


Verification 101

IASFAA Conference–Fall 2011

Verification

- ▶ Because students sometimes make errors on their application, colleges have procedures for verifying the reported information. The regulations include this verification as part of the FSA program requirements. The Department only requires that a portion of the FAFSA filers at your school be verified, as selected by the Central Processing System. However, you also have the authority—and may be required—to verify additional students.
- ▶ The government defines this as “Quality Control”

Verification

- ▶ The process of verifying accuracy of FAFSA data.
 - ▶ Federal regulations define
 - Which application must be verified
 - Which data elements must be verified
 - Type of documentation used to verify data elements
 - ▶ Additionally, schools are required to resolve all conflicting information and discrepancies on all applications
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Verification

- ▶ Verification is required for most FSA Programs. It is not required if the student will only receive
 - A parent or graduate PLUS loan
 - An unsubsidized Stafford Loan
 - A Teach Grant
 - A Stafford loan at a foreign school
 - LEAP or SLEAP funds
- ▶ A student may not try to avoid verification by just taking an unsubsidized Stafford loan.

Verification

- ▶ Each school must have written policies and procedures on the following
 - Deadlines for students to submit documentation and consequences of the failure to meet those deadlines.
 - A method of notifying students of award changes due to verification.
 - Required correction procedures for students.
 - Standard procedures for referring overpayment cases to the U.S. Department of Education

Verification

- ▶ Each School must give each applicant selected for verification a written statement explaining the following:
 - Documents required to be submitted for verification
 - The student's responsibilities—must include procedures for corrections, deadlines and consequences of missing deadlines
 - Notification methods—how your school will notify the student about changes due to verification and the timeline for these notifications

Verification

Applications to be verified

- ▶ An application will be selected for verification by CPS.
- ▶ Applications can be selected by the school. The school must verify any application that it believes to be incorrect [34 CFR 668.54(a)(3)] or discrepant [34 CFR 668.16(f)]

The same data elements are verified regardless of how the application is selected for verification.

Verification

30% Verification Option


A school must verify all applications the CPS selects for verification up to 30% of the school's total number of federal aid applications in an award year

- ▶ Schools have the flexibility to define the word 'applicant'
- ▶ A school may choose to verify more than 30%
- ▶ If CPS chooses less than 30%, a school is not required to get up to that 30%
- ▶ Applications that a school selects and those with conflicting information do not count towards the 30%

Verification


Institutional Selections

An institution can select applications not selected by CPS. Selections can be made for many reasons as long as you are not discriminating

- ▶ Estimated figures
 - ▶ Large number of family members in school or large number of family members
 - ▶ Low or no income numbers
 - ▶ Any other criteria the school choose to select
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Verification

Verification Exclusions

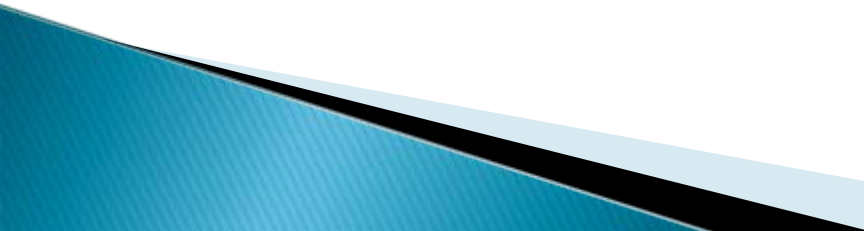
- ▶ A selected application may be exempt from some or all of the verification requirements due to unusual circumstances.
 - ▶ Document reason for exclusions in the students file.
 - ▶ If there is conflicting information or you have reason to believe application is inaccurate, you cannot exclude the application from verification.
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Verification Exclusions–Reasons for Exclusions

- ▶ Incarceration–Student is incarcerated at time of verification
- ▶ Recent immigrant–student arrived in US as immigrant during current year
- ▶ Spouse is unavailable–spouse is deceased or mentally/physically incapacitated in another country and can't be contacted, or can't be located
- ▶ Parent's unavailable–Parent's are deceased or mentally/physically incapacitated, in another country and can't be contacted, or can't be located
- ▶ Death of a student
- ▶ Applicant verified by another school
- ▶ Pacific island resident


Verification

Required Verification Data Elements

- ▶ Household size
 - ▶ Number enrolled in college
 - ▶ Adjusted gross income (AGI)
 - ▶ US Income tax paid
 - ▶ Certain untaxed income and benefits
 - Child support, IRA/Keogh deductions, interest on tax-free bonds, and all other untaxed income and benefits that must be reported on the FAFSA
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Verification

Items that can be verified using the tax return

- ▶ Adjusted gross income (AGI)
 - ▶ U.S. income tax paid
 - ▶ Taxed and untaxed IRA/Keogh deductions and payments
 - ▶ Tax exempt interest income
 - ▶ Untaxed portions of IRAs and Pensions (exclude rollovers)
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Verification

Acceptable Tax Returns

- ▶ For verification purposes, a copy (such as a photocopy, fax, or digital image) of the original signed return filed with the IRS. If a fax, photocopy, or other acceptable copy was made of an unsigned return, the filer (or at least one of the filers of a joint return) must sign the copy.
- ▶ A tax form that has been completed to duplicate the filed return; this duplicate must contain at least one filer's signature.
- ▶ An electronic copy of the return that has been electronically signed by the person to whom the document belongs, provided your school's process for accepting an electronic signature complies with the E-Sign Act.
- ▶ IRS tax transcript listing tax return information (a tax form 8453 is a signature form for e-filers and is **NOT** acceptable)
- ▶ A return with a tax preparer's stamped, typed signature or printed name and SSN, EIN or PTIN

Verificaton

Tax filing extensions

If a student and/or parent has filed for an extension, you can collect the following

- ▶ W-2's from student/spouse and/or parent's
- ▶ Proof that an extension has been filed/granted. This may be a copy of IRS Form 4868 (Application for Automatic Extension of Time to File U.S. Individual Income Tax Return) or a copy of the IRS approval of an extension beyond the automatic six-month extension

Verification

Separating data on joint tax returns (divorce / Separation)

- ▶ Use W-2 to determine individual income
- ▶ Determine all joint income (investments, business income, etc.) at 50%
- ▶ Determine percentage of AGI by proportion of income from individual
- ▶ Figure taxes paid by
 - Tax rate schedule
 - Proportional distribution—determine what percentage of the joint AGI was attributable to the individual and then assess the joint tax paid by that same percentage.

Verification

Verifying Household Size

- ▶ If the student completed the Department's verification worksheet, no further documentation for this item is required
- ▶ Instead of the worksheet, you may accept a statement signed by the student (and, for dependent students, at least one of the parents) listing the names of the household members, their ages, and their relationship to the student
- ▶ You don't have to verify household size if any of the following apply
 - the same as reported and verified in the previous award year
 - you receive the student's ISIR or SAR within 90 days after the date the application was signed
 - for a dependent student, the household size reported for married parents is three—or two if the parent is single, divorced, separated, or widowed
 - the household size reported for a married independent student is two—or one if the student is single, divorced, separated, or widowed


Verificaiton

Verifying Number in College

- ▶ If the student completed the Department's verification worksheet, no further documentation for this item is required
- ▶ Instead of the worksheet, you may accept a signed statement, you can combine the statement verifying household size and should include the names and ages of those enrolled and the names of the schools they plan to attend
- ▶ You don't have to verify household size if any of the following apply
 - the reported number enrolled is one (the student only)
 - you receive the student's ISIR or SAR within 90 days after the date the application was signed
 - the family members the student lists are enrolled at least half time at your school, and you have confirmed their enrollment through your school's own records


Verification

Verifying other data elements

- ▶ Except for child support, the required items can be verified using the tax return or alternative tax documents
 - ▶ Non-filers should submit a signed statement confirming that they did not file a tax return and listing the amount and specific sources of untaxed income and benefits by name
 - ▶ You're not required to verify any untaxed income and benefits received from a federal, state, or local government agency on the basis of a financial need assessment
 - ▶ Also, "in-kind" income is not reported on the FAFSA and does not have to be verified
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Verification

After verification documentation is complete

- ▶ You should compare the documentation against the ISIR/SAR you have received
 - ▶ If the information is correct and there are no outstanding issues or conflicting information, you may award and disburse aid for which the student is eligible
 - ▶ If there would be no change to the Pell, you needn't submit corrections for reprocessing unless something such as a data match item must be changed
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Verification

Verification Tolerance

Verification can sometimes uncover minor errors that won't significantly affect the student's eligibility, so the regulations provide a tolerance for verification changes

This tolerance is \$400: if the total difference between the incorrect and correct values for certain items is more than \$400, the information must be corrected

Verificaiton

Verification Tolerance

\$400 net error tolerance for all Title IV programs

FAFSA

Parent AGI
+ Student AGI
+ Parent untaxed income
+ Student untaxed income
- Parent U.S. taxes paid
- Student U.S. taxes paid
= FAFSA data (uncorrected sum)

Correct

Parent AGI
+ Student AGI
+ Parent untaxed income
+ Student untaxed income
- Parent U.S. taxes paid
- Student U.S. taxes paid
= Correct data (corrected sum)

Net difference \leq \$400

Verification

Recalculating EFC – for all Federal Grants

If the net error is greater than \$400 tolerance, institution can

- ▶ Require all corrections be reprocessed through CPS
- ▶ Recalculate EFC (institution is liable if EFC is incorrect)
- ▶ If scheduled award does not change – correction is not required to be submitted
- ▶ If scheduled award decreases, must submit correction to CPS
- ▶ If scheduled award increases
 - Pay student lower award based on original EFC without submitting corrections to CPS
 - Submit corrections to CPS for reprocessing (wait to pay or pay on lower amount until new ISIR is received)

Verification

Recalculating EFC - Campus based & Subsidized Loans

If the net error is greater than \$400 tolerance and no Federal Pell Grant,

- ▶ EFC must be recalculated, but corrections are not required to be sent to CPS
- ▶ If no overaward, you can make payment
- ▶ If need increases, you may increase award
- ▶ If overaward, you must eliminate overaward before payment can be made

Verification

Verification Updates

A student cannot update information, such as income or assets, that was correct as of the date the application was signed. However, there are 3 items that must be updated in certain circumstances

- ▶ A student must update his dependency status any time during the award year unless it changed because his marital status changed
- ▶ Household size or number in college cannot be updated unless the student is selected for verification. If he is selected, these items must be updated to be correct at the time of verification unless they changed due to a change in the student's marital status

Again – you cannot update marital status after the FAFSA has been filed.

Verification

Professional Judgment

Professional judgment –if you use professional judgment to adjust data elements,

- ▶ the application must be verified first
- ▶ If you are using projected–year income data to recalculate the EFC, projected year data does not need to be verified

Verification

Verification Status Codes

When you disburse a Pell grant, you must report through Common Origination and Disbursement (COD) the student's verification status even if he wasn't selected for verification

- ▶ V—You have verified the student. This includes students selected by the CPS and those your school chose to verify based on its own criteria
- ▶ W—The student was selected for verification by the CPS or your school, and you chose to pay a first disbursement of Pell without documentation. This code must be updated once verification is complete, or COD will reduce the Pell grant to zero
- ▶ S—The CPS selected the student for verification, but you did not verify him because you already reached the 30% verification threshold, because he satisfied one of the exclusions under 34 CFR 668.54(b)
- ▶ Blank—Report a blank if you have not performed verification because neither the CPS nor your school selected the student

Verification

Verification Deadlines

- ▶ For students selected for verification (both ED–selected and school–selected), the school must have verification documents, and for Pell recipients a valid output document, no later than 120 days after the last day of enrollment or the deadline published annually by the U.S. Department of Education, whichever is earlier
- ▶ Schools may set earlier deadlines for the Campus–based and loan programs.

The date the CPS processed the ISIR transaction is considered to be the date the institution received the ISIR

Verification

Questions??



Verification

- ▶ Thanks to WASFAA for the use of this presentation for IASFAA.