

# Application and Verification Guide

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# Introduction



*This guide is intended for college financial aid administrators and counselors who help students begin the aid process—filing the Free Application for Federal Student Aid (FAFSA<sup>®</sup>) form, verifying information, and making corrections and other changes to the information reported on the FAFSA.*

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Throughout the Federal Student Aid Handbook we use “college,” “school,” and “institution” interchangeably unless a more specific use is given. Similarly, “student,” “applicant,” and “aid recipient” are synonyms. “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 U.S. Department of Education (the Department, ED), and “federal student aid” and “Title IV aid” are synonymous terms for the financial aid offered by the Department.

We appreciate any comments that you have on the Application and Verification Guide, as well as all the volumes of the FSA Handbook. We revise the text based on questions and feedback from the financial aid community, so please write us at [fsaschoolspubs@ed.gov](mailto:fsaschoolspubs@ed.gov) about how to improve the Handbook so that it is always clear and informative.

## Notes on Active Links

At the top of each page you will find links to the Handbook glossary and acronyms, the Code of Federal Regulations, and Dear Colleague Letters.

[Glossary](#) [CFR](#) [DCL](#)

## Changes for 2021-2022

On the bottom of page 3 we provided additional information where students can obtain and download the myStudentAid app.

We added the definition of a valid ISIR or SAR on page 7.

Throughout chapter 2, all dates and pertinent tax return and schedule information have been updated to conform to the requirements associated with the 2021-2022 processing year and the 2019 base tax year.

On page 15 we provided new information pertaining to the DRT’s ability to automatically answer the question about whether or not a tax filer filed a Schedule 1, including current exceptions.

On page 48 we increased the income threshold for the automatic zero EFC consideration to \$27,000.

In chapter 3 we removed the EFC calculation worksheets and tables from the end of the chapter and instead refer individuals to the 2021-2022 EFC Formula Guide.

We added a sentence on page 63 reminding schools that when reporting corrections for V4 or V5 outcomes in FAA Access to CPS Online, the latest outcome results will supplant any previously reported outcome results.

We provided examples of acceptable signatures for paper and electronic tax returns on page 70.

On page 74 we clarified that an IRS Request Flag value of 07 will be returned if the tax filer or the IRS amends a tax filer's return.

On page 78 we added a definition of a valid unexpired government-issued photo ID for identity proposes including the exclusion of military IDs.

In Chapter 4, we removed the section discussing paper FAFSA corrections by phone with the Federal Student Aid Information Center (FSAIC) as that functionality was removed from FSAIC a couple of years ago.

We removed the suggested text from the end of Chapter 4 and instead refer individuals to the appropriate electronic announcement to review the suggested text for the 2021-2022 processing year.

In chapter 5 we added clarifying guidance on page 89 indicating that a school cannot perform professional judgement for a student after that student ceases to be eligible, including when the student is no longer enrolled.

On page 95 we added the new fraud ring reporting procedures schools need to follow when communicating with the Inspector General's Office.

# The Application Process: FAFSA to ISIR



*The laws governing the Federal Student Aid (FSA) programs require that a person apply for aid with a form provided by the U.S. Department of Education (ED) and that no fee be charged for processing it. This is the Free Application for Federal Student Aid (FAFSA®) form.*

To be considered for federal student aid, a student must complete a FAFSA form. It collects financial and other information used to calculate the expected family contribution (EFC) and to determine a student's eligibility through electronic database matches with other agencies.

The FAFSA form is the only form students must fill out to apply for Title IV aid. A school cannot require extra information from students except for verification or resolution of conflicting information. However, a school may require additional information for other purposes, such as packaging private or institutional aid. If the school collects additional information that affects Title IV eligibility, it must take the information into account when awarding Title IV aid.

## TYPES OF APPLICATIONS

Most FAFSA forms are filed electronically, but there are other options.

### ***FAFSA online***

Students, parents, and preparers can [complete an application online](#) and send it directly to the Central Processing System (CPS). They can also correct previously submitted data that was not imported from the IRS. Help is available for students online or by calling the Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID (1-800-433-3243). To make using the Web application easier, ED produces the [FAFSA on the Web worksheet](#), which can be printed from the StudentAid.gov website.

### ***myStudentAid mobile app***

Another way to apply is through the FAFSA feature of the myStudentAid mobile app, which is the FAFSA filing component of the myStudentAid app for mobile devices. Students, parents, and preparers may use it to begin, complete, and/or submit a new or renewal FAFSA. The myStudentAid app is available on the [App Store](#) (iOS) or on [Google Play](#) (Android). Help is available in the app or by calling the FSAIC.

**FAA Access to CPS Online**

You can submit a student's application data at [FAA Access to CPS Online](#). You can also connect to the site through [EDEXpress](#).

Before submitting the data, print the signature page/FAFSA summary for the student (and parent if appropriate) to sign, or have the student fill out and sign a paper FAFSA form. As noted at the end of *Chapter 2*, you will need to retain either the signed signature page/summary or signed FAFSA form for your records, even if the student doesn't receive aid or attend your school.

**Paper (PDF) FAFSA Form**

More than 99% of applications are filed electronically, so the only paper option is the PDF FAFSA form, which students can get at [studentaid.gov](#). They can print the PDF and fill it out by hand, or they can type their data on the PDF before printing and mailing it. If needed, they can request single copies from the FSAIC by calling 1-800-433-3243.

Other than these limited paper FAFSA form options, FSA no longer prints or mails aid-related publications, though they are available online for users to download and print. For more information on electronic versions of publications, fact sheets, online tools, and other resources, please go to [FinancialAidToolkit.ed.gov/resources](#) and/or [StudentAid.gov/resources](#).

Applying electronically is better than using the paper FAFSA form because of the following advantages: faster processing; the availability of online help; skip logic, which allows applicants to skip over questions that don't pertain to them; and fewer errors and rejected applications because internal and end-of-entry data edits ensure that required fields are completed and conflicts are resolved prior to submission.

**FAFSA on the phone**

Students who have limited or no Internet access and face pressing deadlines can choose to complete and submit their application by calling 1-800-433-3243, telling a representative they would like to complete their FAFSA form over the phone and providing their information. This typically takes about half an hour. Students will receive a paper student aid report (SAR) 7–10 days later, which they (and their parents, if appropriate) must sign and return. Because this is not the preferred method to apply for aid, it should be used sparingly and only by those students identified previously.

**FSA ID**

Students use the FSA ID to log on to the FAFSA online and other FSA websites with a username and password they create. An FSA ID is also needed for students, parents, and preparers to use the FAFSA feature of the myStudentAid mobile app. Parents and students can electronically sign the FAFSA form but must do so with their own FSA ID. A verified email address or cell phone number can be used instead of the username. See the [announcement of May 16, 2019](#), for recent information. Users can [create an FSA ID online](#).

### **Renewal FAFSA**

A student who has received an FSA ID and who the year before had an ISIR with a successful match on Social Security number (SSN), name, and date of birth with the Social Security Administration (SSA) is eligible for a renewal FAFSA form. When the student logs in to the electronic FAFSA form, he or she will be asked if he or she wants to pre-fill some of the application with data from the prior year. By choosing this option, the student can review each pre-filled item, update any that have changed, and provide new information as needed. If an aid administrator's school does not appear on the renewal application, he or she can use the student's data release number (DRN) to access the application in FAA Access to CPS Online.

In October–November 2020, students with a valid email address in the CPS who submitted FAFSA information for 2020–2021 and had not yet done so for 2021–2022 received an email encouraging them to complete the new application early. For more information see the [October 22, 2020 electronic announcement](#). In addition, in January–February 2021, renewal eligible students who still have not submitted 2021–2022 FAFSA information will receive a renewal reminder as in previous years.

Because students from Palau, the Marshall Islands, and Micronesia, known collectively as the Freely Associated States, are not eligible for an FSA ID (for lack of an SSN), they cannot pre-fill data in the online FAFSA form. But an FAA can use FAA Access to CPS Online to enter renewal applications for these students if they meet the renewal application eligibility requirements.

### **FAFSA filers under the age of 13**

Because the Children's Online Privacy Protection Act (COPPA) of 1998 prohibits any entity, including a government agency, from electronically conducting business or communicating with a person under age 13, applicants who are 12 or younger cannot complete the FAFSA online. Instead, when they apply for financial aid, they or a parent or legal guardian, financial aid administrator, or high school counselor can complete the appropriate award year PDF FAFSA and mail it to:

Federal Student Aid Programs  
Attn: COPPA/CORR Process Building 1  
1084 South Laurel Road  
London, KY 40744

Such applicants are not to provide an email address on the application or with any correction that might follow. After the FAFSA is submitted, it will be processed and a paper SAR will be sent to the student and a regular ISIR will be sent to schools. See the [August 4, 2016, electronic announcement](#).

## **PROCESSING THE FAFSA FORM**

The PDF FAFSA forms go to the FAFSA processor for data entry and then to the CPS. Applications that are signed and submitted online go directly to the CPS. If a web applicant indicated he or she would sign electronically later or send a paper signature page, his or her FAFSA information goes to a signature hold file for up to 14 days. If some type of signature is not received

in that time, the application will be sent to the CPS but will be rejected; it won't be processed again until a signature is received.

The CPS uses application data to calculate the EFC and to match against several databases: NSLDS, the Department of Defense, the Department of Justice, the SSA, and the Department of Veterans Affairs, as well as the Department of Homeland Security's database of noncitizens and the Selective Service System registration database.

The CPS also checks the application for possible inconsistencies and mistakes. For instance, if a dependent student reported the parents' marital status as married but reported the household size as "2," the edit checks would catch the inconsistency. Even when data is inconsistent, the CPS may be able to calculate an EFC based on assumptions. For applications that your school submits through FAA Access, you can anticipate certain assumptions and correct or override information on the student's FAFSA form submission. Students who submit applications online can also correct or override some of the CPS edits before submitting the application.

### OUTPUT DOCUMENTS: THE SAR AND ISIR

After processing is complete, the CPS produces output documents that show the information the student originally provided, the EFC, the results of the eligibility matches, and information about aid history and about any inconsistencies identified through the CPS edits. If the CPS was unable to calculate an EFC, the output record will not show one.

The output documents are the *Institutional Student Information Record* (ISIR), which is made available electronically to the schools the student listed on the FAFSA form (or added later) and their state agency, and the *Student Aid Report* (SAR), which is sent to the student or made available to him or her online.

You will receive an ISIR for the student only if he or she includes your school on his or her FAFSA form. If your school is not listed, you can request an ISIR for the student through FAA Access by adding your federal school code if you have his or her DRN, which authorizes your access to the student's application information. The DRN appears in the upper right corner of the first page of the SAR and at the top of some of the correctable pages.

You are required to receive ISIRs and to accept SARs from students, but you cannot require them to submit SARs in order to receive aid. If you don't have an ISIR for a student, your federal school code must be added to his or her record so an ISIR is sent to you. We recommend making corrections electronically via the online FAFSA (the student) or FAA Access (the school); however, you can require students to use a SAR to make corrections. If you don't have an ISIR for a student who provided a SAR or SAR Acknowledgement, you must use the SAR or the acknowledgement to award and disburse the student aid. Again, you must also ensure that your school code is added to the student's CPS record (see page 83).

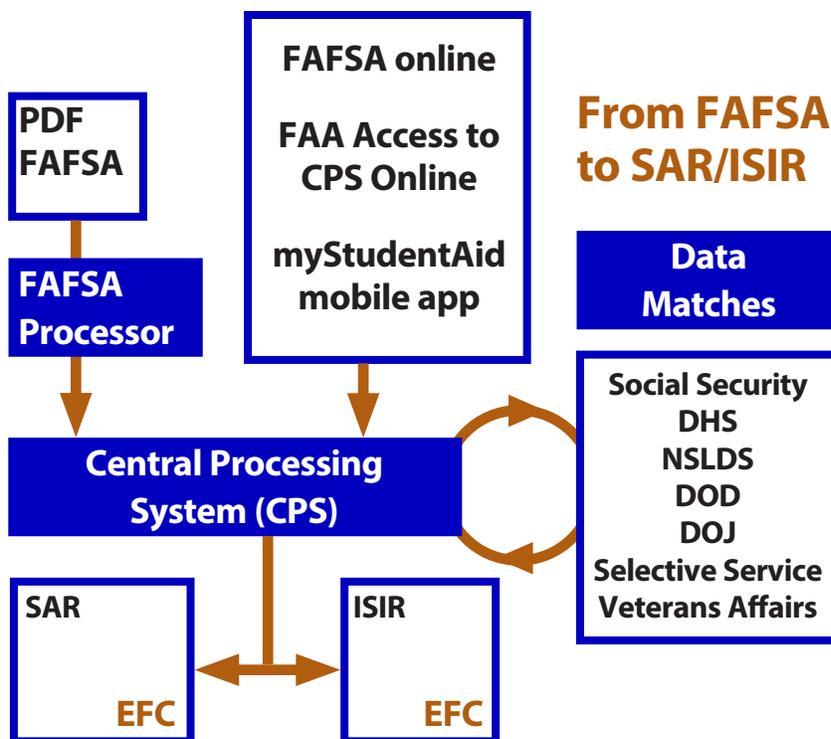
The SAR arrives in one of three ways. (1) Students who give a valid email address will receive an email with a link to an online SAR. (2) Students who

don't give an email address and who apply with a PDF FAFSA form will receive a paper SAR. They will also receive a paper SAR if a student or parent signature is missing; that SAR must be signed and returned for processing. (3) Students who don't give an email address and who apply electronically will receive a paper SAR Acknowledgement, which has fewer and less detailed comments than the SAR and can't be used for corrections as the SAR can.

The SARs and ISIRs include comment codes and text explaining any questionable results from the matches and edits described here. For some of these there will also be a C code, which you must resolve before paying the student aid. For instance, if a student has defaulted on a federal student loan, the SAR and ISIR will note this in several places, including comments to the student and the NSLDS financial aid history page.

For other problems, the SAR and ISIR will show that the FAFSA has been rejected and no EFC has been calculated. The SAR will tell the student how to remove the reject by providing signatures or more information or by correcting errors. Reject codes are given in the FAA Information section, and a complete list of them is in [The ISIR Guide 2021–2022](#).

A valid SAR or ISIR is one on which all the information reported on a student's FAFSA is accurate and complete as of the date the application is signed (34 CFR 668.2).



## DEADLINES

The application processing cycle lasts 21 months. For the 2021-2022 award year, applications are accepted beginning October 1, 2020, and will be accepted through June 30, 2022.

The CPS must receive a student's electronic FAFSA information by June 30, 2022. A paper FAFSA form must be legible, and it must be mailed to the Federal Student Aid Programs address listed on the FAFSA in time for the processor to receive it by June 30, 2022. There are no exceptions to these deadlines. An electronic application cannot be received before October 1, 2020, and if it is received after June 30, 2022, it will not be processed. A paper application received before October 1, 2020, or after June 30, 2022, will be returned unprocessed with a letter of explanation. If it is signed before and received after October 1, 2020, it will be accepted, but the student will receive a rejected SAR asking him to date and re-sign the SAR and return it for processing.

For other deadlines pertaining to corrections, changes, disbursements, and verification, see the official deadline notice for the 2021–2022 award year. It will provide all the processing deadline dates and will be available on the IFAP website under “Federal Registers.” For these deadlines, the date the CPS processed the ISIR transaction is considered to be the date the institution received the ISIR. On the SAR, SAR Acknowledgement, and ISIR printout, the processed date is above the EFC on the first page.

Students who don't submit the FAFSA form till later in the award year can receive aid for the entire year, including completed payment periods, as long as they were not ineligible at the time. See the section on retroactive disbursements for completed periods in *Volume 3*.

### Websites for students

<https://studentaid.gov/>—Higher education portal for students that now contains functions previously housed on other websites, such as the FAFSA (see below) and loan information, counseling, payment, and other features formerly on the NSLDS students' website

<https://studentaid.gov/fafsa>—Submit an application or make corrections to one; get an online SAR; check status of the application

<https://fafsa.ed.gov/spa/fafsa4c/#/landing>—use FAFSA4caster (click on Understand Aid > Estimate Your Financial Aid), which allows future college students to estimate what their EFC might be and what kind of federal student aid they might be eligible for when they apply for aid

<https://studentaid.gov/fsa-id/create-account/launch>—FSA ID website; also available on <https://studentaid.gov/> (click on Create Account)

### Resources for schools

**CPS Web applications demo**—You can use the FAFSA on the Web demonstration site to train financial aid staff or to show students how to use the online application. Go to the bottom of <https://fafsademo.test.ed.gov> and choose the link to the FOTW demo (there is also an FAA Access demo). A user name and password are [not required](#).

**2021–2022 Summary of Changes for the Application Processing System**—Go to <https://ifap.ed.gov> and select Publications > Summary of Changes for the Application Processing System > 2021–2022.

**CPS technical support and questions about EDconnect, EDExpress, and Renewal FAFSAs**—Call or email CPS customer service: 1-800-330-5947, [CPSSAIG@ed.gov](mailto:CPSSAIG@ed.gov)

**Technical system publications**—Go to the [Software and Other Tools page](#) on the IFAP website.

**FSA call centers**—Go to the [Help—Contact Information page](#) on the IFAP website for the contact information pertaining to key school service centers which include the following:

- CPS/SAIG technical support
- COD School Relations Center
- eZ-Audit Help Desk
- Foreign Schools Participation Division
- G5 Hotline
- NSLDS Customer Support Center
- Nelnet Total and Permanent Disability Servicer
- School Participation Division



# Filling Out the FAFSA

## CHAPTER 2

*The FAFSA form is the first step in the financial aid process. Because it's important to complete the form correctly, this chapter discusses some of the more difficult questions that arise. While the chapter follows the organization of the paper application and the ISIR, the guidance applies equally to the FAFSA online. To see how FAFSA data are used to calculate the expected family contribution, refer to Chapter 3.*

The FAFSA form is organized as steps, each consisting of a group of related questions. There are also instructions on how to complete the form. The guidance in this chapter supplements those instructions and explains why some of the questions are needed on the FAFSA. For a fuller list of justifications, go to the [regulations.gov website](https://www.regulations.gov) and see the 2020-2021 *Data Elements and Justification* document (please note that you can view last year's document because we did not publish a document for 2021-2022).

Students can get advice on completing the FAFSA online at <https://studentaid.gov/resources>. You may want to link to this reference from pages that students use on your website or use certain graphics, videos or publications referenced on the site when working with your students.

The parents mentioned are those of dependent students. The numbers in parentheses are for the items as they appear on the SAR, ISIR, paper FAFSA, and FAA Access to CPS Online. As of the date the FAFSA form is signed, it is considered a “snapshot” of the family's information that can be updated only in certain circumstances and only for certain items; see *Chapter 4*.

The following sections discuss many of the important questions found within each Step on the FAFSA form.

### STEP ONE: GENERAL STUDENT INFORMATION

This step identifies the student and establishes his or her aid eligibility based on factors such as citizenship, educational level, and Selective Service registration (see also *Volume 1: Student Eligibility*). Questions in Step One are included to help the school package awards and to eliminate the need for students to complete a separate state or school financial aid form.

- **Student's name (1–3).** The name, with other identifying information, is used for several data matches. Because the U.S. Department of Education (ED) matches the student's name and Social Security number (SSN) with the Social Security Administration (SSA), the name here should match the one in the SSA's records, i.e., as it appears on the student's Social Security card.

## STEP 1

### Questions 1–3

### Student information

# STEP 1

## Questions 4–8

### Student information

- **Permanent mailing address (4–7).** This is the student’s permanent home address, with two exceptions: incarcerated students should use the address of the facility they are in, and homeless youth should use a mailing address where they can reliably receive mail. That can be the address of a relative or friend who has given them permission to use it, or it can be their school’s address as long as they have contacted the school for permission and instructions on how mail they receive at the school will reach them. As soon as incarcerated and homeless students have more permanent housing, they should update their address on the FAFSA form.
- **Student’s SSN (8).** Students must have an SSN to apply for federal student aid except as noted below. If they submit FAFSA information without an SSN, the FAFSA form will be returned unprocessed. To get an SSN or to find out what the number is if they lost their Social Security card, they must contact the local SSA office. Call the SSA at 1-800-772-1213 for more information.

Students who enter the wrong SSN on their FAFSA form can correct it in a few ways: through the school, by submitting a corrected paper SAR, or by filing a new FAFSA form. If they don’t have a copy of their SAR, they can call the Federal Student Aid Information Center (1-800-433-3243) and have one sent to them, which they can correct and mail to the address on the SAR. However, correcting the SSN through the school or with the SAR will not change the number in the student’s identifier; that will remain the original SSN and may later cause confusion. Completing and submitting a new FAFSA form solves this problem. Note that there are other rare instances where a student must submit a special “correction application.” See the [June 22, 2017 announcement](#).

**Persons from the Freely Associated States (FAS)**—the Republic of the Marshall Islands, the Federated States of Micronesia, and the Republic of Palau—typically do not have SSNs. Students who are completing a FAFSA form for the first time and who indicate that their state of legal residence is one of the above Pacific island groups should enter “666” as the first three digits of the SSN field and leave the remaining six digits blank. CPS will then assign them an identification number. Students from the FAS who have submitted a FAFSA form before and were issued such a pseudo-SSN will enter it in the SSN field. **It is important that they use the same number on all subsequent FAFSAs** because it allows for more accurate information on Pell Grant Lifetime Eligibility Used (LEU). See the relevant electronic announcement [November 20, 2013](#).

If a student does not use the same pseudo-SSN across award years—if on a subsequent FAFSA form he or she either gets a new pseudo-SSN and uses that or if he or she uses a real SSN that he or she obtained from the SSA—the school must contact the [COD School Relations Center](#) so the multiple student records can be merged into one and the correct LEU can be calculated. Also, if Pacific island students file with a real SSN, schools will need to have an alternate way, other than the

# STEP 1

## Questions 13–22

### Student information

pseudo-SSN, of identifying that population to ensure that the correct award limitations described in *Volume 1, Chapter 2* of the Handbook are in place for those students.

- **Student’s email address (13).** If the student provides this address, he or she should get an email with a link to his or her online SAR data within one to three days after the CPS receives his or her application. The Department will also use this email address to correspond with the student regarding his or her application.
- **Citizenship status (14).** Examples of eligible noncitizen categories are given in the FAFSA instructions, and a detailed discussion of citizenship issues can be found in *Volume 1: Student Eligibility*. Only U.S. citizens or certain classes of noncitizens are eligible for Title IV aid; however, other students can still submit the FAFSA because they might be eligible for aid from institutional, state, or private sources that do not have the same requirements but use FAFSA information.
- **Student’s marital status (16 and 17).** This is marital status “as of today”—the day the application is signed. Marital status cannot be projected. It can be updated in limited circumstances; see *Chapter 4*.

**Same-sex marriage and the FAFSA form**—In 2013, in *United States v. Windsor*, the Supreme Court ruled that Section 3 of the Defense of Marriage Act (DOMA) was unconstitutional because it violates the principles of due process and equal protection. As a result, same-sex couples who have married in a domestic or foreign jurisdiction that recognizes the marriage should complete the FAFSA form as a married couple regardless of whether the jurisdiction in which they reside or the student attends school recognizes the marriage. This applies to independent students and to the parents of dependent students. See [DCL GEN-13-25](#) for more information.

- **Student’s state and date of legal residence (18–20).** This is used to figure the allowance for state and other taxes for the EFC calculation.

It also indicates which state agency should receive the student’s FAFSA information. States have varying criteria for determining whether the student is a resident for purposes of their financial aid. However, residing in one state for five years will meet any state’s criteria. Therefore, a person answering “Yes” to Question 19 will likely meet the residency requirements of the state reported in Question 18, while the state eligibility for a person answering “No” will depend on the date reported in Question 20 and the state’s requirements.

- **Student’s gender and Selective Service registration (21–22).** In general, male students (i.e., those who were assigned the sex of male at birth) need to have registered with the Selective Service System (SSS) to be eligible for federal student aid. The Department conducts a match with the SSS to verify this requirement.

For students who have transitioned from one sex to another, the easier response is to indicate in Question 21 their sex assigned at birth. Thus students who were male at birth will properly go through the SSS data match and those who were female will not.

When students instead indicate their current gender, more must be done to resolve the issue. Students who were male and indicate they are now female still must have registered with the SSS (except as noted under “Exemptions” in *Volume 1*), but their FAFSA form will not be sent for matching. You can check their registration status yourself by using [SSS’s online verification form](#). You will need to supply the student’s SSN, date of birth, and the last name that was used to register with the SSS (which might not be what appears on the FAFSA). For students who are registered, document confirmation of that; those who aren’t will need to register if they still can. Students who were female and indicate they are now male will fail the match. They can call SSS’s Registration Information Office at 1-888-655-1825. They will be asked to complete a request for a status information letter and to provide a copy of their birth certificate. The letter will state they are exempt from registering and serve as documentation that the issue is resolved.

# STEP 1

## Question 23

### Student information

- **Conviction for possessing or selling illegal drugs (23).** Students convicted of a federal or state offense of selling or possessing illegal drugs that occurred during a period of enrollment while they were receiving federal student aid should still complete and submit the FAFSA form because they may be eligible for federal aid, and even if they are not, they may be eligible for state or institutional aid.

Students who answer “Yes” to Question 23 in the online FAFSA form will immediately receive a series of questions to determine their eligibility.

Students who complete a paper FAFSA form and answer “Yes” to this question will receive a worksheet with their SAR to determine whether the conviction affects their eligibility for federal student aid. If the date they regain eligibility falls before July 1, 2021, the worksheet will instruct them to change the response to a “1,” indicating full eligibility for the award year. If the date falls between July 1, 2021, and June 30, 2022, they will not be eligible for part of the award year and will need to change the response to a “2.”

If the date falls after June 30, 2022, the students’ response will remain a “3.” They will not be eligible for federal aid during the entire award year unless they complete a qualified drug rehabilitation program or pass two unannounced drug tests given by such a program. For more information, see *Volume 1, Chapter 1*.

Students who leave Question 23 blank cannot be paid Title IV aid until they respond by submitting a corrected SAR or ISIR.

## IRS Data Retrieval Tool

The IRS Data Retrieval Tool (DRT) allows students and parents who use the online FAFSA or the FAFSA feature of myStudentAid mobile app and who have already submitted their federal tax return to electronically retrieve their tax data from the IRS database. The ISIR will show that data was imported and if it was altered. All students and parents of dependent students who indicate on the application that they have already filed a federal tax return and who are otherwise eligible to use the DRT will be directed to do so.

New for the 2021-2022 processing year, the DRT will now automatically answer the question about whether or not a tax filer filed a Schedule 1. The answer will be based on all current exceptions for filing a Schedule 1 and the transferred data for the Schedule 1 fields will be handled the same as other data transferred using the IRS DRT.

The actual values of the imported data are not viewable by students and parents (though they still appear on the ISIR). This is to enhance security and privacy and to prevent the misuse of sensitive data. See the [electronic announcement of May 3, 2017](#). Because aid officers and other officials will be able to see the transferred data, and in keeping with the expectation that they protect the confidentiality of data associated with the Title IV programs, they must not disclose income and tax information from the FAFSA with the applicant, the applicant's spouse, or the applicant's parents unless they can authenticate their identity. For example, a student appearing in person and presenting an unexpired, valid, government-issued photo ID such as a driver's license would be an effective way to authenticate his or her identity. See the [September 5, 2017, electronic announcement](#) for more information.

As a result of IRS data being masked, students and parents will not be able to change it on the FAFSA; the financial aid office will need to make corrections. Also, rollovers will be handled differently. If the DRT transfers a non-zero amount into the untaxed pension or individual retirement account (IRA) distribution field, the applicant will be asked if any of it is due to a rollover. If the applicant answers yes, he or she will then enter the rollover amount, which the CPS will subtract when calculating the EFC. And because of the data masking, students and parents who file a joint tax return will not be able to transfer their income earned from work but will have to manually enter those amounts. The income earned from work of single persons will, however, continue to transfer. See the [August 7, 2020 announcement](#).

When the ISIR shows an IRS Request Flag value of 06 or 07, schools will need to contact the student or parent. A value of 06 indicates that after the DRT was used and the FAFSA was submitted, the student or parent changed an item on the FAFSA (e.g., the date of marriage) that would have made the person ineligible to use the DRT. The school must contact the student or parent to determine if all of the transferred data was correct or if it needs to be corrected. A value of 07 is an indication from the IRS that the student or parent used the DRT but also has filed an amended tax return for the relevant year (includes amended returns generated by IRS adjustments). Because the data that was transferred will be from the original return and not the amended one, the school must contact the student or parent and make any applicable corrections to FAFSA items, regardless of whether the application was selected for verification.

The ISIR will display IRS Data Field flags that indicate if any individual item was transferred from the IRS and if it was subsequently changed. A flag value of 1 will indicate that the item was transferred and was not changed. Such items do not need to be verified if the student is selected for verification. However, when there is a Request Flag value of 06 or 07, the above guidance must first be followed. The August 7 announcement has more information.

Also due to the IRS data masking, there are two comment codes that schools must respond to: code 400 for parents and 401 for students. When an ISIR indicates either of these codes, the school must check the FAFSA to see if any of the following conditions exist and make necessary corrections:

1. The student or parent is a tax filer and the AGI transferred from the IRS is zero, but the total income earned from work is greater than zero.
2. The total of the taxable income offsets (see pages 24–26) for the student or parents is greater than the AGI transferred from the IRS.
3. Any of the untaxed income items (see pages 26–29) for the student or parent is greater than or equal to the AGI transferred from the IRS.

The school may need to contact the student or parent for an explanation of one of the above conditions and to determine if any of the associated FAFSA items need to be corrected. Also, comment codes 400 and 401 can be considered resolved if verification (V1 or V5) is completed for the same ISIR. Again, see the August 7 announcement for more information.

# STEP 1

## Questions 24–26

### Student information

- **Highest level of school completed by student’s parents (24 and 25).** Some state agencies use this information to award grants and scholarships. Father and mother are defined here as the student’s birth or adoptive parents but not stepparents, guardians, or foster parents. This definition is unique to these questions—all others use the definition on page 30.
- **High school completion status (26).** The student indicates one of the following: high school diploma, General Educational Development (GED) certificate or state certificate, homeschooled, or none of the above. None of the above includes those who have the recognized equivalent of a high school diploma (as defined in 34 CFR 600.2) other than a GED certificate or a state certificate or who may qualify under the Ability-to-Benefit (ATB) alternatives; see *Volume 1, Chapter 1*, of the FSA Handbook for an explanation of those options. Typically a foreign secondary education credential counts as a high school diploma; see [FHD-Q1 on the program integrity website](#).

A state certificate is what students receive after passing a “state-authorized examination,” as referred to in 34 CFR 600.2. This includes tests comparable to the GED—i.e., those created and distributed by a test publisher—such as the High School Equivalency Test (Hi-SET) or the Test Assessing Secondary Completion (TASC), as well as those established by states, for example, the California High School Proficiency Exam (CHSPE). California considers a passing grade on the CHSPE to be equivalent to a diploma.

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## Definitions

**Undergraduate student**—One who is enrolled in a program that usually does not exceed four academic years or a longer program that leads to a first degree at the baccalaureate level. Students in programs longer than five years are considered undergraduates for only the first four years.

For the FSEOG, Pell, and TEACH Grant programs, a student is an undergraduate only if he or she has not earned, or completed the requirements for, a bachelor’s or professional degree. Students enrolled in a postbaccalaureate program as described in 34 CFR 686.2(d) and 690.6 are still undergraduates for receiving TEACH and Pell grants but not FSEOG.

Students in dual degree programs that confer a bachelor’s degree and either a graduate or first professional degree are undergraduates for at least the first three years of the program. The school determines at what point after three years they cease to be undergraduates. [34 CFR 668.2(b)]

**Graduate or professional student**—One who (1) is not receiving aid as an undergraduate for the same period of enrollment; (2) is enrolled in a program above the bachelor’s degree level or one leading to a professional degree; and (3) has completed the equivalent of at least three years of full-time study, either before entrance into the program or as part of it.

Measured in credit hours, three years of full-time study must be at least three times the annual minimum for full-time study: 72 (24×3) semester or trimester hours or 108 (36×3) quarter hours. [34 CFR 668.2(b)]

**Simplified needs test**—The law provides a “simplified EFC” calculation for a student who meets certain income and tax filing requirements. If the applicant is eligible based on the information on the FAFSA, the CPS will automatically exclude assets from the EFC calculation. However, some states and schools require this information for their own aid programs.

# STEP 1

## Questions 27–29

### Student information

- **High school (27).** This question asks for the name of the high school where the student received or will receive his or her diploma, as well as the city and state (or FC for foreign country) where it is located. On the FAFSA website, the student can choose the name from the dropdown list, or, if it is not on the list, the student should enter the school name, city, and state. See *Volume 1, Chapter 1*, of the Handbook about checking the validity of a high school education.
- **First bachelor's degree (28).** The student indicates whether he or she will have a first bachelor's degree before beginning the 2021–2022 year because eligibility for Pell and Federal Supplemental Educational Opportunity grants (FSEOGs) is almost exclusively restricted to students who have not received a bachelor's degree or completed the requirements for one. See “Pell Grants” in *Chapter 6 of Volume 1* regarding degrees from unaccredited and foreign schools, which can count as bachelor's degrees for Pell and FSEOG eligibility.
- **Student's grade level at the start of the school year (29).** This is not based on the number of years the student has attended college but on work completed toward the degree/certificate. For instance, a full-time student might attain second-year grade level after one year of study, while a half-time student would take two years to reach that level.

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## No income reported on the FAFSA form

Occasionally an applicant will report no income for the base year. This can occur when the family has tax write-offs that produce a negative AGI or when the applicant neglected to report untaxed assistance. If the CPS does not select the student for verification, you may still choose to ask him or her for further information about his or her means of support during the base year. Also, you may use professional judgment (PJ) to adjust the income line items to reflect income the family receives that doesn't appear on the tax return.

Any cash support for the student, other than support from a parent for a dependent student, counts as untaxed income and must be reported. In-kind help (see page 29) from a friend or relative is not considered untaxed income and would not appear on the FAFSA form, however, you may use PJ to account for the value of that in-kind support in the COA. For example, you could adjust the room and board component of the COA for a student who lives with his or her aunt and eats meals with his or her family.

## Married filing separately

When a student and spouse or a dependent student's parents file separate and different types of returns, what type should be indicated in Question 33 or 80? In such cases, IRS Form 1040 and foreign tax returns are considered comparable and take precedence over tax returns from the five inhabited U.S. territories: Puerto Rico, Guam, the U.S. Virgin Islands, the Northern Mariana Islands, and American Samoa. For example, if a student filed a foreign return and his or her spouse filed a Puerto Rican return, the student would answer foreign tax return for question 33. When comparable but different returns are filed, the IRS return takes precedence and is indicated. If the above student filed a 1040 return and his or her spouse filed a foreign return, the student would answer IRS 1040 to the question. For additional guidance please see the [tax return filing chart](#).

If one spouse files separately and the other does not file a return but has some income, how do you figure the AGI? Add the income earned from work (e.g., earnings from the W-2 form or any other earning statements) of the spouse who does not file a return to the AGI (as given on line 8b of Form 1040) of the spouse who does and enter the sum on the appropriate AGI line of the FAFSA form.

## EFA or not?

Sometimes it is difficult to account for an outside financial award. If a student receives the award because of postsecondary enrollment, it counts as estimated financial assistance (EFA) if it is not considered wages for employment according to federal or state rules, or if it is considered wages and is based on need. Any amount that appears as income on the tax return will also be included on the appropriate line of item 43 or 91 on the 2021–2022 FAFSA form. If the award is considered wages for employment but is not based on need, then it is not EFA and it remains in income.

# STEP 1

## Question 31 Student information

- **Interest in work-study (31).** The student indicates whether he or she is interested in receiving Federal Work-Study (FWS). This helps the school in packaging the student’s award. If the student is unsure about FWS, he or she should answer “don’t know” to still be considered for it; later he or she can decline any aid he or she does not want.

### STEPS TWO AND FOUR: INCOME AND ASSETS

Questions 32–44 ask for the student’s and spouse’s income and assets [HEA Sec. 480(a), (b), (f), (g)]. Step Four collects similar information about parent income and assets, so the following discussion also applies to parents.

If the student or his or her parent wasn’t married in 2019 but is married when the application is signed, the student also needs to provide income and asset information for the new spouse. If the student or his or her parent was married in 2019 but is separated, divorced, or widowed when the application is signed, the student or parent excludes the income and assets for that spouse even though the information may be on the 2019 tax forms.

# STEPS 2 & 4

## Questions 32–35 and 79–82 Tax return filed and tax filing status

The FAFSA form asks for income and taxes paid according to lines on the IRS tax forms for 2019, the “base year” for 2021–2022. Data from the completed tax year is used as a predictor of the family’s financial situation for the current year. In the rare instance that 2019 tax data is not available yet, best estimates can be used on the application. However, the student is asked to correct this information later when the tax return is filed.

Information from the income tax returns required by the tax codes of the Commonwealth of Puerto Rico, Guam, American Samoa, and the U.S. Virgin Islands is reported on the FAFSA form in the same manner as U.S. tax information, and copies of these forms can be used for verification in the same way as U.S. tax forms are. Amounts are already reported in U.S. dollars, and the school should look at tax return line items that are comparable to the IRS line items for verification.

When a student or parent has returns from both a foreign nation and the United States for the same tax year, they should use the data from the U.S. return when filling out the FAFSA form.

The FAFSA application also collects information for certain investments and other assets. Applicants only report the net worth of assets instead of reporting the value and debt. They should report asset amounts **as of the date the application is signed**.

- **Tax return filed and tax filing status (32–35, 79–82 for parents).** These questions ask if a 2019 tax return was completed, which return was or will be filed, what the filing status was or will be, and whether the student or parents filed a Schedule 1 or did so only to claim one or more of the following: unemployment compensation, an Alaska Permanent Fund dividend, educator expenses, an IRA deduction, virtual currency or the student loan interest deduction. The answers are used in part to identify if the student is eligible for the simplified needs test or the auto zero EFC and to find inconsistencies between the FAFSA form and the tax return.

## Qualified education benefits

Qualified tuition programs (QTPs, also known as section 529 plans because they are covered in section 529 of the IRS tax code) and Coverdell education savings accounts are grouped together in the law as qualified education benefits and have the same treatment: they are an asset of the owner (not the beneficiary because the owner can change the beneficiary at any time) except when the owner is a dependent student, in which case they are an asset of the parent. When the owner is some other person (including a noncustodial parent), distributions from these plans to the student count as untaxed income, as “money received.” When a parent owns a plan for a child and the parent is filing a FAFSA application as a student for himself or herself, the plan counts as an asset on the parent’s FAFSA form.

States, their agencies, and some colleges sponsor qualified tuition programs. The IRS mentions two types of QTPs that are commonly called prepaid tuition plans and college savings plans. States may offer both types, but colleges may only sponsor prepaid tuition plans.

Prepaid tuition plans allow a person to buy tuition credits or certificates, which count as units of attendance. The number of units doesn’t change even though tuition will likely increase before the beneficiary gets to use the tuition credits. They are an asset of the plan owner, and their worth is the refund value of the credits or certificates.

College savings plans allow a benefactor to deposit money into an account that will be used for the beneficiary’s college expenses. The buyer does not pre-purchase tuition credits as with a prepaid tuition plan. Rather, this type of plan is essentially a savings account, and its value as an asset is the current balance of the account. Coverdell education savings accounts, or ESAs, are another tax-advantaged savings vehicle for college education. They are treated the same as college savings plans: the current balance is an asset of the account owner.

As long as distributions from QTPs and ESAs do not exceed the qualified education expenses for which they are intended, they are tax-free, so they will not appear in the next year’s AGI. They should not be treated as untaxed income (except in the cases mentioned above) or as estimated financial assistance. For more information on these benefits, see the IRS’s Publication 970, Tax Benefits for Education.

## Reporting “take-back” mortgages

In a take-back mortgage, the seller of a house finances a portion of its cost for the buyer, who repays this additional mortgage to the seller. The seller reports the interest part of any payments received from the buyer on Schedule B of IRS Form 1040. Therefore, if a student or his or her parents report such interest on the tax return, it likely indicates an asset that should be reported on the FAFSA form: the value of the take-back mortgage. There would be no debt reported against this asset. For example, if a dependent student’s parents sold their house for \$200,000 and financed a take-back mortgage of \$40,000 to the buyer, the parents should report \$40,000 as the net worth of the investment. The worth will decrease each year depending on how much of the principal the buyer paid back that year. This concept applies to other forms of seller financing of the sale of a home or other property.

# STEPS 2 & 4

## Qualified tuition programs

# STEPS 2 & 4

Questions 36–39

and 84–87

AGI, tax, and income  
earned from work

- **Adjusted gross income (AGI), income tax, and income earned from work (36–39, 84–87 for parents).** These items are reported for dependent students, their parents, and independent students. Each question gives the line reference to the 2019 IRS tax forms.

Though students and parents may manually enter their IRS data in the FAFSA, they are strongly encouraged to transfer it with the DRT because that method is accurate, efficient, and useful for verification.

Those who file a joint return and then are divorced, separated, or widowed before the application is signed won't be able to simply copy the information from the tax forms or transfer data with the DRT. Instead, they must figure out how much of the income and taxes paid is attributable to them and not their spouse. For more on this calculation, see “Using a joint return to figure individual AGI and taxes paid” in *Chapter 4*.

If the student, spouse, or parents were not required to file a tax return, the student should still report any income earned from work in lines 38–39 (student and spouse) and lines 86–87 (parents). The W-2 form and other records of work earnings should be used to determine these amounts. Do not include combat pay; because it is not counted as untaxed income and is removed from the AGI when it is taxable, it should not be included in the income earned from work.

The FAFSA instructs the applicant to add line 1 of the 1040 form to lines 3 and 6 of Schedule 1 and box 14 (code A) of Schedule K-1 (Form 1065) as an option for determining the income earned from work. But when the values of lines 3 or 6 or box 14 are negative, this will reduce the total and can wrongly affect the Social Security allowance. If values from lines 3 or 6 or box 14 are negative, treat them as zero when determining the income earned from work.

Income earned from work is used to calculate allowances for the Social Security and Medicare tax (aka the Federal Insurance Contributions Act or FICA tax) and for the added costs incurred by two working spouses. For non-tax filers it will also be used in place of AGI and will cause the application to be rejected if it is above the tax filing threshold.

For a fiscal year (rather than calendar year) tax return, information should be used from the return that includes the greater number of months in 2019.

**Example:** Owen's parents file a fiscal year tax return. Their fiscal year begins in September. The return they filed for the fiscal year starting in September 2018 includes eight months in 2019. The return they filed for the fiscal year starting in September 2019 only includes four months of 2019. Therefore, they should use the information from the return for the fiscal year that began in September 2018.

If the student or parents filed a tax return using something other than an IRS form, such as a foreign or Puerto Rican tax form, the student should report on the FAFSA form the amounts (converted to U.S. dollars) from the lines of the form that correspond most closely to those on the common IRS forms.

#### **Non-tax filers, foreign countries, and international organizations**

In some countries the tax system does not operate as it does in the U.S., and people in those countries can earn a substantial amount of income and pay taxes without having to file a return. In such a case the person would correctly indicate that he or she did not file a tax return, and nothing will be reported for AGI or income tax paid. When that happens, he or she should report any *net income that is earned from work* in Question 38, 39, 86, or 87, as appropriate, of the FAFSA form and not as untaxed income in Question 44h or 92h, which is where untaxed foreign income **not** earned from work should be reported. This ensures that the income is properly included in the EFC calculation; for non-tax filers, income earned from work is used in place of the AGI and to determine eligibility for the simplified needs test (SNT) and automatic zero EFC.

As noted earlier, when income earned from work exceeds the U.S. tax filing threshold and the person indicates he or she is not going to file a return, the FAFSA will be rejected. The aid office must override the reject in FAA Access to CPS Online so that an EFC will be generated.

What happens when one spouse does file a return and the other does not file but has foreign earned income as described above? Because one spouse filed a return, the FAFSA should indicate in Question 33 or 80 what return was or will be filed, and the CPS will use the AGI for income and to determine eligibility for the SNT and auto-zero EFC. As above, the foreign income is still reported as income earned from work, but it is also added to the AGI of the tax filing spouse, as the guidance on page 17 instructs under “Married filing separately.”

In some instances employees of certain international organizations, such as the United Nations, the International Monetary Fund, the World Bank, and others, **might not** be required to file a return, which results in situations similar to those described above. Follow the same guidance—a non-tax filer will report income from that employment as income earned from work only, while a person who is married to a tax filer will report it as income earned from work and add it to the AGI of the tax-filing spouse.

Note that the guidance in this section does not pertain to the Foreign Earned Income Exclusion, which is reported on the U.S. tax return and is excluded from the EFC calculation by the HEA.

# STEPS 2 & 4

## Questions 38–39 and 86–87

### Foreign earned income and assets

## Reporting trust funds

Trust funds in the name of a student, spouse, or parent should be reported as that person's asset on the application, generally even if the beneficiary's access to the trust is restricted. If the settlor of a trust has voluntarily placed restrictions on its use, then the student should report its present value as an asset, as discussed below. If a trust has been restricted by court order, however, the student should not report it. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

How the trust must be reported depends on whether the student (or dependent student's parent) receives or will receive the interest income, the trust principal, or both. In the case of a divorce or separation where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes unless the terms of the trust specify some other method of division.

### Interest only

If a student, spouse, or parent receives only the interest from the trust, any interest received in the base year must be reported as income. If the interest accumulates and is not paid out, the recipient must report an asset value for the interest he or she will receive. The trust officer can usually calculate the value of the interest the person will receive while the trust exists. This value represents the amount a third person would be willing to pay for the interest income.

### Principal only

The person who will receive only the trust principal must report as an asset the present value of his or her right to that principal. For example, if a \$10,000 principal reverts to a dependent student's parents when the trust ends in 10 years and the student is receiving the interest, he or she would report the interest received as income and report as a parental asset the present value of his or her parents' rights to the principal. The present value of the principal can be calculated by the trust officer; it's the amount that a third person would pay for the right to receive the principal 10 years from now—basically, the amount that one would have to deposit now to receive \$10,000 in 10 years.

### Both principal and interest

If a student, spouse, or parent receives both the interest and the principal from the trust, the student should report the present value of both interest and principal, as described in the discussion of principal only. If the trust is set up so that the interest accumulates within the trust until it ends, the beneficiary should report as an asset the present value of the interest and principal that he or she is expected to receive when the trust ends.

## Ownership of an asset

In some cases the ownership of an asset is divided or contested, which can affect how the student reports the asset.

### Part ownership of asset

If the parent or student has only part ownership of an asset, the student should report only the owned part. Generally the value of an asset and debts against it should be divided equally by the number of people who share ownership unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.

### Contested ownership

Assets shouldn't be reported if the ownership is being contested. For instance, if the parents are separated and can't sell or borrow against jointly owned property because it's being contested, the parent reporting FAFSA information would not list any net worth for the property. However, if the ownership of the property is not being contested, the parent would report the property as an asset. If ownership of an asset is resolved after the initial application is filed, the student cannot update this information.

### Lien against, and imminent foreclosure of, an asset

If there's a lien against the asset, the net value of the asset is determined by subtracting from its total value any associated debt as well as the amount of the lien. If foreclosure of an asset is imminent, the net value of the asset would still be reported until the party making the foreclosure completes legal action to take possession of the asset. If the status of the property changes after the application is filed, the student cannot update the asset information.

# STEPS 2 & 4

## Questions 40–42 and 88–90

### Assets and excluded assets

- **Assets (40–42, 88–90 for parents).** An asset is property that the family owns and has an exchange value. The FAFSA form collects current data (as of the day of signing the FAFSA form) about cash, savings and checking accounts, investments, businesses, and investment farms. Most assets are **investments** such as college savings plans, Coverdell education savings accounts, real estate, installment and land sale contracts (including mortgages held), trust funds, mutual funds, money market funds, Uniform Gifts and Uniform Transfers to Minors (UGMA and UTMA) accounts, certificates of deposit, stocks, stock options, bonds, commodities, and precious metals. If the asset is not a business or investment farm, it is reported as an investment.

The FAFSA form asks for the net worth of investments, which is their total current market value minus their associated debts. If their net worth is negative, zero should be reported.

Similarly for a **business or investment farm**, the current net worth (the current market value minus the debt owed on it) is reported for land, buildings, machinery, equipment, livestock, and inventories. Business or farm debt means only those debts for which the business or farm was used as collateral.

**Rental properties** are an asset. A unit within a family home that has its own entrance, kitchen, and bath (therefore a rented bedroom would not count) and that is rented to someone other than a family member counts as an asset. To calculate its net value, multiply the net value of the entire structure by the fraction the rented space represents. Similarly, if a family owned a 10-unit apartment building and lived in one of the apartments, 9/10 or 90% of the net value of the building would be an asset.

At times a student or parent will claim rental property as a business. Generally, it must be reported as real estate instead. A rental property would have to be part of a formally recognized business to be reported as such, and it usually would provide additional services like regular cleaning, linen, or maid service.

**UGMA and UTMA accounts:** The Uniform Gifts and Uniform Transfers to Minors Acts (UGMA and UTMA) allow the establishment of an account for gifts of cash and financial assets for a minor without the expense of creating a trust. Because the minor is the owner of the account, it counts as his or her asset on the FAFSA form, not the asset of the custodian, who is often the parent.

**Excluded assets—the following are NOT reported on the FAFSA:**

- **Possessions** such as a car, a stereo, clothes, or furniture
- **A family's principal place of residence**, even if it is part of a business
- **A family farm** (including equipment, livestock, etc.) if
  - it is the principal place of residence for the applicant and his or her family (spouse or, for dependent students, parents), and

- the applicant (or parents of a dependent student) materially participated in the farming operation

→ **Family-owned and controlled small businesses** (which can include farms) that have 100 or fewer full-time or full-time equivalent employees. “Family-owned and controlled” means that more than 50% of the business is owned by persons who are directly related or are (or were) related by marriage. (Family members do not have to be counted in the household size for this question.)

→ **Retirement and life insurance plans and ABLE accounts.** An ABLE account is a tax-advantaged savings account for a disabled person and his or her family; its value does not count as an asset on the FAFSA form. The value of retirement plans—401(k) plans, pension funds, annuities, noneducation IRAs, Keogh plans, etc.—also is not counted as an asset, but distributions do count as income; they appear in the AGI if taxable and in Questions 44 and 92 if untaxed. Similarly, the cash value or equity of a whole life insurance policy isn’t reported as an asset, but an insurance settlement does count as income.

The full amount of the distribution is reported, whether it was a lump sum or annual distribution, and it will count as taxable or untaxed income, as appropriate. An exception to reporting pension distributions is when they are rolled over into another retirement plan in the same tax year.

→ **Excluded assets for Native American students.** The law (see HEA Sec. 479C) excludes reporting any income and asset of \$2,000 or less per individual payment (any amount over \$2,000 is reported as untaxed income) received under the Per Capita Act or the Indian Tribal Judgment Funds Use or Distribution Act. It also excludes any income received under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Per capita distributions or the proceeds received from the Land Buy-Back Program for Tribal Nations—a tribal purchase of fractionated lands as a result of the Cobell settlement under the Claims Resolution Act of 2010 (42 U.S.C. 1305)—should also be excluded.

■ **Taxable income offsets (43 and 91).** These questions total certain types of income and other monies that are excluded from income in the need analysis. The CPS subtracts these excluded amounts from the AGI when calculating the EFC.

**a. Education tax credits.** These are the American Opportunity and Lifetime Learning tax credits (AOTC and LLC); the FAFSA refers to Schedule 3 line 3 on the 1040 form. Part of the AOTC can be refundable, that is, payable to tax filers even if they do not owe any federal income tax. The nonrefundable part appears on the same lines of the tax return and the FAFSA as the LLC. The refundable portion appears on line 18c of the 1040 form. It does not appear on the lines of the FAFSA form for the education tax credits, nor does it count as untaxed income.

## STEPS 2 & 4

### Questions 43 and 91 Taxable income offsets

**b. Child support payments.** Count payments *made* during 2019 because of divorce, separation, or legal requirement by the student, spouse, or parent whose income is reported on the FAFSA. Do not include support for children in the household. Also, do not count child support *received* for a child in the household size; that appears as untaxed income on line 44c or 92c.

**Example:** Steven and his wife each have a child from a previous relationship who does not live with them and for whom they pay child support. Because Steven provides over half of his daughter's support through his payments, he counts her in his household size. Therefore, he does not report the amount of child support he pays on his FAFSA form. Steven's wife is not providing over half of her son's support, so he is not included in Steven's household size. Therefore, Steven can report the amount of child support his wife pays.

**c. Taxable earnings from need-based work programs.** This includes earnings from Federal Work-Study and need-based employment portions of fellowships or assistantships. The student uses the W-2s or other records he or she received for this income.

**d. Student grant and scholarship aid.** A student reports **only** the amount of grants and scholarships received that was reported as taxable income on the return. This includes grant and scholarship (not employment) portions of fellowships and assistantships, as well as taxable stipends and employer tuition reimbursements. Include also AmeriCorps benefits (awards, living allowances, and interest accrual payments) except those for health care or child care. The filer usually writes the taxable amount of the grant or scholarship separately on the tax form next to the line where wages and other earnings are reported. If the amount was reported this way, the student can copy it from the tax form.

**Reimbursements and stipends**—Employers often help with education costs by paying stipends or reimbursing employees for classes taken. These benefits count as estimated financial assistance (or reduce the cost of attendance) even if they are not received until the end of the class(es) and are contingent on earning a minimum grade. Any taxable portion received in the prior year and appearing in the AGI is entered in Question 43 or 91.

**e. Combat pay or special combat pay.** Enter only the portion that was included in AGI. This should be zero for enlisted persons and warrant officers (including commissioned warrant officers) because their combat pay is entirely nontaxable. For commissioned officers generally, combat pay in excess of the highest enlisted person's pay (plus imminent danger/hostile fire pay) is taxable. To determine the taxable amount, find the total combat pay from the serviceperson's leave and earnings statements and subtract the untaxed portion, which is reported in box 12 of the W-2 form with code Q. See IRS Publication 3, *Armed Forces' Tax Guide*, for more information.

# STEPS 2 & 4

## Questions 44 and 92

### Untaxed income

**f. College cooperative education program earnings from work.** The student uses the W-2s or other records he or she received for these earnings.

- **Untaxed income (44 and 92).** These questions total the untaxed income, some of which is reported on the tax form even though it is not taxed. A student who has not filed a return will have to estimate these amounts, and students or parents may need to separate information from a joint return.

**a. Payments to tax-deferred or sheltered pension and savings plans (paid directly or withheld from earnings).** This includes untaxed portions of 401(k) and 403(b) plans. These types of payments are listed in boxes 12a through 12d of the W-2 and will have one of the following codes: D, E, F, G, H, or S. Note that employer contributions to these plans shouldn't be reported as an untaxed benefit.

**b. Deductible IRA or Keogh payments.** Payments to an IRA or Keogh plan that are excluded from taxation are reported as untaxed income. These amounts appear on the 1040 form schedule 1 lines 15 and 19.

**c. Child support received for all children.**

**d. Tax-exempt interest income.** Certain types of interest, such as interest on municipal bonds, are tax-exempt. This amount is on line 2a on the 1040 form.

**e. Untaxed IRA distributions and pension or annuity payments.** A tax filer determines how much of his or her IRA distribution or pension or annuity payment is taxable when he or she completes his or her tax return. The applicant reports the untaxed portion, which is determined from the tax return, but should not include rollovers (transfers of funds from one IRA to another). These amounts can be found on the 1040 form—(lines 4a + 4c) minus (lines 4b + 4d).

**f. Housing, food, and other living allowances.** Some people, such as clergy, receive these allowances as compensation for their jobs. Money received to pay for rent should also be reported, as should the free use of a house or apartment (the rent or market value of a comparable house or apartment can be used). Similarly, if the student received free room or board in 2019 for a job that was not awarded as student financial aid (including resident advisor positions that provide free room and board as part of the student's non-need-based employment compensation), he or she must report the value of the room and board as untaxed income. Members of the U.S. military report their basic allowance for subsistence (BAS) but not their basic allowance for housing (BAH).

**g. Veterans' noneducation benefits.** This includes disability, the death pension, Dependency and Indemnity Compensation (DIC), and Veterans Affairs (VA) educational work-study allowances.

**h. Any other untaxed income not reported elsewhere.** This includes disability benefits (but not Social Security disability), worker's compensation, tax-free contributions to HSAs (see below), interest income on education IRAs, untaxed portions of Railroad Retirement benefits, black lung benefits, refugee assistance, the untaxed portion of capital gains, and foreign income that was not taxed by any government, was not earned, and was not part of the Foreign Earned Income Exclusion.

**Health savings accounts (HSAs)** resemble tax-deferred pension and savings plans more than flexible spending arrangements. For example, the balance in an HSA persists from year to year, while that in a flexible spending arrangement must be spent on qualified expenses by the end of the year. Therefore, treat tax-free contributions to an HSA as untaxed income; these will appear on line 12 of Schedule 1 of Form 1040. The balance in the account does not count as an asset, nor would distributions from it count as untaxed income when they are used for qualified medical expenses. Distributions not used for qualified expenses are subject to income tax (and a possible penalty) and will be counted in the adjusted gross income.

**Extended foster care payments:** Foster children who meet certain criteria can receive benefits until age 21. If these extended payments are under the authority of Title IV, Part E, of the Social Security Act, they are not reported on the FAFSA. If they are paid under some other authority, e.g., a state foster youth support program, they are reported as untaxed income to the student in Question 44h of the 2021–2022 FAFSA application. See DCL [GEN-13-18](#).

**i. Money received (44 only).** The student reports any cash support he or she received, but if dependent he or she does not count support received from his or her parents, with one exception: money from a noncustodial parent that is not part of a legal child support agreement is untaxed income to the student. Cash support includes money, gifts, housing, food, clothing, car payments or expenses, medical and dental care, college costs, and money paid to someone else or paid for on his or her behalf. For example, if a friend or relative pays a student's electric bill or part of his or her rent, the student must report the amount as untaxed income. If he or she is living with a friend who pays the rent and the student's name is on the lease, the rent paid on his or her behalf counts as cash support because the student is responsible for payments that his or her friend is making. *Note that only the student reports this item—it does not appear in the parents' untaxed income section.*

**Tips on reporting benefits:** The student reports the actual amount of benefits received during the year, even if it is an underpayment or an overpayment that will be corrected in the next year. However, if the underpayment or overpayment was adjusted in the same year, only the net amount received during that year would be reported.

Benefits the student or parents receive on behalf of anyone included in their FAFSA household size count as income to them unless the person

is an adult (not a child), e.g., a grandmother, who receives the benefits in her name. Such a person is not included in the household size if benefits in her name total more than half of her support.

**Box 14 items on the W-2:** Schools are not required to review income listed in box 14 of the IRS’s W-2 form. There are a few reasons for this. Several of the items the IRS suggests could be reported in box 14 are captured already on the FAFSA form (in adjusted gross income for instance); also, employers could include in box 14 certain nonelective pension plan contributions, and nonelective contributions should not be counted in the need analysis. Finally, because no employer is required to provide information in box 14, it is unlikely that employers will be consistent in what they report there. But if you are aware that a box 14 item should be reported—i.e., if it represents discretionary income—you should count it on the pertinent line. For example, clergy parsonage allowances often appear in box 14, and you would count that on line f of Question 44 or 92.

**Puerto Rico tax exemption:** Act 135-2014 amended the Puerto Rico tax code to exempt up to \$40,000 from income taxation (but not from Social Security and Medicare taxation) for employees 16 to 26 years old. The exemption ended December 31, 2019.

For student tax filers who receive the exemption, the exempt amount should be included in the income earned from work **and** in other untaxed income because the EFC formula uses AGI for tax filers.

For students who do not file a return and are not required to file, the exempt amount should be included in the income earned from work only and not in untaxed income. This is to avoid double-counting the amount because income earned from work is used in place of the AGI for non-filers.

**Income and benefits NOT to be included:**

- **Student aid** is considered in packaging (see *Volume 3: Calculating Awards and Packaging*); it does not count as income in the calculation of the EFC. Student aid includes tuition benefits a parent receives for a dependent, such as those from the parent’s employer. Student aid that was included in the AGI is reported separately on the FAFSA form as an exclusion so that it can be subtracted from income (43d and 91d).
- **Veterans’ education benefits.** Appendix A in *Chapter 7 of Volume 3* for 2021–2022 has the list of excluded benefits. See also the pertinent [August 13, 2009 electronic announcement](#).
- **The value of on-base housing** or the BAH for students or parents in the U.S. military. However, the BAS *does* count as untaxed income.
- **Rent subsidies for low-income housing.**

## STEPS 2 & 4

### Questions 44 and 92

#### Income NOT counted as untaxed

- **Payments and services received from states for foster care or adoption assistance**, under Part A or Part E of Title IV of the Social Security Act (e.g., Wisconsin’s Adoption Assistance Program, which facilitates the adoption of children with special needs).
- **Per capita payments to Native Americans**. See page 24.
- **Heating/fuel assistance**. This includes payments or allowances received under the Low-Income Home Energy Assistance Act (LIHEA). Payments under the LIHEA are made through state programs that may have different names.
- **Flexible spending arrangements**. These are employee benefit programs, sometimes called “cafeteria plans.” Neither contributions to nor payments from these programs should count as untaxed income.
- **Welfare benefits, untaxed Social Security benefits, and the earned income and additional child tax credits**. Welfare benefits are means-tested state or federal supplementary assistance. Examples are benefits from Medicaid (including the Children’s Health Insurance Program), the Supplemental Nutrition Assistance Program (SNAP), and Temporary Assistance for Needy Families (TANF).
- **Combat pay, Foreign Earned Income Exclusion, and credit for federal tax on special fuels**.
- **In-kind support** is support other than money, for example, friends or relatives giving the student food or allowing him or her to live with them rent-free. That support is not included as untaxed income, though you may use professional judgment (e.g., by reducing the cost of attendance or increasing income) with students who receive such in-kind support. This is not the same as housing and other allowances received as compensation for a job, which, as stated earlier, must be reported. If the student is living with someone who is paying living expenses, it can be difficult to determine whether the support is cash support or in-kind support. The basic rule is: if someone pays a cost the student is obligated to pay, the amount counts as cash support.

**Example: Independent student with parental support**

Doug is a graduate student, so he is independent even though he still lives with his parents and has no income of his own. Although the FAA at his school cannot make him a dependent student, the FAA can decide to use professional judgment to add an amount to his untaxed income to account for the in-kind support his parents provide.

# STEP 3

## Questions 45–57 Dependency status

### STEP THREE: DEPENDENCY STATUS

**Purpose:** The law governing the FSA programs is based on the premise that the family is the first source of the student’s support, and the law provides several criteria that decide if the student is considered independent of his or her parents for aid eligibility. Note that a student reaching the age of 18 or 21 or living apart from his or her parents does not affect his or her dependency status. For the 2021–2022 award year, a student who meets any of the following criteria from HEA Sec. 480(d) is independent—if he or she:

- was born before January 1, 1998;
- is married as of the date he or she applies;
- will be a graduate or professional student when the award year starts;
- is currently serving on active duty for purposes other than training;
- is a veteran of the U.S. Armed Forces;
- has dependents other than a spouse;
- was an orphan, foster child, or ward/dependent of the court at any time since the age of 13;
- is an emancipated minor or in legal guardianship or was when the student reached the age of majority in his or her state; or
- was determined at any time since July 1, 2020, to be an unaccompanied youth who was homeless or self-supporting and at risk of being homeless.

If a student is considered a dependent of his or her parents, the parents’ income and assets must be included on the FAFSA form. The CPS will calculate a parent contribution and add it to the student’s contribution to derive an EFC.

In unusual cases an aid administrator can determine that a student who does not meet any of the independence criteria should still be treated as an independent student. (See “Dependency Overrides” in *Chapter 5*.)

#### **Example: Surviving parent and stepparent**

Al’s parents divorced when he was five. His mother remarried, and Al lived with her and his stepfather, who did not adopt him. His mother died last year, but his father is still living. Al doesn’t meet any of the independence criteria, so he is a dependent student. Because his father is his only parent, Al needs to report his father’s information on the FAFSA form even though he’s still living with and being supported by his stepfather.

#### **Example: Student living with relatives**

Millie’s father is dead, and her mother cannot support her, so she is living with her grandmother. Her mother does not pay any money for her support. Millie does not meet any of the independence criteria, so she has to provide parental information. Because her grandmother has not adopted her, her grandmother is not her parent. Millie will have to provide information about her mother on the form unless there are unusual circumstances that would warrant a dependency override or her receiving only unsubsidized loans. In any case, the school might use PJ to account for the grandmother’s support.

## Who does and does not count as a parent on the FAFSA form?

If the applicant answers “No” to questions 45–57, then he or she is dependent and must report parental information in Step 4 on the FAFSA form. In most cases it is clear who the parents are but not always.

### ✓ **Biological, adoptive, and stepparents**

A parent is a biological or adoptive parent or a person that the state has determined to be a parent (for example, when a state allows another person’s name to be listed as a parent on a birth certificate). A stepparent is considered a parent if married to a biological or adoptive parent and if the student counts in their household size. Biological and adoptive (whether of the opposite or same sex) parents who are unmarried and living together give that as their status in Question 58, and both report their information on the FAFSA. See [DCL GEN-13-12](#).

However, a stepparent who did not adopt the student cannot be the sole parent for determining dependency status. If the other parent dies, the student is still a dependent of the remaining biological parent, not the stepparent. If no biological parent remains, the student answers “Yes” to Question 52 and is independent.

### ✗ **Foster parents, legal guardians, and relatives**

A foster parent or a legal guardian is not treated as a parent for FSA purposes. If at any time since the age of 13 both of the student’s parents were dead (and he or she did not have an adoptive parent) or the student was in foster care, he or she is independent. If the student is now, or was when he or she became an adult, an emancipated minor or in legal guardianship (see the exceptions under Question 54), the student is independent.

If a student is living with his or her grandparents or other relatives, their data should not be reported on the FAFSA form as parental data unless they have adopted the student. Any cash support from persons other than the student’s parents should be reported as untaxed income, as discussed in Step 2. The school may also consider other kinds of support as part of the student’s financial resources and use professional judgment to include the support under the item for student’s untaxed income (see Chapter 5 on professional judgment).

## Other sources of support for children and other household members

If the student is receiving support to raise his or her child, is the child still considered a legal dependent? If one or both of the student’s parents are directly or indirectly providing more than 50% support in cash or other assistance to the child, then the student would answer “No” to the FAFSA question about legal dependents. “Indirect support” to the child includes support that a parent gives to the student on behalf of the child. If the student is living with a parent who is paying for most of the household expenses, the parent would usually be considered the primary source of support to the child, and the student would answer “No” to the question about legal dependents. However, there may be some cases where the student can demonstrate that he or she provides more than half of his or her child’s support even while living at home, in which case he or she would answer “Yes” to the question about legal dependents.

When the student receives money for the child from any source other than his or her parents, the student may count it as part of his or her support to the child. Sources include child support and government programs, such as TANF and SNAP (formerly the federal Food Stamp Program), that provide benefits for dependent children. So a student may be considered independent when the benefit he or she receives is the primary support for the child. For example, if a student who lives alone with her child receives cash from her boyfriend that amounts to more than 50% support for her child, then she would be able to count the child as a dependent and in her household size, and she would be independent. If the boyfriend is the father of the child and a student himself, then he would also be able to count the child as a dependent and in his household size, and he would be independent too.

# STEP 3

## Questions 46–49

### Married, graduate student, member or veteran of the U.S. Armed Forces

- **Married (46).** The student must answer this question according to his or her marital status at the time the FAFSA form is signed; after that, the student **cannot** update FAFSA information for changes in his or her marital status except in limited instances; see *Chapter 4*.

A student who is only engaged answers as unmarried unless he or she waits until after the wedding to complete the FAFSA form. For this question a student is considered married if he or she is separated or planning to divorce or if he or she has a relationship that meets the criteria for common-law marriage in his or her state. A student who was independent only because he or she was married becomes dependent for the next award year if he or she divorces and cannot answer “Yes” to any of the dependency questions.

- **Graduate or professional study (47).** The FAFSA form asks if the student will be working on a master’s, doctorate, or graduate certificate program at the beginning of the school year. A student who is a graduate or professional student is independent for purposes of Title IV aid.

Graduate and professional students are not eligible for Pell grants, so a student who incorrectly answers “Yes” to this question must submit a correction before he or she can receive a Pell grant, even if he or she is independent for another reason.

Students should complete the FAFSA form based on their expected grade level at the beginning of the award year. If a dependent student completes his or her undergraduate program during the year and begins graduate school, he or she can update the answer to the dependency question so that the CPS can reprocess the student’s application, or the aid administrator at the graduate school can recalculate his or her EFC and use it to package the student graduate aid.

- **Member or veteran of the U.S. Armed Forces (48 and 49).** Veterans and persons on active duty in the U.S. Armed Forces (the Army, Navy, Air Force, Marines, or Coast Guard) for purposes other than training are independent.

Veterans are those who were in active service and were released under a condition other than “dishonorable.” This includes those who fraudulently entered the service, as long as their entire period of service was not voided. There is no minimum amount of time the student has to have served to be a veteran—even one day counts and even basic training (boot camp) counts—but it does have to be active service. (See the following rules for reservists.) This is less stringent than the VA’s definition of a veteran for receiving certain VA benefits.

The FAFSA form also tells students to answer “Yes” to the question about veteran status if they are not yet a veteran but will be by June 30, 2022.

## Veteran match (for Question 49)

If the student answers “Yes” to the question about veteran status, the CPS performs a match with VA records to confirm that status. The VA sends the result back, which appears as a match flag in the FAA Information section of the output document. For flags 2, 3, and 4, a comment and a C flag will appear on the SAR only if veteran status is the sole reason that the student would be independent. See the guide [SAR Comment Codes and Text: 2021–2022](#) on the IFAP website.

### Successful match (match flag 1)

There won’t be any comments on the output document if the VA confirms that the student is a veteran.

### Not a veteran (match flag 2)

A student will receive this flag if the VA database indicates he or she is not a veteran. If the student answered “Yes” to one of the other dependency questions, the student is independent based on that question and can receive student aid without resolving their veteran status.

If the student answered “No” to all the other dependency questions and he or she believes he or she is a qualifying veteran, the student should provide the financial aid office at his or her school a copy of his or her DD214 (the Certificate of Release or Discharge from Active Duty, with “Character of Service” as anything but “dishonorable”). If it shows that the student is a veteran, he or she can receive aid as an independent student. A dependency override is not necessary because the CPS accepts the student’s “Yes” answer to the veteran question. If a National Guardsman or a reservist who served on active duty (for other than training) did not receive a DD214 but can obtain a letter from a superior officer that documents the call-up to active duty and that classifies the character of service as anything but “dishonorable,” the student will be considered a veteran for FSA purposes. If the student turns out not to be a veteran, he or she will need to change his or her answer to the question from “Yes” to “No” and provide parent information, including a parent’s signature.

If the VA match problem is due to an error in the VA’s database, the student should contact the VA and correct the error. A subsequent transaction will then redo the match with the VA.

### Not in database (match flag 3)

Much of the guidance above applies for students not in the VA database: if the student is independent for a reason other than being a veteran, he or she doesn’t need to resolve the problem before receiving student aid, although the student should have the VA correct its database if it’s wrong. If the student answered “No” to the other dependency questions, he or she must either correct any problem with the VA, provide documentation showing he or she is a veteran or will be one by June 30, 2022, or, if he or she is not a veteran and will not be one by that date, provide parent data and change his or her response to the question from “Yes” to “No.”

### Active duty (match flag 4)

If the student is currently on active duty, he or she is not a veteran yet, but if his or her active duty will end by June 30, 2022, he or she counts as a veteran for dependency status. Because the student should have answered “Yes” to the active duty question, he or she would be independent by that criterion and would not have to resolve this situation.

## Documentation of foster youth (for Question 52)

If you have cause to require documentation from students who indicate that they were in foster care since turning 13, the following are examples of documents that could attest the student’s former foster youth status: a copy of a court order; the statement of a state or county child welfare agency; the statement of a private provider agency that delivers child welfare services; or the statement from an attorney, guardian ad litem, or court-appointed special advocate documenting the person’s relationship to the student as well as the latter’s foster youth status.

Members of the **National Guard** or **Reserves** are only considered veterans if they were called up to active federal duty [as defined in 10 U.S.C. 101(d)(1)] by presidential order for a purpose other than training. It does not matter how long the active duty lasted or if the student returned to reserve status afterward, but, as with the other qualifying veterans, the student must have had a character of service that was not “dishonorable.”

Students who attended a **U.S. military academy or military academy preparatory school** for at least one day and were released under conditions other than “dishonorable” count as veterans for Title IV purposes. If they are discharged prior to commission (known as “early exit cadets”), they might not be veterans for VA purposes, and their match result will likely show that they aren’t veterans. As with other students who receive this result, if an early exit cadet meets one of the other criteria for independence, no resolution is required. But if he or she meets no other independence criteria, the student must provide the school with documentation that shows he or she was a cadet of a military academy or its preparatory school and was released under a condition other than dishonorable. Students serving in ROTC or currently attending a U.S. military academy are not veterans.

**Military service academies and preparatory schools:**

- U.S. Military Academy (West Point)
- U.S. Naval Academy (Annapolis)
- U.S. Air Force Academy
- U.S. Coast Guard Academy
- U.S. Merchant Marine Academy
- U.S. Military Academy Preparatory School
- Naval Academy Preparatory School
- U.S. Air Force Academy Preparatory School

- **Children and legal dependents (50 and 51).** Students who have legal dependents are independent. Legal dependents comprise children (including those who will be born before the end of the award year) of the student who receive more than half their support from the student, and other persons (except a spouse) who live with and receive more than half their support from the student as of the FAFSA signing date and will continue to do so for the award year. *The same criteria apply to household size.*

When a student applies after the award year has begun, in order to count a person not his or her child as a dependent, the support already given that year plus the future support must total more than 50 percent for the whole year. See Example 4 below.

**Legal dependent examples**

**Example 1:** Stanislaw’s uncle Yvor lives with him and receives a small disability payment each month. This amount is paid directly to Yvor, so Stanislaw doesn’t report it as income on the FAFSA. The payment is small enough that Stanislaw is still providing more than half of Yvor’s

## STEP 3

### Questions 50 and 51 Children or legal dependents

support, and because he expects to continue to provide more than half support during the award year, he includes Yvor as a dependent in his household size. However, Yvor expects to also start receiving a pension late next year. The combination of the pension and the disability payment will be enough that Stanislaw won't be providing more than half of his uncle's support and therefore won't be able to include Yvor in his household size after this award year.

**Example 2:** Laurel is going to college and is her cousin Paul's legal guardian. Paul receives Social Security benefits, but because he's a minor, the benefits are paid to Laurel on his behalf. These benefits provide more than half of Paul's support. Because Paul lives with Laurel and will be supported by her (through the Social Security benefits) throughout the award year, Laurel answers "Yes" to the legal dependent question. If Paul didn't live with Laurel, she would have to answer "No" to the question.

**Example 3:** Alan pays \$4,000 to support his girlfriend, Cathy, who lives with him. She has earned income of \$3,000, and she receives \$200 a month (\$2,400 a year) from her parents. She uses all of this for her support. Alan cannot consider Cathy a dependent since the \$4,000 he provides is not more than half of her total support of \$9,400.

**Example 4:** In April 2021 Anika applies for aid for both 2020–2021 and 2021–2022 award years. One month prior to that, her cousin Bettina came to live with her. Even though Anika provides all of her cousin's support, the month of support she has given plus the two months left in the award year would not amount to more than 50% for 2020–2021, so she can't consider Bettina her dependent for that year. If Bettina had moved in before the midpoint of the year, Anika would have been able to count her as a dependent for 2020–2021. However, because the two plan to live together at least through June 2022, Anika can count Bettina as a dependent for 2021–2022.

- **Orphan, foster child, or ward of the court (52).** A student who was an **orphan**—both his or her parents were dead—when 13 or older is independent even if the student was subsequently adopted. Likewise, a student who was at any time since the age of 13 a **foster child** or a **ward of the court** is independent even if his or her status changed later.

A student is a ward of the court if it has assumed legal custody of the student. In some states the court may impose its authority over a juvenile who remains in the legal custody of his or her parents; such a student is not a ward of the court. Also, incarceration of a student does not qualify the student as a ward of the court. In some states the phrase "ward of the state" is used; as long as it is **not** due to incarceration, this is considered the same as a ward of the court for dependency status.

## STEP 3

### Question 52

#### Orphans, foster children, and wards,

# STEP 3

## Questions 53–57 emancipation, guardianship and homeless youth

- **Emancipation and legal guardianship (53 and 54).** Students are independent if they are, or were upon reaching the age of majority, emancipated minors (released from control of their parent or guardian) or in legal guardianship, both as adjudicated by a court of competent jurisdiction in their state of legal residence at the time of the adjudication. The emancipation must be determined by a court, not by an attorney, though the basis for it can vary by state.

Students placed in legal guardianship to their parents—e.g., if they are disabled adults and under their parents’ care—are not independent for Title IV program purposes by this criterion and would answer “No” to Question 54. Similarly, guardianship of a person’s estate does not qualify as a legal guardianship for this purpose; the FAFSA form asks, “Does someone other than your parent or stepparent have legal guardianship of **you**”—i.e., the student, not his or her estate. So students would answer “No” to the question if another person has only been appointed guardian of their estate. *They should also answer “No” and contact your school if custody was awarded by a court and the court papers say “custody” instead of “guardianship.”* Most states have a clear definition of legal guardianship that is distinct from custody, but if a given state does not, ask your school’s legal counsel for help with this question.

- **Unaccompanied homeless youth (55–57).** A student is independent if at any time on or after July 1, 2020 (irrespective of whether he or she is currently homeless or at risk thereof), the student is determined to be an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless. This determination can be made by: a school district homeless liaison, the director (or designee) of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development, or the director (or designee) of a runaway or homeless youth basic center or transitional living program. Depending on the district, these authorities *may* choose to make this determination only if the student is receiving their programs’ services or if, in the case of a school district homeless liaison, the student is in high school. An FAA may also determine this; see *Chapter 5*. Students who are 22 or 23 years old, though not defined as youth in the McKinney-Vento Act, may also answer “Yes” to these questions.

## STEP FOUR: PARENTS' INFORMATION (DEPENDENT STUDENTS ONLY)

**Purpose:** Questions 58–78 collect information about the student's parents and their household. Questions 79–92 collect tax and financial data for the parents, and because these questions are answered in the same way as for the student, they were discussed earlier.

- **Parents' personal information (58–68).** The FAFSA asks for parents' marital status; the month and year they were married, remarried, separated, divorced, or widowed; SSN; last name; first initial; and date of birth. This data is used for the IRS DRT and helps the government estimate erroneous Pell payments. If the SSN, last name, and birth date for at least one parent are not given, or if neither parent's SSN matches with the SSA, the application will be rejected. When the SSN doesn't match, the wrong number must be corrected so that the application and SSA agree. For a name or birth date that doesn't match, correct the application if it's wrong or re-enter the information if it's correct. If the parent doesn't have an SSN, enter all zeros (000-00-0000) to prevent or remove a reject code. Do not use an individual taxpayer identification number as an SSN.
- **Parents' state of residence (69–71).** Parents who do not live in the United States should enter "FC" for Question 69.
- **Household size (72).** This determines the standard living allowance that offsets family income in the EFC calculation. The following persons count in the household size of a dependent student's parents:
  - **The student and parents**, even if the student is not living with them. Exclude a parent who has died or is not living in the household because of separation or divorce, but include a parent who is on active duty in the U.S. Armed Forces apart from the family.
  - **The student's siblings and children**, if they will receive more than half their support from the student's parent(s) from July 1, 2021, through June 30, 2022. Siblings need not live in the home. This includes unborn children and siblings of the student who will receive more than half support from the student's parent(s) from birth to the end of the award year. It also includes siblings who would be considered dependent based on the FAFSA dependency questions (i.e., they need not be students nor apply for aid).

For children in the household size, the "support test" is used rather than residency because there may be situations in which a parent supports a child who does not live with him or her, such as when the parent is divorced or separated. If the parent receives benefits (such as Social Security payments) in the child's name, these benefits must be counted as parental support to the child.

# STEP 4

## Questions 58–72 Parent information and household size

## Reporting information in cases of death, separation, divorce, and remarriage

### Death of a parent

If one, but not both, of the student's parents has died, the student answers the parental questions about the surviving biological or adoptive parent and does not report any financial information for the deceased parent. If both parents are dead when the student completes the FAFSA form, he or she must answer "Yes" to Question 52, making him or her independent. Remember that an adoptive parent counts as a parent, but a legal guardian does not. If the surviving parent dies after the FAFSA form has been filed, the student must update his or her dependency status and report income and assets as an independent student.

### Stepparent

A stepparent is treated like a biological parent if the stepparent has legally adopted the student or if the stepparent is married, as of the date of application, to a student's biological or adoptive parent whose information will be reported on the FAFSA form. **There are no exceptions.** A prenuptial agreement does not exempt the stepparent from providing information required of a parent on the FAFSA application. The stepparent's income information for the entire base year, 2019, must be reported even if the parent and stepparent were not married until after 2019. See above for how to fill out the parent questions when the stepparent's spouse (the biological parent) dies; if the stepparent has not adopted the student, he or she would no longer provide parental information as before, but any financial support he or she gives to the student would be counted as untaxed income.

### Divorce of the student's parents

If the student's parents are divorced, he or she should report the information of the parent with whom he or she lived with longer during the 12 months prior to the date he or she completes the application. If the student lived equally with each parent or did not live with either one, then he or she should provide the information for the parent from whom he or she received more financial support or the one from whom he or she received more support the last calendar year for which it was given. Note that it is not typical that a student will live with or receive support from both parents exactly equally. Usually you can determine that the student lived with one of the parents more than half the year or that he or she received more than half support from one of the parents. Example: Marta is 22 and doesn't meet any of the independence criteria. Her parents divorced recently, and she has not lived with them since she was 18. Also, neither parent provided support in the past year. The last time she received support from her parents was when she lived with them and they were still married. Because her father's income was larger and he contributed more money to the overall household expenses, Marta determines that the last time she received support, most of it was from her father. She provides his data on the FAFSA form.

If biological or adoptive parents who are divorced still live together, their status is unmarried and living together and both would report their information on the FAFSA form; see page 30. If one or both of them have married someone else and all live in the same household (and presumably the student lived with both parents an equal amount of time), the parent and stepparent, if applicable, who provided more support in the previous year would include their information on the FAFSA. Schools may use PJ to account for the other parent's financial contribution that is not already properly counted as child support on line 44c or money received on line 44i of the 2021–2022 FAFSA form.

### Separation of the student's parents or the student and spouse

A couple need not be legally separated to be considered separated—they may deem themselves informally separated when one of the partners has left the household for an indefinite period and the marriage is severed. For a dependent student, use the rules for divorce to determine which parent's information to report. While a married couple that lives together cannot be informally separated, in some states they can be legally separated. If their state allows this, and if they are still living together and are legally separated, then that is their status on the FAFSA form unless they are the parents of a dependent student, in which case their status is unmarried and living together and both would report their information.

### Common-law marriage

If a couple lives together and has not been formally married but meets the criteria in their state for a common-law marriage, they should be reported as married on the FAFSA form. If the state does not consider their situation to be a common-law marriage, then they are not married; parents of a dependent student would report that they are unmarried and living together. Check with the appropriate state agency concerning the definition of a common-law marriage.

→ **Other persons** who live with and receive more than half their support from the student’s parent(s) and will receive more than half support for the entire award year. When the application is submitted after the start of the year, see the relevant paragraph and example about legal dependents which starts on page 34.

**Example:** Lydia is a dependent student, and her parents are married. Her brother Ron is 26, but his parents still provide more than 50% of his support, so he is included in the household size. Her sister Elizabeth is attending college but is an independent student and isn’t supported by their parents, so she isn’t included in the household size. Her sister Susan is not attending college but is working and supporting herself. However, if Susan were to apply for student aid, she would be considered a dependent student, so she is included. Therefore, the household size that Lydia reports for her parents is five.

**Foster children in household size:** Typically foster children do not count in the household size as their costs are covered by foster care payments. However, children in “kinship foster care” for whom no benefits are provided can count in the household size if they meet the tests for other persons, i.e., if they live with and receive more than half their support from their foster parents for the award year.

Note that the rules that decide whether someone is counted in the household for FSA purposes are not identical to the IRS rules for determining dependents or household members.

- **Number in college (73).** The applicant **always** counts in the number in college, but parents do not. Others included in the household size are also included in the number in college if they are or will be enrolled at least half time during the award year in any eligible degree or certificate program at a school eligible for any of the FSA programs. The definition of half-time enrollment for this question must meet the federal requirements even if the school defines half time differently. (See *Volume 1: Student Eligibility* for enrollment status requirements.)

**Service academies, household size, and number in college:**

Students at U.S. service academies have most of their educational expenses paid for by the federal government. Because of this, their families cannot “reasonably be expected to contribute to their postsecondary education” and they are not counted in the number in college in the families of either dependent or independent students. Since they will not receive more than one-half of their support from any person, they also do not count in the household size of any independent students and some dependent students. However, if a service academy attendee is a sibling of a dependent student and can answer “No” to all the dependency status questions, he or she would count in the household size of that dependent student. [HEA Sec. 474(b)(3); 480(k),(l)]

- **Receipt of means-tested federal benefits by anyone in the household (74–78).** This is an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.

## STEP 4

### Questions 73–78 Number in college and means-tested benefits

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#### Number in college

HEA Sec. 474(b)(3)

# STEP 4

## Questions 79–83 Income, assets and dislocated worker

- **Tax forms filed by parents, filing status, income, and assets (79–82, 84–92).** Refer to the earlier discussion for these questions.
- **Dislocated worker (83).** This status, as defined in the Workforce Innovation and Opportunity Act or WIOA, is an alternative to the tax return and means-tested federal benefits criteria for determining if a person qualifies for the simplified needs test or automatic zero EFC. A person would answer “Yes” to this question if he or she meets the statutory definition of dislocated worker but does not appear to because of the general nature of the FAFSA instructions. Under the WIOA, a dislocated worker is someone who falls into at least one of these categories:
  - A person who meets **all** of the following requirements:
    - He or she was terminated or laid off from employment or received a notice of termination or layoff.
    - He or she is eligible for or has exhausted his or her unemployment compensation, **or** he or she is not eligible for it because, even though he or she have been employed long enough to demonstrate attachment to the workforce, he or she had insufficient earnings or performed services for an employer that were not covered under a state’s unemployment compensation law.
    - He or she is unlikely to return to a previous industry or occupation.
  - A person who was terminated or laid off from employment or received a notice of termination or layoff as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise
  - A person who is employed at a facility at which the employer made a general announcement that it will close within 180 days
  - A person who is employed at a facility at which the employer made a general announcement that it will close
  - A self-employed person (including farmers, ranchers, or fishermen) who is unemployed because of natural disasters or because of general economic conditions in his or her community
  - A spouse of an active duty member of the Armed Forces who has experienced a loss of employment because of relocating due to permanent change in duty station
  - A spouse of an active duty member of the Armed Forces who is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment
  - Displaced homemakers who meet **all** of the following criteria:
    - They have been providing unpaid services to family members in the home.
    - They have been dependent on the income of another family member but are no longer supported by that income.

- They are unemployed or underemployed and having trouble getting or upgrading employment. An underemployed person is one working part time but who wants to work full time or is working below the demonstrated level of his or her education or job skills.

Not everyone who receives unemployment benefits will meet the definition of dislocated worker. For example, in general those who quit their jobs are not considered dislocated workers, even if they are receiving unemployment benefits.

You are not required to verify the answer to this question. If you choose to verify it, documentation can include, as appropriate to the category, a letter or a layoff or termination notice from the employer, unemployment insurance (UI) system verification, tax returns, a business license, or newspaper articles. You may also use documents from the state workforce agency or a “one-stop career center,” though they are not required to provide you such documentation and a person may meet the dislocated worker definition without going to the workforce investment system for services. Absent all other evidence, self-certification will suffice, such as a statement signed by the person affirming that he or she meets the definition of dislocated worker.

**Information from the workforce investment system.** The local workforce investment system and state UI agency may support financial aid administrators by:

- providing general information to dislocated workers;
- providing general information to financial aid administrators, such as the WIOA definition of dislocated workers and appropriate samples of documentation that financial aid offices can request from an individual to verify dislocated worker status;
- providing specific information to dislocated workers. A person can request documentation from the career center or other appropriate office that he or she is receiving dislocated worker services through the workforce investment system. That office can give the documentation to the student, or at his or her request it may (but is not obligated to) give the documentation directly to the college.

If you must determine if someone is a dislocated worker, you have sole responsibility and must make the determination regardless of whether the person has proof of dislocated worker status—or is receiving dislocated worker services—from the workforce investment system.

Note that a response of “Don’t know” on the FAFSA form is treated as “No” by the CPS. If a person gives this response to Question 83 or 100, you are not required to verify it, but you may want to determine if he or she is a dislocated worker and if that would affect the student’s eligibility for federal aid.

# STEP 5

## Questions 93–100 Independent student household size, number in college, means-tested benefits and dislocated worker

### STEP FIVE: INDEPENDENT STUDENT DATA

**Purpose:** Questions 93–100 collect information about independent students. Only students who answered “Yes” to one or more questions in Step Three complete this step.

■ **Student’s household size (93).** The following persons are included in the household size of an independent student:

- **The student and his or her spouse**, unless the spouse has died or is not living in the household due to separation or divorce.
- **The student’s children**, regardless of where they live, if they will receive more than half of their support from the student (and spouse) from July 1, 2021, through June 30, 2022. This includes the student’s unborn children who will be born during the award year and will receive more than half their support from the student from birth to the end of the award year.

→ **Other persons** who live with and receive more than half their support from the student and will receive more than half support for the entire award year. For FAFSA forms submitted after the start of the year, see the relevant paragraph and example about legal dependents on starting page 34.

**Example:** Eddy is an independent student. He was married, but now he and his wife have separated. He’s paying child support, but it is not enough to provide more than half his children’s support, so he cannot include his children in his household size. Eddy’s nephew Chavo lives with him and gets more than half of his support from Eddy (and will do so for the award year), so he can be counted in Eddy’s household size, which is two. Having just turned 24, Chavo is also considered independent on his own FAFSA form, and his household size is one.

■ **Number in college (94).** The student is **always** included in the number in college. Also included are those in the household size who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education. The definition of half-time enrollment for this question must meet the federal requirements even if the school defines half time differently.

**Example:** Under the previous example, Eddy would report two in the household and two in college, while Chavo would report one in his household and one in college.

■ **Receipt of means-tested federal benefits by anyone in the household (95–99).** This is an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.

■ **Dislocated worker (100).** See the explanation of Question 83 earlier.

## STEP SIX: SCHOOL INFORMATION

**Purpose (101):** These items collect information about which colleges the student wants to receive his or her FAFSA information. For a college to be able to receive the student’s data, the student must list the college’s federal school code (not the OPE ID) or enter its complete name, address, city, and state. There is a [federal school code search](#) in the online FAFSA form, and the entire list of school codes is available in Excel on the [IFAP website](#) under the “Publications” section.

For each school the student indicates whether he or she expects to live on or off campus or with his or her parents. This information is not used to calculate the EFC, but it is useful to schools for determining the cost of attendance.

The student can list up to four schools on the PDF FAFSA form and 10 on the web (at least one is required). If he or she wants his or her information to be available to more schools, he or she can change the schools listed online or use his or her SAR. The CPS will send data to no more than 10 (four with the PDF FAFSA form) schools at a time. *Chapter 4* explains how students can add or change schools.

The ISIR will only display the federal school code and corresponding housing code of the receiving school. The information of other schools the student included on the FAFSA form will not appear except on the SAR and on ISIRs sent to state grant agencies. See [The ISIR Guide 2021–2022](#).

## STEP SEVEN: SIGNATURE(S)

**Purpose:** By signing the FAFSA form, the applicant is assuming responsibility for the accuracy of the information reported.

- **Date and signature(s) (102–103).** In addition to certifying that the data on the FAFSA form is correct, the student is also signing a statement of educational purpose, which is required to receive FSA funds. Among other things, the student agrees to spend FSA funds only on educational expenses and affirms that he or she is not in default on a federal loan or does not owe a grant overpayment. If the student is dependent, one parent whose information is reported on the FAFSA form must also sign.

**Substitutes for a parent’s signature.** While parent information must be provided for a dependent student, a high school counselor or a college aid administrator may sign the application in place of a parent if:

- the parents are not currently in the United States and cannot be contacted by normal means,
- the current address of the parents is not known, or
- the parents have been determined physically or mentally incapable of providing a signature.

# STEPS 6 & 7

## Questions 101–103

### School data, date, and signatures

# STEP 7

## Questions 104–106

### Preparer's data

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#### Assistance in preparation of the FAFSA form

HEA Sec. 483(d)

The signer must provide his or her title in parentheses next to his or her signature and briefly state the reason (only one is needed) why he or she is signing for the parents; **if this is not done, the FAFSA form will not be processed.** The signer assures a minimum level of credibility in the data submitted; however, he or she does not assume any responsibility or liability in this process. If the counselor or FAA finds any inaccuracies in the information reported, he or she should direct the student to send the SAR through the normal correction process or, if he or she is an FAA, he or she can submit corrections through FAA Access to CPS Online. Because this proxy signing is not possible electronically, it must be done on a paper FAFSA form or on the signature page/FAFSA summary used with FAA Access.

- **Preparer's ID and signature (104–106).** Only persons who are paid a fee to help the student complete the application are considered FAFSA preparers. Those who advise students without charging a fee, such as high school counselors and FAAs, are not preparers. A preparer must include his or her name, his or her company's name (if applicable), his or her address or the company address, and either his or her SSN or the company employer identification number (EIN, as assigned by the IRS). With the paper FAFSA form, the preparer must also sign and date the form.

Preparers have other obligations. In their advertising and initial contact with a consumer, including via the Internet or phone, they must clearly inform him or her that the FAFSA form is free and can be completed electronically or on paper without professional help. If they have a website for their service, it must link to FAFSA on the Web. They may not use any form other than the FAFSA form to apply for Title IV aid.

A preparer who knowingly falsifies information on the application is subject to the same penalties as an applicant.

#### Copies of signed documents

While you will often receive documents with original or "wet" signatures from the student (e.g., a paper FAFSA form that the student has worked on and signed while in your office), there might be an occasion when the student gives you a copy or sends you a fax of a signed document. Except for a copied FAFSA form, other imaged versions of the original signed document are valid and may be retained.

## Signatures for electronic applications

### FAA Access to CPS Online

If you enter a student's original application through FAA Access to CPS Online, you must obtain original or "wet" signatures on the printed signature page/FAFSA summary or on a completed paper FAFSA, and you must keep the signed document in the school files even if the student does not receive federal student aid or attend your school. You may electronically store the original document, but you may not accept faxed or copied signatures from the student of the FAFSA form. (You have more latitude regarding verification documents and changes to the application; see Chapter 4.)

### FAFSA online

Students who have an FSA ID can electronically sign their FAFSA form. Parents who have an FSA ID can also electronically sign. When all the necessary signatures are provided electronically, the application will be processed within 72 hours. Students and parents also use the ID to sign the application in the FAFSA feature of the myStudentAid mobile app, but the other options below are not available in the app.

Alternately, students can print the signature page, sign it, and mail it to the processor. If the processor doesn't receive the signature page within 14 calendar days of receiving the application data, it will mail a "reject 16" (missing student signature) SAR to the student, which the student can sign and return. If the student chooses not to print and send a signature page, or if no printer was available, the processor won't wait 14 days to print a rejected SAR for the student but will generate one within 72 hours of receiving the data. See the announcement of March 18, 2019, for a [list of what are valid and invalid signatures](#).

If the student indicated on an electronic FAFSA form that he or she would print, sign, and mail in a signature page but the processor has not received the signature page, the student can call the FSAIC and have his or her record released from the FAFSA hold file. Because no signature page has been received, the FAFSA processor will produce a rejected SAR and mail it to the student to sign and return. The processor will accept the first signature document it receives—either the signed signature page or the signed SAR.

Schools and states receive ISIRs for rejected records. A student's reject 16 SAR and his or her ISIR will reflect the data that he or she provided on the application; however, the CPS will not calculate an official EFC for the student (an unofficial EFC that cannot be used to award or disburse aid will appear on the ISIR) or do any database matches until it receives a signed signature page, a signed SAR, or an electronic signature. A school can also collect the required "wet" signatures at the school, either on the SAR or a document that has the required certification statements (FAA Access allows schools to print out a signature page for the ISIR). The school can then submit an electronic correction showing that the signatures have been provided.

When a parent of a dependent student does not sign with his or her own FSA ID, the student can print a signature page for the parent. If the student indicates that no printer was available, the CPS will generate a "reject 15" (missing parent signature) output document for the student within 72 hours. If the student indicated he or she would send in a signature page, the processor will wait up to 14 calendar days to receive the signed page. If it does not receive a signed signature page after 14 days, it will generate a reject 15 SAR and send it to the student. The student must have a parent sign the SAR and must send it back to the address on the SAR. For reject 15 records, a student's SAR and ISIR will reflect the data provided on the application, but the processor will not calculate an EFC for the student until it receives the parent's electronic signature or the signed SAR or signature page.

Signature requirements for changes made after the FAFSA form is filed will be discussed in Chapter 4.

<b>Signature Requirements: Application and Verification for All FSA Programs</b>			
	<b><i>Application</i></b> <b><i>(FAFSA online, PDF FAFSA, FAA Access to CPS Online)</i></b>	<b><i>IRS Documentation</i></b> <b><i>(Transcript or other form submitted for verification)</i></b>	<b><i>Verification Document</i></b>
<b><i>Student</i></b>	Must sign statement that data are accurate and other conditions are met (on paper FAFSA, web summary, or signature page or by using the FSA ID)	IRS Data Retrieval Tool (DRT) or tax return transcript (which does not need to be signed). In rare instances when the tax return is used, it must be signed by the student (or spouse), or the tax preparer must provide his or her name and SSN, EIN, or PTIN.	Must sign documents used to verify FAFSA data
<b><i>Parent(s)</i></b> <b><i>(if student is dependent)</i></b>	One parent must sign statement that data are accurate (on paper FAFSA, web summary, or signature page or by using the FSA ID)	DRT or tax return transcript (which does not need to be signed). In rare instances when the tax return is used, it must be signed by one parent, or the tax preparer must provide his or her name and SSN, EIN, or PTIN.	One parent must sign documents used to verify FAFSA data.
<b><i>Aid Administrator</i></b>	Must certify if overriding dependency status or using PJ (cannot be done in the FAFSA online)		
<b>Signature Requirements for Changes*</b>			
	<b><i>Changes via SAR or Corrections on the Web</i></b>	<b><i>Changes submitted via FAA Access</i></b>	<b><i>Professional Judgment via FAA Access</i></b>
<b><i>Student</i></b>	Must sign corrections statement on the SAR; on the web the FSA ID serves as the student's signature.		
<b><i>Parent(s)</i></b> <b><i>(if student is dependent)</i></b>	If parent data are changed, one parent must sign with FSA ID on the web, sign the corrections statement on the SAR, or print and sign the signature page.		
<b><i>Aid Administrator</i></b>		School must have signed documentation from student and parent	Must certify for PJ/FAA adjustments or dependency override

\* These requirements apply to any submission of changes to the CPS, whether required by regulation (for Pell Grant recipients or corrections to data match items) or at the discretion of the financial aid administrator (for Campus-Based aid and Direct Loans). See "Submitting changes via FAA Access to CPS Online or EDE" in *Chapter 4* for a fuller explanation of what is required when submitting changes to the CPS.

# Expected Family Contribution (EFC)



*The EFC is a measure of how much the student and his or her family can be expected to contribute to the cost of the student's education for a given award year and can impact a students' eligibility for certain types of federal student aid. The EFC is calculated according to a formula specified in the law, which we explain in detail in this chapter.*

## GENERAL INFORMATION

All the data the Central Processing System (CPS) uses to calculate the EFC come from the information students provide on the FAFSA form. The EFC formula uses many variables, including income, assets, the number of persons in the household, and the number of those attending college for the award year.

Every year the Department publishes updated tables used in the EFC calculation. The 2021-2022 updates can be found in the [June 5, 2020, Federal Register](#). Also updated each year is the Department's [EFC Formula Guide](#) which is available at <https://ifap.ed.gov> under the "Publications" section.

The law (see HEA Sec. 474–479) gives three regular EFC formulas: one each for dependent students, independent students *without* dependents other than a spouse, and independent students *with* dependents other than a spouse (Formulas A, B, and C respectively). There are two variants of the regular EFC calculation: a simplified formula with fewer data elements for each group above, and an automatic zero EFC for Formula A and C students.

## SIMPLIFIED FORMULA

The simplified formula is basically the same as the regular formula except that asset information is not considered in the calculation. A dependent student qualifies for the simplified calculation if:

- the parents' combined 2019 adjusted gross income (AGI, for tax filers) or income earned from work (for non-filers) was *less than* \$50,000, AND
- either (1) the parents did not file Schedule 1 with their IRS Form 1040,<sup>1</sup> (2) one of them is a dislocated worker as defined in the Workforce Innovation and Opportunity Act (see *Chapter 2* for a descrip-

<sup>1</sup> This includes those who filed a Schedule 1 only to report one or more of the following: unemployment compensation, Alaska Permanent Fund dividends, educator expenses, IRA deductions, virtual currency, or the student loan interest deduction. It also includes those who were not required to file a 1040 return and those who filed a return for one of the following: Puerto Rico, Guam, American Samoa, the Virgin Islands

tion of dislocated worker), or (3) anyone counted in their household size (as defined on the FAFSA form and in *Chapter 2*) received a means-tested federal benefit during 2019 or 2020.<sup>2</sup>

An independent student qualifies for the simplified calculation if:

- the student's and spouse's combined 2019 AGI (tax filers) or income earned from work (non-filers) was *less than \$50,000*, AND
- either: (1) the student and spouse did not file Schedule 1 with their IRS Form 1040,<sup>1</sup> (2) one of them is a dislocated worker as defined in the Workforce Innovation and Opportunity Act (see *Chapter 2* for a description of dislocated worker), or (3) anyone counted in the household size (as defined on the FAFSA form and in *Chapter 2*) received a means-tested federal benefit in 2019 or 2020.<sup>2</sup>

The FAFSA website has a threshold question that allows the asset questions to be skipped when the student seems eligible for the simplified formula or an automatic zero EFC. But in some instances, such as when using a paper FAFSA form, a student who qualifies for the simplified formula will provide asset information. In those cases the CPS will calculate two EFCs: one using the assets and one excluding them. The EFC from the simplified formula (which excludes assets) is called the primary EFC and is printed on the front of the student's SAR, while the EFC from the full calculation is called the secondary EFC and is printed in the FAA Information section. To determine the student's federal aid, the school must use the primary EFC, which will always be less than or equal to the secondary EFC. If it turns out that the student was not eligible for the simplified formula and did not provide asset information, the school must correct and submit the record and use the EFC reported on the resulting transaction.

### AUTOMATIC ZERO EFC

The law also provides for an automatic zero EFC for some students. The rules for determining who qualifies for this variant are the same as those for the simplified formula with these differences:

- The income threshold is \$27,000 or less instead of less than \$50,000.
- It (the automatic zero EFC) is not available to independent students without dependents other than a spouse (those who use Formula B).

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#### Automatic zero EFC

HEA Sec. 479(c)

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<sup>1</sup> See footnote #1 on the previous page.

<sup>2</sup> The means-tested federal benefit programs are:

- Medicaid (including the Children's Health Insurance Program) or Supplemental Security Income (SSI)
- Supplemental Nutrition Assistance Program (SNAP) benefits, also known as food stamps
- The Free and Reduced Price School Lunch Program
- Temporary Assistance for Needy Families (TANF)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

A person need not have received the benefit for an entire year; receiving it at any time in the base or following year qualifies. Also, an FAA may use professional judgment (PJ) to count a benefit if a person did not receive it during those 24 months but is receiving it now.

Skip logic in the online FAFSA form will allow these students to answer fewer questions, and if they are selected for verification, fewer items are required.

## DEPARTMENT OF DEFENSE MATCH AND IRAQ AND AFGHANISTAN SERVICE GRANT

Schools will consider the EFC to be zero for Pell-eligible students with a parent or guardian who was a member of the U.S. Armed Forces and who died as a result of service in Iraq or Afghanistan after September 11, 2001. These students must have been less than 24 years old or enrolled in college when the parent or guardian died.

The CPS will match applications against a file provided by the Department of Defense (DOD). If a match is found, a personalized letter will be sent to the student explaining the potential increase in funding, the DOD match flag will be set to “Y” on the ISIR, and a date will appear in the parent’s date of death field (which, out of sensitivity, will not be noted on the SAR). The CPS will calculate an EFC normally; the school should use a zero EFC when packaging qualifying students.

Students in this situation who are not Pell eligible because their EFC is too high will be able to receive an Iraq and Afghanistan service grant (see *Volume 1, Chapter 6*). The amount of the grant will be the same as that of the Pell Grant they would have been eligible for with a zero EFC minus a set percentage (see *Chapter 3 of Volume 3* for specific guidance on calculating grant awards). However, for these students the school uses the EFC calculated by the CPS for packaging instead of zero.

## ALTERNATE EFCs

The law specifies how the EFC of a dependent student is modified if the student is going to enroll for other than a nine-month period. The EFC found in the upper right corner of the first page of the output document is based on a nine-month enrollment period and should always be used for awarding a Pell Grant, even if the student is attending for a longer or shorter period. The second section of the FAA information area has a table of alternate primary and secondary EFCs for 1–12 months to assist schools when awarding aid (other than Pell grants) to students attending for other than nine months.

## THE EFC WORKSHEETS

To further assist schools with the EFC calculation process, the [2021-2022 EFC Formula Guide](#) contains EFC worksheets and tables for each formula (A, B and C), which can be used to manually calculate an EFC or to see how the EFC is determined for each of the formulas. Note that the setup of the 2021–2022 EFC Formula Guide has been revised: there are fewer tables, and they have been moved to the end of the worksheets section (referenced below). For items taken from the FAFSA form, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren’t used are grayed out.

*The following information provides additional insight into the EFC calculation process and may prove helpful when reviewing the EFC worksheets in the EFC Formula Guide (no longer provided at the end of this chapter).*

### **Negative AGI or zero?**

The FAFSA form asks for the AGI, which can be a negative number and which appears on the tax return. If you are doing a hand calculation of the EFC, you'll notice that the first line of the worksheet for Formula A cites the FAFSA line number and instructs you to substitute a zero if the AGI is negative. This does not mean that the student or parent should report a negative AGI as a zero on the FAFSA form. The CPS will change the value to zero, and it makes assumptions that you will not make when completing an EFC worksheet by hand. When completing the FAFSA form, the applicant should use the AGI as it appears on the tax return, even if it is a negative number.

## **FORMULA A—DEPENDENT STUDENTS**

The EFC for a dependent student is calculated using the FAFSA data for the student and his or her parents. The CPS calculates the parents' contribution (which includes their assets), the student's contribution from income, and the student's contribution from assets; the EFC is the sum of these three.

Under the simplified formula, the parents' contribution doesn't include assets, nor is the student's contribution from assets counted.

### **Parents' contribution**

The parents' available income and contribution from assets are first determined, and then these are used with the number in college to calculate the parents' contribution.

▼ *Parents' available income.* The parents' available income is calculated by subtracting certain allowances from the parents' total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been offset for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

The total income is the sum of the taxable and untaxed income, minus amounts reported in the income but excluded from the formula. If the parents are tax filers, the parents' AGI as reported on the FAFSA form is the amount of the parents' taxable income used in the calculation. If the parents are not tax filers, the calculation uses the parents' reported income earned from work. Total income can be a negative number.

The sum of the following allowances reduces the parents' total income:

- **U.S. income tax paid.** Use the amount reported on the FAFSA form. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table 1. This allowance is a percentage of parents' total income and approximates the average

amount paid in state and other taxes. The percentage varies according to the state and according to whether the parents' total income is below \$15,000 or is \$15,000 or more. The state used is the parents' state of legal residence reported on the FAFSA form. If this item is blank or invalid, the student's reported state of legal residence is used. If both are blank or invalid, the state in the student's mailing address is used. If all three are blank or invalid, the rate shown in Table 1 for a blank or invalid state is used (2% for total income below \$15,000; 1% for total income of \$15,000 or more). If the allowance is a negative amount, it's set to zero.

- **Parents' Social Security tax allowance.** The parents' Social Security taxes are calculated separately by applying the rates shown in Table 3 to both parents' income earned from work in 2019 (as reported on the FAFSA form). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** Use Table 4. This allowance is for the basic living expenses of a family. It varies according to the number in the parents' household and the number in college in 2021-2022, as reported on the FAFSA form. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").
- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. For two working parents, the allowance is 35% of the lesser of the first or second parent's income earned from work (questions 86 and 87), but may not exceed \$4,000. For one-parent families, the allowance is 35% of the parent's income earned from work, also not to exceed \$4,000. If a student's parents are married and only one parent reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

▼ *Parents' contribution from assets.* The full formula uses the assets of parents of a dependent student and determines a "contribution from assets." This amount is combined with available income to give an accurate picture of the family's financial strength. In the simplified formula assets aren't counted.

First, the parents' **net worth** is calculated by adding assets reported on the FAFSA form. The net worth of a business or a farm is adjusted to protect a portion of these assets. Use Table 6 to calculate the amount to be used.

Second, the parents' **discretionary net worth** is calculated by subtracting the education savings and asset protection allowance (Table 7) from the parents' net worth. As with income, this is done to protect a portion of assets. The allowances for ages 40 through 65 approximate the present cost of an annuity that, when combined with Social Security benefits, would provide

a moderate level of living for a retired couple or single person at age 65. As shown in Table 7, the allowance increases with the age of the older parent (as reported on the FAFSA form) to indicate the cost of purchasing such an annuity at a given age. Discretionary net worth may be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 12% to get the **parents' contribution from assets**, which represents the portion of parental assets considered available to help pay for the student's college education. If the contribution from assets is negative, it is set to zero.

▼ *Calculation of parents' contribution.* This is the final step in determining the parents' contribution. The parents' available income and contribution from assets are added together to determine the parents' adjusted available income, which can be a negative number. The total parents' contribution from adjusted available income is calculated from the amounts and rates in Table 8 and is the total amount parents are expected to contribute toward all of their family's postsecondary educational costs. The rates in Table 8 increase from 22% to 47% as the adjusted available income increases. This is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases and the portion available for discretionary purposes increases. Therefore, a progressively larger amount of income may be contributed toward postsecondary educational costs.

The parents' contribution for the individual student is calculated by dividing the total parents' contribution from adjusted available income by the number in college in 2021-2022, as reported on the FAFSA form. Parents are not included in the number attending college.

### ***Student's contribution from income***

To determine the student's contribution from income, the student's available income (AI) is first calculated by subtracting total allowances from the student's total income. The AI is then assessed at a rate of 50% to obtain the student contribution from available income. If the student contribution from available income is less than zero, it's set to zero.

As with the parents' income information, the student's total income is calculated using information from his or her FAFSA form. Students' total income is the sum of their taxable and untaxed income, minus amounts reported in the income but excluded from the formula (see *Chapter 2* for more on these exclusions). If the student is a tax filer, his or her AGI as reported on the FAFSA form is the amount of taxable income used in the calculation. If the student is not a tax filer, the calculation uses his or her reported income earned from work. The total income may be a negative number.

The allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA form. Non-tax filers don't receive this allowance. If this is a negative amount, it's set to zero.
- **State and other tax allowance.** Use Table 2. This allowance is a percentage of the student's total income that varies according to the

state. The state to be used is the student's state of legal residence reported on the FAFSA form. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the parents' state of legal residence is used. If all three items are blank or invalid, the rate for a blank or invalid state in Table 2 is used (1%). If the allowance is a negative amount, it's set to zero.

- **Social Security tax allowance.** The student's Social Security taxes are calculated by applying the rates shown in Table 3 to the student's income earned from work in 2019 (as reported on the FAFSA form). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** The income protection allowance for a dependent student is \$6,970.
- **Parent's negative AAI.** To recognize that a student's income may be needed to help support the family, the EFC calculation allows a parent's negative adjusted available income (AAI) to reduce a dependent student's contribution from income. Because the student's contribution from income cannot be negative, this will not affect the student's contribution from assets.

### ***Student's contribution from assets***

The student's assets are treated the same way as the parents' assets with three differences: there is no adjustment to the net worth of a business or farm, there is no education savings and asset protection allowance, and net worth is assessed at the rate of 20%. Remember that under the simplified formula there is no student contribution from assets.

The student's net worth is calculated by adding assets reported on the FAFSA form (negative amounts are converted to zero for this calculation). The net worth is multiplied by 20% to obtain the student's contribution from assets, which is the portion of assets considered available to help pay for his or her postsecondary education.

### ***Calculation of student's EFC***

The student's EFC is determined by adding the parents' contribution, the student's contribution from available income, and his or her contribution from assets. If the student qualified for the simplified formula, his or her contribution from assets is not counted, and the parents' contribution is determined without using their assets.

### ***Alternate EFCs for other than nine-month enrollment***

The standard parents' contribution is for a nine-month enrollment period. For a shorter period, the parents' contribution is prorated according to the number of months of enrollment. The student's contribution from available income is also prorated and then added to the student asset contribution, which is not prorated. For an enrollment of more than nine months, the parents' contribution is calculated by adjusting the standard nine-month formula on page 3 of Worksheet A of the EFC worksheets, and the student's contribution remains at the nine-month amount.

## FORMULA B—INDEPENDENT STUDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student without dependents other than a spouse is calculated using FAFSA data for the student and spouse. The CPS calculates a contribution from available income and a contribution from assets. The sum of these two is divided by the number in college in 2021-2022, as reported on the FAFSA form. The result is the EFC for the 2021-2022 award year. Under the simplified formula, the contribution from assets isn't used.

### *Contribution from available income*

The student's available income, which can be a negative number, is calculated by subtracting the total allowances from the total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided to meet those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income is then assessed at a rate of 50% to obtain the student's contribution from available income.

▼ *Total income.* The total income is the sum of the student's and their spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA form but excluded from the formula (see *Chapter 2* for more on these exclusions). If the student and spouse are tax filers, their AGI as reported on the FAFSA form is the amount of taxable income used in the calculation. If they are not tax filers, the calculation uses reported income earned from work. Untaxed income is included in the formula because it may have a considerable effect on the family's financial strength and, in some cases, may be the family's main source of income. The total income can be a negative number.

▼ *Allowances against income.* Total allowances are calculated by adding:

- **U.S. income tax paid.** Use the amount reported on the FAFSA form. Non-tax filers don't receive this allowance. If this is a negative amount, it's set to zero.
- **State and other tax allowance.** Use Table 2. This allowance is a percentage of the student and spouse's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA form. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (1%). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table 3 to the student's and spouse's income earned from work in 2019 (as reported on the FAFSA form). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** The income protection allowance is \$10,840 for single students and for married students whose spouse is enrolled at least half time. The allowance is \$17,380 for married students whose spouse isn't enrolled at least half time.

- **Employment expense allowance.** Families with two working spouses have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. If the student isn't married, the employment expense allowance is zero. If the student is married but only one person is working (either the student or the student's spouse), the allowance is zero. If both the student and his spouse are working, the allowance is 35% of the lesser of the student's income earned from work (Question 38) or the spouse's income earned from work (Question 39), but it may not exceed \$4,000.

### ***Contribution from assets***

For students who qualify for the simplified formula, there is no contribution from assets. In the full formula, the assets of an independent student with no dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs.

First, the **net worth** of the student and spouse's assets is calculated by adding assets reported on the FAFSA form. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table 6 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table 7) from the net worth. The allowance increases with the age of the student as of December 31, 2021, which may be determined from the student's date of birth as reported on the FAFSA form. This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 20% to obtain the student and spouse's contribution from assets, which represents the portion of the value of the assets that is considered available to help pay for the student's college education. If the contribution from assets is less than zero, it's set to zero.

### ***Calculation of student's EFC***

The student's EFC is determined by adding the student and spouse's contribution from available income to their contribution from assets and then dividing the sum by the number in college in 2021-2022, as reported on the FAFSA form. If the student qualified for the simplified formula, the contribution from assets is excluded from the calculation of the EFC.

### ***Alternate EFCs for other than nine-month enrollment***

The standard EFC is for a nine-month enrollment period. If the student will be enrolled for less than nine months, the EFC is simply prorated by dividing it by nine and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than nine months, however, the EFC remains at the nine-month amount.

## FORMULA C—INDEPENDENT STUDENT WITH DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student with dependents other than a spouse is calculated using the information for the student and spouse provided on the FAFSA form. The formula is almost the same as the formula for the parents of a dependent student. There are three basic steps. First, the student's available income is determined. Then, the student's contribution from assets is calculated. Finally, the EFC is calculated using the available income, the contribution from assets, and the number in college.

### *Available income*

Available income is calculated by subtracting allowances from the student's total income. These allowances account for certain nondiscretionary costs, such as taxes and basic living expenses, and represent a minimum level of support. The formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

▼ *Student's total income.* The student's total income is the sum of the student's and their spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA form but excluded from the formula (see *Chapter 2* for more information on these exclusions). If the student and spouse are tax filers, AGI as reported on the FAFSA form is the amount of taxable income used in the calculation. If they are not tax filers, the calculation uses reported income earned from work. The total income can be a negative number.

▼ *Allowances against income.* Total allowances are calculated by adding:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table 1. This allowance is a percentage of the total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the total income is below \$15,000 or is \$15,000 or more. The state to be used is the student's state of legal residence reported on the FAFSA form. If this item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2% for total income below \$15,000; 1% for total income of \$15,000 or more). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table 3 to the student's income earned from work and the spouse's income earned from work in 2019 (as reported on the FAFSA form). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** Use Table 5. This allowance provides for the basic living expenses of a family. It varies according to the number in the student's household and the number in college in 2021-2022, as reported on the FAFSA form. In general, a school can

assume that 30% of the income protection allowance is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as “IPA”).

- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. When both the student and spouse work, the allowance is 35% of the lesser of the student’s income earned from work (Question 38) or the spouse’s income earned from work (Question 39), but may not exceed \$4,000. If the student isn’t married, the allowance is 35% of the student’s income earned from work, or \$4,000, whichever is less. If a student is married and only the student or the spouse (but not both) reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

### ***Contribution from assets***

In the full formula, the assets of an independent student with dependents other than a spouse are considered in order to fully measure the family’s ability to contribute toward postsecondary educational costs. The formula determines a “contribution from assets,” an amount that is combined with available income to give an accurate picture of the family’s financial strength. In the simplified formula, the assets are not counted at all.

First, the **net worth** of a student and spouse’s assets is calculated by adding assets reported on the FAFSA form. The net worth of a business or farm is adjusted to protect a portion of these assets. Use Table 6 to calculate the amount to be used.

Second, the student and spouse’s **discretionary net worth** is calculated by subtracting the asset protection allowance (Table 7) from the net worth. The allowance increases with the age of the student as of December 31, 2021, which may be determined from the student’s date of birth as reported on the FAFSA form. This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by 7% to obtain the **contribution from assets**, which is the portion of the value of the student’s and spouse’s assets considered to be available to help pay for the student’s postsecondary education. If the contribution from assets is less than zero, it is set to zero.

### ***Calculation of student’s EFC***

This is the final step in determining the EFC for the independent student with dependents other than a spouse. The available income and the contribution from assets are added together to obtain the adjusted available income. The adjusted available income can be a negative number. The total contribution from adjusted available income is calculated from using Table 8.

This is the total amount the student's family is expected to contribute toward family postsecondary educational costs. The rates in Table 8 increase from 22% to 47% as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. The larger the income, the easier it is for a family to contribute toward postsecondary educational costs with less effect on the maintenance of the family.

Dividing the total student's contribution from adjusted available income by the number in college, as reported on the FAFSA form, yields the EFC for the 2021–2022 award year.

### ***Alternate EFCs for other than nine-month enrollment***

The standard EFC is for a nine-month enrollment period. If the student will be enrolled for less than nine months, the EFC is simply prorated by dividing it by nine and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than nine months, however, the EFC remains at the nine-month amount.

#### **Reminder**

To view and/or work through the EFC worksheets and tables in order to manually calculate a 2021-2022 EFC for any of the formulas (A, B, or C), please remember to review the [2021-2022 EFC Formula Guide](#) (located on IFAP under the "Publications" section).

# Verification, Updates, and Corrections

## CHAPTER 4

*Because students sometimes make errors on their application, there is a process for verifying applications and making corrections. The Central Processing System (CPS) selects which applications are to be verified, but you also have the authority to verify additional students.*

**Y**ou must verify applications selected by the CPS of students who will receive or have received subsidized student financial assistance, as defined below. Verification is not required for students who are only eligible for unsubsidized student financial assistance (however, see *Verification exclusions* later in this chapter for an important caveat). While graduate students are ineligible for most types of subsidized Title IV aid, they are eligible for Federal Work Study and would need to complete verification if they are selected and receive that aid. Students who are eligible for both subsidized and unsubsidized Title IV aid may not avoid verification by accepting only unsubsidized aid; they must complete verification to receive any Title IV aid (see “Disbursing unsubsidized aid” on page 82 for more information).

### Verification regulations

34 CFR 668.51–61 (Subpart E)

### REQUIRED POLICIES AND PROCEDURES

Your school must have written policies about:

- the time period in which students must submit verification documentation,
- the consequences for failing to submit those documents in time,
- the method you use to notify students if their expected family contribution (EFC) and Title IV aid amounts change,
- the procedures you or students follow to correct FAFSA data, and
- the procedure you follow to refer a student to the Office of Inspector General (OIG) (see *Chapter 5*).

### Policies and procedures

34 CFR 668.53

**Subsidized student financial assistance programs**—Title IV programs for which eligibility is determined by the EFC: the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Direct Subsidized Loan programs.

**Unsubsidized student financial assistance programs**—Title IV programs for which eligibility is not based on the EFC: the Teacher Education Assistance for College and Higher Education (TEACH) Grant, Direct Unsubsidized Loan, and Direct PLUS Loan programs.

The Iraq and Afghanistan Service Grant is a non-need-based grant and is not subject to verification.

34 CFR 668.52

Your school must provide, in a timely manner, students selected for verification a clear explanation of their role, including what documents to submit, deadlines they must meet, and the consequences of failing to meet them.

The FSA Assessments, located under “Tools for Schools” section on the IFAP website, includes various verification activities under the [verification assessment](#) that you can use to help you evaluate your verification process. In addition, the Department has a list of [questions and answers about verification](#) also located on IFAP under the “Hot Topics” section.

### ***Verification selection and professional judgement (PJ)***

You must complete verification for a selected student before you exercise professional judgment (PJ) to adjust any values used to calculate the EFC. *But, a PJ adjustment does not require you to verify an application not selected.*

Once the Department selects a FAFSA application for verification, every subsequent transaction for that award year, even one resulting from PJ, will indicate that the student is selected for verification.

If a FAFSA that is not selected for verification is later corrected, that can result in the application being selected. However, when PJ is used (and coded correctly) to adjust an application that is not selected for verification, the CPS prevents the subsequent transaction from being selected for verification.

## **APPLICATIONS AND INFORMATION TO BE VERIFIED**

The Department’s long-term goal is for a customized approach to verification. A menu of potential verification items for each award year will be published in the *Federal Register*, and the items to verify for a given application will be selected from that menu and indicated on the SAR/ISIR. Those output documents will continue to include only one verification flag to show students who were selected, and they will need to verify all the FAFSA items below that apply to them.

See the [September 3, 2020, Federal Register](#) for verification items for 2021–2022, which are the same as last year’s:

- Adjusted gross income (AGI)
- U.S. income tax paid
- Education credits
- Untaxed portions of IRA distributions
- Untaxed portions of pensions
- IRA deductions and payments
- Tax-exempt interest income
- Income earned from work
- Household size
- Number in college
- High school completion status
- Identity/statement of educational purpose

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### **Verification and PJ**

34 CFR 668.53(c)

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### **Verification items**

34 CFR 668.56

The verification flag will have a value of “Y,” and next to the EFC will be an asterisk referring to a comment in the student section of the SAR that tells applicants they will be asked by their schools to provide documentation. A verification tracking flag will be set on the applicant’s Institutional Student Information Record (ISIR) to indicate placement in one of the 2021–2022 verification tracking groups.

### ***School-selected verification***

In some cases you, not the CPS, will select a student for verification. You must verify any information you have reason to believe is incorrect on an application. Also, you may at your discretion require a student to verify any FAFSA information and provide reasonable documentation according to consistently applied school policies. In either case you may, but are not required to, include any of the CPS verification items not already included. Whether you do that or not, students with these applications are considered selected for verification and, as with CPS-selected applications, all other verification requirements, such as deadlines, allowable tolerances, and interim disbursement rules, apply.

When schools choose to verify an item other than those the Department selects, they may delay disbursing Title IV aid until verification is completed if the school-selected item can affect the student’s Title IV eligibility, such as an item about dependency status. But schools cannot delay Title IV disbursing when the item has no bearing on Title IV aid, for example, if the school is verifying home equity to determine student eligibility for school or state aid.

### ***Verification tracking groups***

Students who are selected for verification will be placed in one of the following groups to determine which FAFSA information must be verified.

**V1—Standard Verification Group.** Students in this group must verify the following if they are *tax filers*:

- Adjusted gross income
- U.S. income tax paid
- Untaxed portions of IRA distributions
- Untaxed portions of pensions
- IRA deductions and payments
- Tax-exempt interest income
- Education credits
- Household size
- Number in college

Students who are *not tax filers* must verify the following:

- Income earned from work
- Household size
- Number in college

**V4—Custom Verification Group.** Students must verify high school completion status and identity/statement of educational purpose (SEP).

**V5—Aggregate Verification Group.** Students must verify high school completion status and identity/SEP in addition to the items in the Standard Verification Group V1.

Groups V2, V3, and V6 are reserved for future use by the Department.

### ***Changing tracking groups***

A student may move from Verification Tracking Group V1 or V4 to group V5 based on corrections made to his or her CPS record or on other information available to the Department. If verification was already completed for the previous group, the student is only required to verify the V5 information that was not already verified. If verification was not completed for the previous group, the student needs to verify all of the V5 information.

No disbursements of Title IV aid may be made until the V5 verification is satisfactorily completed. If the student doesn't complete verification, the school is not liable for any Title IV aid it disbursed prior to receiving the group V5 ISIR. The student is liable for the full amount because without verification there is no evidence he or she was eligible for that aid. See the [October 31, 2016, electronic announcement](#) for more information about disbursements and potential return of funds when students are selected for verification.

### ***Reporting results for groups V4 and V5***

You must report the verification results of identity and high school (HS) completion status for any student for whom you (1) receive an ISIR with tracking flag V4 or V5—*as selected by the CPS, not your school*—and (2) request verification documentation. You report this information on the FAA Access to CPS Online website: select the Identity Verification Results option from the main menu, enter your school identifiers, the award year, and the student identifiers. You will then enter one of the following numeric codes that most applies:

- 1—Verification completed in person, no issues found
- 2—Verification completed remotely, no issues found
- 3—Verification attempted, issues found with identity. (You received acceptable documentation of high school completion but not the SEP or documentation of identity, or the latter was unacceptable.)
- 4—Verification attempted, issues found with HS completion. (You received the SEP and acceptable documentation of identity, but you didn't get HS completion documentation or it was unacceptable.)
- 5—No response from applicant or unable to locate
- 6—Verification attempted, issues found with both identity and HS completion

You are required to report results **no more than 60 days** following your first request to the student for documentation of identity and high school completion. Inaccurate and untimely reporting may subject your school to

findings as a result of your annual compliance audit or a program review. If there is a change in a result you have already submitted, you can submit the new code using the above process, and must make that change **within 30 days** of becoming aware that a change occurred. The most recent submission will supplant prior award year submissions. Because the FAA Access website does not store a list of these verification results for you to retrieve, we recommend you print and keep the confirmation page for your records.

Instead of using this individual method, you can submit verification results by uploading a flat file with the data for up to 2,000 students. Each record must contain only the nine-digit SSN, the two-character name ID, and the appropriate numeric result code from above. Each line of data must contain only one record. Do not use hyphens, empty lines, or spaces (unless the student does not have a last name, in which case enter two spaces). This is an example of two records reported via the flat file:

```
111223333BE1
222334444OL5
```

### Verification exclusions

There are times when you don't need to verify a student's application. **Except in the case of the student's death, however—or post-enrollment situations where the student also does not intend to reenroll—none of the exemptions excuse you from the requirement to resolve conflicting information (see Chapter 5).** You should document the basis for an exclusion. Other information not excluded must still be verified according to all other requirements.

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### Verification exclusions

34 CFR 668.54(b)

You don't have to verify FAFSA information of a **student** in the following situations:

- *Death of the student.* You don't have to continue verification if you made an interim disbursement and the student died before verification was completed. You cannot make any additional disbursements, except for FWS funds already earned, to any of the student's beneficiaries. You cannot originate or disburse his or her Direct Subsidized Loan or consider any interim disbursement you made of Pell or FSEOG funds or provisional FWS employment to be an overpayment.
- *Not an aid recipient.* The student won't receive Title IV aid for reasons other than a failure to complete verification. This includes being ineligible for that aid and withdrawing without receiving it.
- *The applicant is eligible to receive only unsubsidized student financial assistance.* However, students selected for V4 or V5 verification should complete it in accord with the answer to DOC-Q18 on the [verification Q and A page](#).
- *Applicant verified by another school.* The student completed verification for the current award year at another school before transferring. His or her FAFSA data must be the same as it was at the previous school, and you must get a letter from that school stating that it verified the student's application and providing the transaction number of the pertinent valid ISIR.

- *Post enrollment.* The student was selected for verification **after** ceasing to be enrolled at your school, he or she does not intend to reenroll for the award year, and no further (including late) disbursements will be made.

Unless you have reason to believe it is inaccurate, you don't have to verify the reported FAFSA information of the **parents of a dependent student** if any of the following apply (including in cases where there is only one parent):

- Both of the parents are mentally incapacitated.
- Both parents or the custodial parent has died.
- They are residing in a country other than the United States and can't be contacted by normal means.
- They can't be located because the student does not have and cannot get their contact information.

Unless you have reason to believe it is inaccurate, you don't have to verify the reported FAFSA information of the **spouse of an independent student** if any of the following apply:

- The spouse has died.
- The spouse is mentally incapacitated.
- The spouse is residing in a country other than the United States and cannot be contacted by normal means.
- The spouse cannot be located because the student does not have and cannot get his or her contact information.

**Example:** Ursula is attending Lem Community College, and her application is selected for verification. She provided her husband's information on the application but now explains that he recently moved out and she can't locate him. She also gives Lem documents to show that she's tried to locate her husband. Lem determines that Ursula doesn't need to verify her husband's tax and income information. Of course, she still needs to verify her own information.

### ***Verification following disasters***

The Dear Colleague Letter (DCL) [GEN-17-08](#) gives general guidance for awarding aid in federally declared disasters. It states that the Secretary will not enforce the verification requirements during the award year for applicants whose records were lost or destroyed because of a disaster as long as the school has tried to preserve and reconstruct any records. The school must document when it does not perform verification for this reason and use status code "S" when reporting the disbursement of Pell Grants to affected students. Also, the requirement for dependent students to submit a statement signed by a parent regarding household size and number in college is waived if the parents cannot provide the signature due to the disaster. The school must note why no parent was able to provide the statement.

Schools that experience a local disaster (rather than a federally declared one) that affects Title IV administration should consult their regional [school participation division](#).

Refer to the resources for higher education institutions on the Department's [Coronavirus webpage](#) for guidance pertaining to the COVID-19 national emergency.

### ***Higher Education Relief Opportunities for Students (HEROES) Act***

The relief described in GEN-17-08 applies specifically to disasters and is separate from relief under the HEROES Act, which allows the Secretary to modify or waive some statutory and regulatory requirements for those who:

- are serving on active duty or performing qualifying National Guard duty during a war, other military operation, or national emergency;
- reside or are employed in an area declared a disaster by a federal, state, or local official in connection with a national emergency; or
- suffered economic hardship as a direct result of a war, other military operation, or national emergency, as determined by the Secretary.

Read the [September 29, 2017 electronic announcement](#), and the [Federal Register notice](#) for the waivers and modifications due to expire on September 30, 2022.

## **DOCUMENTATION**

The September 3, 2020, *Federal Register* gives the documentation required for verifying 2021–2022 application data, which depends on the item verified, as explained in this section. The Department encourages students and parents to use the IRS Data Retrieval Tool (DRT) to import data from their tax return and not change it. It is the fastest, easiest, and most secure method of meeting verification requirements. In addition, the Department has developed suggested text that, if you choose, you can use to create a verification document and to verify non-tax items, such as household size and number in college. *Unlike in past years, the suggested text is no longer found at the end of this chapter.* To review the suggested text for 2021–2022, please see the [September 25, 2020 electronic announcement](#).

If you use a verification document, be sure that it is signed, that all required sections are completed, and that any relevant tax or alternative documents are attached. Copies are acceptable, and unless specifically noted in this chapter, a signature on a copy is as valid as an original signature (i.e., a handwritten or “wet” signature). If a copy of the tax return is used, the filer (or at least one of the filers of a joint return) must sign it or the tax preparer must provide his or her name and SSN, EIN, or PTIN.

The following chart shows the tax form line numbers for the most commonly reported items. This chart is a reference only; it is not a list of all the items the school must check on a tax return.

<b>Line items from the 2019 1040 tax return</b>	
<b>AGI</b>	8b
<b>Income tax paid</b>	14 minus Schedule 2 line 2
<b>Deductible IRA/SEP</b>	Schedule 1 line 15 plus 19
<b>Tax-exempt interest income</b>	2a
<b>Untaxed portions of IRA distributions and pensions (excluding rollovers)</b>	(4a + 4c) minus (4b + 4d)
<b>Education credits</b>	Schedule 3 line 3

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**AGI and income tax documentation**  
34 CFR 668.57(a)

**Documenting AGI, taxes paid, and other tax data with the DRT**

As already noted, the importation of IRS tax data via the DRT is the best way to document that information. Students and parents do this either when initially filling out the FAFSA or later as a correction. For the retrieved data to be acceptable documentation of tax data, it is necessary that neither students nor parents change the data after it is transferred from the IRS—if the data was changed or if you have reason to believe the data transferred is incorrect, the student will need to provide a tax return transcript or a signed copy of the tax return. The IRS request field(s) on the ISIR will have a value of “02” when the data is unchanged. The following items are imported from IRS form 1040 to a student’s FAFSA via the DRT:

- Type of tax return filed
- Adjusted gross income
- Taxes paid
- Education credits
- IRA deductions
- Tax-exempt interest income
- Untaxed portions of IRA distributions
- Untaxed portions of pensions
- Income earned from work
- Tax return filing status

## Using a joint return to figure individual AGI and taxes paid

If the filer of a joint return has become widowed, divorced, or separated since filing the return, it may be necessary to determine the individual's income and taxes paid using the joint return and W-2 forms. If a W-2 is not available (the filer is self-employed for example) or if a duplicate copy from the employer who issued the original W-2 is not available in a timely manner, the school may permit the filer to provide a signed statement that certifies the base year AGI and U.S. taxes paid. If he has divorced and married someone new (see "Parent remarriage after applying" on page 80 if this occurred after completion of the application), then the new spouse's income and assets would also need to be included.

Add the income amounts from the individual's W-2 forms to any other income that can be extracted from the joint return. Any interest or business income earned on joint accounts or investments should be assessed at 50%. The same procedure should be used to divide business or farm losses. Also, if the AGI listed on the joint return was adjusted, you should reduce the individual's AGI by the portion of the adjustment that applies solely to him or her. An AGI figure can be calculated for the individual filer. A signed statement from the filer certifying that the data from the joint return were accurately assessed is sufficient documentation for this method.

Use one of the following methods to figure the individual's taxes paid:

- **Tax table (preferred method).** Using the IRS Tax Table or Tax Rate Schedule for the appropriate year, calculate the amount of tax that would have been paid if a separate return had been filed. Use the deductions the individual could have claimed if he or she had filed a separate return. (If itemized deductions were taken, count only the portion of those deductions that could have been claimed on a separate tax return.)
- **Proportional distribution.** Determine what percentage of the joint AGI was attributable to the individual, and then assess the joint taxes paid by that same percentage.

### Example

#### Calculating the individual AGI from a joint return

Eddy's application is selected for verification. He and his wife filed a joint return for 2019 and have since divorced. The AGI on Eddy's FAFSA matches the AGI of \$56,500 on the 2019 tax return, which means it's wrong because it includes his wife's income.

Eddy's W-2 shows that his income for 2019 was \$25,900, and the tax return shows \$400 in interest. Because it was interest on a joint savings account, the aid administrator adds \$200 of it to Eddy's income and submits \$26,100 as the corrected income via FAA Access.

#### Calculating the individual tax from a joint return

The aid administrator determines that Eddy's part of the \$56,500 AGI he and his wife reported is \$26,100. If he had filed his tax return as single, his standard deduction would have been \$12,200 (instead of \$24,400 for married filers). Eddy's income of \$26,100 minus \$12,200 for the standard deduction results in \$13,900 in taxable income.

The aid administrator uses the tax table to determine how much tax Eddy would have paid on this amount, taking into account any applicable credits reported on the original return. With a taxable income of \$13,900, the tax amount from the tax schedule is \$1,477.

To use the proportional distribution method instead, the aid administrator figures out what percentage of the joint AGI Eddy's income represents. The percentage is 46% ( $26,100 \div 56,500$  is .4619). The aid administrator then multiplies the income tax paid as reported on the tax return (\$3,467 for this example) by this percentage. Eddy's income tax by using this method is \$1,595 ( $.46 \times \$3,467$ ).

In the following situations, the IRS DRT is **not** available in the FAFSA online or the myStudentAid mobile app (all apply to both students and parents unless otherwise noted):

- The person did not indicate on the FAFSA form that the tax return has been completed.
- The person filed a non-U.S. tax return.
- The marriage date is January 2020 or later.
- The person answered married on the FAFSA form and filed the tax return either as head of household or married but filing a separate return.
- The first three digits of the SSN are 666.
- Neither married parent entered a valid SSN.
- An unmarried parent or both married parents entered all zeroes for the SSN.

### ***Using the tax transcript***

If students cannot or will not use the DRT, either at initial FAFSA filing or through online corrections, another way to document AGI, taxes paid, and untaxed income is by providing an IRS tax return transcript for the student and spouse or parents, as applicable. Before requesting a transcript, they should allow enough time to pass after filing the return; it takes the IRS 2 to 4 weeks to process returns filed electronically and 6 to 8 weeks for mailed returns. Tax transcripts submitted to your school for verification do not need to be signed by the tax filer (but it is encouraged) unless you have reason to doubt their authenticity.

There are a few ways to request a tax return transcript: online at [www.irs.gov](http://www.irs.gov), by calling 1-800-908-9946, or by mailing the paper Form 4506T-EZ, which can be printed out from the IRS website. To order a fiscal year tax transcript for verification, Form 4506-T must be used rather than Form 4506T-EZ. Phone requests are via an automated process instead of an IRS representative. With online requests, tax filers can get an electronic transcript (see below) or they can have the IRS mail them a paper transcript; non-online requests yield a mailed transcript. Schools can accept and copy transcripts originally obtained from the IRS.

The Get Transcript Online feature allows users to get the transcript in real time as a portable document format (PDF) file, which they can submit electronically to a school or print and submit as a hard copy. To use the Get Transcript Online tool, users must have (1) access to a valid email address, (2) a text-enabled mobile phone in their name, and (3) specific financial account numbers, such as a credit card number or an account number for a home mortgage or auto loan. The process will not cause charges to the card or the account. See the [IRS.gov website](https://www.irs.gov) for more information on the Get Transcript Service.

The IRS's Income Verification Express Service (IVES) allows a third party to receive a tax filer's transcript. The IVES participant submits a 4506-T or 4506T-EZ form, signed by the tax filer, and receives the transcript from the IRS, which charges a small fee for the service. Schools may [apply to participate in IVES](#). They may also use a transcript from another IVES participant (which is not considered a third-party servicer in this case) for verification as long as they have no reason to doubt its authenticity. Schools may not, however, pass on the charge for using this service to the student. See [GEN-14-05](#).

To combat identity theft, the IRS masks much of the personally identifiable information on the transcript. For example, only the last four digits of any SSN or account or telephone number are displayed. The option on forms 4506-T and 4506T-EZ to designate a third-party recipient of the transcript has been eliminated. As noted above, schools can elect to participate in IVES as a way of receiving transcripts directly from the IRS. Taxpayers will be able to have a "customer file number" of their choosing appear on a requested transcript, which will facilitate identification. This can be something like a student's college ID number or some other number (but **not** an SSN). See the [October 4, 2018, electronic announcement](#) and the [IRS news release](#) for more.

See the [November 20, 2020 electronic announcement](#) for the **tax transcript matrix**, a chart of the FAFSA and ISIR tax items used for verification and their corresponding line items from the various IRS tax returns and the tax transcript for the 2021-2022 award year.

The tax return transcript may show a **per computer amount** for some tax data that is different from what the filer reported to the IRS. The per computer amount should be used because it corrects mathematical errors and is more accurate than what appears on the original return or was transferred via the DRT. This guidance still holds, but because the DRT reports per computer values for AGI, income tax paid, and education tax credits, there should not be many discrepancies between DRT data and the transcript. Also, if a transcript indicates "recomputed <tax return item> per computer," that amount may be ignored for verification.

Schools may accept for verification any IRS tax transcript that includes all of the necessary information: adjusted gross income, U.S. income tax paid, untaxed IRA distributions, untaxed pensions, education credits, IRA deductions and tax-exempt interest. Because the record of account and the Return Transcript for Taxpayer (RTFTP) include all of the above information, either may be used for verification. The Information Returns Processing Transcript Request—Wages (IRPTR-W) only provides wage information and therefore can only be used in lieu of a W-2 form. See the [February 23, 2017, announcement](#) for information about the documents obtained from the IRS that are used for verification: the tax return transcript, the record of account, the account transcript, and the wage and income transcript. The announcement also explains Form 13873, which students or parents might receive when requesting documents from the IRS.

### ***Rollovers and verification***

Qualified rollovers from one retirement account to another are not taxable, and they should not be counted as untaxed income (as indicated in *Chapter 2*). Since neither the DRT nor a tax transcript identifies rollovers, you must get documentation from the tax filer. This could be a signed statement with the rollover amount or a notation by the filer on the tax transcript that includes the word “rollover” beside any applicable item, similar to the instruction the IRS gives for Form 1040. The annotation must be signed and dated by the filer. For those who used the DRT, a signed confirmation that the IRA or pension distribution included a rollover would suffice; a tax transcript would only be needed if other IRS tax information was changed. See VI-Q4 on the [Q and A page](#).

### ***Using the tax return***

Although the DRT and tax transcript are preferable for completing verification, students can also submit a copy of the tax return and any applicable schedules. However, see the guidance under victims of identity theft later in this volume for an important caveat. The tax return will likely have been filed electronically with one of a variety of methods. These include do-it-yourself methods as well as completion by a tax preparer. Each method should permit printing of a paper copy of the return, though the e-file format might not contain every line item, showing instead only the data the tax filer provided. For example, if Item 2b, “Taxable interest,” does not appear on such a return, that means no taxable interest income was reported.

You can accept a paper or electronic copy of the return as long as it contains a signature. Acceptable examples would include, but are not limited to:

1. A signed paper return that the student either mailed or brought to the school.
2. A signed paper return that the student faxed or scanned and emailed.
3. An electronic copy that the student signed with a stylus or finger.
4. An electronic copy that we consider signed because it has an image of the student’s signature attached.

However, a signature on Form 8879, the IRS e-file Signature Authorization, is not an acceptable substitute for a signature on the tax return.

For persons who have a tax professional prepare their return, instead of a copy of the return with the filer’s signature, you may accept one that has the name and PTIN of the preparer or has his or her SSN or EIN and has been signed, stamped, typed, or printed with his or her name and address. Note that the IRS requires paid preparers to have a PTIN.

If a person did not retain a copy of his or her 2019 tax information and it cannot be located by the IRS or the relevant government agency, he or she must submit a signed statement indicating that they did not keep a copy of their tax information as well as documentation from the taxing authority indicating that that information cannot be located. Also, you must accept for an IRS filer either a copy of Form W-2 for each source of employment income received for 2019 or, if he or she is self-employed, a signed statement certifying the amount of AGI and taxes paid. For someone who filed an in-

come tax return with a government of a U.S. territory or commonwealth or a foreign central government, accept a copy of a wage and tax statement or a signed statement certifying the amount of AGI and taxes paid for 2019.

### ***If a W-2 is not available***

If an individual who is required to submit an IRS Form W-2 did not save a copy, he or she should request a replacement W-2 from the employer who issued the original. A W-2 transcript from the IRS is also acceptable though it generally is not available until the year after the W-2 information is filed with the IRS (e.g., 2021 for 2019 information filed in 2020). If he or she is unable to obtain one in a timely manner, you may permit him or her to provide a signed statement that includes the amount of income earned from work, the source of that income, and the reason why the W-2 is not available in a timely manner.

### ***Immigrants and tax filing***

Immigrants are not exempt from tax filing. The IRS is more concerned whether a person is a resident or nonresident— rather than legal or illegal—alien. An alien is anyone who is not a U.S. citizen or national. A resident alien is one who either is a permanent resident or has resided in the U.S. for a specific minimum amount of time (has met the substantial presence test). All others are nonresident aliens. Resident aliens' income is generally subject to tax in the same manner as U.S. citizens', and they file Form 1040. Nonresident aliens who are required to file a return submit Form 1040NR or 1040NR-EZ; both forms are acceptable documentation for verification.

Immigrants who do not have an SSN and are unable to get one can apply with the IRS for an individual taxpayer identification number (ITIN). The ITIN is only for tax purposes. It does not authorize a person to work, endorse his or her legal status, or entitle him or her to the earned income credit or Social Security benefits. It is not to be used as an identifier in place of the SSN on the FAFSA.

See the IRS's *Publication 519, U.S. Tax Guide for Aliens* at [www.irs.gov](http://www.irs.gov) for more information.

### ***Special situations***

■ **Filing extensions.** Because the FAFSA uses prior-prior year tax data, even individuals who have an automatic six-month extension by the IRS should have completed their tax return by the time of verification. Therefore, they must verify income and tax information either by using the IRS Data Retrieval Tool or by submitting to the institution an IRS Tax Return Transcript. Only students (and spouses if applicable) and parents granted an extension beyond six months may submit the following for verification:

- a copy of the IRS's approval of an extension beyond the automatic six-month extension for tax year 2019;
- verification of non-filing (see non-tax filers for more information) from the IRS dated on or after October 1, 2020;
- copies of all their W-2 forms (or equivalent) for 2019 employment income; and

- if self-employed, a signed statement with the amounts of their AGI and U.S. income tax paid for tax year 2019.

You may require those with a filing extension to use the DRT or submit to your school a tax transcript or return after it has been filed. If you do that, you must reverify the income information. If the student does not use the DRT or submit a tax transcript or return, see the guidance on page 84 on failing to complete verification. See DOC-Q16 on the [Q and A page](#).

For a person called up for active duty or qualifying National Guard duty during a war, another military operation, or a national emergency, a school must accept a statement from the person certifying that he or she has not filed an income tax return or a request for a filing extension because of that service.

- **Joint return filers who are no longer married.** When a dependent student's parents filed a joint return and have separated, divorced, married someone else, or been widowed, the student must submit a tax transcript or return **and** a copy of each W-2 form for the parent whose tax information is on the FAFSA. Similarly, an independent student must submit a tax transcript or return **and** a copy of his or her W-2 form if he or she filed a joint return and is separated, divorced, or a widow.
- **For non-tax filers** you must receive a W-2 form for each source of 2019 employment income and a signed statement certifying that the person has not filed and is not required to file a 2019 tax return. You must also get a signed statement giving the sources and amounts of the person's income earned from work not found on W-2s. Students may sign on a nonfiling spouse's behalf.

For residents of the Freely Associated States (the Republic of the Marshall Islands, the Republic of Palau, or the Federated States of Micronesia), a copy of the wage and tax statement from each employer (substitute for W-2s) and a signed statement identifying any other employment income for the year not identified on the wage and tax statement is acceptable. Persons from a U.S. territory or commonwealth or a foreign country who are not required to file a tax return can provide a signed statement certifying their income.

You must also require the person (*except dependent students*) to submit a "Verification of Nonfiling (VNF) Letter" from the IRS dated on or after October 1, 2020, attesting that he or she did not file a 2019 IRS tax return. The nonfiler can get this by sending IRS Form 4506-T and checking box 7. Also acceptable is other IRS documentation that clearly states the IRS does not have a tax record for the year, such as a return transcript with the message "no record of return filed" or "no transcript on file." Messages that aren't as clear, such as "could not be processed," are not acceptable alternatives. See the [February 23, 2017, electronic announcement](#) for more information.

Persons subject to foreign tax codes would submit a comparable document; see DOC-Q30 on the [Q and A page](#). Note that verification of

nonfiling only shows that a person did not file a tax return, not that he or she was not required to file one. See *Chapter 5* if a person whose financial information was on the FAFSA did not file a tax return when it appears he or she was required to file. And finally, see DOC-Q29 on the [Q and A page](#) about non-tax filers who lack any identifying number (e.g., SSN) needed to get a confirmation of nonfiling from the IRS.

- **Individuals who can't get a VNF letter** from the IRS (or other tax authority) may instead submit a signed statement as long as the school has no reason to question the student's or family's good-faith effort to acquire the letter. Form 4506-T states that most requests are processed within 10 business days, so at least that amount of time should elapse before schools resort to a signed statement. Also, since a VNF must be dated on or after October 1, 2020, the statement cannot be signed and used before that date.

The statement must assert that the person attempted but was unable to get the VNF. For non-tax filers, the statement must also confirm that they have not filed and are not required to file a tax return for the relevant year, and it must list the sources and amounts of income earned from work. For extension filers, the statement must also confirm that they have not yet filed a return for the tax year and must list the sources and amounts of income; if they are self-employed, it must include the amount of AGI and U.S. income tax paid. Note that in both cases—for non-tax filers and extension filers—the other required documentation (e.g., W-2 forms) must still be provided.

- **For filers of non-IRS tax returns**, you may accept a transcript from a government of a foreign nation or a U.S. territory or commonwealth that has all of the filer's income and tax data to be verified. Or you may accept a copy of the tax return, which must be signed by the filer or one of the filers of a joint return. Use the income and tax data that most closely corresponds to what is on the IRS tax return, and convert monetary amounts into U.S. dollars as appropriate. If you question the accuracy of the information on the signed copy of the return, the filer must provide you with a copy of the tax account information issued by the tax authority. See DOC-Q28 on the [Q and A page](#).
- **Filers of amended returns.** Students or parents who file an amended return (IRS Form 1040X) can use the DRT though the ISIR will show an IRS Request Flag value of 07 (see page 15). Because the tax return transcript does not reflect changes to the original return by the filer or the IRS, it is by itself not sufficient. So when an amended return was filed, you must submit any changes to nondollar items and to single monetary items of \$25 or more. To complete verification you will need a signed copy of the 1040X form that was filed as well as either:
  - IRS DRT information on an ISIR record with all the information from the original tax return or
  - any IRS transcript (which does not have to be signed) that includes all the income and tax information required to be verified or a signed copy of the tax return.

Note that there may be rare cases when a student, spouse, or parent did not file a 1040X with the IRS but had their tax and income information amended by the IRS. In such a case a school may accept one of the items mentioned above plus documentation showing the IRS's change(s). Please note that if the IRS amends the return, the IRS Request Flag value will also be labeled 07.

- **Victims of identity theft** who cannot get a return transcript or use the DRT submit a Tax Return DataBase View (TRDBV) transcript as well as a signed and dated statement indicating that they were victims of tax-related identity theft and that the IRS is aware of it. They do this by calling the IRS's Identity Protection Specialized Unit (IPSU) at 800-908-4490. After the IPSU authenticates the tax filer's identity, he or she can ask the IRS to mail the TRDBV transcript, which is an alternate paper transcript that will look different than a regular transcript but that is official and can be used for verification. Unless you doubt its authenticity, you don't need to get an IRS signature or stamp or any other validation. See [DCL GEN-14-05](#) for a sample TRDBV transcript. Those who cannot obtain a TRDBV transcript may instead submit a copy of the tax return or another official IRS transcript or equivalent IRS document if it includes all of the income and tax information required to be verified. Note that filers must first attempt to get a TRDBV before they can use a copy of the tax return or another transcript. Then, as long as the school has no reason to doubt the victim of identity theft or the accuracy of the document, it can be used to complete verification.
- **Students eligible for an automatic zero EFC.** A *dependent student* in this category who is placed in Verification Tracking Group V1 or V5 only has to verify the following information:
  1. his or her parents' AGI if they were tax filers;
  2. their income earned from work if they were non-tax filers (who must also follow the guidance given for non-filers); and
  3. the student must also verify high school completion status and identity and sign a statement of educational purpose if in group V5.

An *independent student* only has to verify:

1. his or her and, if applicable, his or her spouse's AGI if they were tax filers;
2. their income earned from work if they were non-tax filers (who must also follow the guidance given for non-filers);
3. high school completion status and identity (student must also sign a statement of educational purpose if in group V5); and
4. the number of household members to determine if the student has any dependents other than a spouse.

All students eligible for an auto zero EFC who are placed in Verification Tracking Group V4 must verify high school completion status and identity and sign a statement of educational purpose.

**Household size**

To document the household size, the student needs to provide a statement signed by him or her and, if dependent, at least one parent that gives the name, age, and relationship to the student of each person in the household.

You don't have to verify household size in the following situations:

- For a dependent student, the household size reported is two with a single, divorced, separated, or widowed parent or is three with parents who are married or are unmarried and living together
- For an independent student, the number reported is two if the student is married or one if the student is single, divorced, separated, or widowed

Keep in mind that household size needs to align with the answers to the relevant dependency status questions, such as the one about having dependents other than a spouse. If verification reveals that answers do not match, the FAFSA needs to be corrected so that the information is in alignment.

**Number in college**

You can document this item with a statement signed by the student (and, if he or she is dependent, at least one parent) that gives the name and age of each person in the household (*excluding the parents of a dependent student*) who is enrolled at least half time in a degree or certificate program at an eligible postsecondary institution with the name of each postsecondary institution. This statement can also be written to incorporate the household size statement as well. Completion of the Department's verification suggested text can satisfy both items as outlined in our [September 25, 2020 electronic announcement](#).

If you have reason to doubt the enrollment information reported, you must obtain from each school a statement that the named person will attend there on at least a half-time basis. You don't have to get such a statement if the person has not yet registered, is attending less than half time, or will be attending your school.

If you have reason to doubt whether a reported school is Title IV eligible, you must insure it is, such as by checking to see if it has a federal school code or checking with your regional school participation division.

You don't have to verify the number in college if the reported number enrolled is one (the student only).

**High school completion**

Students must provide one of the following documents that indicate their high school completion status at the beginning of the 2021-2022 award year:

- A copy of a high school diploma
- A copy of a final, official high school transcript that shows the date when the diploma was awarded

**Household size documentation**

34 CFR 668.57(b)

**Number in college documentation**

34 CFR 668.57(c)

- A copy of the “secondary school leaving certificate” or similar document from the proper government agency for students who completed secondary school in a foreign country. If your college doesn’t have the expertise to evaluate foreign secondary school credentials or chooses not to do so, there are evaluation services available.
- A copy of a General Educational Development (GED) certificate or GED transcript that indicates the student passed the exam
- Certification of a passing score on a test that the student’s state authorizes and recognizes as the equivalent of a high school diploma. This includes tests similar to the GED, such as the High School Equivalency Test (HiSET) or the Test Assessing Secondary Completion (TASC). Test transcripts are acceptable documentation if they indicate that the final score is a passing score or that the student’s state considers the test results to meet its high school equivalency requirements.
- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor’s degree at any participating school. You do not have to collect proof of high school status for graduate students if admission into their program required the completion of at least two years of undergraduate coursework.

This also includes successful completion of at least 60 semester or trimester credit hours or 72 quarter credit hours that does not result in the awarding of an associate’s degree, but that is acceptable for full credit toward a bachelor’s degree at any institution; or enrollment in a bachelor’s degree program where at least 60 semester or trimester credit hours or 72 quarter credit hours have been successfully completed, including credit hours transferred into the bachelor’s degree program. ([Program integrity Q & A - RED-Q1/A1](#))

- For a student who has not completed high school and is seeking enrollment in a program that leads to at least an associate degree or its equivalent, documentation from the high school that he or she excelled academically and from your school that he or she meets your written policy for admitting such students. This should be a rare occurrence.
- For homeschooled students, a copy of a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent) if state law requires homeschooled students to get that credential. If it is not required, a transcript or the equivalent signed by the parent or guardian that lists the secondary school courses the student completed and documents the successful completion of a secondary school education in a homeschool setting.
- For students in an “eligible career pathway program,” documentation that they passed an approved ATB test, completed at least 6 credit hours or 225 clock hours that are applicable toward a degree or certificate offered by your school or completed a state process approved by the Department. See the ATB section below.

If your school has already received one of these documents as part of the admission process, you do not need to ask for another. If you successfully verified a student's high school completion in a prior year, you do not need to do it again. Some schools collect seventh semester high school transcripts prior to students receiving an actual diploma, or they collect high school transcripts for some but not all of their students because they may have special programs that admit students without a high school diploma. In both cases, schools must collect separate documentation that shows the date when the diploma was awarded.

When documentation of high school completion is unavailable—e.g., the school is closed and no information is available from another source such as the school district or state department of education, or the parent or guardian who homeschooled the student is deceased—you may accept alternative documentation, such as a military *DD Form 214 Certificate of Release or Discharge from Active Duty* that indicates that the student is a high school graduate or equivalent. For more information on acceptable high school completion documentation, please see *Volume 1, Chapter 1*.

Students' self-certification is not acceptable except in rare cases when a **refugee, asylee, or victim of human trafficking** cannot obtain documentation of high school completion from their home country. Then schools may accept self-certification in accordance with the guidance of Q & A FHD-Q2/A2 at [www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html](http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/hsdiploma.html).

### ***ATB alternatives for high school completion***

Legislation provided ability-to-benefit (ATB) alternatives to a high school diploma for students enrolled in a career pathway program on or after July 1, 2014. See [DCL GEN-16-09](#) for more information, including a definition of career pathway programs and a list of Q's and A's.

Students who were enrolled in a Title IV program prior to July 1, 2012, and meet one of the ATB alternatives retain their eligibility regardless of whether they are in a career pathway program. For more information on the ATB process, please see *Volume 1, Chapter 1*. For an updated list of approved ATB tests and passing scores, please review the [November 9, 2020 Federal Register notice](#). For more information on how your State can submit an application for a State Approved Process under 34 CFR 668.156, please review the presentation materials attached to [ANN-20-02](#).

For students who establish Title IV eligibility under an ATB alternative, your school should have already obtained or be in the process of obtaining documentation necessary to support his or her eligibility. Therefore, no further high school completion documentation should be needed from the student.

### ***Identity and statement of educational purpose***

Students should appear in person at your school and present a valid, unexpired,<sup>1</sup> government-issued photo identification (ID) such as a passport or a driver's license or other state-issued ID. An unexpired valid government-issued photo identification is one issued by the U.S. government, any of the 50 States, the District of Columbia, the Commonwealth of Puerto Rico, a federally recognized American Indian and Alaska Native Tribe, American Samoa, Guam, the Virgin Islands, the Commonwealth of the Northern Mariana Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau.

You must maintain an annotated copy of that ID that includes the date it was received and the name of the person your school authorized to receive it.<sup>2</sup> Note that an ID issued by a state university or college is not sufficient for this purpose, nor is a military ID since 18 U.S. Code § 701 prohibits it from being photocopied.

Students must also sign (it must be a “wet” signature) a statement of educational purpose that certifies who they are and that the federal student aid they may receive will only be used for educational purposes and for the cost of attending the school for the 2021–2022 year. Unlike the other suggested text provided in our [September 25, 2020 electronic announcement](#), the text for the “Statement of Educational Purpose” is not suggested—**you must use the exact language given** (the student's identification number is optional though if collected elsewhere on the same page as the statement). After examining the statement, you may convert it into an electronic record. You must keep that or the original for at least the required Title IV record retention period.

A student who is unable to appear at your school must go to a notary public and sign the statement of educational purpose. He or she must then submit to your office that statement (again, with the “wet” signature), a certification from the notary that he or she appeared before the notary and presented a government-issued photo ID confirming his or her identity, and a copy of the same ID. Currently the Department does not authorize the use of online notary services as an alternative to traditional, in-person notary services.

The **REAL ID Act** affects people entering certain restricted areas where identification is required: federal facilities, nuclear power plants, and federally regulated commercial airplanes. Because there are currently no restrictions under the act on agencies accepting an ID that is not compliant with the act (typically one marked “not for federal identification”) for other purposes, such an ID is acceptable for verification of identity/statement of educational purpose. It must be a government-issued ID that has not expired and includes the student's photo and name.

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<sup>1</sup> The ID just needs to be unexpired at the time it is checked. For proving identity, it does not matter if the ID is due to expire during the award year.

<sup>2</sup> The school may determine which of its staff are authorized to review an applicant's identity. We do recommend that the person(s) be full-time staff and that the school keep a record of who they are.

## INTERIM DISBURSEMENTS

Interim disbursements are allowed either prior to completing verification or after verification but before receiving the corrected SAR or ISIR. If you have no reason to question the accuracy of the information on the FAFSA, prior to completing verification you may at your discretion:

1. make one disbursement of Pell and FSEOG funds for the applicant's first payment period;
2. permit FWS employment for the first 60 consecutive days after the student enrolls for the award year; or
3. originate but not disburse a Direct Subsidized Loan.

If verification results in changes to the FAFSA information that you determine will not alter award amounts, you may at your discretion take actions 1–3 as well as disburse a Direct Subsidized Loan prior to receiving the corrected *valid SAR or ISIR* (defined as a SAR or ISIR on which all the information reported on a student's FAFSA is accurate and complete as of the date the application is signed; see 34 CFR 668.2).

### ***Overpayments from interim disbursements***

If prior to verification you make an interim disbursement of Pell or FSEOG funds, your school is liable for any overpayment that results. If you cannot eliminate it by reducing subsequent disbursements or having the student return the money, your school must use its own funds to reimburse the appropriate program by the earlier of 60 days after the student's last day of attendance or the last day of the award year.

If prior to verification your school permits provisional FWS employment of students for up to 60 days, it is liable for any overpayment it can't recover by adjusting other aid, and it must reimburse the FWS account from its own funds. Students must be paid for all work performed out of your school's payroll account—they cannot be required to repay FWS wages earned except when they are proven guilty of fraud.

If you make an interim disbursement after completing verification but prior to receiving a correct valid SAR or ISIR, and you fail to receive the SAR or ISIR within the deadlines discussed later in this chapter, your school must use its own funds to reimburse the appropriate program and ensure that the student is paid under its own payroll account for all work performed.

### ***Schools that can't make interim disbursements***

Schools on the Heightened Cash Monitoring 2 (HCM2) and Reimbursement payment methods (see *Volume 4, Chapter 1*) must, as part of their request for Title IV funds from the Department, submit documentation showing that students were eligible to receive the funds disbursed to them (and for which the schools are seeking reimbursement). Because final determination of student eligibility includes completing verification, *HCM2 and reimbursement schools are not able to make interim disbursements.*

## **Interim disbursements**

34 CFR 668.58

## **Recovery of funds from interim disbursements**

34 CFR 668.61

**Updating information**

34 CFR 668.55

**UPDATING INFORMATION**

Generally, a student cannot update information that was correct as of the date the application was signed because the FAFSA form is considered to be a “snapshot” of the family’s financial situation as of that date. For example, if the student’s family sold some stock after the student signed the FAFSA form and spent the money on an unreported asset such as a car, he or she cannot update their information to show a change in assets. After the FAFSA form is signed, only certain items can be updated under the following conditions:

1. **All applicants whose dependency status changes** must update that and the related FAFSA information throughout the award year except when the update is due to the student’s marital status changing.
2. **All applicants selected by the Department or a school for verification of household size or number in college** must update those numbers to be correct as of the date of verification unless the update is due to a change in the student’s marital status. Documenting household size or number in college is not required in a subsequent verification in the same year if the information has not changed.

At your discretion you may update under either 1 or 2 even if the update is due to a change in the student’s marital status if you deem it necessary to address an inequity or to reflect more accurately the student’s ability to pay. Such a decision must be on a case-by-case basis, and you must document your reasons for it. You must also update all other pertinent information, such as spousal income and taxes paid, to be consistent with the new marital status. Do this first if the student is selected for verification, and then complete verification of the updated application. If you change the student’s status to unmarried and that makes him or her dependent (because he or she was independent only due to marriage), his or her FAFSA form must be updated with his or her parents’ information. Your school may have a policy of not considering such updates after a specific census date.

Note, however, that you cannot update the marital status of an already independent student whose dependency status has not changed because of his or her marriage or divorce and who was not selected for verification. In such a case you must select the student for verification if you want to exercise your discretion to update their marital status and all other associated information.

***Parent remarriage after applying***

While the applicant does not typically update household size or number in college because of a change in his or her marital status, if the applicant is a dependent student and his or her parent remarries between application and verification, he or she must update household size to include the new stepparent. However, the student would not count the new stepparent’s income and assets. A school can use professional judgment to include the stepparent’s income or to otherwise account for the change. See HEA Sec. 475(f)(3) and 34 CFR 668.55(b).

## CORRECTING ERRORS

As explained in the last section, you only make updates in specified situations, but for students who are not selected for verification, you or they must correct and submit for processing any errors reported on the original FAFSA that would change the EFC or the students' eligibility for Title IV aid.

For students who are selected for verification and receiving subsidized student aid, changes to any non-dollar item and to any dollar item of \$25 or more must be submitted for processing. See the section on “changes in a selected applicant’s FAFSA.”

## CHANGES IN A SELECTED APPLICANT’S FAFSA

To receive subsidized student aid, students or the school must submit for processing any changes resulting from verification to a non-dollar item or a single dollar item of \$25 or more. Also, if you are required to submit *any* change through CPS because of verification, you must submit *all* changes, including amounts that are below \$25.

### *Campus-Based and Direct Loan changes*

When students receive subsidized student aid other than Pell Grants and there is a change, adjust the package on the basis of the EFC on the corrected valid SAR or ISIR. If there was an interim disbursement, comply with the relevant rules if the package must be reduced. If there was a regular disbursement and the package must be reduced, comply with FSEOG overpayment rules or with the rules for dealing with excess loan proceeds for Direct Subsidized Loans.

### *Pell changes*

If FAFSA data change, recalculate the Pell Grant according to the EFC on the corrected valid SAR or ISIR. You can only pay an increased Pell Grant if you have that output document and it supports an increased Pell award.

If the Pell Grant is reduced and the student received an interim disbursement, adjust following disbursements as necessary. Failing that, the student should reimburse the Pell Grant Program, or, if he or she does not return the overpayment, your school must reimburse the Pell program with its funds. If the student received Pell Grant money as a regular disbursement, he or she is responsible for repaying the overpayment. See *Volume 4, Chapter 3* for information on overpayments.

### *Selection after disbursement*

A student’s application might be selected for verification after corrections are submitted and the student has been paid based on the previous unselected CPS transaction. You must verify his or her application before making further disbursements. If verification does not justify aid already disbursed, then the student is responsible for repaying all aid for which he or she is not eligible, though the student may keep any Direct Loan money he or she received and FWS wages earned. See page 84 for what happens if the student fails to complete verification.

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### Changes to FAFSA information

34 CFR 668.59

When there is an overaward from a regular disbursement, the following individual program regulations apply:

Pell Grants: 34 CFR 690.80

FSEOG: 34 CFR 673.5(f)

Subsidized DL: 34 CFR 685.303(g)

**Example:** Owen is attending Guerrero University. His application isn't selected for verification, and he receives aid in the fall. In December, Owen submits a correction on his SAR that causes the ensuing transaction to be selected for verification. The aid administrator at Guerrero tells Owen he needs to submit verification documents if he wants his aid for the spring and if he wants to keep the Pell funds he received for the fall. However, Owen doesn't turn in the documents. Owen doesn't have to repay the Direct Loan he got in the fall, but he does have to return the Pell Grant, and Guerrero must cancel his aid package for the spring.

### ***Disbursing unsubsidized aid***

For students who are selected for Group V1 and are eligible for both subsidized and unsubsidized aid, a school may, on a case-by-case basis and with proper documentation, disburse Direct Unsubsidized and PLUS loans prior to completing verification that will be delayed. To avoid exceeding the student's financial need, the school must consider the subsidized aid he or she will receive and adjust the aid amounts after verification if necessary.

If the student never completes V1 verification, the Direct Unsubsidized and PLUS loan aid that was disbursed may be kept. If it's determined that the student was ineligible when he or she received aid, see the relevant guidance on returning aid in such situations in *Volume 4, Chapter 3*.

### ***After documentation is complete***

When you've obtained all necessary verification documents from the student, you should compare them to the SAR or ISIR you are reviewing for payment. If all the student's information is correct or has been corrected and there are no outstanding issues or conflicting information that you have not resolved, you may award and disburse aid for which the student is eligible.

Sometimes schools ask if even further verification is needed to resolve discrepancies between the ISIR and what the student provided for verification. The answer is no, unless you have reason to doubt the accuracy of the verification information. Acceptable documentation either confirms that an item was right on the ISIR, or it is used to correct that item. That is the purpose of verification; continued fact-finding is not necessary.

## **HOW TO SUBMIT CORRECTIONS AND UPDATES**

Corrections and updates can be submitted by the student on the SAR or the web or by the school using FAA Access to CPS Online or the Electronic Data Exchange (EDE). In addition to the following information, see also "Corrections and Updates" in the [2021-2022 ISIR Guide](#).

### ***Using the online FAFSA***

Any student who has an FSA ID—regardless of how he or she originally applied—may correct any of his or her own data in the [online FAFSA](#). If dependent students need to change parental data, a parent must either sign electronically with his or her own FSA ID or print out and sign a signature page.

***Submitting changes via FAA Access to CPS Online or EDE***

Your school can submit corrections and updates electronically through [FAA Access to CPS Online](#) or EDEExpress even if the original application wasn't submitted with that method. If your school is not listed on the transaction you want to correct, the student will have to give you the DRN printed on the SAR or SAR Acknowledgement so that you can add your school in the next available institution field and then get electronic access to the resulting corrected transaction. If all the fields are filled, the student will have to tell you which school to replace with yours.

Corrections and updates sent by a school must be based on reliable documentation in its possession that supports the changes to applicant data or signed documentation from the student or parent of a dependent student. Examples of reliable documentation include applications for admission, acceptance letters, course registration information, or academic transcripts. Examples of signed documentation from a student or parent on which corrections and updates may be based include Part 2 of the SAR, a copy of the correction or update, student/parent statement, verification documents, or copies of tax returns or transcripts. Unlike those for the original application, these do not have to have wet signatures.

The CPS will process the change, send an ISIR to the school, and send the student a one-page SAR acknowledgement or, if the CPS has the student's email address, an email with a link to his or her SAR information on the web.

***Using the SAR to make corrections***

Students who received a paper SAR may make corrections or updates on it, then sign and return it to the FAFSA processor at the address given at the end of the SAR (of course, students with FSA IDs can instead use the online FAFSA). One parent must also sign if the student is dependent and parent data was changed, unless the only corrections are to the institution or housing codes, the address, or telephone number.

If the student applied electronically through a school or received an email link to SAR information on the web but would like to make corrections with a paper SAR, he or she can have one mailed to them by calling the FSAIC at 1-800-4-FED-AID and providing his or her name, SSN, and date of birth.

***Adding schools and changing a student's address***

As with other changes, a student can add schools or change his or her address, email address, or telephone number online or on a paper SAR. But he or she can also update these items over the phone by calling 1-800-433-3243 and providing his or her DRN. You can submit those changes for the student through [FAA Access to CPS Online](#), although, as noted before, if your school was not listed on the student's application, you will need his or her DRN to add your school.

The FAFSA has limited space for a student to list schools that will receive the application data: four schools can appear on the paper application, ten with either the online FAFSA, FAA Access, or EDEExpress. If the student wants information sent to more schools, he or she can use any of the methods listed previously to replace some or all of the original schools, though the replaced schools will not receive an ISIR. For example, if the student originally listed 10 schools on the application and then replaced two schools with two new ones, those that were replaced would not receive an ISIR from this correction or any subsequent correction on which they did not appear.

### **Signatures**

Any required signatures, such as those on worksheets or on copies of tax returns, must be collected at the time of verification—they cannot be collected after the verification deadline for that award year.

For verification documentation, a school may collect an electronic signature for an applicant, parent, or spouse if the process includes an assurance of the identity of the person signing. This is often accomplished with a PIN or password that is assigned only after the identity of the person receiving the PIN or password has been authenticated ([DOC-Q12 on the Q and A page](#)).

## **DEADLINES AND FAILURE TO SUBMIT DOCUMENTATION**

You must require students selected for verification—either by your school or the Department—to submit the documentation by the date specified by your school (for Campus-Based and Direct Loans) or the Department (for Pell).

### ***Campus-Based and Direct Loans***

If a student doesn't provide verification documentation within a reasonable time period that your school has established, you cannot:

- disburse more FSEOG funds,
- employ or permit further FWS employment, or
- originate or disburse any additional Direct Loans (subsidized, unsubsidized, or PLUS).

The student must repay any FSEOG funds he or she received that year.

If the student fails to complete verification within the time period established by your school and if you received any Direct Subsidized Loan funds for the student that you did not disburse, you must return some or all of those funds under the excess cash tolerance regulation [see 34 CFR 668.166(b) and *Volume 4, Chapter 1*].

Notwithstanding this, if the student provides the documentation after your school's deadline, you may, at your discretion, still provide aid if still within the Department's overall verification deadlines.

### ***Pell Grants***

A student selected for verification may submit a valid SAR or a school can receive a valid ISIR after the Pell deadline but before the verification

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### **Failure to submit documentation**

34 CFR Pell Grants 668.60(c)

34 CFR Campus-Based/DL 668.60(b)

deadline published in the *Federal Register*. If a student does not provide the verification documentation or you do not receive the valid SAR or ISIR (if necessary) within this additional time, he or she forfeits Pell Grant for the award year and must return any Pell money already received for that year.

**Verification completed within additional time period for Pell**  
34 CFR 668.60(c)(1)

### **Other considerations**

The Department may determine not to process the FAFSA form of an applicant who has been requested to provide documentation until he or she does so or the Department decides there is no longer a need for it.

A Pell applicant selected for verification must complete the process by the deadline published in the *Federal Register*. The [notice for 2020-2021](#) was published on July 14, 2020, and the deadline for that year is September 18, 2021, or 120 days after the last day of the student's enrollment, whichever is earlier. When the notice for 2021-2022 is published, the corresponding deadline date is expected to be September 17, 2022. Campus-Based and Direct Loan applicants must complete verification by the same deadline or by an earlier one your aid office establishes.

Verification is complete when you have all the requested documentation and a valid ISIR or SAR (one on which all the information is accurate and complete). This includes any necessary corrections, which must be made by the *Federal Register* deadlines for submitting paper or electronic corrections.

### **Late disbursements**

Generally a student ceases to be eligible for aid once he or she has finished the payment period and/or is no longer enrolled. However, the student may submit verification documentation and receive a late disbursement after that time if the Department processed a SAR or ISIR with an official EFC while he or she was still enrolled. For information on post-withdrawal disbursements, see *Volume 5* and for more information on late disbursements, see *Volume 4*.

### **Verification status codes**

When you disburse a Pell Grant, you must report the student's verification status through the Common Origination and Disbursement System (COD) even if he or she 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 (interim disbursement). **This code must be updated once verification is complete, or COD will reduce the Pell Grant to zero.** In July 2020, messages were sent to schools that still reported a "W" status code for 2019-2020 student records warning that disbursements made in these cases would be considered overawards and reduced to \$0. Of course, some of these students might not yet have reached the verification deadline, in which case schools can resubmit their disbursement record. See the [July 28, 2020 electronic announcement](#).

S—The CPS selected the student for verification, but you did not verify the student because he or she satisfied one of the exclusions described earlier in the chapter (except the post-enrollment exclusion; see “Blank” next).

Blank—Report a blank if you have not performed verification for other reasons, i.e., because neither the CPS nor your school selected the student or because the student was selected by the CPS after ceasing to be enrolled at your school and all (including late) disbursements were made. A blank also applies when you disbursed aid on an initial transaction not selected for verification, a later transaction is selected, and the student never completes verification.

### SUGGESTED VERIFICATION TEXT

As mentioned earlier, we are no longer providing the suggested text as part of the Application and Verification Guide. To review the suggested text for the 2021-2022 award year, please see the [September 25, 2020 electronic announcement](#). The suggested text fulfills verification requirements, but schools do not have to use it, except as noted below. Instead, they may develop and use their own (or someone else’s) text, forms, documents, statements, and certifications that are specific to the items required to be verified for a particular student or group of students. However, schools must not put the seal of the Department of Education on any verification documents.

The one exception is that schools must use the exact language provided in the “Statement of Educational Purpose” for students who are placed in verification tracking groups V4 or V5. This does not include the accompanying notary’s certificate of acknowledgment; for that the school may use some other form, such as the one its state uses.

# Special Cases

## CHAPTER 5

*There are unusual situations where you will need to exercise your discretion as a financial aid administrator: when modifying data used to calculate the expected family contribution (EFC), performing dependency overrides, resolving conflicting information, reporting cases of fraud, and determining a student to be an unaccompanied homeless youth.*

While many questions you get as a financial aid administrator (FAA) will have routine answers, some situations will require extra discretion on your part. To account for special circumstances of a student, you may choose to exercise professional judgment (PJ) to adjust a student's cost of attendance or the data that determine a student's EFC. You might decide that unusual circumstances warrant making a dependent student an independent student. If you receive conflicting information for a student, you will need to resolve the discrepancy. In some cases you may discover that a student has been guilty of fraud and should be reported to the Department. And you may need to determine if a student should be classified as an unaccompanied homeless youth.

### PROFESSIONAL JUDGMENT

An aid administrator may use PJ on a case-by-case basis only to adjust the student's cost of attendance or the data used to calculate his or her EFC. This adjustment is valid only at the school making the change. You submit a PJ change electronically, via FAA Access to CPS Online or third-party software, and may do so without a signature from the student or parent. In FAA Access or EDE, you must select "EFC adjustment requested" for the professional judgment field. The next ISIR will indicate "Professional judgment processed."

The reason for the adjustment **must be documented** (by a third party if possible), and it must relate to the special circumstances that differentiate the student—not to conditions that exist for a whole class of students. You must resolve any inconsistent or conflicting information shown on the output document **before** making any adjustments. An FAA's decision regarding adjustments is final and cannot be appealed to the Department.

The statute states that nothing within it shall be construed as limiting the authority of aid administrators to make data adjustments for some situations. However, the law gives examples of special circumstances, such as medical or dental or nursing home expenses not covered by insurance. Use of PJ is neither limited to nor required for the situations listed (see page 90).

Another situation where you might want to use professional judgment involves Roth IRAs. When someone converts a regular IRA into a Roth IRA by transferring funds, the amount converted has to be reported as taxable income on the tax return. Therefore, the income reported on the FAFSA form will be higher than without the Roth conversion, even though the family doesn't actually have additional income or assets available. You can use PJ to reduce the income and taxes paid to the amount that would have been reported if there was no Roth conversion if you think the adjustment is warranted for a student. As with the specific special circumstances listed in the law, you are not required to make an adjustment in this situation.

*The law doesn't allow you to modify either the formula or the tables used in the EFC calculation; you can only change the cost of attendance or the values of specific data elements used in the EFC calculation. In addition, you cannot adjust data elements or the cost of attendance solely because you believe the tables and formula are not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances. For example, if a family member is ill, you might modify the AGI to allow for lower earnings in the coming year or might adjust assets to indicate that family savings will be spent on medical expenses.*

*You also cannot use PJ to waive general student eligibility requirements or to circumvent the intent of the law or regulations. For instance, you cannot use PJ to change FSEOG selection criteria. Nor can you include post-enrollment activity expenses in the student's COA. For example, professional licensing costs to be incurred after the enrollment period would not be includable (though one-time licensing costs incurred during the enrollment period may be—see *Cost of Attendance* in *Volume 3*).*

Occasionally aid administrators have made decisions contrary to the professional judgment provision's intent. These "unreasonable" judgments have included, for example, the reduction of EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses (e.g. utilities, credit card expenses, children's allowances, etc.). Aid administrators must make "reasonable" decisions that support the intent of the provision. Your school is held accountable for all professional judgment decisions and for fully documenting each decision.

When considering using PJ, an FAA should keep in mind that an income protection allowance (IPA) is included in the EFC calculation to account for modest living expenses. Before adjusting for an unusual expense, consider whether it is already covered by the IPA. It is reasonable to assume that approximately 30% of the IPA is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance is one of the intermediate values in the FAA Information section of the output document (labeled as "IPA"). See *Chapter 3* for the IPA values.

If you use professional judgment to adjust a data element, you must use the resulting EFC consistently for all FSA funds awarded to that student. For example, if when awarding the student's Pell Grant you adjust a data element that affects the EFC, that new EFC must also be used to determine the student's eligibility for aid from the Campus-Based and Direct Loan programs.

**If you make a PJ adjustment, you must set the FAA Adjustment flag in FAA Access to CPS Online or via the Electronic Data Exchange (EDE).**

The Department is aware that the use of prior-prior year income data on the FAFSA form may make it more likely for PJ to apply. Schools should follow the guidelines presented here and be aware that while they may identify a category of students with similar circumstances to consider for a possible professional judgment adjustment (e.g., students who quit jobs to start school), they may not, however, automatically provide identical treatment to all students in that category. Each PJ case must be determined and documented individually.

Also, remember if you exercise PJ for a student who was selected for verification (by you or the Department), you must complete verification first. This is to ensure that you have correct information before considering a PJ adjustment. You may, however, complete verification and then make the PJ adjustment on the same transaction. *Also, you do not have to verify information that you will entirely remove due to PJ.* For example, if a dependent student's parents have separated after completion of the FAFSA form and one parent is no longer in the household size and you decide to use PJ to remove that parent's income from the FAFSA form, you do not have to first verify his or her income. **Also, using PJ does not require you to verify a student's application if he or she was not already selected for verification by the Department or your school.**

Finally, it has been determined that a school is not permitted to make a professional judgement for a student after that student has ceased to be eligible. This approach is consistent with applicable statute (HEA Sec. 479A(a)), which frames the authority for FAAs to make professional judgements 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) as being extended to "allow for treatment of an individual eligible applicant with special circumstances." At the point where a student is no longer enrolled and ceases to be an eligible student for purposes of that enrollment, he or she is no longer considered an eligible applicant.

The [verification page on the FSA Assessments site](#) has guidance to help you review your PJ and dependency override procedures; see Activity 2.

### PJ examples

**Example 1:** Kitty's mother had income earned from work of \$25,000 in 2019 but is no longer employed. After receiving documentation confirming this, the FAA at Krieger College decides to adjust the AGI reported for Kitty's parents to take into account their reduced income. The FAA also reduces the income earned from work for Kitty's mother to zero.

**Example 2:** In 2019 Alan had \$3,550 in medical expenses that were out-of-pocket costs. He is married, has two children, and is the only member of his household in college, so his IPA is \$41,420. Because his expenses were less than the amount for medical expenses already provided for in the IPA (11% of \$41,420 is \$4,556), the aid administrator at Sarven Technical Institute does not adjust Alan's FAFSA form.

**Entire text of the HEA section on PJ**

HEA Sec. 479A(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. Special circumstances may include:

- tuition expenses at an elementary or secondary school;
- medical, dental, or nursing home expenses not covered by insurance;
- unusually high child care or dependent care costs;
- recent unemployment of a family member or an independent student;
- a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998);
- 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;
- a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act); or
- other changes in a family's income, a family's assets or a student's status.

Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students.

In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases:

1. to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or
2. to offer a dependent student financial assistance under section 428H or a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form.

No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

### ***Dependent students without parent support***

Dependent students whose parents refuse to support them are not eligible for a dependency override, but they may be able to receive dependent level unsubsidized Direct Loans only. For a student to be eligible for this provision (the text of which is in the preceding section), you must get documentation (1) that his or her parents refuse to complete the FAFSA and (2) that they do not and will not provide any financial support to him or her (include the date support ended). If the parents refuse to sign and date a statement to this effect, you must get documentation from a third party (the student is not sufficient), such as a teacher, counselor, cleric, or court.

As noted in the next section, this situation does not justify a dependency override. But as with overrides, resolving the situation is at your discretion. If you decide that a student falls into this category, you must document your decision and ensure that the student submits a FAFSA form and passes all the eligibility matches. The result will be a rejected application with no EFC. You can then award the student unsubsidized Direct Loans up to the maximum a dependent student would normally be eligible for depending on his or her grade level (but not the amount a student can get when his or her parent is unable to get a PLUS loan). See DCL [GEN-08-12](#) for more information.

### ***Refusing or reducing a loan***

Remember that the discretion of FAAs extends to refusing or reducing Direct Loan funds as long as the reason is documented and retained in the student's file, the determination is done on a case-by-case basis, given in writing to the student, and not due to discrimination against him or her on the basis of race, national origin, religion, sex, income, age, or disability.

## **DEPENDENCY OVERRIDES**

An FAA may conduct dependency overrides on a **case-by-case** basis for students with unusual circumstances. If the FAA determines that an override is appropriate, he or she must maintain the determination with any supporting documentation. **However, none of the conditions listed below, singly or in combination, qualify as unusual circumstances meriting a dependency override:**

1. Parents refuse to contribute to the student's education.
2. Parents will not provide information for the FAFSA or verification.
3. Parents do not claim the student as a dependent for income tax purposes.
4. Student demonstrates total self-sufficiency.

**Unusual circumstances do include** (and may cause any of the aforementioned conditions) abandonment by parents, an abusive family environment that threatens the student's health or safety, or the student being unable to locate his parents. In such cases an override might be warranted.

These conditions would also not disqualify a student from being a homeless unaccompanied youth or self-supporting and at risk of homelessness.

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### **Refusing or reducing a loan**

HEA Sec. 479A(c); 34 CFR 685.301(a)(8)

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### **Dependency overrides**

HEA Sec. 480(d)(1)(I) and (d)(2). Also see Dear Colleague Letters GEN-03-07 and GEN-11-15.

An aid administrator may override only from dependent to independent (though as suggested earlier, if an independent student receives substantial support from others, a school may use PJ to adjust the COA or FAFSA data items such as untaxed income).

Documentation is critical—it must support, and include the reason for, the decision and should in almost all cases originate from a third party with knowledge of the unusual circumstances of the student.

An FAA may, without gathering documentation, use an override that another school granted in the same award year. However, overrides do not carry over from one year to the next; the FAA must reaffirm each year that the unusual circumstances persist and an override is still justified.

A third party that knows the student’s situation—e.g., a teacher, counselor, medical authority, member of the clergy, prison administrator, government agency, or court—should establish the unusual circumstances. Evidence can be a signed letter or an official document, such as a court order. If third party documentation is not available, the school may (it is not required to) accept a signed and dated statement from the student or a family member detailing the unusual circumstances. Such a statement should be a last resort.

To override the student’s dependent status on an initial application through FAA Access to CPS Online, the FAA should use the Dependency Override code of “1” (see the *EDE Technical Reference* for more information).

To authorize a dependency override on a paper FAFSA form, the FAA marks the bubble for an override, labeled “D/O,” in the “College Use Only” area, fills in the school’s federal code, and signs. A separate letter attached to the application in lieu of making the override is **not** acceptable.

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## Overrides on the paper FAFSA

<b>COLLEGE USE ONLY</b>		<b>FEDERAL SCHOOL CODE</b>						
D/O <input type="radio"/> 1	Homeless Youth Determination <input type="radio"/> 4	<table border="1" style="display: inline-table; vertical-align: middle;"><tr><td style="width: 20px; height: 20px;"></td><td style="width: 20px; height: 20px;"></td></tr></table>						
FAA Signature								
<table border="1" style="width: 100%;"><tr><td style="height: 30px; vertical-align: top; padding-left: 5px;">1</td></tr></table>			1					
1								

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If the student has already applied, you can use FAA Access to authorize or cancel an override; overrides cannot be done on the SAR. If he or she had an override done at another school in the current year, that will be noted with the school’s federal code on FAA Access. Only the school performing the override will receive that transaction. If the student adds your school to the transaction or if he or she gives you his or her data release number (DRN), you can access the record.

**Override example:** Said is a refugee from Syria who qualifies for federal student aid as an eligible noncitizen. But his FAFSA form was rejected because he is a dependent student and did not provide data for his parents. When the aid administrator asks him for his parents' information, he says they are in Syria and have been displaced due to the upheaval there, and he doesn't know how to contact them. The FAA asks him for documentation of this, and Said says that he has an uncle living in the U.S. who can attest to his situation. The FAA asks for Said's uncle to either appear in person and sign a statement confirming Said's account or to send the aid office a notarized statement. Said's uncle, who works not far from the school, comes to the aid office, signs the statement, and the FAA grants Said a dependency override.

### **Unable to provide parent data**

Students can indicate in the online FAFSA that they believe they have special circumstances that prevent them from providing parent data. Those who indicate this are thoroughly informed about what warrants a dependency override and what the results will be for their application. If they persist through those screens and do not include parental data, they will get a rejected ISIR with the special circumstances flag set. You will have to review such a student's situation and determine if he or she: (1) is unaccompanied and homeless, (2) merits a dependency override, (3) must instead provide parental data, or (4) should be permitted to borrow only unsubsidized Direct Loans because he or she can document that his or her parents have refused to support him or her and to provide their information on his or her FAFSA.

### **Overrides and professional judgment**

The phrase "professional judgment" is loosely used for the discretion FAAs apply to dependency overrides and to data adjustments in the application. The provisions for these two types of changes are in separate places in the HEA. The citation for dependency overrides is Sec. 480(d)(1)(I); the citation for data adjustments is Sec. 479A and is copied *in toto* on page 90.

## **CONFLICTING INFORMATION**

In addition to reviewing application and data match information from the CPS, a school must have an adequate internal system to identify conflicting information—*regardless of the source and regardless of whether the student is selected for verification*—that would affect a student's eligibility, such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The school must resolve all such conflicting information, except when the student dies during the award year or when he or she is no longer enrolled and will not re-enroll; if the student later enrolls, you are again obligated to resolve the conflicting information.

If your school has conflicting information concerning a student's eligibility or you have any reason to believe his or her application information is incorrect, you must resolve the discrepancies before disbursing FSA funds and, as with verification, before making any PJ adjustment. If you discover discrepancies *after* disbursing FSA funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements (depending on the outcome, funds may have to be returned).

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### **Requirement to identify and resolve discrepant information**

34 CFR 668.16(f)

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### **Requirement to verify questionable data**

34 CFR 668.54(a)(2)

"If an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information."

### ***Subsequent ISIRs***

You are generally required to review all subsequent transactions for a student for the entire processing year even if you verified an earlier transaction. An exception to this requirement is if a later transaction comes in after the student is no longer enrolled at your institution. First determine if the EFC or the C flag has changed or if there are new comments or NSLDS information that impacts eligibility for aid. Also, check any updates or corrections or whether the verification tracking group has changed. If the EFC has not changed and there are no changes in the C flag, tracking group, or NSLDS information, no action is generally required. If the EFC does change but it either doesn't affect the amount and type of aid received or the data elements that changed were already verified, no action is required. But if the EFC changes and the pertinent data elements were not verified, then you must investigate. Of course, any time the C flag changes or NSLDS data have been modified, you must resolve any conflicts.

### ***Discrepant tax data***

Financial aid administrators do not need to be tax experts, yet there are some issues that even a layperson with basic tax law information can evaluate. Because conflicting data often involve such information, FAAs must have a fundamental understanding of relevant tax issues that can considerably affect the need analysis. You are obligated to know (1) whether a person was required to file a tax return and (2) what the correct filing status for a person should be. The IRS's online [Interactive Tax Assistant](#) is a useful tool that can help with these and other issues by walking the user through a series of questions.

Publication 17 of the IRS, [Your Federal Income Tax \(2019\)](#), is a useful resource. It addresses pertinent tax issues: the filing requirements—i.e., who is required to file a return—are on pages 5–7 of the PDF version and the filing status requirements are on pages 20–25.

For example, an FAA who notices that a dependent student's parents, who are married and live together, have each filed as head of household (which offers a greater tax deduction than filing as single or married) must ask if that is the right status. Publication 17 explains on pages 23–25 the criteria a person must meet to file as head of household. Resolution of the conflict could be the parents refiling and submitting a copy of the amended return or a reasonable explanation of why there really is no conflict under IRS rules.

### ***Marital and tax filing status***

The ISIR/SAR comment codes 361–368 indicate a possible error when the filing status and marital status do not match. This is not considered to be conflicting information subject to the resolution requirements of 34 CFR 668.16(f), but we do encourage schools to review the application for mistakes when these comments appear. Note that the FAFSA's use of prior-year tax data can increase the number of these comment codes. See the [May 15, 2014, announcement](#).

### ***Resolution of conflicting information***

You may not disburse aid until you have resolved conflicting information, which you must do for any student as long as he or she is at your school. *Even if the conflict concerns a previous award year, you must still in-*

*investigate it.* You have resolved the matter when you have determined which data are correct; this might simply be confirming that an earlier determination was the right one. Of course, you must document your findings and include an explanation that justifies your decision.

The [verification page on the FSA Assessments site](#) has guidance to help you review your conflicting information procedures; see Activity 1.

## REFERRAL OF FRAUD CASES

If you suspect that a student, employee, or other individual has misreported information or altered documentation to fraudulently obtain federal funds, you must report your suspicions and provide any evidence to the Office of Inspector General (OIG). See also *Volume 2*.

<b>OIG Address and Phone Numbers</b>		
<b>Regional Offices</b>	<b>Telephone No.</b>	<b>National Hotline</b>
Boston, MA	617-289-0174	Inspector General's Hotline Office of Inspector General U.S. Department of Education 400 Maryland Avenue, SW Washington, DC 20202-1500 Fax: (202) 245-7047  1-800-MIS-USED (1-800-647-8733) Hours: M, W 9–11 a.m. T, Th 1–3 p.m.  To submit a complaint online at any time, go to <a href="https://www2.ed.gov/about/offices/list/oig/hotline.html">https://www2.ed.gov/about/offices/list/oig/hotline.html</a> and click on the appropriate link.
New York, NY	646-428-3861	
Philadelphia, PA	215-656-6900	
Pittsburgh, PA	412-395-4528	
Atlanta, GA	404-974-9430	
Pembroke Pines, FL	954-450-7346	
Chicago, IL	312-730-1630	
Dallas, TX	214-661-9530	
Ann Arbor, MI	734-330-2059	
Denver, CO	303-844-0058	
Nashville, TN	615-736-2205	
Kansas City, MO	816-268-0500	
Long Beach, CA	562-980-4141	
Phoenix, AZ	602-507-6174	
San Juan, PR	787-773-2746	
Washington, DC	202-245-6918	

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**OIG referrals**  
34 CFR 668.16(g)

### **Reporting Fraud Rings (Distance Education)**

The OIG fraud ring email address has been disabled and is no longer in use. Institutions now submit fraud ring complaints through the Department's OIG encrypted complaint web portal at the URL address <https://oighotline-portal.ed.gov>. Because the portal is encrypted, institutions no longer need to encrypt submitted documents.

In addition, institutions will submit a Fraud Ring Reporting Spreadsheet through the IG's complaint process. For more information on how to report fraud rings or for a copy of the Fraud Ring Reporting Spreadsheet, please review the [August 21, 2020 electronic announcement](#).

**FSA Feedback Center**

Through the [FSA Feedback Center](#), students, parents, and others can submit to the Department the following feedback:

- compliments about a positive experience they have had with the Department, a school, or a federal loan servicer;
- allegations of suspicious activity by a school or person that might have violated federal laws regarding federal student aid; or
- complaints about:
  - » applying for and receiving federal loans, grants, and work study;
  - » experiences with federal loan servicers, collection agencies, or the Department; and
  - » schools—their administration of the FSA programs, marketing and recruitment practices, or misrepresentations of facts.

**UNACCOMPANIED HOMELESS YOUTH**

If a student does not have and cannot get documentation from any of the authorities given on page 36, you (the FAA) must determine if he or she is an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless. Any student who is not yet 24 may qualify for a homeless youth determination. It is important to make homeless youth determinations on a case-by-case basis.

**Homeless youth determinations**

DCL GEN-15-16

As defined later, a student is considered homeless if he or she lacks fixed, regular, and adequate housing. This is broader than just living “on the street.” It includes living:

- with other people temporarily because he or she had nowhere else to go;
- in substandard housing (if it doesn’t meet local building codes or the utilities are turned off, it is generally not adequate);
- in emergency or transitional shelters, for example, trailers provided by the Federal Emergency Management Agency after disasters;
- in motels, campgrounds, cars, parks, abandoned buildings, bus or train stations, or any public or private place not designed for humans to live in; and
- in the school dormitory if the student would otherwise be homeless.

A student living in any of these situations and fleeing an abusive parent may be considered homeless even if the parent would provide support and a place to live.

The documentation for an FAA’s evaluation of the living arrangements of a student must demonstrate that he or she meets the definition of this category of independent student. The determination may be based on a documented interview with the student if there is no written documentation available.

When you are making a determination of homelessness:

- Ask for help from local school district homeless liaisons, state homeless education coordinators, the National Center for Homeless Education (<https://nche.ed.gov/>), or the National Association for the Education of Homeless Children and Youth ([www.naehcy.org](http://www.naehcy.org)).
- Use school district homeless liaisons and shelter providers to help develop and implement procedures for verification.
- Remember that relevant information can come from recognized third-parties such as private or publicly funded homeless shelters and service providers, financial aid administrators from another college, college access programs such as TRIO and GEAR UP, college or high school counselors, other mental health professionals, social workers, mentors, doctors, and clergy.
- Use discretion when gathering information, and respect the student’s privacy. Some information, such as that protected by doctor-patient privilege, is confidential. Also, documents such as police or Child Protective Services reports are not necessary. *Don’t focus on why the student is homeless or unaccompanied but on whether the evidence shows he or she is an unaccompanied homeless youth* as defined in section 725 of the McKinney-Vento Homeless Assistance Act.
- Determine eligibility based on the legal definitions provided.
- Recall that unaccompanied homeless youth may use the address of your school as their own on the FAFSA form.

For students you determine to be unaccompanied homeless youths or unaccompanied, self-supporting youths at risk of being homeless, select the homeless youth determination option (#4) in the dependency override field in FAA Access to CPS Online or EDE. On the paper FAFSA form, fill in the relevant bubble in the “College Use Only” box (see the graphic on page 92), include your school code, and sign. For students who have already filed their FAFSA form, submit a FAFSA correction using the Homeless Youth Determination flag on the “dependency determination” page (Special Circumstances flag on the ISIR). To cancel a homeless youth determination, you use the same method as when canceling a dependency override: change the dependency override value to “2—FAA override canceled” in FAA Access or EDE.

You may rely on a determination by another school that a student was in this category on or after July 1, 2020. *Also, a new determination must be made each year for an applicant who is homeless or at risk of being homeless.*

### **Confirmation not required**

You are not required to confirm the answers to the homeless youth questions unless you have conflicting information. A documented phone call with, or a written statement from, one of the relevant authorities is sufficient verification when needed.

In most cases the officials authorized to make an unaccompanied homeless youth determination (see page 36) will only provide documentation of that status for persons they are directly providing services to. However,

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### **McKinney-Vento Act**

42 U.S.C. 11434a

there may be a few case-by-case instances where such an official will provide documentation for a person who is no longer officially receiving services. Also, local liaisons may write subsequent-year letters of verification for unaccompanied homeless youth through age 23 for whom they have the necessary information to write such letters. This documentation is acceptable for verifying unaccompanied homelessness.

It is not conflicting information if you disagree with an authority's determination that a student is homeless. If you believe the authority is incorrect or abusing the process, accept his or her determination but contact the following oversight party, as relevant, to evaluate the authority's determinations:

- School district homeless liaison: contact the coordinator of education for homeless children and youth programs of the state's educational agency. You can find state coordinator contact information at <https://nche.ed.gov/data/>.
- Director of an emergency shelter or transitional housing program: you should contact the local Continuum of Care (CoC) administering the HUD homeless assistance program. Go to <https://www.hudexchange.info/programs/coc/> and click on "Contact a CoC" on the right side of the page.
- Director of a runaway or homeless youth basic center or transitional living program: contact the National Clearinghouse on Families and Youth by phone at 301-608-8098 or by email at [ncfy@acf.hhs.gov](mailto:ncfy@acf.hhs.gov).

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## Homeless youth definitions:

**At risk of being homeless**—when a student's housing may cease to be fixed, regular, and adequate, for example, a student who is being evicted and has been unable to find fixed, regular, and adequate housing

**Homeless**—lacking fixed, regular, and adequate housing

**Self-supporting**—when a student pays for his or her own living expenses, including fixed, regular, and adequate housing

**Unaccompanied**—when a student is not living in the physical custody of a parent or guardian

### Housing

**Fixed**—stationary, permanent, and not subject to change

**Regular**—used on a predictable, routine, or consistent basis

**Adequate**—sufficient for meeting both the physical and psychological needs typically met in the home