



## Verification Resources

For information, review:

- Notice of Proposed Rulemaking (NPRM), published 6/18/10
  - Describes all changes to current regulation
- Final Rule, published 10/29/10
  - Responds to comments and describes changes to NPRM
- –Not a comprehensive review of all regulation changes



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## Verification Resources (cont'd)

- Dear Colleague letters
  - GEN 11-03, February 23, 2011
    - Enhancements to FAFSA-IRS Data Retrieval Process
  - GEN 11-13, July 13, 2011
    - 2012-13 Award Year: FAFSA Information to be Verified and Acceptable Documentation
    - Tax Transcript Request Process
- Federal Register Notice: July 13, 2011
  - 2012-13 Award Year: FAFSA Information to be Verified and Acceptable Documentation



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## Verification – General Changes

- Emphasizes updating requirements through change to subpart heading
- Removes references to individual programs
- Defines — “subsidized student financial assistance programs” and — “unsubsidized student financial assistance programs”



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## Verification – General Changes

- **Subsidized student financial assistance programs**
  - Verification applies to Title IV programs where *eligibility based upon* Expected Family Contribution
    - Pell, FSEOG, FWS, Perkins, DL Subsidized
- **Unsubsidized student financial assistance programs**
  - Verification does not apply to Title IV programs where *eligibility not based upon* Expected Family Contribution
    - TEACH Grant, DL Unsubsidized, DL PLUS



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## Verification – General Changes

- Uses — “FAFSA information” instead of “application”
- Defines — “specified year” as base year or year prior to base year
- Allows for option of using income data from a different year
- No plans to exercise this option at this time



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## Verification – General Changes

- All applicants selected for verification (either by ED or school) *must complete verification before any PJ adjustments* made to FAFSA
- School’s written verification policies and procedures must include statement that no adjustments can be made until verification is completed
- Codifies long standing policy in regulations



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## Verification Selection

- Current process
  - In 2011-12 and 2012-13, verification selection occurs when FAFSA is submitted for processing –
    - Central Processing System (CPS) applies error-prone selection criteria to FAFSA data
    - If applicant, or parent of applicant, meets pre-determined error-prone criteria, CPS selects record to be verified by the school
  - Applicants generally not re-subjected to CPS risk model when making FAFSA corrections

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## Verification Selection

- Institutions must verify *all applicants selected by CPS* for verification
  - Removes institution's option to verify only 30% of applicant pool
- 2013-14 will –
  - Serve as transition year
  - Be a "hybrid" of the current and future verification selection processes
- Long-term goal: customized verification



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## Verification Selection

- ISIR indicates in the Verification Flag field whether applicant has been selected–
  - Y = Selected for verification
  - N = Not selected for verification
  - \* = Selected on a subsequent transaction
- Federal Student Aid Handbook and Federal Register Notice
  - Provide written guidance on specific items to be verified for tax filers and non-tax filers
  - Describe acceptable documentation

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## Verification - Exclusions

- No verification required if –
  - Applicant is eligible to receive only unsubsidized aid
  - Applicant received no aid for reasons other than failure to complete verification
  - Transfer student already completed verification for the award year at a prior school
    - Current school must collect statement from prior school, providing transaction number of applicable ISIR
    - Current school must pay on verified transaction
  - Death of applicant



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## Verification - Exclusions

- Not required to verify FAFSA information for parents of dependent student or spouse of independent student if parents/spouse
  - Reside outside U.S. and cannot be contacted by normal means of communication
  - Cannot be located because *contact information* is unknown and cannot be obtained
  - Mentally incapacitated
  - Deceased (spouse)



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## Verification – Marital Status

- Updating Marital Status:
  - *MAY require student to update FAFSA if change in marital status necessary to address an inequity or reflect more accurately ability to pay*
    - FAFSA needs to reflect *accurate household size, number in college, dependency status and family financial information*



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## Information to be Verified

- Before each award year, ED will publish a Federal Register Notice on the upcoming award year's FAFSA processing listing possible verifiable items and acceptable documentation
  - SAR/ISIR will specify required verification items for *individual applicant*
  - For 2012-13, see July 13, 2011 Federal Register Notice
- Initially includes the 5 current items



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## Information to be Verified

- All selected applicants
  - Number in household
  - Number in household enrolled at least ½ time
  - Food stamps if reported on FAFSA
  - Child Support paid if reported on FAFSA



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## Information to be Verified

- Tax filers
  - AGI
  - Taxes paid
  - Untaxed income
    - Untaxed IRA distributions
    - Untaxed pensions
    - Education credits
    - IRA deductions
    - Tax exempt interest
- Non-Tax Filers
  - Income earned from work



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## Acceptable Documentation

- Federal Register, July 13, 2011
  - Carefully review each category of FAFSA filers for 2012-13
  - IRS Data Retrieval
  - Tax transcript ([www.irs.gov/efile/article/0,,id=232219,00.html](http://www.irs.gov/efile/article/0,,id=232219,00.html))
- Expect a DCL soon on this
- Institutions may need time to make changes to their institutional verification procedures and processing systems



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## Acceptable Documentation (2012-13)

- Item: # of household members
- Documentation: signed statement
- Exceptions: Verification not required for a dependent applicant when the marital status of the parent is:
  - separated or unmarried and family size = 2
  - married and family size = 3



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## Acceptable Documentation (2012-13)

- Item: # of household members (cont.)
- Documentation: signed statement
- Exceptions: Verification not required for an independent applicant when the marital status is:
  - separated or unmarried and the family size =1
  - married and the family size =2



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**Acceptable Documentation (2012-13)**

- Item: # of household members enrolled at least ½ time in eligible institution
- Documentation: signed statement or written document from institution confirming enrollment
- Exception: Not required if # in college =1



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**Acceptable Documentation (2012-13)**

- Item: Food Stamps – Supplemental Nutrition Assistance Program (SNAP)
- Documentation: signed statement, copy of document from providing agency
- Exception: None



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**Acceptable Documentation (2012-13)**

- Item: Child Support Paid
- Documentation: signed statement, copy of document from court or coordinating agency
- Exceptions: None



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## Acceptable Documentation

- 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
- 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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## Verification – Changes To FAFSA Information

- 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
- Removed \$400 tolerance



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## Verification & Interim Disbursements

- 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 to avoid liability



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## Verification & Increasing Pell Eligibility

- No longer limits student to lesser Pell award if verification completed after enrollment
  - Student would receive Pell payment based upon correct EFC
- Must have valid ISIR to support disbursements



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## IRS Data and Verification

### For 2010-11 & 2011-12

- 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



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## IRS Data and Verification (2012-13)

- General expectation is for FOTW applicants to take advantage of IRS Data Retrieval
- Applicants who chose not to use IRS Data Retrieval or change IRS data, will be asked to explain why information provided is more accurate
- Likelihood of verification will increase and IRS Account Transcript may be required



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## Verification & Tax Credits (2011-12)

- First-Time Homebuyers Tax Credit
  - Per AVG, “2010 tax returns can include tax credits of up to \$6500 and \$8000 (long time resident and first-time homebuyer respectively)”
  - Law does not exclude from need analysis, there treat as “other untaxed income” (FAFSA questions 44i and 92i for IRS 1040 line 67)
- Making Work Pay Tax Credit
  - Per AVG, “Like the homebuyer credits, it counts as other untaxed income”
  - 2010 tax year is last year



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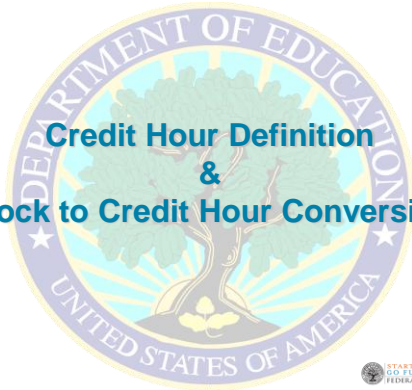
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## Credit Hour Definition & Clock to Credit Hour Conversion



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## Credit Hour Definition

- An amount of work represented in intended learning outcomes and verified by evidence of student achievement that is an institutionally established equivalency that reasonably approximates NOT LESS than—
  - (1) One hour of classroom or direct faculty instruction and a minimum of two hours of out of class student work each week for approximately
    - Fifteen weeks for one semester/trimester hour of credit, or
    - Ten or twelve weeks for one quarter hour of credit, or
    - The equivalent amount of work over different amount of time

OR



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## Credit Hour Definition

- (2) At least an equivalent amount of work for other academic activities as established by the institution including laboratory work, internships, practica, studio work, and other academic work leading to the award of credit hours
  - Discretion to determine in-class and out-of-class components to approximate requirements
- Regulations create procedures that accrediting agencies must use to determine if an institution's assignment of a credit hour is acceptable

DCL GEN-11-06



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## Clock-to-Credit Hour Conversion

- Is an exception to the credit-hour definition that applies for purposes of the title IV, HEA programs
- Modifies the standards for clock-to-credit-hour conversions
- Modifies when an institution must use clock hours for undergraduate programs
  - Discussed in next section

October 29, 2010 Final Federal Register

§ 668.8(k) and (l), p. 66949-66950 (preamble: pp. 66854-66857)



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## Clock-to-Credit Hour Conversion

- Undergraduate credit hour programs must use clock-to-credit conversion *unless*:
  - At least 2 academic years long and leads to a degree,  
or
  - Each course in program is fully acceptable to a degree program of at least 2 academic years in length at that institution
    - *Institution must demonstrate that students enroll in and graduate from that degree program*
    - If NEW degree program used for exception, must use conversion formula until students graduate program



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## New Conversion Ratios

- For those programs subject to the clock to credit hour conversion, the new conversion formula provided in regulation is
  - One semester or trimester credit hour is equal to at least 37.5 clock hours
  - One quarter credit hour is equal to at least 25 clock hours

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## New Conversion Ratios - Exception

- Exception (optional) for schools that can demonstrate credit hours meet new definition and no accrediting or State deficiencies related to school's policies for assigning credit hours to programs/courses
  - May **combine** work *outside of the class* with the *clock hours of instruction* to meet ratio requirements but must be at least 30 clock hours to one semester hour and at least 20 clock hours to one quarter hour
  - Must base evaluation on *individual coursework* components of a program, e.g., classroom study versus practica or labs with little outside study



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## Clock Hour Program Definition

- Considered a clock hour program for Title IV purposes if:
  - Must be measured in clock hours for Federal/State approval or licensure
  - Completing clock hours is a requirement for graduates to apply for licensure or authorization to practice occupation
  - Credit hours awarded don't meet credit hour definition; or
  - The institution does not provide the clock hours that are the basis for credit hours and does not require attendance in those hours in the case of program that might otherwise qualify for conversion to credit hours



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### Clock Hour Program Definition

- *NOT considered a clock hour program* if a limited portion of a program includes a practicum, internship or clinical experience that must include a minimum number of clock hours for Federal or State approval or licensure
- *Clock hour programs cannot use clock-to-credit conversion for Title IV purposes*



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### Clock Hour Programs and Clock to Credit Conversion

- For students enrolled in programs subject to being a clock hour program or the clock to credit hour conversion *as of July 1, 2011*, school may choose:
  - To use current regulations until students complete program; OR
  - Apply new regulations for all students enrolled in payment periods or assigned to 2011-2012 and subsequent award years
- For students that enroll or reenroll *on or after July 1, 2011*, school must use new regulations

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## Agenda

- Authority and Guidance
- Dear Colleague Letters & AVG
- Dependency Override
- EFC & COA
- Unsubsidized Loan Eligibility



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## Authority and Guidance

- Spelled out in Sec. 479A of HEA
- No regulations
- Department is prohibited from regulating
- DCLs offer clarification on specific issues



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## Section 479A of the HEA

"Discretion of Student Financial Aid Administrators"

(a) IN GENERAL.—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances.



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## What Is Professional Judgment?

(a) continued

Special circumstances may include tuition expenses at an elementary or secondary school, medical or dental expenses not covered by insurance, unusually high child care costs, recent unemployment of a family member, the number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, or other changes in a family's income, a family's assets, or a student's status.



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## Professional Judgment

- Applicable areas --
  - Dependency override
  - Expected family contribution
  - Cost of attendance
  - Unsubsidized loan eligibility

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## Dear Colleague Letters and AVG

- GEN-98-02 (January 1998)
- GEN-99-10 (February 1999)
- GEN-03-07 (March 2003)
- GEN-08-01 (January 2008)
- Application and Verification Guide; FSAHB Chapter 2 (Dependency Override) and Chapter 5 (Professional Judgment)



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## Recent Special Guidance

- DCL GEN-09-04; issued April 2, 2009
  - Encourages FAAs to consider special circumstances during these challenging economic times
- DCL GEN-09-05; issued May 8, 2009
  - Letters to all recipients of unemployment insurance benefits that can be used as documentation
- DCL GEN-11-04 issued February 28, 2011
  - Encouraged to exercise professional judgment when appropriate. Combat pay exclusion and GEN-09-04 and GEN-09-05 still in effect.



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## Dependency Override

- Independent student is defined in Section 480(d) of the HEA
- Meets one of eight criteria specified in the HEA and reflected on the FAFSA or
- Is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances
- Additional guidance – DCL GEN-11-15 (July 26, 2011)

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## Dependency Override (cont'd)

- Case-by-case
- Unusual circumstances
  - Per Webster: rare, extraordinary, uncommon, unexpected, distinctive
- Documented!
  - Determination and supporting documentation



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## Dependency Override (cont'd)

- Conditions that do NOT qualify as “unusual circumstances” individually or in combination
  - Parents refuse to contribute
  - Parents are unwilling to provide information
  - Parents do not claim the student as an income tax dependent
  - Student demonstrates totally self-sufficiency



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## Dependency Override (cont'd)

- Examples that may constitute “unusual circumstances”
  - Student’s voluntary or involuntary removal from parents’ home due to an abusive situation that threatened the student’s safety and/or health
  - Incapacity of parents such as incarceration or a disability or mental or physical illness
  - Inability of the student to locate the parent(s) after making reasonable efforts
  - Other extenuating circumstances sufficiently documented by a signed letter from a third party



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## Dependency Override (cont'd)

- Documentation
  - Must document the reason for the determination and maintain documentation supporting the decision
  - Supporting documentation from a third party with knowledge of the unusual circumstances



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## Dependency Override (cont'd)

- Documentation—cont'd.
  - Third party includes—
    - Counselors or teachers
    - Clergy
    - Community groups
    - Government agencies
    - Medical personnel
    - Courts
    - Prison administrators



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## Dependency Override (cont'd)

- Documentation—cont'd.
  - In cases where third party documentation cannot be obtained, may accept signed statement from relatives, friends, or the student



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## Dependency Override (cont'd)

- You may make an otherwise dependent student, independent
- You may **not** make an independent student, dependent
- Annual determination—must affirm each year that the unusual circumstances still exist



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## Dependency Override (cont'd)

- Effective for the 2009-10 award year, a financial aid administrator may rely on a dependency override performed by another institution for the same award year
  - Section 480(d)(2), College Cost Reduction and Access Act of 2007



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## EFC and COA

- Examples of “unreasonable” adjustments—
  - Vacation expenses
  - Tithing expenses
  - Standard living expenses such as utilities, cable bills, credit card payments, children’s allowances
  - Standard maintenance items such as lawn care and home repair



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## What Can Be Changed?

- Never change Income Protection Allowance (IPA), Federal Methodology formulas or tables, or EFC
- Cost of attendance by special circumstances may be changed
- FAFSA data elements by documented special circumstances may be changed
- Dependency status from dependent to independent by unusual circumstances may be changed



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## EFC and COA (cont'd)

- **Remember!**
  - Must be “special circumstances”
  - Must be individual, not a class of students
  - Must have adequate documentation
  - Cannot use professional judgment to waive eligibility requirements (e.g. regular student) or circumvent the intent of the statute



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## Special Guidance: EFC

- Dear Colleague Letter GEN-09-04; issued April 2, 2009
  - Encourages FAAs to consider special circumstances during these challenging economic times



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## Special Guidance: EFC (cont'd)

- Reminds you about—
  - Your ability to make changes
  - Your ability to use an alternate 12-month period
- Alerts you to special needs of independent students who—
  - Need job retraining to obtain employment and
  - Need funding to receive that education



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### Special Guidance: EFC (cont'd)

- Dear Colleague Letter GEN-09-05; issued May 8, 2009
  - Letters to all recipients of unemployment insurance (UI) benefits that can be used as documentation



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### Special Guidance: EFC (cont'd)

- GEN-09-05 describes DOL's work through states with recipients of unemployment insurance benefits
- Guidance about how you can help these UI recipients who apply for federal student aid
  - With documentation, adjusting the income from work and from unemployment to zero
  - Documentation can be state letter or other evidence that student is receiving unemployment benefits
  - Retaining letter or other evidence is adequate documentation of the adjustment



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### Special Guidance: EFC (cont'd)

- DOE and DOL strongly endorse using this authority for a student currently receiving unemployment benefits



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## EFC

- To adjust the EFC—
  - Must adjust a data element in the formula (e.g. AGI)
  - ISIR Intermediate Values
  - May **not**—
    - Change the formula itself (e.g. asset conversion rate) or the tables
    - Make an adjustment to the PC, SC, or EFC
    - Make the adjustment on the initial FAFSA



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## EFC (cont'd)

- **Remember—**
  - Must first resolve any conflicting information before making an adjustment
  - Must verify base year data if selected for verification
  - Adjustment is only valid at the school making it
  - Must use resulting EFC consistently for all FSA funds



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## COA

- Tuition and fees
- Room and board
- Books and supplies; computer allowance
- Transportation
- Miscellaneous personal expenses
- Dependent care allowance



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### COA (cont'd)

- Disability related expenses
- Study abroad expenses
- Cooperative education expenses
- Loan fees
- Cost of obtaining first professional credential or license



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### COA (cont'd)

- Less than half-time students—
  - Tuition and fees
  - Books and supplies
  - Transportation
  - Dependent care
  - Room and board (limited to not more than 3 semesters/2 consecutive)



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### COA (cont'd)

- Students enrolled in correspondence program—
  - Tuition and fees
  - Books and supplies, if required
  - Transportation
  - Room and board (only for required residential training)



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## COA (cont'd)

- Incarcerated students—
  - Tuition and fees
  - Books and supplies, if required



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## EFC and COA

- Documentation—
  - Must document the reason for the determination
  - Must maintain documentation supporting the decision
  - Document – Document – Document



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## EFC and COA (cont'd)

- Examples of documentation
  - Medical bills not reimbursed by insurance
  - Elementary/Secondary school tuition bills
  - Child care or dependent care bills
  - Pay stubs
  - Documentation of unemployment
  - Tax returns



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## Unsub Loan Eligibility

- FAAs may offer a dependent student an unsubsidized DL without parental data being provided on the FAFSA if the FAA verifies that—
  - The parent or parents of such student have ended financial support of the student, and
  - The parents refuse to file such form



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## Unsub Loan Eligibility (cont'd)

- Eligible for base amount for grade level & additional \$2,000
- Must collect and maintain appropriate documentation
  - Signed and dated statement from parents
    - Has stopped providing financial support and date
    - Will not provide financial support in the future
    - Refuses to complete parental section of FAFSA



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## Contact Information

Contact me at:  
Michael C. Roberts  
404-974-9313  
michael.roberts@ed.gov

Contact my supervisor at:  
Thomas Threlkeld  
617-289-0144  
thomas.threlkeld@ed.gov

**Any Questions  
Or Feedback ?**



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