



NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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Statement  
of  
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Submitted to the  
U.S. House of Representatives Committee on  
Oversight and Government Reform

“Reviewing the FAFSA Data Breach”

On behalf of the National Association of Student Financial Aid Administrators (NASFAA), we submit the following statement for the record with respect to the recent outage of the Internal Revenue Service (IRS) Data Retrieval Tool (DRT) and its impacts on students applying for federal student aid using the Free Application for Federal Student Aid (FAFSA) and on federal student loan borrowers applying for or renewing eligibility for Income-Driven Repayment (IDR) plans. NASFAA represents financial aid administrators at 3,000 public and private colleges, universities, and trade schools across our nation. Collectively, NASFAA members serve 90 percent of undergraduate students studying in the United States.

Since its inception eight years ago, the IRS Data Retrieval Tool has become the cornerstone of federal financial aid simplification, with students and institutions of higher education relying on its efficiency for both the application and verification processes. The abrupt outage in the midst of the application filing season is extremely troubling, made worse by the fact that it took the Department of Education (ED) and the IRS nearly a week to publically acknowledge that the tool was not working.

NASFAA first received reports from member institutions of the DRT outage on March 6, 2017. In response to those reports, NASFAA reached out to ED staff who confirmed verbally that the DRT had been down since March 3 due to technical issues. On March 9, nearly a week after the outage took place, ED and IRS issued a joint statement<sup>1</sup>, the first public acknowledgment of the outage. This statement indicated the cause of the outage as an IRS decision to suspend the DRT due to concerns that the tool could be misused by identity thieves, and anticipated a timeframe of several weeks for the DRT to become functional again. Also on March 9, Rep. Lloyd Doggett (D-TX) issued a letter<sup>2</sup> to Education Secretary DeVos and IRS Commissioner Koskinen urging prompt investigation and resolution of the DRT outage, a timeline for resolution, and collaboration with institutions of higher education to ensure financial aid applicants were not penalized for missing deadlines due to the DRT outage.

On March 14, NASFAA - in partnership with several other partnering organizations - sent a letter<sup>3</sup> to Secretary DeVos and ED Chief Operating Officer Jim Runcie requesting that ED update its communications and instructions to reflect the DRT outage, allow applicants to use paper tax return copies to satisfy verification requirements in place of IRS tax transcripts, revise verification selection criteria to provide a more generous

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<sup>1</sup><https://www.ed.gov/news/press-releases/internal-revenue-service-irs-and-us-department-education-office-federal-student-aid-fsa-statement-about-irs-data-retrieval-tool-drt>

<sup>2</sup> [https://www.nasfaa.org/uploads/tn/doggett\\_irsdrf.PDF](https://www.nasfaa.org/uploads/tn/doggett_irsdrf.PDF)

<sup>3</sup> [https://www.nasfaa.org/uploads/documents/NASFAA\\_DRT\\_Letter.pdf](https://www.nasfaa.org/uploads/documents/NASFAA_DRT_Letter.pdf)

tolerance to keep the number of applicants selected for verification stable, and to expand the tolerance for required school resolution of cross-year conflicting information.

On March 16, House and Senate leaders sent a letter<sup>4</sup> to ED requesting a briefing on the DRT outage within one week. That same day, the House Committee on Oversight and Government Reform and the Committee on Education and the Workforce sent letters to both ED<sup>5</sup> and IRS<sup>6</sup> requesting briefings. On March 30, a second joint ED-IRS statement<sup>7</sup> was issued, this one providing more information on the rationale behind the outage, stating that identity thieves may have used personal information to access the FAFSA as a means of obtaining tax information from the DRT to file fraudulent tax returns. The statement indicated that IRS was working to identify the number of taxpayers affected by questionable use of the Data Retrieval Tool. In this statement, the timeline for the DRT to be made available was revised to the start of the next FAFSA season (which is October 1, 2017). Included in this statement was guidance that federal student loan borrowers applying for or renewing Income Driven Repayment (IDR) plans, who also use the DRT to verify their income, could submit paper tax returns as income documentation.

Finally, on April 24, nearly two months after the DRT outage was discovered, ED issued guidance<sup>8</sup> to institutions of higher education that they may accept paper copies of tax returns or signed statements of nonfiling in place of IRS tax transcripts to satisfy verification requirements, action that was very well received by institutions once it was finally released.

It must be noted that the DRT outage is especially harmful in this first year of “Early FAFSA” and prior-prior year (PPY). Before this year, the FAFSA became available on January 1, and applicants were asked to provide income information from the prior tax year. For the 2017-18 application year, the FAFSA became available three months earlier, on October 1. This “Early FAFSA” uses income from the prior- prior year (PPY). While the DRT has been available for several years, many families were not able to take advantage of the tool in the past because their prior year tax returns were not yet processed when they completed the FAFSA. However, the implementation of PPY expanded the ability for more applicants to use the DRT this year, since the vast

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<sup>4</sup> <http://edworkforce.house.gov/news/documentsingle.aspx?DocumentID=401466>

<sup>5</sup> <https://oversight.house.gov/wp-content/uploads/2017/03/2017-03-16-OGR-EW-to-DeVos-ED-DRT-Incident-due-3-30-.pdf>

<sup>6</sup> <https://oversight.house.gov/wp-content/uploads/2017/03/2017-03-16-OGR-EW-to-Koskinen-IRS-DRT-Incident-due-3-30-.pdf>

<sup>7</sup> <https://www.ed.gov/news/press-releases/update-internal-revenue-service-irs-and-federal-student-aid-fsa-statement-irs-data-retrieval-tool-drt>

<sup>8</sup> <https://ifap.ed.gov/dpccletters/GEN1704.html>

majority of families had filed their prior- prior year tax returns almost six months prior to the date the 2017-18 FAFSA became available. Then, only a few months into the application cycle-- and close to many state and institutional scholarship deadlines-- the DRT was taken down, significantly diminishing the potential benefits of Early FAFSA and PPY.

The DRT not only simplified the FAFSA process for students and families, it increased the accuracy of their income data reported on the FAFSA. Because income data retrieved using the DRT are more accurate than self-reported data, ED has long publicized that applicants using the DRT are less likely to be selected for verification; further simplifying the application process, reducing delays in the awarding and disbursement of federal aid funds to needy students, and shifting the workload on financial aid office staff away from document collection and processing toward the more valuable task of counseling students. The DRT outage harms students and families in multiple ways, making the FAFSA more difficult to complete, making more students subject to verification, and leaving families with fewer available financial aid office resources for help navigating the financial aid process. A recent NASFAA survey of member institutions found that 55 percent of 192 respondents reported an increase in students selected for verification at their institutions since the DRT was disabled.<sup>9</sup> At one large, 4-year public alone, the percentage of applicants selected for verification increased by 60 percent following the loss of the DRT.

Further complicating matters, this processing cycle is unique due to the fact that both the 2016-17 and 2017-18 FAFSAs use the same income information from the 2015 calendar year. This creates the potential for conflicting information between the two award years (when applicants erroneously report income or tax information for a year other than 2015). ED flags the applicant's record if a conflict is significant and the institution must resolve the conflict before federal student aid can be disbursed. ED strongly urged use of the DRT to prevent the incidence of conflicting information and also offered the DRT as an option for resolving conflicts if applicants hadn't used the DRT upon initially completing the FAFSA. Now, with the DRT disabled, institutions are seeing a spike in conflicting information. Twenty-three percent of NASFAA's survey respondents indicated increases in records flagged for conflicting information since the DRT outage occurred. This means that more students and families must provide tax returns and other documentation to financial aid offices to establish eligibility for federal aid. Overall, 91 percent of survey respondents indicated that the DRT outage was negatively impacting their offices in some way.

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<sup>9</sup>[https://www.nasfaa.org/news-item/11883/Verification\\_Woes\\_Top\\_List\\_of\\_DRT\\_Concerns\\_in\\_Recent\\_NASFAA\\_Member\\_Poll](https://www.nasfaa.org/news-item/11883/Verification_Woes_Top_List_of_DRT_Concerns_in_Recent_NASFAA_Member_Poll)

We also want to draw attention to the application and renewal processes for Income-Driven Repayment (IDR) plans, which also rely on the DRT. Borrowers enrolling in IDR plans are experiencing financial hardship. This hardship may be sudden, resulting from unforeseen events such as job loss or death of a wage-earning family member. Prompt enrollment in IDR plans is critical to the financial well-being of these borrowers as well as to keeping these loans out of default. The DRT was an effective way to ensure these borrowers got the relief they needed when they needed it. For borrowers experiencing longer-term hardship, re-enrollment in IDR plans is required annually. The DRT kept the re-enrollment process simple and expedient, ensuring continuity in IDR enrollment for qualified borrowers.

We understand that legitimate security concerns cited by ED and the IRS led to the tool being disabled. However, we are looking for an explanation of why users of the tool and other key stakeholders were not informed of this outage until nearly a week after the system went down. It is also unclear why federal agencies took no action to correct these issues if vulnerabilities were identified months previously.

The FAFSA continued to direct students to the DRT for some time after the tool's outage. Because the design of DRT directed students from the [fafsa.ed.gov](https://fafsa.ed.gov) website to a separate IRS webpage, the effect was to kick students out of the FAFSA application before it was completed. Many students may have erroneously believed they had completed the FAFSA or have simply given up, thinking they weren't eligible for aid or that the process was too complicated. The lack of communication and update to the FAFSA website is unacceptable, and caused quite a bit of strain, especially in the middle of the financial aid application season.

The DRT is an essential tool for students and families navigating the complex system of applying for federal student financial aid. Its benefits go beyond simplifying and shortening the application process for applicants; importing data directly from the IRS into the FAFSA also ensures data accuracy, preserving program integrity of the federal student aid programs. The abrupt shutdown of the DRT with no advance notice to stakeholders, no public acknowledgment for nearly a week following the outage, and the delay in updating federal student aid websites, including the FAFSA site itself, all caused unnecessary confusion, anxiety, and stress for students at an already-stressful time that coincided with many state and institutional financial aid application deadlines.

While the IRS was able to identify 100,000 individuals impacted by the data theft, it may not be possible to measure the impact of the DRT outage on students who may have missed a financial aid deadline or never even completed a financial aid application because of this issue, and whose college plans may have been compromised as a

result. Perhaps most troubling is the fact that this situation could have been avoided with better decision making in September, 2016, when the potential for abuse of the DRT was first identified<sup>10</sup>.

The IRS and ED could have been working to implement security enhancements for the past six months that would have prevented not only the DRT outage but also the fraudulent activity ultimately identified in March, 2017. Timely restoration of the DRT is essential, as is a firm deadline by which the tool will be available again. If the tool is reactivated with additional authentication steps for students, we ask that ED consider the implications of a more complicated process on low-income families. Finally, any new front-end changes should be informed by stakeholder input, to ensure that the DRT continues to serve as a cornerstone for FAFSA simplification efforts.

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<sup>10</sup>[https://www.washingtonpost.com/news/grade-point/wp/2017/04/06/identity-thieves-may-have-hacked-files-of-up-to-100000-financial-aid-applicants/?utm\\_term=.99d84b4becd5](https://www.washingtonpost.com/news/grade-point/wp/2017/04/06/identity-thieves-may-have-hacked-files-of-up-to-100000-financial-aid-applicants/?utm_term=.99d84b4becd5)