




VERIFICATION


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What is verification?

- Process whereby certain information provided on the FAFSA is reviewed for accuracy and completeness
 - Selected Title IV recipients
 - Only specific ISIR data elements

 668.51 thru 668.61 – Subpart E

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How Many Do I Verify?

- Selected by the CPS
 - General requirement to verify all those selected by CPS, **BUT**,
 - May stop at 30% of your applicant pool, if CPS selects more than 30%
 - Some applicants are exempt (See FSA Handbook)

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30% Verification Option

- No school is required to verify more than 30% of its total number of Title IV applicants
- School must define *total number of Title IV applicants*
- Could be total number of students who
 - Apply to the school
 - Enroll at the school
 - Receive Title IV aid
 - Have an ISIR received by the school

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Required Verification Items In 2010-11 & 2011-12

- Adjusted Gross Income
- U.S. Income Tax Paid
- Number in household
- Number in college at least half-time
- Certain untaxed income and benefits--
 - Child support
 - IRA/Keogh deductions
 - Interest on tax-free bonds

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Tax Info You Must Know

- Married couple files separate tax returns and both filed as “head of household”
 - IRS allows if spouses lived apart for the last 6 months of calendar year
 - Not including separation due to business, military service, medical care, school
- Student and parent both claimed student as tax exemption
- Net assets are zero, but tax return shows income from assets
- IRS Publication 17

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Tax Info You Must Know

- ISIR says “I’m not going to file.” and gross income meets IRS minimums
 - That’s conflicting information!

<http://www.irs.gov/pub/irs-pdf/i1040.pdf>

- Chart A on page 8

- ISIR will have reject 20 with comment 126 or 131

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IRS Data and Verification

For 2010-11, 2011-12, & 2012-13

- An institution may consider IRS retrieved information as acceptable verification documentation if
 - the Secretary has identified those items as having come from the IRS and have not been changed
 - ➔ IRS Request Flag = 02

★ IRS does not verify household size and number in college

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Corrections From Verification

- Must be submitted to CPS if
 - School does not recalculate EFC

OR

- School recalculates EFC and Pell award changes

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Verification Tolerance

- No recalculation or reprocessing necessary if
 - There is no change in non-dollar items used to calculate EFC
- AND
- There is no dollar amount in excess of \$400 as calculated by the following formula

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\$400 Net Tolerance Option

Original Data

Total Income
minus Taxes Paid
= Total

Corrected Data

Total Income
minus Taxes Paid
= Total

Compare the two totals:
Dollar change amount < or = to \$400

Verification – Updating

- Required to update FAFSA information if:
 - Dependency status changes during award year, regardless of verification selection, *unless change due to change in applicant's marital status*
 - Household size and/or number in college if selected to verify those and that information has changed, *unless change to applicant's marital status*

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Verification Selection After Disbursement

- Do you have to do it?
 - YES, if student is still attending
 - Future disbursements are on hold
- Must aid be revised if verification results in eligibility change?
 - YES!
 - Student is liable for grants and Perkins if aid cannot be adjusted
- If verification is not completed, student liable for grants and Perkins

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Interim Disbursements* while Verification Incomplete

- If a school has no reason to suspect that application information is incorrect:
 - For Pell, ACG, SMART, FSEOG and Perkins: May make one disbursement for applicant's first payment period
 - For FWS, employee may work for a maximum of 60 consecutive days from start of enrollment
 - For Direct Loans: May only originate (but not disburse) subsidized loans

**TEACH, PLUS, and Unsubsidized DL are not subject to verification/interim disbursements*

10/29/10 VERIFICATION REGULATIONS

- Applications for the 2012-13 Award Year

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Effective Date of Verification Regulations

- Effective July 1, 2012 for 2012-13 award year
- ★ Remember 12/13 FAFSA processing begins January 1, 2012

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Verification - Definitions

- **Subsidized student financial assistance programs**
 - Eligibility uses EFC
 - Verification applies
 - Pell, FSEOG, FWS, Perkins, Direct Subsidized Loan
- **Unsubsidized student financial assistance programs**
 - Eligibility does not use EFC
 - Verification does not apply
 - Direct Unsubsidized Loan & PLUS Loan
 - TEACH Grant

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Verification - Definitions

- Use “**FAFSA information**” instead of “application”
- **Specified year**
 - ▶ The calendar year preceding the first calendar year of an award year; i.e. the base year, or the year preceding the base year
- **Applicant responsibility**
 - ▶ Applicant must provide specified documents or information if requested by Secretary or institution

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Verification: Exclusions

Exclusions

- Removes certain exclusions
- Restructures to clarify provisions applicable to—
 - Applicants
 - Parents of dependent applicants
 - Spouses of independent applicants
- Lists specific situations when parent's or spouse's information is not subject to verification

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Verification Selection 2012-13

- Institutions must verify *all applicants selected by CPS* for verification
 - Removes institution's option to verify only 30% of applicant pool

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Verification – Changes To FAFSA Information – 12/13

- For **subsidized** programs, all changes resulting from verification must be submitted to CPS if change is
 - To any nondollar item or
 - A single dollar item of \$25 or more
- If required to submit one change, must submit all changes

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**Required Verification Items
2012-13**

- Regulation eliminates five required verification items
 - Goal is to target verification based upon most error prone data items specific to an applicant
 - ED will publish Federal Register Notice each award year listing possible verifiable items and acceptable documentation
 - SAR/ISIR will specify required verification items for individual applicant
 - Institution may verify additional items for an applicant

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2012-13 Verification Items

- Annual Federal Register notice—
 - Items to verify
 - Acceptable documentation
- Federal Register Notice: July 13, 2011
- DCL GEN-11-13, July 2011

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2012-13 Verification Items

- All Applicants—
- Number in Household –
 - Not required if:
 - Dependent student household size reported is two and the parent is unmarried or three if the parent is married.
 - Independent student household reported is one and the applicant is unmarried or two if the applicant is married.

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2012-13 Verification Items

- All Applicants —
- Number in College
 - Not required if reported is one.
 - Provide name and age of each household member who is or will be attending an eligible postsecondary educational institution as at least a half-time student in the 2012-2013 award year and the name of the eligible institution(s) that each household member is or will be attending.

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2012-13 Verification Items

- All Applicants —
- Food Stamps, if receipt reported on FAFSA—
 - Documentation from the agency that issues Food Stamps benefit or alternative documentation as determined by the institution to be sufficient to confirm that the applicant received Food Stamps in 2010 or 2011.

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2012-13 Verification Items

- All Applicants —
- Child support paid if amount reported on FAFSA—
 - Statement signed by the applicant, spouse, or parent who paid the child support certifying:
 - Amount of child support paid
 - Name of the person to whom child support was paid
 - The name of the children for whom child support was paid.

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2012-13 Verification Items

- **Tax Filers—** (From IRS Data Retrieval)
 - Adjusted Gross Income (AGI)
 - Taxes paid
 - Specific untaxed income items from tax return -
 - Untaxed IRA distributions
 - Untaxed pensions
 - Education credits
 - IRA deductions
 - Tax exempt interest

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2012-13 Verification Items

- **Nontax Filers—**
 - Copy of IRS Form W-2 for each source of employment income received for tax year 2011.
 - A signed statement certifying—
 - That the individual has not filed and is not required to file an income tax return for tax year 2011
 - The sources of income earned from work as reported on the FAFSA and amounts of income from each source for tax year 2011 that is not on W-2s.

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2012-13 Documentation

- Comprehensive list in July 13, 2011 Federal Register notice
- IRS Data Retrieval Process
- IRS Transcript
 - Request
 - On-Line
 - Phone – (800) 908-9946
 - Form 4506T-EZ
- IRS Tax Return: Limited conditions

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IRS Data Retrieval

- CPS will set flags and comment codes to indicate that the student and/or parent transferred IRS data into FOTW.
- Comment codes will appear in –
 - FAA Information section of the ISIR
 - Student Inquiry section of FAA Access
- Flags and codes set based on certain conditions.

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IRS Request Flag Values

IRS Request Flag on ISIR

Student & Parent IRS Request Flag	Description
00	IRS data request for the student/parent was not submitted to IRS (default value)
01	IRS data request for the student/parent was sent to IRS
02	IRS data for the student/parent was returned from the IRS and was not changed by the user
03	IRS data for the student/parent was returned from IRS and was changed by the user
04	IRS data for the student/parent was transferred from the IRS and on a correction entry at least one IRS data field was changed by the user

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IRS Data and Verification

- An institution may consider as acceptable documentation IRS retrieved information if the Secretary has identified those items as having come from the IRS and not been changed – IRS Request Flag = 02.
- Data retrieval process can be used as a “correction” using FOTW.

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IRS Data Retrieval Tool

- Tentative - February 1st deployment for 2012-2013
- The IRS Data Retrieval process will be enhanced to more effectively encourage users to link to and transfer data from the IRS.

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IRS Data Retrieval Tool

2012-2013 FAFSA on the Web will include logic to make the determination for the applicant.

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IRS Tax Return Transcript Required

- Some applicants selected for verification will need to submit an IRS Tax Return Transcript for the applicant, spouse, and/or parents, as applicable ...

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IRS Tax Return Transcript Required

- A tax transcript is required when:
 - the IRS Data Retrieval Process was not used
 - the IRS Data Retrieval Process was used, but data was subsequently changed
 - a married independent applicant and spouse filed separate tax returns.
 - the parents of a dependent student filed separate tax returns.

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IRS Tax Return Transcript Required

- A tax transcript is also required when:
 - an applicant or applicant's parent had a change in marital status after the end of the tax year on December 31, 2011.
 - the applicant, or parent or spouse, as applicable, filed an amended tax return.
- Signature of tax filer on IRS Tax Return Transcripts does not have to be signed by the tax filer (but is a good practice)

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Ordering an IRS Account Transcript—Three Methods

- Online**
 - IRS website
 - <http://www.irs.gov>
- Phone**
 - Toll free IRS number
 - 1-800-908-9946
- Paper**
 - Obtain form online and mail to the IRS
 - <http://www.irs.gov/pub/irs-pdf/f4506tez.pdf>

Exceptions to IRS Tax Transcript Requirement

- In limited circumstances, if an institution determines that obtaining an IRS Tax Transcript is not possible, the institution may accept a **signed** copy of the tax return
 - Must document the reason for allowing an applicant to do so
 - Example: foreign or Puerto Rican tax form

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Verification & Professional Judgment

For 2012-13

- Codifies policy that all applicants selected for verification must complete verification before any PJ adjustments to FAFSA or cost of attendance are made
 - Refers to HEA section 479A(a)
- Statement must be included in school's written policies and procedures about verification

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Updating For Marital Status

- For 2012-13 you may require updating due to change in applicant's marital status if institution determines update is necessary to address inequity or accurately reflect ability to pay and
 - Student is selected for verification
- OR
- Marital status change results in dependency status change

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Verification & Interim Disbursements

For 2012-13

- Interim disbursements may be made without receipt of corrected ISIR if completed verification makes no change to aid eligibility
- However all required corrections must be submitted to CPS and school must receive revised ISIR transaction

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Verification - After Enrollment

- In 2012-13, student no longer limited to lesser Pell award if verification completed after enrollment
 - ▶ Student would receive Pell payment based upon correct EFC

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IRS EXTENSION

- ❖ You must verify with documentation of IRS extension and W-2 Forms or statement from self-employed individual
 - School may require an individual granted a tax filing extension to provide a copy of their completed and signed tax return when filed
 - If school receives a copy of the return, it MUST verify AGI and taxes paid
 - If school does not receive copy, may return all funds disbursed

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TAX RETURN PREPARER

- For 2012-13, clarifies that tax returns submitted with preparer signature (wet, stamped, typed or printed) with the name and address of the preparer must also have their SSN, EIN, or PTIN

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CONFLICTING INFORMATION

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Conflicting Information

- Requires that the institution "communicates to the individual designated to be responsible for administering Title IV, HEA programs, all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance
- 668.16(f)

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Conflicting Information

- Develops and applies an adequate system to identify and resolve discrepancies that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs
- Applies to ALL Title IV recipients and any information that affects Title IV aid eligibility

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What Isn't conflicting information?

- Household size differs from number of tax return exemptions
- Dependent under IRS rules vs. Department definition of dependent
- Assumptions made by CPS
- FAFSA filed using estimated income
- W-2 Box 14
- Tax filer claimed multiple or conflicting credits
- Secondary INS confirmation successful but student has expired INS document

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QUESTIONS???

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