

Session # 4

Customized Verification 2013-14 and Beyond

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Today's Agenda

- Why we revised the verification regulations?
- Highlights of the new regulations
- 2012-13 verification items
- Customized verification
- 2013-14 and beyond
- Questions & discussion

Why Revise the Verification Regulations?

- Last comprehensive look in 1985
- 25 years of experience
- Need analysis changes
- IRS data retrieval
- Operational improvements



New Verification Regulations

Part of program integrity package

- Notice of proposed rulemaking: June 18, 2010
 - <http://edocket.access.gpo.gov/2010/pdf/2010-14107.pdf>
- Final regulations: October 29, 2010
 - <http://edocket.access.gpo.gov/2010/pdf/2010-26531.pdf>

New Verification Regulations (cont'd)

- Effective date for verification: July 1, 2012
- Technical corrections: April 14, 2011
- Dear Colleague letters
 - GEN-11-03, February 2011
 - GEN-11-13, July 2011
- Federal Register notice: July 13, 2011
- Application and Verification Guide for 2012-13 coming soon!

Highlights of New Regulations

Effective for the 2012-13 award year

- Replaces the five verification items for all selected applicants with a targeted selection of items based upon each student's characteristics
- Eliminates the 30 percent institutional verification cap
- Requires the processing of all non-dollar changes and corrections to an applicant's FAFSA information

Highlights of New Regulations

Effective for the 2012-13 award year

- Eliminates \$400 tolerance; replaces with \$25 tolerance
- Requires verification of selected applicants to be completed before exercising professional judgment

2012-13 Verification Items

- Annual Federal Register notice
 - Items to verify
 - Documentation
- All Applicants –
 - Number in household
 - Number in college
 - Food stamps (SNAP) – if receipt reported on FAFSA
 - Child support *paid* – if amount reported on FAFSA

2012-13 Verification Items

Tax filers

- AGI
- Taxes paid
- Specific untaxed income items
 - Untaxed IRA distributions
 - Untaxed pensions
 - Education credits
 - IRA deductions
 - Tax exempt interest

Non-tax filers

- Income earned from work



2012-13 Documentation

- Comprehensive list in July 2011 Federal Register notice
- IRS data retrieval process
- IRS tax return transcript required under certain conditions

Session #31: 2012-13 FAFSA and Verification Changes

- Wednesday, November 30—1:30-3:15 p.m.
- Thursday, December 1—1:30-3:15 p.m.
- Friday, December 2—9:00-10:15 a.m.

Customized Verification

Verification Selection

- Current process
 - In 2011-12 and 2012-13, verification selection occurs when FAFSA is submitted for processing
 - Central Processing System (CPS) applies risk model to FAFSA data
 - If applicant and/or parent of applicant meets pre-determined risk criteria based on information provided on the FAFSA, CPS selects record to be verified by the school
 - When making corrections, non-selected applicants are re-subjected to CPS risk model

Verification Selection

- ISIR indicates in the Verification Flag field whether applicant has been selected
 - Y = Selected for verification
 - N = Not selected for verification
 - * = Selected on a subsequent transaction
- Federal Student Aid Handbook and Federal Register
 - Provide written guidance on specific items to be verified for tax filers and non-tax filers
 - Describe acceptable documentation
- Schools use this information to determine who needs to be verified and what specific data elements need to be verified

Future Verification

- In the future, the ISIR will indicate
 - Whether an applicant has been selected for verification, *and*
 - Specific item or items that must be verified
- But . . . we're not there yet . . .
- 2013-14 will
 - Serve as transition year
 - Be a “hybrid” of the current and future verification selection processes

2013-14 Customized Verification

- Like current process, applicant data will be subjected to risk model on 01 transaction
- Three categories of selection
 - Targeted selection - data meets a risk criteria and record is selected for “targeted” verification
 - Discretionary selection - data does not meet risk criteria for targeted selection, but is selected to verify a non-targeted data element
 - Combination of targeted and discretionary selection

Targeted Selection

- Using 2012-13 FAFSA data elements to be verified as an example, if applicant is selected for targeted verification, he/she would verify
 - Tax filers
 - AGI*
 - Taxes paid
 - Untaxed income reported on tax returns
 - Untaxed IRA distributions
 - Untaxed pensions
 - Education credits
 - IRA deductions
 - Tax exempt interest
 - Family members*
 - Number in college*
- * If eligible for Automatic Zero EFC



Targeted Selection

- Non-tax filers
 - Earned income
 - Family members
 - Number in college

Discretionary Selection

- If not selected for targeted verification, may be selected to verify discretionary data reported on the FAFSA
- Using 2012-13 as an example, data elements would include
 - Food stamps
 - Child support paid
- In 2013-14 and beyond, would probably not select all applicants who reported these items on their FAFSA (i.e., would use “n” value, at least initially)

Targeted and Discretionary

- Combination of targeted and discretionary verification selection
 - Applicant met a targeted risk criteria

PLUS

- Was selected to verify one or more discretionary data elements from the FAFSA

The 2013-14 ISIR

- The Institutional Student Information Record (ISIR) would include
 - Verification Flag (Y, N, *)
 - Fields for all FAFSA data elements subject to verification for a given year (per FR notice)
 - Verification codes for each of those data elements indicating verification selection status
 - Y = Data element selected for verification
 - N = Data element not selected for verification
 - V = Data element selected for verification, but student transferred data using the IRS data retrieval tool and did not change it

The 2013-14 ISIR

- The data elements selected for verification would be based on
 - Applicant's dependency status
 - Whether applicant was selected for targeted verification, discretionary verification, or both
 - Whether applicant/parent is a tax filer or non-tax filer
 - Whether applicant is eligible for Auto Zero EFC or not
 - Whether applicant must verify HHS and # in college

2013-14 Student Aid Report (SAR)

- The SAR will tell students that they were selected, but will not indicate the specific fields that need to be verified

Example 1

Dependent student, targeted selection only, parent and student both tax filers, not eligible for Auto Zero EFC, did not use IRS Data Retrieval Tool, HHS = 4, # in College = 2

FAFSA Data Element	Verification Indicator
Parent AGI	Y
Parent Taxes Paid	Y
Parent Untaxed Income (5 elements)	Y
Parent Income Earned from Work	N
Parent Household Size	Y
Parent Number in College	Y
Parent Food Stamps Received	N
Parent Child Support Paid	N
Student AGI	Y
Student Taxes Paid	Y
Student Untaxed Income (5 elements)	Y
Student Income Earned from Work	N
Student Household Size	N
Student Number in College	N
Student Food Stamps Received	N
Student Child Support Paid	N



Example 2

Dependent student, targeted selection only, parent and student both tax filers, not eligible for Auto Zero EFC, used IRS Data Retrieval Tool, HHS = 2, # in College = 1

FAFSA Data Element	Verification Indicator
Parent AGI	V
Parent Taxes Paid	V
Parent Untaxed Income (5 elements)	V
Parent Income Earned from Work	N
Parent Household Size	N
Parent Number in College	N
Parent Food Stamps Received	N
Parent Child Support Paid	N
Student AGI	V
Student Taxes Paid	V
Student Untaxed Income (5 elements)	V
Student Income Earned from Work	N
Student Household Size	N
Student Number in College	N
Student Food Stamps Received	N
Student Child Support Paid	N



Example 3

Dependent student, parent received food stamps, selected to verify a discretionary item only

FAFSA Data Element	Verification Indicator
Parent AGI	N
Parent Taxes Paid	N
Parent Untaxed Income (5 elements)	N
Parent Income Earned from Work	N
Parent Household Size	N
Parent Number in College	N
Parent Food Stamps Received	Y
Parent Child Support Paid	N
Student AGI	N
Student Taxes Paid	N
Student Untaxed Income (5 elements)	N
Student Income Earned from Work	N
Student Household Size	N
Student Number in College	N
Student Food Stamps Received	N
Student Child Support Paid	N



Subsequent Transactions

- Verification selection would generally occur on initial (01) transactions only
- Corrections that are processed after selection would continue to be flagged as selected
- If the student was not selected for verification on initial (01) transaction, selection status would not change based on a correction, unless one of the following occurs
 - The student's dependency status changes
 - Eligibility for Auto Zero EFC is lost

Subsequent Transactions

- If one of these conditions is met on a correction
 - CPS will apply risk model to corrected FAFSA information
 - If student hits a risk criteria, he/she will be selected for verification on the resulting correction transaction
 - Verification flag set to Y
 - FAFSA data elements to be verified identified on ISIR

Subsequent Transaction

- In some cases, data elements subject to verification may change from one transaction to another if
 - Dependency status changes
 - Tax filing status changes
 - Student/Parent changes any of the items that came from the IRS
 - Student becomes eligible or ineligible for an Automatic Zero EFC



Subsequent Transactions

- In these cases –
 - Verification flag would remain Y
 - New verification tracking flag = R
 - Reset verification indicators for appropriate data elements (Y, N, V)

Summary of Customized Verification

- Verification selection will generally occur on 01 transactions only
- CPS will determine which FAFSA data elements must be verified for individual students
- Some applicants will get selected for verification on 02 or higher transactions, but that number should be relatively low
- The specific data elements requiring verification for each transaction will be communicated on ISIRs



Questions

- Have we captured everything you will need?
- Is the verification tracking flag = R helpful?
- FAA Access and verification tool?
- Verification worksheet?

2013-14 and beyond

- What additional items should be selected?
- What would the documentation be for those items?

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Questions?



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