

# Application and Verification Guide

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- **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, 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. Examples of such benefits are those from Medicaid, the Supplemental Nutrition Assistance Program (SNAP), and TANF (Temporary Assistance for Needy Families).
- **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 his parents for aid eligibility. Note that a student reaching the age of 18 or 21 or living apart from his parents does not affect his dependency status. For the 2017–2018 year, a student who meets any of the following criteria from HEA Sec. 480(d) is independent; he

- was born before January 1, 1994,
- is married as of the date he applies,
- will be a graduate or professional student when the award year starts,
- 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, or
- was determined at any time since July 1, 2016, to be an unaccompanied youth who was homeless or self-supporting and at risk of being homeless.

## STEPS 2 & 3

### Untaxed income not reported on the FAFSA and dependency status

#### 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.

# STEP 4

## Questions 54–72 Dependency status and 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.

- **Emancipation and legal guardianship (54 and 55).** Students are independent if they are, or were upon reaching the age of majority, emancipated minors (released from control of their parent or guardian) or in legal guardianship, both as adjudicated by a court of competent jurisdiction in the state of the students' legal residence at the time of the adjudication. While the basis for emancipation can vary by state, the emancipation must be determined by a court, not by an attorney. Students in legal guardianship to their parents—for instance, if they are disabled adults and under their parents' care—are not independent for Title IV program purposes by this criterion and would answer “No” to Question 55.
- **Unaccompanied homeless youth (56–58).** A student is independent if at any time on or after July 1, 2016 (irrespective of whether he is currently homeless or at risk thereof), he is determined to be an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless. This determination can be made by: a school district homeless liaison, the director (or designee) of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development, or the director (or designee) of a runaway or homeless youth basic center or transitional living program. Depending on the district, these authorities *may* choose to make this determination only if the student is receiving their programs' services or if, in the case of a school district homeless liaison, the student is in high school. An FAA may also determine this; see *Chapter 5*.

## STEP FOUR: PARENTS' INFORMATION (DEPENDENT STUDENTS ONLY)

**Purpose:** Questions 59–79 collect information about the student's parents and their household. Questions 80–94 collect tax and financial data for the parents, and because these questions are answered in the same way as for the student, they were discussed earlier.

- **Parents' personal information (59–69).** The FAFSA asks for parents' marital status; the month and year they were married, separated, divorced, or widowed; SSN; last name; first initial; and date of birth. This information is used for 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 (70–72).** Parents who do not live in the U.S. should enter “FC” for Question 70.
- **Household size (73).** 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:

# Special Cases



## CHAPTER 5

*There are unusual situations where you will need to exercise your discretion as a financial aid administrator: when modifying data used to 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** (by a third party if possible), 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 FAA'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.

**Online review of PJ practices**  
<http://ifap.ed.gov/qadocs/FSAVeriModule/activity2verif.doc>

### Prior-prior year data and PJ

Because prior-prior year data is older than prior year data, schools may see more cases that justify the use of PJ to adjust for more current circumstances of a family, for example, if the income has changed significantly, either upward or downward. The Department is aware of this and expects that there will be some increased use of PJ. Schools should continue to follow the guidelines presented here and be aware that while they may identify a category of students with similar circumstances to consider for a possible professional judgment adjustment (e.g., students who quit jobs to start school), they may not, however, automatically provide identical treatment to all students in that category. Each PJ case must be determined and documented individually. See DCL GEN-16-03.

### 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 during economic hardship. This continues to be in effect; see GEN-11-04 for more information.



<b>OIG Address and Phone Numbers</b>		
<i>Regional Offices</i>	<i>Telephone No.</i>	<i>National Hotline</i>
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 (1-800-647-8733) Hours: M, W 9:00–11:00 a.m. T, Th 1:00–3:00 p.m.  To submit a complaint online at any time, go to <a href="http://www2.ed.gov/about/offices/list/oig/hotline.html">http://www2.ed.gov/about/offices/list/oig/hotline.html</a> and click on the appropriate link.
New York, NY	646-428-3861	
Philadelphia, PA	215-656-6900	
Pittsburgh, PA	412-931-9292	
Atlanta, GA	404-974-9430	
Pembroke Pines, FL	954-450-7346	
Chicago, IL	312-730-1630	
Dallas, TX	214-661-9530	
Ann Arbor, MI	312-730-1630	
Denver, CO	303-844-0058	
Kansas City, MO	816-268-0530	
Long Beach, CA	562-980-4141	
Phoenix, AZ	562-980-4141	
San Juan, PR	787-773-2740	
Washington, DC	202-245-6911	

**OIG referrals**

34 CFR 668.16(g)

**UNACCOMPANIED HOMELESS YOUTH**

If a student does not have and cannot get documentation from any of the authorities given on page 28, you (the financial aid administrator) must determine if she is an unaccompanied youth who is homeless or is self-supporting and at risk of being homeless. It is important to make homeless youth determinations on a case-by-case basis.

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 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.

**Homeless youth determinations**

DCL GEN-15-16

**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.

**Confirmation not required**

You are not required to confirm 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.

In most cases the officials authorized to make an unaccompanied homeless youth determination (see page 28) will only provide documentation of that status for persons they are directly providing services to. However, there may be a few, case-by-case instances where such an official will provide documentation for a person who is no longer officially receiving services. Also, local liaisons may write subsequent year letters of verification for unaccompanied homeless youth through age 23 for whom they have the necessary information to write such letters. This documentation is acceptable for verifying unaccompanied homelessness.

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](http://center.serve.org/nche/states/state_resources.php).
- Director of an emergency shelter or transitional housing program: you should contact the local Continuum of Care (CoC) administering the HUD homeless assistance program. Go to <https://www.hudexchange.info/coc/> and click on "Contact a CoC" on the right side of the page.
- 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 [nfyc@acf.hhs.gov](mailto:nfyc@acf.hhs.gov).

When you are making a determination of homelessness:

- Ask for help with determining eligibility from local school district homeless liaisons, state homeless education coordinators, the National Center for Homeless Education (<http://center.serve.org/nche>), or the National Association for the Education of Homeless Children and Youth ([www.naehcy.org](http://www.naehcy.org)).
- 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. Do not focus on why the student is homeless or unaccompanied but on whether the evidence shows that he is an unaccompanied homeless youth as defined in section 725 of the McKinney-Vento Homeless Assistance Act (42 U.S.C. 11434a); see the margin note.
- Determine eligibility based on the legal definitions provided.
- Unaccompanied homeless youth may use the address of your school as their own on the FAFSA.

For students you determine to be unaccompanied homeless youths or unaccompanied, self-supporting youths at risk of being homeless, select the homeless youth determination option (#4) in the dependency override field in FAA Access to CPS Online or EDE. On the paper FAFSA, fill in the relevant bubble in the "College Use Only" box (see the graphic on page 112), include your school code, and sign. For students who have already filed their FAFSA, submit a FAFSA correction using the Homeless Youth Determination flag on the "dependency determination" page (Special Circumstances flag on the ISIR). 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.

You may rely on a determination by another school that a student was in this category on or after July 1, 2016. Also, a new determination must be made each year for an applicant who is homeless or at risk of being homeless.

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 homeless youth determination.