

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 that 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 2012–2013

The biggest change to this year’s edition of the AVG is to verification. The program integrity regulations package that was published in the *Federal Register* on October 29, 2010, contained a new Subpart E for verification, but the effective date of just that subpart was delayed until July 1, 2012. Consequently, we have rewritten *Chapter 4* to account for the new regulations, which are effective beginning with the 2012–2013 award year.

In margin notes on pages 5 and 10, we explain the effects of changes to the awarding of Social Security numbers that require us to change the first three digits of pseudo-Social Security numbers we use for Pacific Island students from “888” to “666.”

On page 13 in the margin, we say that when a person has a tax return from both the United States and a foreign country, they should use the U.S. return to fill out the FAFSA.

We clarified on page 18 that child support payments made for children in the household size are not counted under item 43 or 91 of the FAFSA.

We received questions about the treatment of health savings accounts (HSAs). Some thought that they should be excluded from the need analysis just as flexible spending arrangements are, but because HSAs are like tax-deferred pension and savings plans, they should be treated similarly. See the margin note on page 19.

On page 21 we added text explaining that welfare benefits are state or federal supplementary assistance that is means-tested.

We emphasized on page 23 that an emancipation must be adjudicated by a court—not by an attorney—for a student to be independent by that criterion.

We reorganized some of the material in chapters 2, 4, and 5: *Chapter 4* now contains guidance on updating and corrections, while *Chapter 5* has been retitled Special Cases and now includes the guidance formerly in *Chapter 2* on dependency overrides and financial aid administrator (FAA) determinations of homeless unaccompanied youth.

The maximum income a student or parent can have and remain eligible for the automatic zero expected family contribution (EFC) is now \$23,000 (a result of The Consolidated Appropriations Act, 2012). We updated this on page 36, as we did for other values elsewhere in *Chapter 3* that are part of the EFC calculation, such as the employment expense allowance.

We provided guidance in the margin of page 37 on what to do when a student has an EFC of 99,999 and the cost of attendance is higher than that or higher than the reported alternate EFC.

At the top of page 101, we noted that you must complete verification for selected students before you process a professional judgment (PJ) adjustment, and you must set the FAA Adjustment flag after you have used PJ.

We clarified the guidance on pages 101 and 102 about dependency overrides, and we added DCL GEN-11-15 to the margin note on page 101 since that letter gives further information and examples about when schools might perform overrides.

On page 106 we noted that there is now a separate option for FAAs to indicate when a student is determined to be a homeless youth, on the paper FAFSA, in FAA Access to CPS Online, and via the Electronic Data Exchange. We revised the image from the paper FAFSA on page 102 to show the new feature.

In November 2012 we updated the sidebar note on page 79 about filing an amended tax return. We added on pages 80–81 a section titled “When a tax return transcript is unavailable,” and we removed the related but passe margin note. We also added guidance in the margin on page 82 about what to do when a tax filer has been a victim of identity theft.

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 (<http://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/SAIG 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 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 online at www.pin.ed.gov or by choosing to apply for a PIN when completing a FAFSA on the Web. 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.nsls.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.

Renewal FAFSA

When a renewal-eligible student who had a valid application the year before enters her personal identifiers on FAFSA on the Web, she will be asked if she wants to pre-fill some of the application with data from the prior year. By choosing the FAFSA Renewal option, she 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 2012, 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.

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.

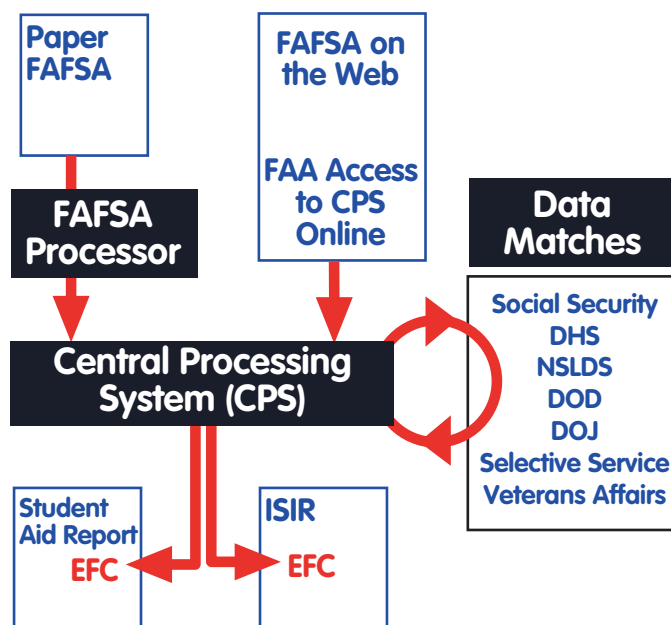
The CPS uses application data to calculate the EFC and to match against several databases: those of NSLDS, the Department of Defense, the Department of Justice, the Social Security Administration, and the Department of Veterans Affairs, as well as the Department of Homeland Security’s database of noncitizens 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’ mari-

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.

Beginning on October 23, 2011, the CPS switched from using “888” identifiers for these students to using numbers that begin with “666.” Students who filed a 2010–2011 or 2011–2012 FAFSA with an “888” number have had their application reprocessed and have a new “666” pseudo-SSN in the current SSN field. An FAA can submit a renewal application for 2012–2013 using the new “666” pseudo-SSN. See the electronic announcement on new SSA guidelines dated October 7, 2011.



From FAFSA to SAR/ISIR

2012–2013 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 > 2012–2013.

tal status as married but reported the household size as “2,” the edit checks 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 FAFSA on the Web 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 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 FAFSA on the Web (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 87).

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 (FAA Access or FAFSA on the Web) or in the Electronic Data Exchange, 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 2012–2013* at www.ifap.ed.gov.

DEADLINES

The application processing cycle lasts 18 months. For the 2012–2013 award year, applications are accepted beginning January 1, 2012, and will be accepted through June 30, 2013.

The CPS must receive a student's electronic FAFSA by June 30, 2013. 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, 2013. There are no exceptions to these deadlines. An electronic application cannot be received before January 1, 2012, and if it is received after June 30, 2013, it will not be processed. A paper application received before January 1, 2012, or after June 30, 2013, will be returned unprocessed with a letter of explanation. If it is signed before and received after January 1, 2012, 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.

In addition to the above dates, the following are **anticipated** (see the margin note) deadlines for the 2012–2013 award year:

- Corrections on a paper SAR must be received by September 23, 2013.
- Corrections through FAFSA on the Web or FAA Access to CPS Online must be received and accepted by the CPS before midnight (central time) on September 23, 2013.
- Address and school changes through the Federal Student Aid Information Center can be made through September 23, 2013.
- A school must pay or offer to pay any disbursements 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 27, 2013.
- 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) but no later than September 27, 2013.

Resources for aid administrators

For questions about EDconnect, EDEExpress, 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."

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 2012–2013 award year is published, it will be available on the IFAP website under "Federal Registers."

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.

- 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 27, 2013, 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

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. 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.

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.

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)

Completing the FAFSA

Information for students about completing the FAFSA is posted on the Web at www.studentaid.ed.gov/completedefafa

You may wish to add a link from pages that students use on your website to this reference information. You can also download FAFSA on the Web banner graphics to use on your website. Go to <http://www.ifap.ed.gov/fafsa/0330FAFSA4caster.html>

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, 2012, 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, 2012, and June 30, 2013, 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, 2013, 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. The last category 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, 2012, 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)

STEP 2

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 an outside financial award can be difficult to account for. If a student receives the award because of postsecondary 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 in 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.

STEP TWO: STUDENT/SPOUSE 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 pertains to parents as well as the student and spouse. Income, assets, and living allowances are used to calculate the student’s portion of the EFC.

If the student or the student’s parent wasn’t married in 2011 but is married at the time the application is signed, the applicant also needs to provide income and asset information for the new spouse. If the student or the student’s parent was married in 2011 but is now separated or divorced, or the spouse has died at the time the application is signed, the student or parent doesn’t provide income and asset information for that spouse, even though the information may be on the 2011 tax forms.

The FAFSA asks for income and taxes paid according to lines on the IRS tax forms for 2011, the “base year” for 2012–2013. Data from the completed tax year is used as a predictor of the family’s financial situation for the current year. If 2011 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 2011 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 2011 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.

The **IRS Data Retrieval Tool** 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. Beginning with 2012–2013, 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 IRS Data Retrieval will be directed to do so. While use of this is voluntary, students and parents are strongly encouraged to do so 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 using the IRS Data Retrieval Tool. 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).

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 2011.

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

STEP 2

Questions 35–42 and 83–90

Income, other tax data, and assets

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 2010 includes eight months in 2011. The return they'll file for the fiscal year starting in September 2011 only includes four months of 2011. Therefore, they should use the information from the tax return for the fiscal year that started in September 2010.

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, the U.S. Virgin Islands, the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau. 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 | | |
|---|--|---|
| <i>Use this worksheet to estimate adjusted gross income (AGI) if you have not completed a tax return.</i> | <i>For question 35 Student/Spouse</i> | <i>For question 83 Parents</i> |
| 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.

options, bonds, commodities, and precious metals. If the asset isn't a business or investment farm, it should be reported as an investment.

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 an asset.
- **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.

STEP 2

Questions 40–42 and 88–90 Assets

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 (a rented bedroom would not count therefore) 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.

STEP 2

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.

STEP 2

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.

→ **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.*).

■ **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 2011 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 2011 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, 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.

STEP 2

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 2011 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.

Homebuyer tax credit

This is \$6,500 or \$8,000 (these are maximum amounts) for long-time residents or first-time homebuyers respectively, though for 2011 tax returns the credit is only available to filers and their spouses who were on qualified duty outside the United States in the military, the foreign service, or with the intelligence community. Because the credit is not explicitly excluded by law from the need analysis, as are other credits, it counts as untaxed income. Since there is a documentation requirement, a person must file a paper return to claim the credit.

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.

STEP 2

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.

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, 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 2011–2012 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*.

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 2012–2013 year, a student is independent if he meets any of the following criteria from HEA Sec. 480(d):

- was born before January 1, 1989
- 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, 2011, 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.

A student who is only engaged answers as unmarried unless she waits until after the wedding to complete the FAFSA. 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 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, 2013. 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."

STEP 3

Questions 50–57

Dependency status

- **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 example.

- **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 the court 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 in their state of 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 handicapped adults and under their parents’ care, are not independent 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, 2011 (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*.

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 2012 Anika applies for aid for 2011–2012. 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 2011–2012. If Bettina had moved in just before the midpoint of the year, Anika would have been able to count her as a dependent for 2011–2012.

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: 2012–2013* 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, 2013, 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, 2013, 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 under Step 2.

- **Parents' personal information (58–67).** The FAFSA asks for parents' SSNs, last names, 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.
 - **The student's siblings and children**, if they will receive more than half their support from the student's parent(s) from July 1, 2012, through June 30, 2013. 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.

- **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).** The criteria for reporting income, assets, and the tax forms filed are basically the same for parents as for the student, so refer to the discussion in Step Two 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.

STEP 4

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

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 about 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 (it 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, 2011, must be reported even if the parent and stepparent were not married until after 2011. 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

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.

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, 2012, through June 30, 2013. 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 their entire 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 question 82.

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 FAFSA on the Web to change the schools listed. The CPS will send data to no more than 10 (or four if using the paper FAFSA) schools at a time. *Chapter 4* describes 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 | | | |
|--|---|--|---|
| | <i>Application (FAFSA, FAFSA on the Web, FAA Access to CPS Online)</i> | <i>IRS Forms (1040 or other form sub- mitted for verification)</i> | <i>Verification Worksheet</i> |
| <i>Student</i> | Must sign statement that data are accurate and other conditions are met (on paper FAFSA, Web summary, or signature page or by using PIN). | Tax return must be signed by student (or spouse), or the tax preparer must provide his name and SSN, EIN, or PTIN. | Must sign worksheet or other documents used to verify FAFSA data. |
| <i>Parent(s) (if student is dependent)</i> | One parent must sign statement that data are accurate (on paper FAFSA, Web summary, or signature page or by using PIN). | Tax return must be signed by one parent, or the tax preparer must provide his name and SSN, EIN, or PTIN. | One parent must sign. |
| <i>Aid Administrator</i> | Must certify if overriding dependency status or exercising PJ (can't be done on FAFSA on the Web). | | |
| Signature Requirements for Changes* | | | |
| | <i>Changes via SAR or Corrections on the Web</i> | <i>Changes submitted via FAA Access</i> | <i>Professional Judgment via FAA Access</i> |
| <i>Student</i> | Must sign corrections statement on the SAR; on the Web the PIN serves as the student's signature. | | |
| <i>Parent(s) (if student is dependent)</i> | 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. | | |
| <i>Aid Administrator</i> | | 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).

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 2012–2013 updates are in the May 24, 2011, *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.

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 2010 or 2011.²

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

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

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, the Virgin Islands, Marshall Islands, the Federated States of Micronesia, or Palau counts as a Form 1040A or 1040EZ.

² See margin note #2 on the next page.

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, formerly and still 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.

- 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 2010 or 2011.²

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 \$23,000 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 2010 or 2011.²

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 \$23,000 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 2010 or 2011.²

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

Automatic zero EFC

HEA Sec. 479(c)

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.

This guidance is for 2012–2013 only; the CPS will be adjusted to have larger data fields and thus eliminate the problem after the current year.

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. Do not take this to 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 (3% for total income below \$15,000; 2% 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 2011 (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 2012–2013, 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 \$3,600. For one-parent families, the allowance is 35% of the parent’s income earned from work, also not to exceed \$3,600. 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 2012–2013, 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 \$6,000.
- **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 the FAFSA information 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 2012–2013, as reported on the FAFSA. The result is the EFC for the 2012–2013 award period. 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 (3%). 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 2011 and the spouse'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 an unmarried student is \$9,330. For a married student, the income protection allowance is \$9,330 if the student's spouse is enrolled at least half time, and \$14,960 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 \$3,600.

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, 2012, 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 (3% for total income below \$15,000; 2% 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 2011 (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 2012–2013, 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. 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 \$3,600. If the student isn't married, the allowance is 35% of the student's income earned from work, or \$3,600, 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 strengths. 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, 2012, 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 2012–2013, as reported on the FAFSA. The result is the EFC for the 2012–2013 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.

2012-2013 EFC FORMULA A : DEPENDENT STUDENT



| PARENTS' INCOME IN 2011 | |
|---|---|
| 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. 2011 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: <ul style="list-style-type: none"> Two working parents: 35% of the lesser of the earned incomes, or \$3,600, whichever is less One-parent families: 35% of earned income, or \$3,600, whichever is less Two-parent families, one working parent: enter zero | + |
| 14. TOTAL ALLOWANCES | = |

*STOP HERE if the following are true:

Line 3 is \$23,000 or less **and**

- The parents are eligible to file a 2011 IRS Form 1040A or 1040EZ (they are not required to file a 2011 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 2010 or 2011 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 and 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 2012-2013 (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

STUDENT'S INCOME IN 2011

| | | |
|---|---|--|
| 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. 2011 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 | + | 6,000 |
| 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 and 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.

| 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 | + | 4,530 |
| 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

Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months

| | |
|--|---|
| <p>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</p> | |
| <p>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</p> | + |
| <p>Student's Contribution from Assets • Enter amount from line 50</p> | + |
| <p>Expected Family Contribution for periods of enrollment other than nine months</p> | = |

2012-2013 EFC FORMULA **A** : DEPENDENT STUDENT

SIMPLIFIED
WORKSHEET
Page 1

A

| PARENTS' INCOME IN 2011 | |
|---|---|
| 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. 2011 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: <ul style="list-style-type: none"> • Two working parents: 35% of the lesser of the earned incomes, or \$3,600, whichever is less • One-parent families: 35% of earned income, or \$3,600, whichever is less • Two-parent families, one working parent: enter zero | + |
| 14. TOTAL ALLOWANCES | = |

*STOP HERE if the following are true:

Line 3 is \$23,000 or less **and**

- The parents are eligible to file a 2011 IRS Form 1040A or 1040EZ (they are not required to file a 2011 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 2010 or 2011 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 and 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 2012-2013 (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

STUDENT'S INCOME IN 2011

| | | |
|--|---|--|
| 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. 2011 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 | + | 6,000 |
| 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 and 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 not 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.

| 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 | + | 4,530 |
| 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

Calculation of Total Expected Family Contribution for Periods of Enrollment Other than Nine Months

| | |
|---|---|
| <p>Parents' Contribution—use ONE appropriate amount from previous page:</p> <ul style="list-style-type: none"> • 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 | |
| <p>Student's Contribution from Available Income—use ONE appropriate amount from previous page:</p> <ul style="list-style-type: none"> • 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 | + |
| <p>Expected Family Contribution for periods of enrollment other than nine months</p> | = |

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..... | 3% | 2% | Nebraska..... | 5% | 4% |
| Arizona..... | 5% | 4% | Nevada..... | 3% | 2% |
| Arkansas..... | 4% | 3% | New Hampshire..... | 5% | 4% |
| California..... | 8% | 7% | New Jersey..... | 9% | 8% |
| Canada and Canadian | | | New Mexico..... | 3% | 2% |
| Provinces..... | 3% | 2% | New York..... | 10% | 9% |
| Colorado..... | 5% | 4% | North Carolina..... | 6% | 5% |
| Connecticut..... | 8% | 7% | North Dakota..... | 3% | 2% |
| Delaware..... | 5% | 4% | Northern Mariana | | |
| District of Columbia..... | 8% | 7% | Islands..... | 3% | 2% |
| Federated States | | | Ohio..... | 6% | 5% |
| of Micronesia..... | 3% | 2% | Oklahoma..... | 4% | 3% |
| Florida..... | 4% | 3% | Oregon..... | 8% | 7% |
| Georgia..... | 6% | 5% | Palau..... | 3% | 2% |
| Guam..... | 3% | 2% | Pennsylvania..... | 6% | 5% |
| Hawaii..... | 5% | 4% | Puerto Rico..... | 3% | 2% |
| Idaho..... | 5% | 4% | Rhode Island..... | 7% | 6% |
| Illinois..... | 5% | 4% | South Carolina..... | 5% | 4% |
| Indiana..... | 4% | 3% | South Dakota..... | 2% | 1% |
| Iowa..... | 5% | 4% | Tennessee..... | 2% | 1% |
| Kansas..... | 5% | 4% | Texas..... | 3% | 2% |
| Kentucky..... | 6% | 5% | Utah..... | 5% | 4% |
| Louisiana..... | 4% | 3% | Vermont..... | 6% | 5% |
| Maine..... | 6% | 5% | Virgin Islands..... | 3% | 2% |
| Marshall Islands..... | 3% | 2% | Virginia..... | 6% | 5% |
| Maryland..... | 9% | 8% | Washington..... | 4% | 3% |
| Massachusetts..... | 7% | 6% | West Virginia..... | 3% | 2% |
| Mexico..... | 3% | 2% | Wisconsin..... | 8% | 7% |
| Michigan..... | 5% | 4% | Wyoming..... | 2% | 1% |
| Minnesota..... | 7% | 6% | Blank or Invalid | | |
| Mississippi..... | 3% | 2% | State..... | 3% | 2% |
| | | | OTHER..... | 3% | 2% |

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 - \$106,800 | 7.65% of income |
| \$106,801 or greater | \$8,170.20 + 1.45% of amount over \$106,800 |

*Father's/stepfather's 2011 income earned from work is FAFSA/SAR #86.
 Mother's/stepmother's 2011 income earned from work is FAFSA/SAR #87.
 Student's 2011 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 | \$16,390 | \$13,590 | ———— | ———— | ———— |
| 3 | 20,410 | 17,620 | \$14,820 | ———— | ———— |
| 4 | 25,210 | 22,400 | 19,620 | \$16,810 | ———— |
| 5 | 29,740 | 26,940 | 24,150 | 21,340 | \$18,560 |
| 6 | 34,790 | 31,990 | 29,200 | 26,390 | 23,600 |

Note: For each additional family member, add \$3,930.
 For each additional college student (except parents), subtract \$2,790.

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 \$115,000 | 40% of net worth of business/farm |
| \$115,001 to \$350,000 | \$ 46,000 + 50% of net worth over \$115,000 |
| \$350,001 to \$585,000 | \$163,500 + 60% of net worth over \$350,000 |
| \$585,001 or more | \$304,500 + 100% of net worth over \$585,000 |

Table A5: Education Savings and Asset Protection Allowance

for EFC Formula Worksheet A (parents only)

| <i>Age of older parent as of 12/31/2012*</i> | Allowance if there are two parents | Allowance if there is only one parent | <i>Age of older parent as of 12/31/2012*</i> | Allowance if there are two parents | Allowance if there is only one parent |
|--|------------------------------------|---------------------------------------|--|------------------------------------|---------------------------------------|
| 25 or less | \$0 | \$0 | 45..... | \$41,300 | \$14,200 |
| 26..... | 2,400 | 800 | 46..... | 42,300 | 14,500 |
| 27..... | 4,900 | 1,700 | 47..... | 43,400 | 14,900 |
| 28..... | 7,300 | 2,500 | 48..... | 44,400 | 15,200 |
| 29..... | 9,700 | 3,400 | 49..... | 45,500 | 15,600 |
| 30..... | 12,200 | 4,200 | 50..... | 46,600 | 16,000 |
| 31..... | 14,600 | 5,100 | 51..... | 48,000 | 16,300 |
| 32..... | 17,000 | 5,900 | 52..... | 49,200 | 16,700 |
| 33..... | 19,500 | 6,800 | 53..... | 50,700 | 17,100 |
| 34..... | 21,900 | 7,600 | 54..... | 51,900 | 17,500 |
| 35..... | 24,300 | 8,500 | 55..... | 53,400 | 17,900 |
| 36..... | 26,800 | 9,300 | 56..... | 54,700 | 18,500 |
| 37..... | 29,200 | 10,200 | 57..... | 56,300 | 18,900 |
| 38..... | 31,600 | 11,000 | 58..... | 58,000 | 19,400 |
| 39..... | 34,100 | 11,900 | 59..... | 59,700 | 19,900 |
| 40..... | 36,500 | 12,700 | 60..... | 61,400 | 20,400 |
| 41..... | 37,500 | 13,000 | 61..... | 63,100 | 20,900 |
| 42..... | 38,400 | 13,300 | 62..... | 65,000 | 21,500 |
| 43..... | 39,300 | 13,600 | 63..... | 66,800 | 22,100 |
| 44..... | 40,300 | 13,900 | 64..... | 68,700 | 22,700 |
| | | | 65 or over.. | 71,000 | 23,300 |

*Determine the age of the older parent listed in FAFSA/SAR #63 and #67 as of 12/31/2012. 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 \$14,600 | 22% of AAI |
| \$14,601 to \$18,400 | \$3,212 + 25% of AAI over \$14,600 |
| \$18,401 to \$22,100 | \$4,162 + 29% of AAI over \$18,400 |
| \$22,101 to \$25,900 | \$5,235 + 34% of AAI over \$22,100 |
| \$25,901 to \$29,600 | \$6,527 + 40% of AAI over \$25,900 |
| \$29,601 or more | \$8,007 + 47% of AAI over \$29,600 |

Table A7: State and Other Tax Allowance

for EFC Formula Worksheet A (student only)

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

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.

2012-2013 EFC FORMULA **B** : INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse

REGULAR
WORKSHEET
Page 1

B

| STUDENT/SPOUSE INCOME IN 2011 | |
|--|---|
| 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. 2011 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: <ul style="list-style-type: none"> • \$9,330 for single, separated or divorced/widowed student; • \$9,330 for married student if spouse is enrolled at least 1/2 time; • \$14,960 for married student if spouse is not enrolled at least 1/2 time. | + |
| 13. Employment expense allowance: <ul style="list-style-type: none"> • 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 \$3,600, 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 and 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 2012-2013 (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.

| 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).

2012-2013 EFC FORMULA **B** : INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse

SIMPLIFIED
WORKSHEET
Page 1

B

| STUDENT/SPOUSE INCOME IN 2011 | |
|--|---|
| 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. 2011 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: <ul style="list-style-type: none"> • \$9,330 for single, separated or divorced/widowed student; • \$9,330 for married student if spouse is enrolled at least 1/2 time; • \$14,960 for married student if only the student is enrolled at least 1/2 time. | + |
| 13. Employment expense allowance: <ul style="list-style-type: none"> • 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 \$3,600, 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 and 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 2012-2013 (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 not 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.

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% | Missouri | 3% |
| Alaska | 0% | Montana | 3% |
| American Samoa..... | 3% | Nebraska | 3% |
| Arizona | 3% | Nevada | 1% |
| Arkansas | 3% | New Hampshire | 1% |
| California | 5% | New Jersey..... | 5% |
| Canada and Canadian | | New Mexico..... | 2% |
| Provinces..... | 3% | New York | 7% |
| Colorado | 3% | North Carolina | 4% |
| Connecticut..... | 5% | North Dakota | 1% |
| Delaware | 4% | Northern Mariana Islands | 3% |
| District of Columbia | 6% | Ohio | 4% |
| Federated States | | Oklahoma..... | 3% |
| of Micronesia..... | 3% | Oregon | 5% |
| Florida..... | 1% | Palau | 3% |
| Georgia..... | 4% | Pennsylvania..... | 3% |
| Guam..... | 3% | Puerto Rico | 3% |
| Hawaii..... | 4% | Rhode Island | 4% |
| Idaho | 4% | South Carolina | 4% |
| Illinois | 2% | South Dakota | 1% |
| Indiana | 3% | Tennessee..... | 1% |
| Iowa | 3% | Texas | 1% |
| Kansas..... | 3% | Utah..... | 4% |
| Kentucky..... | 4% | Vermont..... | 3% |
| Louisiana..... | 2% | Virgin Islands..... | 3% |
| Maine | 4% | Virginia | 4% |
| Marshall Islands..... | 3% | Washington | 1% |
| Maryland..... | 6% | West Virginia | 3% |
| Massachusetts | 4% | Wisconsin..... | 4% |
| Mexico | 3% | Wyoming..... | 1% |
| Michigan..... | 3% | Blank or Invalid State..... | 3% |
| Minnesota | 5% | OTHER..... | 3% |
| Mississippi | 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 - \$106,800 | 7.65% of income |
| \$106,801 or greater | \$8,170.20 + 1.45% of amount over \$106,800 |

*Student's 2011 income earned from work is FAFSA/SAR #38.
 Spouse's 2011 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 \$115,000 | 40% of net worth of business/farm |
| \$115,001 to \$350,000 | \$ 46,000 + 50% of net worth over \$115,000 |
| \$350,001 to \$585,000 | \$163,500 + 60% of net worth over \$350,000 |
| \$585,001 or more | \$304,500 + 100% of net worth over \$585,000 |

Table B4: Asset Protection Allowance

| <i>Age of student as of 12/31/2012*</i> | Allowance for— | | <i>Age of student as of 12/31/2012*</i> | Allowance for— | |
|---|--------------------|----------------------|---|--------------------|----------------------|
| | Married Student | Unmarried Student | | Married Student | Unmarried Student |
| 25 or less | \$0 | \$0 | 45..... | \$41,300 | \$14,200 |
| 26..... | 2,400 | 800 | 46..... | 42,300 | 14,500 |
| 27..... | 4,900 | 1,700 | 47..... | 43,400 | 14,900 |
| 28..... | 7,300 | 2,500 | 48..... | 44,400 | 15,200 |
| 29..... | 9,700 | 3,400 | 49..... | 45,500 | 15,600 |
| 30..... | 12,200 | 4,200 | 50..... | 46,600 | 16,000 |
| 31..... | 14,600 | 5,100 | 51..... | 48,000 | 16,300 |
| 32..... | 17,000 | 5,900 | 52..... | 49,200 | 16,700 |
| 33..... | 19,500 | 6,800 | 53..... | 50,700 | 17,100 |
| 34..... | 21,900 | 7,600 | 54..... | 51,900 | 17,500 |
| 35..... | 24,300 | 8,500 | 55..... | 53,400 | 17,900 |
| 36..... | 26,800 | 9,300 | 56..... | 54,700 | 18,500 |
| 37..... | 29,200 | 10,200 | 57..... | 56,300 | 18,900 |
| 38..... | 31,600 | 11,000 | 58..... | 58,000 | 19,400 |
| 39..... | 34,100 | 11,900 | 59..... | 59,700 | 19,900 |
| 40..... | 36,500 | 12,700 | 60..... | 61,400 | 20,400 |
| 41..... | 37,500 | 13,000 | 61..... | 63,100 | 20,900 |
| 42..... | 38,400 | 13,300 | 62..... | 65,000 | 21,500 |
| 43..... | 39,300 | 13,600 | 63..... | 66,800 | 22,100 |
| 44..... | 40,300 | 13,900 | 64..... | 68,700 | 22,700 |
| | | | 65 or over.. | 71,000 | 23,300 |

*Determine student's age as of 12/31/2012 from student's date of birth (FAFSA/SAR #9)

2012-2013 EFC FORMULA **C**: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

REGULAR
WORKSHEET
Page 1



| STUDENT/SPOUSE INCOME IN 2011 | |
|--|---------|
| 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. 2011 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: <ul style="list-style-type: none"> • Student and spouse both working: 35% of the lesser of the earned incomes, or \$3,600, whichever is less • One-parent families: 35% of earned income, or \$3,600, whichever is less • Student or spouse working (not both): zero | + _____ |
| 14. TOTAL ALLOWANCES | = _____ |

*STOP HERE if the following are true:

Line 3 is \$23,000 or less **and**

- The student (and the student's spouse, if any) are eligible to file a 2011 IRS Form 1040A or 1040EZ (they are not required to file a 2011 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 2010 or 2011 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 and 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 2012-2013 (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.

| 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).

2012-2013 EFC FORMULA **C**: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

SIMPLIFIED
WORKSHEET
Page 1



| STUDENT/SPOUSE INCOME IN 2011 | |
|--|---|
| 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. 2011 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: <ul style="list-style-type: none"> • Student and spouse both working: 35% of the lesser of the earned incomes, or \$3,600, whichever is less • One-parent families: 35% of earned income, or \$3,600, whichever is less • Student or spouse working (not both): zero | + |
| 14. TOTAL ALLOWANCES | = |

*STOP HERE if the following are true:

Line 3 is \$23,000 or less **and**

- The student (and the student's spouse, if any) are eligible to file a 2011 IRS Form 1040A or 1040EZ (they are not required to file a 2011 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 2010 or 2011 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 and 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 2012-2013 (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 not 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.

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..... | 3% | 2% | Nebraska..... | 5% | 4% |
| Arizona..... | 5% | 4% | Nevada..... | 3% | 2% |
| Arkansas..... | 4% | 3% | New Hampshire..... | 5% | 4% |
| California..... | 8% | 7% | New Jersey..... | 9% | 8% |
| Canada and Canadian | | | New Mexico..... | 3% | 2% |
| Provinces..... | 3% | 2% | New York..... | 10% | 9% |
| Colorado..... | 5% | 4% | North Carolina..... | 6% | 5% |
| Connecticut..... | 8% | 7% | North Dakota..... | 3% | 2% |
| Delaware..... | 5% | 4% | Northern Mariana | | |
| District of Columbia..... | 8% | 7% | Islands..... | 3% | 2% |
| Federated States | | | Ohio..... | 6% | 5% |
| of Micronesia..... | 3% | 2% | Oklahoma..... | 4% | 3% |
| Florida..... | 4% | 3% | Oregon..... | 8% | 7% |
| Georgia..... | 6% | 5% | Palau..... | 3% | 2% |
| Guam..... | 3% | 2% | Pennsylvania..... | 6% | 5% |
| Hawaii..... | 5% | 4% | Puerto Rico..... | 3% | 2% |
| Idaho..... | 5% | 4% | Rhode Island..... | 7% | 6% |
| Illinois..... | 5% | 4% | South Carolina..... | 5% | 4% |
| Indiana..... | 4% | 3% | South Dakota..... | 2% | 1% |
| Iowa..... | 5% | 4% | Tennessee..... | 2% | 1% |
| Kansas..... | 5% | 4% | Texas..... | 3% | 2% |
| Kentucky..... | 6% | 5% | Utah..... | 5% | 4% |
| Louisiana..... | 4% | 3% | Vermont..... | 6% | 5% |
| Maine..... | 6% | 5% | Virgin Islands..... | 3% | 2% |
| Marshall Islands..... | 3% | 2% | Virginia..... | 6% | 5% |
| Maryland..... | 9% | 8% | Washington..... | 4% | 3% |
| Massachusetts..... | 7% | 6% | West Virginia..... | 3% | 2% |
| Mexico..... | 3% | 2% | Wisconsin..... | 8% | 7% |
| Michigan..... | 5% | 4% | Wyoming..... | 2% | 1% |
| Minnesota..... | 7% | 6% | Blank or Invalid | | |
| Mississippi..... | 3% | 2% | State..... | 3% | 2% |
| | | | OTHER..... | 3% | 2% |

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 - \$106,800 | 7.65% of income |
| \$106,801 or greater | \$8,170.20 + 1.45% of amount over \$106,800 |

*Student's 2011 income earned from work is FAFSA/SAR #38.
 Spouse's 2011 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 | \$23,630 | \$19,590 | _____ | _____ | _____ |
| 3 | 29,420 | 25,400 | \$21,360 | _____ | _____ |
| 4 | 36,330 | 32,300 | 28,280 | \$24,230 | _____ |
| 5 | 42,870 | 38,820 | 34,800 | 30,770 | \$26,750 |
| 6 | 50,130 | 46,100 | 42,090 | 38,030 | 34,020 |

Note: For each additional family member, add \$5,660.
 For each additional college student, subtract \$4,020.

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 \$115,000 | 40% of net worth of business/farm |
| \$115,001 to \$350,000 | \$ 46,000 + 50% of net worth over \$115,000 |
| \$350,001 to \$585,000 | \$163,500 + 60% of net worth over \$350,000 |
| \$585,001 or more | \$304,500 + 100% of net worth over \$585,000 |

Table C5: Asset Protection Allowance

| Age of student as of 12/31/2012* | Allowance for— | | Age of student as of 12/31/2012* | Allowance for— | |
|-------------------------------------|--------------------|----------------------|-------------------------------------|--------------------|----------------------|
| | Married Student | Unmarried Student | | Married Student | Unmarried Student |
| 25 or less | \$0 | \$0 | 45..... | \$41,300 | \$14,200 |
| 26..... | 2,400 | 800 | 46..... | 42,300 | 14,500 |
| 27..... | 4,900 | 1,700 | 47..... | 43,400 | 14,900 |
| 28..... | 7,300 | 2,500 | 48..... | 44,400 | 15,200 |
| 29..... | 9,700 | 3,400 | 49..... | 45,500 | 15,600 |
| 30..... | 12,200 | 4,200 | 50..... | 46,600 | 16,000 |
| 31..... | 14,600 | 5,100 | 51..... | 48,000 | 16,300 |
| 32..... | 17,000 | 5,900 | 52..... | 49,200 | 16,700 |
| 33..... | 19,500 | 6,800 | 53..... | 50,700 | 17,100 |
| 34..... | 21,900 | 7,600 | 54..... | 51,900 | 17,500 |
| 35..... | 24,300 | 8,500 | 55..... | 53,400 | 17,900 |
| 36..... | 26,800 | 9,300 | 56..... | 54,700 | 18,500 |
| 37..... | 29,200 | 10,200 | 57..... | 56,300 | 18,900 |
| 38..... | 31,600 | 11,000 | 58..... | 58,000 | 19,400 |
| 39..... | 34,100 | 11,900 | 59..... | 59,700 | 19,900 |
| 40..... | 36,500 | 12,700 | 60..... | 61,400 | 20,400 |
| 41..... | 37,500 | 13,000 | 61..... | 63,100 | 20,900 |
| 42..... | 38,400 | 13,300 | 62..... | 65,000 | 21,500 |
| 43..... | 39,300 | 13,600 | 63..... | 66,800 | 22,100 |
| 44..... | 40,300 | 13,900 | 64..... | 68,700 | 22,700 |
| | | | 65 or over.. | 71,000 | 23,300 |

*Determine student's age as of 12/31/2012 from student's date of birth (FAFSA/SAR #9)

Table C6: Contribution from AAI

| If parents' AAI is— | The parents' contribution from AAI is— |
|----------------------|--|
| Less than -\$3,409 | -\$750 |
| -\$3,409 to \$14,600 | 22% of AAI |
| \$14,601 to \$18,400 | \$3,212 + 25% of AAI over \$14,600 |
| \$18,401 to \$22,100 | \$4,162 + 29% of AAI over \$18,400 |
| \$22,101 to \$25,900 | \$5,235 + 34% of AAI over \$22,100 |
| \$25,901 to \$29,600 | \$6,527 + 40% of AAI over \$25,900 |
| \$29,601 or more | \$8,007 + 47% of AAI over \$29,600 |

Verification, Updates, and Corrections

Because students sometimes make errors on their application, there is a process for verifying applications and making corrections. The Central Processing System 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.

Because the verification regulations are new for the 2012–2013 award year, you should read this entire chapter. While some of the guidance is the same as in prior years, there are significant differences as well. For example:

- Subpart E (sections 51 to 61 of Part 668 of Title 34 of the Code of Federal Regulations) was renamed to include updating: “Verification and Updating of Student Aid Application Information.”
- There is no longer a verification limit of 30% of applications.
- The required verification items have changed somewhat and in the future will be customized to the student.
- There is no longer a \$400 tolerance.
- The IRS Data Retrieval process has become the preferred method for populating tax information for the FAFSA online and for verifying that data.
- Some of the verification exclusions have been rescinded, such as those for Pacific Islanders, recent immigrants, and the incarcerated.
- Financial aid administrators now have the authority, on a discretionary, case-by-case basis, to allow certain updates as a result of a student's marital status change.
- For all the subsidized Title IV programs, a school must get a correct valid SAR or ISIR.

Verification regulations

34 CFR 668.51–61

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 Education 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

Verification items for 2012–2013

668.56

See the July 13, 2011, *Federal Register*

For all applicants:

- Household size
- Number in college
- Supplemental Nutrition Assistance Program (SNAP, formerly food stamps)
- Child support paid

For non-tax filers:

- Income earned from work

For tax filers:

- Adjusted gross income (AGI)
- U.S. income tax paid
- Education credits
- Untaxed IRA distributions
- Untaxed pensions
- IRA deductions
- Tax-exempt interest

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>. There is also a matrix showing the line numbers for verifiable items as they appear on the FAFSA, tax returns, and tax transcript; see the electronic announcement dated 3/16/12 on the IFAP website.

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.

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.

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.

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 2012–2013 edition will be available in June 2012.

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.**
- **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.**

Online verification assessment module

<http://ifap.ed.gov/qahome/qaassessments/fsaverification.html>

Verification exclusions

668.54(b)

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.

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.

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

34 CFR 668.57

For application information that is selected for verification in the future, the required documentation will be given in the *Federal Register*.

See DCL GEN-11-13 for guidance about verifiable information for 2012–2013.

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 worksheets developed by the Department, which serve as signed statements and as verification of household size, number in college, receipt of SNAP benefits, child support paid, and income earned from work for non-tax filers. Master copies are available on the IFAP website at www.ifap.ed.gov, and you may reproduce as many as you need.

AGI, taxes paid, and other tax data

As already noted, the importation of IRS tax data via the IRS Data Retrieval process 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. 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 it is 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 through 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 2012 or later.
- The first three digits of the SSN are 666.
- The tax return was amended.

Sample verification worksheets

The worksheets included in this chapter are provided by the Department as samples; you are permitted, but not required, to use them. You may modify them, design your own worksheets, or use someone else's. Also, you may require other documentation in addition to or instead of a completed worksheet. Do not, however, affix the seal of the Department of Education to any verification documents.

- 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.

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*, or, if they have requested a further extension, a copy of the IRS's approval of that. 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. You may require those with a filing extension to submit to your school a tax transcript after the return has been filed. If you do that, you must reverify the AGI and taxes paid.

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. The signed statement can be a completed verification worksheet.

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 2011 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. These waivers and modifications were due to expire on September 30, 2007, but on that date the law—and with it the Secretary’s authority to issue the waivers and modifications—was made permanent. As a result, the above actions will remain in effect until September 30, 2012, unless the Secretary ends or changes them before then. For all the details on the act and a list of the eligible students, see pages 69312–69318 of the *Federal Register* dated December 12, 2003.

Household size documentation

668.57(b)

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)

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 foreign or Puerto Rican 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.

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.

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.

If you are using a verification worksheet, make sure that it 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 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 2011 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.

Because the IRS does not send written confirmation of the failure of a transcript request using the telephone, there is no documentation alternative

Acceptable Documentation

| | IRS Data Retrieval | Verification Worksheet | Other Documentation in lieu of Worksheet or Data Retrieval |
|---|---------------------------|-------------------------------|---|
| <i>Household Size</i> | | ✓ | Signed statement |
| <i>Number in College</i> | | ✓ | Signed statement or institutional certification |
| <i>AGI and Taxes Paid</i> | ✓ | | Tax return transcript, copy of the tax return, Form W-2, Form 4868, or a signed statement |
| <i>Untaxed Income and Benefits</i> | ✓ | | Tax return transcript, copy of the tax return, Form W-2, Form 4868, or a signed statement |
| <i>SNAP Benefits</i> | | ✓ | Signed statement or agency documentation |
| <i>Child Support Paid</i> | | ✓ | Signed statement |
| <i>Income Earned from Work for Non-tax Filers</i> | | ✓ | Signed statement and Form W-2 |

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.

Number in college documentation
668.57(c)

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. If the student completed the Department's verification worksheet, no further documentation for this item is required.

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 signed and dated statement stating he was a victim of identity theft and that the IRS is investigating the matter, or a copy of a police report that he filed.

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.

Updating information

668.55

You don't have to verify household size if either of the following apply:

- 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.

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 sample verification worksheet will satisfy the requirements for both items.

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.

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.

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 2010 or 2011, the student must provide a signed statement indicating receipt of the benefit. A completed verification worksheet from the Department does this. 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.

Child support paid

If the ISIR shows that the student or parent paid child support in 2011, 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. A completed verification worksheet accomplishes this.

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.

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 Department’s verification worksheet, 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 79 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.

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 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.

Interim disbursements

668.58

UPDATING INFORMATION

Because the FAFSA is considered to be a “snapshot” of the family’s financial situation as of the date the application was submitted, after that date only certain items from the FAFSA can be updated under the conditions given below.

All applicants: An applicant must update dependency status and FAFSA information throughout the award year except when the update is caused by a change in the student’s marital status.

All applicants selected by the Department for verification or by a school for verification of household size or number in college: A selected applicant must update the household size and number in college to be correct as of the date of verification unless the change is due to a change in the student’s marital status.

At your discretion you may update in either of the above situations even when the update is due to a change in the student’s marital status if you deem it necessary 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.

CORRECTING ERRORS

As explained in the previous 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.

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 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.

Changes to FAFSA information

668.59

When there is an overaward from a regular disbursement, the following individual program regulations apply—

Pell grants: 690.79

Perkins and FSEOG: 673.5(f)

Subsidized DL: 685.303(e)

Recovery of funds from interim disbursements

668.61

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 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 the relevant IRS 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, 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 ("Adjustment to Income"), 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, using a joint return; 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 2011 and have since separated. The AGI on Eddy's FAFSA matches the AGI of \$48,000 on the 2011 tax return, which means it's wrong because it includes his wife's income.

Eddy's W-2 shows that his income for 2011 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 2011. Eddy's nephew still lives with him. Therefore, Eddy would have had two exemptions (himself and his nephew), totaling \$7,400. In the new situation, Eddy's filing status is "head of household" instead of "married." Therefore, his standard deduction is \$8,500 (instead of the \$11,600 for married filers). Eddy's income of \$20,000 minus the \$7,400 for exemptions and the \$8,500 standard deduction results in \$4,100 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 \$4,100, the amount of tax paid from the tax schedule would be \$413.

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 (\$1,394 for this example) by this percentage. Therefore, Eddy's income tax paid would be \$585 (.42 x \$1,394).

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 88 for what happens if he fails to complete verification.

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.

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.

Failure to submit documentation

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

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.

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.

Verification completed within additional time period for Pell

34 CFR 668.60(c)(1)

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*].

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.

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 2012–2013 has not been published, but the deadline is expected to be September 27, 2013, 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 correct valid ISIR or SAR. 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

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*.

Late disbursements

668.164(g)

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.

C. Dependent Student's Income Information to Be Verified

1. TAX RETURN FILERS—**Important Note:** If the student filed, or will file, an amended 2011 IRS tax return, the student must contact the financial aid administrator before completing this section.

Instructions: Complete this section if the student filed or will file a 2011 income tax return with the IRS. *The best way to verify income is by using the IRS Data Retrieval Tool that is part of FAFSA on the Web. If the student has not already used the tool, go to FAFSA.gov, log in to the student's FAFSA record, select "Make FAFSA Corrections," and navigate to the Financial Information section of the form. From there, follow the instructions to determine if the student is eligible to use the IRS Data Retrieval Tool to transfer 2011 IRS income tax information into the student's FAFSA. It takes up to two weeks for IRS income information to be available for the IRS Data Retrieval Tool for electronic IRS tax return filers and up to eight weeks for paper IRS tax return filers. If you need more information about when or how to use the IRS Data Retrieval Tool, see your financial aid administrator.*

Check the box that applies:

- The student has used the IRS Data Retrieval Tool in FAFSA on the Web to retrieve and transfer 2011 IRS income information into the student's FAFSA, either on the initial FAFSA or when making a correction to the FAFSA. *The student's school will use the IRS information that was transferred in the verification process.*
- The student has not yet used the IRS Data Retrieval Tool in FAFSA on the Web but will use the tool to retrieve and transfer 2011 IRS income information into the student's FAFSA once the student has filed a 2011 IRS tax return. *See instructions above for information on how to use the IRS Data Retrieval Tool. The student's school cannot complete the verification process until the IRS information has been transferred into the FAFSA.*
- The student is unable or chooses not to use the IRS Data Retrieval Tool in FAFSA on the Web, and the student will submit to the school a **2011 IRS tax return transcript**—not a photocopy of the income tax return. *To obtain an 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." You will need your Social Security Number, date of birth, and the address on file with the IRS (normally this will be the address used when the 2011 IRS tax return was filed). It takes up to two weeks for IRS income information to be available for electronic IRS tax return filers and up to eight weeks for paper IRS tax return filers.*
 - Check here if the student's IRS tax return transcript is attached to this worksheet.
 - Check here if the student's IRS tax return transcript will be submitted to the student's school later. Verification cannot be completed until the IRS tax return transcript has been submitted to the student's school.

2. TAX RETURN NON-FILERS—Complete this section if the student will not file and is not required to file a 2011 income tax return with the IRS.

Check the box that applies:

- The student was not employed and had no income earned from work in 2011.
- The student was employed in 2011 and has listed below the names of all the student's employers, the amount earned from each employer in 2011, and whether an IRS W-2 form is attached. Attach copies of all 2011 IRS W-2 forms issued to the student by employers. *List every employer even if they did not issue an IRS W-2 form. If more space is needed, attach a separate page with the student's name and Social Security Number at the top.*

| Employer's Name | 2011 Amount Earned | IRS W-2 Attached? |
|--|----------------------------|---------------------|
| <i>Suzy's Auto Body Shop (example)</i> | <i>\$2,000.00(example)</i> | <i>Yes(example)</i> |
| | | |
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| | | |

D. Parent's Income Information to Be Verified—Note: If two parents were reported in Section B of this worksheet, the instructions and certifications below refer and apply to both parents.

1. TAX RETURN FILERS—**Important Note:** If the student's parent(s) filed or will file an amended 2011 IRS tax return, the student's financial aid administrator must be contacted before completing this section.

Instructions: Complete this section if the student's parent(s) filed or will file a 2011 income tax return with the IRS. *The best way to verify income is by using the IRS Data Retrieval Tool that is part of FAFSA on the Web. If the student's parent(s) has not already used the tool, the parent and the student should go to FAFSA.gov, log in to the student's FAFSA record, select "Make FAFSA Corrections," and navigate to the Financial Information section of the form. From there, follow the instructions to determine if the parent(s) is eligible to use the IRS Data Retrieval Tool to transfer 2011 IRS income tax information into the student's FAFSA. It takes up to two weeks for IRS income information to be available for the IRS Data Retrieval Tool for electronic IRS tax return filers and up to eight weeks for paper IRS tax return filers. If you need more information about whether or how to use the IRS Data Retrieval Tool, see the student's financial aid administrator.*

Check the box that applies:

- The student's parent has used the IRS Data Retrieval Tool in FAFSA on the Web to transfer 2011 IRS income information into the student's FAFSA, either on the initial FAFSA or when making a correction to the FAFSA. *The student's school will use the IRS information transferred into the student's FAFSA to complete the verification process.*
- The student's parent has not yet used the IRS Data Retrieval Tool but will use the tool to transfer 2011 IRS income information into the student's FAFSA once the parent's IRS tax return has been filed. *See instructions above for information on how to use the IRS Data Retrieval Tool. The student's financial aid administrator cannot complete verification until the parent has transferred IRS information into the student's FAFSA.*
- The parent is unable or chooses not to use the IRS Data Retrieval Tool, and the parent will submit to the student's school a copy of the parent's **2011 IRS tax return transcript(s)**—not photocopies of the income tax return. *To obtain an 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 you order the "IRS tax return transcript" and not the "IRS tax account transcript." The parent will need his or her Social Security Number, date of birth, and the address on file with the IRS (normally this will be the address used when the 2011 IRS tax return was filed). It takes up to two weeks for IRS income information to be available for electronic IRS tax return filers and up to eight weeks for paper tax return filers. If the parents are married and separate 2011 tax returns were filed, 2011 IRS tax return transcripts must be submitted for each parent.*
 - Check here if an IRS tax return transcript(s) is attached to this worksheet.
 - Check here if IRS tax return transcript(s) will be submitted to the student's school later. Verification cannot be completed until the IRS tax return transcript(s) has been submitted to the school.

2. TAX RETURN NON-FILERS—Complete this section if the student's parent(s) will not file and is not required to file a 2011 income tax return with the IRS.

Check the box that applies:

- The parent(s) was not employed and had no income earned from work in 2011.
- The parent(s) was employed in 2011 and has listed below the names of all the parent's employers, the amount earned from each employer in 2011, and whether an IRS W-2 form is attached. Attach copies of all 2011 IRS W-2 forms issued to the parent(s) by employer(s). *List every employer even if they did not issue an IRS W-2 form. If more space is needed, attach a separate page with the student's name and Social Security Number at the top.*

| Employer's Name | 2011 Amount Earned | IRS W-2 Attached? |
|--|-----------------------------|----------------------|
| <i>Suzy's Auto Body Shop (example)</i> | <i>\$2,000.00 (example)</i> | <i>Yes (example)</i> |
| | | |
| | | |
| | | |

Student's Name: _____ SSN: _____

E. Parent's Other Information to Be Verified

1. Complete this section if someone in the student's parent's household (listed in Section B) received benefits from the Supplemental Nutrition Assistance Program or SNAP (formerly known as food stamps) any time during the 2010 or 2011 calendar years.

One of the persons listed in Section B of this worksheet received SNAP benefits in 2010 or 2011. If asked by the student's school, I will provide documentation of the receipt of SNAP benefits during 2010 and/or 2011.

2. Complete this section if one of the student's parents paid child support in 2011.

One (or both) of the student's parents listed in Section B of this worksheet paid child support in 2011. The parent has indicated below the name of the person who paid the child support, the name of the person to whom the child support was paid, the names of the children for whom child support was paid, and the total annual amount of child support that was paid in 2011 for each child. If asked by the school, I will provide documentation of the payment of child support. *If you need more space, attach a separate page that includes the student's name and Social Security 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 2011 |
|---------------------------------------|---|---|--------------------------------------|
| <i>Marty Jones</i> | <i>Chris Smith (example)</i> | <i>Terry Jones</i> | <i>\$6,000.00</i> |
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F. Certification and Signatures

Each person signing this worksheet certifies that all of the information reported on it is complete and correct. The student and one parent must sign and date.

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

Student's Signature

Date

Parent's Signature

Date

***Do not mail this worksheet to the U.S. Department of Education.
Submit this worksheet to the financial aid administrator at your school.***

You should make a copy of this worksheet for your records.

Student's Name: _____ SSN: _____

C. Independent Student's Income Information to Be Verified

1. TAX RETURN FILERS—**Important Note:** If you (or your spouse, if married) filed, or will file, an amended 2011 IRS tax return, you must contact your financial aid administrator before completing this section.

Instructions: Complete this section if you, the student, filed or will file a 2011 income tax return with the IRS. *The best way to verify income is by using the IRS Data Retrieval Tool that is part of FAFSA on the Web. If you have not already used the tool, go to FAFSA.gov, log in to your FAFSA record, select "Make FAFSA Corrections," and navigate to the Financial Information section of the form. From there, follow the instructions to determine if you are eligible to use the IRS Data Retrieval Tool to transfer 2011 IRS income tax information into your FAFSA. It takes up to two weeks for IRS income information to be available for the IRS Data Retrieval Tool for electronic IRS tax return filers and up to eight weeks for paper IRS tax return filers. If you need more information about when or how to use the IRS Data Retrieval Tool, see your financial aid administrator.*

Check the box that applies:

- I, the student, have used the IRS Data Retrieval Tool in FAFSA on the Web to transfer my (and, if married, my spouse's) 2011 IRS income information into my FAFSA, either on the initial FAFSA or when making a correction to the FAFSA. *Your school will use the IRS information that was transferred in the verification process.*
- I, the student, have not yet used the IRS Data Retrieval Tool, but I will use the tool to transfer my (and, if married, my spouse's) 2011 IRS income information into my FAFSA once I have filed my 2011 IRS tax return. *See instructions above for information on how to use the IRS Data Retrieval Tool. Your school cannot complete the verification process until your (and, if married, your spouse's) IRS information has been transferred into your FAFSA.*
- I, the student, am unable or choose not to use the IRS Data Retrieval Tool in FAFSA on the Web, and I will submit to the school **2011 IRS tax return transcript(s)**—not photocopies of the income tax return. *To obtain an 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." You will need your Social Security Number, date of birth, and the address on file with the IRS (normally this will be the address used when your 2011 IRS tax return was filed). It takes up to two weeks for IRS income information to be available for electronic IRS tax return filers and up to eight weeks for paper IRS tax return filers. If you are married and you and your spouse filed separate 2011 tax returns, you must submit tax return transcripts for both you and your spouse.*
- Check here if an IRS tax return transcript(s) is attached to this worksheet.*
- Check here if IRS tax return transcript(s) will be submitted to your school later. Verification cannot be completed until the IRS tax return transcript(s) has been submitted to your school.*

2. TAX RETURN NON-FILERS—Complete this section if you, the student (and, if married, your spouse), will not file and are not required to file a 2011 income tax return with the IRS.

Check the box that applies:

- The student (and, if married, the student's spouse) was not employed and had no income earned from work in 2011.
- The student (and/or the student's spouse if married) was employed in 2011 and has listed below the names of all employers, the amount earned from each employer in 2011, and whether an IRS W-2 form is attached. Attach copies of all 2011 W-2 forms issued to you (and, if married, to your spouse) by employers. *List every employer even if the employer did not issue an IRS W-2 form. If more space is needed, attach a separate page with your name and SSN at the top.*

| Employer's Name | 2011 Amount Earned | IRS W-2 Attached? |
|---------------------------------|--------------------|-------------------|
| Suzy's Auto Body Shop (example) | \$2,000.00 | Yes |
| | | |
| | | |
| | | |

Student's Name: _____ SSN: _____

D. Independent Student's Other Information to Be Verified

1. Complete this section if someone in the student's household (listed in Section B) received benefits from the Supplemental Nutrition Assistance Program or SNAP (formerly known as food stamps) any time during the 2010 or 2011 calendar years.

One of the persons listed in Section B of this worksheet received SNAP benefits in 2010 or 2011. If asked by my school, I will provide documentation of the receipt of SNAP benefits during 2010 and/or 2011.

2. Complete this section if you or your spouse, if married, paid child support in 2011.

Either I or, if married, my spouse who is listed in Section B of this worksheet, paid child support in 2011. I have indicated below the name of the person who paid the child support, the name of the person to whom the child support was paid, the names of the children for whom child support was paid, and the total annual amount of child support that was paid in 2011 for each child. If asked by my school, I will provide documentation of the payment of child support. *If you need more space, attach a separate page that includes your name and Social Security 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 2011 |
|---------------------------------------|---|---|--------------------------------------|
| <i>Marty Jones(example)</i> | <i>Chris Smith</i> | <i>Terry Jones</i> | <i>\$6,000.00</i> |
| | | | |
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E. Certification and Signature

I certify that all of the information reported on this worksheet is complete and correct. The student must sign this worksheet. If married, the spouse's signature is optional.

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

Student's Signature

Date

Spouse's Signature

Date

***Do not mail this worksheet to the U.S. Department of Education.
Submit this worksheet to the financial aid administrator at your school.***

You should make a copy of this worksheet for your records.

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.

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."

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.

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.

Adjustment example

Kitty's mother had income earned from work of \$25,000 in 2011 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.

Online review of PJ practices

<http://ifap.ed.gov/qadocs/FSAVeriModule/activity2verif.doc>

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.

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, children's 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.

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 support 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 100), you must get documentation (1) that his parents refuse to provide information for 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 2011 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 \$36,330. Because his expenses are less than the amount for medical expenses already provided for in the IPA (11% of \$36,330 is \$3,996), 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 commonly 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 100.

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

| | | | | | | | |
|--|--|--|--|--|--|--|--|
| <p>COLLEGE USE ONLY</p> <p>D/O <input type="radio"/> 1 Homeless Youth Determination <input type="radio"/> 4</p> | <p>FEDERAL SCHOOL CODE</p> <table border="1" style="width: 100%; height: 30px; border-collapse: collapse;"> <tr> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> <td style="width: 15%;"></td> </tr> </table> | | | | | | |
| | | | | | | | |
| <p>FAA Signature</p> <div style="border: 1px solid black; padding: 5px; min-height: 30px;"> <p style="margin: 0;">1</p> </div> | | | | | | | |

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.

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.

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.

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.

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.

Requirement to identify and resolve discrepant information

34 CFR 668.16(f)

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."

Online review of conflicting information policies

<http://ifap.ed.gov/qadocs/FSAVeriModule/activity1verif.doc>

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.

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 | |
| Atlanta, GA | (404) 974-9430 | |
| Chicago, IL | (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 | |
| 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 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 coor-

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 liaison: 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.

dinator, 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 the Electronic Data Exchange (EDE). On the paper FAFSA, fill in the relevant bubble in the "College Use Only" box (see the graphic on page 102), 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, 2011, 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.

Applying for Stafford and PLUS loans

This chapter explains the process of making a loan and describes what information is required of the student, parent, and school. There will be some variations from school to school, but this chapter discusses the requirements that are common to schools.

APPLYING FOR AID AND COMPLETING THE MPN

A student who wishes to receive a Stafford loan must complete a Free Application for Federal Student Aid (FAFSA) and a master promissory note (MPN). An MPN can be used to make multiple loans over several years.

In the traditional paper process, a student might complete a Stafford MPN at the school, or the school or ED might send the MPN to the student for his signature, and the school will originate the loan based on his acceptance of the aid package. If you receive the MPN, you must ensure that the information on it does not conflict with any other information you have for the student.

The electronic MPN (eMPN) is completed and signed, and the borrower is authenticated, on the student loans website (see the URL in the margin). Student and parent borrowers complete the eMPN for both Stafford and PLUS loans at the same site. A borrower who wishes to complete an eMPN must sign it electronically. If a school or borrower does not want an MPN signed electronically, a paper MPN is required.

Schools may offer borrowers the option of completing and signing an eMPN, but they may not require it. A borrower who wishes to complete a paper MPN must be given that option.

Required borrower information on MPN

The MPN collects identifying information for the borrower, including name, permanent address, date of birth, Social Security number, driver's license number, and two references with U.S. addresses. Some of this information may be preprinted on the MPN. The borrower must read, sign, and date the MPN.

MULTI-YEAR MPN AND WHEN A NEW MPN IS REQUIRED

When used as a multi-year document, the MPN enables student and parent borrowers to get additional loans without signing a new MPN.

Paper MPNs

Copies of the Master Promissory Note are provided to borrowers and schools by the Department. Ordering instructions are on the ED Pubs website at <http://edpubs.ed.gov>.

34 CFR 685.402(f) and definition of master promissory note 34 CFR 685.102

MPN on the Web (eMPN)

<https://studentloans.gov/>

COD website

<https://cod.ed.gov/cod/LoginPage>

For your reference, sample copies of the MPN and related materials are available online:

<http://www.direct.ed.gov/mpn.html>

A note on nomenclature

The types of loans that are available under the Direct Loan Program were also available under the Federal Family Education Loan (FFEL) program: subsidized and unsubsidized Stafford loans for students, PLUS loans for parents and graduate/professional students, and consolidation loans. In the Direct Loan Program, subsidized and unsubsidized Stafford loans are known as Direct Subsidized and Direct Unsubsidized Loans. To be concise, these will be referred to as just Stafford loans in this chapter.

Power of attorney and completing the MPN

A third party with power of attorney for the borrower may sign the promissory note if the borrower is unable to sign. Use of a power of attorney when signing an MPN limits the use of the MPN to one loan. If the borrower submits his or her MPN through the school, the school must retain a copy of the original power of attorney and submit a copy with the MPN to the loan holder. A photocopy or a fax of the power of attorney is acceptable.

If the note is signed with a power of attorney, the student must authorize the school in writing to credit the loan funds to his or her account at the school. In addition, the school must pay any remaining credit balance to the student.

See *Volume 3* for further discussion of ED approval needed to use a power of attorney for disbursements.

Consumer information for the borrower

Borrowers need to be fully advised on the costs and responsibilities of borrowing. Accordingly, the law requires that the borrower receive the following information:

1. At the same time as the MPN, a borrower's rights and responsibilities statement.
2. At or prior to the first disbursement, a disclosure statement with specific information about that borrower's loans (usually provided by ED).
3. For any subsequent loans provided under an existing MPN, a plain language disclosure (PLD) provided by ED. (The PLD is an abbreviated version of the borrower's rights and responsibilities statement that was provided with the MPN.)

Some of this information should be reviewed with the borrower as a part of entrance and exit counseling (see *Volume 2: School Eligibility and Operations*).

These circumstances require a borrower to complete a new MPN:

- The borrower transfers to a school that is not eligible to use, or chooses not to use, the multi-year feature of the MPN.
- The borrower only previously borrowed under the FFEL program using a FFEL MPN.

Borrowers may request an annual MPN or that no additional loans be made using their current multi-year MPN. The latter request must be in writing.

In some cases a new MPN has to be executed because the maximum period for use of the MPN has expired. Additional loans may no longer be made under an MPN after the earlier of:

- the date ED or the school receives the borrower's written notification that no further loans be made;
- the end of the 12-month period after the date ED received the MPN if no disbursement is made during that time; or
- 10 years after the date ED received the MPN. If a portion of a loan is made on or before the 10-year limit, remaining disbursements of that loan can be made.

Although the Direct Loan Program regulations allow the second and third expiration conditions to be based either on the date the borrower signed the MPN or the date ED receives the MPN, the COD system currently uses the date the MPN is received.

The confirmation process

With a multi-year MPN, the confirmation process is crucial. It may be part of the required notifications discussed in *Volume 4*, or it may be a separate process.

Confirmation helps the student or parent maintain control over borrowing; a student borrower must accept, either actively or passively, the loan amount offered.

- Active confirmation—a school does not disburse the loan until the borrower affirmatively requests or accepts the proposed loan type and amount or requests changes to the loan package.
- Passive confirmation—a school does not disburse the loan until the borrower is notified of his proposed loan package and the time given him to respond has elapsed. The borrower only needs to take action if he wants to decline the loan or make adjustments to the type or amount of the loan.

For example, your school's award letter may be used as part of either an active or passive confirmation. For active confirmation, the borrower would be asked to confirm the loan amount offered by responding to your school's offer. For passive confirmation, the borrower would be asked to respond only if she wanted to cancel or reduce the loan amount offered.

Declining the use of the multi-year MPN

Schools are not required to use the multi-year feature of the MPN. You may decide that you want some or all of the borrowers at your school to sign a new MPN each year. If you don't want to use the multi-year feature for any of your students, contact the COD School Relations Center.

Student loan borrowers may decline to use the multi-year feature of the MPN. Borrowers may also cancel authorization for subsequent loans to be made under an MPN after the first loan is made by notifying the school in writing. Borrowers may send their written notification to their servicer or to their school to forward to COD. The effective date is the date the school, COD, or the servicer receives the written cancellation request. If the borrower cancels the multi-year authorization on a loan that is not completely disbursed, the school may make remaining disbursements on existing loans unless the borrower tells the school to cancel or adjust the disbursements. To obtain additional loans, the borrower will need to complete a new MPN.

PLUS MPN

Parents and graduate/professional students apply for a PLUS loan by completing the PLUS application and master promissory note. All students who receive PLUS funds must complete a FAFSA, whether they are graduate student PLUS borrowers or dependent undergraduates who will receive the funds via their parents. All PLUS borrowers must receive the Borrowers' Rights and Responsibilities Statement with the loan application.

At U.S. domestic schools, a parent may obtain for a dependent student additional PLUS loans based on the original MPN for up to 10 years after the date the parent first signed it, as discussed in the previous section on the multi-year use of the MPN. A separate PLUS MPN is required for each dependent student or if both parents want to borrow individually on behalf of the same student. A new PLUS MPN would be required under the conditions discussed in the section on when a new MPN is required. A graduate or professional student PLUS borrower may also obtain additional loans under the original MPN for up to 10 years after the date it was signed.

If a graduate or professional student PLUS borrower is also a parent who is borrowing a PLUS loan for one or more dependent students, she must sign one MPN for herself and a separate MPN for each dependent student.

Both parent and student PLUS borrowers may choose to sign a new MPN for each loan even if that would not otherwise be required. A school may require a new MPN for each PLUS loan.

Establishing graduate/professional PLUS eligibility

Before originating a PLUS loan application for a graduate or professional student, a school must determine her eligibility for a Stafford loan. If the student is eligible for a Stafford loan but has not requested the maximum amount she can receive, the school must notify her of that and give her the opportunity to request the maximum amount. The school must also provide the student with a comparison of:

Using the MPN for multiple loans within an academic year

Note that the MPN may be used to make multiple loans within the same academic year. Even schools that are not authorized or choose not to use the multi-year feature of the MPN can make more than one loan under an MPN within the same academic year.

PLUS MPNs for graduate and professional students

Graduate and professional students who want to complete a Direct PLUS MPN electronically should sign in under "Manage My Direct Loan" on the left side of the homepage for the Student Loans website (<https://studentloans.gov>).

PLUS borrowers

Unless otherwise noted, “PLUS borrower” refers to both parents and graduate/professional students who borrow PLUS loans.

- the maximum interest rate for Stafford and PLUS loans;
- the periods when interest accrues on Stafford and PLUS loans; and
- when Stafford and PLUS loans enter repayment.

A graduate or professional student is not required to accept a Stafford loan as a condition for receiving a PLUS loan, nor can a school require that.

Unless the borrower has received a FFEL or Direct PLUS loan before, a school must conduct initial loan counseling prior to the first disbursement of a graduate/professional PLUS loan. Loan counseling requirements do not apply to parent PLUS borrowers.

Foreign schools and the multi-year MPN

Foreign schools are not currently authorized to use the multi-year feature of the MPN for either Stafford or PLUS loans. A new MPN is required for each academic year.

PLUS loan origination

Because a parent or graduate/professional student may borrow up to the student’s cost of attendance minus other estimated financial assistance for the loan period, it is important that the borrower specify how much he wants to borrow. A PLUS loan may not be made for more than what the borrower requests.

Your school must collect this information before originating the PLUS loan and may use various means such as a borrower response section on your financial aid award letter, a separate PLUS form, documented telephone or electronic requests, or other means.

You must establish and document how the PLUS borrower’s loan amount request will be collected. You also must maintain a record of any requests (written, electronic, or by phone) from the borrower for any adjustment to the loan amount.

The Direct PLUS Loan Request feature on the StudentLoans.gov website allows borrowers, both parents and graduate/professional students, to request a PLUS loan and initiate a credit check. It can take the place of a school-based process. Borrowers can request the amount that they wish to borrow or choose to have the school determine the maximum amount they are eligible to receive. This process is optional; schools can choose not to allow it or to allow it for parent or student borrowers only. But a school using this process will meet the active confirmation requirement. See the electronic announcement dated 4/23/10 on the IFAP website for more information.

Before originating a parent PLUS loan, you must determine the FSA eligibility of the dependent student for whom the parent is borrowing, and you must obtain the student’s complete financial aid history. A parent may not take out a PLUS loan when the student is ineligible for FSA funds or when the parent herself is ineligible. Also, when originating a parent PLUS loan, you must certify the student’s enrollment status and anticipated completion/graduation date.

Determination of Stafford eligibility required

34 CFR 685.301(a)

Your school must confirm the student’s dependency status when determining whether a parent is eligible to borrow under the PLUS Program or the dependent student is eligible for additional unsubsidized Stafford loan limits.

If your school uses the multi-year PLUS MPN, the borrower's PLUS loan request for subsequent years is sufficient documentation to make additional loans, but the borrower's PLUS loan amount request must be secured for each loan made using an MPN. Schools using the PLUS loan MPN as a multi-year note are required to have an active confirmation process.

Adverse credit history and use of endorser

To qualify for a PLUS loan, a person must not have an adverse credit history, but if he has such a history, he may still receive a PLUS loan by using an endorser who does not have an adverse credit history. In these cases a separate endorser addendum is required for each PLUS loan. Any loan that requires an endorser must be made under a new PLUS MPN with a new endorser addendum because the endorser is liable only for the specific loan or loans she agrees to endorse. The addendum includes the requested loan amount; if the parent borrower wants to increase that amount, the endorser must approve it, and it requires a new MPN and endorser addendum.

Establishing a confirmation process

As long as schools follow the regulations and the Department's guidelines, they have the discretion to establish their own confirmation process, including the timing of confirmation. For example, confirmation could take place when students apply for aid, when aid is packaged, when loan funds are disbursed, or at some other appropriate time. A school could combine elements of active and passive confirmation. The confirmation process could cover the entire loan for the academic year or loan period or, instead, could require that the student confirm each loan disbursement. DCL GEN-98-25 provides examples of each of these confirmation approaches.

Effective processes will vary, and schools are encouraged to test and use different technologies, which can include the Internet, e-mail, card technologies, and voice response.

Generally a school should use the same confirmation process for all borrowers, but it may want to establish more than one process to accommodate existing administrative procedures or because it believes it can best inform borrowers of their loan obligations if it uses different confirmation processes for different groups of students. For example, a school could require active confirmation for undergraduate students and passive confirmation for graduate students.

Schools must document whatever process(es) they use. They must retain a description of the process(es) in effect for each academic year in which they make second or subsequent loans under MPNs. Documentation of a process can be in paper or electronic format and need not be kept in individual borrower files. Documentation must be kept indefinitely because it must be submitted to the Department, upon request, if a borrower challenges the enforceability of a loan.

We recommend that schools include a description of the confirmation process(es) in their student consumer information just as they do for other school policies, such as refunds and academic progress.

Initial PLUS loan counseling required

34 CFR 685.304(a)(2)

Adverse Credit History

When determining whether a borrower is ineligible for a PLUS Loan based on an adverse credit history, the Department obtains a credit report on the borrower from at least one national credit bureau. Adverse credit is defined in the regulations as the applicant being 90 days or more delinquent on a debt or having been subject in the last five years to a default determination, bankruptcy discharge, foreclosure, repossession, tax lien, wage garnishment or write-off of an FSA debt. The absence of any credit history is not considered adverse credit.

Increased unsubsidized Stafford for independent students and dependent students whose parent can't get PLUS

If at least one of a dependent student's parents has not been able to borrow a PLUS loan, the student may be eligible for higher unsubsidized Stafford borrowing limits. See *Volume 3, Chapter 4*.

