Introduction

This publication is intended for financial aid administrators and counselors who help students begin the student aid process—filing the Free Application for Federal Student Aid (FAFSA), verifying information, and making corrections and other changes to the information reported on the FAFSA.

Throughout the Handbook we use “college,” “school,” and “institution” interchangeably unless we mean something specific. “Parents” in this volume refers to the parents of dependent students, and “you” refers to the primary audience of the Handbook: financial aid administrators at colleges. “We” indicates the United States Department of Education.

We appreciate any comments that you have regarding the Application and Verification Guide (AVG) as well as all the volumes of the Federal Student Aid Handbook. We revise and clarify the text because of questions and feedback from the financial aid community, so please contact us at fsaschoolspubs@ed.gov to let us know how to improve the Handbook so that it is always clear and informative.

CHANGES FOR 2007–08

Most of the changes for this edition of the AVG arise from the Higher Education Reconciliation Act (HERA) that became law in February of 2006, though a few other revisions noted below are not related to the HERA.

On page 12 we added to the margin note on income earned from work the instruction that now appears on the FAFSA on how to account for partnership income so that a more accurate social security tax allowance and employment expense allowance are included in the expected family contribution (EFC) calculation.

Page 19 includes guidance pertaining to the exclusion of small businesses from assets, which is now effective because of the HERA.

On pages 19 and 20 we have updated the text for the newly uniform treatment in the need analysis of qualified tuition programs and Coverdell education savings accounts and for their categorization as qualified education benefits.

On page 21 we amended the guidance regarding treatment of an asset that has a lien against it. The asset is still counted on the FAFSA, as previously, but now the amount of the lien is to be deducted along with any debt owed on the asset to determine its net worth.

On page 23 we added a paragraph on the new category of independent students: active duty members of the military.

There was a margin note on page 25 that dealt with schools added to transactions that contained a dependency override. These schools then received an ISIR that contained the override. Because the CPS does not now permit schools to be added to transactions with overrides, we removed the note.

The EFC chapter contains the HERA-related changes to the elements of the need analysis: page 30 discusses the federal means-tested benefit option for the tax return rquirement of the simplified needs and automatic zero EFC calculations; also, the income protection allowances, employment expense allowances, and student asset multiplication factors were all favorably adjusted by the HERA for the student.

In Chapter 3 we also added a margin note on page 37 about claiming the tuition and fees tax deduction or the educator expenses deduction on the IRS's Form 1040. This need not make a student or parent ineligible for consideration for the simplified needs calculation or automatic zero EFC.

We received inquiries about why using a zero on the FAFSA in place of a negative AGI from the tax return yields a different EFC. Since the worksheets for the EFC formulas direct users to substitute a zero for a negative AGI, wouldn't it be proper to make the same substitution on the FAFSA? It is not proper, and we explain this in a margin note on page 37.

On page 84 we added text allowing for an e-signature option for verification documents and text excluding a signed IRS e-file Signature Authorization (Form 8879) as a substitute for a signature on a tax return.

On page 99 we added a margin note reminding you that the section of the Higher Education Act authorizing the use of discretion by financial aid administrators, Section 479A, contains not only the provisions for adjusting the cost of attendance or the data used in the EFC calculation (paragraph a), but also the provisions that permit an FAA to refuse to certify or originate a FFEL or Direct loan or to reduce the loan amount (paragraph c). The reason must be documented in writing, given to the student, and must not be based on discrimination.