Lesson 1

Introduction to Verification
Verification of FAFSA Data

- Regulations define which applications, data elements, and documentation
- Verification applies to recipients of subsidized Title IV aid

- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant (FSEOG)
- Federal Work-Study (FWS)
- Direct Subsidized Loans
Conflicting Information

• Must be resolved for all award years, even prior ones
• Does not need to be resolved if:
  – Does not affect student’s expected family contribution (EFC) or Title IV eligibility;
  – Student dies during award year; or
  – Conflicting data are received after student is no longer enrolled and does not intend to re-enroll at the school
• Includes correcting nondollar items, whether result of verification or resolution of conflicting information
• School decides what documentation it deems appropriate to resolve any conflicts

Verification Selection Process

Applications may be selected by:

Central Processing System (CPS)  OR  Institution
Verification Exclusions

Verification is not required under certain circumstances

- Entire application
- Parental data
- Spousal data
- Certain data elements
- Institutional exemption

Verification Tracking Groups

- Tax filer income (adjusted gross income, taxes paid, untaxed IRA, pension, and annuity distributions, IRA deductions and payments, tax-exempt interest, education tax credits)
- Nontax filer income (income earned from work)
- Household size
- Number in college
Verification Tracking Groups

**V4 Custom Verification Group**
- High school completion
- Identity and Statement of Educational Purpose

**V5 Aggregate Verification Group**
- Tax filer income from V1
- Nontax filer income (income earned from work)
- Household size
- Number in college
- High school completion
- Identity and Statement of Educational Purpose
Quick Quiz:

1. Except for high school completion, identity, and Statement of Educational Purpose, which of the following Title IV aid programs may qualify the applicant to be excluded from federal verification requirements?
   - Federal Pell Grant
   - Parent PLUS Loan
   - TEACH Grant
   - FSEOG
   - FWS

Quick Quiz:

2. If both parents die after the student has applied as a dependent student, the student is required to update his dependency status.
   - True
   - False
Quick Quiz:

3. SNAP benefits and child support paid must be verified for 2020-21 if they are indicated on the applicant’s ISIR.
   - True
   - False

Lets talk about it:

Does your institution verify data elements beyond those which are selected by the CPS? If so, for which data elements?
Required Data Items for CPS-Selected Applicants

Federal Register

DEPARTMENT OF EDUCATION

Free Application for Federal Student Aid (FAFSA®) Information To Be Verified for the 2020–2021 Award Year

AGENCY: Office of Postsecondary Education, Department of Education. [CPDA Numbers: 84.009, 84.013, 84.063, and 04.206.]

ACTION: Notice.

SUMMARY: For each award year, the Secretary publishes in the Federal Register a notice announcing the FAFSA information that an institution and an applicant may be required to verify, as well as the acceptable documentation for verifying FAFSA information. This is the notice for the 2020–2021 award year.

Dear Colleague Letter

Publication Date: June 07, 2019
DCL ID: GEN-19-02

Subject: 2020–2021 Award Year: FAFSA® Information To Be Verified and Acceptable Documentation

Summary: This letter provides information that supplements the 2020–2021 award year verification information provided in the Federal Register notice published on May 24, 2019.

Dear Colleague:

On May 24, 2019, we published a Federal Register notice (Vol. 84, No. 101 p. 24118–24122) announcing the 2020–2021 Free Application for Federal Student Aid (FAFSA®) items that may require verification for an applicant selected for verification by the Department, as well as the acceptable documentation for those items. The 2020–2021 FAFSA items that may require verification and the 2020–2021 Verification Tracking Groups are the same as those for the 2019–2020 award year. Also, there were changes to the acceptable documentation requirement for 2020–2021, as specified in the Federal Register notice.

General Documentation Requirements

• May file FAFSA using estimated income
• Must complete verification using actual income from the filed tax return
• Specified year is the prior-prior year (PPY)
  – For 2020-21, the specified year is 2018
IRS Data Retrieval Tool

- Tax return type
- Tax filing status
- Adjusted gross income (AGI)
- Income from work (single, not filing jointly)
- U.S. taxes paid
- Untaxed IRA, pension, and annuity distributions
- IRA deductions and payments
- Tax-exempt interest
- Education tax credits

IRS DRT Cannot Be Used When...

- Tax return not yet filed
- Puerto Rican or foreign (non-U.S.) tax return filed
- Taxes filed electronically within last 2-4 weeks
- Taxes filed by mail within last 6-8 weeks
- Parents are unmarried and living together
- Change in marital status after end of tax year and before filing FAFSA
- Conflict between marital and tax filing status
- Married independent student and spouse filed separate tax returns
- Married parents filed separate tax returns
- Married and filed taxes as head of household
- First 3 digits of Social Security Number (SSN) are “666”
- Neither married parent has a valid SSN
- Both parents entered all zeros for SSN
Tax Return Transcript

Can be requested:
- IRS Get Transcript Online
- IRS Get Transcript by Mail
- 1.800.908.9946
- Mail or fax IRS Form 4506-T or 4506T-EZ
- Income Verification Express Service (IVES)

Alternative Tax Transcripts

Acceptable Alternatives
- Record of Account Transcript
- Return Transcript for Taxpayer (RTFTP)
- Tax Return Database View (TRDBV) Transcript
- Any IRS Tax Transcript with all required data
Signed Copies of Tax Returns

School can accept signed copy of tax return filed with IRS or relevant tax authority with applicable schedules

- For IRS 1040, must include first 2 pages of 1040 and Schedules 1, 2, and 3 only
- Can be e-file format or handwritten copy

1040 or Schedule?

- Data elements in orange appear all or partially on tax Schedules 1, 2, or 3
- Items in green are on pages 1 or 2 of 1040 itself
Verification Worksheets

- ED provides suggested text annually
- School may:
  - Use ED’s suggested text or create its own
  - Create a comprehensive worksheet or customize it according to selected data
- School must use ED’s Identity and Statement of Educational Purpose text as is

Acceptable Signature Formats

- “Wet”
- Photo-copied
- Faxed
- Electronic
AGI—Tax Filers

Acceptable Alternatives

- Unaltered IRS DRT data
- Tax Return Transcript or alternative tax transcript
- Signed copy of tax return filed with IRS
- Foreign tax returns
- U.S. Territory tax returns

Income Earned from Work—Nontax Filers

**U.S. Individuals**

- Signed statement or verification worksheet;
- Form W-2 from each employer; and
- IRS Verification of Nonfiling Letter*

**Foreign Residents**

- Signed statement or verification worksheet;
- Wage and Tax Statement or equivalent; and
- Verification of nonfiling from tax authority*

*Not required from dependent student
Verification of Nonfiling

• IRS Verification of Nonfiling Letter dated after October 1, 2019 is required from:
  – Dependent parent who did not and was not required to file a tax return
  – Independent student (or spouse, if applicable) who did not and was not required to file
• Not required from dependent student
• Groups V1 and V5, even if income is zero

Verification of Nonfiling

Acceptable Alternatives

- Tax Transcript or Tax Account Transcript stating “no record of return filed” or “no transcript on file”
- Any version of Form 13873 stating no record of tax return (or provided as verification of nonfiling)
- Any IRS document dated on or after October 1, 2019 indicating no tax record on file for tax year
- Signed statement and any W-2s, if no SSN, ITIN, or EIN and income is below filing threshold
- Foreign VNF or proof of tax filing requirements, wage statement, and signed statement
U.S. Income Tax Paid—Tax Filers

• Verify using:
  – Unaltered information via IRS DRT;
  – IRS Tax Return Transcript;
  – Alternative IRS tax transcript listing tax account information; or
  – Signed copy of tax return filed with IRS with Schedules 1, 2, and 3

• Signatures not required for DRT or tax transcripts

Untaxed Income and Benefits—Tax Filers

• Verify specific types of untaxed income:
  – Untaxed portions of IRA, pension, and annuity distributions (withdrawals)
  – IRA deductions and payments
  – Tax-exempt interest income
  – Education tax credits

• Signature not required when data is validated via IRS DRT or tax transcript
IRA, Pension, and Annuity Rollovers

• Rollovers are excluded from EFC
  – IRS DRT:
    ➢ If distribution received, tax filer is asked to enter amount of any rollover
    ➢ IRS Request Flag = “03” and IRS Data Field Flag = “2”
  – Not using IRS DRT:
    ➢ Tax filer subtracts amount of rollover before reporting Untaxed Income

IRA, Pension, and Annuity Rollovers

• Document amount of rollover using either:
  – Signed written statement
  – Signed and dated tax transcript
  – Signed copy of tax return
• For IRS DRT users, if entry of rollover amount is only change, tax transcript or tax return is not required
  – Collect only a signed statement
Quick Quiz:

1. Which of the following items are transferred from the IRS to the FAFSA using the IRS DRT?
   - IRA deductions and payments
   - U.S. income tax paid
   - Tax filing status
   - Payments to tax-deferred pensions and retirement savings plans
   - Untaxed portions of IRA, pension, and annuity distributions

Quick Quiz:

2. Which of the following IRS Request Flags indicates the IRS DRT was used and the data has not been altered?
   - 00
   - 02
   - 03
   - 05
   - 06
Quick Quiz:

3. List all four of the signature formats schools can accept on all verification documentation.

Quick Quiz:

4. The institution should not accept an IRS Verification of Nonfiling Letter dated before __________.  
   - April 15, 2018  
   - May 1, 2018  
   - July 1, 2018  
   - October 1, 2019
Household Size—Dependent

- Applicant and parent(s)
- Other children and other persons*
- Unborn child*

*Can include if parents will provide more than half support from 7/1/20 (or birth, if later) through 6/30/21. Can include siblings in graduate school, but not state-supported foster children. Other persons must be living with the parent at the time of FAFSA filing through 6/30/21.

Number in College—Dependent

- Applicant
- Siblings and other persons*

*Can include any household member (except a parent) who is, or will be, enrolled at least half time in a degree, certificate, or other recognized credential at a Title IV-eligible postsecondary institution any time between 7/1/20 and 6/30/21.
Household Size—Independent

- Applicant (and spouse)
- Children and other persons*
- Unborn child*

*Can include if applicant will provide more than half support from 7/1/20 (or birth, if later) through 6/30/21. Can include dependents in graduate school, but not state-supported foster children. Other persons must be living with the applicant at the time of FAFSA filing through 6/30/21.

Number in College—Independent

- Applicant
- Spouse*
- Children and other persons*

*Can include any household member who is, or will be, enrolled at least half time in a degree, certificate, or other recognized credential at a Title IV-eligible postsecondary institution any time between 7/1/20 and 6/30/21.
High School Completion Status

- High school diploma always preferred
- Several types of documents can be used
- School may accept alternative documentation only when:
  - Secondary school documentation is unavailable (e.g., closed school, deceased parent who provided home schooling)
  - Foreign refugees, asylees, and victims of human trafficking who cannot obtain diploma or secondary school leaving certificate

Identity and Statement of Educational Purpose

Identify and Statement of Educational Purpose (To Be Signed at the Institution)

The student must appear in person at

(Name of Postsecondary Educational Institution)

verify his or her identity, by presenting an unexpired valid government-issued photo identification (ID), such as, but not limited to, a driver’s license, other state-issued ID, or passport. The institution will maintain a copy of the student’s photo ID that is presented by the student with the date it was issued and renewed, and the name of the official at the institution authorized to view the presented identity document.

In addition, the student must sign, in the presence of the institutional official, the Statement of Educational Purpose provided below.

Identity and Statement of Educational Purpose (To Be Signed in the Presence of a Notary)

If the student is unable to appear in person at

(Name of Postsecondary Educational Institution)

to verify his or her identity, the student must provide to the institution:

(a) A copy of the unexpired valid government-issued photo identification (ID) that is acknowledged in the notary statement below, or that is presented to a notary, such as, but not limited to, a driver’s license, other state-issued ID, or passport; and

(b) The original Statement of Educational Purpose provided below, which must be notarized. If the notary statement appears on a separate page than the Statement of Educational Purpose, there must be a clear indication that the Statement of Educational Purpose was the document notarized.

Statement of Educational Purpose

I certify that

(First Student Name)

on the individual signing

(Second Student Name)

This Statement of Educational Purpose and that the Federal student financial assistance I may receive will only be used for educational purposes and to pay the cost of attending

(Name of Postsecondary Educational Institution)

for 2020-2021.

(First Student Name)

(Student’s Signature)

(Second Student Name)

(Student’s ID Number)
Optional Institutionally Selected Data

### Assets
- Cash, savings, and checking
- Real estate and investments
- Other forms of untaxed income

### Untaxed Income
- Payments to tax-deferred pension and savings plans
- Child support received
- Housing, food, and other living allowances paid to members of the military, clergy, and others
- Veterans noneducation benefits
- Other untaxed income not reported elsewhere on FAFSA
- Money received or paid on student’s behalf

Optional Institutionally Selected Data

- Cannot include resources specifically excluded from need analysis, such as:
  - Federal veteran’s educational benefits
  - Military housing/housing allowance
  - State foster care or adoption assistance payments
  - Means-tested welfare benefits
  - Combat pay
  - Foreign income exclusions
  - In-kind support

- Not even using professional judgment (PJ)
Optional Institutionally Selected Data

- Exceptionally low or zero income may be validated
  - School may ask applicant to explain how family was supported
  - Not conflicting information by itself
- School decides what constitutes acceptable documentation for anything other than federally required verification data
  - Can be same as current or past ED requirements

Quick Quiz:

1. Foster children for whom the state provides more than half support are not included in the household size for Title IV purposes.
   - True
   - False
Quick Quiz:

2. Verification of household size on federally selected applications is required in which of the following circumstances?

- The household size indicated on the dependent student’s ISIR is two and the parents are married.
- The household size indicated on the independent student’s ISIR is two and the student is married.
- The household size indicated on the dependent student’s ISIR is three and the parents are unmarried and living together.
- The household size indicated on the independent student’s ISIR is one and the student is divorced.

Lesson 2

Changing Applicant Data
Corrections

**Correction**
Changes to data that were incorrect when FAFSA was filed

**Update**
Changes to data that were correct when FAFSA was filed but later changed

**Adjustment**
Change made by aid administrator using professional judgment

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**Data Correct as Reported**
- Disburse grants
- FWS employment may begin
- Originate and disburse Direct Loans

**Required CPS Reprocessing**
- Change in a single dollar item of $25 or more
- Errors in nondollar verification items and other corrections that affect student’s EFC or eligibility

**Optional CPS Reprocessing**
- School may choose to submit all corrections to CPS
Updates

Correction
Changes to data that were incorrect when FAFSA was filed

Update
Changes to data that were correct when FAFSA was filed but later changed

Adjustment
Change made by aid administrator using professional judgment

Updates

Required anytime
• Dependency status, if not due to student marital status change

Required at verification
• Household size/number in college, if not due to student marital status change

Optional anytime to address inequity/ability to pay
• Dependency/student’s marital status
• Household size
• Number in college
Example: Dak

- Filed FAFSA as dependent student using only his widowed mother’s information
- After filing the FAFSA, his mother passed away

Outcome:

- Dak must update FAFSA to reflect his independent status as orphan
- Only Dak’s information is now used to offer Title IV aid
- Previously offered Title IV aid must be adjusted to reflect his new independent status for entire award year
Updates

**Required anytime**
- Dependency status, if not due to student marital status change

**Required at verification**
- Household size/number in college, if not due to student marital status change

**Optional anytime to address inequity/ability to pay**
- Dependency/student’s marital status
- Household size
- Number in college

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**Updates—Parent of Record**

- Student can switch parent of record, but only if:
  - Student switched living arrangements between her parents from one year to the next; or
  - Correcting an error
- If correct parent was reported, school cannot switch parents after the FAFSA was filed, not even by using PJ
Example: Ezekiel

- Married independent student
- At time of FAFSA filing:
  - 3 in household and 2 in college
  - Nephew was living with and supported by Ezekiel
- Wife also intended to attend graduate school
- At time of verification:
  - Nephew had moved back in with Ezekiel’s sister, and she had resumed support of her child
  - Wife had been denied admission to graduate school

Outcome:

- When completing verification:
  - Ezekiel must list only 2 in household with 1 in college on verification documents
  - School must submit updates to both household size and number in college to CPS for reprocessing
Updates

Required anytime

- Dependency status, if not due to student marital status change

Required at verification

- Household size/number in college, if not due to student marital status change

Optional anytime to address inequity or ability to pay

- Dependency/student’s marital status
- Household size
- Number in college

Student’s marital status changes

- In general, marital status is not updated after filing the FAFSA
- Student’s marital status is updated only if the school deems necessary to address inequity or reflect ability to pay educational expenses
  - Household size/number in college and all other pertinent data must relate to current FAFSA marital status
Updates

Parents’ marital status changes prior to verification

• Must update household size/number in college, but only if selected for verification by the CPS or by the school

• Parent marital status, income and assets are not updated
  – Can be adjusted only using PJ, at the school’s discretion

Quick Quiz:

1. A school must submit corrections to the CPS for changes in a single dollar item of $25 or more.
   - True
   - False
Quick Quiz:

2. The school (or applicant) must submit corrections to all nondollar FAFSA items, regardless of whether the correction is made as a result of verification or the resolution of conflicting information.
   - True
   - False

Quick Quiz:

3. What items can be updated on the FAFSA under certain conditions?
Quick Quiz:

4. A school may allow an update to marital status under which of the following circumstances?
   - To address an inequity
   - To more accurately reflect the student’s ability to pay educational costs
   - For a student in special circumstances
   - For a dependent student’s parents after verification is completed in special circumstances

Lets talk about it:

How does your institution handle changes in dependency status? Do students self-report or do you flag changes on student ISIRs?

For what reason may you deny an update due to a change in an applicant’s marital status?
Professional Judgment Adjustments

- Optional
- Discretion granted to financial aid administrators under section 479A(a) of Higher Education Act of 1965 (HEA), as amended
- Verification of specified-year data and resolution of conflicting information required to be completed before PJ
  - Exceptions apply
Professional Judgment Adjustments

Verification not required before PJ:

- For data that will be removed entirely using PJ
- When not already selected for verification by CPS or school
- When performing a dependency override

Possible Special Circumstances:
- Unusual uncovered medical/dental expenses
- Secondary school tuition
- Extraordinary dependent care
- Loss of employment
- Parent/spouse death
- Divorce
Lesson 3

Disbursements, Timeframes, Policies and Procedures, and Reporting

Interim Disbursements

Conditions

- Prior to verification
- After verification, but prior to receipt of SAR/ISIR
Student Deemed Ineligible for Interim Disbursement

Disbursement becomes an overpayment if:
• Verification shows student was not eligible for those funds;
• Verification not completed before appropriate deadline; or
• School does not receive valid SAR or ISIR reflecting corrections within deadline specified in regulations

Student Deemed Ineligible for Interim Disbursement

Attempt to resolve overpayment by:
- Apply $300 campus-based overaward tolerance
- Adjust subsequent disbursements in award year
- Reimburse Title IV program account by requiring student to return funds
Student Deemed Ineligible for Interim Disbursement

If unable to resolve overpayment, the school:

• Is liable for the overpayment
• Must return funds to Title IV program account by earlier of 60 days after last day of attendance or award year
• Must reimburse FWS Program and pay student’s wages from institutional funds

Other Program-Specific Disbursement Requirements

For unsubsidized-only aid recipients:

• Verification exclusion does not apply to high school completion, or identity/Statement of Educational Purpose in V4 or V5
• Not required to verify other data elements if selected for V5 (income, household size, number in college)
Other Program-Specific Disbursement Requirements

• Cannot circumvent verification by requesting only unsubsidized aid
• If not making interim disbursements, and selected for verification:
  – No further disbursements or FWS earnings can be paid until verification is completed
  – Do not return previously disbursed funds while waiting to complete verification

Quick Quiz:

1. A school must make interim disbursements if the student is eligible.
   □ True
   □ False
Quick Quiz:

2. Which of the following Title IV programs are subject to the interim disbursement regulations and, therefore, may be disbursed or paid before verification is completed?
   - Federal Pell Grant
   - FSEOG
   - Direct Subsidized Loan
   - FWS
   - IASG

Quick Quiz:

3. If the school cannot eliminate a Federal Pell Grant overpayment by reducing subsequent disbursements within the same award year or having the student return the funds, the institution must use its own funds to make restitution to the appropriate Title IV program account by the earlier of _____ days after the student’s last day of attendance or the last day of the award year for which the funds were disbursed.
   - 30
   - 60
   - 90
   - 120
Verification and the Packaging Cycle

Upon receipt of ISIR
- After interim disbursement, but before second disbursement
- Before making tentative offer
- After student accepts offer, but before disbursement
- After making tentative offer, but before offer confirmation

Verification Deadlines
- Federal Pell Grant deadline
- Institutional deadline
- Campus-Based and Direct Loan deadlines
Verification and Late Disbursements

• Student with pending disbursements must complete verification even if selected for verification after no longer enrolled
• Verification documents must be submitted to school before the earlier of:
  – 120 days after student’s last date of enrollment for award year; or
  – Final award year processing deadline published annually in Federal Register

Verification and Late Disbursements

School must have valid ISIR back from CPS before earlier of:
• If not a withdrawal, 180 days after student ceased enrollment for the award year, or ceased half-time enrollment for a Direct Loan;
• If a withdrawal, 180 days after the date the school determined the student withdrew; or
• The final award year processing deadline published annually in Federal Register
Reporting Verification Results

- School must report verification results via FAA Access to CPS Online:
  - Within 60 days after first request for documents to verify identity and high school completion
  - For any student for whom school:
    - Received an ISIR with Verification Tracking Flag V4 or V5; and
    - Requested verification documentation
  - Only for applications selected by the CPS
  - Within 30 days of change if result later changes

Quick Quiz:

1. The verification regulations give schools some flexibility when establishing policies and procedures.
   - True
   - False
Quick Quiz:

2. The school must send a written notification of the results of verification to applicants in a timely manner.
   - True
   - False

Quick Quiz:

3. For verification of identity and high school completion, the school may take up to ______ days to report the initial verification results and up to ______ days to report any changes to the verification result?
   - 30; 60
   - 60; 30
   - 90; 60
   - 60; 120
Thank you for attending!