



# ***Session 17***

## **Update on Verification Requirements**

**Gregory Martin  
Thomas Threlkeld**



# Why do I have to Verify?

- Maintain program integrity
  - Over \$60 billion in grants, loans, and work-study assistance
  - Over \$12 billion in Federal Pell
  - Over 9 million aid recipients
  - Maintaining the integrity of the student aid programs and minimizing improper payments is a major objective of all partners in the financial aid process



# **It's All About Being Right**

- To insure
  - The right amount of money
  - To the right student
  - At the right time
  - In the right way
- To maintain
  - Support of Congress
  - Confidence of public



# What is Verification?

- Process by which institutions ensure that certain information provided on the FAFSA is reviewed for accuracy and completeness
- Law and implementing regulations
  - Sec. 487 of the HEA 1965, as amended, 20 U.S.C. 1094
  - 34 CFR 668.51 – 668.61 (Subpart E)



# Policies and Procedures

- Institution must establish and use written policies and procedures for verifying information
- Institution's procedures must provide for clear and timely notification of
  - Selected applicants' responsibilities and
  - Clear explanation of required documentation



# Policies and Procedures

- Policies and procedures must include:
  - Deadlines for students to provide documentation
  - Consequences of failure to provide required documentation
  - Method by which student will be notified of award changes resulting from verification
  - Procedures for correction of applicant data
  - Procedures for referring overpayments to the U. S. Department of Education



# Selection of Applicants

- Central Processing System (CPS)
  - Annual process to develop new and improved selection criteria
    - ED/IRS statistical studies comparing AGI and taxes paid
    - Edit checks which identify inconsistencies and potential errors
  - Selects 30% of total applicants
- Institution
  - School's criteria



# 30% Verification Option

- No institution is required to verify more than 30% of its total applicants for Title IV assistance
  - School defines total Title IV applicants
  - School may include in its 30% only those applicants selected for verification by the CPS
    - Must verify any applicant's information that school has reason to believe is inaccurate





# Required Verification Items

- Adjusted gross income
- U. S. income tax paid
- Number in household size
- Number of household members enrolled in eligible postsecondary school as at least a half-time student
- Untaxed income and benefits



# Untaxed Income and Benefits

- Social Security Benefits
- Child support
- IRA/Keogh deductions
- Foreign income exclusion
- Earned income credit (EIC)
- Interest on tax-free bonds
- Any other untaxed income sources reported on the tax return



# Acceptable Documentation

- AGI and taxes paid
  - Base year tax return or IRS form that lists tax account information
  - Statement of non-filer status and sources and amounts of income
- Household size and number in college
  - Signed statement or verification worksheet
  - Enrollment verification from institution
- Untaxed income and benefits
  - Base year tax return
  - Official agency documentation
  - Signed statement or verification worksheet



# Acceptable Documentation

- Tax filers who file extensions
  - Copies of W2 forms and
  - IRS form 4868 or
  - Copy of IRS approved extension
- Tax filers who file fiscal year return
  - Return for FY that includes greater number of months in base year
- Nonresident filers
  - Form 1040 NR
- Foreign income
  - Foreign tax return or value reported in US dollars



# Acceptable Documentation

- Joint return to verify individual income and tax information
  - Calculate individual's AGI using relevant W2 form(s)
    - Add any other income that can be determined from the joint return
  - Calculate individual's taxes paid using
    - Tax table method or
    - Proportional method



# Exceptions to Verification Items

- If institution receives ISIR within 90 days of applicant's signing FAFSA, institution is not required to verify
  - Household size
  - Number in college
- If HHS and/or child support is the same as that verified in the previous award year, institution is not required to verify



# Exclusions from Verification Process

- Student dies during award year prior to completing verification
- If there is no reason to believe information reported is incorrect
  - Incarcerated students
  - Previously verified transfer students
  - Recent immigrants
  - Non-title IV recipients



# Exclusions from Verification Process

- Parents' information for a dependent applicant whose parental information is unobtainable
- Spouse's information for independent applicant whose spouse's information is unobtainable
- Legal residents of Guam, American Samoa, or Northern Mariana Islands and citizens of the Marshall Islands, Federated States of Micronesia, or Republic of Palau





# Interim Disbursements

- If there is no conflicting data or reason to believe information is inaccurate, schools may:
  - For Federal Pell, FSEOG, and Perkins
    - Withhold payment or
    - Make one disbursement for student's first payment period



# Interim Disbursements

- For FWS
  - May withhold payment or
  - Employ applicant for first 60 consecutive days after student's enrollment in that award year
- For Federal Stafford Loan and Direct Subsidized Loan funds:
  - Refuse to certify or originate loan or
  - Certify or originate loan, but may not deliver loan proceeds to borrower



# Interim Disbursements

- Institution is liable if interim disbursement causes an overpayment
  - May eliminate overpayment by adjusting Title IV aid in subsequent payment period
  - For Pell, Perkins, FSEOG, reimburse program by earlier of 60 days after LDA or last day of award year
  - For Stafford, withhold and return any amount of a disbursement received but not yet delivered for which student is ineligible based on verified information



# Updating Information

- Applicants selected for verification must update information as of the date of verification
  - NOTE: applicants not selected for verification cannot update for changes occurring after original application



# Updating Information

- Must always update dependency status if it changes during an award year
  - Unless the reason is a change in the student's marital status
- Must always update household size and number in college when student is selected for verification
  - Unless the reason is a change in the student's marital status



# Updating Information

- Institution must complete verification before it exercises professional judgment to change the EFC of a student selected for verification



# Recalculating Changes

- If as a result of verification, the EFC changes
  - For Pell
    - Applicant must submit correction to the CPS
    - The Pell award must be based on the corrected ISIR
  - For Campus-Based and Stafford
    - Applicant is not required to submit correction
    - Institution is liable if pays based on an incorrect EFC



# Verification Tolerance Option

- No recalculation of EFC is required if as a result of verification, there are
  - No errors in nondollar items and
  - No net difference greater than \$400 in dollar items
    - Compare original AGI plus untaxed income and benefits minus original U.S. taxes paid and
    - Corrected AGI plus untaxed income and benefits minus corrected U.S. taxes paid





# Verification Tracking Number

- Identifies priority for selection and likelihood of error
  - Does not mean applicant was selected for verification
- Higher number indicates higher risk
  - Range is 00 to 99 for 2003-2004
  - Range is 0001 to 9999 for 2004-2005



# Verification Tracking Flag

- “For Financial Aid Office Use Only”
  - Y indicates student is selected for verification
  - N indicates student is not selected
  - \* indicates student is selected on a subsequent transaction



# Verification Codes

- For 2003-2004 and 2004-2005
  - V          verified
  - W          without documentation
  - S          selected but not verified
  - Blank    not selected or verified



# Changes After Verification

- School must review all subsequent ISIRs received even if verification has been completed
  - NSLDS postscreening
  - INS/BCIS secondary confirmation
  - Student or parent may make change
  - Another school may make change



# Changes After Verification

- School must review
  - Multiple reporting records (MRRs)
    - Concurrent enrollment
    - Potential overaward
  - NSLDS transfer monitoring alerts



# Verification Deadlines

- For Pell Grants
  - Earlier of 120 days after last day of enrollment or August 31, 2004
    - Student may never increase Pell award during verification extension
- For Campus-Based, subsidized FFEL and Direct Loans
  - Earlier of institution's verification deadline or the dates established by the Secretary (see above)



# Conflicting Information

- Conflicting information
  - Must be resolved for all Title IV recipients
  - Includes any information affecting Title IV recipient's eligibility
- Verification
  - Must be completed for “selected” Title IV recipients
  - Includes specific ISIR data elements



# Verification Assistance

- Student Financial Aid Handbook
- COACH
- FSA Assessments
  - FSA verification module
    - Requirements
    - Activities/tests
    - Community Q&As
  - ISIR Analysis Tool





# Additional References

- Federal Register (Dec. 12, 2003 )
  - Provides waivers and modifications of some statutory and regulatory provisions for certain individuals pursuant to the HEROES Act
- DCL GEN-04-03 (Feb. 2004)
  - Addresses issues relating to verification and the calculation of R2T4



# Related Conference Sessions

- Session 31 – FSA Assessments: Evaluation Tools to Keep You on Track
- Session 7 – The New FSA Handbook: Who Moved the Gruyere?
- Session 11 – Managing the “Conflicting Information” Requirements of the Regulations



# ***QUESTIONS?***

Greg Martin

[gregory.martin@ed.gov](mailto:gregory.martin@ed.gov)

(215) 656-6452

Tom Threlkeld

[thomas.threlkeld@ed.gov](mailto:thomas.threlkeld@ed.gov)

(617) 223-9558