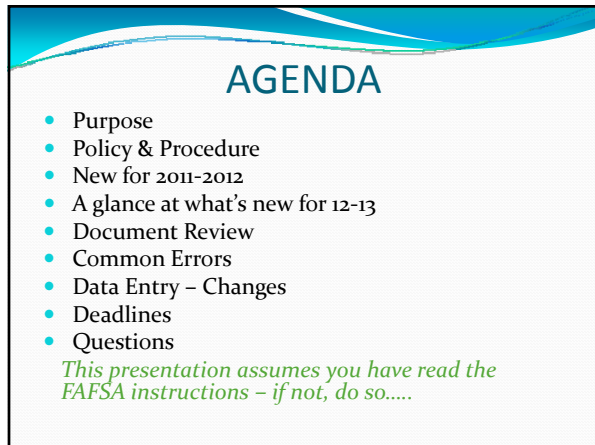


A blue rectangular slide with a wavy top border. The title "Verification 2011-2012" is in large, bold, white text. Below it, in smaller white text, is "Presented by: Joan Bailey" and "St. Petersburg College".

Verification 2011-2012

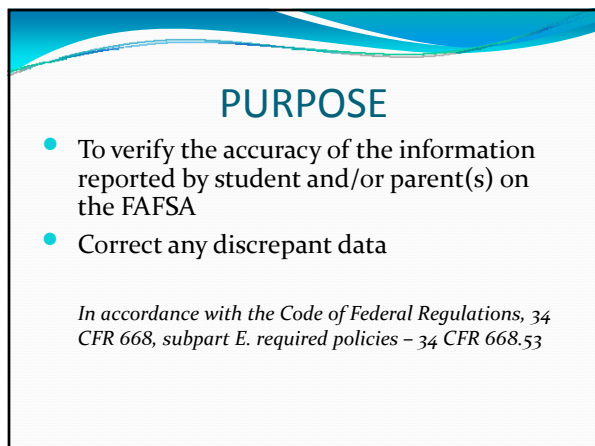
Presented by: Joan Bailey
St. Petersburg College

A light blue rectangular slide with a wavy top border. The title "AGENDA" is in bold blue text. Below it is a bulleted list of topics. At the bottom, a green italicized note reads: "This presentation assumes you have read the FAFSA instructions – if not, do so.....".

AGENDA

- Purpose
- Policy & Procedure
- New for 2011-2012
- A glance at what's new for 12-13
- Document Review
- Common Errors
- Data Entry – Changes
- Deadlines
- Questions


This presentation assumes you have read the FAFSA instructions – if not, do so.....

A light blue rectangular slide with a wavy top border. The title "PURPOSE" is in bold blue text. Below it is a bulleted list of two points. At the bottom, a green italicized note reads: "In accordance with the Code of Federal Regulations, 34 CFR 668, subpart E. required policies – 34 CFR 668.53".

PURPOSE

- To verify the accuracy of the information reported by student and/or parent(s) on the FAFSA
- Correct any discrepant data

In accordance with the Code of Federal Regulations, 34 CFR 668, subpart E. required policies – 34 CFR 668.53




POLICY

Schools *must* have written Policies & Procedures:


- How applicants are selected
- Deadlines – include consequences of failure to meet deadlines
- Standard procedure for processing including Verification after aid paid
- Method of notifying students regarding changes to awards
- Standard process for referring overpayment to the Department of Education

In addition, schools must provide in writing explanation of documents required, student responsibilities & how and when student will be notified of award changes




POLICY

- **Selection Guidelines**
 - By Central Processing System (CPS)
 - By Institution – Uniform guidelines as written in your policy, e.g.
 - AGI < than or = to any Additional Financial Income Information
 - Wages, taxes paid, and/or AGI blank
 - Discrepant Data - Conflicting Information
 - Case by Case – applicant request
 - Transfer students selected for any of above reasons even if already verified @ previous institution – Unless previous school provides written documentation including transaction # of verified record



POLICY

- **CPS Selected Applicants:**
 - Schools must verify all applications selected by CPS up to 30% of the school's total federal aid applicants in an award year
 - School may choose to verify more/all selected once 30% is reached – **written in policy**
 - If CPS selects less than 30% - school not required to verify more to reach the 30%




POLICY

Verification Exemptions:
 Application **may** be exempt from completing verification if:

- Death of a student – *(only case in which conflicting information doesn't have to be resolved)*
- Parent/Spouse of student residing in a foreign country and cannot be contacted by normal means – *(student information must still be verified)*
- Incarceration
- Recent Immigration
- Not a Title IV recipient – for reasons other than not completing verification
- Certain Pacific Island Resident – parent of dependent students must also meet criteria for exemption


Note: *Conflicting information must be resolved and Exemptions must be documented in student's file*



POLICY


Verification Exemptions:
 If the student will ONLY receive any of the following Title IV aid, verification is not required:

- -Unsubsidized Federal Stafford loans
- -PLUS loans (parent or graduate)
- -TEACH Grant
- -Stafford Loans (subsidized and unsubsidized) received for study at an eligible foreign school




POLICY

- Required Verification Items: 34 CFR 668.56
 - Household Size
 - Number In College
 - Adjusted Gross Income (AGI)
 - US Taxes Paid
- Certain Types of Untaxed Income & Benefits:
 - Child Support
 - IRA/Keogh Deductions
 - All other Untaxed Income included on the US Income Tax (excluding information on the schedules) – *Making Work Pay* credit is to be included



POLICY


- Schools may always choose to verify any other application items in addition to the required items
 - Those selected by CPS
 - Those selected by the school
- Determine reasonable documentation requirements for additional items
- Ensure consistent Institutional policy applied in a fair manner



POLICY

Initial Documentation Required:

- Dependent student**
 - Verification Worksheet (federal/institutional)
 - Parents' 2010 tax return/Student's 2010 tax return (*IRS Data Retrieval, 1/30/11*)
 - Other forms to verify other information
 - If non-filer: other documentation to verify earnings or lack of earnings
- Independent student**
 - Verification Worksheet (federal/institutional)
 - Student's 2010 tax return/Spouse's (if applicable) 2010 tax return (*IRS Data Retrieval, 1/30/11*)
 - Other forms to verify other information
 - If non-filer: other documentation to verify earnings or lack of earnings



POLICY

Acceptable Documents:

- All required sections of worksheets completed
- Signature requirement met
- Photocopies, faxes, digital images are acceptable
- Correct aid year forms
- Applicable tax year forms - 2010

POLICY

Who is a parent? (for Title IV purposes)

- Natural parent
- Adoptive parent
- Stepparent – if married to natural parent at time FAFSA is signed



POLICY

Who is NOT a parent? (for Title IV purposes)

- Foster parent - Student is Ward of Court; thus, Independent
- Grandparent(s)
- Other relatives, Legal Guardians
- Stepparent – Spouse of deceased natural parent unless they had adopted the child
 - Surviving natural parent is treated as parent

POLICY

- Assets
 - Do not have to be verified. If assets (i.e. interest and/or dividends) are evident on the tax returns but not reported on the SAR, this could be considered discrepant information and would then be required to be resolved
- Processing
 - Corrections to inaccurate information on FAFSA will be made in Financial Aid System and sent to the Dept of Ed
 - Files selected for verification after a Change in Circumstances (CCF) has been processed still needs to be verified. Corrections, if needed, should be made to any of the data elements other than those that have already changed as a result of the CCF processing.


POLICY

- Develop and write clear and concise procedure to ensure all staff follow the same guidelines
- Consider implementing checks and balances
- Audit your files before the auditor reviews them

POLICY

Your Guide: IFAP
 (Information for Financial Aid Professionals)

- *Verification Guide*
- *FAFSA*
- *FSA Handbook*



What's New 11-12

Skip Logic Implications Continue:

- Skip logic applies to FAFSA On The Web – not paper
- Selective Service
 - If 26, don't see the question but match still conducted, resolution still required
- Assets
 - Asset questions eliminated if based on responses, eligible for Simplified Needs Test or Auto Zero
 - Asset information can be skipped if based on response to "amount of asset to be reported" it would be protected by Asset Protection Allowance
 - Also do not see federal programs benefits/dislocated worker questions if otherwise eligible for Simplified Needs Test or Auto Zero
- Dependency Status
 - Do not see other dependency questions if independent due to age, marital status, graduate student, children or dependents

What's New 11-12

- IRS – data retrieval begins January 30, 2011
- Electronic taxes available in 1-2 weeks after filing
- Paper taxes available 6-8 weeks after filing
- Making Work Pay Credit is untaxed income
- Auto zero EFC – Income is 31,000 or less
- Simplified Needs Test – Income < 50,000 **AND**
 - Dislocated Worker; **or**
 - Received any of 5 federal program benefits; **or**
 - Eligible to file 1040A or 1040EZ

What's New July 1, 2012

- Eliminate 30% cap – institutions must verify all selected applicants
- Annual Federal Register will list possible data elements to be verified and acceptable documents
- Data elements to be verified - customized to applicants
- Institutions keep the flexibility to select applicants

What's New July 1, 2012

- Applicant still required to update all changes in dependency status **except** resulting in change due to marital status; however **MAY** require student to update to:
 - Reflect more accurately the applicants ability to pay
 - May establish a cut off date after which schools will not update
 - May not project marital status
- Remove \$400 tolerance – all changes must be submitted, including any single monetary changes of \$25 and over
- IRS Data Retrieval continues

What's New July 1, 2012

- All applicants selected for verification (either by ED or school) *must complete verification before any PJ adjustments to FAFSA or COA are made*
- The results of verification and PJ cannot be submitted on the same day
- After the school receives the ISIR created from verification, the school would use that ISIR transaction to make adjustments to the applicants FAFSA using PJ
- Statement must be included in school's written PJ policies and procedures regarding treatment of files selected for verification

Document Review

Most, if not all items required to be verified can be reviewed on the verification worksheet(s) & tax forms

- **Household Size:** verification worksheet or signed statement
- **Number Enrolled:** verification worksheet, signed statement, institutional certification
- **AGI & Taxes Paid:** Tax returns, Tax Transcript, other IRS forms
- **Untaxed Income & Benefits:** verification worksheets, signed statements, official agency documentation

Document Review

- **Parent Marital Status (Dependent)**
 - Use verification worksheet and tax returns
 - Compare relationship of household members with those listed on taxes.
 - Clarification needed?
 - Maybe – based on date of status vs. filing status or household members
- **Student Marital Status (Independent)**
 - Use verification worksheet and tax returns
 - Compare relationship of household members with those listed on taxes.
 - Clarification needed?
 - Maybe – based on date of status vs. filing status or household members

Document Review

- **Married - Married Filing Separate returns:**
 - Both returns needed
- **Cannot be married and file head of household – must file amended taxes (see IRS Publication 17 or 501 for who is eligible to file Head of household)**
- **Married since 2011 (married as of date FAFSA filed)– can file as any status**
 - Both returns needed

We are not required to be tax experts, but we are required to resolve any obviously conflicting information

Document Review

Family Members/Number Enrolled

- Foster children not included in household
- Unborn children included in household as long as they will be born prior to July 1, 2012.
- Dependents other than child or spouse – greater than 50% support; must live in the household (*The income of the dependent must be less than 50% of their expenses to be considered as receiving greater than 50% support*)
- Definition of household members defined on the FAFSA

Document Review

HAVE THEY FILED?

- Required to file a 2010 tax return if:
 - Single, younger than 65 **AND** claimed on someone else's tax return, unearned income was greater than \$950 or gross income was at least \$5,700.
 - Single, younger than 65, gross income was at least \$9,350
 - Single, older than 65, gross income was at least \$10,750
 - Married filing joint both spouses under 65, gross income was at least \$18,700
 - Married filing joint one spouse over 65, gross income was at least \$19,800
 - Married filing joint both over 65, gross income was at least \$20,900
 - Married filing separate any age, gross income was at least \$3,650
 - Head of household under 65, gross income was at least \$12,000
 - Head of household over 65, gross income was at least \$13,400
 - Qualifying widow(er) under 65, with dependent children, gross income was at least \$15,050
 - Qualifying widow(er) over 65, with dependent children, gross income was at least \$16,150
 - If net earnings from self employment was at least \$400

Document Review

REQUIRED TO FILE?

- If they were required to file but did not, after updating this will cause a reject
- If no taxes are filed but there is an amount for wages it should be reported.
- If no taxes are filed, Foreign income is treated as untaxed income
- Verifications **may** be completed based on a tax extension, once return is filed verification redone (may result in overpayment)

Document Review

- A signature on Form 8879, the IRS e-file Signature Authorization, is **not** an acceptable substitute for a signature on the tax return
- Instead of a return the filer has signed, you may accept a paper return on which the tax preparer has stamped, typed, signed, or printed her name (not the name of her company) and her SSN, EIN (Employer Identification Number), or PTIN (Preparer Tax Identification Number).
- You may also accept a copy of an IRS form with tax information that the IRS mailed/faxed directly to your school (otherwise at least one of the filers must sign the form).
- IRS data retrieval that was unchanged - **flag 02**
- Documents from electronic returns must be signed by the filer

Document Review

ELIGIBLE TO FILE 1040A or 1040EZ?

- Critical – directly affects EFC
- Applicant often reports incorrectly
- If receive 1040
 - Refer to FAFSA Instructions to determine if eligible
 - Usually - makes less than \$100,000, doesn't itemize, no business or farm income, no alimony, no capital gains etc.
- If receive 1040A or 1040EZ
 - Assume they were eligible

Document Review

WAGES

- 1040 lines 7+12+18+ box 14 (code A) of IRS schedule K-1 (form 1065); 1040A line 7; 1040EZ line 1 (negative – reports as 0); Box 1 on W2 if tax return not filed
- In cases of divorce/separation, earning split for mother/father or student/spouse usually require all W2s and/or schedules C in order to determine split

Document Review

AGI

- 1040 line 37; 1040A line 21; 1040EZ line 4 – (negative amount acceptable)

Taxes Paid

- 1040 line 55; 1040A line 35; 1040EZ line 11
- For married filing joint returns and now separated/divorced
 - Either use tax tables **OR**
 - Percentage proration

Document Review

ADDITIONAL FINANCIAL INFORMATION

- Income Exclusions
 - Education Credits
 - Child Support Paid
 - FWS and need-based program wages
 - Student Grant/Scholarship, AmeriCorps Awards
 - Earnings from a Cooperative Education program

Document Review

UNTAXED INCOME INFORMATION

- Child support received – verification worksheet/official documentation (do not include foster care or adoption payment)
- IRA/Keogh deductions – Tax returns
- Interest on tax free bonds – Tax returns
- 1st time home buyers credit – Tax returns
- Making Work Pay Credit – Tax returns
- Cash/money paid on your behalf
 - In kind vs. cash support
 - In kind is not counted and would be equal to someone living with someone else or receiving rides to and from somewhere rent/gas-free.
 - Cash support is counted and would be equal to receipt of payment and/or having a bill that is in one's name paid for by someone else

If an independent student is determined to receive significant support from, and/or lives with parents, the Institutional Cost of Attendance can be updated to "with parents".

Common Errors

- Watch For:
 - Missing signatures
 - Insufficient documentation – no such thing as too much documentation – document, document, document....
 - Married but filing head of household
 - Independent vs. Dependent
 - Incorrect marital status
 - Missing asset information and not eligible for SNT or Auto Zero
 - Possession of a document doesn't mean eligible – what does document say???

Data Entry

This will be based on your Financial Aid System – schools should have written procedures for data entry



Changes

Verification Tolerance:

- No recalculation or reprocessing necessary if:
 - There is no change in non-dollar items used to calculate EFC
- AND
- Total difference between incorrect and correct dollar values verified is \$400 or less
- Optional –may always submit corrections

Deadlines & Consequences

If the applicant fails to provide the requested verification documentation by the school or ED deadline:

- Do not disburse any grants or Perkins funds
- Return any grants or Perkins received for academic year
- Do not continue FWS employment
- Do not disburse FFEL/DL funds
- Return undisbursed funds to lender/ED
- Do not certify/originate FFEL/DL subsidized proceeds

Test Your Knowledge

Mary is a dependent student whose parents are married, Mary's sibling Jane is away at college, Jane applies for financial aid and is classified as a dependent student. Mary's father Jack is also enrolled in college. How should Mary report the number in household and number in college on her verification worksheet?

ANS: _____

Test Your Knowledge

Amy's parents are married and were considered married at the end of 2010. Mary's father lived in Maryland for the first nine months of 2010 because of his job. Mary's mother lived in Florida all 12 months. Both parent filed head of household and claimed a child on the tax returns.

Is this the correct filing status? Is resolution required?

ANS: _____

Test Your Knowledge

John is a dependent student, his parents reported receiving TANF, their AGI is \$22,300; On the ISIR, no amount was reported for assets, during verification the tax return shows a business income of \$10,000. Do we have any conflicting information for which resolution is required?

ANS: _____

Test Your Knowledge

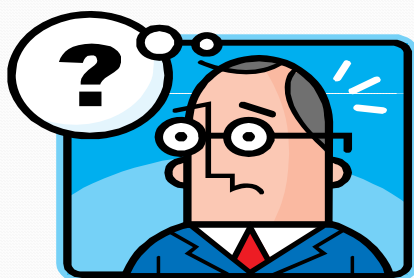
On the ISIR, Tim reported paying child support of \$4,000. On the Verification Worksheet John included a daughter Kim in his household size, he also claimed her on his tax return and provided proof that he paid child support for her. What would you do during verification?

ANS: _____

Resources

- Your Institutional Verification Policy and Procedure Manual
- IRS.GOV
- Application and Verification Guide on IFAP

QUESTIONS



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