



Federal Verification

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Today's Agenda

- Background and Purpose.
- Selection Process.
- Verification Exclusions.
- Verification Requirements.
- Disbursing Aid.
- Calculating Tolerances.
- Policies and Procedures.
- Conflicting Information



Background and Purpose

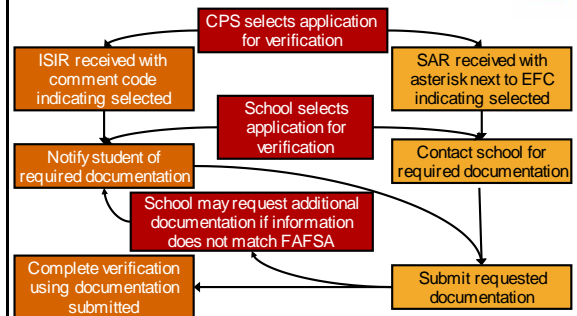


- 1986-87 award year.
- Resolve incorrect information on FAFSA.
- Deter reporting of false or fraudulent information.

Above all, to assure that eligible applicants receive the correct types and amount of financial assistance.



Selection Process



Selection Process

30% Verification Option



- Verify all applicants CPS selects, up to 30%:
 - School may verify more.
 - 30% is not a quota.
- Schools have flexibility to define "applicant."
- Don't count toward 30%:
 - School selection.
 - Conflicting information.



Trainer's Tidbit

Verification Exclusions

- Student is incarcerated.
- Student is a recent immigrant.
- Parents or spouse is unavailable.
- Death of student.
- Applicant has been verified by another school.
- Student/Parent is resident of Pacific Islands.
- Student is not a federal aid recipient.
- Student or parent is not eligible for need-based federal aid.



Verification Requirements



- Household size.
- Number enrolled in college.
- Adjusted gross income.
- U.S. income tax paid.
- Certain untaxed income and benefits.



Verification Requirements



Required Documentation

Household Size	Verification Worksheet or signed statement.
Number Enrolled	Verification Worksheet, signed statement or institutional certification.
AGI & Taxes Paid	IRS tax transcript, other signed IRS forms with tax data, Form W-2, Form 4868, or a signed statement.
Untaxed Income & Benefits	Verification Worksheet, signed statement or official agency documentation.



Verification Requirements



Household Size



Dependents of, or those who receive more than half of their support from, the head of the student's household.



Verification Requirements



Household Size

Dependent Students:

- Student.
- Parents and applicable stepparents.
- Other children.
 - Support.
 - FASFA.
- Other people.

Independent Students:

- Student.
- Spouse.
- Children.
- Other people.



Case Study



Household Size



- Entering freshman.
- 26 years old, single.
- Reports on FAFSA household size is one.
- Selected for verification by CPS.
- Verification worksheet confirms household size of one.
- 1040 indicates three exemptions (himself, a parent and nephew).



Case Study Answer



Household Size

- What changes, if any, would you make as a result of verification?
 - Household size reported as one can be verified with the completed verification worksheet. No further action is required.
 - Financial aid administrator could take extra steps to determine if Mark actually is supporting his parent or nephew.



Verification Requirements

Number Enrolled in College



- Student.
- Other household members.
 - Attending Title IV eligible school.
 - Working toward certificate or degree.
 - Enrolled at least half-time.

Trainer's Tidbit



Verification Requirements

AGI and U.S. Tax Paid



Verify using tax returns.

1040
1040A
1040EZ

Trainer's Tidbit



Verification Requirements

2008 Tax Return Line Items

	1040	1040A	1040EZ
Tax-exempt interest income	8b	8b	N/A
Interest on tax-free bonds	8b	8b	N/A
Untaxed portion of IRA distributions	15a minus 15b	11a minus 11b	N/A
Untaxed portions of pensions	16a minus 16b	12a minus 12b	N/A
IRA/Keogh deductions	28 plus 32	17	N/A
AGI	37	21	4
Income tax paid	56	35	11

Trainer's Tidbit



Verification Requirements

AGI and U.S. Tax Paid



- Tax returns unavailable.
- Non-filers.
- Amended returns.

Trainer's Tidbit



Case Study

Diane



- Dependent student.
- Parents' signed tax return.
- Obvious addition errors.



Case Study Answer

Household Size

- What would you do?
 - Request parents amend tax return and wait to complete verification until you have received appropriate amended tax return or letter from the IRS.



Verification Requirements

AGI and U.S. Tax Paid



- Tax returns unavailable.
- Non-filers.
- Amended returns.
- Filing extensions.



Verification Requirements

Untaxed Income and Benefits

Untaxed Income or Benefit	Verified Using	Exceptions
Child support.	<ul style="list-style-type: none"> • Completed verification worksheet. • Signed statement from recipient. • Documentation from government agency, divorce decree, signed statement from supporting parent or cancelled checks. 	Only verified if reported received or FAA believes it was received.
IRA/Keogh deductions.	Tax return.	



Verification Requirements

Untaxed Income and Benefit Exclusions

- Income and benefits based on financial-need assessment.
- Food Stamp Program.
- WIC.
- Food Distribution Program.
- National School Lunch and Breakfast programs.
- Commodity Supplemental Food Program.
- Special Milk Program for Children.
- WIA/JTPA educational benefits.
- Rollover Pensions.
- Payments and services for foster care or adoption assistance.



Documentation Errors



- Collecting tax returns up-front.
- Failing to obtain tax returns from both parents.
- Accepting documentation from non-custodial parent or spouse.
- Failing to obtain tax returns from student's spouse.



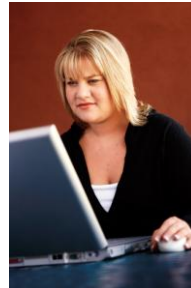
Disbursing Aid



- Completing Verification.
- Interim Disbursements.
- Selection After Disbursement.



Verification Tolerance



- May exercise if no non-dollar items must be changed.
 - Household size.
 - Number in college.

Tolerance Amount = \$400.



Verification Tolerance Calculations



	Original Amounts	Corrected Amounts	Difference
AGI	\$2,500	\$2,900	
Untaxed income	+ \$300	+ \$300	
Tax paid	- \$300	- \$400	
Total	= \$2,500	= \$2,800	\$300



Verification Tolerance Calculations



	Original Amounts	Corrected Amounts	Difference
AGI	\$2,500	\$3,500	
Untaxed income	+ \$300	+ \$300	
Tax paid	- \$300	- \$400	
Total	= \$2,500	= \$3,400	\$900



Policies and Procedures



- Documentation needed to satisfy verification requirements.
- Deadlines for submission of documentation.
- Consequences for failing to meet deadlines.
- Method and time frame for notifying students of award changes as a result of verification.
- Procedures for students to make corrections, if school does not make corrections.
- Procedures for referring overpayments to ED.



Verification vs. Conflicting Information



Correcting conflicting information is not the same as verification.

1. Whether a person was required to file a tax return.
2. What the correct filing status for a person should be.
3. An individual cannot be claimed as an exemption by more than one person.



Verification vs. Conflicting Information



	Verification	Conflicting Information
Ryan		✓
Melanie	✓	
Jamal		✓
Amy	✓	✓
Han		✓
Nelson	✓	✓

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