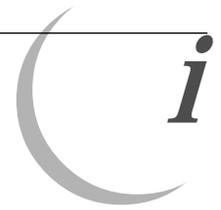# Introduction

i

This publication is designed to help financial aid administrators determine whether a particular student is eligible for aid from the Department's student financial assistance (SFA) programs (also known as the Title IV programs).

SOURCES OF INFORMATION

In determining a student's eligibility, there are many factors that the school must consider, such as whether the student is a citizen, whether the student is making satisfactory academic progress, and whether the student has a defaulted SFA loan. To answer these questions, aid administrators receive information about the student from several different sources, including the Department of Education; one of the major sources of information from the Department is the application system. The aid administrator is responsible for sorting through all the information and determining whether the student can receive SFA funds. This publication provides information about the eligibility rules and the application system.

Throughout the year, the Department provides updates to schools in the form of Dear Colleague Letters and Action Letters. These letters, as well as other information from the Department, such as Federal Register notices, are available on the Information for Financial Aid Professionals (IFAP) web site at <http://ifap.ed.gov>. The Department also posts system updates and technical guidance announcements on the IFAP site.

Schools using software from the Department also receive desk references and other materials that explain how the software operates. Therefore, this publication doesn't cover the operation of specific pieces of software. Schools using third party software should consult the reference materials they receive from the software vendor.

CONFLICTING INFORMATION

In addition to reviewing information provided by the Department's application system, a school must have its own systems to handle other data and decisions, such as information about the student's academic progress. The school must also have systems in place to discover conflicting information in its files and to resolve such conflicts. The regulations require a school to develop an adequate system to ensure the consistency of any information related to a

Conflicting Information Cite
34 CFR 668.16(f)

Gaining Eligibility Examples

Allen enrolls in a one-year certificate program at Sarven Technical Institute. Sarven won't officially admit Allen before he provides an academic transcript from his previous school, but it admits him conditionally so he can start classes in the fall. Sarven receives Allen's transcript after he's attended for a month, and officially admits him. He's still in his first payment period when admitted, and so can receive Pell and campus-based funds for his entire enrollment. The school can also use the entire year for his period of enrollment for a loan, so that Allen can receive loan funds for his entire enrollment.

Chavo is finishing his senior year in high school. He decides to start classes in the winter at Sarven Technical Institute on January 11. His high school classes end on the following June 4. He starts his second payment period at Sarven on May 17. Chavo isn't eligible for aid when he first starts classes at Sarven. However, when Chavo becomes eligible, after June 4, Sarven can disburse funds to Chavo retroactively for the second payment period that started on May 17. It can't disburse Pell and campus-based funds for the payment period that started in January, because he didn't become eligible until after that payment period ended. Sarven can also give Chavo a Direct Loan or FFEL for his entire enrollment, starting in January, because it's all part of the same academic year, and so can be one period of enrollment.

Citizenship Example

Hector is attending Guerrero University as a graduate student. When he first begins the academic year in September, he has applied for permanent residence status but isn't yet a permanent resident. He finally becomes a permanent resident in April, while he is still enrolled. Guerrero can award Hector campus-based funds for the entire year, not just for the second semester (payment period). It can also give him a Direct Loan for the entire period of enrollment, which in this case is the academic year starting in September. He can receive the maximum loan amount for the entire year in April, because he is treated as if he was an eligible noncitizen for the entire year.

OIG Address and Phone Numbers

Inspector General's Hotline
Office of Inspector General
U.S. Department of Education
400 Maryland Avenue, SW
Washington, DC 20202-1510

1-800-MIS-USED
http://www.vais.net/~edoig/

City/State	Telephone No.
Boston, MA	(617) 223-9301
New York, NY	(212) 264-4104
Philadelphia, PA	(215) 656-6278
Pittsburgh, PA	(412) 395-6904
Atlanta, GA	(404) 562-6460
Chicago, IL	(312) 886-8787
Dallas, TX	(214) 880-3031
Kansas City, MO	(816) 880-4034
Long Beach, CA	(562) 980-4141
Seattle, WA	(206) 220-4469
San Juan, PR	(787) 766-6292
Washington, DC	(202) 205-5770

student's application for federal student aid, regardless of the source of that information. The school is responsible for reconciling all information received, with one exception: If the student dies during the award year, the school isn't required to resolve conflicting information.

If the school has conflicting information for a student or has any reason to believe his or her application information is incorrect, it **must** resolve such discrepancies before disbursing SFA funds. If the school discovers discrepancies after disbursing SFA funds, it must reconcile the conflicting information and require the student to repay any aid for which he or she wasn't eligible, unless the student is no longer enrolled for the award year.

REFERRAL OF FRAUD CASES

If a school suspects that a student, employee, or other individual has misreported information and/or altered documentation to increase his or her student aid eligibility or to fraudulently obtain federal funds, it should report its suspicions (and provide any evidence) to the Office of Inspector General (OIG) or to local law enforcement officials (see the OIG address and numbers above.)

CHANGE IN STATUS

In some cases, the student's eligibility status can change during the award year. These changes almost always affect whether the student can be paid. We'll discuss what happens when the student gains

eligibility or loses eligibility, along with special rules for changes in satisfactory academic progress status.

Gaining Eligibility

In general, if a change in the student's status causes the student to gain eligibility, the student may receive aid for the entire payment period (for Pell and campus-based funds) or period of enrollment (for Direct Loans and FFELs) in which he or she became eligible. A period of enrollment is an academic unit, such as an academic term or a full academic year, but can't include periods that are part of a previous academic year. If a period of enrollment begins in one academic year and ends in the following academic year and the borrower regains eligibility during the second academic year, the school may award a loan only for that portion of the period of enrollment that's part of the second academic year.

For three of the requirements, citizenship, valid Social Security Number (SSN), and Selective Service registration, the student is eligible for Pell and campus-based aid for the entire award year in which he or she became eligible, not just the payment period.

Losing Eligibility

In general, a student who loses eligibility can't receive any disbursements after he or she lost eligibility. The one exception is if the student's citizenship status changes. A school is only required to check a student's citizenship status once during the award year or period of enrollment, when it first disburses aid. If a student later loses eligibility due to a change in citizenship status during that award year or period of enrollment, the school doesn't need to take any action to prevent the student from receiving subsequent disbursements. Of course, the student wouldn't be able to receive aid in the following award year or period of enrollment.

Satisfactory Academic Progress

If a student loses SFA eligibility because he or she is determined not to be making satisfactory progress, that student will regain eligibility when the school determines that he or she is again meeting its satisfactory progress standards. A student may be paid Pell and campus-based funds for the payment period in which he or she regains satisfactory progress but cannot be paid for any payment period in which the standards were not met. (The school must document each case.)

For Direct Loans and FFELs, a student who regains eligibility during a payment period or period of enrollment is eligible for the entire period of enrollment (usually an academic year) in which he or she met the satisfactory academic progress standards—unless school policy provides for reinstatement of eligibility at a later point.

Appeals

A student may also regain eligibility by successfully appealing a determination that he or she wasn't making satisfactory progress. The student is only eligible for the payment period or period of enrollment

Change in Satisfactory Progress Status Example 2

Edison College treats the entire academic year as Andrew's period of enrollment. Because Andrew regains satisfactory progress during this period of enrollment (at the end of the fall term), Andrew can receive a FFEL for the entire academic year.

Satisfactory Academic Progress Appeal Example

Steven is attending Brust Conservatory, and at the end of his second year, Brust determines that he isn't making satisfactory progress. He files an appeal in the fall, after he realizes he won't receive aid for the fall term. Brust finally approves his appeal in January, after the fall term is over. Steven can't receive Pell or campus-based funds for the fall term, but can receive aid for the winter term. Steven can also receive a Direct Loan for the entire year, because the entire year is his period of enrollment.

Exception to FAFSA Requirement

If the student only wants to receive a PLUS loan, the student doesn't have to complete a FAFSA (unless the school requires it), although one of the student's parents will need to complete a loan application and promissory note.

Advantages of Electronic Filing

All the methods of electronic application share the following benefits:

• Faster processing than paper applications

• Fewer rejected applications

• Internal and end-of-entry data edits to ensure that all required fields are completed and all conflicting data is 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

in which the student regains eligibility; eligibility is not retroactive to all earlier payment periods or periods of enrollments. Thus, if the school originally determined for the fall payment period that the student wasn't making satisfactory progress, the student can't receive payment for the fall payment period if the school approves his or her appeal after the fall payment period is over.

ELECTRONIC REQUIREMENTS

In order to make it easier for both the Department and schools to handle the large amounts of information, the Department now requires schools to process some data electronically, rather than through a manual/paper process. On September 19, 1997, the Department published the first notice listing the electronic processes the school must participate in. Although the Department provides software for most of these processes, schools aren't required to use the Department's software. Schools may develop their own software, use third-party software, or may use a third-party servicer to meet the requirements. The electronic requirements are discussed in more detail in the *SFA Handbook: Institutional Eligibility and Participation.*

Some of the processes are especially relevant for determining the student's eligibility. As of January 1, 1998, schools were required to

- be able to receive Institutional Student Information Records (ISIRs) electronically (see "Output Documents," page 7),

- add their school code to the CPS record if they receive a Student Aid Report (SAR) not listing their school (see Chapter 9 of this volume for information on adding a school), and

- have direct online access to the National Student Loan Data System (NSLDS) (see Chapter 3 of this publication).

As of January 1, 1999, schools must be able to use Windows 95 or later or Windows NT to process data from the Department, including data received as part of the application process.

OVERVIEW OF THE APPLICATION SYSTEM

To be considered for SFA aid, a student must complete a Free Application for Federal Student Aid (FAFSA). On the FAFSA, the Department collects financial and other information used to calculate the Expected Family Contribution (EFC) and perform eligibility matches. There are several different types of FAFSA, both paper and electronic.

Types of Applications

Students can apply electronically through their schools (Electronic Data Exchange), on the Web (FAFSA on the Web), or using a computer and a modem (FAFSA Express). They can also use a paper FAFSA. Students who have applied in previous years may also be able

to use a Renewal FAFSA. Renewal FAFSAs can be completed through EDE, on the Web, or on paper.

Electronic Data Exchange (EDE)

If the school is going to file the student's application through EDE, it should first have the student complete and sign a paper FAFSA. The school can then enter the data from the FAFSA electronically and submit it to the CPS through EDE. EDE services are provided as a part of the Department's contract for the Title IV Wide Area Network (TIV-WAN). For more information on the TIV-WAN contact TIV-WAN Customer Service at 1-800-615-1189. Note that the TIV-WAN functions will be migrating to the Student Aid Internet Gateway (SAIG) in the next year.

The PIN

The Electronic Access Code (EAC) has been renamed the PIN (Personal Identification Number). It functions as a code and an electronic signature and can be used to

❖ electronically sign FAFSA on the Web and FAFSA Express applications

❖ access and sign Renewal FAFSA on the Web applications

❖ make corrections on-line using Corrections on the Web

❖ view the status of processed FAFSAs

❖ view one's personal financial aid history as maintained in the National Student Loan Data System (NSLDS)

❖ access expanded Direct Loan information and tools

New PINs will be four digits, but the old six-character EACs can still be used to access all ED Web products. PINs were automatically mailed to 1999-2000 Web applicants and to graduate and fifth-year undergraduate students who were eligible to apply for aid in 2000-2001 using a Renewal FAFSA. PINs will also be mailed to all 2000-2001 applicants who successfully passed the SSN match with the Social Security Administration (SSA). The Department plans to make the PIN available to all students and parents sometime in 2000-2001. Anyone who does not have a PIN will then be able to register for one by going to the PIN Web page at www.pin.ed.gov.

FAFSA on the Web

FAFSA on the Web is an Internet application that allows a student to complete his or her FAFSA on-line and submit it directly to the CPS. Students can also correct any of their previously submitted data except for SSN and date of birth. The web address is <http://fafsa.ed.gov> The web site tells the students which web browsers currently can be used with *FAFSA on the Web*. For more information about *FAFSA on the Web* or for technical assistance, a student can call 1-800-801-0576.

FAFSA Express

FAFSA Express allows students to apply electronically without using the web. *FAFSA Express* requires only an IBM-compatible computer with a Windows operating system and a modem. A student can order the program by calling 1-800-801-0576, or can download it from the web at <http://www.ed.gov/offices/OPE/express.html>.

A student who files using *FAFSA Express* may save his or her data to a diskette but can't save this personal data to a computer's hard drive. A student using *FAFSA Express* transmits the application data to the CPS via modem.

Paper FAFSA

There is now only one paper FAFSA. As of the 2000-2001 award year, the downloadable FAFSA in Portable Document Format (PDF) is no longer available, since it did not offer the advantages of the standard paper FAFSA (scanning) or the electronic FAFSA (speed, skip logic, data editing).

Renewal FAFSA

Finally, note that some students won't have to complete an entire FAFSA, but rather can use a Renewal FAFSA. The Renewal FAFSA can be completed through EDE, on the Web, or on paper. Most of the data from the FAFSA the student filed the year before will already be filled in. The student should review each item, correct those that have changed, and provide new information for a small number of items.

❖ **EDE**—Each fall, schools participating in EDE can request Renewal FAFSAs for some or all of the students who listed that school on their applications for the previous year. The school can either request the electronic Renewal FAFSA records or ask for paper applications (see "Paper" below). A school that requested only the electronic Renewal FAFSA records must enter and transmit completed Renewal FAFSAs for those students. More information on this process is provided each year in an Action Letter published in the summer. For questions about Renewal FAFSAs, call CPS Customer Service at 1-800-330-5947.

❖ **Renewal FAFSA on the Web**—Most students who applied for federal student aid in 1999-2000 can reapply in 2000-2001 using Renewal FAFSA on the Web at www.fafsa.ed.gov. To protect their information, students must use their PIN to access their Renewal Application on the Web. Because the PIN also serves as an electronic signature for the application, independent students don't need to send in a signature page, and dependent students need to submit the parent signature only.

Instead of a paper Renewal FAFSA, some students will automatically receive a PIN from the CPS in the mail---students

in the Renewal Application database who filed on the Web in 1999-2000 and those who reported in 1999-2000 that they were graduate or fifth year undergraduate students (or didn't answer that question).

Students who receive a paper Renewal FAFSA can also apply using the Web by first requesting a PIN at the site <http://pin.ed.gov>. Once the student receives the PIN in the mail, she can apply by using Renewal FAFSA on the Web.

PINs that are automatically sent in the mail will be forwarded if a student's forwarding address has been left with the post office. PINs requested by students will not be forwarded.

❖ **Paper Renewal FAFSA**—As mentioned above, a school can request Renewal FAFSAs for students who listed that school on their applications for the previous year. The school can request that the CPS print paper applications and mail them to the school. The school is then responsible for distributing these paper Renewal FAFSAs to the students. Note that the CPS won't send a school paper Renewal FAFSAs for students who were automatically sent a PIN (graduate and fifth-year undergraduate students and web filers in 1999-2000).

For 2000-2001, the CPS mailed Renewal FAFSAs to students who applied for federal student aid in 1999-2000 and who met certain conditions—for instance, their SSNs and addresses were valid, they were not in default, and so forth. These students should have received Renewal FAFSAs in the mail or from their schools some time after November 1999. (The CPS prints and mails Renewal FAFSAs only to those students whose records were not requested by a school.)

Processing

After the application is completed, it's sent to Department contractors (the FAFSA Processor and the CPS) for processing. The FAFSA Processor inputs data from paper applications and sends it to the CPS. The CPS receives data both from the FAFSA Processor and directly from electronic applications. It uses the data to calculate the EFC and match the student's data against a number of databases, such as the Social Security Administration's databases, the Immigration and Naturalization Service's database of noncitizens, the Selective Service System registration database, and the Department of Veterans Affairs' database.

The CPS also checks the application, using several editing criteria designed to detect possible inconsistencies and mistakes. For instance, if a dependent student reported the parents' marital status as married but also reported the household size as "2," the CPS edit checks would catch the inconsistency. If the data is inconsistent, the CPS may be unable to calculate the EFC or may calculate an EFC based on assumptions. For applications submitted through EDE, the school can

Matches and Student Rights
The Computer Matching and Privacy Protection Act of 1988 prohibits a school from suspending, terminating, or reducing SFA funds; making a final denial of SFA funds; or taking other adverse action against a student based on the results of an interagency data match unless the student has been notified and has had time to respond to the notification. This law applies to all the data matches performed by the CPS.

Reject Example

Sioned isn't married, but is living with her boyfriend. She reports on the FAFSA that she's single, but also reports her boyfriend's income as spouse's income. Her application is rejected; she receives a reject reason code of 11 and a comment explaining that she reported contradictory information. Sioned must submit a correction changing the spouse's income to zero.

anticipate certain assumptions and correct or override certain information on the student's first application. Students who submit applications using *FAFSA on the Web* or *Renewal FAFSA on the Web* can also override some of the CPS edits.

After processing is complete, the CPS produces output documents (or records) that report the information the student originally provided, the EFC, the results of the eligibility matches, and information about inconsistencies discovered through the CPS edits.

Output documents

There are two basic types of output documents: the *Institutional Student Information Record* (ISIR), which is sent to the school, and the *Student Aid Report* (SAR), which is sent to the student. These output documents contain the student's EFC, the student's application information, and other information for the FAA.

A school receives ISIRs electronically. Only schools listed on the student's FAFSA will automatically receive an ISIR. A student can list up to six schools at a time. A school not listed on the FAFSA can request an ISIR for a student if it has the student's Data Release Number (DRN). The DRN is printed on the front of the student's SAR. The DRN is also included on the ISIR in the FAA Information Section if the school receiving the ISIR originally entered the student's application.

Schools are required to be able to receive ISIRs, and cannot require students to submit SARs to the school in order to receive aid. The school **can** require the student to use a SAR to make corrections. Also, if the school doesn't have an ISIR for a student who has provided a SAR, the school must process the SAR for the awarding of SFA aid. The school must also be sure that it's added to the CPS record for the student (see Chapter 9 of this publication).

The student will receive a Student Aid Report from the CPS within four weeks of submitting the FAFSA. Most students will receive a regular SAR. However, students who filed electronically through EDE will instead receive a *SAR Information Acknowledgement*. The difference between the two is that the student can't correct the *SAR Information Acknowledgement*; instead, only the aid administrator makes corrections on it (with the help of the student). Only the SAR has a separate part that's used for corrections. The *SAR Information Acknowledgement* also has fewer and less detailed comments for the student.

The SAR and the ISIR will indicate any questionable results from the eligibility matches described above. For instance, if a student has defaulted on a federal student loan, the SAR and ISIR will note this in a number of locations (including comments to the student and the NSLDS Financial Aid History page). The student may still be eligible for federal aid, but the school must resolve the questions before delivering any funds to the student.

If there were certain types of problems in the student's application, the SAR and ISIR will show that the student's application has been rejected. Reject codes are provided in the FAA Information section, and no EFC is calculated. The student must provide further information or corrections to the CPS in order to receive an EFC. The SAR will have instructions for the student on how to correct the problem. We'll be discussing some specific types of "rejects" in the relevant sections. A complete list of reject codes is provided in *A Guide to 2000-2001 SARs and ISIRs* (which can be found under "Current Publications" at <http://ifap.ed.gov>).

Deadlines

The application processing cycle lasts 18 months. For the 2000-2001 award year, application processing began in January 2000, and applications for that year will be accepted until June 30, 2001.

The processor must receive a student's electronic FAFSA transmission by June 30, 2001. A paper FAFSA must be legible and mailed to the Federal Student Aid Programs address specified in the FAFSA in time for the processor to receive it by the deadline. There are **no exceptions** to these Department deadlines. An electronic application record received before January 1, 2000 or after June 30, 2001 will not be processed. An application signed before January 1, 2000 or received after June 30, 2001 will be returned unprocessed with a letter of explanation.

Every year, the Department publishes a deadline notice that provides all the processing deadline dates. The deadline notice for the 1999-2000 award year was published on July 30, 1999. When the deadline notice for the 2000-2001 award year is published, it will be available on the IFAP web site. However, the following list shows the projected deadline dates for the 1999-2000 award year.

• Corrections on a paper SAR must be received by August 16, 2001.

• Corrections through EDE must be received and accepted by the CPS before 7:00 pm (central time) on August 27, 2001.

• Address and school changes through the Federal Student Aid Information Center (FSAIC) can be made through August 27, 2001.

• To give a Pell to a student, a school must have a valid output document while the student is still enrolled for the award year, but no later than August 31, 2001.

• For Pell recipients selected for verification, the school must have verification documents and a valid output document no later than 90 days after the last day of enrollment or August 31, 2001, whichever is earlier.

RECENT CHANGES

On October 7, 1998, President Clinton signed into law the Higher Education Amendments of 1998 [Public Law (P. L.) 105-244]. This law reauthorized the student financial assistance programs, and made a number of changes to those programs. Many of the provisions went into effect in October of 1998, but some have just taken effect for the 2000-2001 award year. There are also some changes for the 2000-2001 award year that aren't related to the Amendments of 1998, such as the redesigned FAFSA.

Implementation of the Amendments of 1998

Section 492 of the Higher Education Act requires the Department to obtain input from the financial aid community in the development of proposed regulations for the SFA Programs. The Department is obtaining this input through regional meetings and through a process called "negotiated rulemaking."

In negotiated rulemaking, the Department meets with representatives of many areas of the financial aid community, such as students, schools, guaranty agencies, and others to obtain advice and recommendations for effective implementation through regulation of SFA Program requirements.

The student eligibility provisions that are in effect for the 2000-2001 award year include:

❖ eligibility for home-schooled students (see Chapter 1);

❖ suspension of eligibility for drug convictions (see Chapter 1);

❖ a change to treatment of Americorps benefits and veterans benefits in awarding aid (see Chapter 10).

❖ Parents of a dependent student are excluded from the number in college unless the aid administrator uses professional judgment to include them;

❖ Income protection allowances are increased for dependent students and independent students without dependents other than a spouse;

❖ Proration for less than 9 months of attendance is added for independent students and for a dependent student's contribution from income;

❖ A dependent student's income is adjusted if the parents have negative adjusted available income under certain conditions.

Other Changes

The 2000-2001 FAFSA has been revised to accommodate Reauthorization changes and to make the form easier for students and parents to complete. The changes are discussed in detail in Action Letter #6. Some of the changes are covered in this publication as well:

❖ Question 28, regarding drug convictions, has been added.

❖ For dependent students, questions for parents' social security numbers and last names have been added in anticipation of implementing an income verification match with the IRS, as authorized in the HEA of 1998.

Several changes have been made to simplify the electronic application process, and a match has been added to identify invalid Social Security Numbers.

❖ The EAC has been renamed the PIN, and its functionality has expanded (see p. 5 and Chapter 6 for more information).

❖ Students who use their PIN to correct SAR data on the Web do not need a parent's signature if only student data was changed. This applies only to Corrections on the Web and not to the paper SAR.

❖ The paper signature process for the electronic applications has been enhanced (see also chapter 6).

❖ A match with the SSA was added to identify SSNs that belong to deceased persons (see Chapter 4 of this volume).