Application and Verification Guide

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Introduction

This publication is intended for financial aid administrators and counselors who help students begin the aid process—filing the Free Application for Federal Student Aid (FAFSA), verifying information, and making corrections and other changes to the information reported on the FAFSA.

Throughout the Handbook we use "college," "school," and "institution" interchangeably unless some more specific use is given. Similarly, "student," "applicant," and "aid recipient" are synonyms. "Parents" in this volume refers to the parents of dependent students, and "you" refers to the primary audience of the Handbook: financial aid administrators at colleges. "We" indicates the United States Department of Education (Department, ED), and "federal student aid" and "Title IV aid" are synonymous terms for the financial aid offered by the Department.

We appreciate any comments that you have regarding the Application and Verification Guide (AVG), as well as all the volumes of the Federal Student Aid Handbook. We revise and clarify the text in response to questions and feedback from the financial aid community, so please contact us at **fsaschoolspubs@ed.gov** to let us know how to improve the Handbook so that it is always clear and informative.

CHANGES FOR 2013–2014

This year's edition of the AVG has been updated for the usual changes to the application, tax returns, and EFC calculation. Because the verification regulations that took effect during the last award year are still evolving, most of the substantive changes in the volume occur in *Chapter 4*.

In the margin note on page 5 we removed the paragraph on the substitute identification number for students from the Freely Associated States (FAS). Information on that issue remains in the margin note on page 10.

On page 19 we added a parenthetical note that Social Security disability benefits are not to be counted as untaxed income as are other types of disability benefits. Also on that page we removed the note about the homebuyer tax credit, which is no longer available.

We emphasized on page 23 that the relevant court for students who were or are emancipated or in a legal guardianship must be one of competent jurisdiction in the student's state of legal residence.

In the chart on page 34 we updated the guidance on signature requirements when a student or parent must document tax-related data on the FAFSA.

We removed mention of the Freely Associated States (FAS)—the Marshall Islands, Federated States of Micronesia, and Palau—from the statement in the margin of page 35 about other tax forms that are considered equivalent to an IRS 1040A or EZ form. Residents of the FAS do not typically file tax returns and would be considered non-filers.

Our guidance for EFCs of 99,999 or more on page 37 was supposed to be for 2012–2013 only; however, it will be valid for at least one more year.

On pages 76–78 we describe the new verification tracking groups. There will be five, and the items a student must verify will depend on which group she is in.

On page 80 we added guidance for documenting verification for residents of the FAS. In the margin of that page, we note that the HEROES Act has been reauthorized through September 30, 2017.

On page 81 we extended the chart on acceptable documentation with entries on the two new items for verification: high school completion status and identity/statement of educational purpose. In the body of that page, we added the last sentence to the paragraph on those who file a non-U.S. tax return. We also added the margin note on electronic signatures for verification.

On pages 84–85 we added the paragraph on what to do when a person did not report the receipt of SNAP benefits but did in fact receive those benefits. We included an example in the margin of page 85. Similarly, we added a paragraph about when a student or parent pays child support and this is not reported on the FAFSA.

There is a new section on page 85 on verifying high school completion and a new section on page 87 on identity/statement of educational purpose.

We amended some of the text under "Updating Information" on page 87 to enhance clarity.

We added a margin note on the permissibility of making an interim disbursement of just unsubsidized aid when a student expects to receive both subsidized and unsubsidized aid. See page 88.

At the end of *Chapter 4* we included the new suggested verification text that replaces the verification worsheets. You may use these to create verification forms, or you may create your own forms. We also included a sample verification document for a dependent student selected for Verification Tracking Group V4.

We removed *Chapter 6*, on the MPN, and moved it to *Volume 8* of the *Blue Book*.

CHAPTER 1

The Application Process: FAFSA to ISIR

The laws governing the Federal Student Aid (FSA) programs require that a person apply for aid with a form provided by the U.S. Department of Education (ED) and that no fee be charged for processing it. This form is the "Free Application for Federal Student Aid" (FAFSA), and its online version is FAFSA on the Web.

To be considered for federal student aid, a student must complete a FAFSA. It collects financial and other information used to calculate the expected family contribution (EFC) and to determine a student's eligibility through computer matches with other agencies.

The FAFSA is the only form students must fill out to apply for Title IV aid. A school cannot require extra information from students except for verification or resolution of conflicting information. However, a school may require additional information for other purposes, such as packaging private or institutional aid. If the school collects additional information that affects Title IV eligibility, it must take the information into account when awarding Title IV aid.

TYPES OF APPLICATIONS

Most students use *FAFSA on the Web* to apply for federal student aid, but there are other options.

FAFSA on the Web (FOTW)

Students can complete an application online at www.fafsa.gov and send it directly to the Central Processing System (CPS). They can also correct any of their previously submitted data. Help is available for students online or by calling the Federal Student Aid Information Center (FSAIC) at 1-800-4-FED-AID (1-800-433-3243).

FAA Access to CPS Online

You can submit a student's application data at FAA Access to CPS Online (https://faaaccess.ed.gov/). You can also connect to the site through EDExpress.

Before submitting the data, print out the signature page/FAFSA summary for the student (and parent) to sign, or have the student fill out and sign a paper FAFSA. As noted at the end of *Chapter 2*, you will need to retain either the signed signature page/summary or signed FAFSA for your records, even if the student doesn't receive aid or attend your school.

FAFSA on the Web Worksheet

To make using the Web application easier, ED makes available the FAFSA on the Web Worksheet. The worksheet can be printed from the website, and schools can order bulk quantities on the Web at **www.fsapubs.gov**.

Advantages of electronic filing

We strongly recommend electronic applications over the paper FAFSA because of the following benefits:

- Faster processing
- Fewer errors and rejected applications because internal and end-of-entry data edits ensure that required fields are completed and conflicts are resolved prior to submission
- Skip logic, which helps "shorten" the form by allowing applicants to skip over questions that don't pertain to them
- Availability of online help

Free CPS technical support for schools or their destination points

1-800-330-5947
CPSSAIG@ed.gov

Websites for students

www.fafsa.gov
➔FAFSA on the Web
➔Make corrections to the application
➔Check status of application
➔Online SAR
➔FAFSA4caster, which allows future college students to estimate what their EFC might be and what kind of federal student aid they might be eligible for when they apply for aid

www.pin.ed.gov
PIN website

www.studentaid.ed.gov
Higher education portal for students

Paper FAFSA

Schools can place limited orders (at www.fsapubs.org) of up to 50 copies of the paper FAFSA. Students can request a copy from the FSAIC by calling 1-800-433-3243. Another paper option is the PDF FAFSA, which students can get at the FOTW site. They can print the PDF and fill it out by hand, or they can type their data on the PDF before printing and mailing it.

FAFSA on the phone

Students who have limited or no Internet access and face pressing deadlines can choose to complete and submit their application by calling 1-800-433-3243, telling a representative they would like to fill out their FAFSA over the phone and providing their information. This typically takes about half an hour. Students will receive a paper student aid report (SAR) seven to ten days later, which they (and their parents, if appropriate) must sign and return. Because this is not the preferred method to apply for aid, it should be used sparingly and only by those students identified above.

The FSA personal identification number (PIN)

The FSA PIN, along with other identifiers, gives students Internet access to their information in FSA systems. Students (and parents) can get a PIN at www.pin.ed.gov or by choosing to apply for a PIN when completing a FAFSA online. The PIN is available to use immediately to sign the FAFSA; once the application passes the Social Security Administration (SSA) match, the PIN becomes fully functional. Applicants can then use the PIN to:

- access and electronically sign a renewal *FAFSA on the Web*;
- correct their FAFSA information online, including using the IRS Data Retrieval tool to populate tax-related fields;
- view their SAR online and print it;
- review their financial aid history as maintained in the National Student Loan Data System (NSLDS);
- access Direct loan information and tools, including entrance counseling at www.studentloans.gov, exit counseling at www.nslds.ed.gov, and the consolidation website at www.loanconsolidation.ed.gov;
- electronically sign master promissory notes at www.studentloans.gov and TEACH grant agreements to serve at www.teach-ats.ed.gov and complete the PLUS request process at www.studentloans.gov.

Students without a PIN will automatically receive one if their application was signed, passed the data match with the SSA, and had a complete postal or e-mail address. They will receive a paper mailer with the PIN or an e-mail (if an e-mail address was given) with a secure link to their PIN online.

Students should not give their PIN to anyone. No person or entity may request, obtain, or use a student's PIN for submitting a FAFSA on behalf of the student. The unauthorized use of a PIN by anyone but the owner may result in the deactivation of the PIN or the invalidation of signed documents, including FAFSAs and promissory notes.

FAFSA on the Web demo

You can use the FAFSA on the Web demonstration to train financial aid staff or to show students how to use the online application. Go to **http://fafsademo.test.ed.gov** and type in **eddemo** for the user name and **fafsatest** for the password.

Renewal FAFSA

When a renewal-eligible student who had a valid application the year before enters his personal identifiers on FOTW, he will be asked if he wants to pre-fill some of the application with data from the prior year. By choosing the FAFSA Renewal option, he can review each pre-filled item, correct any that has changed, and provide new information as needed. If an aid administrator's school does not appear on the renewal application, she can use the student's data release number (DRN) to access the application on FAA Access.

In January and February 2013, most students will automatically receive a renewal reminder by e-mail if they provided an e-mail address in the previous application year or by regular mail if they did not. The reminder tells students that they can reapply for aid on the Web and that if they forgot their PIN, they can retrieve it online.

Renewal FAFSA and students from Palau, the Marshall Islands, and Micronesia

Because students from the above Pacific islands, known collectively as the Freely Associated States, are not eligible for a PIN (for lack of an SSN), they can't pre-fill data on FAFSA on the Web. But an FAA can use FAA Access to CPS Online to enter and access renewal applications for these students if they meet the renewal application eligibility requirements.

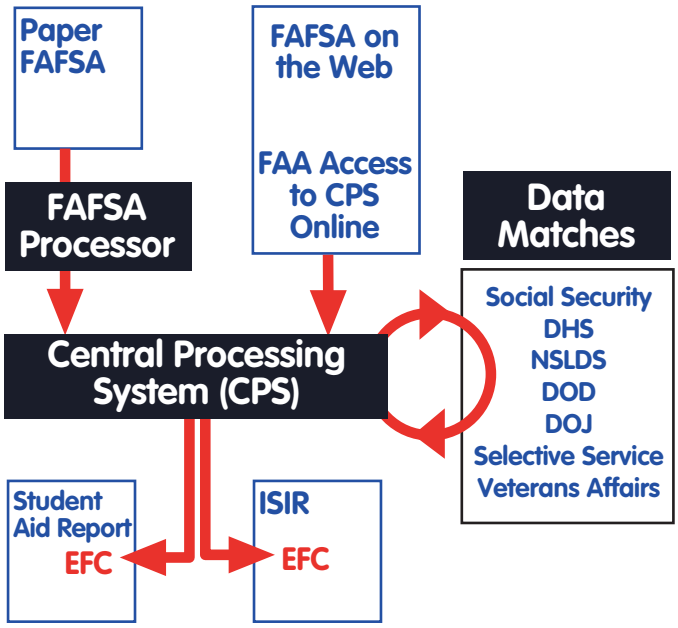
PROCESSING THE FAFSA

Paper FAFSAs go to the FAFSA processor for data entry and then to the CPS. Applications that are signed and submitted on the Web go directly to the CPS. If a Web applicant indicated she would sign electronically later or send a paper signature page, her FAFSA goes to a signature hold file for up to 14 days. If some type of signature is not received in that time, the application will be sent to the CPS but will be rejected; it won't be processed again until a signature is received.

The CPS uses application data to calculate the EFC and to match against several databases: those of NSLDS, the Department of Defense, the Department of Justice, the Social Security Administration, and the Department of Veterans Affairs, as well as the Department of Homeland Security's database of noncitizens and the Selective Service System registration database.

The CPS also checks the application for possible inconsistencies and mistakes. For instance, if a dependent student reported the parents' marital status as married but reported the household size as "2," the edit checks

From FAFSA to SAR/ISIR



2013–2014 Summary of Changes for the Application Processing System

This is posted each autumn. Go to **www.ifap.ed.gov** and select Publications > Summary of Changes for the Application Processing System > 2013–2014.

would catch the inconsistency. Even when data is inconsistent, the CPS may be able to calculate an EFC based on assumptions. For applications that your school submits through FAA Access, you can anticipate certain assumptions and correct or override information on the student's FAFSA submission. Students who submit applications using FOTW can also correct or override some of the CPS edits before submitting the application.

OUTPUT DOCUMENTS: THE SAR AND ISIR

After processing is complete, the CPS produces output documents or records that show the information the student originally provided, the EFC, the results of the eligibility matches, and information about any inconsistencies identified through the CPS edits. If the CPS was unable to calculate an EFC, the output record will not show one.

There are two types of output documents: the *Institutional Student Information Record* (ISIR), which is made available electronically to the schools the student listed on the FAFSA (or added later) and their state agency, and the *Student Aid Report* (SAR), which is sent to the student or made available to her online.

You will receive an ISIR for the student only if she includes your school on her FAFSA. If your school is not listed, you can request an ISIR for her through FAA Access by adding your federal school code if you have her DRN. The DRN appears in the upper right corner of the first page of the SAR and at the top of some of the correctable pages. The DRN and PIN are different: the DRN authorizes your access to the student's application information; the PIN is the student's personal code, which she should give to no one. A school may ask for the student's DRN, but it should never request the PIN.

You are required to receive ISIRs and to accept SARs from students, but you cannot require them to submit SARs in order to receive aid. If you don't have an ISIR for a student, your federal school code must be added to her record so an ISIR is sent to you. We recommend making corrections electronically via FOTW (the student) or FAA Access (the school); however, you can require students to use a SAR to make corrections. If you don't have an ISIR for a student who provided a SAR or SAR Acknowledgement, you must use the SAR or the acknowledgement to award and disburse the student aid. Again, you must also ensure that your school code is added to the CPS record for the student (see page 89).

The SAR arrives in one of three ways. (1) Students who give an e-mail address, whether on a paper FAFSA or an electronic application (FOTW or FAA Access), will receive an e-mail with a link to an online SAR they can access by providing their SSN, date of birth, and first two letters of their last name. (2) Students who don't give an e-mail address and who apply with a paper application will receive a paper SAR. (3) Students who apply electronically and don't provide an e-mail address will receive a SAR Acknowledgement, which has fewer and less detailed comments than the SAR and which can't be used for corrections as the SAR can. If a student or parent signature is missing, students will receive a paper SAR, which they must sign and return for processing to continue.

The SARs and ISIRs include comment codes and text explaining any questionable results from the matches and edits described here. For some of these there will also be a C code, which you must resolve before paying the student aid. For instance, if a student has defaulted on a federal student loan, the SAR and ISIR will note this in several places, including comments to the student and the NSLDS financial aid history page.

For other problems, the SAR and ISIR will show that the student's application has been rejected and no EFC has been calculated. The SAR will tell the student how to remove the reject by providing signatures or more information or by correcting errors. Reject codes are given in the FAA Information section, and a complete list of reject codes is in *The ISIR Guide 2013–2014* at **www.ifap.ed.gov**.

Resources for aid administrators

For questions about EDconnect, EDExpress, and Renewal FAFSAs, call CPS customer service:
1-800-330-5947
TDD/TTY 1-800-511-5806

For technical systems publications, go to **www.fsadownload.ed.gov** and click on "Technical References and Guides."

DEADLINES

The application processing cycle lasts 18 months. For the 2013–2014 award year, applications are accepted beginning January 1, 2013, and will be accepted through June 30, 2014.

The CPS must receive a student's electronic FAFSA by June 30, 2014. A paper FAFSA must be legible, and it must be mailed to the Federal Student Aid Programs address listed on the FAFSA in time for the processor to receive it by June 30, 2014. There are no exceptions to these deadlines. An electronic application cannot be received before January 1, 2013, and if it is received after June 30, 2014, it will not be processed. A paper application received before January 1, 2013, or after June 30, 2014, will be returned unprocessed with a letter of explanation. If it is signed before and received after January 1, 2013, it will be accepted, but the student will receive a rejected SAR asking him to date and re-sign the SAR and return it for processing.

Deadline Date Notice

Every year the Department publishes in the *Federal Register* a deadline notice that provides all the processing deadline dates. When the official deadline notice for the 2013–2014 award year is published, it will be available on the IFAP website under "Federal Registers."

In addition to the above dates, the following are **anticipated** (see the margin note) deadlines for the 2013–2014 award year:

- Corrections on a paper SAR must be received by September 22, 2014.
- Corrections through FOTW or FAA Access to CPS Online must be received and accepted by the CPS before midnight (central time) on September 22, 2014.
- Address and school changes through the Federal Student Aid Information Center can be made through September 22, 2014.
- A school must pay or offer to pay any disbursements (except for parent PLUS loans) for a student if it receives a SAR or ISIR with an official EFC while she is enrolled and eligible, but not later than September 29, 2014.
- To give subsidized Title IV aid to a student, a school must have a valid output document while the student is still enrolled for the award year or in the timeframe the student qualifies for a late disbursement under 34 CFR 668.164(g)(4)(i) and (iv) but no later than September 29, 2014.

Valid SAR or ISIR
A SAR or ISIR on which all the information reported on a student's FAFSA is accurate and complete as of the date the application is signed.
34 CFR 668.2

- For students selected (by ED or the school) for verification, the school must have verification documents and a valid output document no later than 120 days after the last day of enrollment or September 29, 2014, whichever is earlier. Schools may set earlier deadlines for the Campus-based and loan programs.

For the deadlines described here, the date the CPS processed the ISIR transaction is considered to be the date the institution received the ISIR. On the SAR, SAR Acknowledgement, and ISIR printout, the processed date is above the EFC on the first page.

Filling Out the FAFSA

CHAPTER 2

The FAFSA is the first step in the financial aid process. Because it's important to complete the form correctly, this chapter discusses some of the more difficult questions that arise. While the chapter more closely follows the organization of the paper application, the guidance applies equally to FAFSA on the Web (FOTW). To see how FAFSA data are used to calculate the expected family contribution, refer to Chapter 3.

The FAFSA is organized as steps, each consisting of a group of related questions. There are also instructions on how to fill out the form.

As of the date the FAFSA is signed, it is considered a "snapshot" of the family's information that can be updated only in certain circumstances and only for certain items; see *Chapter 4*.

The guidance in this chapter supplements the application instructions. Students can get similar advice on filling out the FAFSA online at **www.studentaid.ed.gov**. The parents mentioned are those of dependent students. The numbers in parentheses are for the items as they appear on the SAR, ISIR, paper FAFSA, and FAA Access.

Paper FAFSA steps

Step One—General student information
Step Two—Student/spouse income and assets
Step Three—Dependency status
Step Four—Parents' information (dependent students only)
Step Five—Independent student data
Step Six—School information
Step Seven—Signature(s)

STEP ONE: GENERAL STUDENT INFORMATION

Purpose: This step identifies the student and establishes his aid eligibility based on factors such as citizenship, educational level, and Selective Service registration (see also *Volume 1: Student Eligibility*). Some questions are included to help the school package awards and to eliminate the need for students to fill out a separate state or school financial aid form.

- **Student's name (1–3).** The name, along with other identifying information, is used for several data matches. Because the U.S. Department of Education (ED) matches the student's name and Social Security number (SSN) with the Social Security Administration (SSA), the name here should match the one in the SSA's records, i.e., as it appears on the student's Social Security card.

- **Permanent mailing address (4–7).** This cannot be the school address, with two exceptions: an incarcerated student or homeless youth may use his college's administrative address and, if he is submitting a paper FAFSA, he will include with it a letter from the school indicating that he is incarcerated or homeless and is using the school's address. If he is applying on the Web, he should send the letter to the FAFSA processor (the same address to which a paper FAFSA is sent) and be sure that it contains his SSN.

Completing the FAFSA

Information for students is online at **www.studentaid.ed.gov/resources**. You may want to link to this reference from pages that students use on your website. Scroll down the page for the *Completing the FAFSA* brochure. You can also download FAFSA on the Web graphics to use on your website: **http://studentaid.ed.gov/about/link**.

STEP 1
Questions 8–23
Student information

The SSN and certain Pacific island residents

Persons from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau (the Freely Associated States) typically do not have SSNs. Students who indicate on the FAFSA that their state of legal residence is one of the above Pacific island groups should enter "666" for the first three digits of their SSN, and the CPS will assign them an identification number. They should use this number in place of the SSN throughout their financial aid years.

Previously "888" was used for the first digits of the SSN in these instances, but the Social Security Administration has begun to use previously unassigned number ranges for SSNs. So as of October 23, 2011, students who are filling out a FAFSA for the first time will use "666." Students who had "888" numbers assigned in recent award years have had those replaced with "666" numbers. See the relevant electronic announcement from October 7, 2011.

Same-sex marriage and the Defense of Marriage Act (DOMA)

According to the Defense of Marriage Act (1996), "…the word 'marriage' means only a legal union between one man and one woman as husband and wife, and the word 'spouse' refers only to a person of the opposite sex who is a husband or a wife." Therefore, same-sex unions are not considered marriages for federal purposes, including the FAFSA.

- **Student's SSN (8).** With the exception noted in the margin, a student must have an SSN to apply for federal student aid. If she submits a FAFSA without an SSN, the FAFSA will be returned to her unprocessed. To get an SSN or to determine what the number is if the Social Security card was lost, she must contact the local Social Security Administration (SSA) office. Call the SSA at 1-800-772-1213 (TTY: 1-800-325-0778) for more information.

  The student should be careful when entering her SSN. Although it can be corrected after the FAFSA is processed, the number originally entered will always be used as her ID, and it is likely to cause confusion and extra work for the financial aid administrator if it doesn't match the student's SSN. While not required, the student can solve the confusion by filing a new original FAFSA using the correct SSN.

- **Student's e-mail address (13).** If the student provides this address, he should get an e-mail with a link to his online SAR data within one to three days after the CPS receives his application. The Department will also use this e-mail address to correspond with him regarding his application and PIN.

- **Citizenship status (14).** Examples of noncitizenship categories are given in the FAFSA instructions, and a detailed discussion of citizenship issues can be found in *Volume 1: Student Eligibility*. Only citizens or certain classes of noncitizen are eligible for Title IV aid; however, a student should still submit the FAFSA if she might be eligible for aid from institutional, state, or private sources that do not require U.S. citizenship.

- **Student's marital status (16 and 17).** This is marital status "as of today"—the day the application is signed. Marital status cannot be projected. It can be updated in limited circumstances; see *Chapter 4*.

- **Student's state and date of legal residence (18–20).** This information is used in the EFC calculation to determine the appropriate allowance for state and other taxes.

  It also indicates which state agency should receive the student's FAFSA information. States have varying criteria for determining whether the student is a resident for purposes of their financial aid. However, residing in one state for four years will meet any state's criteria. Therefore, a person answering "Yes" to question 19 will likely meet the residency requirements of the state reported in question 18, while the state eligibility for a person answering "No" will depend on the date reported in question 20 and the state's requirements.

- **Conviction for possessing or selling illegal drugs (23).** Students convicted of a federal or state offense of selling or possessing illegal drugs that occurred while they were receiving federal student aid should still complete and submit the FAFSA because they may be eligible for federal aid, and even if they aren't, they may be eligible for state or institutional aid.

Students who fill out their FAFSA online and answer "Yes" to question 23 will immediately receive a series of questions to determine their eligibility.

Students who fill out a paper FAFSA and answer "Yes" to this question will receive a worksheet with their SAR to determine whether the conviction affects their eligibility for federal student aid. If the date they regain eligibility falls before July 1, 2013, the worksheet will instruct them to change the response to a "1," indicating full eligibility for the award year. If the date falls between July 1, 2013, and June 30, 2014, they will not be eligible for part of the award year and will need to change the response to a "2."

If the date falls after June 30, 2014, the students' response will remain a "3." They will not be eligible for federal aid during the entire award year unless they complete a qualified drug rehabilitation program or pass two unannounced drug tests given by such a program. See *Volume 1: Student Eligibility* for more information.

Students who leave question 23 blank cannot be paid Title IV aid until they respond by submitting a corrected SAR or ISIR.

- **Highest level of school completed by student's parents (24 and 25).** Some state agencies use this information to award grants and scholarships. Father and mother are defined here as the student's birth or adoptive parents but not stepparents, guardians, or foster parents. This definition is unique to these questions—all others use the definition on page 25.

- **High school completion status (26).** The student indicates whether he has a high school diploma or General Educational Development (GED) certificate, he was homeschooled, or none of these apply, which includes those who have the equivalent of a high school diploma (see *Volume 1*, *Chapter 1*, of the FSA Handbook), for example, students who have passed the California High School Proficiency Exam (CHSPE) but did not earn a high school diploma; California considers a passing grade on the CHSPE to be equivalent to a diploma.

- **High school (27).** This question asks for the name of the high school where the student received or will receive her diploma, as well as the city and state where it is located. On FAFSA on the Web, the student will be able to choose the name from a list or type in the name if the school is not on the list. See *Volume 1* of the Handbook about checking the validity of a high school education.

- **First bachelor's degree (28).** The student answers if he will have a first bachelor's degree before July 1, 2013, because eligibility for Pell and Federal Supplemental Educational Opportunity grants (FSEOGs) is almost exclusively restricted to students who have not received a bachelor's degree or completed the requirements for one. See "Pell Grants" in *Chapter 6* of *Volume 1: Student Eligibility* regarding degrees from unaccredited and foreign schools, which can count as bachelor's degrees for Pell and FSEOG eligibility.

STEP 1
Questions 23–28
Student information

Undergraduate student definition

A student who is enrolled in a program of study that usually does not exceed four academic years or is enrolled in a longer program that is designed to lead to a first degree at the baccalaureate level. A student enrolled in a program that lasts longer than five years is considered an undergraduate for only the first four years.

For the FSEOG, Pell, and TEACH Grant programs, a student is an undergraduate only if he has not earned, or completed the requirements for, a bachelor's or professional degree. Students enrolled in a postbaccalaureate program as described in 34 CFR 686.2(d) and 690.6 are still undergraduates for receiving TEACH and Pell grants.

Students enrolled in dual degree programs that confer a bachelor's degree and either a graduate or first professional degree are undergraduates for at least the first three years of the program. The school determines at what point after three years the student ceases to be an undergraduate.
34 CFR 668.2(b)

Graduate or professional student definition

A graduate student is one who: is not receiving aid as an undergraduate for the same period of enrollment; is enrolled in a program above the bachelor's degree level or one leading to a professional degree; and has completed the equivalent of at least three years of full-time study, either before entrance into the program or as part of it.
34 CFR 668.2(b)

STEPS 2 & 4

Questions 29–39 and 79–87

Grade level, tax return, and income

Income and assets
HEA Sec. 480(a), (b), (f), (g)

Income earned from work and the IRS 1040 form
The FAFSA instructs the applicant to sum lines 7, 12, and 18 of the 1040 form and box 14 [code A] of Schedule K-1 (Form 1065) as an option for determining the income earned from work. But when the values of lines 12 or 18 or box 14 are negative, this will reduce the total and can wrongly affect the Social Security allowance. If values from lines 12 or 18 or box 14 are negative, treat them as zero when determining the income earned from work.

Income earned from work and combat pay
Because combat pay is not counted as untaxed income and is removed from the AGI when it is taxable, it should not be included in the income earned from work.

EFA or not?
Sometimes it is difficult to account for an outside financial award. If a student receives the award because of post-secondary enrollment, it counts as estimated financial assistance (EFA) if it is not considered wages for employment according to federal or state rules, or if it is considered wages and is based on need. Any amount that appears as income on the tax return will also be included on the appropriate line of item 43 or 91 on the FAFSA. If the award is considered wages for employment but is not based on need, then it is not EFA and it remains in income.

- **Student's grade level at the start of the school year (29).** This is not based on the number of years the student has attended college but on work completed toward the degree/certificate. For instance, a full-time student might attain second-year grade level after one year of study, while a half-time student would take two years to reach that level.

- **Interest in work-study (31).** The student indicates whether she is interested in receiving work-study. This helps the school in packaging her award. If she isn't sure about wanting work-study, she should answer "don't know" so she will be considered for it; later she can decline any aid she doesn't want.

STEPS TWO AND FOUR: INCOME AND ASSETS

Purpose: Questions 32–44 ask for the student's and spouse's income and assets. Step Four collects similar information about parents' income and assets, so the following discussion also pertains to parents.

If the student or her parent wasn't married in 2012 but is married when the application is signed, the student also needs to provide income and asset information for the new spouse. If the student or her parent was married in 2012 but is separated or divorced or the spouse has died when the application is signed, the student or parent doesn't provide income and assets for that spouse even though the information may be on the 2012 tax forms.

The FAFSA asks for income and taxes paid according to lines on the IRS tax forms for 2012, the "base year" for 2013–2014. Data from the completed tax year is used as a predictor of the family's financial situation for the current year. If 2012 tax data is not available yet, best estimates can be used on the application, though the student is asked to correct them later when the tax return is filed.

The FAFSA also collects information for certain investments and other assets. Applicants only report the net worth of assets instead of reporting the value and debt. They should report asset amounts **as of the date the application is signed**.

- **Tax return filed (32–34, 79–81 for parents).** These questions ask if a 2012 tax return was completed, which return was or will be filed, and whether the student or parents were eligible to file a 1040A or 1040EZ. The CPS uses this information in part to identify if the student is eligible for the simplified needs test or the auto zero EFC (see the margin note on page 15).

- **Adjusted gross income (AGI) and other tax data (35–39, 83–87 for parents).** Dependent students report these items for their parents. Each question gives the line reference to the 2012 IRS tax forms, so it will be easier to enter the **income and tax paid** if the tax return has been completed. A student can instead estimate answers, but if the estimated information is wrong, she might have to correct it when the tax return is filed. The worksheet on page 14 can help students estimate their tax information.

STEPS 2 & 4
Questions 35–42 and 83–90
Income, other tax data, and assets

The **IRS Data Retrieval Tool** (DRT) allows students and parents who are using FAFSA on the Web and who have already submitted their federal tax return to electronically transfer their tax data from the IRS database. The ISIR will show that data was transferred and if it was altered. All students and parents of dependent students who indicate on the application that they have already filed a federal tax return and who are otherwise eligible to use the DRT will be directed to do so. Students and parents are strongly encouraged to make use of the DRT (though it is voluntary) because it is accurate, efficient, and useful for verification and corrections; see the relevant chapters in this guide.

Students or parents who filed a joint return but are divorced, separated, or widowed when the application is signed won't be able to copy the information from the tax forms or transfer data with the DRT. Instead, they must figure out how much of the income and taxes paid is attributable to them and not their spouses. For more on this calculation, see "Using a joint return to figure individual AGI and taxes paid" in *Chapter 4*.

If the student, spouse, or parents were not required to file a tax return, the student should still report any **income earned from work** in lines 38–39 (student and spouse) and lines 86–87 (parents). The W-2 form and other records should be used to determine these amounts. Do not include combat pay (see the margin note on page 12).

Income earned from work is used to calculate allowances for the Social Security and Medicare tax (aka the Federal Insurance Contributions Act or FICA tax) and for the added costs incurred by working families. For non-taxfilers it will also be used in place of AGI and will cause the application to be rejected if it is above the tax filing threshold.

For a fiscal year tax return, as opposed to one for the calendar year, the applicant should report information from the fiscal year return that includes the greater number of months in 2012.

If the student or parents filed a tax return using something other than a common IRS form, such as a foreign or Puerto Rican tax form, the student should report on the FAFSA the amounts (converted to U.S. dollars) from the lines of the form that correspond most closely to those on the common IRS forms.

- **Assets (40–42, 88–90 for parents).** An asset is property the family owns and that has an exchange value. The FAFSA collects current (as of the day of signing the FAFSA) data about cash, savings and checking accounts, investments, businesses, and investment farms. Most assets are **investments**, for example, college savings plans, Coverdell savings accounts, real estate, installment and land sale contracts (including mortgages held), trust funds, mutual funds, money market funds, UGMA and UTMA accounts, certificates of deposit, stocks, stock options, bonds, commodities, and precious metals. If the asset isn't a business or investment farm, it should be reported as an investment.

Fiscal year return example
Owen's parents file a fiscal year tax return. They start their fiscal year in September. The return they filed for the fiscal year starting in September 2011 includes eight months in 2012. The return they'll file for the fiscal year starting in September 2012 only includes four months of 2012. Therefore, they should use the information from the tax return for the fiscal year that started in September 2011.

When there are U.S. and foreign tax returns
When a student or parent has returns from both a foreign nation and the United States for the same tax year, they should use the data from the U.S. return when filling out the FAFSA.

Other tax forms
The following tax forms are considered alternatives to a U.S. Form 1040A and 1040EZ: the income tax returns required by the tax codes of the Commonwealth of Puerto Rico, Guam, American Samoa, and the U.S. Virgin Islands. Information from these tax returns would be reported on the FAFSA in the same manner as U.S. tax information, and copies of these forms can be used for verification in the same way as U.S. tax forms are. Amounts are already reported in U.S. dollars and the school should look at tax return line items that are comparable to the IRS line items for verification.

AGI worksheet for those who have not completed a tax return		
Use this worksheet to estimate adjusted gross income (AGI) if you have not completed a tax return.	***For question 35 Student/Spouse***	***For question 83 Parents***
Wages, salaries, tips, etc.	$ _____.00	$ _____.00
Interest income	+ _____.00	+ _____.00
Dividends	+ _____.00	+ _____.00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, Social Security, Railroad Retirement, and all other taxable income)	+ _____.00	+ _____.00
Add all of the numbers in the column.	= _____.00	= _____.00
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh plans, one-half of self-employment tax, self-employed health insurance deduction, interest penalty on early withdrawal of savings, and alimony paid).	– _____.00	– _____.00
Total—write this amount in question 35 or 83.	$ _____.00	$ _____.00

Zero income

Occasionally an applicant will report no income for the base year. This can occur when the family has tax write-offs that produce a negative AGI or when the applicant neglected to report untaxed assistance. Zero income is noted in our CPS edits and may increase the likelihood that the applicant will be selected for verification. If the CPS does not select the student for verification, you may still choose to ask her for further information about her means of support during the base year. Also, you may use professional judgment (PJ) to adjust the income line items to reflect income the family receives that doesn't appear on the tax return.

Any cash support for the student, other than support from a parent for a dependent student, counts as untaxed income and must be reported. In-kind help (see page 21) from a friend or relative is not considered untaxed income, but you may use PJ to account for the value of that in-kind support. For example, you could adjust the room and board component of the cost of attendance (COA) for a student who lives with his aunt and eats meals with her family.

STEPS 2 & 4
Questions 40–42 and 88–90
Assets

The FAFSA asks for the net worth of investments, which is their total current market value minus their associated debts. If their net worth is negative, the student reports a zero.

Similarly for **businesses and investment farms**, the current net worth is reported for land, buildings, machinery, equipment, livestock, and inventories. The current market value of a business or investment farm is reduced by the debt owed on it to determine the net worth. Business or farm debt means only those debts for which the business or farm was used as collateral.

Excluded assets—not to be reported on the FAFSA:

➔ **Possessions** such as a car, a stereo, clothes, or furniture are not reported as assets.

➔ **A family's principal place of residence** is not reported, even if it is part of a business.

➔ **A family farm** (including equipment, livestock, etc.) isn't included as an investment on the FAFSA if:

- it is the principal place of residence for the applicant and his family (spouse or, for dependent students, parents), and
- the applicant (or parents of a dependent student) materially participated in the farming operation.

➔ **Family-owned and controlled small businesses** (which can include farms) that have 100 or fewer full-time or full-time equivalent employees do not count as an asset. "Family-owned and controlled" means that more than 50% of the business is owned by persons who are directly related or are or were related by marriage (family members do not have to be counted in the household size for this question).

➔ **Retirement plans and whole life insurance.** The value of retirement plans—401(k) plans, pension funds, annuities, non-education IRAs, Keogh plans, etc.—is not counted as an asset, but distributions do count as income; they appear in the AGI if taxable and in questions 44 and 92 if untaxed. Similarly, the cash value or equity of a whole life insurance policy isn't reported as an asset, but an insurance settlement does count as income.

The full amount of the distribution is reported, whether it was a lump sum or annual distribution, and it will count as taxable or untaxed income, as appropriate. An exception to reporting pension distributions is when they are rolled over into another retirement plan in the same tax year.

➔ **Excluded assets for Native American students.** The law excludes reporting any property received under the Per Capita Act or the Distribution of Judgment Funds Act (25 U.S. Code 1401, *et seq.*), the Alaska Native Claims Settlement Act (43 U.S. Code 1601, *et seq.*), or the Maine Indian Claims Settlement Act (25 U.S. Code 1721, *et seq.*).

Simplified needs test

The law provides a "simplified EFC" calculation for a student who meets certain income and tax filing requirements. If the applicant is eligible based on the information on the FAFSA, the CPS will automatically exclude assets from the EFC calculation. However, some states and schools require this information for their own aid programs.

Rental properties

Rental properties are an asset. A unit within a family home that has its own entrance, kitchen, and bath (therefore a rented bedroom would not count) and that is rented to someone other than a family member counts as an asset. To calculate its net value, multiply the net value of the entire structure by the fraction the rented space represents. Similarly, if a family owned a 10-unit apartment building and lived in one of the apartments, 9/10 or 90% of the net value of the building would be an asset.

At times a student or parent will claim rental property as a business. Generally, it must be reported as real estate instead. A rental property would have to be part of a formally recognized business to be reported as such, and it usually would provide additional services like regular cleaning, linen, or maid service.

STEPS 2 & 4
Qualified tuition programs

UGMA and UTMA accounts

The Uniform Gifts and Uniform Transfers to Minors Acts (UGMA and UTMA) allow the establishment of an account for gifts of cash and financial assets for a minor without the expense of creating a trust. Because the minor is the owner of the account, it counts as his asset on the FAFSA, not the asset of the custodian, who is often the parent.

Qualified education benefits

Qualified tuition programs (QTPs, also known as section 529 plans because they are covered in section 529 of the IRS tax code) and Coverdell education savings accounts are grouped together in the law as qualified education benefits and have the same treatment: they are an asset of the owner (not the beneficiary because the owner can change the beneficiary at any time), except when the owner is a dependent student, in which case they are an asset of the parent. When the owner is some other person (including a non-custodial parent), distributions from these plans to the student count as untaxed income, as "money received."

States, their agencies, and some colleges sponsor plans known in the IRS tax code as qualified tuition programs. The IRS mentions two types of QTPs that are commonly called prepaid tuition plans and college savings plans. States may offer both plan types, but colleges may only sponsor prepaid tuition plans.

Prepaid tuition plans allow a person to buy tuition credits or certificates, which count as units of attendance. The number of units doesn't change even though tuition will likely increase before the beneficiary gets to use the tuition credits. They are an asset of the plan owner, and their worth is the refund value of the credits or certificates.

College savings plans allow a benefactor to deposit money into an account that will be used for the beneficiary's college expenses. The buyer does not pre-purchase tuition credits as with a prepaid tuition plan. Rather, this type of plan is essentially a savings account, and its value as an asset is the current balance of the account.

Coverdell education savings accounts, or ESAs, are another tax-advantaged savings vehicle for college education. They are treated the same as college savings plans: the current balance is an asset of the account owner.

As long as distributions from QTPs and ESAs do not exceed the qualified education expenses for which they are intended, they are tax-free, so they will not appear in the next year's AGI. They should not be treated as untaxed income (except in the cases mentioned above) or as estimated financial assistance. For more information on these benefits, see the IRS's Publication 970, *Tax Benefits for Education*.

Reporting "take-back" mortgages

In a take-back mortgage, the seller of a house finances a portion of its cost for the buyer, who repays this additional mortgage to the seller. The seller reports the interest part of any payments received from the buyer on Schedule B of IRS Form 1040. Therefore, if a student or his parents report such interest on the tax return, it likely indicates an asset that should be reported on the FAFSA: the value of the take-back mortgage. There would be no debt reported against this asset. For example, if a dependent student's parents sold their house for $200,000 and financed a take-back mortgage of $40,000 to the buyer, the parents should report $40,000 as the net worth of the investment. The worth will decrease each year depending on how much of the principal the buyer paid back that year. This concept applies to other forms of seller financing of the sale of a home or other property.

Reporting trust funds

Trust funds in the name of a student, spouse, or parent should be reported as that person's asset on the application, generally even if the beneficiary's access to the trust is restricted. If the settlor of a trust has voluntarily placed restrictions on its use, then the student should report its present value as an asset, as discussed below. If a trust has been restricted by court order, however, the student should not report it. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

How the trust must be reported depends on whether the student (or dependent student's parent) receives or will receive the interest income, the trust principal, or both. In the case of a divorce or separation where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes unless the terms of the trust specify some other method of division.

Interest only

If a student, spouse, or parent receives only the interest from the trust, any interest received in the base year must be reported as income. If the interest accumulates and is not paid out, the recipient must report an asset value for the interest she will receive. The trust officer can usually calculate the value of the interest the person will receive while the trust exists. This value represents the amount a third person would be willing to pay for the interest income.

Principal only

The person who will receive only the trust principal must report as an asset the present value of his right to that principal. For example, if a $10,000 principal reverts to a dependent student's parents when the trust ends in 10 years and the student is receiving the interest, he would report the interest he received as income and report as a parental asset the present value of his parents' rights to the principal. The present value of the principal can be calculated by the trust officer; it's the amount that a third person would pay for the right to receive the principal 10 years from now—basically, the amount that one would have to deposit now to receive $10,000 in 10 years.

Both principal and interest

If a student, spouse, or parent receives both the interest and the principal from the trust, the student should report the present value of both interest and principal, as described in the discussion of principal only. If the trust is set up so that the interest accumulates within the trust until it ends, the beneficiary should report as an asset the present value of the interest and principal that she is expected to receive when the trust ends.

Ownership of an asset

In some cases the ownership of an asset is divided or contested, which can affect how the student reports the asset.

Part ownership of asset

If the parent or student has only part ownership of an asset, the student should report only the owned part. Generally the value of an asset and debts against it should be divided equally by the number of people who share ownership unless the share of the asset is determined by the amount invested or the terms of the arrangement specify some other means of division.

Contested ownership

Assets shouldn't be reported if the ownership is being contested. For instance, if the parents are separated and can't sell or borrow against jointly owned property because it's being contested, the parent reporting FAFSA information would not list any net worth for the property. However, if the ownership of the property is not being contested, the parent would report the property as an asset. If ownership of an asset is resolved after the initial application is filed, the student can't update this information.

Lien against, and imminent foreclosure of, an asset

If there's a lien against the asset, the net value of the asset is determined by subtracting from its total value any associated debt as well as the amount of the lien. If foreclosure of an asset is imminent, the net value of the asset would still be reported until the party making the foreclosure completes legal action to take possession of the asset. If the status of the property changes after the application is filed, the student can't update the asset information.

STEPS 2 & 4
Questions 43 and 91
Taxable income offsets

American Opportunity credit
Part of this credit can be refundable, that is, payable to tax filers even if they do not owe any federal income tax. The nonrefundable portion appears on the same lines of the tax return and the FAFSA as the Lifetime Learning credit. The refundable portion appears on line 66 of the 1040 form and line 40 of the 1040A. It does not appear on the lines of the FAFSA for the education tax credits, nor does it count as untaxed income.

Reimbursements and stipends
Employers often help with education costs by paying stipends or reimbursing employees for classes taken. These benefits count as estimated financial assistance (or reduce the cost of attendance) even if they aren't received until the end of the class(es) and are contingent on earning a minimum grade. Any taxable portion received in the prior year and appearing in the AGI is entered in question 43 or 91.

Child support payments example
Steven and his wife each have a child from a previous relationship who doesn't live with them and for whom they pay child support. Because Steven provides over half of his daughter's support through his payments, he counts her in his household size. Therefore, he doesn't report the amount of child support he pays on his FAFSA. Steven's wife isn't providing over half of her son's support, so he isn't included in Steven's household size. Therefore, Steven can report the amount of child support his wife pays.

- **Taxable income offsets (43 and 91).** These questions total certain types of income and other monies that are excluded from income in the need analysis. The CPS subtracts these excluded amounts from the AGI when calculating the EFC.

  a. Education tax credits. These are the American Opportunity and Lifetime Learning tax credits; the FAFSA refers to lines 49 and 31 on the 1040 and 1040A tax returns respectively. See the margin note.

  b. Child support payments *made* during 2012 because of divorce, separation, or legal requirement by the student, spouse, or parent whose income is reported on the FAFSA. Don't include support for children in the household (see the example in the margin). Also, don't count child support *received* for a child in the household size; that is considered untaxed income.

  c. Taxable earnings from need-based work programs. These are earnings from any need-based work program including Federal Work-Study and need-based employment portions of fellowships or assistantships. The student uses the W-2s or other records she received for these earnings.

  d. Student grant and scholarship aid. A student reports **only** the amount of grants and scholarships received that is taxable income. This includes grant and scholarship (not employment) portions of fellowships and assistantships, as well as taxable stipends and employer tuition reimbursements. Include also AmeriCorps benefits (awards, living allowances, and interest accrual payments) except those for health care or child care. The filer usually writes the taxable amount of the grant or scholarship separately on the tax form next to the line where wages and other earnings are reported. If the amount was reported this way, the student can copy it from the tax form.

  e. Combat pay. Enter only the portion that was included in adjusted gross income. This should be zero for enlisted persons and warrant officers (including commissioned warrant officers) because their combat pay is entirely non-taxable. For commissioned officers generally, combat pay in excess of the highest enlisted person's pay (plus imminent danger/hostile fire pay) is taxable. To determine the taxable amount, find the total combat pay from the serviceperson's leave and earnings statements and subtract the untaxed portion, which is reported in box 12 of the W-2 form with code Q. See IRS Publication 3, *Armed Forces' Tax Guide*, for more information.

  f. College cooperative education program earnings from work. The student uses the W-2s or other records she received for these earnings.

- **Untaxed income (44 and 92).** These questions total the untaxed income, some of which is reported on the tax form even though it isn't taxed. A student who hasn't filed a return will have to estimate these amounts, and students or parents may need to separate information from a joint return.

a. Payments to tax-deferred or sheltered pension and savings plans (paid directly or withheld from earnings). This includes untaxed portions of 401(k) and 403(b) plans. These types of payments are listed in boxes 12a through 12d of the W-2 and will have one of the following codes: D, E, F, G, H, or S. Note that employer contributions to these plans shouldn't be reported as an untaxed benefit.

b. Deductible IRA or Keogh payments. Payments to an IRA or Keogh plan that are excluded from taxation are reported as untaxed income. These amounts appear on the tax return.

c. Child support received for all children.

d. Tax-exempt interest income. Certain types of interest, such as interest on municipal bonds, are tax-exempt. This amount is on line 8b on both the 1040 and 1040A forms.

e. and f. Untaxed IRA distributions and pension or annuity payments. A tax filer determines how much of his IRA distribution or pension or annuity payment is taxable when he completes his tax return. The applicant reports the untaxed portion, which is determined from the tax return, but should not include rollovers (transfers of funds from one IRA to another).

g. Housing, food, and other living allowances. Some people, particularly clergy and military personnel, receive these allowances as compensation for their jobs. Money received to pay for rent should also be reported, as should the free use of a house or apartment (the rent or market value of a comparable house or apartment can be used). Similarly, if the student received free room or board in 2012 for a job that was not awarded as student financial aid (including resident advisor positions that provide free room and board as part of the student's non-need-based employment compensation), she must report the value of the room and board as untaxed income. Note the housing exclusions on the following page.

h. Veterans' noneducation benefits. This includes disability, the death pension, Dependency and Indemnity Compensation (DIC), and Veterans Affairs (VA) educational work-study allowances.

i. Any other untaxed income not reported elsewhere. This can include disability (but not Social Security disability), worker's compensation, interest income on education IRAs, untaxed portions of Railroad Retirement benefits, black lung benefits, refugee assistance, the untaxed portion of capital gains, and foreign income that wasn't taxed by any government and isn't part of the Foreign Earned Income Exclusion.

j. Money received (44 only). The student reports any cash support he received, but if dependent he does not count his parents' support, with one exception: money from a non-custodial parent that is not part of a legal child support agreement is untaxed income to the student. Cash support includes money, gifts, and loans, plus housing, food, clothing,

STEPS 2 & 4
Questions 44 and 92
Untaxed income

Health savings accounts

Health savings accounts (HSAs) resemble tax-deferred pension and savings plans more than flexible spending arrangements; for example, the balance in an HSA persists from year to year, while that in a flexible spending arrangement must be spent on qualified expenses by the end of the year. Therefore, treat tax-free contributions to an HSA as untaxed income; these will appear on line 25 of the 2012 IRS Form 1040. The balance in the account does not count as an asset, nor would distributions from it count as untaxed income when they are used for qualified medical expenses. Distributions not used for qualified expenses are subject to income tax (and a possible penalty) and will be counted in the adjusted gross income.

Independent student with parental support example

Doug is a graduate student, so he's independent even though he still lives with his parents and has no income of his own. Although the FAA at his school can't make him a dependent student, she can decide to use professional judgment to add an amount to his untaxed income to account for the in-kind support his parents provide.

STEPS 2 & 4
Untaxed income not reported on the FAFSA

Box 14 items on the W-2

Schools are not required to review income listed in box 14 of the IRS's W-2 form. There are a few reasons for this: several of the items the IRS suggests could be reported in box 14 are captured already on the FAFSA (in adjusted gross income for instance); also, employers could include in box 14 certain non-elective pension plan contributions, and non-elective contributions should not be counted in the need analysis; finally, because no employer is required to provide information in box 14, it is unlikely that employers will be consistent in what they report there.

But if you are aware that a box 14 item should be reported—i.e., if it represents discretionary income—you should count it on the pertinent line. For example, clergy parsonage allowances often appear in box 14, and you would count that on line g of question 44 or 92.

Dependent benefits example

Stanislaw's uncle Yvor lives with him and receives a small disability payment each month. This amount is paid directly to Yvor, so Stanislaw doesn't report it as income when he completes the FAFSA. The payment is small enough that Stanislaw is still providing more than half of Yvor's support, and because he expects to continue to provide more than half support during the award year, he includes Yvor as a dependent in his household size. However, starting the July after the current award year, Yvor expects to also start receiving a pension. The combination of the pension and the disability payment will be enough that Stanislaw won't be providing more than half of his uncle's support and therefore won't be able to include Yvor in his household size after this award year.

car payments or expenses, medical and dental care, college costs, and money paid to someone else on his behalf. For example, if a friend or relative pays his electric bill or part of his rent, he must report the amount as untaxed income. If he is living with a friend who pays the rent and the student's name is on the lease, the rent paid on his behalf counts as cash support because he is responsible for payments that his friend is making. Note that this item does not appear in the parents' question—only the student reports this information.

Tips on reporting benefits:

The student reports the actual amount of benefits received during the year, even if it is an underpayment or an overpayment that will be corrected in the next year. However, if the underpayment or overpayment was adjusted in the same year, only the net amount received during that year would be reported.

Benefits the student or parent receives on behalf of anyone included in his FAFSA household size count as income to him unless the person is an adult, e.g., a grandmother (a child would not count) who receives the benefits in her name. Such a person is not included in the household size if benefits in her name total more than half of her support.

Income and benefits NOT to be included:

➔ **Student aid** is accounted for in packaging (see *Volume 3: Calculating Awards and Packaging*); it does not count as income in the calculation of the EFC. Student aid includes tuition benefits a parent receives for a dependent, such as those from the parent's employer. Student aid that was included in the AGI is reported separately as an exclusion so that it can be subtracted from income.

➔ **Veterans' education benefits.** Appendix A in *Chapter 7* of *Volume 3* for 2012–2013 has the list of excluded benefits. See also the August 13, 2009, electronic announcement at **www.ifap.ed.gov** for information.

➔ **The value of on-base housing** or the basic allowance for housing (BAH) for students or parents who are in the military. However, the basic allowance for subsistence (BAS) still counts as untaxed income.

➔ **Rent subsidies for low-income housing.**

➔ **Payments and services received from states for foster care or adoption assistance,** under Part A or Part E of Title IV of the Social Security Act.

➔ **Per capita payments to Native Americans.** Money received from the Per Capita Act or the Distribution of Judgment Funds Act should not be reported unless it exceeds $2,000 per payment. Any amount over $2,000 is reported as untaxed income.

➔ **Heating/fuel assistance.** This includes payments or allowances received under the Low-Income Home Energy Assistance Act

(LIHEA). Payments under the LIHEA are made through state programs that may have different names.

➔ **Flexible spending arrangements.** These are employee benefit programs, sometimes called "cafeteria plans." Neither contributions to nor payments from these programs should count as untaxed income.

➔ **Welfare benefits (e.g., Temporary Assistance for Needy Families or TANF), untaxed Social Security benefits, and the earned income and additional child tax credits.** Welfare benefits are state or federal supplementary assistance that is means-tested.

➔ **Combat pay, foreign income exclusion, and credit for federal tax on special fuels.**

➔ **In-kind support** is other than money, for example, friends or relatives giving the student food or allowing him to live with them rent-free. That support isn't included as untaxed income, though you may use professional judgment (e.g., by reducing the cost of attendance or increasing income) with students who receive such in-kind support. This is not the same as housing and other allowances received as compensation for a job, which, as stated earlier, must be reported. If the student is living with someone who is paying living expenses, it can be difficult to determine whether the support is cash support or in-kind support. The basic rule is: if someone pays a cost the student is obligated to pay, the amount counts as cash support.

STEP THREE: DEPENDENCY STATUS

Purpose: The law governing the FSA programs is based on the premise that the family is the first source of the student's support, and the law provides several criteria that decide if the student is considered independent of her parents for aid eligibility. Note that a student reaching the age of 18 or 21 or living apart from her parents does not affect her dependency status.

If a student is considered a dependent of his parents, their income and assets must be included on the FAFSA. The CPS will calculate a parent contribution and add it to the student's contribution to derive an EFC.

In unusual cases an aid administrator can determine that a student who doesn't meet any of the independence criteria should still be treated as an independent student. (See "Dependency Overrides" in *Chapter 5*.)

■ **Married (46).** The student must answer this question according to her marital status at the time the FAFSA is signed; after that, she **cannot** update FAFSA information for changes in her marital status except in limited instances; see *Chapter 4*.

A student who is only engaged answers as unmarried unless she waits until after the wedding to complete the FAFSA. For this question a student is considered married if she is separated or planning to divorce or if she has a relationship that meets the criteria for common-law marriage in her state. A student who was independent only because she

STEP 3

Question 46
Dependency status

Examples of in-kind income (not to be reported on the FAFSA)

- SNAP (formerly Food Stamp Program)
- Women, Infants, and Children Program (WIC)
- Food Distribution programs
- National School Lunch and School Breakfast programs
- Commodity Supplemental Food Program (CSFP)
- Special Milk Program for children
- Daycare provided by the Social Services Block Grant Program (if the recipient receives **reimbursement** for child care expenses, that amount is reported as income)
- WIA (formerly JTPA) educational benefits
- Rollover pensions
- Payments and services received from states for foster care or adoption assistance, under Part A or Part E of Title IV of the Social Security Act

Criteria for independence

For the 2013–2014 year, a student is independent if he meets any of the following criteria from HEA Sec. 480(d):

- was born before January 1, 1990
- is married as of the date he applies
- will be a graduate or professional student at the start of the award year
- is currently serving on active duty for purposes other than training
- is a veteran of the U.S. Armed Forces
- has dependents other than a spouse
- was an orphan, foster child, or ward/dependent of the court at any time since the age of 13
- is an emancipated minor or in legal guardianship or was when he reached the age of majority in his state
- was determined at any time since July 1, 2012, to be an unaccompanied youth who was homeless or self-supporting and at risk of being homeless.

STEP 3
Questions 47–49
Dependency status

Military service academies and preparatory schools

U.S. Military Academy (West Point)
U.S. Naval Academy (Annapolis)
U.S. Air Force Academy
U.S. Coast Guard Academy
U.S. Merchant Marine Academy
U.S. Military Academy Preparatory School
Naval Academy Preparatory School
U.S. Air Force Academy Preparatory School

Early exit cadets

Students who attend a U.S. military academy or military academy preparatory school and who are discharged other than dishonorably prior to commission are veterans for FSA purposes but might not be veterans for VA purposes. These students will likely receive match results showing that they aren't veterans. Just like other students who receive these match results, if an early exit cadet meets one of the other criteria for independence, no resolution is required. But if he meets no other independence criteria, he must provide the school with documentation that shows he was a cadet of a military academy or its preparatory school.

Example: surviving parent and stepparent

Meurig's parents divorced when he was seven; his mother later remarried, and Meurig lived with his mother and stepfather. His stepfather didn't adopt him. His mother died last year, but his father is still living. Meurig doesn't meet any of the independence criteria, so he's a dependent student. Because his father is his only surviving parent, Meurig needs to report his father's information on the form, even though he's still living with and being supported by his stepfather.

was married becomes dependent for the next award year if she divorces and cannot answer yes to any of the dependency questions.

- **Graduate or professional study (47).** The FAFSA asks if the student will be working on a master's, doctorate, or graduate certificate program at the beginning of the school year. A student who is a graduate or professional student is independent for purposes of Title IV aid.

  Graduate and professional students aren't eligible for Pell grants, so a student who incorrectly answers "Yes" to this question must submit a correction before he can get a Pell grant, even if he is independent for another reason.

  Students should fill out the FAFSA based on their expected grade level at the beginning of the award year. If a dependent student completes her undergraduate program during the year and begins graduate school, she can update the answer to the dependency question so that the CPS can reprocess her application, or the aid administrator at the graduate school can recalculate her EFC and use it to package her graduate aid.

- **Member or veteran of the U.S. Armed Forces (48 and 49).** Veterans and persons on active duty in the U.S. Armed Forces (the Army, Navy, Air Force, Marines, or Coast Guard) for purposes other than training are independent.

  Veterans are those who were in active service (which includes basic training) and were released under a condition other than "dishonorable." This includes those who fraudulently entered the service as long as their entire period of service was not voided. There is no minimum amount of time the student has to have served to be a veteran, but it does have to be active service. This is less stringent than the VA's definition of veteran for receiving certain VA benefits.

  The application also tells students to answer "Yes" to the question about veteran status if they aren't yet a veteran but will be by June 30, 2014. Students who attended a **U.S. service academy** or preparatory school (see margin note) for at least one day and were released under conditions other than "dishonorable" count as veterans for Title IV purposes. Students serving in ROTC or currently attending a U.S. military academy are not veterans.

  Members of the **National Guard** or **Reserves** are only considered veterans if they were called up to active federal duty by presidential order for a purpose other than training. It does not matter how long the active duty lasted or if the student returned to reserve status afterward, but, as with the other qualifying veterans, the student must have had a character of service that was not "dishonorable."

- **Children and legal dependents (50 and 51).** Students who have legal dependents are independent. Legal dependents comprise children (including those who will be born before the end of the award year) of the student who receive more than half their support from the student, and other persons (except a spouse) who live with and receive more

than half their support from the student as of the FAFSA signing date and will continue to do so for the award year. The same criteria apply to household size.

When a student applies after the award year has begun, in order to count a person not her child as a dependent, the support already given that year plus the future support must total more than 50% for the whole year. See the margin examples.

- **Orphan, foster child, or ward of the court (52).** A student who was an **orphan**—both her parents were dead—when 13 or older is independent even if she was subsequently adopted. Likewise, a student who was at any time since the age of 13 a **foster child** or a **ward of the court** is independent even if her status changed later.

  A student is a ward of the court if it has assumed legal custody of her. In some states the court may impose its authority over a juvenile who remains in the legal custody of her parents; such a student is not a ward of the court. Also, incarceration of a student does not qualify her as a ward of the court. In some states the phrase "ward of the state" is used. This is considered the same as a ward of the court for dependency status as long as the student is a ward of the state **not** due to incarceration.

- **Emancipation and legal guardianship (53 and 54).** Students are independent if they are, or were upon reaching the age of majority, emancipated minors (released from control of their parent or guardian) or in legal guardianship, both as adjudicated by a court of competent jurisdiction in the state of the students' legal residence at the time of the adjudication. While the basis for emancipation can vary by state, the emancipation must be determined by a court, not by an attorney. Students in legal guardianship to their parents, for instance, if they are disabled adults and under their parents' care, are not independent for Title IV program purposes by this criterion and would answer "No" to question 54.

- **Unaccompanied homeless youth (55–57).** A student is independent if at any time on or after July 1, 2012 (irrespective of whether he is currently homeless or at risk thereof), he is determined to be an unaccompanied homeless youth by a school district homeless liaison or the director (or designee) of an emergency shelter program funded by the Department of Housing and Urban Development (HUD). The director (or designee) of a runaway or homeless youth basic center or transitional living program can determine this as well, plus whether a student is independent because he is an unaccompanied youth who is self-supporting and at risk of being homeless. These authorities make this determination if the student is receiving their programs' services or if, in the case of a school district homeless liaison, the student is in high school. An FAA may also determine this; see *Chapter 5*.

STEP 3
Questions 50–57
Dependency status

Legal dependent examples

Laurel is going to college and is her cousin Paul's legal guardian. Paul receives Social Security benefits, but because he's a minor, the benefits are paid to Laurel on his behalf. These benefits provide more than half of Paul's support. Because Paul lives with Laurel and will be supported by her (through the Social Security benefits) throughout the award year, Laurel answers "Yes" to the legal dependent question. If Paul didn't live with Laurel, she would have to answer "No" to the question.

Alan pays $4,000 to support his girlfriend, Cathy, who lives with him. She has earned income of $3,000, and she receives $200 a month ($2,400 a year) from her parents. She uses all of this for her support. Alan cannot consider Cathy a dependent since the $4,000 he provides is not more than half of her total support of $9,400.

In April 2013 Anika applies for aid for 2012–2013. One month prior to that, her cousin Bettina came to live with her. Even though Anika provides all of her cousin's support, the one month of support she has given plus the two months left in the award year would not amount to more than 50% for the entire year, so she can't consider Bettina her dependent for 2012–2013. If Bettina had moved in just before the midpoint of the year, Anika would have been able to count her as a dependent for 2012–2013.

STEP 3
Veteran match

Veteran match (for question 49)

If the student answers "Yes" to the question about veteran status, the CPS performs a match with the U.S. Department of Veterans Affairs (VA) records to confirm that status. The VA sends the result back, which appears as a match flag in the FAA Information section of the output document. For flags 2, 3, and 4, a comment and a C flag will appear on the SAR only if veteran status is the sole reason that the student would be independent. See the guide *SAR Comment Codes and Text: 2013–2014* on the IFAP website.

Successful match (match flag 1)

There won't be any comments on the output document if the VA confirms that the student is a veteran.

Not a veteran (match flag 2)

A student will receive this flag if the VA database indicates he is not a veteran. If the student answered "Yes" to one of the other dependency questions, he is independent based on that question and can receive student aid without resolving his veteran status.

If the student answered "No" to all the other dependency questions and he believes he is a qualifying veteran, he should provide the financial aid office at his school a copy of his DD214 (the Certificate of Release or Discharge from Active Duty, with "Character of Service" as anything but "dishonorable"). If it shows that he is a veteran, he can receive aid as an independent student. A dependency override is not necessary because the CPS accepts his "Yes" answer to the veteran question. If a national guardsman or a reservist who served on active duty (for other than training) did not receive a DD214 but can obtain a letter from a superior officer that documents the call-up to active duty and that classifies the character of service as anything but "dishonorable," the student will be considered a veteran for FSA purposes. If the student turns out not to be a veteran, he will need to change his answer to the question from "Yes" to "No" and provide parent information, including a parent's signature.

If the VA match problem is due to an error in the VA's database, the student should contact the VA and correct the error. A subsequent transaction will then redo the match with the VA.

Not on database (match flag 3)

Much of the guidance above applies for students not on the VA database: if the student is independent for a reason other than being a veteran, she doesn't need to resolve the problem before receiving student aid, although she should have the VA correct its database if it's wrong. If she answered "No" to the other dependency questions, she must either correct any problem with the VA, provide documentation showing she is a veteran or will be one by June 30, 2014, or, if she is not a veteran and will not be one by that date, provide parent data and change her response to the question from "Yes" to "No."

Active duty (match flag 4)

If the student is currently on active duty, he isn't a veteran yet, but if his active duty will end by June 30, 2014, he counts as a veteran for dependency status. Because he should have answered "Yes" to the active duty question, he would be independent by that criterion and wouldn't have to resolve this situation.

STEP 3
Who is a parent or has dependents

Who counts as a parent?

If the applicant answers "No" to questions 45–57, then she is dependent and must report parental information. In most cases it's clear who the parents are, but not always.

✔ **Adoptive parents and stepparents**

An adoptive parent is treated just like a biological parent. For reporting income and assets in Step 4, a stepparent is considered a parent if married to a biological or adoptive parent and if the student counts in their household size.

However, a stepparent who did not adopt the student cannot be the sole parent for determining dependency status. If the other parent dies, the student is still a dependent of the remaining biological parent, not the stepparent. If no biological parent remains, the student answers "Yes" to Question 52 and is independent.

× **Foster parents, legal guardians, and relatives**

A foster parent or a legal guardian is not treated as a parent for FSA purposes. If at any time since the age of 13 both of the student's parents were dead (and he did not have an adoptive parent) or he was in foster care, he is independent. If he is now, or was when he became an adult, an emancipated minor or in legal guardianship (see the exception under Question 54), he is independent.

If a student is living with her grandparents or other relatives, their data should not be reported on the FAFSA as parental data unless they have adopted the student. Any cash support from persons other than the student's parents should be reported as untaxed income, as discussed in Step 2. The school may also consider other kinds of support as part of the student's financial resources and use professional judgment to include the support under the item for student's untaxed income (see *Chapter 5* on professional judgment).

Other sources of support for children and other household members

If the student is receiving support to raise her child, is the child still considered a legal dependent? If one or both of the student's parents are directly or indirectly providing more than 50% support in cash or other assistance to the child, then the student would answer "No" to the FAFSA question about legal dependents. "Indirect support" to the child includes support that a parent gives to the student on behalf of the child. If the student is living with a parent who is paying for most of the household expenses, the parent would usually be considered the primary source of support to the child, and the student would answer "No" to the question about legal dependents. However, there may be some cases where the student can demonstrate that she provides more than half of her child's support even while living at home, in which case she would answer "Yes" to the question about legal dependents.

When the student receives money for the child from any source other than her parents, she may count it as part of her support to the child. Sources include child support and government programs, such as Temporary Assistance for Needy Families (TANF) and the Supplemental Nutrition Assistance Program (SNAP, formerly the federal Food Stamp Program), that provide benefits for dependent children. So a student may be considered independent when the benefit she receives is the primary support for her child. For example, if a student who lives alone with her child receives cash from her boyfriend that amounts to more than 50% support for her child, then she would be able to count the child as a dependent and in her household size, and she would be independent. If the boyfriend is the father of the child and a student himself, then he would also be able to count the child as a dependent and in his household size, and he would be independent too.

STEP 4

Questions 58–72
Parent information

Student living with relatives example

Millie's father is dead, and her mother can't support her, so she is living with her grandmother. Her mother doesn't pay any money for her support. Millie doesn't meet any of the independence criteria, so she has to provide parental information. Because her grandmother hasn't adopted her, her grandmother isn't her parent. Millie will have to provide information about her mother on the form unless there are unusual circumstances that would warrant a dependency override or her receiving only unsubsidized loans. In any case, the school might use PJ to account for the grandmother's support.

Dependent student household size example

Lydia is a dependent student, and her parents are married. Her brother Ron is 26, but his parents still provide more than 50% of his support, so he is included in the household size. Her sister Elizabeth is attending college but is an independent student and isn't supported by their parents, so she isn't included in the household size. Her sister Susan is not attending college but is working and supporting herself. However, if Susan were to apply for student aid, she would be considered a dependent student, so she is included. Therefore, the household size that Lydia reports for her parents is five.

STEP FOUR: PARENTS' INFORMATION (DEPENDENT STUDENTS ONLY)

Purpose: Questions 58–78 collect information about the student's parents and their household. Questions 79–92 collect tax and financial data for the parents, and because these questions are answered in the same way as for the student, they were discussed earlier.

- **Parents' personal information (58–67).** The FAFSA asks for parents' SSN, last name, first initial, date of birth, and month and year they were married, separated, divorced, or widowed. This information facilitates the use of the IRS Data Retrieval in FOTW and helps the government estimate erroneous Pell payments. If the SSN, last name, and birth date for at least one parent are not provided, or if neither parent's SSN matches with the Social Security Administration, the application will be rejected. When the SSN doesn't match with SSA, the wrong number must be corrected so that the application and SSA agree. For a name or birth date that doesn't match, correct the application if it's wrong or re-enter the information if it's correct. If the parent doesn't have an SSN, enter 000-00-0000 to prevent or remove a reject code. (See also the SSN chapter in *Volume 1*.)

- **Parents' state of residence (69–71).** Parents who do not live in the U.S. should enter "FC" for question 69.

- **Household size (72).** This determines the standard living allowance that offsets family income in the EFC calculation. The following persons count in the household size of a dependent student's parents:

  ➔ **The student and parents,** even if the student is not living with them. Exclude a parent who has died or is not living in the household because of separation or divorce, but include a parent who is on active duty in the U.S. Armed Forces apart from the family.

  ➔ **The student's siblings and children,** if they will receive more than half their support from the student's parent(s) from July 1, 2013, through June 30, 2014. Siblings need not live in the home. This includes unborn children and siblings of the student who will receive more than half support from the student's parent(s) from birth to the end of the award year. It also includes siblings who would be considered dependent based on the FAFSA dependency questions (i.e., they need not be students nor apply for aid).

  For children in the household size, the "support test" is used rather than residency because there may be situations in which a parent supports a child who does not live with her, such as when the parent is divorced or separated. If the parent receives benefits (such as Social Security payments) in the child's name, these benefits must be counted as parental support to the child. An exception to this is foster care payments, which typically cover the costs of foster children, who for FSA purposes are not considered children of the foster parents and are not counted in the household size.

➔ **Other persons** who live with and receive more than half their support from the student's parent(s) and will receive more than half support for the entire award year. When the application is submitted after the start of the year, see the relevant paragraph and example about legal dependents on page 23.

STEP 4

Questions 73–92 Number in college, tax data, dislocated worker

- **Number in college (73).** The applicant is **always** included in the number in college, but parents are not included. Others who count in the household size are in the number in college if they are or will be enrolled at least half time during the award year in an eligible degree or certificate program at a school eligible for any of the FSA programs. The definition of half-time enrollment for this question must meet the federal requirements even if the school defines half time differently. (See *Volume 1: Student Eligibility* for enrollment status requirements.) Do not include students at a U.S. service academy (see the margin note on page 22) because most of their primary educational expenses are paid for by the federal government.

- **Receipt of means-tested federal benefits (74–78).** This as an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.

- **Tax forms filed by parents, income, and assets (79–81, 83–92).** Refer to the earlier discussion for these questions.

- **Dislocated worker (82).** This status, as defined (see 29 U.S.C. 2801) in the Workforce Investment Act of 1998 or WIA, is an alternative to the tax return and means-tested federal benefits criteria for determining if a person qualifies for the simplified needs test or automatic zero EFC. A person would answer "Yes" to this question if she meets the statutory definition of dislocated worker but does not appear to because of the general nature of the FAFSA instructions. Under the WIA, a dislocated worker is someone who falls into at least one of these categories:

  1. A person who meets all of the following requirements:

     - he was terminated or laid off from employment or received a notice of termination or layoff;
     - he is eligible for or has exhausted his unemployment compensation, **or** he is not eligible for it because, even though he has been employed long enough to demonstrate attachment to the workforce, he had insufficient earnings or performed services for an employer that weren't covered under a state's unemployment compensation law; **and**
     - he is unlikely to return to a previous industry or occupation.

  2. A person who was terminated or laid off from employment or received a notice of termination or layoff as a result of any permanent closure of, or any substantial layoff at, a plant, facility, or enterprise.

  3. A person who is employed at a facility at which the employer made a general announcement that it will close within 180 days.

FSA and IRS household rules
The rules that decide whether someone is counted in the household for FSA purposes aren't identical to the IRS rules for determining dependents or household members.

Number in college
HEA Sec. 474(b)(3)

STEP 4

Question 82
Dislocated worker

Response of "Don't know"
"Don't know" is treated as "No" by the CPS. If a person gives this response, you are not required to verify it, but you may want to determine if he is a dislocated worker and if that would affect the student's eligibility for federal aid.

4. A person who is employed at a facility at which the employer made a general announcement that it will close.

5. A self-employed person (including farmers, ranchers, or fishermen) who is unemployed because of natural disasters or because of general economic conditions in his community.

6. A displaced homemaker who meets all of the following criteria:

- she has been providing unpaid services to family members in the home;
- she has been dependent on the income of another family member but is no longer supported by that income; **and**
- she is unemployed or underemployed and is having difficulty obtaining or upgrading employment. An "underemployed" person is one who is working part time but wants to work full time or one who is working below the demonstrated level of her education or job skills.

Not everyone who receives unemployment benefits will meet the definition of dislocated worker. For example, in general those who quit their jobs are not considered dislocated workers, even if they are receiving unemployment benefits.

You are not required to verify the answer to this question. If you choose to verify it, documentation can include, as appropriate to the category, a letter or a layoff or termination notice from the employer, unemployment insurance (UI) system verification, tax returns, a business license, or newspaper articles. You may also use documents from the state workforce agency or a "one-stop career center," though they are not required to provide you such documentation and a person may meet the dislocated worker definition without going to the workforce investment system for services. Absent all other evidence, self-certification will suffice, such as a statement signed by the person affirming that he meets the definition of dislocated worker.

Information from the workforce investment system. The local workforce investment system and state UI agency may support financial aid administrators by:

- providing general information to dislocated workers;
- providing general information to financial aid administrators, such as the WIA definition of dislocated workers and appropriate samples of documentation that financial aid offices can request from an individual to verify dislocated worker status;
- providing specific information to dislocated workers. A person can request documentation from the career center or other appropriate office that he is receiving dislocated worker services through the workforce investment system. That office can give the documentation to him, or at his request it may (but is not obligated to) give the documentation directly to the college.

Reporting information in cases of death, separation, divorce, and remarriage

If the parents of a student divorce or separate, a student must answer parental questions on the FAFSA as they apply to the surviving or responsible parent.

Death of a parent

If one, but not both, of the student's parents has died, the student answers the parental questions about the surviving biological or adoptive parent and does not report any financial information for the deceased parent. If both her parents are dead when she fills out the FAFSA, she must answer "Yes" to Question 52, making her independent. Remember that an adoptive parent counts as a parent, but a legal guardian doesn't. If the surviving parent dies after the FAFSA has been filed, the student must update her dependency status and report income and assets as an independent student.

Stepparent

A stepparent is treated like a biological parent if the stepparent has legally adopted the student or if the stepparent is married, as of the date of application, to a student's biological or adoptive parent whose information will be reported on the FAFSA. **There are no exceptions.** A prenuptial agreement does not exempt the stepparent from providing information required of a parent on the FAFSA. The stepparent's income information for the entire base year, 2012, must be reported even if the parent and stepparent were not married until after 2012. See above for how to fill out the parent questions when the stepparent's spouse (the biological parent) dies; if the stepparent has not adopted the student, he would no longer provide parental information as before, but any financial support he gives to the student would be counted as untaxed income.

Divorce of the student's parents

If the student's parents are divorced, he should report the information of the parent with whom he lived longer during the 12 months prior to the date he completes the application, regardless of which parent claimed him as an exemption for tax purposes. If the student lived equally with each parent or didn't live with either one, then he should provide the information for the parent from whom he received more financial support or the one from whom he received more support the last calendar year for which it was given. Note that it is not typical that a student will live with or receive support from both parents exactly equally. Usually you can determine that the student lived with one of the parents more than half the year or that he received more than half support from one of the parents.

Example: Marta is 22 and doesn't meet any of the independence criteria. Her parents divorced recently, and she hasn't lived with them since she was 18. Also, neither parent provided support in the past year. The last time she received support from her parents was when she lived with them and they were still married. Because her father's income was larger and he contributed more money to the overall household expenses, Marta determines that the last time she received support, most of it was from her father. She provides his data on the FAFSA.

Separation of the student's parents or the student and spouse

A couple need not be legally separated to be considered separated—they may deem themselves informally separated when one of the partners has left the household for an indefinite period and the marriage is severed. While a married couple that lives together can't be informally separated, in some states they can be legally separated. If their state allows this, and if they are still living together and are legally separated, then that is their status on the FAFSA. For a dependent student, use the rules for divorce to determine which parent's information to report.

Common-law marriage

If a couple lives together and has not been formally married but meets the criteria in their state for a common-law marriage, they should be reported as married on the FAFSA. If the state doesn't consider their situation to be a common-law marriage, then they aren't married; a dependent student would follow the rules for divorce to determine which parent's information to report. Check with the appropriate state agency concerning the definition of a common-law marriage.

HEA Sec. 475(f)

STEP 5

Questions 93–100 Independent student data

If you must determine if someone is a dislocated worker, you have sole responsibility and must make the determination regardless of whether the person has proof of dislocated worker status—or is receiving dislocated worker services—from the workforce investment system.

STEP FIVE: INDEPENDENT STUDENT DATA

Purpose: Questions 93–100 collect information about independent students. Only students who answered "Yes" to one or more questions in Step Three complete this step.

- **Student's household size (93).** The following persons are included in the household size of an independent student:

  ➔ **The student and his or her spouse,** unless the spouse has died or is not living in the household due to separation or divorce.

  ➔ **The student's children,** regardless of where they live, if they will receive more than half of their support from the student from July 1, 2013, through June 30, 2014. This includes the student's unborn children who will be born during the award year and will receive more than half their support from the student from birth to the end of the award year. Foster children do not count in household size.

  ➔ **Other persons** who live with and receive more than half their support from the student and will receive more than half support for the entire award year. When the application is submitted after the start of the year, see the relevant paragraph and example about legal dependents on page 23.

- **Number in college (94).** The student is **always** included in the number in college. Also included are those in the household size who are or will be enrolled at least half time during the award year in a degree or certificate program at a Title IV-eligible school and who can reasonably be expected to receive aid from the family for their education. This excludes students at a U.S. service academy because virtually all of their education is paid for by the federal government. The definition of half-time enrollment for this question must meet the federal requirements even if the school defines half time differently.

- **Receipt of means-tested federal benefits (95–99).** This as an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.

- **Dislocated worker (100).** See the explanation of question 82 earlier.

Independent student household size example

Eddy is an independent student. He was married, but now he and his wife have separated. He's paying child support, but it isn't enough to provide more than half his children's support, so he can't include his children in his household size. Eddy's nephew Chavo lives with him and gets more than half of his support from Eddy (and will do so for the award year), so he can be counted in Eddy's household size, which is two.

Having just turned 24, Chavo is also independent, and his household size is one.

STEP SIX: SCHOOL INFORMATION

Purpose: These items collect information about which colleges the student wants to receive his FAFSA information. For a college to be able to receive his data, the student must list the college's federal school code (not the OPE ID) or enter its complete name, address, city, and state. There is a federal school code search on FAFSA on the Web (**www.fafsa.gov**), and the entire list of school codes is available in portable document format (PDF) and Excel on the IFAP site (**www.ifap.ed.gov**).

For each school the student indicates whether he expects to live on or off campus or with his parents. This information is not used to calculate his EFC, but it is useful to schools for determining the cost of attendance.

The student can list up to four schools on the paper FAFSA and 10 on the Web (at least one is required). If he wants his information to be available to more schools, he can use his SAR or FOTW to change the schools listed. The CPS will send data to no more than 10 (four with the paper FAFSA) schools at a time. *Chapter 4* tells how a student can add or change schools.

STEP SEVEN: SIGNATURE(S)

Purpose: By signing the FAFSA, the applicant is assuming responsibility for the accuracy of the information reported.

- **Date and signature(s) (102–103).** In addition to certifying that the data on the FAFSA are correct, the student is also signing a Statement of Educational Purpose, which is required to receive FSA funds. Among other things, the student agrees to spend FSA funds only on educational expenses and affirms that he is not in default on a federal loan or does not owe a grant overpayment. If he is dependent, one parent whose information is reported on the FAFSA must also sign.

  Substitutes for a parent's signature. While parent information must be provided for a dependent student, a high school counselor or a college aid administrator may sign the application in place of a parent if:

  - the parents are not currently in the United States and cannot be contacted by normal means,
  - the current address of the parents is not known, or
  - the parents have been determined physically or mentally incapable of providing a signature.

  The signer must provide her title in parentheses next to her signature and briefly state the reason (only one is needed) why she is signing for the parents. The signer assures a minimum level of credibility in the data submitted; however, she does not assume any responsibility or liability in this process. If the counselor or FAA finds any inaccuracies in the information reported, she should direct the student to send the SAR through the normal correction process or, if she is an FAA, she can submit corrections through FAA Access. Because this proxy signing isn't possible electronically, it must be done on a paper FAFSA or on the signature page/FAFSA summary used with FAA Access.

STEPS 6–7

Questions 101–103
School data, date, and signatures

Copies of signed documents

While you will often receive documents with original or "wet" signatures from the student (e.g., a paper FAFSA that the student has worked on and signed while in your office), there might be an occasion where the student gives you a copy or sends you a fax of a signed document. Except for a copied FAFSA, other imaged versions of the original signed document are valid and may be kept in the student's file.

STEP 7

Questions 104–106

Preparer's data

- **Preparer's ID and signature (104–106).** Only persons who are paid a fee to help the student fill out the application are considered FAFSA preparers. Those who advise students without charging a fee, such as high school counselors and FAAs, are not preparers. A preparer must include his name, his company's name (if applicable), his address or the company address, and either his SSN or the company employer identification number (EIN, as assigned by the IRS). With the paper FAFSA, the preparer must also sign and date the form.

  Preparers have other obligations. In their advertising and their initial contact with a consumer, including via the Internet or phone, they must clearly inform him that the FAFSA is free and can be completed electronically or on paper without professional help. If they have a website for their service, it must link to FAFSA on the Web. They may not use any form other than the FAFSA for the purpose of applying for Title IV aid.

  A preparer who knowingly falsifies information on the application is subject to the same penalties as an applicant.

Signatures for electronic applications

FAA Access to CPS Online

If you enter a student's original application through FAA Access to CPS Online, you must obtain original or "wet" signatures on the printed signature page/FAFSA summary or on a completed paper FAFSA, and you must keep the signed document in the school files even if the student doesn't receive federal student aid or attend your school. You may electronically store the original document, but you may not accept faxed or copied signatures from the student for the FAFSA. (You have more latitude regarding verification documents and changes to the application; see *Chapter 4*.)

FAFSA on the Web

Students who have PINs can electronically sign their FAFSA on the Web. Parents who have a PIN can also electronically sign. Both parents and students will have to provide their name ID (first two letters of their last name), SSN, and date of birth with the PIN. Parents also must provide their child's name ID, SSN, and DOB in order to match the parent's signature record with the student's FAFSA.

Alternately, students can print the signature page, sign it, and mail it to the processor. If the processor doesn't receive the signature page within 14 calendar days of receiving the application data, it will mail a "reject 16" SAR to the student ("Missing student signature on Web application"), which the student can sign and return. If the student chooses not to print and send a signature page, or if no printer was available, the processor won't wait 14 days to print a rejected SAR for the student but will generate one within 72 hours of receiving the data.

If the student indicated on an electronic FAFSA that she would print, sign, and mail in a signature page but the processor has not received the signature page, the student can call FAFSA on the Web customer service and have her record released from the FAFSA hold file. Because no signature page has been received, the FAFSA processor will produce a rejected SAR and mail it to the student to sign and return. The processor will accept the first signature document it receives—either the signed signature page or the signed SAR.

Schools and states receive ISIRs for rejected records. A student's reject 16 SAR and her ISIR will reflect the data that she provided on the application; however, the CPS won't calculate an official EFC for the student (an unofficial EFC that cannot be used to award or disburse aid will appear on the ISIR) or do any database matches until it receives a signed signature page, a signed SAR, or an electronic signature. A school can also collect the required "wet" signatures at the school, either on the SAR or a document that has the required certification statements (FAA Access allows schools to print out a signature page for the ISIR). The school can then submit an electronic correction showing that the signatures have been provided.

Renewal FAFSA on the Web

To access their Renewal FAFSA on the Web, students must provide their PIN and other identifiers. In addition to allowing access to application data over the Internet, the PIN is a legal equivalent to a manual or "wet" signature for FSA purposes. For an independent student, no other signatures are needed, and the application will be processed within 72 hours.

Parents of dependent students can sign with their own PIN. Otherwise, the student can print a signature page for the parent. If the student indicates that no printer was available, the CPS will generate a "reject 15" ("Missing parent signature on FAFSA or SAR") output document for the student within 72 hours. If the student indicated she would send in a signature page, the processor will wait up to 14 calendar days to receive the signed page. If it doesn't receive a signed signature page after 14 days, it will generate a reject 15 SAR and send it to the student. The student must have a parent sign the SAR and must send it back to the address on the SAR. For reject 15 records, a student's SAR and ISIR will reflect the data provided on the application, but the processor won't calculate an EFC for the student until it receives the parent's electronic signature or the signed SAR or signature page.

Signature requirements for changes made after the FAFSA is filed will be discussed in *Chapter 4*.

Signature Requirements: Application and Verification for All FSA Programs			
	Application (FAFSA, FAFSA on the Web, FAA Access to CPS Online)	***IRS Documentation (Transcript or other form submitted for verification)***	***Verification Document***
Student	Must sign statement that data are accurate and other conditions are met (on paper FAFSA, Web summary, or signature page or by using PIN).	IRS Data Retrieval Tool (DRT) or tax return transcript (does not need to be signed). In rare instances when the tax return is used, it must be signed by the student (or spouse), or the tax preparer must provide his name and SSN, EIN, or PTIN.	Must sign documents used to verify FAFSA data.
Parent(s) (if student is dependent)	One parent must sign statement that data are accurate (on paper FAFSA, Web summary, or signature page or by using PIN).	DRT or tax return transcript (which does not need to be signed). In rare instances when the tax return is used, it must be signed by one parent, or the tax preparer must provide his name and SSN, EIN, or PTIN.	One parent must sign documents used to verify FAFSA data.
Aid Administrator	Must certify if overriding dependency status or exercising PJ (can't be done on FAFSA on the Web).		
Signature Requirements for Changes*			
	Changes via SAR or Corrections on the Web	***Changes submitted via FAA Access***	***Professional Judgment via FAA Access***
Student	Must sign corrections statement on the SAR; on the Web the PIN serves as the student's signature.		
Parent(s) (if student is dependent)	One parent must sign the corrections statement on the SAR. If parent data are changed on the Web, a parent must sign with PIN or print and sign signature page.		
Aid Administrator		School must have signed documentation from student and parent.	Must certify for PJ/FAA adjustments or dependency override.

* These requirements apply to any submission of changes to the Central Processing System, whether required by regulation (for Pell grant recipients or corrections to data match items) or at the discretion of the financial aid administrator (for Campus-based aid and Stafford loans).

CHAPTER 3

Expected Family Contribution (EFC)

The EFC is a measure of how much the student and his or her family can be expected to contribute to the cost of the student's education for the year. The EFC is calculated according to a formula specified in the law. In this chapter we describe the EFC formula in detail.

GENERAL INFORMATION

All the data the CPS uses to calculate the EFC come from the information the student provides on the FAFSA. The EFC formula uses many variables, including income, assets, the number of persons in the household, and the number attending college for the award year.

Every year the Department publishes updated tables used in the EFC calculation. The 2013–2014 updates are in the May 29, 2012, *Federal Register*. Also available at **www.ifap.ed.gov** is the *EFC Formula Guide*.

The law provides three different formulas to calculate the EFC: one for dependent students, one for independent students without dependents other than a spouse, and one for independent students with dependents other than a spouse. In addition there are three simplified versions of each formula with fewer data elements.

Basic EFC formulas

- ➔ Dependent students
- ➔ Independent students
- ➔ Independent students with dependents

Special calculations

- ➔ Simplified formula (no assets)
- ➔ Automatic zero EFC
- ➔ Other than nine-month enrollment

HEA Sec. 474–479

SIMPLIFIED FORMULA

The simplified formula is basically the same as the regular formula except that asset information isn't considered in the calculation. A dependent student qualifies for the simplified calculation if:

- the parents' combined AGI (for tax filers) or income earned from work (for non-filers) was less than $50,000, and
- either: (1) the parents were not required to file an IRS Form 1040,[1] (2) one of them is a dislocated worker as defined in the Workforce Investment Act of 1998 (see Chapter 2 for a description of dislocated worker), or (3) anyone counted in their household size received a means-tested federal benefit during 2011 or 2012.[2]

An independent student qualifies for the simplified calculation if:

- the student's and spouse's combined AGI (tax filers) or income earned from work (non-filers) was less than $50,000, and

[1] Persons not required to file the IRS Form 1040 comprise those who do not have to submit a return, who filed or will file a 1040A or 1040EZ, and who were eligible to file a 1040A or 1040EZ but filed or will file a Form 1040 for no substantial reason or solely to claim an education tax credit.

For qualifying for the simplified formula or the automatic zero EFC, a foreign tax return counts as an IRS Form 1040, while a tax return for Puerto Rico, Guam, American Samoa, or the Virgin Islands counts as a Form 1040A or 1040EZ.

[2] See margin note #2 on the next page.

- either: (1) the student and spouse were not required to file an IRS Form 1040,[1] (2) one of them is a dislocated worker as defined in the Workforce Investment Act of 1998, or (3) anyone counted in the household size received a means-tested federal benefit during 2011 or 2012.[2]

FAFSA on the Web has a threshold question that will cause the asset questions to be skipped when the student seems eligible for the simplified formula or an automatic zero EFC. But in some instances, such as when using a paper FAFSA, a student who qualifies for the simplified formula will provide asset information. In those cases the CPS will calculate two EFCs: one using the assets and one excluding them. The EFC from the simplified formula (which excludes assets) is called the primary EFC and is printed on the front of the student's SAR, while the EFC from the full calculation is called the secondary EFC and is printed in the FAA Information section. To determine the student's federal aid, the school must use the primary EFC, which will always be less than or equal to the secondary EFC. If it turns out that the student was not eligible for the simplified formula and did not provide asset information, the school must correct and submit the record and use the EFC reported on the resulting transaction.

AUTOMATIC ZERO EFC

The law also provides for an automatic zero EFC for some students. The CPS will assign a zero EFC to a dependent student if:

- the parents' combined AGI (for tax filers) or combined income earned from work (for non-filers) is $24,000 or less, and
- either: (1) the parents were not required to file an IRS Form 1040,[1] (2) one of them is a dislocated worker as defined in the Workforce Investment Act of 1998, or (3) anyone counted in their household size received a means-tested federal benefit during 2011 or 2012.[2]

Automatic zero EFC
HEA Sec. 479(c)

An independent student with dependents other than a spouse automatically qualifies for a zero EFC if:

- the student's and spouse's combined AGI (for tax filers) or combined income earned from work (for non-filers) is $24,000 or less, and
- either: (1) the student and spouse were not required to file an IRS Form 1040,[1] (2) one of them is a dislocated worker as defined in the Workforce Investment Act of 1998, or (3) anyone counted in the household size received a means-tested federal benefit during 2011 or 2012.[2]

Independent students with no dependents other than a spouse do not qualify for an automatic zero EFC.

[1] See margin note #1 on the previous page.

[2] The means-tested federal benefit programs are:
- Supplemental Security Income (SSI)
- Supplemental Nutrition Assistance Program (SNAP) benefits, also known as food stamps
- Free and reduced price school lunches
- Temporary Assistance for Needy Families (TANF)
- Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

A person need not have received the benefit for an entire year; receiving it at any time in the base or prior year qualifies. Also, an FAA may use professional judgment (PJ) to count a benefit if a person did not receive it during those 24 months but is receiving it now.

DEPARTMENT OF DEFENSE MATCH AND IRAQ AND AFGHANISTAN SERVICE GRANT

Schools will consider the EFC to be zero for Pell-eligible students with a parent or guardian who was a member of the U.S. Armed Forces and who died as a result of service in Iraq or Afghanistan after September 11, 2001. These students must have been less than 24 years old or enrolled in college when the parent or guardian died.

The CPS will match applications against a file provided by the Department of Defense. If a match is found, a personalized letter will be sent to the student explaining the potential increase in funding, the DOD match flag will be set to "Y" on the ISIR, and a date will appear in the parent's date of death field (which, out of sensitivity, will not be noted on the SAR). The CPS will calculate an EFC normally; the school should use a zero EFC when packaging qualifying students.

Students in this situation who are not Pell-eligible because their EFC is too high will be able to receive an Iraq and Afghanistan service grant (see *Volume 1*, *Chapter 6*) in the same amount of the Pell grant they would have been eligible for with a zero EFC. However, for these students the school uses the EFC calculated by the CPS for packaging instead of zero.

ALTERNATE EFCS

The law specifies how the EFC of a dependent student must be modified if the student is going to enroll for other than a nine-month period. The EFC found in the upper right corner of the first page of the output document is based on a nine-month enrollment period and should always be used for awarding a Pell grant, even if the student is attending for a longer or shorter period. The second section of the "FAA Information" area contains a table of alternate primary and secondary EFCs for periods of one to twelve months. These are alternate EFCs that you must use to award aid (other than Pell grants) if the student is attending for other than nine months.

THE EFC WORKSHEETS

The end of the chapter contains the EFC worksheets, which can be used to manually calculate an EFC or to see how the EFC is determined for each of the formulas explained hereafter. For items that are taken from the FAFSA, the worksheets indicate the corresponding FAFSA/SAR line numbers. On the worksheets for the simplified formula, the parts of the calculation that aren't used are grayed out.

FORMULA A—DEPENDENT STUDENTS

The EFC for a dependent student is calculated using the FAFSA data for the student and his parents. The CPS calculates the parents' contribution (which includes their assets), the student's contribution from income, and the student's contribution from assets; the EFC is the sum of these three.

Under the simplified formula, the parent's contribution doesn't include assets, nor is the student's contribution from assets counted.

EFCs of 99,999

When the student's reported EFC is the maximum of 99,999 and the cost of attendance is either more than $99,999 or more than the reported alternate EFC, you must do a hand calculation of the EFC to prevent any potentially improper awarding of subsidized Title IV aid.

Use the data from the ISIR or SAR and the instructions in this chapter for the appropriate formula to calculate the EFC that you will use to determine the student's eligibility for subsidized Title IV aid. If any of the income or tax fields (AGI, income earned from work, or taxes paid) are reported on the SAR or ISIR as $999,999, you must obtain a copy of the relevant tax return to get the actual AGI, income earned from work, or taxes paid for calculating the EFC.

Retain documentation of your calculation for audit and other purposes. When reporting an award of a Direct loan or a TEACH grant to the Common Origination and Disbursement website, use the transaction number of the ISIR from which you took data to calculate the EFC. See DCL GEN-11-21 for more information.

Negative AGI or zero?

The FAFSA instruction for parents' AGI is to use the number that appears on a specific line of the tax return; this can be a negative number. The first line of the worksheet for EFC Formula A cites the FAFSA line number and instructs you to substitute a zero if the AGI is negative. This does not mean that a negative AGI should be reported as a zero on the FAFSA. The CPS will change the value to zero, and it makes assumptions that you will not when completing an EFC worksheet by hand. When filling out the FAFSA, the applicant should follow the instruction given and use the AGI as it appears on the tax return.

Parents' contribution

The parents' available income and contribution from assets are first determined, and then these are used with the number in college to calculate the parents' contribution.

▼ *Parents' available income.* The parents' available income is calculated by subtracting certain allowances from the parents' total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been offset for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

The total income is the sum of the taxable and untaxed income, minus amounts reported in the income but excluded from the formula. If the parents are tax filers, the parents' AGI as reported on the FAFSA is the amount of the parents' taxable income used in the calculation. If the parents are not tax filers, the calculation uses the parents' reported income earned from work. Total income can be a negative number.

The sum of the following allowances are used to reduce the parents' total income:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table A1. This allowance is a percentage of parents' total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the parents' total income is below $15,000 or is $15,000 or more. The state used is the parents' state of legal residence reported on the FAFSA. If this item is blank or invalid, the student's reported state of legal residence is used. If both are blank or invalid, the state in the student's mailing address is used. If all three are blank or invalid, the rate shown in Table A1 for a blank or invalid state is used (2% for total income below $15,000; 1% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.
- **Father's and mother's Social Security tax allowance.** The father's and mother's Social Security taxes are calculated separately by applying the rates shown in Table A2 to the father's income earned from work and the mother's income earned from work in 2012 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** Use Table A3. This allowance is for the basic living expenses of a family. It varies according to the number in the parents' household and the number in college in 2013–2014, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance amount is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular

student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").

- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. For two working parents, the allowance is 35% of the lesser of the father's income earned from work (question 86) or the mother's income earned from work (question 87), but may not exceed $3,900. For one-parent families, the allowance is 35% of the parent's income earned from work, also not to exceed $3,900. If a student's parents are married and only one parent reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

▼ *Parents' contribution from assets.* The full formula uses the assets of parents of a dependent student and determines a "contribution from assets." This amount is combined with available income to give an accurate picture of the family's financial strength. In the simplified formula assets aren't counted.

First, the parents' **net worth** is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table A4 to calculate the amount to be used.

Second, the parents' **discretionary net worth** is calculated by subtracting the education savings and asset protection allowance (Table A5) from the parents' net worth. As with income, this is done to protect a portion of assets. The allowances for ages 40 through 65 approximate the present cost of an annuity which, when combined with Social Security benefits, would provide at age 65 a moderate level of living for a retired couple or single person. As shown in Table A5, the allowance increases with the age of the older parent (as reported on the FAFSA) to indicate the cost of purchasing such an annuity at a given age. Discretionary net worth may be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 12% to obtain the **parents' contribution from assets**, which represents the portion of parental assets considered available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

▼ *Calculation of parents' contribution.* This is the final step in determining the parents' contribution. The parents' available income and contribution from assets are added together to determine the parents' adjusted available income, which can be a negative number. The total parents' contribution from adjusted available income is calculated from the amounts and rates in Table A6 and is the total amount parents are expected to contribute toward all of their family's postsecondary educational costs. The rates in Table A6 increase from 22% to 47% as the adjusted available income increases. This is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for

family maintenance decreases and the portion available for discretionary purposes increases. Therefore, a progressively larger amount of income may be contributed toward postsecondary educational costs.

The parents' contribution for the individual student is calculated by dividing the total parents' contribution from adjusted available income by the number in college in 2013–2014, as reported on the FAFSA. Parents are not included in the number attending college.

Student's contribution from income

To determine the student's contribution from income, the student's available income (AI) is first calculated by subtracting total allowances from the student's total income. The AI is then assessed at a rate of 50% to obtain the student contribution from available income. If the student contribution from available income is less than zero, it's set to zero.

As with the parents' income information, the student's total income is calculated using information from the student's FAFSA. The student's total income is the sum of the student's taxable and untaxed income, minus amounts reported in the income but excluded from the formula (see *Chapter 2* for more on these exclusions). If the student is a tax filer, the student's AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student is not a tax filer, the calculation uses the student's reported income earned from work. Total income may be a negative number.

The allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it's set to zero.
- **State and other tax allowance.** Use Table A7. This allowance is a percentage of the student's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the parents' state of legal residence is used. If all three items are blank or invalid, the rate for a blank or invalid state in Table A7 is used (3%). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student's Social Security taxes are calculated by applying the rates shown in Table A2 to the student's income earned from work in 2011 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** The income protection allowance for a dependent student is $6,130.
- **Parent's negative AAI.** To recognize that a student's income may be needed to help support the family, the EFC calculation allows a parent's negative adjusted available income (AAI) to reduce a dependent student's contribution from income. Because the student's contribution from income cannot be negative, this will not affect the student's contribution from assets.

Student's contribution from assets

The student's assets are treated the same way as the parents' assets with three differences: there is no adjustment to the net worth of a business or farm, there is no education savings and asset protection allowance, and net worth is assessed at the rate of 20%. Remember that under the simplified formula there is no student contribution from assets.

The student's net worth is calculated by adding assets reported on the FAFSA (negative amounts are converted to zero for this calculation). The net worth is multiplied by 20% to obtain the student's contribution from assets, which is the portion of assets considered available to help pay for his postsecondary education.

Alternate EFCs for other than nine-month enrollment

The standard parents' contribution is for a nine-month enrollment period. For a shorter period, the parents' contribution is prorated according to the number of months of enrollment. The student's contribution from available income is also prorated and then added to the student asset contribution, which is not prorated. For an enrollment of more than nine months, the parents' contribution is calculated by adjusting the standard nine-month formula on page 3 of Worksheet A of the EFC worksheets, and the student's contribution remains at the nine-month amount.

FORMULA B—INDEPENDENT STUDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student without dependents other than a spouse is calculated using FAFSA data for the student and spouse. The CPS calculates a contribution from available income and a contribution from assets. The sum of these two is divided by the number in college in 2013–2014, as reported on the FAFSA. The result is the EFC for the 2013–2014 award year. Under the simplified formula, the contribution from assets isn't used.

Contribution from available income

The student's available income, which can be a negative number, is calculated by subtracting the total allowances from the total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided to meet those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income is then assessed at a rate of 50% to obtain the student's contribution from available income.

▼ *Total income.* The total income is the sum of the student's and her spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see *Chapter 2* for more on these exclusions). If the student and spouse are tax filers, their AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student and spouse are not tax filers, the calculation uses reported income earned from work. Untaxed income is included in the formula because it may have a considerable effect on the family's financial strength and, in some cases, may be the family's main source of income. Total income can be a negative number.

▼ *Allowances against income.* Total allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it's set to zero.
- **State and other tax allowance.** Use Table B1. This allowance is a percentage of the student and spouse's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2%). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table B2 to the student's income earned from work in 2012 and the spouse's income earned from work in 2012 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** The income protection allowance for an unmarried student is $9,540. For a married student, the income protection allowance is $9,540 if the student's spouse is enrolled at least half time, and $15,290 if the student's spouse isn't enrolled at least half time.
- **Employment expense allowance.** Families with two working spouses have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. If the student isn't married, the employment expense allowance is zero. If the student is married but only one person is working (either the student or the student's spouse), the allowance is zero. If both the student and his spouse are working, the allowance is 35% of the lesser of the student's income earned from work (question 38) or the spouse's income earned from work (question 39), but it may not exceed $3,900.

Contribution from assets

For students who qualify for the simplified formula, there is no contribution from assets. In the full formula, the assets of an independent student with no dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs.

First, the **net worth** of the student and spouse's assets is calculated by adding assets reported on the FAFSA. The net worth of a business or a farm is adjusted to protect a portion of the net worth of these assets. Use Table B3 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table B4) from the net worth. The allowance increases with the age of the student as of December 31, 2013,

which may be determined from the student's date of birth as reported on the FAFSA. This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by the conversion rate of 20% to obtain the student and spouse's contribution from assets, which represents the portion of the value of the assets that is considered available to help pay for the student's college education. If the contribution from assets is less than zero, it's set to zero.

Alternate EFCs for other than nine-month enrollment

The standard EFC is for a nine-month enrollment period. If the student will be enrolled for less than nine months, the EFC is simply prorated by dividing it by nine and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than nine months, however, the EFC remains at the nine-month amount.

FORMULA C — INDEPENDENT STUDENT WITH DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student with dependents other than a spouse is calculated using the information for the student and spouse provided on the FAFSA. The formula is almost the same as the formula for the parents of a dependent student. There are three basic steps. First, the student's available income is determined. Then, the student's contribution from assets is calculated. Finally, the EFC is calculated using the available income, the contribution from assets, and the number in college.

Available income

Available income is calculated by subtracting certain allowances from the student's total income. These allowances account for certain nondiscretionary expenses, such as taxes and basic living expenses. Once a minimum level of support has been provided for those expenses, the formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

▼ *Student's total income.* The student's total income is the sum of the student's and his or her spouse's (if the student is married) taxable and untaxed income, minus amounts reported in the income on the FAFSA but excluded from the formula (see *Chapter 2* for more information on these exclusions). If the student and spouse are tax filers, AGI as reported on the FAFSA is the amount of taxable income used in the calculation. If the student and spouse are not tax filers, the calculation uses reported income earned from work. Total income can be a negative number.

▼ *Allowances against income.* Total allowances are calculated by adding the following:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table C1. This allowance is a percentage of the total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the total income is below $15,000 or is $15,000 or more. The state to be used is the student's state of legal residence reported on the FAFSA. If this item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2% for total income below $15,000; 1% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table C2 to the student's income earned from work and the spouse's income earned from work in 2012 (as reported on the FAFSA). The total allowance for Social Security taxes is never less than zero.
- **Income protection allowance.** Use Table C3. This allowance provides for the basic living expenses of a family. It varies according to the number in the student's household and the number in college in 2013–2014, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").
- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. When both the student and spouse work, the allowance is 35% of the lesser of the student's income earned from work (question 38) or the spouse's income earned from work (question 39), but may not exceed $3,900. If the student isn't married, the allowance is 35% of the student's income earned from work, or $3,900, whichever is less. If a student is married and only the student *or* the spouse (but not both) reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

Contribution from assets

In the full formula, the assets of an independent student with dependents other than a spouse are considered in order to fully measure the family's ability to contribute toward postsecondary educational costs. The formula determines a "contribution from assets," an amount that is combined with available income to give an accurate picture of the family's financial strength. In the simplified formula, the assets aren't counted at all.

First, the **net worth** of a student and spouse's assets is calculated by adding assets reported on the FAFSA. The net worth of a business or farm is adjusted to protect a portion of these assets. Use Table C4 to calculate the amount to be used.

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table C5) from the net worth. The allowance increases with the age of the student as of December 31, 2013, which may be determined from the student's date of birth as reported on the FAFSA. This is done to protect a portion of assets that may be needed for purposes other than education, such as emergencies or retirement. Discretionary net worth can be less than zero.

Finally, the discretionary net worth is multiplied by 7% to obtain the **contribution from assets**, which is the portion of the value of the student's and spouse's assets considered to be available to help pay for the student's postsecondary education. If the contribution from assets is less than zero, it is set to zero.

Calculation of student's EFC

This is the final step in determining the EFC for the independent student with dependents other than a spouse. The available income and the contribution from assets are added together to obtain the adjusted available income. The adjusted available income can be a negative number. The total contribution from adjusted available income is calculated from using Table C6. This is the total amount the student's family is expected to contribute toward family postsecondary educational costs. The rates in Table C6 increase from 22% to 47% as the adjusted available income increases. The rate is based on the principle that as income increases beyond the amount needed to maintain a basic standard of living, the portion used for family maintenance decreases, while the portion available for discretionary purposes increases. The larger the income, the easier it is for a family to contribute toward postsecondary educational costs with less effect on the maintenance of the family.

The EFC is calculated by dividing the total student's contribution from adjusted available income by the number in college in 2013–2014, as reported on the FAFSA. The result is the EFC for the 2013–2014 award period.

Alternate EFCs for other than nine-month enrollment

The standard EFC is for a nine-month enrollment period. If the student will be enrolled for less than nine months, the EFC is simply prorated by dividing it by nine and then multiplying the result by the number of months the student will be enrolled. For an enrollment of more than nine months, however, the EFC remains at the nine-month amount.

2013-2014 EFC FORMULA A : DEPENDENT STUDENT

REGULAR WORKSHEET Page 1 **A**

PARENTS' INCOME IN 2012		
1. Parents' Adjusted Gross Income (FAFSA/SAR #83) If negative, enter zero.		
2. a. Father's/stepfather's income earned from work (FAFSA/SAR #86)		
2. b. Mother's/stepmother's income earned from work (FAFSA/SAR #87)	+	
Total parents' income earned from work	=	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		
4. Total untaxed income and benefits: (Total of FAFSA/SAR #92.a. through 92.i.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)	=	
6. Total additional financial information (Total of FAFSA/SAR #91.a. through 91.f.)	–	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST PARENTS' INCOME		
8. 2012 U.S. income tax paid (FAFSA/SAR #84) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table A1) If negative, enter zero.	+	
10. Father's/stepfather's Social Security tax allowance (Table A2)	+	
11. Mother's/stepmother's Social Security tax allowance (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: • Two working parents: 35% of the lesser of the earned incomes, or $3,900, whichever is less • One-parent families: 35% of earned income, or $3,900, whichever is less • Two-parent families, one working parent: enter zero	+	
14. TOTAL ALLOWANCES	=	

*STOP HERE if the following are true:

Line 3 is $24,000 or less **and**

- The parents are eligible to file a 2012 IRS Form 1040A or 1040EZ (they are not required to file a 2012 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the parents' household size (as defined on the FAFSA) received benefits during 2011 or 2012 from any of the designated means-tested Federal benefit programs **or**
- Either one of the parents is a dislocated worker

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME		
Total income (from line 7)		
Total allowances (from line 14)	–	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #88)		
17. Net worth of investments** (FAFSA/SAR #89) If negative, enter zero.		
18. Net worth of business and/or investment farm (FAFSA/SAR #90) If negative, enter zero.		
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+	
20. Net worth (sum of lines 16, 17, and 19)	=	
21. Education savings and asset protection allowance (Table A5)	–	
22. Discretionary net worth (line 20 minus line 21)	=	
23. Asset conversion rate	×	**.12**
24. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

PARENTS' CONTRIBUTION		
AVAILABLE INCOME (AI) (from line 15)		
CONTRIBUTION FROM ASSETS (from line 24)	+	
25. Adjusted Available Income (AAI) May be a negative number.	=	
26. Total parents' contribution from AAI (Calculate using Table A6.) If negative, enter zero.		
27. Number in college in 2013-2014 (Exclude parents) (FAFSA/SAR #73)	÷	
28. PARENTS' CONTRIBUTION (standard contribution for nine-month enrollment)*** If negative, enter zero.	=	

**Do *not* include the family's home.

***To calculate the parents' contribution for other than nine-month enrollment, see page 11.

continued on the next page

REGULAR WORKSHEET Page 2 **A**

STUDENT'S INCOME IN 2012		
29. Adjusted Gross Income (FAFSA/SAR #35) If negative, enter zero.		
30. Income earned from work (FAFSA/SAR #38)		
31. Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)		
32. Total untaxed income and benefits (Total of FAFSA/SAR #44.a. through 44.j.)	+	
33. Taxable and untaxed income (sum of line 31 and line 32)	=	
34. Total additional financial information (Total of FAFSA/SAR #43.a. through 43.f.)	–	
35. TOTAL INCOME (line 33 minus line 34) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT INCOME		
36. 2012 U.S. income tax paid (FAFSA/SAR #36) (tax filers only) If negative, enter zero.		
37. State and other tax allowance (Table A7) If negative, enter zero.	+	
38. Social Security tax allowance (Table A2)	+	
39. Income protection allowance	+	**6,130**
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41. TOTAL ALLOWANCES	=	

STUDENT'S CONTRIBUTION FROM INCOME		
Total income (from line 35)		
Total allowances (from line 41)	–	
42. Available income (AI)	=	
43. Assessment of AI	×	**.50**
44. STUDENT'S CONTRIBUTION FROM AI If negative, enter zero.	=	

STUDENT'S CONTRIBUTION FROM ASSETS		
45. Cash, savings & checking (FAFSA/SAR #40)		
46. Net worth of investments* (FAFSA/SAR #41) If negative, enter zero.		
47. Net worth of business and/or investment farm (FAFSA/SAR #42) If negative, enter zero.	+	
48. Net worth (sum of lines 45 through 47)	=	
49. Assessment rate	×	**.20**
50. STUDENT'S CONTRIBUTION FROM ASSETS	=	

EXPECTED FAMILY CONTRIBUTION		
PARENTS' CONTRIBUTION (from line 28)		
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+	
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+	
51. EXPECTED FAMILY CONTRIBUTION (standard contribution for nine-month enrollment)** If negative, enter zero.	=	

*Do *not* include the student's home.

**To calculate the EFC for other than nine-month enrollment, see the next page.

Note: *Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for campus-based aid, or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET Page 3 **A**

Calculation of Parents' Contribution for a Student Enrolled LESS than Nine Months		
A1. Parents' contribution (standard contribution for nine-month enrollment, from line 28)		
A2. Divide by 9	÷	**9**
A3. Parents' contribution per month	=	
A4. Multiply by number of months of enrollment	×	
A5. Parents' contribution for LESS than nine-month enrollment	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	**4,730**
B3. Alternate parents' AAI for more than nine-month enrollment (line B1 + line B2)	=	
B4. Total parents' contribution from alternate AAI (calculate using Table A6)		
B5. Number in college (FAFSA/SAR #73)	÷	
B6. Alternate parents' contribution for student (line B4 divided by line B5)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	−	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	**12**
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
B14. Parents' contribution for MORE than nine-month enrollment	=	

Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS than Nine Months*		
C1. Student's contribution from AI (standard contribution for nine-month enrollment, from line 44)		
C2. Divide by 9	÷	**9**
C3. Student's contribution from AI per month	=	
C4. Multiply by number of months of enrollment	×	
C5. Student's contribution from AI for LESS than nine-month enrollment	=	

*For students enrolled more than nine months, the standard contribution from AI is used (the amount from line 44).

Use next page to calculate total EFC for enrollment periods other than nine months

REGULAR
WORKSHEET
Page 4

A

Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months		
Parents' Contribution—use ONE appropriate amount from previous page: • Enter amount from line A5 for enrollment periods less than nine months **OR** • Enter amount from line B14 for enrollment periods greater than nine months		
Student's Contribution from Available Income—use ONE appropriate amount from previous page: • Enter amount from line C5 for enrollment periods less than nine months **OR** • Enter amount from line 44 for enrollment periods greater than nine months	+	
Student's Contribution from Assets • Enter amount from line 50	+	
Expected Family Contribution for periods of enrollment other than nine months	=	

2013-2014 EFC FORMULA A : DEPENDENT STUDENT

SIMPLIFIED WORKSHEET Page 1 **A**

PARENTS' INCOME IN 2012		
1. Parents' Adjusted Gross Income (FAFSA/SAR #83) If negative, enter zero.		
2. a. Father's/stepfather's income earned from work (FAFSA/SAR #86)		
2. b. Mother's/stepmother's income earned from work (FAFSA/SAR #87)	+	
Total parents' income earned from work	=	
3. Parents' Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)*		
4. Total untaxed income and benefits (sum total of FAFSA/SAR #92.a. through 92.i.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)	=	
6. Total additional financial information (sum total of FAFSA/SAR #91.a. through 91.f.)	–	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST PARENTS' INCOME		
8. 2012 U.S. income tax paid (FAFSA/SAR #84) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table A1) If negative, enter zero.	+	
10. Father's/stepfather's Social Security tax allowance (Table A2)	+	
11. Mother's/stepmother's Social Security tax allowance (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: • Two working parents: 35% of the lesser of the earned incomes, or $3,900, whichever is less • One-parent families: 35% of earned income, or $3,900, whichever is less • Two-parent families, one working parent: enter zero	+	
14. TOTAL ALLOWANCES	=	

*STOP HERE if the following are true:

Line 3 is $24,000 or less **and**

- The parents are eligible to file a 2012 IRS Form 1040A or 1040EZ (they are not required to file a 2012 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the parents' household size (as defined on the FAFSA) received benefits during 2011 or 2012 from any of the designated means-tested Federal benefit programs **or**
- Either one of the parents is a dislocated worker

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME		
TOTAL INCOME (from line 7)		
TOTAL ALLOWANCES (from line 14)	–	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #88)		
17. Net worth of investments** (FAFSA/SAR #89) If negative, enter zero.		
18. Net worth of business and/or investment farm (FAFSA/SAR #90) If negative, enter zero.		
19. Adjusted net worth of business/farm (Calculate using Table A4.)	+	
20. Net worth (sum of lines 16, 17, and 19)	=	
21. Education savings and asset protection allowance (Table A5)	–	
22. Discretionary net worth (line 20 minus line 21)	=	
23. Asset conversion rate	×	
24. CONTRIBUTION FROM ASSETS If negative, enter zero.	=	

PARENTS' CONTRIBUTION		
AVAILABLE INCOME (AI) (from line 15)		
CONTRIBUTION FROM ASSETS (from line 24)	+	
25. Adjusted Available Income (AAI) May be a negative number.	=	
26. Total parents' contribution from AAI (Calculate using Table A6.) If negative, enter zero.		
27. Number in college in 2013-2014 (Exclude parents) (FAFSA/SAR #73)	÷	
28. PARENTS' CONTRIBUTION (standard contribution for nine-month enrollment)*** If negative, enter zero.	=	

**Do *not* include the family's home.

***To calculate the parents' contribution for other than nine-month enrollment, see page 15.

Note: Do not complete the shaded areas; asset information is not required in the simplified formula.

continued on the next page

SIMPLIFIED WORKSHEET Page 2 **A**

STUDENT'S INCOME IN 2012		
29. Adjusted Gross Income (FAFSA/SAR #35) If negative, enter zero.		
30. Income earned from work (FAFSA/SAR #38)		
31. Taxable Income (If tax filer, enter the amount from line 29 above. If non-tax filer, enter the amount from line 30.)		
32. Total untaxed income and benefits (Total of FAFSA/SAR #44.a. through 44.j.)	+	
33. Taxable and untaxed income (sum of line 31 and line 32)	=	
34. Total additional financial information (Total of FAFSA/SAR #43.a. through 43.f.)	–	
35. TOTAL INCOME (line 33 minus line 34) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT INCOME		
36. 2012 U.S. income tax paid (FAFSA/SAR #36) (tax filers only) If negative, enter zero.		
37. State and other tax allowance (Table A7) If negative, enter zero.	+	
38. Social Security tax allowance (Table A2)	+	
39. Income protection allowance	+	**6,130**
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41. TOTAL ALLOWANCES	=	

STUDENT'S CONTRIBUTION FROM INCOME		
Total income (from line 35)		
Total allowances (from line 41)	–	
42. Available income (AI)	=	
43. Assessment of AI	×	**.50**
44. STUDENT'S CONTRIBUTION FROM AI If negative, enter zero.	=	

STUDENT'S CONTRIBUTION FROM ASSETS		
45. Cash, savings & checking (FAFSA/SAR #40)	+	
46. Net worth of investments* (FAFSA/SAR #41) If negative, enter zero.		
47. Net worth of business and/or investment farm (FAFSA/SAR #42) If negative, enter zero.	+	
48. Net worth (sum of lines 45 through 47)	=	
49. Assessment rate	×	
50. STUDENT'S CONTRIBUTION FROM ASSETS	=	

EXPECTED FAMILY CONTRIBUTION		
PARENTS' CONTRIBUTION (from line 28)		
STUDENT'S CONTRIBUTION FROM AI (from line 44)	+	
STUDENT'S CONTRIBUTION FROM ASSETS (from line 50)	+	
51. EXPECTED FAMILY CONTRIBUTION standard contribution for nine month enrollment. If negative, enter zero.**	=	

*Do not include the student's home.

**To calculate the EFC for other than nine-month enrollment, see the next page.

Note: Do <u>not</u> complete the shaded areas; asset information is not required in the simplified formula.

Note: *Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for campus-based aid, or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 3 **A**

Calculation of Parents' Contribution for a Student Enrolled LESS than Nine Months		
A1. Parents' contribution (standard contribution for nine-month enrollment, from line 28)		
A2. Divide by 9	÷	**9**
A3. Parents' contribution per month	=	
A4. Multiply by number of months of enrollment	×	
A5. Parents' contribution for LESS than nine-month enrollment	=	

Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	**4,730**
B3. Alternate parents' AAI for more than nine-month enrollment (line B1 + line B2)	=	
B4. Total parents' contribution from alternate AAI (calculate using Table A6)		
B5. Number in college (FAFSA/SAR #73)	÷	
B6. Alternate parents' contribution for student (line B4 divided by line B5)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	−	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	**12**
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
B14. Parents' contribution for MORE than nine-month enrollment	=	

Calculation of Student's Contribution from Available Income (AI) for a Student Enrolled LESS than Nine Months*		
C1. Student's contribution from AI (standard contribution for nine-month enrollment, from line 44)		
C2. Divide by 9	÷	**9**
C3. Student's contribution from AI per month	=	
C4. Multiply by number of months of enrollment	×	
C5. Student's contribution from AI for LESS than nine-month enrollment	=	

*For students enrolled more than nine months, the standard contribution from AI is used (the amount from line 44).

Use next page to calculate total EFC for enrollment periods other than nine months

SIMPLIFIED
WORKSHEET
Page 4

A

Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months		
Parents' Contribution—use ONE appropriate amount from previous page: • Enter amount from line A5 for enrollment periods less than nine months **OR** • Enter amount from line B14 for enrollment periods greather than nine months		
Student's Contribution from Available Income—use ONE appropriate amount from previous page: • Enter amount from line C5 for enrollment periods less than nine months **OR** • Enter amount from line 44 for enrollment periods greater than nine months	+	
Expected Family Contribution for periods of enrollment other than nine months	=	

Table A1: State and Other Tax Allowance

for EFC Formula Worksheet A (parents only)

STATE	PERCENT OF TOTAL INCOME		STATE	PERCENT OF TOTAL INCOME	
	$0-$14,999	$15,000 or more		$0-$14,999	$15,000 or more
Alabama	3%	2%	Missouri	5%	4%
Alaska	2%	1%	Montana	5%	4%
American Samoa	2%	1%	Nebraska	5%	4%
Arizona	4%	3%	Nevada	3%	2%
Arkansas	4%	3%	New Hampshire	5%	4%
California	8%	7%	New Jersey	9%	8%
Canada and Canadian Provinces	2%	1%	New Mexico	3%	2%
Colorado	5%	4%	New York	9%	8%
Connecticut	8%	7%	North Carolina	6%	5%
Delaware	5%	4%	North Dakota	3%	2%
District of Columbia	7%	6%	Northern Mariana Islands	2%	1%
Federated States of Micronesia	2%	1%	Ohio	6%	5%
Florida	3%	2%	Oklahoma	4%	3%
Georgia	6%	5%	Oregon	7%	6%
Guam	2%	1%	Palau	2%	1%
Hawaii	4%	3%	Pennsylvania	5%	4%
Idaho	5%	4%	Puerto Rico	2%	1%
Illinois	5%	4%	Rhode Island	7%	6%
Indiana	4%	3%	South Carolina	5%	4%
Iowa	5%	4%	South Dakota	2%	1%
Kansas	5%	4%	Tennessee	2%	1%
Kentucky	5%	4%	Texas	3%	2%
Louisiana	3%	2%	Utah	5%	4%
Maine	6%	5%	Vermont	6%	5%
Marshall Islands	2%	1%	Virgin Islands	2%	1%
Maryland	8%	7%	Virginia	6%	5%
Massachusetts	7%	6%	Washington	4%	3%
Mexico	2%	1%	West Virginia	3%	2%
Michigan	5%	4%	Wisconsin	7%	6%
Minnesota	6%	5%	Wyoming	2%	1%
Mississippi	3%	2%	Blank or Invalid State	2%	1%
			OTHER	2%	1%

Multiply Parents' Total Income (EFC Formula Worksheet A, line 7) by the appropriate rate from the table above to get the "State and Other Tax Allowance" (EFC Formula Worksheet A, line 9). Use the parents' State of Legal Residence (FAFSA/SAR #69). If this item is blank or invalid, use the student's State of Legal Residence (FAFSA/SAR #18). If both items are blank or invalid, use the State in the Student's Mailing Address (FAFSA/SAR #6). If all three items are blank or invalid, use the rate for a blank or invalid state above.

Table A2: Social Security Tax

Calculate separately the Social Security tax of father, mother, and student.

Income Earned from Work*	Social Security Tax
$0 - $110,100	7.65% of income
$110,101 or greater	$8,422.65 + 1.45% of amount over $110,100

*Father's/stepfather's 2012 income earned from work is FAFSA/SAR #86.
Mother's/stepmother's 2012 income earned from work is FAFSA/SAR #87.
Student's 2012 income earned from work is FAFSA/SAR #38.
Social Security tax will never be less than zero.

Table A3: Income Protection Allowance

Number in parents' household, including student (FAFSA/SAR #72)	Number of college students in household (FAFSA/SAR #73)				
	1	2	3	4	5
2	$17,100	$14,170	———	———	———
3	21,290	18,380	$15,450	———	———
4	26,290	23,370	20,460	$17,530	———
5	31,020	28,100	25,190	22,260	$19,350
6	36,290	33,360	30,450	27,530	24,620

Note: For each additional family member, add $4,100.
For each additional college student (except parents), subtract $2,910.

Table A4: Business/Farm Net Worth Adjustment

for EFC Formula Worksheet A (parents only)

If the net worth of a business or farm is—	Then the adjusted net worth is—			
Less than $1	$0			
$1 to $120,000	40% of net worth of business/farm			
$120,001 to $365,000	$ 48,000	+	50%	of net worth over $120,000
$365,001 to $610,000	$170,500	+	60%	of net worth over $365,000
$610,001 or more	$317,500	+	100%	of net worth over $610,000

Table A5: Education Savings and Asset Protection Allowance

for EFC Formula Worksheet A (parents only)

*Age of older parent as of 12/31/2013**	Allowance if there are two parents	Allowance if there is only one parent	*Age of older parent as of 12/31/2013**	Allowance if there are two parents	Allowance if there is only one parent
25 or less	$0	$0	45	$36,200	$10,600
26	2,100	600	46	37,100	10,800
27	4,300	1,300	47	38,000	11,100
28	6,400	1,900	48	39,000	11,300
29	8,600	2,500	49	39,900	11,600
30	10,700	3,200	50	40,900	11,900
31	12,800	3,800	51	42,100	12,200
32	15,000	4,400	52	43,100	12,500
33	17,100	5,100	53	44,200	12,800
34	19,300	5,700	54	45,500	13,100
35	21,400	6,300	55	46,800	13,400
36	23,500	7,000	56	47,900	13,700
37	25,700	7,600	57	49,300	14,100
38	27,800	8,200	58	50,800	14,400
39	30,000	8,900	59	52,200	14,800
40	32,100	9,500	60	53,500	15,100
41	32,900	9,700	61	55,000	15,600
42	33,700	9,900	62	56,900	16,000
43	34,500	10,100	63	58,500	16,400
44	35,400	10,300	64	60,100	16,900
			65 or over	61,800	17,400

*Determine the age of the older parent listed in FAFSA/SAR #63 and #67 as of 12/31/2013. If no parent date of birth is provided, use age 45.

Table A6: Parents' Contribution from AAI

If parents' AAI is—	**The parents' contribution from AAI is—**
Less than -$3,409	-$750
-$3,409 to $15,300	22% of AAI
$15,301 to $19,200	$3,366 + 25% of AAI over $15,300
$19,201 to $23,100	$4,341 + 29% of AAI over $19,200
$23,101 to $27,000	$5,472 + 34% of AAI over $23,100
$27,001 to $30,900	$6,798 + 40% of AAI over $27,000
$30,901 or more	$8,358 + 47% of AAI over $30,900

Table A7: State and Other Tax Allowance

for EFC Formula Worksheet A (student only)

Alabama	2%
Alaska	0%
American Samoa	2%
Arizona	2%
Arkansas	3%
California	5%
Canada and Canadian Provinces	2%
Colorado	3%
Connecticut	5%
Delaware	3%
District of Columbia	5%
Federated States of Micronesia	2%
Florida	1%
Georgia	3%
Guam	2%
Hawaii	3%
Idaho	3%
Illinois	2%
Indiana	3%
Iowa	3%
Kansas	3%
Kentucky	4%
Louisiana	2%
Maine	4%
Marshall Islands	2%
Maryland	6%
Massachusetts	4%
Mexico	2%
Michigan	3%
Minnesota	4%
Mississippi	3%
Missouri	3%
Montana	3%
Nebraska	3%
Nevada	1%
New Hampshire	1%
New Jersey	4%
New Mexico	2%
New York	6%
North Carolina	4%
North Dakota	1%
Northern Mariana Islands	2%
Ohio	3%
Oklahoma	3%
Oregon	5%
Palau	2%
Pennsylvania	3%
Puerto Rico	2%
Rhode Island	4%
South Carolina	3%
South Dakota	1%
Tennessee	1%
Texas	1%
Utah	3%
Vermont	3%
Virgin Islands	2%
Virginia	4%
Washington	1%
West Virginia	2%
Wisconsin	4%
Wyoming	1%
Blank or Invalid State	2%
OTHER	2%

Multiply the student's total income (EFC Formula Worksheet A, line 35) by the appropriate rate from the table above to get the "state and other tax allowance" (EFC Formula Worksheet A, line 37). Use the student's state of legal residence (FAFSA/SAR #18). If this item is blank or invalid, use the state in the student's mailing address (FAFSA/SAR #6). If both items are blank or invalid, use the parents' state of legal residence (FAFSA/SAR #69). If all three items are blank or invalid, use the rate for a blank or invalid state above.

2013-2014 EFC FORMULA B : INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse

REGULAR WORKSHEET Page 1 **B**

STUDENT/SPOUSE INCOME IN 2012		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #35) If negative, enter zero.		
2. a. Student's income earned from work (FAFSA/SAR #38)		
2. b. Spouse's income earned from work (FAFSA/SAR #39)	+	
Total student/spouse income earned from work	=	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		
4. Total untaxed income and benefits (sum total of FAFSA/SAR #44.a. through 44.j.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total additional financial information (sum total of FAFSA/SAR #43.a. through 43.f.)	–	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 2012 U.S. income tax paid (FAFSA/SAR #36) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table B1) If negative, enter zero.	+	
10. Student's Social Security tax (Table B2)	+	
11. Spouse's Social Security tax (Table B2)	+	
12. Income protection allowance: • $9,540 for single, separated or divorced/widowed student; • $9,540 for married student if spouse is enrolled at least 1/2 time; • $15,290 for married student if spouse is not enrolled at least 1/2 time.	+	
13. Employment expense allowance: • If student is not married or is separated, the allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or $3,900, whichever is less.	+	
14. TOTAL ALLOWANCES	=	

CONTRIBUTION FROM AVAILABLE INCOME		
TOTAL INCOME (from line 7)		
TOTAL ALLOWANCES (from line 14)	–	
15. AVAILABLE INCOME (AI)	=	
16. Assessment rate	×	**.50**
17. CONTRIBUTION FROM AI May be a negative number.	=	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
18. Cash, savings & checking (FAFSA/SAR #40)		
19. Net worth of investments* (FAFSA/SAR #41) If negative, enter zero.		
20. Net worth of business and/or investment farm (FAFSA/SAR #42) If negative, enter zero.		
21. Adjusted net worth of business/farm (Calculate using Table B3.)	+	
22. Net worth (sum of lines 18, 19, and 21)	=	
23. Asset protection allowance (Table B4)	–	
24. Discretionary net worth (line 22 minus line 23)	=	
25. Asset conversion rate	×	**.20**
26. CONTRIBUTION FROM ASSETS If negative, enter zero.		

EXPECTED FAMILY CONTRIBUTION		
CONTRIBUTION FROM AI (from line 17) May be a negative number.		
CONTRIBUTION FROM ASSETS (from line 26)	+	
27. Contribution from AI and assets	=	
28. Number in college in 2013-2014 (FAFSA/SAR #94)	÷	
29. EXPECTED FAMILY CONTRIBUTION for nine month enrollment. If negative, enter zero.**	=	

*Do *not* include the student's home.

**To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 29 above).

Note: *Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for campus-based aid, or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR WORKSHEET Page 2 **B**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 29)		
Divide by 9	÷	**9**
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
Expected Family Contribution for less than nine-month enrollment*	=	

*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula Worksheet B, line 29).

2013-2014 EFC FORMULA B : INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse

SIMPLIFIED WORKSHEET Page 1 **B**

STUDENT/SPOUSE INCOME IN 2012		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #35) If negative, enter zero.		
2. a. Student's income earned from work (FAFSA/SAR #38)		
2. b. Spouse's income earned from work (FAFSA/SAR #39)	+	
Total student/spouse income earned from work	=	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		
4. Total untaxed income and benefits (sum total of FAFSA/SAR #44.a. through 44.j.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total additional financial information (sum total of FAFSA/SAR #43.a. through 43.f.)		
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 2012 U.S. income tax paid (FAFSA/SAR #36) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table B1) If negative, enter zero.	+	
10. Student's Social Security tax (Table B2)	+	
11. Spouse's Social Security tax (Table B2)	+	
12. Income protection allowance: • $9,540 for single, separated or divorced/widowed student; • $9,540 for married student if spouse is enrolled at least 1/2 time; • $15,290 for married student if only the student is enrolled at least 1/2 time.	+	
13. Employment expense allowance: • If student is not married or is separated, the allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or $3,900, whichever is less.	+	
14. TOTAL ALLOWANCES	=	

CONTRIBUTION FROM AVAILABLE INCOME		
TOTAL INCOME (from line 7)		
TOTAL ALLOWANCES (from line 14)	−	
15. AVAILABLE INCOME (AI)	=	
16. Assessment rate	×	**.50**
17. CONTRIBUTION FROM AI May be a negative number.	=	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
18. Cash, savings & checking (FAFSA/SAR #40)		
19. Net worth of investments* (FAFSA/SAR #41) If negative, enter zero.		
20. Net worth of business and/or investment farm (FAFSA/SAR #42) If negative, enter zero.		
21. Adjusted net worth of business/farm (Calculate using Table B3.)	+	
22. Net worth (sum of lines 18, 19, and 21)	=	
23. Asset protection allowance (Table B4)	−	
24. Discretionary net worth (line 22 minus line 23)	=	
25. Asset conversion rate	×	
26. CONTRIBUTION FROM ASSETS If negative, enter zero.		

EXPECTED FAMILY CONTRIBUTION		
CONTRIBUTION FROM AI (from line 17) May be a negative number.		
CONTRIBUTION FROM ASSETS (from line 26)	+	
27. Contribution from AI and assets	=	
28. Number in college in 2013-2014 (FAFSA/SAR #94)	÷	
29. EXPECTED FAMILY CONTRIBUTION for nine-month enrollment. If negative, enter zero.**	=	

*Do *not* include the student's home.

**To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 29 above).

Note: Do <u>not</u> complete the shaded areas; asset information is not required in the simplified formula.

Note: *Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for campus-based aid, or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 2 **B**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 29)		
Divide by 9	÷	**9**
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
Expected Family Contribution for less than nine-month enrollment*	=	

*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula Worksheet B, line 29.)

Table B1: State and Other Tax Allowance

Alabama	2%
Alaska	0%
American Samoa	2%
Arizona	2%
Arkansas	3%
California	5%
Canada and Canadian Provinces	2%
Colorado	3%
Connecticut	5%
Delaware	3%
District of Columbia	5%
Federated States of Micronesia	2%
Florida	1%
Georgia	3%
Guam	2%
Hawaii	3%
Idaho	3%
Illinois	2%
Indiana	3%
Iowa	3%
Kansas	3%
Kentucky	4%
Louisiana	2%
Maine	4%
Marshall Islands	2%
Maryland	6%
Massachusetts	4%
Mexico	2%
Michigan	3%
Minnesota	4%
Mississippi	3%
Missouri	3%
Montana	3%
Nebraska	3%
Nevada	1%
New Hampshire	1%
New Jersey	4%
New Mexico	2%
New York	6%
North Carolina	4%
North Dakota	1%
Northern Mariana Islands	2%
Ohio	3%
Oklahoma	3%
Oregon	5%
Palau	2%
Pennsylvania	3%
Puerto Rico	2%
Rhode Island	4%
South Carolina	3%
South Dakota	1%
Tennessee	1%
Texas	1%
Utah	3%
Vermont	3%
Virgin Islands	2%
Virginia	4%
Washington	1%
West Virginia	2%
Wisconsin	4%
Wyoming	1%
Blank or Invalid State	2%
OTHER	2%

Multiply the total income of student and spouse (EFC Formula Worksheet B, line 7) by the appropriate rate from the table above to get the "state and other tax allowance" (EFC Formula Worksheet B, line 9). Use the student's State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the State in the Student's Mailing Address (FAFSA/SAR #6). If both items are blank or invalid, use rate for blank or invalid state above.

Table B2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

Income Earned from Work*	Social Security Tax
$0 - $110,100	7.65% of income
$110,101 or greater	$8,422.65 + 1.45% of amount over $110,100

*Student's 2012 income earned from work is FAFSA/SAR #38.
Spouse's 2012 income earned from work is FAFSA/SAR #39.
Social Security tax will never be less than zero.

Table B3: Business/Farm Net Worth Adjustment

If the net worth of a business or farm is—	Then the adjusted net worth is—			
Less than $1	$0			
$1 to $120,000	40% of net worth of business/farm			
$120,001 to $365,000	$ 48,000	+	50%	of net worth over $120,000
$365,001 to $610,000	$170,500	+	60%	of net worth over $365,000
$610,001 or more	$317,500	+	100%	of net worth over $610,000

Table B4: Asset Protection Allowance

*Age of student as of 12/31/2013**	Allowance for— Married Student	Unmarried Student	*Age of student as of 12/31/2013**	Allowance for— Married Student	Unmarried Student
25 or less	$0	$0	45	$36,200	$10,600
26	2,100	600	46	37,100	10,800
27	4,300	1,300	47	38,000	11,100
28	6,400	1,900	48	39,000	11,300
29	8,600	2,500	49	39,900	11,600
30	10,700	3,200	50	40,900	11,900
31	12,800	3,800	51	42,100	12,200
32	15,000	4,400	52	43,100	12,500
33	17,100	5,100	53	44,200	12,800
34	19,300	5,700	54	45,500	13,100
35	21,400	6,300	55	46,800	13,400
36	23,500	7,000	56	47,900	13,700
37	25,700	7,600	57	49,300	14,100
38	27,800	8,200	58	50,800	14,400
39	30,000	8,900	59	52,200	14,800
40	32,100	9,500	60	53,500	15,100
41	32,900	9,700	61	55,000	15,600
42	33,700	9,900	62	56,900	16,000
43	34,500	10,100	63	58,500	16,400
44	35,400	10,300	64	60,100	16,900
			65 or over	61,800	17,400

*Determine student's age as of 12/31/2013 from student's date of birth (FAFSA/SAR #9)

2013-2014 EFC FORMULA C: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

REGULAR WORKSHEET Page 1 **C**

STUDENT/SPOUSE INCOME IN 2012		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #35) If negative, enter zero.		
2. a. Student's income earned from work (FAFSA/SAR #38)		
2. b. Spouse's income earned from work (FAFSA/SAR #39)	+	
Total student/spouse income earned from work	=	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		
4. Total untaxed income and benefits (sum total of FAFSA/SAR #44.a. through 44.j.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total additional financial information (sum total of FAFSA/SAR #43.a. through 43.f.)		
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 2012 U.S. income tax paid (FAFSA/SAR #36) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table C1) If negative, enter zero.	+	
10. Student's Social Security tax (Table C2)	+	
11. Spouse's Social Security tax (Table C2)	+	
12. Income protection allowance (Table C3)	+	
13. Employment expense allowance: • Student and spouse both working: 35% of the lesser of the earned incomes, or $3,900, whichever is less • One-parent families: 35% of earned income, or $3,900, whichever is less • Student or spouse working (not both): zero	+	
14. TOTAL ALLOWANCES	=	

*STOP HERE if the following are true:

Line 3 is $24,000 or less **and**

- The student (and the student's spouse, if any) are eligible to file a 2012 IRS Form 1040A or 1040EZ (they are not required to file a 2012 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the student's household size (as defined on the FAFSA) received benefits during 2011 or 2012 from any of the designated means-tested Federal benefit programs **or**
- The student (or the student's spouse, if any) is a dislocated worker

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME		
TOTAL INCOME (from line 7)		
TOTAL ALLOWANCES (from line 14)	−	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #40)		
17. Net worth of investments** (FAFSA/SAR #41) If negative, enter zero.		
18. Net worth of business and/or investment farm (FAFSA/SAR #42) If negative, enter zero.		
19. Adjusted net worth of business/farm (Calculate using Table C4.)	+	
20. Net worth (sum of lines 16, 17, and 19)	=	
21. Asset protection allowance (Table C5)	−	
22. Discretionary net worth (line 20 minus line 21)	=	
23. Asset conversion rate	×	**.07**
24. CONTRIBUTION FROM ASSETS If negative, enter zero.		

EXPECTED FAMILY CONTRIBUTION		
AVAILABLE INCOME (AI) (from line 15)		
CONTRIBUTION FROM ASSETS (from line 24)	+	
25. Adjusted Available Income (AAI) May be a negative number.	=	
26. Total contribution from AAI (Calculate using Table C6.) If negative, enter zero.		
27. Number in college in 2013-2014 (FAFSA/SAR #94)	÷	
28. EXPECTED FAMILY CONTRIBUTION for nine month enrollment. If negative, enter zero.***		

**Do *not* include the student's home.

***To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 28 above).

Note: *Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for campus-based aid, or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

REGULAR
WORKSHEET
Page 2

C

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 28)		
Divide by 9	÷	**9**
Expected Family Contribution per month	=	
Multiply by number of months of enrollment	×	
Expected Family Contribution for less than nine-month enrollment*	=	

*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula Worksheet C, line 28).

2013-2014 EFC FORMULA C: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

SIMPLIFIED WORKSHEET Page 1 **C**

STUDENT/SPOUSE INCOME IN 2012		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #35) If negative, enter zero.		
2. a. Student's income earned from work (FAFSA/SAR #38) _____		
2. b. Spouse's income earned from work (FAFSA/SAR #39) + _____		
Total student/spouse income earned from work	=	
3. Student/spouse Taxable Income (If tax filers, enter the amount from line 1 above. If non-tax filers, enter the amount from line 2.)		
4. Total untaxed income and benefits (sum total of FAFSA/SAR #44.a. through 44.j.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total additional financial information (sum total of FAFSA/SAR #43.a. through 43.f.)		
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 2012 U.S. income tax paid (FAFSA/SAR #36) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table C1) If negative, enter zero.	+	
10. Student's Social Security tax (Table C2)	+	
11. Spouse's Social Security tax (Table C2)	+	
12. Income protection allowance (Table C3)	+	
13. Employment expense allowance: • Student and spouse both working: 35% of the lesser of the earned incomes, or $3,900, whichever is less • One-parent families: 35% of earned income, or $3,900, whichever is less		
• Student or spouse working (not both): zero	+	
14. TOTAL ALLOWANCES	=	

*STOP HERE if the following are true:

Line 3 is $24,000 or less **and**

- The student (and the student's spouse, if any) are eligible to file a 2012 IRS Form 1040A or 1040EZ (they are not required to file a 2012 Form 1040) or they are not required to file any income tax return **or**
- Anyone included in the student's household size (as defined on the FAFSA) received benefits during 2011 or 2012 from any of the designated means-tested Federal benefit programs **or**
- The student (or the student's spouse, if any) is a dislocated worker

If these circumstances are true, the Expected Family Contribution is automatically zero.

AVAILABLE INCOME		
TOTAL INCOME (from line 7)		
TOTAL ALLOWANCES (from line 14)	−	
15. AVAILABLE INCOME (AI) May be a negative number.	=	

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #40)		
17. Net worth of investments** (FAFSA/SAR #41) If negative, enter zero.		
18. Net worth of business and/or investment farm (FAFSA/SAR #42) If negative, enter zero.		
19. Adjusted net worth of business/farm (Calculate using Table C4.)	+	
20. Net worth (sum of lines 16, 17, and 19)	=	
21. Asset protection allowance (Table C5)	−	
22. Discretionary net worth (line 20 minus line 21)	=	
23. Asset conversion rate	× **.07**	
24. CONTRIBUTION FROM ASSETS If negative, enter zero.		

EXPECTED FAMILY CONTRIBUTION		
AVAILABLE INCOME (AI) (from line 15)		
CONTRIBUTIONS FROM ASSETS (from line 24)	+	
25. Adjusted available income (AAI) May be a negative number.	=	
26. Total contribution from AAI (Calculate using Table C6.) If negative, enter zero.		
27. Number in college in 2013-2014 (FAFSA/SAR #94)	÷	
28. EXPECTED FAMILY CONTRIBUTION for nine month enrollment. If negative, enter zero.***		

**Do *not* include the student's home.

***To calculate the EFC for less than nine-month enrollment, see the next page. If the student is enrolled for more than nine months, use the nine-month EFC (line 28 above).

Note: Do <u>not</u> complete the shaded areas; asset information is not required in the simplified formula.

Note: *Use this additional page to prorate the EFC only if the student will be enrolled for other than nine months and only to determine the student's need for campus-based aid, or a Federal Direct Subsidized Loan. Do not use this page to prorate the EFC for a Federal Pell Grant or TEACH Grant. The EFC for the Federal Pell Grant Program is the nine-month EFC used in conjunction with the cost of attendance to determine a Federal Pell Grant award from the Payment or Disbursement Schedule.*

SIMPLIFIED WORKSHEET Page 2 **C**

Calculation of Expected Family Contribution for a Student Enrolled for Less than Nine Months		
Expected Family Contribution (standard contribution for nine-month enrollment, from line 28)		
Divide by 9	÷	**9**
Expected Family Contribution per month	=	
Multiply by number of months enrollment	×	
Expected Family Contribution for less than nine-month enrollment*	=	

*Substitute the student's EFC for less than nine-month enrollment in place of the EFC for the standard nine-month enrollment (EFC Formula Worksheet C, line 28).

Table C1: State and Other Tax Allowance

STATE	PERCENT OF TOTAL INCOME		STATE	PERCENT OF TOTAL INCOME	
	$0-$14,999	$15,000 or more		$0-$14,999	$15,000 or more
Alabama	3%	2%	Missouri	5%	4%
Alaska	2%	1%	Montana	5%	4%
American Samoa	2%	1%	Nebraska	5%	4%
Arizona	4%	3%	Nevada	3%	2%
Arkansas	4%	3%	New Hampshire	5%	4%
California	8%	7%	New Jersey	9%	8%
Canada and Canadian Provinces	2%	1%	New Mexico	3%	2%
Colorado	5%	4%	New York	9%	8%
Connecticut	8%	7%	North Carolina	6%	5%
Delaware	5%	4%	North Dakota	3%	2%
District of Columbia	7%	6%	Northern Mariana Islands	2%	1%
Federated States of Micronesia	2%	1%	Ohio	6%	5%
Florida	3%	2%	Oklahoma	4%	3%
Georgia	6%	5%	Oregon	7%	6%
Guam	2%	1%	Palau	2%	1%
Hawaii	4%	3%	Pennsylvania	5%	4%
Idaho	5%	4%	Puerto Rico	2%	1%
Illinois	5%	4%	Rhode Island	7%	6%
Indiana	4%	3%	South Carolina	5%	4%
Iowa	5%	4%	South Dakota	2%	1%
Kansas	5%	4%	Tennessee	2%	1%
Kentucky	5%	4%	Texas	3%	2%
Louisiana	3%	2%	Utah	5%	4%
Maine	6%	5%	Vermont	6%	5%
Marshall Islands	2%	1%	Virgin Islands	2%	1%
Maryland	8%	7%	Virginia	6%	5%
Massachusetts	7%	6%	Washington	4%	3%
Mexico	2%	1%	West Virginia	3%	2%
Michigan	5%	4%	Wisconsin	7%	6%
Minnesota	6%	5%	Wyoming	2%	1%
Mississippi	3%	2%	Blank or Invalid State	2%	1%
			OTHER	2%	1%

Multiply the total income of student and spouse (EFC Formula Worksheet C, line 7) by the appropriate rate from the table above to get the "state and other tax allowance" (EFC Formula Worksheet C, line 9). Use the student's State of Legal Residence (FAFSA/SAR #18) reported on the FAFSA. If this item is blank or invalid, use the State in the Student's Mailing Address (FAFSA/SAR #6). If both items are blank or invalid, use the rate for blank or invalid state above.

Table C2: Social Security Tax

Calculate separately the Social Security tax of student and spouse.

Income Earned from Work*	Social Security Tax
$0 - $110,100	7.65% of income
$110,101 or greater	$8,422.65 + 1.45% of amount over $110,100

*Student's 2012 income earned from work is FAFSA/SAR #38.
Spouse's 2012 income earned from work is FAFSA/SAR #39.
Social Security tax will never be less than zero.

Table C3: Income Protection Allowance

Number in student's household, including student (FAFSA/SAR #93)	Number of college students in household (FAFSA/SAR #94)				
	1	2	3	4	5
2	$24,150	$20,020	———	———	———
3	30,070	25,960	$21,830	———	———
4	37,130	33,010	28,900	$24,760	———
5	43,810	39,670	35,570	31,450	$27,340
6	51,230	47,110	43,020	38,870	34,770

Note: For each additional family member, add $5,780.
For each additional college student, subtract $4,110.

Table C4: Business/Farm Net Worth Adjustment

If the net worth of a business or farm is—	Then the adjusted net worth is—			
Less than $1	$0			
$1 to $120,000	40% of net worth of business/farm			
$120,001 to $365,000	$ 48,000	+	50%	of net worth over $120,000
$365,001 to $610,000	$170,500	+	60%	of net worth over $365,000
$610,001 or more	$317,500	+	100%	of net worth over $610,000

Table C5: Asset Protection Allowance

*Age of student as of 12/31/2013**	Allowance for Married Student	Allowance for Unmarried Student	*Age of student as of 12/31/2013**	Allowance for Married Student	Allowance for Unmarried Student
25 or less	$0	$0	45	$36,200	$10,600
26	2,100	600	46	37,100	10,800
27	4,300	1,300	47	38,000	11,100
28	6,400	1,900	48	39,000	11,300
29	8,600	2,500	49	39,900	11,600
30	10,700	3,200	50	40,900	11,900
31	12,800	3,800	51	42,100	12,200
32	15,000	4,400	52	43,100	12,500
33	17,100	5,100	53	44,200	12,800
34	19,300	5,700	54	45,500	13,100
35	21,400	6,300	55	46,800	13,400
36	23,500	7,000	56	47,900	13,700
37	25,700	7,600	57	49,300	14,100
38	27,800	8,200	58	50,800	14,400
39	30,000	8,900	59	52,200	14,800
40	32,100	9,500	60	53,500	15,100
41	32,900	9,700	61	55,000	15,600
42	33,700	9,900	62	56,900	16,000
43	34,500	10,100	63	58,500	16,400
44	35,400	10,300	64	60,100	16,900
			65 or over	61,800	17,400

*Determine the student's age as of 12/31/2013 from the student's date of birth (FAFSA/SAR #9)

Table C6: Student's Contribution from AAI

If student's AAI is—	**The student's contribution from AAI is—**
Less than -$3,409	-$750
-$3,409 to $15,300	22% of AAI
$15,301 to $19,200	$3,366 + 25% of AAI over $15,300
$19,201 to $23,100	$4,341 + 29% of AAI over $19,200
$23,101 to $27,000	$5,472 + 34% of AAI over $23,100
$27,001 to $30,900	$6,798 + 40% of AAI over $27,000
$30,901 or more	$8,358 + 47% of AAI over $30,900

Verification, Updates, and Corrections

CHAPTER 4

Because students sometimes make errors on their application, there is a process for verifying applications and making corrections. The Central Processing System (CPS) selects which applications are to be verified, but you also have the authority to verify additional students.

You must verify applications selected by the CPS of students who will receive (or have received) subsidized student financial assistance, as defined in the margin. Verification is not required if the student will only receive unsubsidized student financial assistance (see *Verification exclusions* later in this chapter), though a student can't avoid verification by accepting only unsubsidized aid. If he tries to do this, continue with verification.

Verification regulations
34 CFR 668.51–61

REQUIRED POLICIES AND PROCEDURES

Your school must have written policies about

- the time period in which students must submit verification documentation,
- the consequences for failing to submit those documents in time,
- the method you will use to notify students if their EFC and Title IV aid amounts change,
- the procedures you or students will follow to correct FAFSA data,
- the procedure you will follow to refer a student to the Office of Inspector General (OIG see *Chapter 5*).

Your school must provide, in a timely manner, students selected for verification a clear explanation of their role, including what documents they must submit, the deadlines they must meet, and the consequences of failing to meet them.

You must complete verification for a selected student before you exercise professional judgment to adjust any values that are used to calculate the EFC. But making a PJ adjustment does not require you to verify an application that isn't selected.

Definitions
668.52

Subsidized student financial assistance programs—Title IV programs for which eligibility is determined by the EFC. These include the Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work Study (FWS), Perkins Loan, and Direct Subsidized Loan programs.

Unsubsidized student financial assistance programs—Title IV programs for which eligibility is not based on the EFC. These include the Teacher Education Assistance for College and Higher Education (TEACH) Grant, Direct Unsubsidized Loan, and Direct PLUS Loan programs.

The Iraq and Afghanistan Service Grant is a non-need-based grant and is not subject to verification.

Policies and procedures
668.53

APPLICATIONS AND INFORMATION TO BE VERIFIED

The Department's long-term goal is for a customized approach to verification. A menu of potential verification items for each award year will be published in the *Federal Register*, and the items to verify for a given application will be selected from that menu and indicated on the student's output documents. Output documents will continue to include only one verification flag to show students who were selected, and they will need to verify all the FAFSA items shown in the margin that apply to them.

Verification items for 2013–2014
668.56
See the July 12, 2012, *Federal Register*
- Adjusted gross income (AGI)
- U.S. income tax paid
- Education credits
- Untaxed IRA distributions
- Untaxed pensions
- IRA deductions and payments
- Tax-exempt interest
- Income earned from work
- Household size
- Number in college
- Supplemental Nutrition Assistance Program (SNAP, formerly food stamps)
- Child support paid
- High school completion status
- Identity/statement of educational purpose

The verification flag will have a value of "Y," and next to the EFC will be an asterisk referring to a comment in the student section of the SAR that tells applicants they will be asked by their schools to provide documentation. For 2013–2014, verification tracking flags will place the student in one of five verification tracking groups, which are explained later.

You must verify any information you have reason to believe is incorrect on any application. Students with these applications are considered to be selected for verification by your school even though you may not be verifying the same data as for CPS-selected applications.

You may, at your discretion, require a student to verify any FAFSA information and to provide any reasonable documentation in accordance with consistently applied school policies.

Regardless of whether you or the CPS selected the application, all other verification requirements, such as deadlines and allowable tolerances and interim disbursement rules, apply equally to all students who are being verified.

If you want to learn more about verification results, you can use the ISIR Analysis Tool, which provides a variety of reports and analyses that can help you identify potentially faulty applications that discretionary verification or the CPS edits might be missing. They can also help you develop discretionary verification edits that focus on student changes that affect the EFC and Pell eligibility. The 2013–2014 edition will be available in June 2013.

Verification questions/answers
The Department posted online a list of questions and answers pertaining to verification. See the webpage at http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/verification.html.

Verification tracking groups

Students who are selected for verification will be placed in one of the five following groups. The group determines which FAFSA information must be verified for the student.

Standard Verification Group. Tracking flag V1. Students in this group must verify the following if they are tax filers:

- adjusted gross income
- U.S. income tax paid
- untaxed portions of IRA distributions
- untaxed portions of pensions
- IRA deductions and payments
- tax-exempt interest income

- education credits
- household size
- number in college
- Supplemental Nutrition Assistance Program (SNAP) benefits
- child support paid

Online verification assessment module
http://ifap.ed.gov/qahome/qaassessments/fsaverification.html

Students who are not tax filers must verify the following:

- income earned from work
- household size
- number in college
- SNAP benefits
- child support paid

Verification exclusions
668.54(b)

SNAP Verification Group. Tracking flag V2. Students in this group must verify the receipt of SNAP benefits.

Child Support Paid Verification Group. Tracking flag V3. Students must verify child support paid by them or their spouse, their parents, or both.

Custom Verification Group. Tracking flag V4. Students must verify high school completion status and identity/statement of educational purpose in addition to receipt of SNAP benefits and payment of child support.

Aggregate Verification Group. Tracking flag V5. Students must verify high school completion status and identity/statement of educational purpose in addition to the items in the Standard Verification Group.

Verification following disasters
Dear Colleague Letter GEN-10-16 gives general guidance for when federally-declared disasters affect the awarding of aid. The DCL states that the Secretary will not enforce the verification requirements during the award year for applicants whose records were lost or destroyed because of a disaster. The school must document when it does not perform verification for this reason and use status code "S" when reporting the disbursement of Pell grants to affected students.

Verification exclusions

There are times when you don't need to verify a student's application. **Except in the case of the student's death, however, none of the exemptions excuse you from the requirement to resolve conflicting information.** You should document the basis for an exclusion. Other information not excluded must still be verified according to all other requirements. You don't have to verify FAFSA information of a student in the following situations:

- **Death of the student.** You don't have to continue verification if you made an interim disbursement and the student died before verification was completed. You cannot make any additional disbursements, except for FWS funds already earned, to any of the student's beneficiaries. You cannot originate or disburse his Direct Subsidized Loan or consider any interim disbursement you made of Pell, Perkins, or FSEOG funds or provisional FWS employment to be an overpayment. See *Chapter 2* of *Volume 5*.
- **Not an aid recipient.** The student won't receive Title IV aid for reasons other than a failure to complete verification. This includes being ineligible for that aid and withdrawing without receiving it.
- **The applicant is eligible to receive only unsubsidized student financial assistance.**

Timing of signature
Any required signatures, such as signatures on worksheets or on copies of tax returns, must be collected at the time of verification—they can't be collected after the verification deadline for that award year.

Spouse unavailable example
Ursula is attending Lem Community College, and her application is selected for verification. She provided her husband's information on the application but now explains that her husband has recently moved out, and she can't locate him. Ursula also gives Lem some documents to show that she's tried to locate her husband. Lem determines that Ursula doesn't need to provide verification of her husband's tax and income information, but she still needs to verify her own information.

- **Applicant verified by another school.** The student completed verification for the current award year at another school before transferring. Her FAFSA data must be the same as it was at the previous school, and you must get a letter from that school stating that it verified her application and providing the transaction number of the pertinent valid ISIR.
- **Post enrollment.** The student was selected for verification **after** ceasing to be enrolled at your school and all (including late) disbursements were made.

Unless you have reason to believe it is inaccurate, you don't have to verify the reported FAFSA information of the parents of a dependent student if any of the following apply:

- **Both of the parents are mentally incapacitated.**
- **They are residing in a country other than the United States and can't be contacted by normal means.**
- **They can't be located because the student does not have and cannot get their contact information.**

Unless you have reason to believe it is inaccurate, you don't have to verify the reported FAFSA information of the spouse of an independent student if any of the following apply:

- **The spouse has died.**
- **He is mentally incapacitated.**
- **He is residing in a country other than the United States and can't be contacted by normal means.**
- **He can't be located because the student does not have and cannot get his contact information.**

Acceptable documentation
The required documentation for application information that is selected for verification for 2013-2014 is in the *Federal Register* published on July 12, 2012. See DCL GEN-12-11 for guidance about verifiable information for 2013–2014.

DOCUMENTATION

The documentation you will need for verification varies according to the item verified, as explained in this section. The Department encourages students and parents to use the IRS Data Retrieval Tool (DRT) to import data from their tax return and not change it. It is the fastest, easiest, and most secure method of meeting verification requirements. Also, this chapter includes the verification suggested text developed by the Department, which can be used to verify non-tax items, such as household size and number in college. The text is also available on the IFAP website at **www.ifap.ed.gov**.

AGI, taxes paid, and other tax data

As already noted, the importation of IRS tax data via the DRT is the best way to document that information. Students and parents do this either when initially filling out the FAFSA on the Web (FOTW) application or later as a correction. (The DRT is available beginning February 3, 2013, for those who have filed a return.) For the retrieved data to be acceptable documentation of tax data, it is necessary that neither students nor parents change the data after it is transferred from the IRS—if the data was changed or if you have reason

to believe the data transferred is incorrect, the student will need to provide other documentation as explained below. The IRS request field(s) on the ISIR will have a value of "02" when the data is unchanged.

If students cannot or will not use IRS Data Retrieval, either at initial FAFSA filing or though the FOTW correction process, they must document AGI, taxes paid, and untaxed income by providing an IRS tax return transcript for the student and spouse or parents, as applicable. Under the following conditions the IRS Data Retrieval is **not** available in FOTW (all apply to both students and parents unless otherwise noted):

- The person did not indicate on the FAFSA that the tax return has been completed.
- The marriage date is January 2013 or later.
- The first three digits of the SSN are 666.
- The tax return was amended.
- The person filed a Puerto Rican or foreign tax return.
- The person is married and filed the tax return either as head of household or married but filing a separate return.
- Neither married parent entered a valid SSN.
- A non-married parent or both married parents entered all zeroes for the SSN.

While encouraged, tax transcripts submitted to your school for verification do not need to be signed by the tax filer.

When dependent students' parents filed a joint return and have separated, divorced, married someone else, or been widowed, the students must submit a copy of each W-2 form for the parent whose tax information is on the FAFSA. Similarly, an independent student must submit a copy of each of her W-2 forms if she filed a joint return and is separated, divorced, or a widow.

AGI and income tax documentation
668.57(a)

Requesting a tax transcript
There are a few ways to request a tax transcript: online at www.irs.gov, by calling 1-800-908-9946, or by mailing or faxing the paper Form 4506T-EZ, which can be printed out from the IRS website. See the attachment to DCL GEN-11-13 on www.ifap.ed.gov for specific instructions.

Filing an amended return
Students or parents who file an amended return cannot use the IRS DRT, and if they amend the return after using the DRT to fill out the FAFSA, you cannot rely on that data. Instead, you will need to use information from these documents to complete verification:

1. a signed copy of the IRS Form 1040X that was filed **and**
2. a signed copy of the original tax return that was filed, a tax return transcript (which does not have to be signed), or any IRS transcript (such as a return transcript for taxpayer or RTFTP) that includes all the income and tax information required to be verified: AGI, income tax paid, education credits, etc.

Line items from the 2012 tax return

	1040	*1040A*	*1040EZ*
AGI	37	21	4
Income Tax Paid	55	35	10
Deductible IRA/SEP	28 plus 32	17	
Tax-exempt Interest Income	8b	8b	
Untaxed Portions of IRAs and Pensions (excludes rollovers)	15a minus 15b and 16a minus 16b	11a minus 11b and 12a minus 12b	

HEROES Act modifications

The Higher Education Relief Opportunities for Students (HEROES) Act provides for the modification and waiving of some statutory and regulatory provisions related to students who receive financial aid and who are on active duty during a war or other military operation or who reside or are employed in a declared disaster area. These adjustments apply to return of funds and signature requirements for verification and application, among other things. The most recent update to the HEROES Act authorized its provisions through September 30, 2017. See pages 59311–59318 of the *Federal Register* dated September 27, 2012, for the details on the act and a list of the eligible students.

For students and parents who have been granted a tax filing extension, you must accept a copy of IRS Form 4868, *Application for Automatic Extension of Time to File U.S. Individual Income Tax Return*. They must also provide a copy of all their W-2 forms or, if they are self-employed, a signed statement with the amount of their AGI and their U.S. income taxes paid. You may request those with a filing extension to use the DRT or submit to your school a tax transcript after the return has been filed. If you do that, you must reverify the income information.

For non-tax filers you must receive a W-2 form for each source of employment income. You must also get a signed statement providing the sources and amounts of the person's income earned from work not on W-2s and certifying that the person has not filed and is not required to file a tax return. For residents of the Freely Associated States (the Republic of the Marshall Islands, the Republic of Palau, or the Federated States of Micronesia), a copy of the wage and tax statement from each employer and a signed statement identifying all of the person's income and taxes for the year is acceptable. Persons from a foreign country who are not required to file a tax return can provide the signed statement certifying their income and taxes paid.

If a person who is required to provide a W-2 form can't do it timely, you may permit her to submit a signed statement with the amount of the income earned from work, the source of that income, and the reason the W-2 form is not available in time.

When a person filed a non-U.S. tax return, obtaining an IRS tax return transcript is not possible. In those cases you may accept instead of the transcript a copy of the tax return, which must be signed by the filer or one of the filers of a joint return, and you must document the circumstances. Use the income and tax information that most closely corresponds to the information on the IRS tax return, and convert monetary amounts into U.S. dollars as appropriate.

On the few occasions that you use a tax return to complete verification, you can accept an electronic copy of the return that has been electronically signed provided your school's process for accepting such signatures complies with the Electronic Signatures in Global and National Commerce (ESIGN) Act. But a signature on Form 8879, the IRS e-file Signature Authorization, is not an acceptable substitute for a signature on the tax return.

Parent remarriage after applying

While the applicant does not typically update household size or number in college because of a change in his marital status, if he is a dependent student and his parent remarries between application and verification, he must update household size to include the new stepparent. However, the student would not count the new stepparent's income and assets. The school could use professional judgment to include the stepparent's income or to otherwise account for the change.

HEA Sec. 475(f)(3)
34 CFR 668.55(b)

For persons who have a tax professional prepare their return, instead of a copy of the return with the filer's signature, you may accept one that has the name and Preparer Tax Identification Number (PTIN) of the preparer or has his SSN or EIN and has been signed, stamped, typed, or printed with his name and address. Note that the IRS requires paid preparers to have a PTIN.

Be sure that the institutional verification document is signed, that all required sections are completed, and that the relevant tax or alternative documents are attached. Copies are acceptable, and unless specifically noted in this chapter, a signature on a copy is as valid as an original signature (i.e., a handwritten or "wet" signature). If an acceptable copy is of an unsigned tax return, the filer (or at least one of the filers of a joint return) must sign it. You

Acceptable Documentation

	IRS Data Retrieval	*Institutional Verification Document*	*Other Documentation*
Household Size		✓	Signed statement
Number in College		✓	Signed statement or institutional certification
AGI and Taxes Paid	✓		Tax return transcript, copy of the tax return, Form W-2, Form 4868, or a signed statement
Untaxed Income and Benefits	✓		Tax return transcript, copy of the tax return, Form W-2, Form 4868, or a signed statement
SNAP Benefits		✓	Signed statement or agency documentation
Child Support Paid		✓	Signed statement
Income Earned from Work for Non-tax Filers		✓	Signed statement and Form W-2
High School Completion			High school diploma or transcript, GED certificate or transcript, transcript showing 2-year program completion, or home school credential or transcript
Identity/Statement of Educational Purpose		✓	Original government-issued ID and signed statement of educational purpose or a copy of that ID and the statement notarized

can accept a tax form that was completed to duplicate the filed return; this duplicate must have at least one filer's signature.

The chart on page 79 shows the tax form line numbers for the most commonly reported items. This chart is a reference only; it is not a list of all the items the school must check on a tax return.

When a tax return transcript is unavailable

When the tax filer requests an IRS tax return transcript and is unsuccessful, she can use a signed copy of the 2012 tax return (Form 1040, 1040A, or 1040EZ) for verification. She must also provide you with one of the following:

- if she tried to get the transcript using the paper Form 4506-T or 4506T-EZ, a copy of the response (which she must sign) mailed to her informing her that the IRS could not provide the transcript; or
- if she tried to get the transcript using the Internet, a signed copy of a screen print from the official IRS webpage showing a message that the transcript request was unsuccessful.

Electronic signatures

For verification documentation, a school may collect an electronic signature for an applicant, parent, or spouse if the process includes an assurance of the identity of the person signing. This is often accomplished with a PIN or password that is assigned only after the identity of the person receiving the PIN or password has been authenticated.

Victims of identity theft
When the IRS determines a tax filer has been or likely was a victim of identity theft, it will not allow him to use the IRS DRT or get a tax return transcript until the matter has been resolved, which can take up to a year for complex cases. For a tax filer who is a victim of identity theft, you may accept for verification a signed copy of the paper tax return he filed, as well as a copy of IRS Form 14039, Identity Theft Affidavit, if he submitted that form to the IRS.

Sometimes the IRS does not require the tax filer to submit a Form 14039, or if he did submit the form, he might not have saved a copy. In these cases he must give you, in addition to the signed copy of the tax return, either a copy of a police report that he filed about the theft or a signed and dated statement that he was a victim of identity theft, that the IRS is investigating the matter, and that he either did not keep a copy of Form 14039 or the IRS did not require him to submit the form.

Because the IRS does not send written confirmation of the failure of a transcript request using the telephone, there is no documentation alternative for that method. Affected tax filers must request a tax return transcript using either the online or paper method and, if unsuccessful, provide you with the above noted documentation.

In addition to the documentation already specified, the tax filer must also provide you with a completed and signed IRS Form 4506-T or 4506T-EZ that includes on line 5 the name, address, and telephone number of your school as the third party to whom the IRS is to mail the tax return transcript. If you have no reasonable doubt about the accuracy of the information on the copy of the tax return, you should proceed with verification and simply place the 4506 form in the student's file rather than sending it to the IRS.

However, if you have reason to believe that the information on the tax return may not be accurate, you must, before verification can be completed, send the Form 4506-T or 4506T-EZ to the IRS and wait for the return of the transcript or confirmation from the IRS that a transcript is not available for that tax filer. See the 11/2/12 electronic announcement for more information.

Household size

To document the household size, the student needs to provide a statement signed by him and, if dependent, at least one parent that gives the name, age, and relationship to the student of each person in the household.

You don't have to verify household size in the following situations:

- For a dependent student, the household size reported is three for married parents or two for a single, divorced, separated, or widowed parent.
- For an independent student, the household size reported is two if he is married or one if he is single, divorced, separated, or widowed.

Verification selection after PJ
When professional judgment (PJ) is used (and coded correctly) to adjust an application that is not selected for verification, the CPS prevents the subsequent transaction from being selected for verification.

Number in college

You can document this item with a statement signed by the student (and, if she is dependent, at least one parent) that gives the name and age of each person in the household who is enrolled at least half time in an eligible college (excluding, of course, the parents of dependent students). The statement must also give the name of each college, and it can be written to document household size as well. Completion of the Department's verification suggested text can satisfy both items.

Household size documentation
668.57(b)

If you have reason to doubt the enrollment information reported, you must obtain from each school a statement that the named person will attend there on at least a half-time basis. You don't have to get such a statement if the person has not yet registered, is attending less than half time, or will be attending your school.

Number in college documentation
668.57(c)

If you have reason to doubt whether a reported school is Title IV-eligible, you must insure it is, such as by checking to see if it has a federal school code.

Tax documents: special situations and alternatives

Electronic filing (e-file)

There are a variety of methods for filing the tax return electronically, which include do-it-yourself methods as well as having a tax preparer complete the return. Each method should permit printing of a paper copy of the return in those cases where the IRS Data Retrieval was not used and a tax return transcript is not available. Returns in the e-file format might not contain every line item, showing instead only the data the tax filer provided. For example, if Item 8a, "Taxable interest income," does not appear on such a return, that means no taxable interest income was reported.

Non-filers

An AGI figure won't be available for someone who isn't required to file a tax return. A non-filer would instead report on the FAFSA income earned from work, which includes any income reported on the individual's W-2 forms plus any other earnings from work not reported on those forms. Even if no taxes were paid on this income earned from work, it **should not** be reported as untaxed income on the FAFSA.

As mentioned earlier, non-filers must provide a signed statement, e.g., the institutional verification document, certifying their non-filer status and listing all the sources and amounts of income earned from work, and they must also provide any W-2 forms they have for that income.

Financial aid professionals are not expected to have special knowledge or expertise regarding the U.S. tax code. If someone whose data were required on the FAFSA submits a signed statement claiming non-filer status and you have reason to believe that person would have been required to file a U.S. tax return, this constitutes conflicting information and must be resolved. (For more on conflicting information, see *Chapter 5*.) For example, in such a case, you might require a letter from the IRS, a copy of the applicable tax provision, or other documentation supporting the claim to non-filer status. **Conflicting information must be resolved before you can disburse federal student aid**.

Immigrants are not exempt from tax filing. The IRS is concerned whether a person is a **resident alien**—legal or illegal does not matter—and a resident alien's income is generally subject to tax in the same manner as a U.S. citizen's. Immigrants who do not have an SSN and are unable to get one can apply with the IRS for an individual taxpayer identification number (ITIN). The ITIN is only for tax purposes. It does not authorize a person to work, endorse his legal status, or entitle him to the earned income credit or Social Security benefits.

Filing extensions

See the guidance on page 80 if any of the persons required to report information on the FAFSA haven't filed a tax return by the time of verification and a filing extension was granted by the IRS.

Fiscal year tax returns

For a fiscal (not calendar) year return, a person should report the AGI and U.S. income tax paid from the return that includes the greater number of months in the base year (see *Chapter 2* for an example). To order a fiscal year tax transcript for verification, the person must use Form 4506-T rather than Form 4506T-EZ.

Nonresident filers

Certain nonresidents, mostly those holding temporary visas such as an F-1 or H-1, file a 1040NR return, which is acceptable documentation for verification. Such persons are neither permanent residents nor U.S. citizens.

Foreign income

As noted in Step 2 in *Chapter 2*, information from non-IRS tax returns would be reported on the FAFSA, with the value of the foreign income and taxes reported in U.S. dollars, using the exchange rate at the time of application. For verification these returns are considered equivalent to IRS Form 1040. If the student (or his parents) earned foreign income but did not pay any taxes on it, it should be reported as untaxed income.

Unreported SNAP benefits

Charlie is married and has one child. He and his wife report an AGI of $52,000 on FAFSA on the Web, and because this exceeds the income thresholds to qualify for either of the alternate EFC calculations, none of the relevant questions were presented to him when he filled out his FAFSA online. He is selected for the Standard Verification Group, and verification reveals that he made a mistake in reporting his AGI, which should have been $22,000. He also indicates that he received SNAP benefits. Therefore, because he would be eligible for an auto zero EFC, his school must indicate the receipt of SNAP on his application as well as correct his AGI.

You don't have to verify the number in college if the reported number enrolled is one (the student only).

SNAP benefits (food stamps)

If the ISIR shows that someone in the parents' or student's household received SNAP benefits in 2011 or 2012, the student must provide a signed statement indicating receipt of the benefit. If you have reason to doubt the receipt of SNAP benefits, you may require the student to show documentation from the agency that supplied the benefit or alternative documentation you find sufficient.

In some instances an ISIR will not show receipt of SNAP benefits—even though someone in the household did receive those benefits—because the question was not presented to the student in FAFSA on the Web. This occurs when the question is not pertinent for the student; either she is not eligible for an automatic zero EFC or the simplified needs test (the reason for the question about SNAP), or she is eligible for one of those alternative EFC calculations by meeting another criterion. In such cases you don't need to correct the SNAP field. However, if correcting the response to the SNAP question to "Yes" makes the student eligible for one of the alternate EFC calculations, you must make the change. See the example in the margin.

Child support paid

If the ISIR shows that the student or parent paid child support in 2012, the student must provide a statement signed by her or, if she is dependent, either parent and giving the annual amount of the support, the names of those who paid it and whom it was paid to, and the name(s) of the child(ren) for whom it was paid.

If you believe the information in that signed statement is inaccurate, the student must provide documentation such as a copy of the separation agreement or divorce decree that shows the amount of child support to be provided, a statement from the person receiving the child support showing the amount provided, or copies of the child support checks or money order receipts.

If the student reports on verification documents that he, his spouse, or his parent paid child support but did not report that on his FAFSA, you must resolve the conflict. However, if he was eligible for an automatic zero EFC, the child support paid question would not have been presented on FAFSA on the Web; as long as he is still eligible for an auto zero EFC, there is no need to correct the child support field on the application.

High school completion

Students must provide one of the following documents that indicate their high school completion status at the beginning of the 2013–2014 year:

- A copy of a high school diploma.
- A copy of a final, official high school transcript that shows the date when the diploma was awarded.
- A copy of a General Educational Development (GED) certificate or GED transcript.

- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- A copy of a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent) if state law requires homeschooled students to obtain that credential.
- A transcript or the equivalent, signed by the parent or guardian of a homeschooled student, that lists the secondary school courses the student completed and documents the successful completion of a secondary school education in a homeschool setting.

Students who are unable to get one of the documents listed above must contact the financial aid office.

Identity and statement of educational purpose

Students should appear in person at the school and present a valid, government-issued photo identification (ID) such as a passport or a driver's license or other state-issued ID. You must maintain an annotated copy of that ID that includes the date it was received and the name of the person your school authorized to receive it.

Students must also sign a statement of educational purpose that certifies who they are and that the federal student aid they may receive will only be used for educational purposes and for the cost of attending the school for the 2013–2014 year.

A student who is unable to appear at the school must sign and submit the statement of educational purpose, and he must submit a copy of his ID with the statement signed by a notary public confirming that the student appeared before her and presented the ID confirming his identity.

UPDATING INFORMATION

Updating information
668.55

Generally, a student cannot update information that was correct as of the date the application was signed because the FAFSA is considered to be a "snapshot" of the family's financial situation as of that date. For example, if the student's family sold some stock after she signed the FAFSA and spent the money on a non-reported asset such as a car, she can't update her information to show a change in assets. After the FAFSA is signed, only certain items can be updated under the conditions given below.

1. **All applicants whose dependency status changes** must update that status and the associated FAFSA information throughout the award year except when the update is caused by a change in the student's marital status.
2. **All applicants selected by the Department or a school for verification of household size or number in college** must update those numbers to be correct as of the date of verification unless the update is due to a change in the student's marital status.

At your discretion you may update under either 1 or 2 even when the update is due to a change in the student's marital status if you deem it neces-

Interim disbursements
668.58

sary to address an inequity or to reflect more accurately the applicant's ability to pay. Such a decision must be on a case-by-case basis, and you must document your reasons for it. You must also update all other pertinent information, such as spousal income and taxes paid. Your school may have a policy of not considering such updates after a specific census date. Note, however, that you cannot update the marital status of an already independent student whose dependency status has not changed because of her marriage or divorce and who was not selected for verification. In such a case you must select the student for verification if you want to exercise your discretion to update her marital status and all other associated information.

Documenting household size or number in college is not required in a subsequent verification in the same year if the information has not changed.

Recovery of funds from interim disbursements
668.61

CORRECTING ERRORS

As explained in the last section, you only make updates in specified situations, but for students who are not selected for verification, you or they must correct and submit for processing any errors reported on the original FAFSA that would change the EFC or that determine the students' eligibility for aid.

For students who are selected for verification and receiving subsidized student aid, changes that result to any non-dollar item and to any dollar item of $25 or more must be submitted for processing. See the section on changes to an applicant's FAFSA.

Disbursing unsubsidized aid
A school may disburse Direct Unsubsidized and PLUS Loans prior to completing verification for an applicant who is eligible for both subsidized and unsubsidized aid. But to avoid exceeding the student's financial need, the school must consider the subsidized aid the student will receive and adjust the aid amounts after verification if necessary.

INTERIM DISBURSEMENTS

Interim disbursements are allowed either prior to verification or after verification but before receiving the corrected SAR or ISIR. If you have no reason to question the accuracy of the information on the FAFSA, prior to completing verification you may at your discretion

1. make one disbursement of Pell, Perkins, and FSEOG funds for the applicant's first payment period,
2. permit FWS employment for the first 60 consecutive days after the student enrolls for the award year, or
3. originate but not disburse a Direct Subsidized Loan.

If verification results in changes to the FAFSA information that you determine will not alter award amounts, you may at your discretion take actions 1–3 as well as disburse a Direct Subsidized Loan prior to receiving the corrected valid SAR or ISIR.

Overpayments from interim disbursements

If prior to verification you make an interim disbursement of Pell, Perkins, or FSEOG funds, your school is liable for any overpayment that results. If you can't eliminate it by reducing subsequent disbursements or having the student return the money, your school must use its own funds to reimburse the appropriate program by the earlier of 60 days after the student's last day of attendance or the last day of the award year.

If prior to verification your school permits provisional FWS employment of students for up to 60 days, it is liable for any overpayment it can't recover by adjusting other aid, and it must reimburse the FWS account from its own funds. Students must be paid for all work performed out of your school's payroll account—they can't be required to repay FWS wages earned except when they are proven guilty of fraud.

If you make an interim disbursement after completing verification but prior to receiving a correct valid SAR or ISIR, and you fail to receive the SAR or ISIR within the deadlines discussed later in this chapter, your school must use its own funds to reimburse the appropriate program and ensure that the student is paid under its own payroll account for all work performed.

Changes to FAFSA information
668.59
When there is an overaward from a regular disbursement, the following individual progam regulations apply:
Pell grants: 690.79
Perkins and FSEOG: 673.5(f)
Subsidized DL: 685.303(e)

CHANGES IN A SELECTED APPLICANT'S FAFSA

To receive subsidized student aid, students or the school must submit for processing any changes resulting from verification to a non-dollar item or a single dollar item of $25 or more.

Campus-based and DL changes

When students receive subsidized student aid other than Pell grants and there is a change, adjust the package on the basis of the EFC on the corrected valid SAR or ISIR. If there was an interim disbursement, comply with the relevant rules if the package must be reduced. If there was a regular disbursement and the package must be reduced, comply with Perkins or FSEOG overpayment rules or with the rules for dealing with excess loan proceeds for Direct Subsidized Loans.

Pell changes

When the data on the FAFSA change, recalculate the student's Pell grant on the basis of the EFC on the corrected valid SAR or ISIR. You can only pay an increased Pell grant if you have that output document and it supports an increased Pell award.

If the Pell grant is reduced and the student received an interim disbursement, adjust following disbursements as necessary. Failing that, the student should reimburse the Pell grant program, or, if he does not return the overpayment, your school must reimburse the Pell program with its funds. If the student received Pell grant money as a regular disbursement, he is responsible for repaying the overpayment. See *Volume 5*, *Chapter 1* of the Handbook for information on overpayments.

Selection after disbursement

A student's application might be selected for verification after corrections are submitted and the student has been paid based on the previous unselected CPS transaction. You must verify his application before making further disbursements. If verification does not justify aid already disbursed, then the student is responsible for repaying all aid for which he is not eligible, though he may keep any Stafford loan money he received and FWS wages he earned. See page 90 for what happens if he fails to complete verification.

Example: selection after disbursement
Owen is attending Guerrero University. His application isn't selected for verification, and he receives aid in the fall. In December, Owen submits a correction on his SAR that causes the ensuing transaction to be selected for verification. The aid administrator at Guerrero tells Owen he needs to submit verification documents if he wants his aid for the spring and if he wants to keep the Pell funds he received for the fall, but Owen doesn't turn in the documents. Owen doesn't have to repay the Stafford loan he got in the fall, but he does have to return the Pell grant, and Guerrero must cancel his aid package for the spring.

Using a joint return to figure individual AGI and taxes paid

If the filer of a joint return has become widowed, divorced, or separated since filing the return, it may be necessary to determine the individual's income and taxes paid using the joint return and W-2 forms. If a filer is self-employed or if a W-2 is not available, the school may accept a signed statement from the filer that certifies the base year AGI and U.S. taxes paid. If the filer has divorced and married someone new (see the margin note on page 80 if this occurred after completion of the application), then the new spouse's income and assets would also need to be included.

Add the income amounts from the individual's W-2 forms to any other income that can be extracted from the joint return. Any interest or business income earned on joint accounts or investments should be assessed at 50%. The same procedure should be used to divide business or farm losses. Also, if the AGI listed on the joint return was adjusted, you should reduce the individual's AGI by the portion of the adjustment that applies solely to him or her. For example, if an adjustment was made for moving expenses, which applies to the couple jointly, only 50% of the adjustment amount can be applied against the individual's income. An AGI figure can be calculated for the individual filer. A signed statement from the filer certifying that the data from the joint return were accurately assessed is sufficient documentation for this method.

Use one of the following methods to figure the individual's taxes paid:

• **Tax table (preferred method).** Using the IRS Tax Table or Tax Rate Schedule for the appropriate year, calculate the amount of tax that would have been paid if a separate return had been filed. Use the deduction and number of exemptions the individual could have claimed if he or she had filed a separate return. (If itemized deductions were taken, count only the portion of those deductions that could have been claimed on a separate tax return.)

• **Proportional distribution.** Determine what percentage of the joint AGI was attributable to the individual and then assess the joint taxes paid by that same percentage.

Example 1: Calculating individual AGI from joint return example

Eddy's application is selected for verification. He and his wife filed a joint return for 2012 and have since separated. The AGI on Eddy's FAFSA matches the AGI of $48,000 on the 2012 tax return, which means it's wrong because it includes his wife's income.

Eddy's W-2 shows that his income for 2012 was $19,800, and the tax return shows $400 in interest. Because it was interest on a joint savings account, the aid administrator adds $200 of it to Eddy's income and submits $20,000 as the corrected income via FAA Access.

Example 2: Calculating individual taxes paid from a joint return

The aid administrator determines that Eddy's part of the $48,000 AGI he and his wife reported is $20,000. Eddy and his wife claimed four exemptions on their tax return (themselves, one child, and Eddy's nephew). Eddy's wife has custody of the child and will claim him as her dependent when she files her tax return for 2012. Eddy's nephew still lives with him. Therefore, Eddy would have had two exemptions (himself and his nephew), totaling $7,600. In the new situation, Eddy's filing status is "head of household" instead of "married." Therefore, his standard deduction is $8,700 (instead of the $11,900 for married filers). Eddy's income of $20,000 minus the $7,600 for exemptions and the $8,700 standard deduction results in $3,700 in taxable income.

The aid administrator uses the tax table to determine how much tax Eddy would have paid on this amount, taking into account any applicable credits reported on the original return. With a taxable income of $3,700, the amount of tax paid from the tax schedule would be $373.

To use the proportional distribution method instead, the aid administrator figures out what percentage of the joint AGI Eddy's income represents. The percentage is 42% (20,000 divided by 48,000 is .4167). The aid administrator then multiplies the income tax paid as reported on the tax return ($1,269 for this example) by this percentage. Therefore, Eddy's income tax paid would be $533 (.42 x $1,269).

After documentation is complete

When you've obtained all necessary verification documents from the student, you should compare them to the SAR or ISIR you are reviewing for payment. If all the student's information is correct and there are no outstanding issues or conflicting information, you may award and disburse aid for which the student is eligible.

HOW TO SUBMIT CORRECTIONS AND UPDATES

Corrections and updates can be submitted by the student on the SAR or the Web or by the school using FAA Access to CPS Online or the Electronic Data Exchange (EDE).

Using FAFSA on the Web (FOTW)

Any student who has a PIN—regardless of how he originally applied—may correct any of his own data by using FAFSA on the Web at **www.fafsa.gov**. If dependent students need to change parental data, a parent must either sign electronically with her own PIN or print out and sign a signature page.

Submitting changes via FAA Access to CPS Online or EDE

Your school can submit corrections and updates electronically through FAA Access to CPS Online or EDE even if the original application wasn't submitted with that method. If your school isn't listed on the transaction you want to correct, the student will have to give you the DRN printed on the SAR or SAR Acknowledgement so that you can add your school in the next available institution field and then get electronic access to the resulting corrected transaction. If all the fields are filled, the student will have to tell you which school to replace with yours.

If you send a correction or update for a student, you must first have signed documentation from the student and parent. This can be signatures on Part 2 of the SAR, a signed copy of the correction or update, or a signed verification document. Unlike those for the original application, these do not have to be wet signatures. See *Chapter 2* for more on signature requirements.

The CPS will process the change, send an ISIR to the school, and send the student a one-page SAR acknowledgement or, if the CPS has her e-mail address, an e-mail with a link to her SAR information on the Web.

Using the Student Aid Report (SAR) to make corrections

Students who received a paper SAR may make corrections or updates on it, then sign and return it to the FAFSA processor at the address given at the end of the SAR (of course, students with PINs can instead use FOTW). One parent must also sign if the student is dependent and parent data was changed, unless the only corrections are to the institution or housing codes, the address, or telephone number.

If the student applied electronically through a school or received an e-mail link to SAR information on the Web but would like to make corrections with a paper SAR, she can have one mailed to her by calling the FSAIC at 1-800-433-3243 and providing her name, SSN, and date of birth.

Making corrections and updates

FAFSA on the Web
www.fafsa.gov

FAA Access to CPS Online
http://faaaccess.ed.gov/
or via EDE
by the school aid office

Student aid report
paper corrections sent by mail

By phone
Change schools listed or student address (DRN required)
Federal Student Aid Information Center (FSAIC)
1-800-4-FED-AID (1-800-433-3243)

Corrections by phone limited to processor errors

As we've discussed, a student with a DRN can change his address and school listings by calling the Federal Student Aid Information Center.

Most other corrections can't be made over the phone—they have to be done on the SAR or through FOTW or FAA Access. There is only one exception, and that's when the information the student submitted on a paper FAFSA or SAR was not scanned or input correctly.

If a student contacts the FSAIC and an operator can verify by viewing the image file of the document that an answer to an item was not correctly recorded by the FAFSA processor, the operator can correct that error.

The correction will be transmitted to the CPS, a corrected ISIR will be available to the student's schools within 72 hours, and he will receive a corrected SAR in the mail within 10 days. The student doesn't have to sign for this correction because he has already signed the original paper document that has the correct information.

Adding schools and changing a student's address

As with other changes, a student can add schools or change her address, e-mail address, or telephone number on the Web or on a paper SAR. But she can also update these items over the phone by calling 1-800-4-FED-AID and providing her DRN. You can submit those changes for her through FAA Access, although, as noted before, if your school was not listed on the student's application, you will need her DRN to add your school.

The FAFSA has limited space for a student to list schools that will receive the application data: four schools can appear on the paper application, ten with either FAFSA on the Web, FAA Access, or EDE. If the student wants information sent to more schools, he can use any of the methods listed previously to replace some or all of the original schools, though the replaced schools will not receive an ISIR. For example, if the student originally listed ten schools on the application and then used FOTW to replace two schools with two new ones, those that were replaced would not receive an ISIR from this correction or any subsequent correction on which they did not appear.

DEADLINES AND FAILURE TO SUBMIT DOCUMENTATION

You must require students selected for verification—whether by your school or by the Department—to submit to you the documentation by the date specified by your school (for Campus-based and DL) or the Department (for Pell).

Campus-based and DL

If a student doesn't provide verification documentation within a reasonable time period that your school has established, you cannot

- disburse more Perkins or FSEOG funds,
- employ or permit further FWS employment, or
- originate or disburse any additional Direct Subsidized Loans.

Additionally, the student must repay any Perkins or FSEOG funds she received that year.

If she fails to complete verification within the time period established by your school and if you received any Direct Subsidized Loan funds for the student that you did not disburse, you must return some or all of those funds under the excess cash tolerance regulation [see 34 CFR 668.166(b) and *Volume 4, Chapter 2*].

Failure to submit documentation

Pell Grants 668.60(c)
C-B/DL 668.60(b)

Notwithstanding this, if the student provides the documentation after your school's deadline, you may, at your discretion, still provide aid.

Pell grants

A student selected for verification may submit a valid SAR or a school can receive a valid ISIR after the Pell deadline published in the *Federal Register* but before the verification deadline established by the Department and also published in the *Federal Register*. If the student does not provide the verification documentation or you do not receive the valid SAR or ISIR (if necessary) within this additional time, the student forfeits his Pell grant for

the award year and must return any Pell money already received for that award year.

Verification completed within additional time period for Pell
34 CFR 668.60(c)(1)

Other considerations

The Department may determine not to process the FAFSA of an applicant who has been requested to provide documentation until he does so or the Department decides there is no longer a need for it.

A Pell applicant selected for verification must complete the process by the deadline published in the *Federal Register*. As of this writing the notice for 2013–2014 has not been published, but the deadline is expected to be September 26, 2014, or 120 days after the last day of the student's enrollment, whichever is earlier. Campus-based and Stafford loan applicants must complete verification by the same deadline or by an earlier one established by your aid office.

Verification is complete when you have all the requested documentation and a valid ISIR or SAR (one on which all the information is accurate and complete). This includes any necessary corrections, which must be made by the deadlines published in the *Federal Register* for the submission of paper or electronic corrections.

Late disbursements
668.164(g)

Late disbursements

Generally a student ceases to be eligible for aid once he has finished the term and is no longer enrolled. However, he may submit verification documentation and receive a late disbursement after that time if the Department processed a SAR or ISIR with an official EFC while he was still enrolled. For information on *post-withdrawal* disbursements, see *Volume 5*.

Verification status codes

When you disburse a Pell grant, you must report the student's verification status through Common Origination and Disbursement (COD) even if he wasn't selected for verification.

V—You have verified the student. This includes students selected by the CPS and those your school chose to verify based on its own criteria.

W—The student was selected for verification by the CPS or your school, and you chose to pay a first disbursement of Pell without documentation. This code must be updated once verification is complete, or COD will reduce the Pell grant to zero.

S—The CPS selected the student for verification, but you did not verify him because he satisfied one of the exclusions described earlier in the chapter or because your school participates in the Quality Assurance Program and the student's application did not meet your school's verification criteria.

Blank—Report a blank if you have not performed verification because neither the CPS nor your school selected the student.

Quality Assurance (QA) Program

Schools participating in the QA Program develop a quality improvement approach to their administration of the FSA programs. They design a verification program that fits their population, and they have flexibility regarding the following verification regulations:

34 CFR 668.53(a)(1)–(4): QA schools are exempt from these paragraphs in the section on policies and procedures, though they must document the process they will use instead.
668.54(a)(1), (2), and (4): QA schools are exempt from having to verify records selected by the CPS. Instead, QA schools use the ISIR Analysis (IA) Tool to analyze applicant data and determine what the verification criteria will be.
668.56: QA schools determine which ISIR items to verify.
668.57: QA schools determine the acceptable documentation for the ISIR items they choose for verification.
668.60(a): QA schools establish the time frame in which students must submit verification documents.

QA schools are not exempt from resolving conflicting information.

To help with the design of verification criteria, QA schools must use the IA Tool to test the the criteria's effectiveness. The tool shows which application elements changed when verified and reveals the impact that those changes have on the EFC. This tool is available to all schools on the main menu of FAA Access to CPS Online. For more information, go to **http://ifap.ed.gov/qahome/Default.html**.

You can use the IA Tool Web demo at **http://fafsademo.test.ed.gov**; type in **eddemo** for the user name and **fafsatest** for the password. For the FAA login information for the IA Tool, use destination code **TG99999** and your actual federal school code.

SUGGESTED VERIFICATION TEXT

We are providing suggested text for the 2013–2014 verification items that were identified in the July 12, 2012, *Federal Register* notice and in Dear Colleague Letter GEN-12-11. While this suggested text fulfills verification requirements, schools do not have to use it, except as noted below. Instead, they may develop and use their own (or someone else's) 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 schools must use the exact language provided in the "Statement of Educational Purpose" for students who are placed in Verification Tracking Groups V4 or V5. Also, schools must not affix the seal of the Department of Education to any verification documents.

After the suggested text, we have appended an example of how schools may use the text to develop their own verification document. The example is for a dependent student selected for Verification Tracking Group V4 whose ISIR indicates child support paid but not the receipt of SNAP benefits.

For more information, including copies of the suggested text and sample institutional verification document in Microsoft Word, see the electronic announcement dated January 18, 2013, on the IFAP website.

2013–2014 Suggested Verification Text

Verification of 2012 IRS Income Tax Return Information for Student Tax Filers

Important Note: The instructions below apply to the student and spouse, if the student is married. Notify the financial aid office if the student or spouse filed separate IRS income tax returns for 2012 or had a change in marital status after the end of the 2012 tax year on December 31, 2012.

Instructions: Complete this section if the student and spouse filed or will file a 2012 IRS income tax return(s). *The best way to verify income is by using the IRS Data Retrieval Tool (IRS DRT*) *that is part of FAFSA on the Web at FAFSA.gov.* In most cases, no further documentation is needed to verify 2012 IRS income tax return information that was transferred into the student's FAFSA using the IRS DRT if that information was not changed.

In most cases, for electronic filers, 2012 IRS income tax return information for the IRS DRT is available within 2–3 weeks after the 2012 electronic IRS income tax return has been accepted by the IRS. Generally, for filers of 2012 paper IRS income tax returns, the 2012 IRS income tax return information is available for the IRS DRT within 8–11 weeks after the 2012 paper IRS income tax return has been received by the IRS. Contact the financial aid office if more information is needed about using the IRS DRT.

Check the box that applies:

☐ The student has used the IRS DRT in *FAFSA on the Web* to transfer 2012 IRS income tax return information into the student's FAFSA.

☐ The student has not yet used the IRS DRT in *FAFSA on the Web*, but will use the tool to transfer 2012 IRS income tax return information into the student's FAFSA once the 2012 IRS income tax return has been filed.

☐ The student is unable or chooses not to use the IRS DRT in *FAFSA on the Web*, and instead will provide the school a **2012 IRS Tax Return Transcript(s)**. (Signature not required.)

To obtain a **2012 IRS Tax Return Transcript**, go to www.IRS.gov and click on the "Order a Return or Account Transcript" link, or call 1-800-908-9946. Make sure to request the "IRS Tax Return Transcript" and not the "IRS Tax Account Transcript." Use the Social Security Number and date of birth of the first person listed on the 2012 IRS income tax return, and the address on file with the IRS (normally this will be the address used on the 2012 IRS income tax return). In most cases, for electronic filers, a **2012 IRS Tax Return Transcript** may be requested from the IRS within 2–3 weeks after the 2012 IRS income tax return has been accepted by the IRS. Generally, for filers of 2012 paper IRS income tax returns, the **2012 IRS Tax Return Transcript** may be requested within 8–11 weeks after the 2012 paper IRS income tax return has been received by the IRS.

If the student and spouse filed separate 2012 IRS income tax returns, **2012 IRS Tax Return Transcripts** must be provided for both.

____ Check here if a **2012 IRS Tax Return Transcript(s)** is provided.

____ Check here if a **2012 IRS Tax Return Transcript(s)** will be provided later.

2013–2014 Suggested Verification Text

Verification of 2012 IRS Income Tax Return Information for Parent Tax Filers

Important Note: The instructions below apply to each parent included in the household. Notify the financial aid office if the parents filed separate IRS income tax returns for 2012 or had a change in marital status after the end of the 2012 tax year on December 31, 2012.

Instructions: Complete this section if the parents filed or will file a 2012 IRS income tax return(s). *The best way to verify income is by using the IRS Data Retrieval Tool (IRS DRT) that is part of FAFSA on the Web at FAFSA.gov*. In most cases, no further documentation is needed to verify 2012 IRS income tax return information that was transferred into the student's FAFSA using the IRS DRT if that information was not changed.

In most cases, for electronic filers, 2012 IRS income tax return information for the IRS DRT is available within 2–3 weeks after the 2012 electronic IRS income tax return has been accepted by the IRS. Generally, for filers of 2012 paper IRS income tax returns, the 2012 IRS income tax return information is available for the IRS DRT within 8–11 weeks after the 2012 paper IRS income tax return has been received by the IRS. Contact the financial aid office if more information is needed about using the IRS DRT.

Check the box that applies:

☐ The parents have used the IRS DRT in *FAFSA on the Web* to transfer 2012 IRS income tax return information into the student's FAFSA.

☐ The parents have not yet used the IRS DRT in *FAFSA on the Web*, but will use the tool to transfer 2012 IRS income tax return information into the student's FAFSA once the 2012 IRS income tax return has been filed.

☐ The parents are unable or choose not to use the IRS DRT in *FAFSA on the Web*, and instead will provide the school a **2012 IRS Tax Return Transcript(s)**. (Signature not required.)

To obtain a **2012 IRS Tax Return Transcript**, go to www.IRS.gov and click on the "Order a Return or Account Transcript" link, or call 1-800-908-9946. Make sure to request the "IRS Tax Return Transcript" and not the "IRS Tax Account Transcript." Use the Social Security Number and date of birth of the first person listed on the 2012 IRS income tax return, and the address on file with the IRS (normally this will be the address used on the 2012 IRS income tax return). In most cases, for electronic filers, a **2012 IRS Tax Return Transcript** may be requested from the IRS within 2–3 weeks after the 2012 IRS income tax return has been accepted by the IRS. Generally, for filers of 2012 paper IRS income tax returns, the **2012 IRS Tax Return Transcript** may be requested within 8–11 weeks after the 2012 paper IRS income tax return has been received by the IRS.

If the parents filed separate 2012 IRS income tax returns, **2012 IRS Tax Return Transcripts** must be provided for both.

____ Check here if a **2012 IRS Tax Return Transcript(s)** is provided.

____ Check here if a **2012 IRS Tax Return Transcript(s)** will be provided later.

2013–2014 Suggested Verification Text

Verification of 2012 IRS Income Tax Return Information for Individuals with Unusual Circumstances

Verification of 2012 IRS Income Tax Return Information for Individuals Granted a Filing Extension by the IRS

If an individual is required to file a 2012 IRS income tax return and has been granted a filing extension by the IRS, provide the following documents:

- A copy of the IRS Form 4868, ‘‘Application for Automatic Extension of Time to File U.S. Individual Income Tax Return,’’ that was filed with the IRS for tax year 2012; and
- A copy of IRS Form W–2 for each source of employment income received for tax year 2012 and, if self-employed, a signed statement certifying the amount of the individual's AGI and the U.S. income tax paid for tax year 2012.

Verification of 2012 IRS Income Tax Return Information for Individuals Who Filed an Amended IRS Income Tax Return

If an individual filed an amended IRS income tax return for tax year 2012, provide both of the following:

- A signed copy of the original 2012 IRS income tax return that was filed with the IRS or a **2012 IRS Tax Return Transcript** (signature not required) for the 2012 tax year; and
- A signed copy of the 2012 IRS Form 1040X, “Amended U.S. Individual Income Tax Return,” that was filed with the IRS.

Verification of 2012 IRS Income Tax Return Information for Individuals Who Were Victims of IRS Identity Theft

A victim of IRS identity theft who has been unable to obtain a **2012 IRS Tax Return Transcript** or use the IRS DRT must provide a signed copy of the 2012 paper IRS income tax return that was filed with the IRS and a signed copy of IRS Form 14039 “Identity Theft Affidavit” if one was submitted to the IRS. If the individual did not keep a copy of Form 14039 or the IRS did not require him or her to submit one, he or she may provide one of the following:

- A statement signed and dated by the individual indicating that he or she was a victim of IRS identity theft and that the IRS is investigating the matter. The statement must also indicate that the individual submitted a Form 14039 to the IRS, but did not keep a copy of it or that he or she was not required to file the form; or
- A copy of a police report if it was filed related to the IRS identify theft.

Verification of 2012 Income Tax Return Information for Individuals Who Filed Non-IRS Income Tax Returns

If an individual filed or will file a 2012 income tax return with Puerto Rico, another U.S. territory (e.g., Guam, American Samoa, the U.S. Virgin Islands, the Northern Marianas Islands), or with a foreign country, provide a signed copy of that 2012 income tax return(s).

2013–2014 Suggested Verification Text

Verification of 2012 Income Information for Student Nontax Filers

The instructions and certifications below apply to the student and spouse, if the student is married. Complete this section if the student and spouse will not file and are not required to file a 2012 income tax return with the IRS.

Check the box that applies:

☐ The student and spouse were not employed and had no income earned from work in 2012.

☐ The student and/or spouse were employed in 2012 and have listed below the names of all employers, the amount earned from each employer in 2012, and whether an IRS W-2 form is provided. [Provide copies of all 2012 IRS W-2 forms issued to the student and spouse by their employers]. List every employer even if the employer did not issue an IRS W-2 form.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Employer's Name	2012 Amount Earned	IRS W-2 Provided?
Suzy's Auto Body Shop (example)	*$2,000.00*	*Yes*

2013–2014 Suggested Verification Text

Verification of 2012 Income Information for Parent Nontax Filers

The instructions and certifications below apply to each parent included in the household. Complete this section if the parents will not file and are not required to file a 2012 income tax return with the IRS.

Check the box that applies:

☐ Neither parent was employed and had no income earned from work in 2012.

☐ One or both parents were employed in 2012 and have listed below the names of all employers, the amount earned from each employer in 2012, and whether an IRS W-2 form is provided. [Provide copies of all 2012 IRS W-2 forms issued to the parents by their employers]. List every employer even if the employer did not issue an IRS W-2 form.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Employer's Name	2012 Amount Earned	IRS W-2 Provided?
Suzy's Auto Body Shop (example)	*$2,000.00*	*Yes*

2013–2014 Suggested Verification Text

Number of Household Members and Number in College (Independent Student)

List below the people in the student's household. Include:

- The student.
- The student's spouse, if the student is married.
- The student's or spouse's children if the student or spouse will provide more than half of their support from July 1, 2013, through June 30, 2014, even if the children do not live with the student.
- Other people if they now live with the student and the student or spouse provides more than half of their support and will continue to provide more than half of their support through June 30, 2014.

For any household member who will be enrolled at least half time in a degree, diploma, or certificate program at an eligible postsecondary educational institution any time between July 1, 2013, and June 30, 2014, include the name of the college.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Full Name	Age	Relationship	College	Will be Enrolled at Least Half Time (Yes or No)
		Self		

Note: We may require additional documentation if we have reason to believe that the information regarding the household members enrolled in eligible postsecondary educational institutions is inaccurate.

2013–2014 Suggested Verification Text

Number of Household Members and Number in College (Dependent Student)

List below the people in the parents' household. Include:

- The student.
- The parents (including a stepparent) even if the student doesn't live with the parents.
- The parents' other children if the parents will provide more than half of their support from July 1, 2013, through June 30, 2014, or if the other children would be required to provide parental information if they were completing a FAFSA for 2013–2014. Include children who meet either of these standards even if the children do not live with the parents.
- Other people if they now live with the parents and the parents provide more than half of their support and will continue to provide more than half of their support through June 30, 2014.

For any household member, excluding the parents, who will be enrolled at least half time in a degree, diploma, or certificate program at an eligible postsecondary educational institution any time between July 1, 2013, and June 30, 2014, include the name of the college.

If more space is needed, provide a separate page with the student's name and ID number at the top.

Full Name	Age	Relationship	College	Will be Enrolled at Least Half Time (Yes or No)
		Self		

Note: We may require additional documentation if we have reason to believe that the information regarding the household members enrolled in eligible postsecondary educational institutions is inaccurate.

2013–2014 Suggested Verification Text

Receipt of SNAP Benefits
(Independent Student)

The student certifies that a member of the student's household, received benefits from the Supplemental Nutrition Assistance Program or SNAP (formerly known as the Food Stamp Program) sometime during 2011 or 2012. SNAP may be known by another name in some states. For assistance in determining the name used in a state, please call 1-800-4FED-AID (1-800-433-3243).

The student's household includes:

- The student.
- The student's spouse, if the student is married.
- The student's or spouse's children if the student or spouse will provide more than half of their support from July 1, 2013, through June 30, 2014, even if the children do not live with the student.
- Other people if they now live with the student and the student or spouse provides more than half of their support and will continue to provide more than half of their support through June 30, 2014.

Note: If we have reason to believe that the information regarding the receipt of SNAP benefits is inaccurate, we may require documentation from the agency that issued the SNAP benefits in 2011 or 2012.

2013–2014 Suggested Verification Text

Receipt of SNAP Benefits
(Dependent Student)

The parents certify that a member of the parents' household, received benefits from the Supplemental Nutrition Assistance Program or SNAP (formerly known as the Food Stamp Program) sometime during 2011 or 2012. SNAP may be known by another name in some states. For assistance in determining the name used in a state, please call 1-800-4FED-AID (1-800-433-3243).

The parents' household includes:

- The student.
- The parents (including a stepparent) even if the student doesn't live with the parents.
- The parents' other children if the parents will provide more than half of their support from July 1, 2013, through June 30, 2014, or if the other children would be required to provide parental information if they were completing a FAFSA for 2013–2014. Include children who meet either of these standards even if the children do not live with the parents.
- Other people if they now live with the parents and the parents provide more than half of their support and will continue to provide more than half of their support through June 30, 2014.

Note: If we have reason to believe that the information regarding the receipt of SNAP benefits is inaccurate, we may require documentation from the agency that issued the SNAP benefits in 2011 or 2012.

Child Support Paid
(Independent Student)

The student or spouse, who is a member of the student's household, paid child support in 2012. List below the names of the persons who paid the child support, the names of the persons to whom the child support was paid, the names of the children for whom the child support was paid, and the total annual amount of child support that was paid in 2012 for each child.

If more space is needed, provide a separate page that includes the student's name and ID number at the top.

Name of Person Who Paid Child Support	Name of Person to Whom Child Support was Paid	Name of Child for Whom Support Was Paid	Amount of Child Support Paid in 2012

Note: If we have reason to believe that the information regarding child support paid is not accurate, we may require additional documentation, such as:

- A copy of the separation agreement or divorce decree that shows the amount of child support to be provided;
- A statement from the individual receiving the child support certifying the amount of child support received; or
- Copies of the child support payment checks or money order receipts.

2013–2014 Suggested Verification Text

Child Support Paid
(Dependent Student)

One of the parents included in the household or the student paid child support in 2012. List below the names of the persons who paid the child support, the names of the persons to whom the child support was paid, the names of the children for whom the child support was paid, and the total annual amount of child support that was paid in 2012 for each child.

If more space is needed, provide a separate page that includes the student's name and ID number at the top.

Name of Person Who Paid Child Support	Name of Person to Whom Child Support was Paid	Name of Child for Whom Support Was Paid	Amount of Child Support Paid in 2012

Note: If we have reason to believe that the information regarding child support paid is not accurate, we may require additional documentation, such as:

- A copy of the separation agreement or divorce decree that shows the amount of child support to be provided;
- A statement from the individual receiving the child support certifying the amount of child support received; or
- Copies of the child support payment checks or money order receipts.

2013–2014 Suggested Verification Text

High School Completion Status

Provide one of the following documents that indicate the student's high school completion status when the student will begin college in 2013–2014:

- A copy of the student's high school diploma.
- A copy of the student's final official high school transcript that shows the date when the diploma was awarded.
- A copy of the student's General Educational Development (GED) certificate or GED transcript.
- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- If State law requires a homeschooled student to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a copy of that credential.
- If State law does not require a homeschooled student to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a transcript or the equivalent, signed by the student's parent or guardian, that lists the secondary school courses the student completed and documents the successful completion of a secondary school education in a homeschool setting.

If the student is unable to obtain the documentation listed above, he or she must contact the financial aid office.

2013-2014 Required Verification Text
(Note: Institutions must use the exact language in the Statement of Educational Purpose as provided below)

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

The student must appear in person at _____ to
(Name of Postsecondary Educational Institution)
verify his or her identity by presenting a 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 annotated with the date it was received and the name of the official at the institution authorized to collect the student's ID.

In addition, the student must sign, in the presence of the institutional official, the following:

Statement of Educational Purpose

I certify that I _____ am the individual signing this
(Print Student's Name)
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 _____ for 2013-2014.
(Name of Postsecondary Educational Institution)

_____ _____
(Student's Signature) (Date)

_____
(Student's ID Number)

2013-2014 Required Verification Text
(Note: Institutions must use the exact language in the Statement of Educational Purpose as provided below)

Identity and Statement of Educational Purpose
(To Be Signed With 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:

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

(b) The original notarized Statement of Educational Purpose provided below.

Statement of Educational Purpose

I certify that I _____ am the individual signing this
(Print Student's Name)
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 _____ for 2013-2014.
(Name of Postsecondary Educational Institution)

_____ _____
(Student's Signature) (Date)

_____
(Student's ID Number)

Notary's Certificate of Acknowledgement

State of _____
City/County of _____
On_____, before me, _____,
(Date) (Notary's name)
personally appeared, _____, and provided to me
(Printed name of signer)
on basis of satisfactory evidence of identification _____
(Type of government-issued photo ID provided)
to be the above-named person who signed the foregoing instrument.

WITNESS my hand and official seal
(seal) _____
(Notary signature)

My commission expires on _____
(Date)

2013-2014 Suggested Verification Text

Certification and Signature
(Independent Student)

Certification and Signature

Each person signing below certifies that all of the information reported is complete and correct.

WARNING: If you purposely give false or misleading information you may be fined, be sentenced to jail, or both.

Print Student's Name	Student's ID Number
Student's Signature (Required)	Date
Spouse's Signature (Optional)	Date

2013-2014 Suggested Verification Text

Certifications and Signatures
(Dependent Student)

Certifications and Signatures

Each person signing below certifies that all of the information reported is complete and correct.
The student and one parent whose information was reported on the FAFSA must sign and date.

WARNING: If you purposely give false or misleading information you may be fined, be sentenced to jail, or both.

_____	_____
Print Student's Name	Student's ID Number
_____	_____
Student's Signature	Date
_____	_____
Parent's Signature	Date

2013–2014 Institutional Verification Document

Your 2013–2014 Free Application for Federal Student Aid (FAFSA) was selected for review in a process called verification. The law says that before awarding Federal Student Aid, we may ask you to confirm the information you reported on your FAFSA. To verify that you provided correct information, we will compare your FAFSA with the information on this institutional verification document and with any other required documents. If there are differences, your FAFSA information may need to be corrected. You and a parent whose information was reported on the FAFSA must complete and sign this institutional verification document, attach any required documents, and submit the form and other required documents to us. We may ask for additional information. If you have questions about verification, contact us as soon as possible so that your financial aid will not be delayed.

A. Student's Information

Student's Last Name First Name M.I.	Student's Identification (ID) Number
Student's Street Address (include apt. no.)	Student's Date of Birth
City State Zip Code	Student's Email Address
Student's Home Phone Number (include area code)	Student's Alternate or Cell Phone Number

B. High School Completion Status

Provide one of the following documents that indicate the student's high school completion status when the student will begin college in 2013–2014:

- A copy of the student's high school diploma.
- A copy of the student's final official high school transcript that shows the date when the diploma was awarded.
- A copy of the student's General Educational Development (GED) certificate or GED transcript.
- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- If State law requires a homeschooled student to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a copy of that credential.
- If State law does not require a homeschooled student to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a transcript or the equivalent, signed by the student's parent or guardian, that lists the secondary school courses the student completed and documents the successful completion of a secondary school education in a homeschool setting.

If the student is unable to obtain the documentation listed above, he or she must contact the financial aid office.

EXAMPLE

Student's Name _____ Student's ID Number _____

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

The student must appear in person at _____ to
(Name of Postsecondary Educational Institution)
verify his or her identity by presenting a 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 annotated with the date it was received and the name of the official at the institution authorized to collect the student's ID.

In addition, the student must sign, in the presence of the institutional official, the following:

Statement of Educational Purpose

I certify that I _____ am the individual signing this
(Print Student's Name)
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 _____ for 2013–2014.
(Name of Postsecondary Educational Institution)

_____ _____
(Student's Signature) (Date)

_____
(Student's ID Number)

EXAMPLE

Student's Name _____ Student's ID Number _____

D. Child Support Paid

One of the parents included in the household or the student paid child support in 2012. List below the names of the persons who paid the child support, the names of the persons to whom the child support was paid, the names of the children for whom the child support was paid, and the total annual amount of child support that was paid in 2012 for each child.

If more space is needed, provide a separate page that includes the student's name and ID number at the top.

Name of Person Who Paid Child Support	Name of Person to Whom Child Support was Paid	Name of Child for Whom Support Was Paid	Amount of Child Support Paid in 2012

Note: If we have reason to believe that the information regarding child support paid is not accurate, we may require additional documentation, such as:

- A copy of the separation agreement or divorce decree that shows the amount of child support to be provided;
- A statement from the individual receiving the child support certifying the amount of child support received; or
- Copies of the child support payment checks or money order receipts.

E. Certifications and Signatures

Certifications and Signatures

Each person signing below certifies that all of the information reported is complete and correct. The student and one parent whose information was reported on the FAFSA must sign and date.

WARNING: If you purposely give false or misleading information you may be fined, be sentenced to jail, or both.

_____ _____
Print Student's Name Student's ID Number

_____ _____
Student's Signature Date

_____ _____
Parent's Signature Date

EXAMPLE

EXAMPLE

Special Cases

CHAPTER 5

There are unusual situations where you will need to exercise your discretion as a financial aid administrator: when modifying the student's data that calculate the EFC, performing dependency overrides, resolving conflicting information, reporting cases of fraud, and determining a student to be an unaccompanied homeless youth.

While many questions you get as a financial aid administrator will have routine answers, some situations will require extra discretion on your part. To account for special circumstances of a student, you may choose to exercise professional judgment (PJ) to adjust her cost of attendance or the data that determine her expected family contribution (EFC). You might decide that unusual circumstances warrant making a dependent student independent. If you receive conflicting information for a student, you will need to resolve that. In some cases you may discover that a student has been guilty of fraud and should be reported. And you may need to determine if a student should be classified as an unaccompanied homeless youth.

Adjustment example

Kitty's mother had income earned from work of $25,000 in 2012 but is no longer employed. After receiving documentation confirming this, the FAA at Krieger College decides to adjust the AGI reported for Kitty's parents to take into account their reduced income. The FAA also reduces the income earned from work for Kitty's mother to zero.

PROFESSIONAL JUDGMENT

An aid administrator may use PJ on a case-by-case basis only to adjust the student's cost of attendance or the data used to calculate her EFC. This adjustment is valid only at the school making it. You submit a PJ change electronically, via FAA Access to CPS Online or third-party software, and you may do it without a signature from the student or parent. In FAA Access or EDE, you must select "EFC adjustment requested" for the professional judgment field. The next ISIR will indicate "Professional judgment processed."

Online review of PJ practices

http://ifap.ed.gov/qadocs/FSAVeriModule/activity2verif.doc

The reason for the adjustment must be documented in the student's file, and it must relate to the special circumstances that differentiate him—not to conditions that exist for a whole class of students. You must resolve any inconsistent or conflicting information shown on the output document *before* making any adjustments. An aid administrator's decision regarding adjustments is final and cannot be appealed to the Department.

PJ and unemployment benefits

In Dear Colleague Letters GEN-09-04 and GEN-09-05, the Department issued special guidance concerning the use of professional judgment for persons who are receiving unemployment benefits in this period of economic hardship. This continues to be in effect; see GEN-11-04 for more information.

The statute states that nothing within it shall be construed as limiting the authority of aid administrators to make data adjustments for some situations. However, the law gives some examples of special circumstances, such as elementary or secondary school tuition, medical or dental or nursing home expenses not covered by insurance, unusually high child care costs, being homeless or a dislocated worker, recent unemployment of a family member, or other changes in the family's income or assets. Use of professional judgment is neither limited to nor required for the situations mentioned.

Professional judgment

HEA Sec. 479A(a) IN GENERAL—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998), the number of parents enrolled at least half time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act), or other changes in a family's income, a family's assets or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

Another situation where you might want to use professional judgment involves Roth IRAs. When someone converts a regular IRA into a Roth IRA by transferring funds, the amount converted has to be reported as taxable income on the tax return. So the income reported on the FAFSA will be higher than without the Roth conversion, even though the family doesn't actually have additional income or assets available. You can use professional judgment to reduce the income and taxes paid to the amount that would have been reported if there was no Roth conversion if you think the adjustment is warranted for a student. As with the specific special circumstances listed in the law, you're not required to make an adjustment in this situation.

The law doesn't allow you to modify either the formula or the tables used in the EFC calculation; you can only change the cost of attendance or the values of specific data elements used in the EFC calculation. In addition, you can't adjust data elements or the cost of attendance solely because you believe the tables and formula are not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances. For example, if a family member is ill, you might modify the AGI to allow for lower earnings in the coming year or might adjust assets to indicate that family savings will be spent on medical expenses.

You can't use PJ to waive general student eligibility requirements or to circumvent the intent of the law or regulations. For instance, you cannot use PJ to change FSEOG selection criteria. Nor can you include post-enrollment activity expenses in the student's COA. For example, professional licensing costs to be incurred after the enrollment period would not be includable (though one-time licensing costs incurred during the enrollment period may be—see *Cost of Attendance* in *Volume 3*).

Occasionally aid administrators have made decisions contrary to the professional judgment provision's intent. These "unreasonable" judgments have included, for example, the reduction of EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses, childrens' allowances, and the like). Aid administrators must make "reasonable" decisions that support the intent of the provision. Your school is held accountable for all professional judgment decisions and for fully documenting each decision.

An FAA should keep in mind that an income protection allowance (IPA) is included in the EFC calculation to account for modest living expenses. Before adjusting for an unusual expense, consider whether it is already covered by the IPA. It is reasonable to assume that approximately 30% of the IPA is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance is one of the intermediate values in the FAA Information section of the output document (labeled as "IPA"). See *Chapter 3* for the IPA values.

If you use professional judgment to adjust a data element, you must use the resulting EFC consistently for all FSA funds awarded to that student. For example, if for awarding the student's Pell grant you adjust a data element that affects the EFC, that new EFC must also be used to determine the student's eligibility for aid from the Campus-based and Stafford loan programs.

If you make a PJ adjustment, you must set the FAA Adjustment flag in FAA Access or via the Electronic Data Exchange (EDE).

Finally, if you use PJ for a student who was selected for verification (by you or the Department), you must complete verification before exercising professional judgment. However, using PJ does not require you to verify a student's application if he was not selected for verification.

Students without parent support

Students whose parents refuse to support them are not eligible for a dependency override, but they may be able to receive unsubsidized Stafford loans only. For a student to be eligible for this provision (the text of which is in the "Professional judgment" margin note on page 114), you must get documentation (1) that his parents refuse to complete his FAFSA and (2) that they do not and will not provide any financial support to him. Include the date support ended. If the parents refuse to sign and date a statement to this effect, you must get documentation from a third party (the student himself is not sufficient), such as a teacher, counselor, cleric, or court.

As noted in the next section, this situation does not justify a dependency override. But as with overrides, resolving the situation is at your discretion. If you decide that a student falls into this category, you must document your decision and ensure that the student submits a FAFSA and passes all the eligibility matches. The result will be a rejected application with no EFC. You can then award the student unsubsidized Stafford loans up to the maximum the student would normally be eligible for depending on his grade level (but not the amount a student can get when his parent is unable to get a PLUS loan). See DCL GEN-08-12 for more information.

DEPENDENCY OVERRIDES

A financial aid administrator (FAA) may do dependency overrides on a **case-by-case** basis for students with unusual circumstances. If the FAA determines that an override is appropriate, she must write a statement detailing the determination and must include the statement and supporting documentation in the student's file. **However, none of the conditions listed below, singly or in combination, qualify as unusual circumstances meriting a dependency override:**

1. Parents refuse to contribute to the student's education.
2. Parents are unwilling to provide information on the FAFSA or for verification.
3. Parents do not claim the student as a dependent for income tax purposes.
4. Student demonstrates total self-sufficiency.

Unusual circumstances do include (and may cause any of the above conditions) abandonment by parents, an abusive family environment that threatens the student's health or safety, or the student being unable to locate his parents. In such cases a dependency override might be warranted.

IPA percentage example

In 2012 Alan had $3,550 in medical expenses that were out-of-pocket costs. He is married, has two children, and is the only member of his household in college, so his IPA is $37,130. Because his expenses are less than the amount for medical expenses already provided for in the IPA (11% of $37,130 is $4,084), the aid administrator at Sarven Technical Institute does not adjust Alan's FAFSA information.

Dependency overrides

HEA Sec. 480(d)(1)(I) and (d)(2). Also see Dear Colleague Letters GEN-03-07 and GEN-11-15.

Overrides and professional judgment

The phrase "professional judgment" is loosely used for the discretion that FAAs apply to dependency overrides and to data adjustments in the application. The provisions for these two types of changes are in separate places in the HEA. The citation for dependency overrides is in Sec. 480(d)(7); the citation for data adjustments is in Sec. 479A and is copied *in toto* in the margin on page 114.

Refusing or reducing a loan

Remember that the discretion of FAAs extends to refusing or reducing Direct Loan (DL) funds as long as the reason is documented and given in written form to the student and is not due to discrimination against the student on the basis of race, national origin, religion, sex, marital status, age, or disability. HEA Sec. 479A(c)

Unable to provide parent data
FAFSA on the Web allows students to indicate that they believe they have special circumstances that prevent them from providing parent information. A student who indicates this is thoroughly informed about what warrants a dependency override and what the results will be for his application. If he persists through those screens and does not include parent data, he will get a rejected ISIR that will have the special circumstances flag set. You will have to review the student's situation and determine if he: is an unaccompanied homeless individual, merits a dependency override, must instead provide parent data, or should be permitted to borrow only unsubsidized Stafford loans because he can document that his parents have refused to support him and to provide their information on his FAFSA. In the last case he does not receive a dependency override.

The presence of these conditions would not disqualify a student from being an unaccompanied youth who is homeless or self-supporting and at risk of being homeless. Such a student who is too old (i.e., is 22 or 23) to be a "youth" would merit a dependency override.

An aid administrator may override only from dependent to independent (though as suggested earlier, if an independent student receives substantial support from others, a school may use PJ to adjust the COA or FAFSA data items such as untaxed income).

Documentation is critical to the dependency override process. The documentation must support, and include the reason for, the decision and should in almost all cases originate from a third party with knowledge of the unusual circumstances of the student.

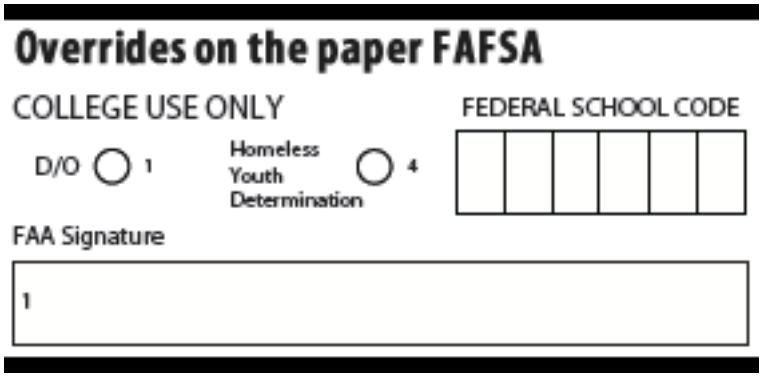
An FAA may, without gathering documentation, use an override that another school granted in the same award year. However, overrides do not carry over from one year to the next; the FAA must reaffirm each year that the unusual circumstances persist and an override is still justified.

A third party that knows the student's situation—such as a teacher, counselor, medical authority, member of the clergy, prison administrator, government agency, or court—should establish the unusual circumstances. Evidence can be a signed letter or an official document, such as a court order. If third party documentation is truly not available, the school may—though it is not required to—accept a signed and dated statement from the student or a family member detailing the unusual circumstances. Such a statement should be a last resort.

To override the student's dependent status on an initial application through FAA Access, the FAA should use the Dependency Override code of "1" (see the *EDE Technical Reference* for more information).

To authorize a dependency override on a paper FAFSA, the FAA marks the bubble for an override, labeled "D/O," in the "College Use Only" area, fills in the school's federal code, and signs. A separate letter attached to the application in lieu of making the override is **not** acceptable.

Overrides on the paper FAFSA



If the student has already applied, you can use FAA Access to authorize or cancel an override; overrides cannot be done on the SAR. If she had an override done at another school in the current year, that will be noted with

the school's federal code on FAA Access. Only the school performing the override will receive that transaction. If the student adds your school to the transaction or if she gives you her data release number (DRN), you can access the record.

Requirement to identify and resolve discrepant information
34 CFR 668.16(f)

CONFLICTING INFORMATION

In addition to reviewing application and data match information from the CPS, a school must have an adequate internal system to identify conflicting information—regardless of the source and regardless of whether the student is selected for verification—that would affect a student's eligibility, such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The school must resolve all such conflicting information, except when the student dies during the award year.

Requirement to verify questionable data
34 CFR 668.54(a)(2)
"If an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information."

If your school has conflicting information concerning a student's eligibility or you have any reason to believe a student's application information is incorrect, you must resolve the discrepancies before disbursing FSA funds. If you discover discrepancies *after* disbursing FSA funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Subsequent ISIRs

You are generally required to review all subsequent transactions for a student for the entire processing year even if you verified an earlier transaction. First determine if the EFC or the "C" flag has changed or if there are new comments or NSLDS information that impacts eligibility for aid. Also check any updates or corrections. If the EFC has not changed and there are no changes in the "C" flag or NSLDS information, no action is generally required. If the EFC does change but it either doesn't affect the amount and type of aid received or the data elements that changed were already verified, no action is required. But if the EFC changes and the pertinent data elements were not verified, then you must investigate. Of course, any time the "C" flag changes or NSLDS data have been modified, you must resolve any conflicts.

Online review of conflicting information policies
http://ifap.ed.gov/qadocs/FSAVeriModule/activity1verif.doc

Discrepant tax data

We have already stated that financial aid administrators do not need to be tax experts, yet there are some issues that even a layperson with basic tax law information can evaluate. Because conflicting data often involve such information, FAAs must have a fundamental understanding of relevant tax issues that can considerably affect the need analysis. You are obligated to know: (1) whether a person was required to file a tax return, (2) what the correct filing status for a person should be, and (3) that an individual cannot be claimed as an exemption by more than one person.

IRS Publication 17
The IRS's Publication 17 is a large document, but so that you won't be daunted by its size, we have included the page numbers you might need to refer to. Note that as of this writing, the edition of Publication 17 for tax year 2012 was not yet available, so the page numbers are for the 2011 edition.

Publication 17 of the IRS, *Your Federal Income Tax*, is a useful resource for aid administrators. You can view it on the Web at **www.irs.gov** or you can call the IRS at 1-800-829-3676 to order a copy. It addresses pertinent tax issues on these pages: the filing requirements—i.e., who is required to file a return—are on pages 4–7; the instructions on which form a person should file are on pages 7–8; and the filing status requirements are on pages 20–25.

OIG referrals
34 CFR 668.16(g)

For example, an FAA who notices that a dependent student's married parents have each filed as "head of household" (which offers a greater tax deduction than filing as single or married) must question whether that is the correct filing status. Publication 17 explains on pages 23–25 the criteria a person must meet to file as head of household. Resolution of the conflict may be a reasonable explanation of why there appears to be a conflict but is none, or the parents may refile and submit a copy of the amended return.

Resolution of conflicting information

You may not disburse aid until you have resolved conflicting information, which you must do for any student as long as he is at your school. Even if the conflict concerns a previous award year, you must still investigate it. You have resolved the matter when you have determined which data are correct; this might simply be confirming that an earlier determination was the right one. Of course, you must document your findings in the student's file and explain why, not simply assert that, your decision is justified.

REFERRAL OF FRAUD CASES

If you suspect that a student, employee, or other individual has misreported information or altered documentation to fraudulently obtain federal funds, you should report your suspicions and provide any evidence to the Office of Inspector General. See also *Volume 2*.

OIG Address and Phone Numbers

Regional Offices	*Telephone No.*	*National Hotline*
Boston, MA	(617) 289-0174	Inspector General's Hotline Office of Inspector General U.S. Department of Education 400 Maryland Avenue, SW Washington, DC 20202-1500 1-800-MIS-USED E-mail: oig.hotline@ed.gov Web: http://www.ed.gov/about/offices/list/oig/hotline.html
New York, NY	(646) 428-3861	
Philadelphia, PA	(215) 656-6900	
Pittsburgh, PA	(215) 656-6900	
Atlanta, GA	(404) 974-9430	
Pembroke Pines, FL	(404) 974-9430	
Chicago, IL	(312) 730-1630	
Ann Arbor, MI	(312) 730-1630	
Dallas, TX	(214) 661-9530	
Denver, CO	(303) 844-0058	
Kansas City, MO	(816) 268-0530	
Long Beach, CA	(562) 980-4141	
Phoenix, AZ	(562) 980-4141	
San Juan, PR	(787) 766-6278	
Washington, DC	(202) 245-6911	

UNACCOMPANIED HOMELESS YOUTH

A financial aid administrator can also determine if a student is an unaccompanied youth who is either homeless or is self-supporting and at risk of being homeless. It is important to examine students' living situations and claims on a case-by-case basis. If a student does not have, and cannot get, documentation from any of the authorities given on page 23, you must determine if she is an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless.

As defined in the margin note, a student is considered homeless if he lacks fixed, regular, and adequate housing. This is broader than just living "on the street." It includes temporarily living with other people because he had nowhere else to go; living in substandard housing (if it doesn't meet local building codes or the utilities are turned off, it is generally not adequate); living in emergency or transitional shelters, for example, trailers provided by the Federal Emergency Management Agency (FEMA) after disasters; or living in motels, camping grounds, cars, parks, abandoned buildings, bus or train stations, or any public or private place not designed for humans to live in. It also includes living in the school dormitory if the student would otherwise be homeless. A student living in any of these situations and fleeing an abusive parent may be considered homeless even if the parent would provide support and a place to live.

The documentation for an FAA's evaluation of the living arrangements of a student must demonstrate that she meets the definition of this category of independent student. The determination may be based on a documented interview with the student if there is no written documentation available.

When you are making a determination of homelessness:

- Ask for help with determining eligibility from local school district homeless liaisons, state homeless education coordinators, or the National Center for Homeless Education (http://center.serve.org/nche/).
- School district homeless liaisons and shelter providers can help you develop and implement procedures for verification.
- Relevant information can come from recognized third-parties such as private or publicly funded homeless shelters and service providers, financial aid administrators from another college, college access programs such as TRIO and GEAR UP, college or high school counselors, other mental health professionals, social workers, mentors, doctors, and clergy.
- Use discretion when gathering information, and respect the student's privacy. Some information, such as that protected by doctor-patient privilege, is confidential. Also, documents such as police or Child Protective Services reports are not necessary.
- Determine eligibility based on the legal definitions provided.
- A determination of being homeless is not a dependency override or a case of professional judgment. Students should understand that they are able to contest an eligibility determination by a financial aid

Homeless youth definitions

At risk of being homeless—when a student's housing may cease to be fixed, regular, and adequate, for example, a student who is being evicted and has been unable to find fixed, regular, and adequate housing.

Homeless—lacking fixed, regular, and adequate housing.

Self-supporting—when a student pays for his own living expenses, including fixed, regular, and adequate housing.

Unaccompanied—when a student is not living in the physical custody of a parent or guardian.

Youth—a student who is 21 years old or younger or still enrolled in high school as of the date he signs the application.

Housing

Fixed—stationary, permanent, and not subject to change.

Regular—used on a predictable, routine, or consistent basis.

Adequate—sufficient for meeting both the physical and psychological needs typically met in the home.

Verification not required

You are not required to verify the answers to the homeless youth questions unless you have conflicting information. A documented phone call with, or a written statement from, one of the relevant authorities is sufficient verification when needed.

It is not conflicting information if you disagree with an authority's determination that a student is homeless. If you believe the authority is incorrect or abusing the process, accept his determination but contact the following oversight party, as relevant, to evaluate the authority's determinations:

- School district homeless liason: contact the coordinator of education for homeless children and youth programs of the state's educational agency. A list of state coordinators can be found at: **http://center.serve.org/nche/states/state_resources.php**.
- Director of an emergency shelter or transitional housing program: contact the local Continuum of Care administering the HUD homeless assistance program. A list of local Continuums of Care and state HUD field offices may be found at **http://www.hudhre.info/index.cfm?do=viewCocContacts**.
- Director of a runaway or homeless youth basic center or transitional living program: contact the National Clearinghouse on Families and Youth by phone at (301) 608-8098 or by e-mail at **ncfy@acf.hhs.gov**.

office by providing supporting information to be reviewed collaboratively by the school's general counsel, the financial aid director, and a recognized McKinney-Vento practitioner (such as a school district homeless liaison, state homeless education coordinator, or the National Center for Homeless Education). Students may also appeal a determination to the Department.

- Unaccompanied homeless youth, like incarcerated students, may use the address of your school as their own on the FAFSA.

For students you determine to be unaccompanied homeless youths or unaccompanied, self-supporting youths at risk of being homeless, select the homeless youth determination option (#4) in the dependency override field in FAA Access to CPS Online or EDE. On the paper FAFSA, fill in the relevant bubble in the "College Use Only" box (see the graphic on page 116), include your school code, and sign. As with a dependency override, you may rely on a determination by another school that on or after July 1, 2012, a student was in this category.

Students who don't meet the definition of youth because they are older than 21 (and not yet 24) and who are unaccompanied and homeless or self-supporting and at risk of being homeless qualify for a dependency override.

To cancel a homeless youth determination, you use the same method as when canceling a dependency override: change the dependency override value to "2—FAA override canceled" in FAA Access or EDE.