



NASFAA Authorized Event Overview of 2021-22 Verification

National Association of Student
Financial Aid Administrators

**Overview of
2021-22 Verification**
A NASFAA Authorized Event*

Presented by
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Fundamentals**
Oct 24-25, 2021

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Verification of FAFSA Data


- Regulations define which applications, data elements, and documentation
- Verification applies to recipients of subsidized Title IV aid

Federal Pell Grant and Children of Fallen Heroes Scholarship (CFHS)

Federal Supplemental Educational Opportunity Grant (FSEOG)

Federal Work-Study (FWS)


Direct Subsidized Loans

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Conflicting Information

- Must be resolved for all award years, even prior ones
- Does not need to be resolved if:
 - Does not affect student's expected family contribution (EFC) or Title IV eligibility;
 - Student dies during award year; or
 - Conflicting data are received after student is no longer enrolled and does not intend to re-enroll at the school
- Includes correcting nondollar items, whether result of verification or resolution of conflicting information
- School decides what documentation it deems appropriate to resolve any conflicts

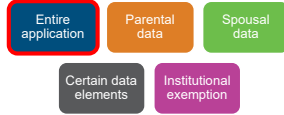
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Exclusions



Entire application excluded if student:

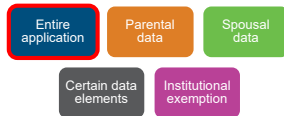
- Only qualifies for unsubsidized Title IV aid*
- Transfers and was verified at another school**
- Will not receive aid for reason other than failing to complete verification
- Is selected for verification or changes verification tracking groups after ceasing to be enrolled at the school for the award year and all Title IV aid is already disbursed
- Dies during the award year



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Exclusions



Entire application NOT excluded if selected for:

- High school completion, and
- Identity/Statement of Educational Purpose

NOTE: Student eligibility issues must be verified if selected in tracking group V4 or V5 while still enrolled



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Verification Tracking Groups

V1
Standard
Verification
Group

- Tax filer income (adjusted gross income, taxes paid, untaxed IRA, pension, and annuity distributions, IRA deductions and payments, tax-exempt interest, education tax credits)
- Nontax filer income (income earned from work)
- Household size
- Number in college



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Verification Tracking Groups

V4

Custom
Verification
Group

- High school completion
- Identity and Statement of Educational Purpose



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Verification Tracking Groups

V5

Aggregate
Verification
Group

- Tax filer income from V1
- Nontax filer income (income earned from work)
- Household size
- Number in college
- High school completion
- Identity and Statement of Educational Purpose



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Required Data Items for CPS-Selected Applicants

Federal Register (requirements)

DEPARTMENT OF EDUCATION
Free Application for Federal Student
Aid (FAFSA®) Information To Be
Verified for the 2021–2022 Award Year

AGENCY: Office of Postsecondary
Education, Department of Education.

ACTION: Notice.

SUMMARY: For each award year, the
Secretary publishes in the **Federal
Register** a notice announcing the
FAFSA information that an institution
and an applicant may be required to
verify, as well as the acceptable
documentation for verifying FAFSA
information. This is the notice for the

Electronic Announcement (optional suggested text)

Posted Date: September 25, 2020
Author: Office of Postsecondary Education
Subject: 2021-2022 Verification Suggested Text Package

This Electronic Announcement provides, in APPENDIX A, suggested text for each of the required 2021–2022 verification items that were identified in the September 3, 2020, Federal Register Notice. While use by an institution of the suggested text fulfills the regulatory verification requirements, institutions are not required to use the Department's suggested text and formats, except as noted below. Instead, institutions may develop and use their own text, forms, documents, statements, and certifications that are specific to the items required to be verified for a particular student or group of students. The one exception is that institutions must use the exact language provided in the "Statement of Educational Purpose" in APPENDIX A for students who are placed in Verification Tracking Groups V4 or V5.

We suggest that each page of an institutionally developed verification document include appropriate headings and numbering that identify the item(s) being verified. Institutions



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General Documentation Requirements

- May file FAFSA using estimated income
- Must complete verification using actual income according to the filed tax return
- Specified year is the prior-prior year (PPY)
 - For 2021-22, the specified year is 2019

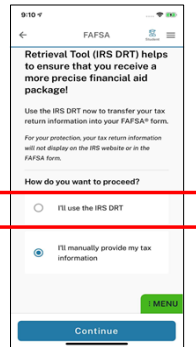


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IRS Data Retrieval Tool

- Tax return type
- Tax filing status
- Whether Schedule 1 was filed
- Adjusted gross income (AGI)
- Income from work (single, not filing jointly)
- U.S. taxes paid
- Untaxed IRA, pension, and annuity distributions
- IRA deductions and payments
- Tax-exempt interest
- Education tax credits



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IRS Data Retrieval Tool Decision Tree

IRS Data Field flag of "1" eliminates need to document that data element

- IRS Request Flag "02" or "03" or "04"
- IRS Request Flag "06" for correct person
- IRS Request Flag "07" unless amended



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IRS DRT Cannot Be Used When...

- ✗ Tax return not yet filed
- ✗ Puerto Rican or foreign (non-U.S.) tax return filed
- ✗ Taxes filed electronically within last 2-4 weeks
- ✗ Taxes filed by mail within last 6-8 weeks
- ✗ Parents are unmarried and living together
- ✗ Change in marital status after end of tax year and before filing FAFSA
- ✗ Conflict between marital and tax filing status
- ✗ Married independent student and spouse filed separate tax returns
- ✗ Married parents filed separate tax returns
- ✗ Married and filed taxes as head of household
- ✗ First 3 digits of Social Security Number (SSN) are "666"
- ✗ Neither married parent has a valid SSN
- ✗ Both parents entered all zeros for SSN



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Tax Return Transcript

Can be requested:

- IRS Get Transcript Online
- IRS Get Transcript by Mail
- 1.800.908.9946
- Mail or fax IRS Form 4506-T or 4506T-EZ
- Income Verification Express Service



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Signed Copies of Tax Returns

School can accept signed copy of tax return filed with IRS or relevant tax authority with applicable schedules

- For IRS 1040 or 1040-SR, must include first 2 pages of 1040 and only Schedules 1, 2, and 3
- Can be e-file format or handwritten copy



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1040 or Schedule?

Type of tax return filed

Tax filing status

AGI

Income earned from work for single individuals (not joint filers)

U.S. income tax paid

Untaxed portions of IRA, pension, and annuity distributions

IRA deductions and payments

Tax-exempt interest

Education tax credits

- Data elements in orange appear all or partially on tax Schedules 1, 2, or 3
- Items in green are on pages 1 or 2 of 1040 itself



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AGI—Tax Filers: Additional Documentation Required

Tax return filing extensions

Amended tax returns

Government cannot locate tax account information

Special circumstances published by ED

Separating income on joint tax returns



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Verification Worksheets

- ED provides suggested text annually
- School may:
 - Use ED's suggested text or create its own
 - Create a comprehensive worksheet or customize it according to selected data
- School must use ED's identity and Statement of Educational Purpose text as is



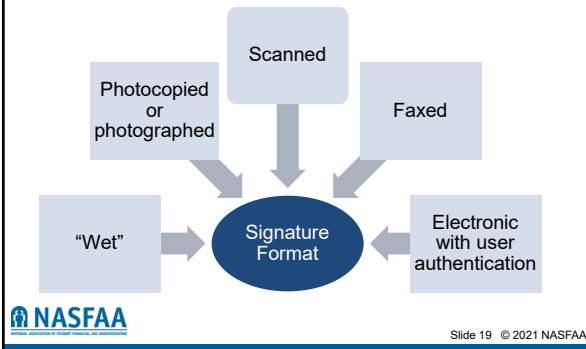
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Acceptable Signature Formats



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Income Earned from Work—Nontax Filers

U.S. Individuals

- Signed statement or verification worksheet;
- Form W-2 from each employer; and
- IRS Verification of Nonfiling Letter*

Foreign Residents

- Signed statement or verification worksheet;
- Wage and Tax Statement or equivalent; and
- Verification of nonfiling from tax authority*

*Not required from dependent student



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Verification of Nonfiling

- IRS Verification of Nonfiling Letter dated after October 1, 2020 is required from:
 - Dependent parent who did not and was not required to file a tax return
 - Independent student (or spouse, if applicable) who did not and was not required to file
- Not required from dependent student except conflicting information or tax extension
- Groups V1 and V5, even if income is zero



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Verification of Nonfiling

- If unable to obtain verification or confirmation of nonfiling, and school has no reason to question good-faith effort to get one, school may accept signed statement certifying the individual:
 - Attempted to but was unable to obtain one; **and**
 - Has not filed and is not required to file a tax return for the tax year.
- Statement must include sources and amounts from each source of income earned from work during tax year
- School alone determines whether individual made a good-faith effort to obtain one



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IRA, Pension, and Annuity Rollovers



- Rollovers are excluded from EFC
 - IRS DRT:
 - If distribution is received, tax filer is asked to enter rollover amount
 - IRS Request Flag = "03" and IRS Data Field Flag = "2"
 - Not using IRS DRT:
 - Tax filer subtracts rollover amount before reporting Untaxed Income
- Verify rollover amount with signed statement or tax transcript/return with "rollover" next to corresponding line



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High School Completion

- High school diploma always preferred
- Several types of documents can be used
- School may accept alternative documentation only when:
 - Secondary school documentation is unavailable (e.g., closed school, deceased parent who provided home schooling)
 - Foreign refugees, asylees, and victims of human trafficking cannot obtain diploma or secondary school leaving certificate



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Identity and Statement of Educational Purpose



Identity and Statement of Educational Purpose
(To Be Signed at the Institution)

The student must appear in person at _____ to verify his or her identity by presenting an unexpired valid government-issued photo identification (ID), such as, but not limited to, a driver's license, other state-issued ID, or passport. The institution will maintain a copy of the student's photo ID that is archived by the institution with the date it was received and reviewed, and the name of the official at the institution authorized to receive and review the student's ID.

In addition, the student must sign, in the presence of the institutional official, the Statement of Educational Purpose provided below.

Identity and Statement of Educational Purpose
(To Be Signed in the Presence of a Notary)

If the student is unable to appear in person at _____ (Name of Postsecondary Educational Institution) to verify his or her identity, the student must provide to the institution:

(a) A copy of the unexpired valid government-issued photo identification (ID) that is acknowledged in the notary statement below, or filed as presented to a notary, such as, but not limited to, a driver's license, other state-issued ID, or passport; and

(b) The original Statement of Educational Purpose provided below, which must be notarized. If the notary statement appears on a separate page than the Statement of Educational Purpose, there must be a clear indication that the Statement of Educational Purpose was the document notarized.

Statement of Educational Purpose

I certify that I _____ (Print Student's Name) am the individual signing this Statement of Educational Purpose and that the Federal student financial assistance I may receive will only be used for educational purposes and to pay the cost of attending _____ (Name of Postsecondary Educational Institution) for 2021-2022.

(Student's Signature) _____ (Date) _____
(Student's ID Number) _____



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Optional Institutionally Selected Data

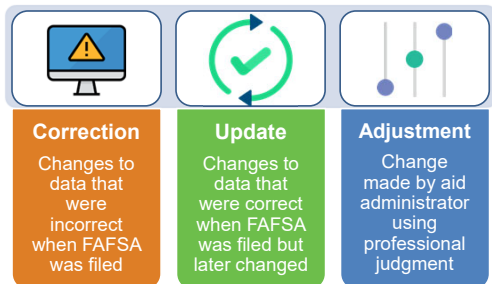
- Cannot include resources specifically excluded from need analysis, such as:
 - Federal veteran's educational benefits
 - Military housing/housing allowance
 - State foster care or adoption assistance payments
 - Means-tested welfare benefits
 - Combat pay
 - Foreign income exclusions
 - In-kind support
- Not even using professional judgment (PJ)



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Changes to Applicant Data



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Corrections

Data Correct as Reported

- Disburse grants
- FWS employment may begin
- Originate and disburse Direct Loans

Required CPS Reprocessing

- Change in a single dollar item of \$25 or more
- Errors in nondollar verification items and other corrections that affect student's EFC or eligibility

Optional CPS Reprocessing

- School may choose to submit all corrections to CPS



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Updates

Required anytime

- Dependency status, if not due to student marital status change

Required at verification

- Household size/number in college, if not due to student marital status change

Optional anytime to address inequity/ability to pay

- Dependency/student's marital status
- Household size
- Number in college



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Updates—Parent of Record

- Student can switch parent of record, but only if:
 - Student switched living arrangements between her parents from one year to the next; or
 - Correcting an error
- If correct parent was reported, school cannot switch parents after the FAFSA was filed, not even by using PJ



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Example: Dak

- Filed FAFSA as dependent student using only his widowed mother's information
- After filing the FAFSA, his mother passed away



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Example: Dak

Outcome:

- Dak must update FAFSA to reflect his independent status as orphan
- Only Dak's information is now used to offer Title IV aid
- Previously offered Title IV aid must be adjusted to reflect his new independent status for entire award year



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Example: Dak

What if Dak's parents had divorced and his father had not passed away?

- Dak's dependency status would not change
- Dak's FAFSA would continue to reflect his mother's information
- DAK would qualify for verification exclusion for his mother's information
- Future FAFSAs would provide father's data, if still dependent



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Updates



Student's marital status changes

- In general, marital status is not updated after filing the FAFSA
- Student's marital status is updated only if the school deems necessary to address inequity or reflect ability to pay educational expenses
 - Household size/number in college and all other pertinent data must relate to current FAFSA marital status



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Updates



Parents' marital status changes prior to verification

- Must update household size/number in college, but only if selected for verification by the CPS or by the school
- Parent marital status, income and assets are not updated
 - Can be adjusted only using PJ, at the school's discretion



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PJ Adjustments

- Optional
- Discretion granted to financial aid administrators under section 479A(a) of Higher Education Act of 1965 (HEA), as amended
- Verification of specified-year data and resolution of conflicting information required before PJ
 - Exceptions apply



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PJ Adjustments

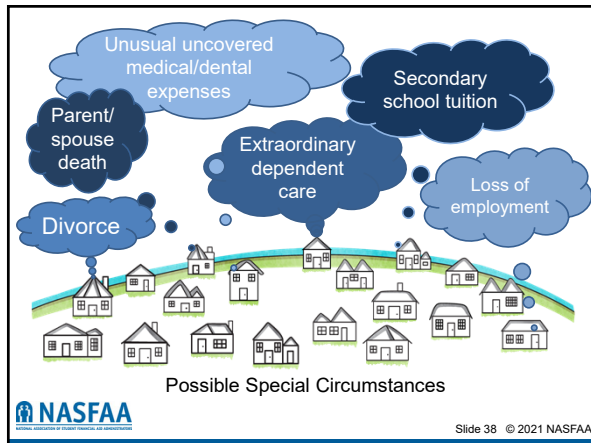
Verification not required before PJ:

- For data that will be removed entirely using PJ
- When not already selected for verification by CPS or school
- When performing a dependency override



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Example: Witten

Outcome:

- Using PJ, the school may use:
 - Actual income from calendar year 2019
 - Income estimates for any other 12-month period
- The approach to use is at the school's discretion
- Any changes must be documented, along with indication that PJ was exercised
- Adjustments apply one year at a time



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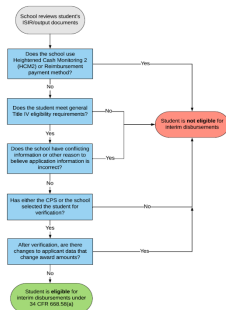
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Interim Disbursements

Conditions

- Prior to verification
- After verification, but prior to receipt of SAR/ISIR

Interim Disbursement Eligibility Decision Tree



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Student Deemed Ineligible for Interim Disbursement

Attempt to resolve overpayment by:

Apply \$300 campus-based overaward tolerance

Adjust subsequent disbursements in award year

Reimburse Title IV program account by requiring student to return funds



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Student Deemed Ineligible for Interim Disbursement

If unable to resolve overpayment, the school:

- Is liable for the overpayment
- Must return funds to Title IV program account by earlier of 60 days after last day of attendance or award year
- Must reimburse FWS Program and pay student's wages from institutional funds



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Other Program-Specific Disbursement Requirements

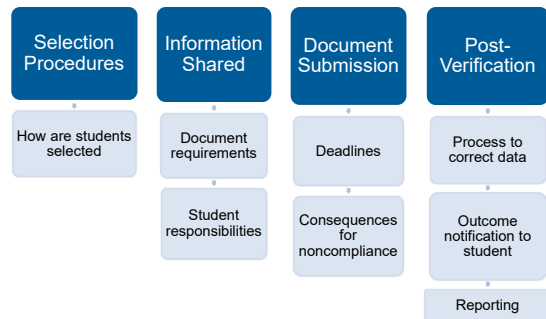
- Cannot circumvent verification by requesting only unsubsidized aid
- If not making interim disbursements, and selected for verification:
 - No further disbursements or FWS earnings can be paid until verification is completed
 - Do not return previously disbursed funds while waiting to complete verification



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Verification Policies and Procedures



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