




Verification in the Financial Aid Office
Cindy Marrs, Policy Advisor
cynthia.marrs@tgslc.org





What will we accomplish today?

- Explain the purpose and scope of verification
- Identify what information must be verified
- Determine acceptable documentation
- Locate verification resources




Purpose and scope of verification



Why do we have to do it?

- To ensure info on FAFSA (and resulting EFC) is correct
- To maintain the integrity of the financial aid system



Verification is not...


- Resolving conflicting information
- Professional judgment
- Confirming database matches
- Reviewing reject codes and C-codes
- Corrections or updates



Verification is...


Reviewing the following items on a student's FAFSA to ensure correct and complete information:

- Household size
- Number in college
- Untaxed income and benefits
- Parent and student AGI
- Parent and student taxes paid




Documentation

- Verification worksheet (available on IFAP Web site)
- Tax filers must submit copies of tax return and W-2s
- May require additional documentation for certain items



ED selection


- Student fills out FAFSA
- CPS reviews and flags application
- School notified on ISIR transaction



The 30 percent rule

- **Must** verify all applications the CPS selects for verification, up to 30% of federal aid applicants
 - if the CPS selects less than 30%, the school isn't required to reach 30%; it is not a quota
- **May** choose to verify more than 30%


AVG 76



School selection

- **Must** select any application that it has reason to believe is incorrect or discrepant
- **May** also select additional applications for verification beyond those required
- Develop and maintain written policies and procedures
- "Full verification" not required
- Do not count toward the 30% requirement


AVG 76



Exceptions to verification requirement


- Incarcerated student
- Recent immigrant
- Applying for PLUS or unsubsidized only, Stafford at foreign schools, S/LEAP, or Byrd
- Pacific Island resident

AVG 77-79




Exceptions to verification requirement

- Not an aid recipient
- Unable to locate parent(s) or spouse
- HEROES Act (Higher Education Relief Opportunities for Students)
- Disaster victims




Household size



Who is included in the household?

- Student
- Student's parent(s)
- Student's dependent siblings and children
- Others who receive more than 50 percent support


AVG 28-30



Remember:

The rules that determine whether someone is counted in the household for FSA purposes are different from the IRS rules for determining dependents or household members.


AVG 28



Household size quiz 1

Josh is a dependent student at your school. His older sister is 26 years old and in grad school. Can she be included in the HHS?


AVG 28 and 29



Household size quiz 2

Olivia's parents are living together but are separated or never married. Should both parents be included in the HHS?


AVG 28 and 29




Household size quiz 3

Jessica lives at home with her parents and her dependent child. Is Jessica independent for federal student aid purposes?

AVG 26




Number in college



Who is included in the number in college?


- Student
- Other dependent siblings
- Independent siblings if included in HHS and meet enrollment requirements
- NOT parents (PJ decision)

AVG 28, 30




Number in college quiz

Emma is dependent, her parents are divorced, and she lives with her mom and 30-year old sister. Emma's mom decides to attend graduate school part time next year. Her sister is enrolled full time in an associate's degree program and supports herself through full-time employment. How many people are in Emma's number in college?




Untaxed income and benefits



Untaxed income and benefits on the tax return


- Earned Income Credit
- Payments to tax-deferred pension/savings
- Additional child tax credit
- Payments to tax-deferred pension/savings
- Untaxed portions of IRA/pension
- Foreign income exclusion
- Tax-exempt interest income
- Tax on special fuels
- Deductible IRA



Untaxed income and benefits not on the tax return

- Untaxed Social Security benefits
- Child support received
- Housing and food allowances
- Welfare benefits
- Veterans' non-education benefits
- Combat pay not included in the AGI
- Cash support (don't include cash from parents for dependent student)


AVG 84-87



Don't include:

- Student aid
- Flexible spending arrangements
- Payments from states for foster care or adoption assistance
- Combat pay received, if student is not a tax filer
- In-kind support

AVG 17



Cash vs. in-kind support

Cash: money, clothing, gifts, food, loans, housing, car payments or expenses, medical and dental care, college costs paid for on the student's behalf. Any cost that the student is obligated to pay.




Cash vs. in-kind support

In-kind: support other than money, such as free housing or food provided by friends or relatives, food stamps, WIC, national school lunch and breakfast programs, rollover pensions. May be included elsewhere when determining aid eligibility.




AGI and taxes paid



What you must know about filing requirements

- Is an individual is required to file?
- What is the individual's correct filing status?
- Confirm an individual is not claimed as an exemption by more than one person
- Download IRS publication 501 (short version) or 17 (long version)

AVG 101




Signature requirements

- At least one parent must sign the parent tax return
- Student must sign his or her tax return

OR

- Tax preparer may sign or stamp name in lieu of filer (also need SSN/EIN/PTIN)
- Copies are acceptable


AVG 33 and 84



Alternative tax documentation

- e-file
- RTFTP (Return Transcript for Tax Payer)
- IRS: (800) 829-1040
- Duplicate tax return


AVG 82-83



Foreign tax returns

- Determine lines of non-IRS form that most closely correspond to those on IRS forms
- Parent return must include parent signature
- Student or parent must provide currency conversions
- Untaxed foreign income should be reported on Worksheet B
- FERPA

AVG 13 and 83




Currency conversion tools

<http://www.bankrate.com/brm/calculators/frames/curr encycalc.asp>

<http://www.x-rates.com/calculator.html>

<http://www.oanda.com/convert/classic>



Negative and Zero AGI

- Often triggers CPS selection
- Tax write-offs or failure to report untaxed assistance
- Non-filers: Ensure all income has been reported on verification worksheets
- How to verify?
 - Income/expense statement (living with family)
 - Bank account history (living off of savings)
 - Promissory note (loan from family)

AVG 14 TG

Extension filers

- Form 4868
- W-2s
- If no W-2 forms (self-employed) — statement of estimated income from CPA or filer
- Must submit final tax return

AVG 82-83 TG


Filed joint return, now separated

- Obtain all W-2s, extract applicant's income
- Figure individual taxes paid
- Assess at 50%:
 - Interest/business income on joint accounts
 - Business/farm losses
 - Adjustments to AGI that were for both filers


AVG 86 TG

Assets

- Computing implied assets:
 - \$2,000 net investment value on FAFSA, **but**
 - \$700 interest and dividend income on tax return
 - Current national average mutual fund investment rate of return=7%
- Actual net investment value might be closer to \$ 10,000 ($\$700 \div 7\% = \$10,000$)




Upcoming changes




CCRAA changes

- Dependency status
- Expands definition of independent student, effective July 1, 2009, to include:
 - An orphan, in foster care, or a ward of the court at any time when the person was 13 years old or older
 - An emancipated minor or a person in legal guardianship as determined by a court in the person's state of legal residence
 - An unaccompanied youth who is homeless, or at risk of homelessness and self-supporting
- Simplifies dependency override process



CCRAA changes


- Professional judgment
- Expands list of special circumstances in which financial aid administrator may exercise professional judgment to include in cases in which:
 - An independent student is unemployed
 - A family member is a dislocated worker
 - An individual becomes homeless
- Effective July 1, 2009



CCRAA changes

Definition of untaxed income and benefits (Worksheets A and B) will no longer include:

- Welfare
- Earned income credit
- Foreign income excluded from income tax
- Untaxed Social Security benefits
- Effective July 1, 2009



Helpful Resources

- AVG (download *FSA Handbook* from www.tgslc.org; Schools; Policies and Regulations)
- IRS publication 17 or 501 (www.irs.gov)
- NASFAA's "Using Federal Tax Returns in Need Analysis" (www.nasfaa.org)
- 34 CFR 668.51-668.61
- Higher Education Act section 487
- ED's OIG: 1-800-MIS-USED

