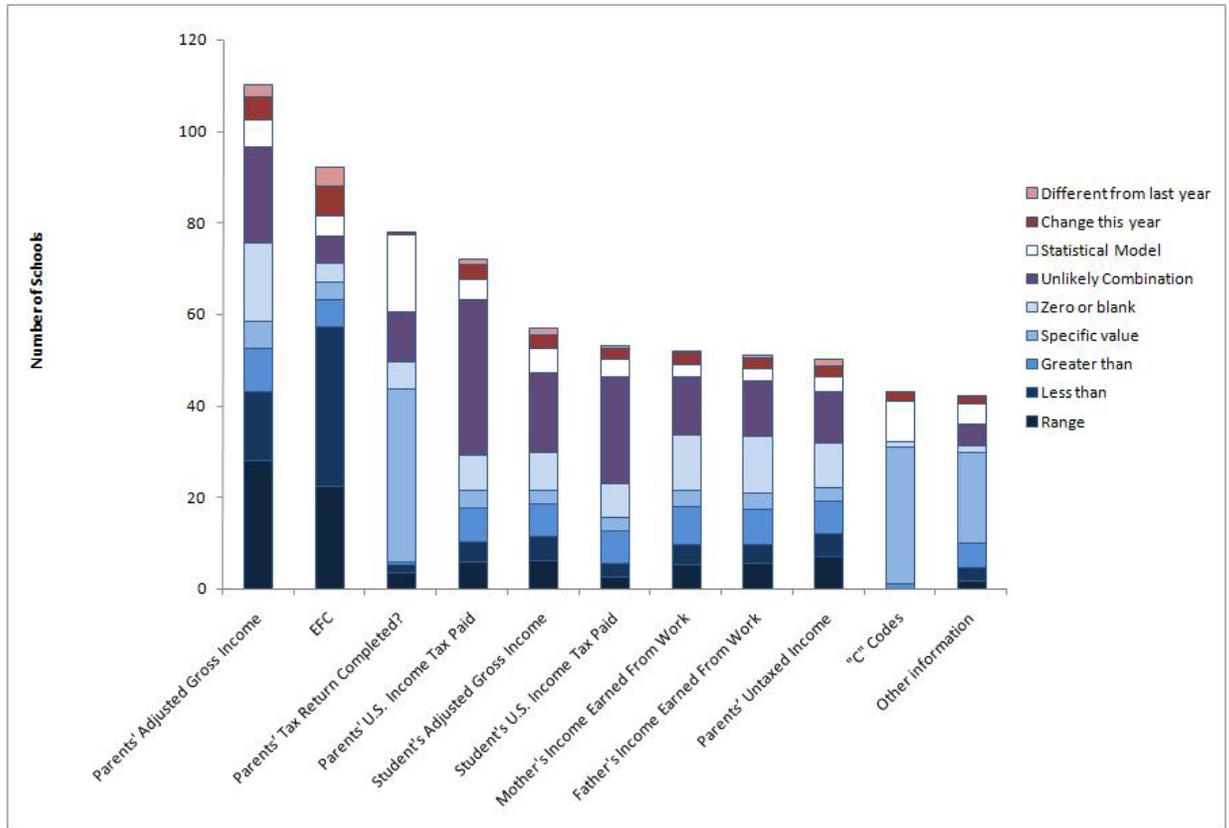
**Figure 26: Percentage of Criteria Used to Select Dependent Students with Indicated Strategy**



Source: Quality Assurance Program 2008-09.

The strategies employed by schools varied by data field. **Figure 27** displays the tendency of schools to use specific strategies with particular fields. The height of the bars indicates the relative propensity of schools to use the indicated field. Schools tended to use range, less than or greater than on fields such as income and EFC fields. If schools referenced the taxes paid field they tended to look for unlikely combinations (often with income). C codes usually involved a selection based on specific value(s).

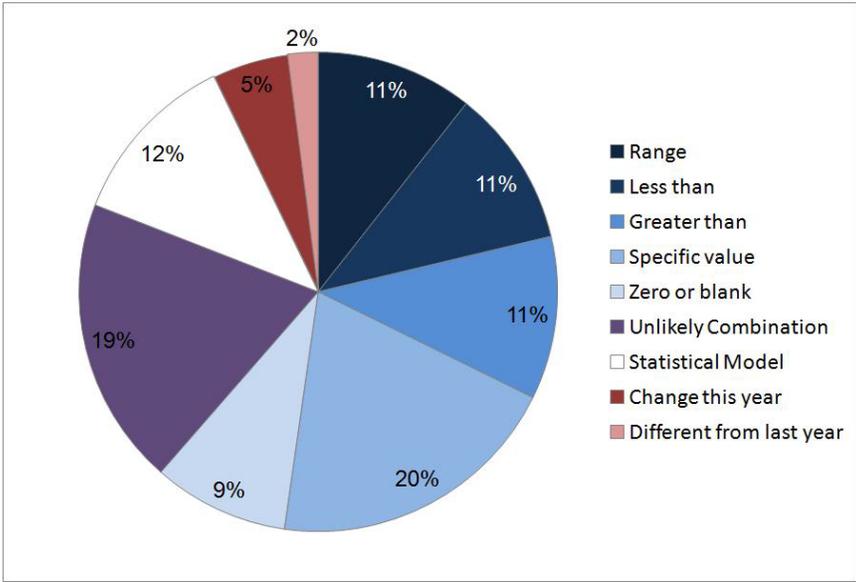
**Figure 27: Most Common ISIR Fields and Strategies Used to Select Dependent Students**



Source: Quality Assurance Program 2008-09.

**Figure 28** presents the distribution of Quality Assurance verification selection strategies for independent students. While the results were similar to dependents students, one difference was a greater prevalence of selecting independent records with a zero or blank value. A common school strategy in this vein was to target independent students for verification if the income from work for both the student and spouse was zero.

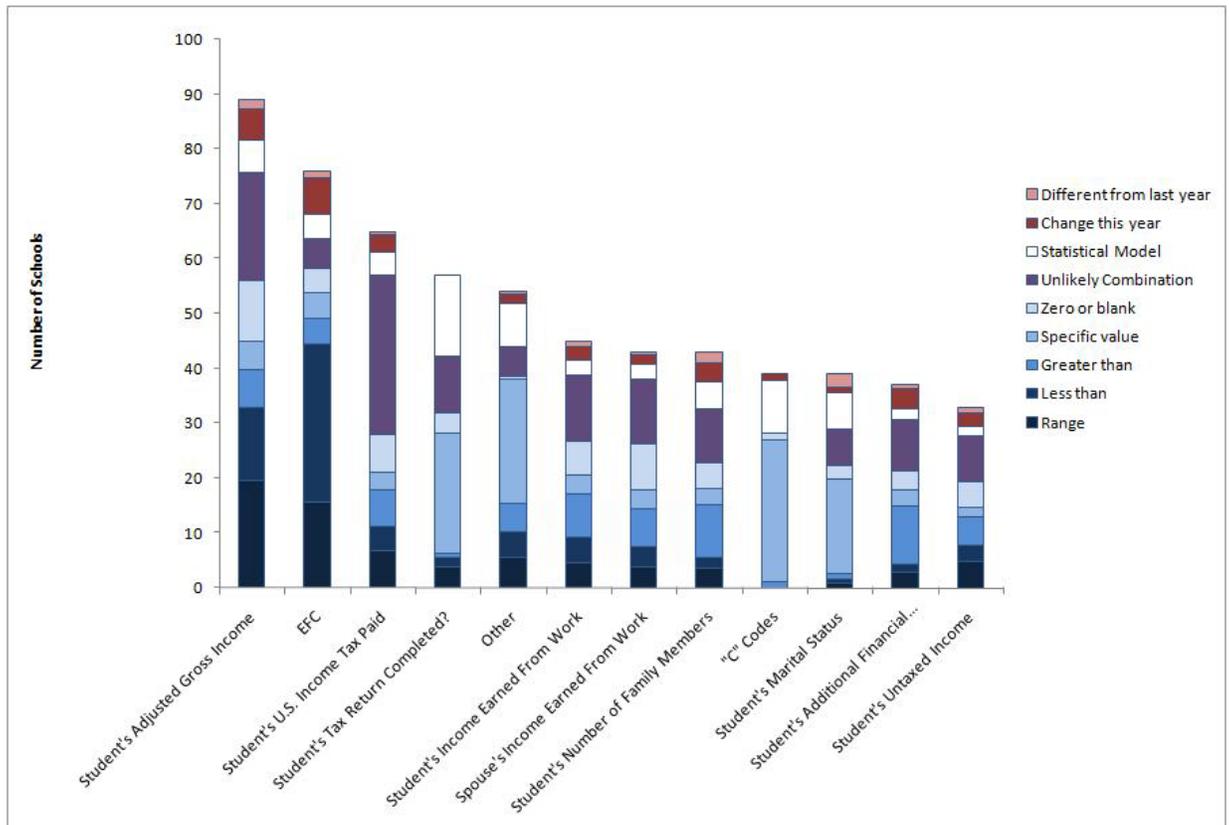
**Figure 28: Percentage of Criteria Used to Select Independent Students with Indicated Strategy**



*Source: Quality Assurance Program 2008-09.*

Figure 29 presents the field specific strategies for independent students. Just as we saw for dependent students, schools used range, less than or greater than with income and EFC fields. The student taxes paid field was checked for unlikely combinations. Schools tended to select independent students with specific values for the tax return completed, other, C codes and marital status fields for verification.

**Figure 29: Most Common ISIR Fields and Strategies Used to Select Independent Students**



Source: Quality Assurance Program 2008-09.

The survey completed by 136 of the schools participating in the Quality Assurance Program also asked about what information schools collected during their routine school verification process. The schools collected all the items requested by the federal verification worksheets for students drawn into their random samples, but during their routine school verification Quality Assurance schools have the flexibility to decide which data elements they document as well as which students they select for verification. Below is the text of our survey item.

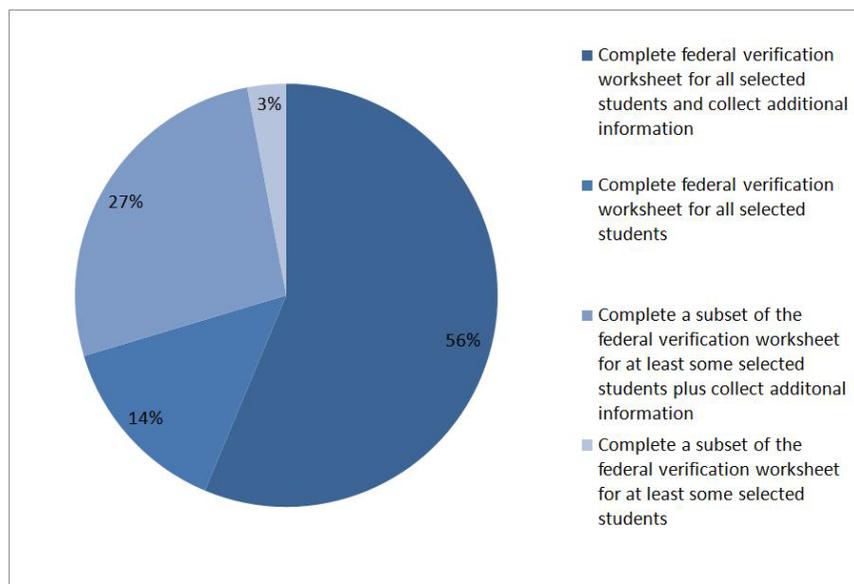
Which of the following statements best describes the documentation you collect from students that meet your school verification criteria? (Please answer based on your routine school verification efforts, NOT the QA Program random sample.)

- a) We collect ALL the applicable data elements that would be requested by the federal verification worksheets for ALL selected students, plus additional information for at least some students.

- b) We collect ALL the applicable data elements that would be requested by the Federal verification worksheets for ALL selected students.
- c) We collect only a SUBSET of the applicable data elements requested by the federal verification worksheets for at least SOME of the selected students, plus additional information for at least SOME students.
- d) We collect only a SUBSET of the applicable data elements requested by the Federal verification worksheets for at least SOME of the selected students.

**Figure 30** presents the distribution of the school responses. Note that most schools reported that they routinely collect all the federal items for all the students selected for verification. In fact over half of the schools reported collecting all of the federal information plus some additional information. Less than a third collect a subset of federal information for some of the students and most of these schools collect additional information.

**Figure 30: Type of Information Collected by Quality Assurance Schools During School Verification**



*Source: Quality Assurance Program 2008-09.*

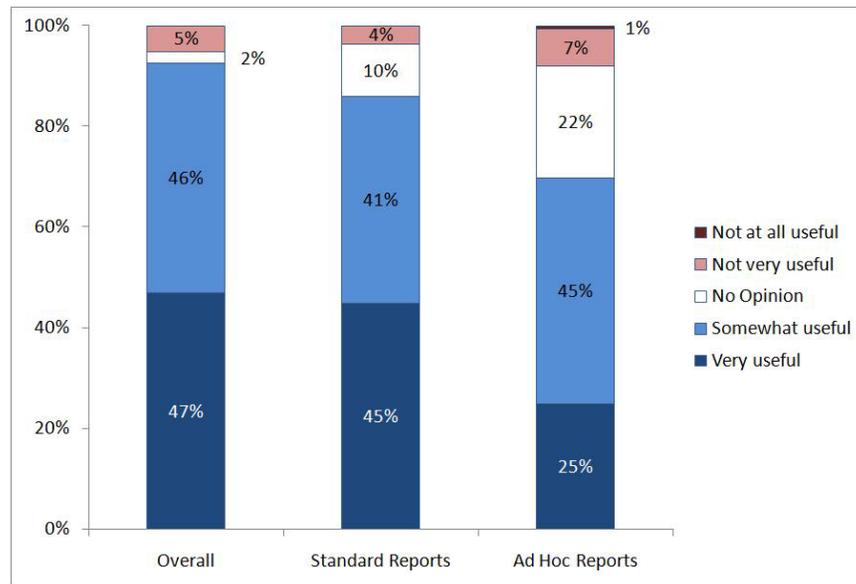
We turn now to Quality Assurance schools thoughts about the usefulness of the Tool.

**Research Question #6: How useful do Quality Assurance schools find the ISIR Analysis Tool?**

In addition to asking schools to describe their school verification process, our survey of schools asked them to rate the useful of the Tool. Our survey included

three measures of the Tool's usefulness. The first asked schools to rate the overall usefulness of the Tool. The second asked about the standard reports available in the Tool. Seven standard reporting templates allow schools to analyze changes to ISIR information and the effect of verification efforts on the accuracy of need-based financial aid. The third "usefulness" item asked about the ad hoc reporting capacity of the Tool. Schools using the Tool have access to Information Builders "Report Assistant" to create their own reports using any of the data they have uploaded into the Tool.

**Figure 31: Responses of Quality Assurance Schools to Survey Items Assessing Usefulness of the ISIR Analysis Tool**



Source: Quality Assurance Program 2008-09.

**Figure 31** presents the percent the responses of the 136 schools responding to the survey for these three survey items. Nearly all of the Quality Assurance schools found the Tool to be useful. 93 percent of schools indicated that overall they found the Tool to be "somewhat" or "very" useful. It is interesting to note that while the percent of positive responses for the two more specific items remained high, a greater percentage of schools indicated "no opinion" when asked specifically about standard and ad hoc reports. This may be because schools use the Tool differently and not all schools utilize both types of reports.

**Research Question #7: How would one proposal for FAFSA simplification affect Pell eligibility?**

Working with staff from the Office of Postsecondary Education (OPE) and FSA, former Under Secretary of Education, Sara Martinez Tucker lead a multi-year, multi-faceted effort to simplify the FAFSA. The efforts to simplify the FAFSA are ongoing and continue to evolve within the new administration. We used the QA sample data to explore the implications of one proposal for simplifying the FAFSA.



Toward the end of 2008, a proposal was floated at the Federal Student Aid Fall Conferences that envisioned replacing the current total cost of attendance minus EFC based eligibility with a system that made eligibility contingent on the ratio of a student or family's income to the official poverty threshold. Students or families with income to poverty level ratios less than 250 percent would be eligible for a full Pell Grant. Students or families with a ratio less than 400 would be eligible for the maximum subsidized loan applicable to their year in school. In addition, students or families who did not make enough money to file a federal tax return or qualified for another means tested assistance program would be eligible for a full Pell.

The poverty threshold for a family of four in the continental United States in 2008 was \$21,200. This threshold was adjusted by \$3,600 for each person added or subtracted to the family. Therefore, under the proposed simplification, a dependent student from a family of four would be eligible for a full Pell if their family had a total income below \$53,000 ( $\$21,200 \times 2.5$ ). This Pell eligibility threshold would be adjusted by \$9,000 for each person increase or decrease in family size.

One of the benefits of this proposal is that all the data elements used to determine eligibility are available on federal tax forms. Number of exemptions could supply family size and adjusted gross income could be used for total income. Non-filers and recipients of means-tested benefits would not be asked for this information because they would be made automatically eligible.

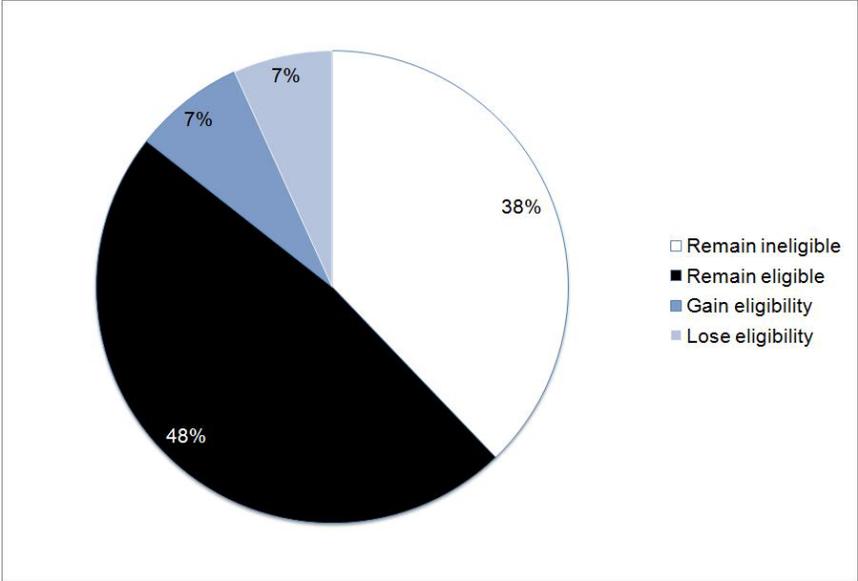
To explore the implication of this proposed change we used the paid-on values that were verified during the QA sample exercise. We excluded applicants that had earned a bachelor's degree, had a disqualifying drug conviction, or were an ineligible non-citizen from the analysis because they would remain ineligible for Pell. We used parent information for dependent students and student information for independent students to calculate eligibility for Pell under this income to poverty level ratio system.

Specifically, we classified those applicants who had indicated that they had received food stamps, free or reduced price lunch, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), or Women, Infants and Children Program (WIC) as eligible based on their means-tested status. We classified those who indicated they did not earn enough to be required to file a federal return as eligible based on their non-filer status. We classified the remaining records based on the combination of their adjusted gross income (AGI) and number of exemptions. If an applicant's verified income was less than 2.5 times the poverty threshold for a family the size equal to the number of exemptions, we classified them as Pell Grant eligible based on their AGI and exemptions.

We then compared Pell eligibility status under the current and proposed simplified systems. **Figures 32 and 33** present these comparisons for dependent and independent students respectively. These figures indicate that the vast majority of applicants in the QA sample retained their current Pell eligibility status under the

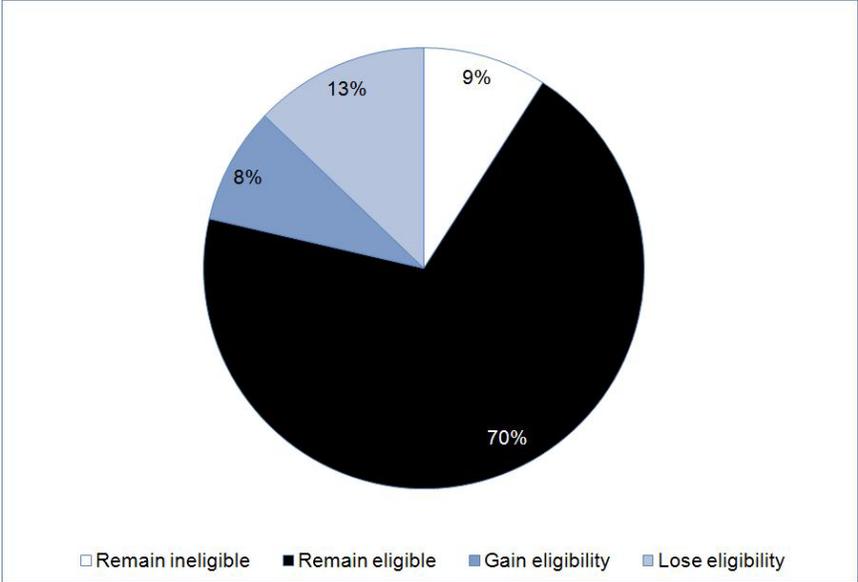
proposed simplification system. However, 7 percent of dependent students gained eligibility and an equal 7 percent lost eligibility. For independent students a greater percentage lost eligibility (13 percent) than gained eligibility (8 percent).

**Figure 32: The Effect of FAFSA Simplification on Pell Eligibility of Dependent Students**



Source: Quality Assurance Program 2008-09.

**Figure 33: The Effect of FAFSA Simplification on Pell Eligibility of Independent Students**

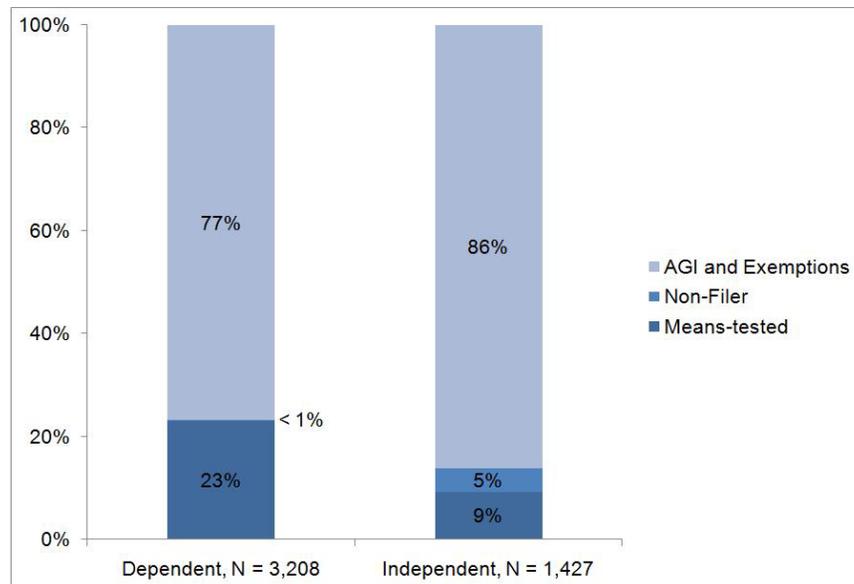


Source: Quality Assurance Program 2008-09.

After comparing Pell eligibility under the two systems, we looked to see which aspect of the simplified criteria led applicants to gain eligibility. **Figure 34** includes only those dependent and the independent records that became newly eligible for

Pell under the proposed simplification. Such students are represented in the dark blue slice of the pie charts in **Figures 32 and 33**.

**Figure 34: Reasons for Gaining Pell Eligibility by Dependency Status**



Source: Quality Assurance Program 2008-09.

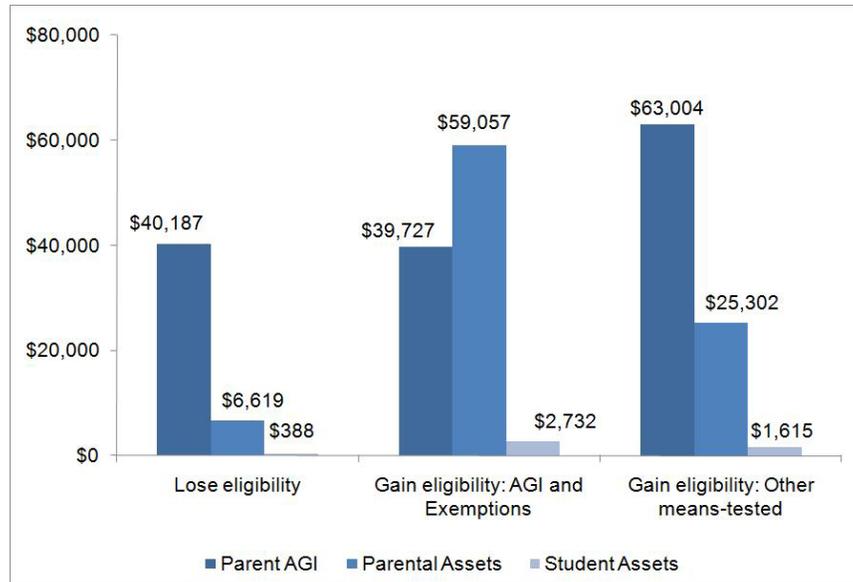
We found in **Figure 34** that the primary reason for gaining eligibility for Pell was when the applicant's AGI was less than 2.5 times the federal poverty level associated with his or her number of exemptions. Still nearly a quarter of the newly Pell eligible dependent applicants were so because of their receipt for means-tested benefits. Only 5 of the 3,208 dependent students gained eligibility because they did not file a federal return. Nearly all of dependent students with this tax filing status are currently eligible for Pell. Only a small fraction of the independent records that gained Pell eligibility did so based on reasons other than income to poverty ratio.

After examining the reason why new Pell recipients became eligible we compared the economic circumstances of those applicants that gained eligibility to those students who are currently eligible for Pell but would not be under the proposed simplification. We made these comparisons broken out by the reasons why students gained eligibility. We did not include three of the groups because we did not have too few cases in our data to support reliable estimates. Specifically, we excluded dependent students who gained eligibility because they did not file a tax return and independent students who gained eligibility because they did not file a return or because they received means-tested benefits.

**Figure 35** compares income and asset information for the dependent students who lost and gained Pell eligibility under the proposed simplification. Based on the information in the QA sample data, it appears that those applicants who would lose eligibility are more economically disadvantaged than those dependent students that gain eligibility. Those that lose eligibility have significantly less

assets than both groups that gained eligibility and a lower average AGI than students who qualified for a means-tested program.

**Figure 35: Comparison of measures of financial well-being by how Pell eligibility was affected by FAFSA simplification for dependent students**



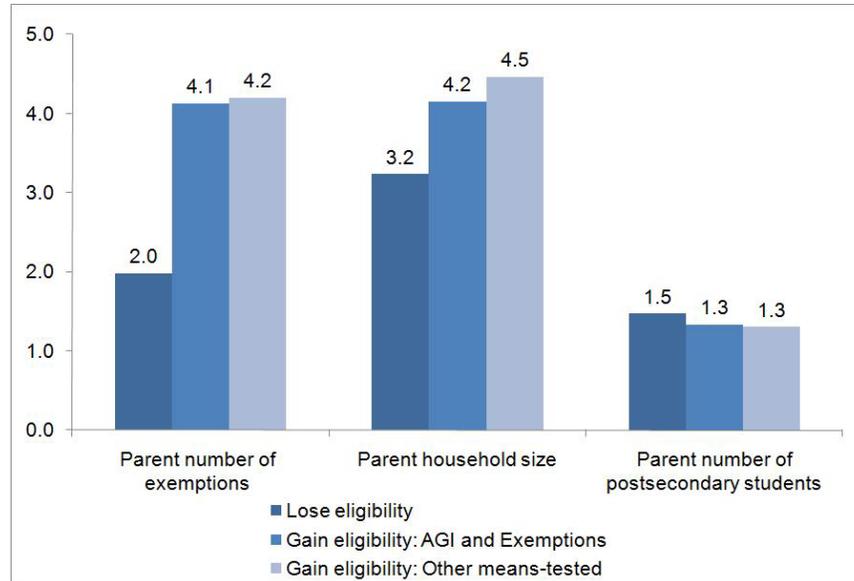
Source: Quality Assurance Program 2008-09.

**Figure 36** compares the number of exemptions, household size, and number in college for the three groups of dependent students who had their Pell eligibility affected by the proposed simplification. The number of students in college is similar for all three groups. We see here that both the number of exemptions and household size are smaller for those that lose eligibility than for those who gain it, but note that the difference in exemptions is much greater than the difference in household. Among those that lose eligibility to simplification, average household size is more than a full person greater than the average number of exemptions. For the groups that gain eligibility this disparity is less than a third of a person.

The definition for household size is not the same as the definition for number of exemptions. The differences between the two include how students with divorced parents are treated in terms of which parent gets to claim a tax exemption (greatest level of support or court decree) and which household a student resides in for financial aid purposes (where the student spent the most of the time during the last 12 months). Additional differences include how other adults (e.g., siblings and unmarried partners) are included in the respective counts. Finally, the two measures reflect the living situation during two different periods of time. The number in a household is determined based on the people living in the home now and those who will be living in the home during the upcoming academic year, while the number of exemptions is based on the previous calendar year.

Students who lose eligibility under simplification have a larger difference between household size and exemptions than the two groups that gain Pell eligibility.

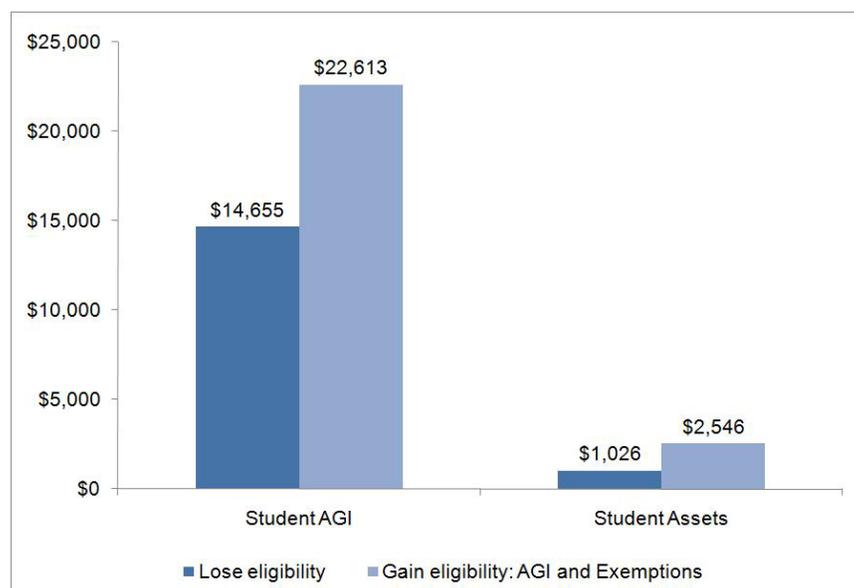
**Figure 36: Comparison of demographic measures by how Pell eligibility was affected by FAFSA simplification for dependent students**



Source: Quality Assurance Program 2008-09.

**Figure 37** compares income and asset information for the independent students who lost and gained Pell eligibility under the proposed simplification. Independent applicants who would lose eligibility have two-thirds the income and less than half the assets as the independent students would gain eligibility under simplification.

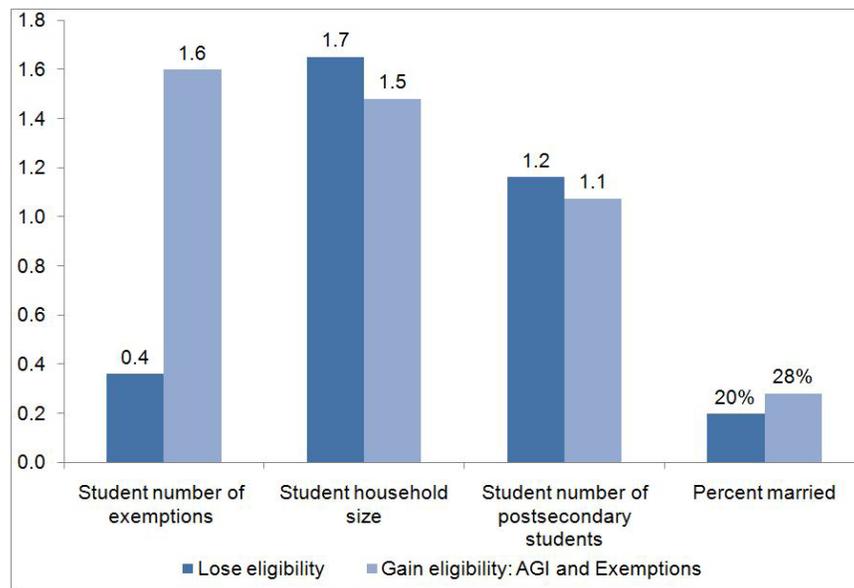
**Figure 37: Comparison of measures of financial well-being by how Pell eligibility was affected by FAFSA simplification for independent students**



Source: Quality Assurance Program 2008-09.

**Figure 38** compares the number of exemptions, household size, number in college, and percent married for independent students who had their Pell eligibility affected by the proposed simplification. For the measures other than exemptions, the average values for those that gained and lost Pell eligibility are similar. The extremely low average in the number of exemptions for independent students that lost eligibility (0.4) indicates that majority of this group did not claim themselves on their tax return.

**Figure 38: Comparison of demographic measures by how Pell eligibility was affected by FAFSA simplification for independent students**



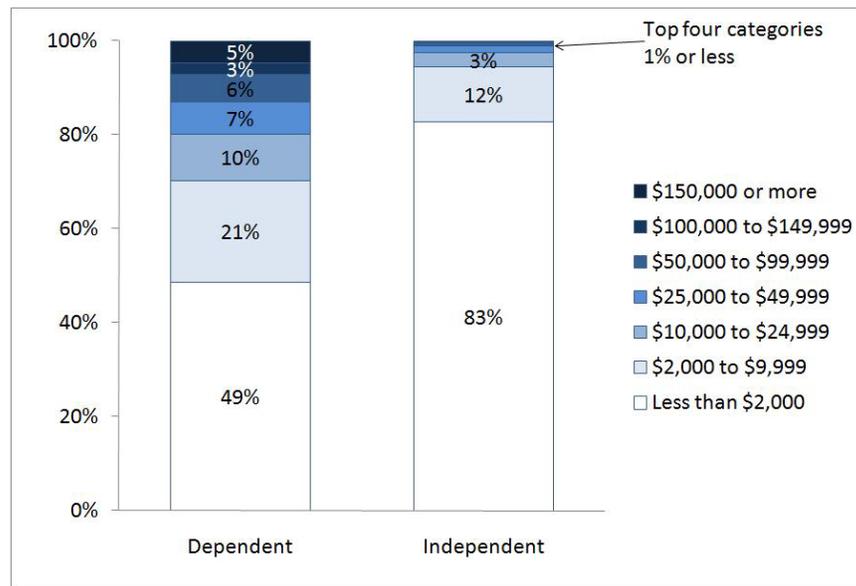
Source: Quality Assurance Program 2008-09.

Our exploration of the implications of basing Pell eligibility on one proposal for a simpler system revealed that the overall percentage of applicants eligible for Pell Grants would stay roughly the same. However, some students would lose and others gain eligibility. Comparing the economic circumstance of those that would lose to those that would gain found on average that those losing eligibility worse off financially than those applicants gaining eligibility.

As FAFSA simplification has moved forward the idea of eliminating parent and student assets from the EFC calculation and thus the FAFSA form has gained support. To ensure fairness, students with assets above \$150,000 would not be eligible for the simplified form.

We used QA sample verified asset data to get a sense of the aggregate assets that parents and students completing the FAFSA have available to help pay for college. **Figure 39** reports the percentage of dependent and independent students within various asset bands. Total assets included cash and net worth of businesses, farms, and investments.

**Figure 39: Total assets held by applicants in the Quality Assurance samples by dependency status**



Source: Quality Assurance Program 2008-09.

We found that only a small minority of students have substantial assets to help them pay for college. Only 5 percent of dependent students would have exceeded the envisioned \$150,000 asset cap being proposed in a current FAFSA simplification effort. Less than 1 percent of independent students would exceed the cap. In fact, 95 percent of independent students (83 + 12) have total assets less than \$10,000.

### Implications

When interpreting all the results in this report it is important to keep in mind the context of the Quality Assurance Program. Most of the 147 schools participating are big, public four-year universities. While not fully representative of all financial aid applicants nationwide, the random samples of applicants verified by schools participating in the Quality Assurance Program still provide valuable data. This information supports a meaningful assessment of current school and CPS verification efforts. Since all the information is verified it can also be quite useful in addressing other policy questions. Further, the partnership between FSA and the Quality Assurance schools has the potential of improving the delivery of student financial aid in ways beyond this valuable data source.

Our analysis shows that the tendency of both school and CPS verification to focus on the most needy applicants results in a disproportionate percentage of the most needy applicants being verified without any subsequent change to aid awards. At the same time, this focus allows aid awards to go uncorrected among aid applicants whose initial EFC is above the Pell Grant threshold. This pattern was more pronounced for CPS verification than school verification.

Both school and CPS verification would benefit from being more selective in terms of which high need students they flag for verification. For example, CPS selected 66 percent and schools selected 56 percent of dependent students who had an automatic zero EFC for verification despite the fact that only 9 percent of these students experienced a major change in aid eligibility—we defined a “major” change as a change to Pell or change to EFC in excess of 400.

Our use of the Quality Assurance sample data to explore the implications of one proposal for simplifying the FAFSA demonstrated the data’s usefulness for addressing policy issues beyond verification. Our analysis raised questions about the equity of replacing the current EFC formula with the aid eligibility system based on the ratio of a family’s income to the poverty threshold for a family the size equal to the number of exemptions claimed on the federal tax return. While we found that only 20 percent of dependent students experienced a change in the eligibility status under the proposal, those that lost eligibility had fewer assets than those who gained eligibility.

Some FAFSA simplification proposals under consideration by congress exclude students from families with substantial assets from becoming eligible. Data from the Quality Assurance samples was able to show that only 5 percent of dependent students who applied for aid come from families with assets in excess of \$150,000.

As FSA continues to implement steps toward FAFSA simplification, we suggest they consider leveraging the existing relationship they have established with the schools participating in the Quality Assurance program. The experience these colleges and universities have using the Tool would allow them to test future simplification steps such as the IRS datashare. Starting in January 2010 students and parents completing the FAFSA on the web will have the option of linking to an IRS site and populating the corresponding sections of the application with their data. This will greatly reduce if not eliminate the need to verify the income and tax information supplied by students who use this option. Quality Assurance schools could work on ways to incorporate student use of the option into their verification process.