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 a 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 U.S. Department of Education (Department, ED), and "federal student aid" and "Title IV aid" are synonymous terms for the financial aid offered by the Department.

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

CHANGES FOR 2015–2016

On page 4 (and throughout the AVG) we modified guidance pertaining to the personal identification number or PIN and added information about the new username and password (the FSA ID) that students and parents will use to log on to FAFSA on the Web and other FSA websites.

Also on that page, we added guidance in the margin on how students who are younger than 13 apply for federal student aid.

On page 7 we no longer give anticipated deadline dates for application corrections, changes, and verification. We just direct aid administrators to refer to the deadline notice that is expected to be published in the *Federal Register* sometime in summer 2015.

We changed the guidance on page 9 about what address incarcerated students should write on the FAFSA. Instead of using their college address, they should use the address of the facility they are incarcerated in.

On page 18 we added a sentence on the Land Buy-Back Program to the section on excluded assets for Native American students.

In the last bullet of the margin note on in-kind income on page 21, we added an example of an adoption assistance program.

On page 25 we modified the definition of parent to include persons that a state affirms are parents, such as on the child's birth certificate.

On page 81, we revised and added to the guidance pertaining to the IRS's Verification of Nonfiling Letter that students in some cases need to obtain. We also modified the margin note on what to do when a W-2 form is not available.

We added the second paragraph under "Other untaxed income" on page 84 to give more guidance on dealing with situations where you must examine how students or parents support themselves when there are no clearcut sources of income. We also added text under "Household size" reminding FAAs that the number in the household of the student needs to comport with answers to the pertinent FAFSA dependency status questions.

In the fourth bullet under "High school completion" on page 86, we added a sentence clarifying when certain test transcripts can be used as documentation of high school equivalency.

We added a bullet at the top of page 87 mentioning that the Department is working on guidance pertaining to the provisions in the recent Consolidated and Further Continuing Appropriations Act that relate to high school completion alternatives for students in an eligible career pathway program.

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℠ (FOTW®).

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

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

TYPES OF APPLICATIONS

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

FAFSA on the Web (FOTW)

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

FAA Access to CPS Online

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

Before submitting the data, print the signature page/FAFSA summary for the student (and parent if appropriate) 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

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

www.nslds.ed.gov
Students' loan database

https://studentloans.gov
Loan information and counseling

https://teach-ats.ed.gov
TEACH Grant website

FAFSA filers under the age of 13

Because the Children's Online Privacy Protection Act (COPPA) of 1998 prohibits any entity, including a government agency, from electronically conducting business or communicating with a person under age 13, applicants who are 12 or younger cannot complete FAFSA on the Web. Also, a regular paper FAFSA submitted by such an applicant will be rejected for technical reasons unrelated to COPPA. Such students will instead need to submit a COPPA Compliant Special Handling FAFSA for special processing. The student's parent or guardian, financial aid administrator, or high school counselor must request this special FAFSA by calling FSA at (202) 377-3889 or sending an email to Lisa.D.Washington@ed.gov. We will mail the application with a specially addressed envelope to the address of the parent or guardian. After the FAFSA is submitted, it will be processed and a paper SAR will be sent to the student and a regular ISIR will be sent to schools. See the electronic announcement from 7/18/14 for more information.

Paper FAFSA

Schools can place limited orders (at www.fsapubs.gov) of the paper FAFSA. Students can request single copies 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) 7–10 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.

New FSA ID

Beginning with the 2015–2016 award year, students (and parents) will log on to FAFSA on the Web and other FSA websites—the National Student Loan Data System (NSLDS), StudentLoans.gov, Studentaid.gov, and the TEACH Grant website—with a username and password that they create. This removes the need for the personal identification number (PIN) and the use of personal identifiers such as name, birthdate, and Social Security number.

The changeover will occur on April 26, 2015. Users do not need to do anything to prepare for it; when they first log on to one of the above sites on or after that date, they will be asked to create a username and password. If they have a PIN, they will have the option to link it to their new FSA ID, which will allow them to immediately use the ID on the above websites rather than wait 1–3 days while their identifying information is confirmed. See the electronic announcement from 1/12/15 for more information.

The FSA personal identification number (PIN)

As already noted, the FSA ID will replace the FSA PIN in April 2015. Until then the PIN, with other identifiers, gives students Internet access to their information in FSA systems. Students and parents can get a PIN at www.pin.ed.gov or by choosing to apply for a PIN when completing a FAFSA online. The PIN is available to use immediately to sign the FAFSA; once the application passes the Social Security Administration (SSA) match, the PIN becomes fully functional. Applicants can then use the PIN to, among other things, access and electronically sign a renewal *FAFSA on the Web*, correct their FAFSA information online, view their SAR online and print it, and review their financial aid history as maintained in the National Student Loan Data System (NSLDS).

See last year's *Application and Verification Guide* for more complete information on the PIN.

Renewal FAFSA

A student who has received a PIN/FSA ID and who the year before had a successful match on Social Security number (SSN), name, and date of birth with the Social Security Administration (SSA) is eligible for a renewal

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

In January 2015, renewal-eligible students automatically received a renewal reminder by e-mail if they provided an e-mail address in the previous application year. The reminder tells students that they can reapply for aid on the Web and that if they forgot their PIN, they can retrieve it online.

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

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

PROCESSING THE FAFSA

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

Renewal FAFSA reminders

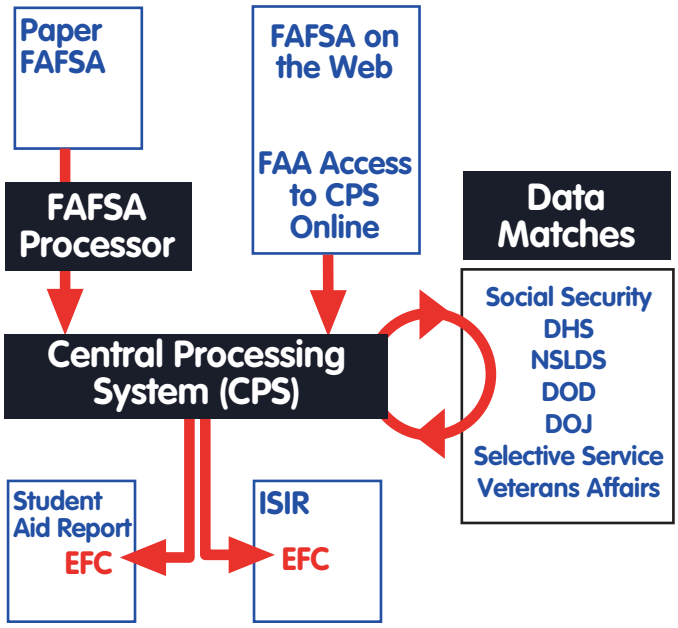
For more information, see the electronic announcements on 1/16/15 and 10/30/14.

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 SSA, 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.

FAFSA on the Web demo

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

The CPS also checks the application for possible inconsistencies and mistakes. For instance, if a dependent student reported the parents' marital status as married but reported the household size as "2," the edit checks would catch the inconsistency. Even when data is inconsistent, the CPS may



From FAFSA to SAR/ISIR

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

2015–2016 Summary of Changes for the Application Processing System

Go to **www.ifap.ed.gov** and select Publications > Summary of Changes for the Application Processing System > 2015–2016. This is posted in autumn.

OUTPUT DOCUMENTS: THE SAR AND ISIR

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

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

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

Resources for aid administrators

For CPS technical support and questions about EDconnect, EDExpress, and Renewal FAFSAs, call or email CPS customer service:
1-800-330-5947
TDD/TTY 1-800-511-5806
CPSSAIG@ed.gov

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

For questions about Title IV programs, regulations, and policies, call or email the Federal Student Aid Research and Customer Care Center (RCCC):
1-800-433-7327
9 a.m.–5 p.m. (ET), M–F
fsa.customer.support@ed.gov

You are required to receive ISIRs and to accept SARs from students, but you cannot require them to submit SARs in order to receive aid. If you don't have an ISIR for a student, your federal school code must be added to her record so an ISIR is sent to you. We recommend making corrections electronically via FOTW (the student) or FAA Access (the school); however, you can require students to use a SAR to make corrections. If you don't have an ISIR for a student who provided a SAR or SAR Acknowledgement, you must use the SAR or the acknowledgement to award and disburse the student aid. Again, you must also ensure that your school code is added to the student's CPS record (see page 91).

The SAR arrives in one of three ways. (1) Students who give an e-mail address, whether on a paper FAFSA or an electronic application (FOTW or FAA Access), will receive an e-mail with a link to an online SAR they can access. (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 2015–2016* at **www.ifap.ed.gov**.

DEADLINES

The application processing cycle lasts 18 months. For the 2015–2016 award year, applications are accepted beginning January 1, 2015, and will be accepted through June 30, 2016.

The CPS must receive a student's electronic FAFSA by June 30, 2016. 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, 2016. There are no exceptions to these deadlines. An electronic application cannot be received before January 1, 2015, and if it is received after June 30, 2016, it will not be processed. A paper application received before January 1, 2015, or after June 30, 2016, will be returned unprocessed with a letter of explanation. If it is signed before and received after January 1, 2015, 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.

For other deadlines pertaining to corrections, changes, disbursements, and verification, see the official deadline notice for the 2015–2016 award year, which is expected to be published in summer 2015. It will provide all the processing deadline dates and will be available on the IFAP website under "Federal Registers." For these deadlines, 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.

Reach FSA

You can call a single toll-free number, 1-855-FSA-4-FAA (1-855-372-4322), to reach any of the following FSA contact centers for schools:

- Campus-Based Call Center
- CPS/SAIG technical support
- COD School Relations Center
- eZ-Audit Help Desk
- Research and Customer Care Center (RCCC)
- Foreign Schools Participation Division
- G5 Hotline
- NSLDS Customer Support Center
- Nelnet Total and Permanent Disability Servicer
- School Eligibility Service Group

At this single number you can get more information about the various call centers or connect directly to the center you need. The separate phone numbers for all the centers remain, and you can use those to call the centers directly.

Valid SAR or ISIR definition

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

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℠ (FOTW®). To see how FAFSA data are used to calculate the expected family contribution, refer to Chapter 3.

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

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

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

Paper FAFSA steps

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

STEP ONE: GENERAL STUDENT INFORMATION

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

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

- **Permanent mailing address (4–7).** This is the student's permanent home address, with two exceptions: incarcerated students should use the address of the facility they are in, and homeless youth may use their college's administrative address. If the latter are submitting a paper FAFSA, they will include with it a letter from the school, on its letterhead, indicating they are homeless and using the school's address. Homeless youth who are applying on the Web should send the letter to the FAFSA processor (the same address to which a paper FAFSA is sent) and be sure that it contains their SSN.

Completing the FAFSA

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

STEP 1

Questions 8–23 Student information

The SSN and certain Pacific island residents

Persons from the Republic of the Marshall Islands, the Federated States of Micronesia, or the Republic of Palau (the Freely Associated States or FAS) typically do not have SSNs. Students who are filling out a FAFSA for the first time and who indicate 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. Students from the FAS who have submitted a FAFSA before and were issued such a pseudo-SSN will enter it in the SSN field. **It is important that they use the same number on all subsequent FAFSAs** because it allows for more accurate information on Pell Grant lifetime eligibility used. See the relevant electronic announcements from October 7, 2011, and November 20, 2013.

Same-sex marriage and the FAFSA

In 2013, in *United States v. Windsor*, the Supreme Court ruled that Section 3 of the Defense of Marriage Act (DOMA) was unconstitutional because it violates the principles of due process and equal protection. As a result, same-sex couples who have married in a domestic or foreign jurisdiction that recognizes the marriage should complete the FAFSA as a married couple regardless of whether the jurisdiction in which they reside or the student attends school recognizes the marriage. This applies to independent students and to the parents of dependent students. See DCL GEN-13-25 for more information.

- **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/FSA ID.

- **Citizenship status (14).** Examples of eligible noncitizenship categories are given in the FAFSA instructions, and a detailed discussion of citizenship issues can be found in *Volume 1: Student Eligibility*. Only U.S. citizens or certain classes of noncitizens 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 five 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, 2015, 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, 2015, and June 30, 2016, 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, 2016, 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 one of the following: high school diploma, General Educational Development (GED) certificate or state equivalent test, homeschooled, or none of the above. None of the above includes those who have the equivalent of a high school diploma (see *Volume 1*, *Chapter 1*, of the FSA Handbook) other than a GED certificate or state equivalent test. State tests (or state-authorized examinations, as referred to in 34 CFR 600.2) are those that states approve and award certificates and/or transcripts for. They include tests comparable to the GED (*i.e.*, they are created and distributed by a test publisher), such as the High School Equivalency Test or the Test Assessing Secondary Completion, as well as those established by states, for example, the California High School Proficiency Exam (CHSPE); 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*, *Chapter 1* of the Handbook about checking the validity of a high school education.

STEP 1

Questions 23–27 Student information

Undergraduate student definition

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

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

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

34 CFR 668.2(b)

Graduate or professional student definition

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

STEPS 2 & 4

Questions 28–35 and 80–83

Grade level, tax return, and filing status

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

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

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

EFA or not?
Sometimes it is difficult to account for an outside financial award. If a student receives the award because of post-secondary enrollment, it counts as estimated financial assistance (EFA) if it is not considered wages for employment according to federal or state rules, or if it is considered wages and is based on need. Any amount that appears as income on the tax return will also be included on the appropriate line of item 44 or 93 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.

- **First bachelor's degree (28).** The student indicates whether he will have a first bachelor's degree before July 1, 2015, 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.

- **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 Federal Work-Study (FWS). This helps the school in packaging her award. If she isn't sure about wanting FWS, she should answer "don't know" so she will be considered for it; later she can decline any aid she doesn't want.

STEPS TWO AND FOUR: INCOME AND ASSETS

Purpose: Questions 32–45 ask for the student's and spouse's income and assets. Step Four collects similar information about parents' income and assets, so the following discussion also pertains to parents.

If the student or her parent wasn't married in 2014 but is married when the application is signed, the student also needs to provide income and asset information for the new spouse. If the student or her parent was married in 2014 but is separated or divorced or the spouse has died when the application is signed, the student or parent doesn't provide income and assets for that spouse even though the information may be on the 2014 tax forms.

The FAFSA asks for income and taxes paid according to lines on the IRS tax forms for 2014, the "base year" for 2015–2016. Data from the completed tax year is used as a predictor of the family's financial situation for the current year. If 2014 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 and tax filing status (32–35, 80–83 for parents).** These questions ask if a 2014 tax return was completed, which return was or will be filed, what the filing status was or will be, and whether the student or parents were eligible to file a 1040A or 1040EZ. The answers are used 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) and to find inconsistencies between the FAFSA and the tax return.

- **Adjusted gross income (AGI) and other tax data (36–40, 85–89 for parents).** Dependent students report these items for their parents. Each question gives the line reference to the 2014 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 (DRT) allows students and parents who are using FAFSA on the Web and who have already submitted their federal tax return to electronically retrieve their tax data from the IRS database. The ISIR will show that data was imported and if it was altered. All students and parents of dependent students who indicate on the application that they have already filed a federal tax return and who are otherwise eligible to use the DRT will be directed to do so. Students and parents are strongly encouraged to make use of the DRT (though it is voluntary) because it is accurate, efficient, and useful for verification and corrections; see the relevant chapters in this guide.

  Students or parents who filed a joint return but are divorced, separated, or widowed when the application is signed won't be able to copy the information from the tax forms or transfer data with the DRT. Instead, they must figure out how much of the income and taxes paid is attributable to them and not their spouse. 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 39–40 (student and spouse) and lines 88–89 (parents). The W-2 form and other records of work earnings should be used to determine these amounts. Do not include combat pay (see the margin note on page 12).

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

  For a fiscal year tax return, as opposed to one for the calendar year, the applicant should report information from the fiscal year return that includes the greater number of months in 2014.

  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.

STEPS 2 & 4

Questions 36–40 and 85–89 Income and other tax data

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 2013 includes eight months in 2014. The return they'll file for the fiscal year starting in September 2014 only includes four months of 2014. Therefore, they should use the information from the tax return for the fiscal year that started in September 2013.

When there are U.S. and foreign tax returns

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

Other tax forms

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

AGI worksheet for those who have not completed a tax return		
Use this worksheet to estimate adjusted gross income (AGI) if you have not completed a tax return.	***For Question 36 Student/Spouse***	***For Question 85 Parents***
Wages, salaries, tips, etc.	$ _____.00	$ _____.00
Interest income	+ _____.00	+ _____.00
Dividends	+ _____.00	+ _____.00
Other taxable income (alimony received, business and farm income, capital gains, pensions, annuities, rents, unemployment compensation, Social Security, Railroad Retirement, and all other taxable income)	+ _____.00	+ _____.00
Add all of the numbers in the column.	= _____.00	= _____.00
Subtract IRS-allowable adjustments to income (payments to IRA and Keogh plans, one-half of the self-employment tax, the self-employed health insurance deduction, the interest penalty on early withdrawal of savings, and alimony paid).	– _____.00	– _____.00
Total—write this amount in Question 36 or 85.	$ _____.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.

Married and filing different types of returns

When a student and spouse or the student's parents file separate and different types of returns, what type should be indicated in Question 33 or 81? In such cases, IRS Form 1040 and foreign tax returns are considered comparable, while forms 1040A and 1040EZ are comparable to tax returns from the five inhabited U.S. territories: Puerto Rico, Guam, the U.S. Virgin Islands, the Northern Mariana Islands, and American Samoa. The former take precedence over the latter; for example, if a student filed a 1040A form and his spouse filed a foreign return, he would answer foreign tax return to question 33. When comparable but different returns are filed, the IRS return takes precedence and is indicated. If the above student's spouse filed a Puerto Rican return, then he would answer 1040A or 1040EZ to the question.

Married filing separately and one spouse does not file

With a married student or the married parents of a dependent student, if one spouse files separately and the other does not file a return but has some income, how do you figure the AGI? Add the income earned from work (*e.g.*, earnings from the W-2 form or any other earning statements) of the spouse who does not file a return to the AGI (as given on line 37, 21, or 4 of Form 1040, 1040A, or 1040EZ respectively) of the spouse who does and enter the sum on the appropriate AGI line of the FAFSA.

STEPS 2 & 4

Questions 41–43 and 90–92 Assets

- **Assets (41–43, 90–92 for parents).** An asset is property that the family owns and 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** such as college savings plans, Coverdell education savings accounts, real estate, installment and land sale contracts (including mortgages held), trust funds, mutual funds, money market funds, UGMA and UTMA accounts, certificates of deposit, stocks, stock options, bonds, commodities, and precious metals. If the asset isn't a business or investment farm, it is 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—the following are NOT reported on the FAFSA:

➔ **Possessions** such as a car, a stereo, clothes, or furniture.

➔ **A family's principal place of residence**, even if it is part of a business.

➔ **A family farm** (including equipment, livestock, etc.) 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. "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 45 and 94 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.

Simplified needs test

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

Rental properties

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

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

STEPS 2 & 4
Qualified tuition programs

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

Qualified education benefits

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

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

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

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

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

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

Reporting "take-back" mortgages

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

Reporting trust funds

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

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

Interest only

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

Principal only

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

Both principal and interest

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

Ownership of an asset

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

Part ownership of asset

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

Contested ownership

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

Lien against, and imminent foreclosure of, an asset

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

STEPS 2 & 4

Questions 44 and 93 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 44 or 93.

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.

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

➔ **Excluded assets for Native American students.** The law (see HEA Sec. 479C) excludes reporting any income and asset of $2,000 or less per individual payment (any amount over $2,000 is reported as untaxed income) received under the Per Capita Act or the Indian Tribal Judgment Funds Use or Distribution Act. It also excludes any income received under the Alaska Native Claims Settlement Act or the Maine Indian Claims Settlement Act. Per capita distributions or the proceeds received from the Land Buy-Back Program for Tribal Nations—a tribal purchase of fractionated lands as a result of the Cobell settlement under the Claims Resolution Act of 2010 (42 U.S.C. 1305)—should also be excluded.

■ **Taxable income offsets (44 and 93).** 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 50 and 33 on the 1040 and 1040A tax returns respectively. See the margin note.

b. Child support payments. Count those *made* during 2014 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 (45 and 94).** 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 2014 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 page 21.

STEPS 2 & 4
Questions 45 and 94
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 2014 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.

Extended foster care payments

Foster children who meet certain criteria can receive benefits until age 21. If these extended payments are under the authority of Title IV, Part E, of the Social Security Act, they are not reported on the FAFSA. If they are paid under some other authority, *e.g.*, a state foster youth support program, they are reported as untaxed income to the student in Question 45i of the 2015–2016 FAFSA. See DCL GEN-13-18.

Independent student with parental support example

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

STEPS 2 & 4

Questions 45 and 94
Untaxed income

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 45 or 94.

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 includes disability (but not Social Security disability), worker's compensation, tax-free contributions to HSAs (see the margin note), interest income on education IRAs, untaxed portions of Railroad Retirement benefits, black lung benefits, refugee assistance, the untaxed portion of capital gains, and foreign income that wasn't taxed by any government and isn't part of the Foreign Earned Income Exclusion.

j. Money received (45 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 and gifts and housing, food, clothing, car payments or expenses, medical and dental care, college costs, and money paid to someone else or paid for 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 2014–2015 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.** See page 18.

➔ **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 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 2015–2016 year, a student who meets any of the following criteria from HEA Sec. 480(d) is independent; he

- was born before January 1, 1992,
- is married as of the date he applies,

STEP 3

Untaxed income not reported on the FAFSA

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.

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)
- WIOA (formerly WIA) 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 (e.g., Wisconsin's Adoption Assistance Program, which facilitates the adoption of children with special needs)

STEP 3

Questions 47–48 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 her and with his stepfather, who did not 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.

- 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, 2014, to be an unaccompanied youth who was homeless or self-supporting and at risk of being homeless.

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

A student who is only engaged answers as unmarried unless she waits until after the wedding to complete the FAFSA. For this question a student is considered married if she is separated or planning to divorce or if she has a relationship that meets the criteria for common-law marriage in her state. A student who was independent only because she 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 (48).** 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 (49 and 50).** 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, aka boot camp) 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—even one day counts—but it does have to be active service. This is less stringent than the VA's definition of a 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, 2016. Students who attended a **U.S. service academy** or preparatory school (see margin note on page 22) for at least one day and were released under conditions other than "dishonorable" count as veterans for Title IV purposes. Students serving in ROTC or currently attending a U.S. military academy are not veterans.

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

- **Children and legal dependents (51 and 52).** 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 (53).** 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.

STEP 3

Questions 49–53 Dependency status

Legal dependent examples

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

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

In April 2015 Anika applies for aid for 2014–2015. 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 2014–2015. If Bettina had moved in just before the midpoint of the year, Anika would have been able to count her as a dependent for 2014–2015.

STEP 3
Veteran match

Veteran match (for Question 50)

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: 2015–2016* 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 in database (match flag 3)

Much of the guidance above applies for students not in 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, 2016, 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, 2016, 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 does and does not count as a parent on the FAFSA?

If the applicant answers "No" to questions 46–58, then she is dependent and must report her parents' information in Step 4 on the FAFSA. In most cases it's clear who the parents are but not always.

✔ **Biological, adoptive, and stepparents**

A parent is a biological or adoptive parent or a person that the state has determined to be a parent (for example, when a state allows another person's name to be listed as a parent on a birth certificate). A stepparent is considered a parent if married to a biological or adoptive parent and if the student counts in their household size. Biological and adoptive (whether of the opposite or same sex) parents who are unmarried and living together give that as their status in Question 59, and both report their information on the FAFSA. See DCL GEN-13-12.

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 53 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 55), 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 54–69 Dependency status and parent information

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

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.

- **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, 2014 (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. 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*.

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 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:

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

  ➔ **The student's siblings and children,** if they will receive more than half their support from the student's parent(s) from July 1, 2015, through June 30, 2016. 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 (74).** 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.)

- **Receipt of means-tested federal benefits (75–79).** This as an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.

STEP 4

Questions 70–79 State, household size, number in college, and federal benefits

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.

Service academies, household size, and number in college
Students at U.S. service academies (see the margin note on page 22) have most of their primary educational expenses paid for by the federal government. Because of this, their families cannot "reasonably be expected to contribute to their postsecondary education" and they are not counted in the number in college in the families of either dependent or independent students. Since they will not receive more than one-half of their support from any person, they also do not count in the household size of any independent students and some dependent students. However, if a service academy attendee is a sibling of a dependent student and can answer "No" to all the dependency status questions, he would count in the household size of that dependent student.
HEA Sec. 474(b)(3); 480(k),(l)

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

STEP 4

Questions 80–84 Tax data and 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.

- **Tax forms filed by parents, filing status, income, and assets (80–83, 85–94).** Refer to the earlier discussion for these questions.

- **Dislocated worker (84).** This status, as defined in the Workforce Innovation and Opportunity Act or WIOA, 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 WIOA, a dislocated worker is someone who falls into at least one of these categories:

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

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

  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.

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

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 53, 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, 2014, must be reported even if the parent and stepparent were not married until after 2014. 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.

If biological or adoptive parents who are divorced still live together, their status is unmarried and living together and both would report their information on the FAFSA; see page 25. If one or both of them have married someone else and all live in the same household (and presumably the student lived with both parents an equal amount of time), the parent and stepparent, if applicable, who provided more support in the previous year would include their information on the FAFSA. Schools may use PJ to account for the other parent's financial contribution that is not already properly counted as child support on line 45c or money received on line 45j of the 2015–2016 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. For a dependent student, use the rules for divorce to determine which parent's information to report. 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 unless they are the parents of a dependent student, in which case their status is unmarried and living together and both would report their information.

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 84 and 95 Dislocated worker and independent student household size

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

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

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

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

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.

Independent student household size example

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

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

STEP FIVE: INDEPENDENT STUDENT DATA

Purpose: Questions 95–102 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 (95).** 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,

2015, through June 30, 2016. 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. For FAFSAs submitted after the start of the year, see the relevant paragraph and example about legal dependents on page 23.

■ **Number in college (96).** 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. 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 (97–101).** This is an alternative for the tax return requirement of the simplified needs and automatic zero EFC tests.

■ **Dislocated worker (102).** See the explanation of Question 84 earlier.

STEP SIX: SCHOOL INFORMATION

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

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

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

STEP SEVEN: SIGNATURE(S)

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

■ **Date and signature(s) (104–105).** 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

STEPS 6–7

Questions 96–104 Number in college, federal benefits, school data, and date

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 105–108 Signatures and preparer's data

Assistance in preparation of the FAFSA
HEA Sec. 483(d)

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.

■ **Preparer's ID and signature (106–108).** 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 a PIN/FSA ID can electronically sign their FAFSA on the Web. Parents who have a PIN/FSA ID can also electronically sign.

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

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

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

Signature Requirements for Changes*			
	Changes via SAR or Corrections on the Web	***Changes submitted via FAA Access***	***Professional Judgment via FAA Access***
Student	Must sign corrections statement on the SAR; on the Web the PIN/FSA ID serves as the student's signature.		
Parent(s) (if student is dependent)	One parent must sign the corrections statement on the SAR. If parent data are changed on the Web, a parent must sign with PIN/FSA ID or print and sign signature page.		
Aid Administrator		School must have signed documentation from student and parent.	Must certify for PJ/FAA adjustments or dependency override.

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

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 2015–2016 updates are in the May 30, 2014, *Federal Register*. Also available at **www.ifap.ed.gov** is the *EFC Formula Guide*.

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

Basic EFC formulas

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

Special calculations

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

HEA Sec. 474–479

SIMPLIFIED FORMULA

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

- the parents' combined AGI (for tax filers) or income earned from work (for non-filers) was less than $50,000, and
- either (1) the parents were not required to file an IRS Form 1040,[1] (2) one of them is a dislocated worker as defined in the Workforce Innovation and Opportunity Act (see Chapter 2 for a description of dislocated worker), or (3) anyone counted in their household size received a means-tested federal benefit during 2013 or 2014.[2]

An independent student qualifies for the simplified calculation if

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

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

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

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

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

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

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

- 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 Innovation and Opportunity Act, or (3) anyone counted in the household size received a means-tested federal benefit during 2013 or 2014.[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 rules for determining who they are are the same as those for the simplified formula with these differences:

- The income threshold is $24,000 or less instead of less than $50,000.
- Independent students without dependents other than a spouse (those who use Formula B) 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*). The amount of the grant will be the same as that of

the Pell grant they would have been eligible for with a zero EFC minus a set percentage (see *Chapter 3* of *Volume 3* for specific guidance on calculating grant awards). 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 1–12 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.

Negative AGI or zero?

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

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.

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 reduces the parents' total income:

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table A1. This allowance is a percentage of parents' total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the parents' total income is below $15,000 or is $15,000 or more. The state used is the parents' state of legal residence reported on the FAFSA. If this item is blank or invalid, the student's reported state of legal residence is used. If both are blank or invalid, the state in the student's mailing address is used. If all three are blank or invalid, the rate shown in Table A1 for a blank or invalid state is used (2% for total income below $15,000; 1% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.
- **Parents' Social Security tax allowance.** The parents' Social Security taxes are calculated separately by applying the rates shown in Table A2 to both parents' income earned from work in 2014 (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 2015–2016, 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 first or second parent's income earned from work (questions 88 and 89), but may not exceed $4,000. For one-parent families, the allowance is 35% of the parent's income earned from work, also not to exceed $4,000. 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 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 a moderate level of living for a retired couple or single person at age 65. 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 get the **parents' contribution from assets**, which represents the portion of parental assets considered available to help pay for the student's college education. If the contribution from assets is negative, 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 2015–2016, 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 (2%). 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 2014 (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 $6,310.
- **Parent's negative AAI.** To recognize that a student's income may be needed to help support the family, the EFC calculation allows a parent's negative adjusted available income (AAI) to reduce a dependent student's contribution from income. Because the student's contribution from income cannot be negative, this will not affect the student's contribution from assets.

Student's contribution from assets

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

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

Alternate EFCs for other than nine-month enrollment

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

FORMULA B—INDEPENDENT STUDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE

The EFC for an independent student without dependents other than a spouse is calculated using FAFSA data for the student and spouse. The CPS calculates a contribution from available income and a contribution from assets. The sum of these two is divided by the number in college in 2015–2016, as reported on the FAFSA. The result is the EFC for the 2015–2016 award year. Under the simplified formula, the contribution from assets isn't used.

Contribution from available income

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

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

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

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it's set to zero.
- **State and other tax allowance.** Use Table B1. This allowance is a percentage of the student and spouse's total income. The percentage varies according to the state. The state to be used is the student's state of legal residence reported on the FAFSA. If that item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2%). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table B2 to the student's income earned from work in 2014 and the spouse's income earned from work in 2014 (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 $9,810. For a married student, the income protection allowance is $9,810 if the student's spouse is enrolled at

least half time, and $15,720 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 39) or the spouse's income earned from work (Question 40), but it may not exceed $4,000.

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, 2015, 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 allowances from the student's total income. These allowances account for certain nondiscretionary costs, such as taxes and basic living expenses, and represent a minimum level of support. The formula assumes that the remaining income is available for discretionary purposes, including paying for a postsecondary education. The available income can be a negative number.

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

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

- **U.S. income tax paid.** Use the amount reported on the FAFSA. Non-tax filers don't receive this allowance. If this is a negative amount, it is set to zero.
- **State and other tax allowance.** Use Table C1. This allowance is a percentage of the total income and approximates the average amount paid in state and other taxes. The percentage varies according to the state and according to whether the total income is below $15,000 or is $15,000 or more. The state to be used is the student's state of legal residence reported on the FAFSA. If this item is blank or invalid, the state in the student's mailing address is used. If both items are blank or invalid, the rate for a blank or invalid state is used (2% for total income below $15,000; 1% for total income of $15,000 or more). If the allowance is a negative amount, it's set to zero.
- **Social Security tax allowance.** The student's and spouse's Social Security taxes are calculated separately by applying the tax rates shown in Table C2 to the student's income earned from work and the spouse's income earned from work in 2014 (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 2015–2016, as reported on the FAFSA. In general, a school can assume that 30% of the income protection allowance is for food, 22% for housing, 9% for transportation expenses, 16% for clothing and personal care, 11% for medical care, and 12% for other family consumption. The income protection allowance used for a particular student is provided as one of the intermediate values in the FAA Information Section of the output document (labeled as "IPA").
- **Employment expense allowance.** Families with two working parents and one-parent families have extra expenses that must be considered, such as housekeeping services, transportation, clothing and upkeep, and meals away from home. This allowance recognizes those extra expenses. When both the student and spouse work, the allowance is 35% of the lesser of the student's income earned from work (Question 39) or the spouse's income earned from work (Question 40), but may not exceed $4,000. If the student isn't married, the allowance is 35% of the student's income earned from work, or $4,000, whichever is less. If a student is married and only the student *or* the spouse (but not both) reports an income earned from work, the allowance is zero. The employment expense allowance is never less than zero.

Contribution from assets

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

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

Second, the student and spouse's **discretionary net worth** is calculated by subtracting the asset protection allowance (Table C5) from the net worth. The allowance increases with the age of the student as of December 31, 2015, 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 2015–2016 as reported on the FAFSA. The result is the EFC for the 2015–2016 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.

2015–2016 EFC FORMULA A: DEPENDENT STUDENT

REGULAR WORKSHEET Page 1 **A**

PARENTS' INCOME IN 2014		
1. Parents' Adjusted Gross Income (FAFSA/SAR #85) If negative, enter zero.		
2. a. Parent 1 (father/mother/stepparent) income earned from work (FAFSA/SAR #88) _____		
2. b. Parent 2 (father/mother/stepparent) income earned from work (FAFSA/SAR #89) + _____		
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 #94a. through 94i.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)	=	
6. Total additional financial information (Total of FAFSA/SAR #93a. through 93f.)	–	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST PARENTS' INCOME		
8. 2014 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table A1) If negative, enter zero.	+	
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2)	+	
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2)	+	
12. Income protection allowance (Table A3)	+	
13. Employment expense allowance: • Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or $4,000, whichever is less • One-parent families: 35% of earned income, or $4,000, whichever is less • Two-parent families, one working parent: enter zero	+	
14. TOTAL ALLOWANCES	=	

*STOP HERE if the following are true:

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

- The parents are eligible to file a 2014 IRS Form 1040A or 1040EZ (they are not required to file a 2014 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 2013 or 2014 from any of the designated means-tested federal benefit programs **or**
- Either of the parents is a dislocated worker.

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

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

PARENTS' CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #90)		
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.		
18. Net worth of business and/or investment farm (FAFSA/SAR #92) 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 2015–2016 (Exclude parents) (FAFSA/SAR #74)	÷	
28. PARENTS' CONTRIBUTION (standard contribution for nine-month enrollment)*** If negative, enter zero.	=	

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

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

continued on the next page

REGULAR WORKSHEET Page 2 **A**

STUDENT'S INCOME IN 2014		
29. Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
30. Income earned from work (FAFSA/SAR #39)		
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 #45a. through 45j.)	+	
33. Taxable and untaxed income (sum of line 31 and line 32)	=	
34. Total additional financial information (Total of FAFSA/SAR #44a. through 44f.)	−	
35. TOTAL INCOME (line 33 minus line 34) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT INCOME		
36. 2014 U.S. income tax paid (FAFSA/SAR #37) (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	+	**6,310**
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41. TOTAL ALLOWANCES	=	

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

STUDENT'S CONTRIBUTION FROM ASSETS		
45. Cash, savings & checking (FAFSA/SAR #41)		
46. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero.	+	
47. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
48. Net worth (sum of lines 45 through 47)	=	
49. Assessment rate	×	**.20**
50. STUDENT'S CONTRIBUTION FROM ASSETS	=	

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

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

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

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

REGULAR WORKSHEET Page 3 **A**

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

Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	**4,860**
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 #74)	÷	
B6. Alternate parents' contribution for student (line B4 divided by line B5)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	−	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	**12**
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
B14. Parents' contribution for MORE than nine-month enrollment	=	

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

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

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

REGULAR WORKSHEET Page 4 **A**

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

2015–2016 EFC FORMULA A : DEPENDENT STUDENT

SIMPLIFIED WORKSHEET Page 1 **A**

PARENTS' INCOME IN 2014	
1. Parents' Adjusted Gross Income (FAFSA/SAR #85) If negative, enter zero.	
2. a. Parent 1 (father/mother/stepparent) income earned from work (FAFSA/SAR #88) _____	
2. b. Parent 2 (father/mother/stepparent) income earned from work (FAFSA/SAR #89) + _____	
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 #94a. through 94i.) +	
5. Taxable and untaxed income (sum of line 3 and line 4) =	
6. Total additional financial information (sum total of FAFSA/SAR #93a. through 93f.) –	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST PARENTS' INCOME	
8. 2014 U.S. income tax paid (FAFSA/SAR #86) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table A1) If negative, enter zero. +	
10. Parent 1 (father/mother/stepparent) Social Security tax allowance (Table A2) +	
11. Parent 2 (father/mother/stepparent) Social Security tax allowance (Table A2) +	
12. Income protection allowance (Table A3) +	
13. Employment expense allowance: • Two working parents (Parents' Marital Status is "married" or "unmarried and both parents living together"): 35% of the lesser of the earned incomes, or $4,000, whichever is less • One-parent families: 35% of earned income, or $4,000, whichever is less • Two-parent families, one working parent: enter zero +	
14. TOTAL ALLOWANCES =	

*STOP HERE if the following are true:

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

- The parents are eligible to file a 2014 IRS Form 1040A or 1040EZ (they are not required to file a 2014 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 2013 or 2014 from any of the designated means-tested federal benefit programs **or**
- Either of the parents is a dislocated worker.

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

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

PARENTS' CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #90)	
17. Net worth of investments** (FAFSA/SAR #91) If negative, enter zero.	
18. Net worth of business and/or investment farm (FAFSA/SAR #92) 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 2015–2016 (Exclude parents) (FAFSA/SAR #74) ÷	
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 <u>not</u> complete the shaded areas; asset information is not required in the simplified formula.

continued on the next page

SIMPLIFIED WORKSHEET Page 2 **A**

STUDENT'S INCOME IN 2014		
29. Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
30. Income earned from work (FAFSA/SAR #39)		
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 #45a. through 45j.)	+	
33. Taxable and untaxed income (sum of line 31 and line 32)	=	
34. Total additional financial information (Total of FAFSA/SAR #44a. through 44f.)	–	
35. TOTAL INCOME (line 33 minus line 34) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT INCOME		
36. 2014 U.S. income tax paid (FAFSA/SAR #37) (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	+	**6,310**
40. Allowance for parents' negative Adjusted Available Income (If line 25 is negative, enter line 25 as a positive number in line 40. If line 25 is zero or positive, enter zero in line 40.)	+	
41. TOTAL ALLOWANCES	=	

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

STUDENT'S CONTRIBUTION FROM ASSETS		
45. Cash, savings & checking (FAFSA/SAR #41)		
46. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero.	+	
47. Net worth of business and/or investment farm (FAFSA/SAR #43) If negative, enter zero.	+	
48. Net worth (sum of lines 45 through 47)	=	
49. Assessment rate	×	
50. STUDENT'S CONTRIBUTION FROM ASSETS	=	

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

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

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

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

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

SIMPLIFIED WORKSHEET Page 3 **A**

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

Calculation of Parents' Contribution for a Student Enrolled MORE than Nine Months		
B1. Parents' Adjusted Available Income (AAI) (from line 25—may be a negative number)		
B2. Difference between the income protection allowance for a family of four and a family of five, with one in college	+	**4,860**
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 #74)	÷	
B6. Alternate parents' contribution for student (line B4 divided by line B5)	=	
B7. Standard parents' contribution for the student for nine-month enrollment (from line 28)	−	
B8. Difference (line B6 minus line B7)	=	
B9. Divide line B8 by 12 months	÷	**12**
B10. Parents' contribution per month	=	
B11. Number of months student will be enrolled that exceed 9	×	
B12. Adjustment to parents' contribution for months that exceed nine (multiply line B10 by line B11)	=	
B13. Standard parents' contribution for nine-month enrollment (from line 28)	+	
B14. Parents' contribution for MORE than nine-month enrollment	=	

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

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

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

SIMPLIFIED WORKSHEET Page 4 **A**

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

Table A1: State and Other Tax Allowance

for EFC Formula A Worksheet (parents only)

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

Multiply Parents' Total Income (EFC Formula A Worksheet, line 7) by the appropriate rate from the table above to get the "State and Other Tax Allowance" (EFC Formula A Worksheet, line 9). Use the parents' State of Legal Residence (FAFSA/SAR #70). 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 – $117,000	7.65% of income
$117,001 or greater	$8,950.50 + 1.45% of amount over $117,000

*Parent 1 (father/mother/stepparent) 2014 income earned from work is FAFSA/SAR #88.
Parent 2 (father/mother/stepparent) 2014 income earned from work is FAFSA/SAR #89.
Student's 2014 income earned from work is FAFSA/SAR #39.
Social Security tax will never be less than zero.

Table A3: Income Protection Allowance

Number in parents' household, including student (FAFSA/SAR #73)	Number of college students in household (FAFSA/SAR #74)				
	1	2	3	4	5
2	$17,580	$14,570	———	———	———
3	21,890	18,900	$15,890	———	———
4	27,040	24,030	21,040	$18,030	———
5	31,900	28,890	25,900	22,890	$19,900
6	37,310	34,310	31,310	28,310	25,320

Note: For each additional family member, add $4,210.
For each additional college student (except parents), subtract $2,990.

Table A4: Business/Farm Net Worth Adjustment
for EFC Formula A Worksheet (parents only)

If the net worth of a business or farm is—	Then the adjusted net worth is—			
Less than $1	$0			
$1 to $125,000	40% of net worth of business/farm			
$125,001 to $375,000	$ 50,000	+	50%	of net worth over $125,000
$375,001 to $625,000	$175,000	+	60%	of net worth over $375,000
$625,001 or more	$325,000	+	100%	of net worth over $625,000

Table A5: Parents' Education Savings and Asset Protection Allowance

for EFC Formula A Worksheet (parents only)

*Age of older parent as of 12/31/2015**	Allowance if there are two parents**	Allowance if there is only one parent	*Age of older parent as of 12/31/2015**	Allowance if there are two parents**	Allowance if there is only one parent
25 or less	$0	$0	45	$28,200	$7,500
26	1,700	500	46	28,800	7,700
27	3,300	900	47	29,500	7,900
28	5,000	1,400	48	30,300	8,100
29	6,700	1,800	49	31,100	8,300
30	8,400	2,300	50	31,800	8,500
31	10,000	2,700	51	32,700	8,700
32	11,700	3,200	52	33,500	8,900
33	13,400	3,600	53	34,400	9,100
34	15,100	4,100	54	35,400	9,300
35	16,700	4,500	55	36,300	9,500
36	18,400	5,000	56	37,300	9,800
37	20,100	5,400	57	38,300	10,000
38	21,800	5,900	58	39,400	10,200
39	23,400	6,300	59	40,500	10,500
40	25,100	6,800	60	41,700	10,800
41	25,600	6,900	61	42,900	11,000
42	26,200	7,100	62	44,100	11,300
43	26,900	7,200	63	45,400	11,600
44	27,500	7,400	64	46,700	11,900
			65 or over	48,100	12,300

*Determine the age of the older parent listed in FAFSA/SAR #64 and #68 as of 12/31/2015. If no parent date of birth is provided, use age 45.

**Use the two parent allowance when the Parents' Marital Status listed in FAFSA/SAR #59 is "married or remarried" or "unmarried and both parents living together."

Table A6: Parents' Contribution from AAI

If parents' AAI is—	**The parents' contribution from AAI is—**
Less than -$3,409	-$750
-$3,409 to $15,700	22% of AAI
$15,701 to $19,700	$3,454 + 25% of AAI over $15,700
$19,701 to $23,700	$4,454 + 29% of AAI over $19,700
$23,701 to $27,700	$5,614 + 34% of AAI over $23,700
$27,701 to $31,700	$6,974 + 40% of AAI over $27,700
$31,701 or more	$8,574 + 47% of AAI over $31,700

Table A7: State and Other Tax Allowance

for EFC Formula A Worksheet (student only)

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

Multiply the student's total income (EFC Formula A Worksheet, line 35) by the appropriate rate from the table above to get the "state and other tax allowance" (EFC Formula A Worksheet, 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 #70). If all three items are blank or invalid, use the rate for a blank or invalid state above.

2015–2016 EFC FORMULA B: INDEPENDENT STUDENT Without Dependent(s) Other than a Spouse

REGULAR WORKSHEET Page 1 **B**

STUDENT/SPOUSE INCOME IN 2014		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
2. a. Student's income earned from work (FAFSA/SAR #39) _____		
2. b. Spouse's income earned from work (FAFSA/SAR #40) + _____		
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 #45a. through 45j.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.)	–	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 2014 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table B1) If negative, enter zero.	+	
10. Student's Social Security tax (Table B2)	+	
11. Spouse's Social Security tax (Table B2)	+	
12. Income protection allowance: • $9,810 for single, separated or divorced/widowed student; • $9,810 for married student if spouse is enrolled at least 1/2 time; • $15,720 for married student if spouse is not enrolled at least 1/2 time.	+	
13. Employment expense allowance: • If student is not married or is separated, the allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or $4,000, whichever is less.	+	
14. TOTAL ALLOWANCES	=	

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

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
18. Cash, savings & checking (FAFSA/SAR #41)		
19. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero.		
20. Net worth of business and/or investment farm (FAFSA/SAR #43) 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 2015–2016 (FAFSA/SAR #96)	÷	
29. EXPECTED FAMILY CONTRIBUTION for nine month enrollment. If negative, enter zero.**	=	

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

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

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

REGULAR WORKSHEET Page 2 **B**

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

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

2015–2016 EFC FORMULA B : INDEPENDENT STUDENT
Without Dependent(s) Other than a Spouse

SIMPLIFIED WORKSHEET Page 1 **B**

STUDENT/SPOUSE INCOME IN 2014		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
2. a. Student's income earned from work (FAFSA/SAR #39)	_____	
2. b. Spouse's income earned from work (FAFSA/SAR #40)	+ _____	
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 #45a. through 45j.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.)		
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 2014 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table B1) If negative, enter zero.	+	
10. Student's Social Security tax (Table B2)	+	
11. Spouse's Social Security tax (Table B2)	+	
12. Income protection allowance: • $9,810 for single, separated or divorced/widowed student; • $9,810 for married student if spouse is enrolled at least 1/2 time; • $15,720 for married student if only the student is enrolled at least 1/2 time.	+	
13. Employment expense allowance: • If student is not married or is separated, the allowance is zero. • If student is married but only one person is working (the student or spouse), the allowance is zero. • If student is married and both student and spouse are working, the allowance is 35% of the lesser of the earned incomes, or $4,000, whichever is less.	+	
14. TOTAL ALLOWANCES	=	

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

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
18. Cash, savings & checking (FAFSA/SAR #41)		
19. Net worth of investments* (FAFSA/SAR #42) If negative, enter zero.		
20. Net worth of business and/or investment farm (FAFSA/SAR #43) 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 2015–2016 (FAFSA/SAR #96)	÷	
29. EXPECTED FAMILY CONTRIBUTION for nine-month enrollment. If negative, enter zero.**	=	

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

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

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

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

SIMPLIFIED WORKSHEET Page 2 **B**

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

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

Table B1: State and Other Tax Allowance

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

Multiply the total income of student and spouse (EFC Formula B Worksheet, line 7) by the appropriate rate from the table above to get the "state and other tax allowance" (EFC Formula B Worksheet, 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 – $117,000	7.65% of income
$117,001 or greater	$8,950.50 + 1.45% of amount over $117,000

*Student's 2014 income earned from work is FAFSA/SAR #39.
Spouse's 2014 income earned from work is FAFSA/SAR #40.
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 $125,000	40% of net worth of business/farm			
$125,001 to $375,000	$ 50,000	+	50%	of net worth over $125,000
$375,001 to $625,000	$175,000	+	60%	of net worth over $375,000
$625,001 or more	$325,000	+	100%	of net worth over $625,000

Table B4: Asset Protection Allowance

*Age of student as of 12/31/2015**	Allowance for— Married Student	Allowance for— Unmarried Student	*Age of student as of 12/31/2015**	Allowance for— Married Student	Allowance for— Unmarried Student
25 or less	$0	$0	45	$28,200	$7,500
26	1,700	500	46	28,800	7,700
27	3,300	900	47	29,500	7,900
28	5,000	1,400	48	30,300	8,100
29	6,700	1,800	49	31,100	8,300
30	8,400	2,300	50	31,800	8,500
31	10,000	2,700	51	32,700	8,700
32	11,700	3,200	52	33,500	8,900
33	13,400	3,600	53	34,400	9,100
34	15,100	4,100	54	35,400	9,300
35	16,700	4,500	55	36,300	9,500
36	18,400	5,000	56	37,300	9,800
37	20,100	5,400	57	38,300	10,000
38	21,800	5,900	58	39,400	10,200
39	23,400	6,300	59	40,500	10,500
40	25,100	6,800	60	41,700	10,800
41	25,600	6,900	61	42,900	11,000
42	26,200	7,100	62	44,100	11,300
43	26,900	7,200	63	45,400	11,600
44	27,500	7,400	64	46,700	11,900
			65 or over	48,100	12,300

*Determine student's age as of 12/31/2015 from student's date of birth (FAFSA/SAR #9)

2015–2016 EFC FORMULA C: INDEPENDENT STUDENT With Dependent(s) Other than a Spouse

REGULAR WORKSHEET Page 1 **C**

STUDENT/SPOUSE INCOME IN 2014		
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.		
2. a. Student's income earned from work (FAFSA/SAR #39)	_____	
2. b. Spouse's income earned from work (FAFSA/SAR #40)	+ _____	
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 #45a. through 45j.)	+	
5. Taxable and untaxed income (sum of line 3 and line 4)		
6. Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.)		
7. TOTAL INCOME (line 5 minus line 6) May be a negative number.	=	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME		
8. 2014 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.		
9. State and other tax allowance (Table C1) If negative, enter zero.	+	
10. Student's Social Security tax (Table C2)	+	
11. Spouse's Social Security tax (Table C2)	+	
12. Income protection allowance (Table C3)	+	
13. Employment expense allowance:		
• Student and spouse both working: 35% of the lesser of the earned incomes, or $4,000, whichever is less		
• One-parent families: 35% of earned income, or $4,000, whichever is less		
• Student or spouse working (not both): zero	+	
14. TOTAL ALLOWANCES	=	

*STOP HERE if the following are true:

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

- The student (and the student's spouse, if any) are eligible to file a 2014 IRS Form 1040A or 1040EZ (they are not required to file a 2014 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 2013 or 2014 from any of the designated means-tested federal benefit programs **or**
- The student (or the student's spouse, if any) is a dislocated worker.

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

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

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS		
16. Cash, savings & checking (FAFSA/SAR #41)		
17. Net worth of investments** (FAFSA/SAR #42) If negative, enter zero.		
18. Net worth of business and/or investment farm (FAFSA/SAR #43) 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 2015–2016 (FAFSA/SAR #96)	÷	
28. EXPECTED FAMILY CONTRIBUTION for nine month enrollment. If negative, enter zero.***		

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

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

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

REGULAR WORKSHEET Page 2 **C**

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

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

2015–2016 EFC FORMULA C: INDEPENDENT STUDENT
With Dependent(s) Other than a Spouse

SIMPLIFIED WORKSHEET Page 1 **C**

STUDENT/SPOUSE INCOME IN 2014	
1. Student's and spouse's Adjusted Gross Income (FAFSA/SAR #36) If negative, enter zero.	
2. a. Student's income earned from work (FAFSA/SAR #39) _____	
2. b. Spouse's income earned from work (FAFSA/SAR #40) + _____	
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 #45a. through 45j.) +	
5. Taxable and untaxed income (sum of line 3 and line 4)	
6. Total additional financial information (sum total of FAFSA/SAR #44a. through 44f.)	
7. TOTAL INCOME (line 5 minus line 6) May be a negative number. =	

ALLOWANCES AGAINST STUDENT/SPOUSE INCOME	
8. 2014 U.S. income tax paid (FAFSA/SAR #37) (tax filers only) If negative, enter zero.	
9. State and other tax allowance (Table C1) If negative, enter zero. +	
10. Student's Social Security tax (Table C2) +	
11. Spouse's Social Security tax (Table C2) +	
12. Income protection allowance (Table C3) +	
13. Employment expense allowance: • Student and spouse both working: 35% of the lesser of the earned incomes, or $4,000, whichever is less • One-parent families: 35% of earned income, or $4,000, whichever is less	
• Student or spouse working (not both): zero +	
14. TOTAL ALLOWANCES =	

*STOP HERE if the following are true:

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

- The student (and the student's spouse, if any) are eligible to file a 2014 IRS Form 1040A or 1040EZ (they are not required to file a 2014 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 2013 or 2014 from any of the designated means-tested federal benefit programs **or**
- The student (or the student's spouse, if any) is a dislocated worker.

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

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

STUDENT'S/SPOUSE'S CONTRIBUTION FROM ASSETS	
16. Cash, savings & checking (FAFSA/SAR #41)	
17. Net worth of investments** (FAFSA/SAR #42) If negative, enter zero.	
18. Net worth of business and/or investment farm (FAFSA/SAR #43) 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 2015–2016 (FAFSA/SAR #96) ÷	
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.*

SIMPLIFIED WORKSHEET Page 2 **C**

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

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

Table C1: State and Other Tax Allowance

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

Multiply the total income of student and spouse (EFC Formula C Worksheet, line 7) by the appropriate rate from the table above to get the "state and other tax allowance" (EFC Formula C Worksheet, 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 – $117,000	7.65% of income
$117,001 or greater	$8,950.50 + 1.45% of amount over $117,000

*Student's 2014 income earned from work is FAFSA/SAR #39.
Spouse's 2014 income earned from work is FAFSA/SAR #40.
Social Security tax will never be less than zero.

Table C3: Income Protection Allowance

Number in student's household, including student (FAFSA/SAR #95)	Number of college students in household (FAFSA/SAR #96)				
	1	2	3	4	5
2	$24,840	$20,590	———	———	———
3	30,920	26,700	$22,450	———	———
4	38,180	33,950	29,720	$25,470	———
5	45,060	40,800	36,570	32,340	$28,110
6	52,690	48,450	44,240	39,970	35,760

Note: For each additional family member, add $5,950.
For each additional college student, subtract $4,230.

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 $125,000	40% of net worth of business/farm			
$125,001 to $375,000	$ 50,000	+	50%	of net worth over $125,000
$375,001 to $625,000	$175,000	+	60%	of net worth over $375,000
$625,001 or more	$325,000	+	100%	of net worth over $625,000

Table C5: Asset Protection Allowance

*Age of student as of 12/31/2015**	Allowance for Married Student	Allowance for Unmarried Student	*Age of student as of 12/31/2015**	Allowance for Married Student	Allowance for Unmarried Student
25 or less	$0	$0	45	$28,200	$7,500
26	1,700	500	46	28,800	7,700
27	3,300	900	47	29,500	7,900
28	5,000	1,400	48	30,300	8,100
29	6,700	1,800	49	31,100	8,300
30	8,400	2,300	50	31,800	8,500
31	10,000	2,700	51	32,700	8,700
32	11,700	3,200	52	33,500	8,900
33	13,400	3,600	53	34,400	9,100
34	15,100	4,100	54	35,400	9,300
35	16,700	4,500	55	36,300	9,500
36	18,400	5,000	56	37,300	9,800
37	20,100	5,400	57	38,300	10,000
38	21,800	5,900	58	39,400	10,200
39	23,400	6,300	59	40,500	10,500
40	25,100	6,800	60	41,700	10,800
41	25,600	6,900	61	42,900	11,000
42	26,200	7,100	62	44,100	11,300
43	26,900	7,200	63	45,400	11,600
44	27,500	7,400	64	46,700	11,900
			65 or over	48,100	12,300

*Determine the student's age as of 12/31/2015 from the student's date of birth (FAFSA/SAR #9)

Table C6: Student's Contribution from AAI

If student's AAI is—	**The student's contribution from AAI is—**
Less than -$3,409	-$750
-$3,409 to $15,700	22% of AAI
$15,701 to $19,700	$3,454 + 25% of AAI over $15,700
$19,701 to $23,700	$4,454 + 29% of AAI over $19,700
$23,701 to $27,700	$5,614 + 34% of AAI over $23,700
$27,701 to $31,700	$6,974 + 40% of AAI over $27,700
$31,701 or more	$8,574 + 47% of AAI over $31,700

Verification, Updates, and Corrections

CHAPTER 4

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

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

Verification regulations
34 CFR 668.51–61

Definitions
34 CFR 668.52

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

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

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

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.

Policies and procedures
34 CFR 668.53

Verification items for 2015–2016
34 CFR 668.56
See the June 25, 2014, *Federal Register*
- Adjusted gross income (AGI)
- U.S. income tax paid
- Education credits
- Untaxed IRA distributions
- Untaxed pensions
- IRA deductions and payments
- Tax-exempt interest
- Other untaxed income
- Income earned from work
- Household size
- Number in college
- Supplemental Nutrition Assistance Program (SNAP) benefits
- Child support paid
- High school completion status
- Identity/statement of educational purpose

Verification questions/answers
The Department has a list of questions and answers about verification online. See **http://www2.ed.gov/policy/highered/reg/hearulemaking/2009/verification.html**.

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. A verification tracking flag will be set on the applicant's Institutional Student Information Record (ISIR) to indicate placement in one of the 2015–2016 verification tracking groups.

In some cases you, not the CPS, will select a student for verification. You must verify any information you have reason to believe is incorrect on any application. At your discretion, you may require a student to verify any FAFSA information and to provide any reasonable documentation in accordance with consistently applied school policies. In either situation you may, but are not required to, include any of the 2015–2016 CPS verification items not already included. Even if you don't do that, students with these applications are considered selected for verification and, as with CPS-selected applications, all other verification requirements, such as deadlines, allowable tolerances, and interim disbursement rules, apply.

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 2015–2016 edition should be available in July 2015.

Verification tracking groups

Students who are selected for verification will be placed in one of the following groups to determine which FAFSA information must be verified.

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

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

- number in college
- Supplemental Nutrition Assistance Program (SNAP) benefits
- child support paid

Students who are not tax filers must verify the following:

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

V2—Reserved for future use by the Department.

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

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

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

V6—Household Resources Group. Students must verify the items in the Standard Verification Group as well as certain other untaxed income on the 2015–2016 FAFSA:

- payments to tax-deferred pension and retirement savings plans (Questions 45a and 94a)
- child support received (Questions 45c and 94c)
- housing, food, and other living allowances paid to members of the military, clergy, and others (Questions 45g and 94g)
- veterans' noneducation benefits (Questions 45h and 94h)
- other untaxed income (Questions 45i and 94i)
- money received or paid on the applicant's behalf (Question 45j)
- resources or benefits not appearing on the FAFSA, such as in-kind support from a relative or a government agency.

Reporting results for groups V4 and V5

You must report the verification results of identity and high school completion status for any student for whom you receive an ISIR with tracking flag V4 or V5—as selected by the CPS, not your school—and request verification documentation. You report this information on the FAA Access to CPS Online website: select the Identity Verification Results option from the main menu, enter your school identifiers, the year, and the student identifiers. You will then enter one of the following numeric codes that most applies:

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

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.

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

Verification exclusions
34 CFR 668.54(b)

1—verification completed in person, no issues found

2—verification completed using notary, no issues found

3—verification attempted, issues found with identity

4—verification attempted, issues found with HS completion

5—no response from applicant or unable to locate

If issues were found with both identity and high school completion status, use code 3. See the 11/13/13 and 11/6/14 electronic announcements for more information.

Because the FAA Access website does not store a list of these verification results for you to retrieve, we recommend you print and keep the confirmation page for your records. If there is a change in a result you have already submitted, you can submit the new code using the above process. Instead of using this individual method, you can submit verification results by uploading a flat file with the data for up to 2,000 students.

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.

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.

Acceptable documentation
The documentation required for verification of 2015–2016 application data is in the *Federal Register* published on June 25, 2014. See DCL GEN-14-11 and the electronic announcement on November 24, 2014, for guidance about verifiable information for 2015–2016.

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

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

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

AGI and income tax documentation
34 CFR 668.57(a)

DRT items
The following items are imported from IRS forms 1040, 1040A, and 1040EZ to a student's FAFSA via the DRT:
- type of tax return filed
- filing status
- adjusted gross income
- taxes paid
- income earned from work
- exemptions

In addition, the following are also imported from the 1040 and 1040A forms but not the 1040EZ:
- education credits
- IRA deductions
- tax-exempt interest income
- untaxed IRA distributions
- untaxed pensions

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 suggested text developed by the Department, which you can use to create an institutional verification document if you choose and to verify non-tax items, such as household size and number in college. An example of such a document is at the end of the chapter. The text and sample document are also available on the IFAP website at **www.ifap.ed.gov**.

Line items from the 2014 tax return

	1040	*1040A*	*1040EZ*
AGI	37	21	4
Income Tax Paid	56	39	10
Deductible IRA/SEP	28 plus 32	17	
Tax-exempt Interest Income	8b	8b	
Untaxed Portions of IRAs and Pensions (excluding rollovers)	15a minus 15b and 16a minus 16b	11a minus 11b and 12a minus 12b	

Requesting a tax transcript

There are a few ways to request a tax return transcript: online at **www.irs.gov**, by calling 1-800-908-9946, by using the IRS2Go mobile app, 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-13-16 on **www.ifap.ed.gov** for specific instructions. To order a fiscal year tax transcript for verification, Form 4506-T must be used rather than Form 4506T-EZ.

Phone requests are via an automated process instead of an IRS representative. With online requests tax filers can get the transcript in real time as a Portable Document Format (PDF) file, which they can submit electronically to the school or print and submit as a hard copy. There is the online option of having the IRS mail a paper transcript, which is how non-online requests are handled. Only filers who submit a paper 4506-T or 4506T-EZ can choose to have the transcript mailed to a third party. See Appendix E in the electronic announcement posted on November 24, 2014.

Using third parties to get transcripts

The IRS has developed a special Income Verification Express Service (IVES) that allows a third party to receive a tax filer's transcript. The IVES participant submits a 4506-T or 4506T-EZ form, signed by the tax filer, and receives the transcript from the IRS, which charges a small fee for this service. Schools may use a transcript from an IVES participant (which is not considered a third-party servicer in this instance) for verification as long as they have no reason to question its authenticity. Schools may not, however, pass on the charge for using this service to the student. See GEN-14-05 for more information.

If you use a verification document, be sure that it is signed, that all required sections are completed, and that any 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). In the limited circumstances when a tax return copy is acceptable, if it is unsigned the filer (or at least one of the filers of a joint return) must sign it.

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.

AGI, taxes paid, and other tax data

As already noted, the importation of IRS tax data via the DRT is the best way to document that information. Students and parents do this either when initially filling out the FAFSA on the Web (FOTW) application or later as a correction. For the retrieved data to be acceptable documentation of tax data, it is necessary that neither students nor parents change the data after it is transferred from the IRS—if the data was changed or if you have reason to believe the data transferred is incorrect, the student will need to provide a return transcript as explained below. The IRS request field(s) on the ISIR will have a value of "02" when the data is unchanged.

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

- The person did not indicate on the FAFSA that the tax return has been completed.
- The marriage date is January 2015 or later.
- The first three digits of the SSN are 666.
- The tax return was amended.
- The person filed a non-U.S. 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 unless you have reason to doubt their authenticity.

Special tax situations

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

- **Filers of joint returns who are no longer married.** When dependent students' parents filed a joint return and have separated, divorced, married someone else, or been widowed, the students must submit an IRS tax transcript and a copy of each W-2 form for the parent whose tax information is on the FAFSA. Similarly, an independent student must submit a tax transcript and a copy of each of her W-2 forms if she filed a joint return and is separated, divorced, or a widow.

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

  Financial aid professionals are not expected to have special knowledge or expertise regarding the U.S. tax code. If someone whose data are 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, you must require her to submit a "Verification of Nonfiling Letter" from the IRS that she did not file a 2014 IRS income tax return. She can obtain this by using the "Get Transcript Online" tool at **www.irs.gov/Individuals/Get-Transcript** or by submitting IRS Form 4506-T and checking box 7. Note that verification of nonfiling is not an indication that the person is not required to file a return, just that she did not file one. Also, the IRS will generally not issue a Verification of Nonfiling Letter for the 2014 tax year until after June 15, 2015. However, because there are limited circumstances when they will provide the letter before that date, for purposes of verification, a letter for 2014 must be dated on or after June 15, 2015.

- **For filers of non-IRS tax returns,** you may accept a transcript obtained from a government of a U.S. territory or commonwealth or a foreign nation that includes all of the tax filer's income and tax information required to be verified for tax year 2014. If a transcript is not available, you may accept instead a copy of the tax return, which must

If a W-2 is not available

If an individual who is required to submit an IRS Form W–2 did not save a copy, she should request a replacement W-2 from the employer who issued the original.

If she is unable to obtain one in a timely manner, you may permit her to provide a signed statement that includes the amount of income earned from work, the source of that income, and the reason why the W–2 is not available in a timely manner.

Rollovers and verification

Qualified rollovers from one retirement account to another are not taxable, and they should not be counted as untaxed income (as indicated in *Chapter 2*). Since neither the DRT nor a tax transcript identifies rollovers, you must obtain documentation from the tax filer indicating any qualified rollover amounts that are excluded from the FAFSA. This could be a signed statement or a notation by the filer on the tax transcript that includes the word "rollover" beside any applicable item, similar to the instruction the IRS gives for Forms 1040 and 1040A. The annotation must be signed and dated by the filer. For more information, see Question VI-Q4 on the webpage given in the page 76 margin.

"Per computer" amounts

We have noted in a Q and A on the website cited in the margin of page 76 that the tax return transcript may show a per computer amount for some tax data that is different from what the filer reported to the IRS. The per computer amount should be used because it corrects mathematic errors and is more accurate than what appears on the return or was transferred via the DRT. This guidance still holds, but because the DRT reports per computer values for AGI, income tax paid, and education tax credits, there should not be many discrepancies between DRT data and the transcript.

be signed by the filer or one of the filers of a joint return. Use the income and tax information that most closely corresponds to the information on the IRS tax return, and convert monetary amounts into U.S. dollars as appropriate.

- **Filers of amended returns.** Students or parents who file an amended return (IRS Form 1040X) 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 1040X form 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.

- **Victims of identity theft** who cannot get a return transcript or use the DRT must call the IRS's Identity Protection Specialized Unit (IPSU) toll-free number at 800-908-4490. After the IPSU authenticates the tax filer's identity, she can ask the IRS to mail her an alternate paper tax return transcript known as the TRDBV (Transcript DataBase View) that will look different than a regular transcript but that is official and can be used for verification. Unless you doubt the TRDBV's authenticity, you don't need to get an IRS signature or stamp or any other validation. See DCL GEN-14-05 for a sample TRDBV.

- **Using a tax return to complete verification.** When the DRT and return transcript are not available and you must use a tax return for verification, it will likely have been filed electronically with one of a variety of methods. These include do-it-yourself methods as well as completion by a tax preparer. Each method should permit printing of a paper copy of the return, though 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.

  You can also 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.

Immigrants and tax filing

Immigrants are not exempt from tax filing. The IRS is more concerned whether a person is a resident or nonresident—rather than legal or illegal—alien. An alien is anyone who is not a U.S. citizen or national. A resident alien is one who either is a permanent resident or has resided in the U.S. for a specific minimum amount of time (has met the substantial presence test). All others are nonresident aliens. Resident aliens' income is generally subject to tax in the same manner as U.S. citizens', and they file Forms 1040, 1040A, or 1040EZ. Nonresident aliens who are required to file a return submit Form 1040NR or 1040NR-EZ; both forms are acceptable documentation for verification.

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. It is not to be used as an identifier in place of the SSN on the FAFSA.

See the IRS's *Publication 519, U.S. Tax Guide for Aliens* at **www.irs.gov** for more information.

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.

Using a joint return to figure individual AGI and taxes paid

If the filer of a joint return has become widowed, divorced, or separated since filing the return, it may be necessary to determine the individual's income and taxes paid using the joint return and W-2 forms. If a W-2 is not available (the filer is self-employed for example) or if a duplicate copy from the employer who issued the original W–2 is not available in a timely manner, the school may permit the filer to provide a signed statement that certifies the base year AGI and U.S. taxes paid. If he has divorced and married someone new (see the margin note on page 87 if this occurred after completion of the application), then the new spouse's income and assets would also need to be included.

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

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

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

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

Example 1: Calculating individual AGI from joint return example

Eddy's application is selected for verification. He and his wife filed a joint return for 2014 and have since separated. The AGI on Eddy's FAFSA matches the AGI of $48,000 on the 2014 tax return, which means it's wrong because it includes his wife's income.

Eddy's W-2 shows that his income for 2014 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 2014. Eddy's nephew still lives with him. Therefore, Eddy would have had two exemptions (himself and his nephew), totaling $7,800. In the new situation, Eddy's filing status is "head of household" instead of "married." Therefore, his standard deduction is $8,950 (instead of the $12,200 for married filers). Eddy's income of $20,000 minus the $7,800 for exemptions and the $8,950 standard deduction results in $3,250 in taxable income.

The aid administrator uses the tax table to determine how much tax Eddy would have paid on this amount, taking into account any applicable credits reported on the original return. With a taxable income of $3,250, the amount of tax paid from the tax schedule would be $328.

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 ($1,141 for this example) by this percentage. Therefore, Eddy's income tax paid would be $479 (.42 x $1,141).

Household size documentation
34 CFR 668.57(b)

If a person did not retain a copy of her 2014 tax information and it cannot be located by the IRS or the relevant government agency, you must accept for an IRS filer either a copy of Form W–2 for each source of employment income received for 2014 or, if she is self-employed, a signed statement certifying the amount of AGI and taxes paid. For those who filed an income tax return with a government of a U.S. territory or commonwealth or a foreign central government, accept a copy of a wage and tax statement or a signed statement certifying the amount of AGI and taxes paid for 2014.

Other untaxed income

As already mentioned, other untaxed income will be verified for students selected for the Household Resources Group (tracking flag V6). In most cases you can verify these items by obtaining a statement giving the sources and amounts of income and signed by the student and, if appropriate, one parent. The suggested verification text at the end of the chapter meets this requirement. Also get a copy of each W-2 form for these sources.* If you determine that the total of the other untaxed income and all other sources of income does not appear to be sufficient to support the number of household members reported, the student and, if appropriate, his parents or spouse must explain how the family was financially supported during the 2014 calendar year. Your financial aid office decides what is sufficient financial support and what is evidence of that, and your office must document its decision in each case.

* You must get a copy of the W-2(s) for all persons in the Household Resources Group (V6), including tax filers who used the IRS DRT or acquired a tax transcript. Get W-2s for those in the household whose financial information appears on the FAFSA. Tax filers could have other untaxed income that was not transferred via the DRT or that did not appear on a tax transcript, and W-2s are used to verify whether there was such income that should have been reported on the FAFSA and if it was reported correctly.

Use reasonable judgment when evaluating the validity of the income information provided by students and parents. We understand that these situations differ among institutions and depend on location as well as student demographics and experiences. Just as you may accept a statement from students and parents as acceptable documentation for household size and other elements, you may choose to accept a signed low-income statement, an income-to-expenses comparison, or other documentation determined by your school that clarifies how students or parents supported themselves and their families. It might show shared living arrangements that reduce costs, the receipt of welfare or veteran's educational benefits or other income not included on the FAFSA, or that there are other reasons for a low cost of living, including that the student is homeless or in poverty.

Number in college documentation
34 CFR 668.57(c)

Household size

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

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

- For a dependent student, the household size reported is two with a single, divorced, separated, or widowed parent or is three with parents who are married or are unmarried and living together.
- For an independent student, the household size reported is two if he is married or one if he is single, divorced, separated, or widowed.

Keep in mind that household size needs to align with the answers to the relevant dependency status questions, such as the one about having depen-

dents other than a spouse. If verification reveals that answers do not match, the FAFSA needs to be corrected so that they do.

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 (excluding the parents of a dependent student) who is enrolled at least half time in a degree or certificate program at an eligible college. The statement must also give the name of each college, and it can be written to document household size as well. Completion of the Department's verification suggested text can satisfy both items.

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 2013 or 2014, the student must provide a signed statement indicating receipt of the benefit. If you have reason to doubt the receipt of SNAP benefits, you must require him to obtain and give you documentation from the agency that supplied the benefit. This documentation may include, but is not limited to, an account summary, statement, or website printout that clearly verifies the SNAP benefits received and that the document was obtained through official means from the agency.

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

Unreported SNAP benefits

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

Child support paid

If the ISIR shows that the student or parent paid child support in 2014, 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) and ages of the child(ren) for whom it was paid.

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.

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

V4 and V5 reporting
As explained on pages 77 and 78, schools are required to report through FAA Access Online the outcomes of verifying high school completion status and identity/statement of educational purpose for applications with tracking flags V4 and V5.

REAL ID Act of 2005
The REAL ID Act affects people entering certain restricted areas where identification is required: federal facilities, nuclear power plants, and federally regulated commercial airplanes. Because there are currently no restrictions under the act on agencies accepting an ID that is not compliant with the act (typically one marked "not for federal identification") for other purposes, such an ID is acceptable for verification of identity/statement of educational purpose. It must be a government-issued ID that has not expired and includes the student's photo and name.

If you believe the information in that signed statement is inaccurate, the student must provide appropriate documentation, such as a statement from the person receiving the child support showing the amount provided, or other documentation that the payments were made, such as copies of the child support checks, money order receipts, or records of electronic child support payments that were made.

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

High school completion

Students must provide one of the following documents that indicate their high school completion status at the beginning of the 2015–2016 year:

- A copy of a high school diploma.
- A copy of a final, official high school transcript that shows the date when the diploma was awarded.
- A copy of a General Educational Development (GED) certificate or GED transcript that indicates the student passed the exam.
- Certification of a passing score on a test that the student's state authorizes and recognizes as the equivalent of a high school diploma. This includes tests similar to the GED, such as the High School Equivalency Test or the Test Assessing Secondary Completion. Test transcripts are acceptable documentation if they indicate that the final score is a passing score or that the student's state considers the test results to meet its high school equivalency requirements.
- A copy of the "secondary school leaving certificate" or similar document, obtained from the appropriate government agency, for students who completed secondary school in a foreign country. If your college does not have the expertise to evaluate foreign secondary school credentials or chooses not to do so, there are evaluation services available.
- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree at any participating school.
- A copy of a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent) if state law requires homeschooled students to obtain that credential.
- A transcript or the equivalent, signed by the parent or guardian of a homeschooled student, that lists the secondary school courses the student completed and documents the successful completion of a secondary school education in a homeschool setting.
- For a student who has not completed high school and is seeking enrollment in a program that leads to at least an associate degree or its equivalent, documentation from the high school that he excelled

academically and from your school that he meets your written policy for admitting such students. This should be a rare occurrence.

- The Consolidated and Further Continuing Appropriations Act, 2015, provides alternatives for students in an "eligible career pathway program" to meet the high school completion requirement. The Department is developing guidance that will appear here once released.

If your school has already received one of these documents as part of the admission process, you do not need to ask for another. In cases where documentation of high school completion is unavailable—*e.g.*, the school is closed and no information is available from another source such as the school district or state department of education, or the parent or guardian who homeschooled the student is deceased—you may accept alternative documentation to verify her high school completion status.

Identity and statement of educational purpose

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

Students must also sign a statement of educational purpose that certifies who they are and that the federal student aid they may receive will only be used for educational purposes and for the cost of attending the school for the 2015–2016 year. Unlike the other text at the end of the chapter, the text for this statement is not suggested—**you must use the exact language given** (the student's identification number is optional though if collected elsewhere on the same page as the statement). After examining the statement, you may convert it into an electronic record. You must keep that or the original for at least the required Title IV record retention period.

A student who is unable to appear at your school must go to a notary public and sign the statement of educational purpose. He must then submit to your office that statement, a certification from the notary that he appeared before her and presented a government-issued photo ID confirming his identity, and a copy of the same ID.

Online notary services
Currently the Department does not authorize the use of online notary services as an alternative to traditional, in-person notary services.

UPDATING INFORMATION

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

1. **All applicants whose dependency status changes** must update that status and the associated FAFSA information throughout the award year except when the update is caused by a change in the student's marital status.

Updating information
34 CFR 668.55

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. A school can 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)

Interim disbursements
34 CFR 668.58

2. **All applicants selected by the Department or a school for verification of household size or number in college** must update those numbers to be correct as of the date of verification unless the update is due to a change in the student's marital status.

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

Recovery of funds from interim disbursements
34 CFR 668.61

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

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

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 a selected 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 to FAFSA information

34 CFR 668.59

When there is an overaward from a regular disbursement, the following individual progam regulations apply:

Pell Grants: 34 CFR 690.80

Perkins and FSEOG: 34 CFR 673.5(f)

Subsidized DL: 34 CFR 685.303(e)

CHANGES IN A SELECTED APPLICANT'S FAFSA

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

Campus-Based and DL changes

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

Pell changes

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

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

Example: selection after disbursement

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

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 91 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/FSA ID—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/FSA ID or print out and sign a signature page.

Submitting changes via FAA Access to CPS Online or EDE

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

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

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

Using the Student Aid Report (SAR) to make corrections

Students who received a paper SAR may make corrections or updates on it, then sign and return it to the FAFSA processor at the address given at the end of the SAR (of course, students with PINs/FSA IDs 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.

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.

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, 10 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 10 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.

Failure to submit documentation
34 CFR Pell Grants 668.60(c)
34 CFR Campus-Based/DL 668.60(b)

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).

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

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*].

Late disbursements
34 CFR 668.164(g)

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

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.

Pell Grants

A student selected for verification may submit a valid SAR or a school can receive a valid ISIR after the Pell deadline but before the verification deadline published in the *Federal Register*. If a student does not provide the verification documentation or you do not receive the valid SAR or ISIR (if necessary) within this additional time, he forfeits his Pell Grant for the award year and must return any Pell money already received for that 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 2015–2016 has not been published, but the deadline is expected to be September 26, 2016, or 120 days after the last day of the student's enrollment, whichever is earlier. Campus-Based and Stafford Loan applicants must complete verification by the same deadline or by an earlier one established by your aid office.

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

Late disbursements

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

Verification status codes

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

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

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

S—The CPS selected the student for verification, but you did not verify him because he satisfied one of the exclusions described earlier in the chapter (except the post-enrollment exclusion, see below) 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 or because the student was selected by the CPS after ceasing to be enrolled at your school and all (including late) disbursements were made.

SUGGESTED VERIFICATION TEXT

We are providing suggested text for the 2015–2016 verification items that were identified in the June 25, 2014, *Federal Register* notice and in Dear Colleague Letter GEN-14-11. This suggested text fulfills verification requirements, but schools do not have to use it, except as noted below. Instead, they may develop and use their own (or someone else's) text, forms, documents, statements, and certifications that are specific to the items required to be verified for a particular student or group of students. However, schools must not affix the seal of the Department of Education to any verification documents.

The one exception is that schools must use the exact language provided in the "Statement of Educational Purpose" for students who are placed in Verification Tracking Groups V4 or V5. This does not include the accompanying notary's certificate of acknowledgment; for that the school may use some other form, such as the one its state uses.

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

For more information, including copies of the suggested text and sample institutional verification document in Microsoft Word, see the electronic announcement dated November 24, 2014, on the IFAP website.

2015-2016 Suggested Verification Text

Verification of 2014 Income Information for Student Tax Filers

Important Note: The instructions below apply to the student and spouse, if the student is married. Notify the financial aid office if the student or spouse filed separate IRS income tax returns for 2014 or had a change in marital status after December 31, 2014.

Instructions: Complete this section if the student and spouse filed or will file a 2014 IRS income tax return(s). *The best way to verify income is by using the IRS Data Retrieval Tool (IRS DRT) that is part of FAFSA on the Web at FAFSA.gov*. In most cases, no further documentation is needed to verify 2014 income information that was transferred into the student's FAFSA using the IRS DRT if that information was not changed.

Check the box that applies:

☐ The student has used the IRS DRT in *FAFSA on the Web* to transfer 2014 IRS income tax return information into the student's FAFSA.

☐ The student has not yet used the IRS DRT in *FAFSA on the Web*, but will use the tool to transfer 2014 IRS income tax return information into the student's FAFSA once the 2014 IRS income tax return has been filed.

☐ The student is unable or chooses not to use the IRS DRT in *FAFSA on the Web*, and instead will provide the school a **2014 IRS Tax Return Transcript(s)**.

A **2014 IRS Tax Return Transcript** may be obtained through the:

- Online Request - Go to www.IRS.gov, under the Tools heading on the IRS homepage, click "Get Transcript of Your Tax Records." Click "Get Transcript ONLINE" or "Get Transcript by MAIL." Make sure to request the "IRS Tax Return Transcript" and ***NOT*** the "IRS Tax Account Transcript."
- IRS2Go App –
  Apple Online Store at https://itunes.apple.com/us/app/irs2go/id414113282?mt=8
  Google Play at https://play.google.com/store/apps/details?id=gov.irs
- Telephone Request - 1-800-908-9946
- Paper Request Form - IRS Form 4506T-EZ or IRS Form 4506-T

In most cases, for electronic tax return filers, 2014 IRS income tax return information is available for the IRS DRT or the IRS Tax Return Transcript within 2–3 weeks after the 2014 electronic IRS income tax return has been accepted by the IRS. Generally, for filers of 2014 paper IRS income tax returns, the 2014 IRS income tax return information is available for the IRS DRT or the IRS Tax Return Transcript within 8–11 weeks after the 2014 paper IRS income tax return has been received by the IRS. Contact the financial aid office if more information is needed about using the IRS DRT or obtaining an IRS Tax Return Transcript.

If the student and spouse filed separate 2014 IRS income tax returns, **2014 IRS Tax Return Transcripts** must be provided for each.

____ Check here if a **2014 IRS Tax Return Transcript(s)** is provided.
____ Check here if a **2014 IRS Tax Return Transcript(s)** will be provided later.

2015-2016 Suggested Verification Text

Verification of 2014 Income Information for Parent Tax Filers

Important Note: The instructions below apply to each parent included in the household. Notify the financial aid office if the parents filed separate IRS income tax returns for 2014 or had a change in marital status after December 31, 2014.

Instructions: Complete this section if the parents filed or will file a 2014 IRS income tax return(s). *The best way to verify income is by using the IRS Data Retrieval Tool (IRS DRT) that is part of FAFSA on the Web at FAFSA.gov*. In most cases, no further documentation is needed to verify 2014 income information that was transferred into the student's FAFSA using the IRS DRT if that information was not changed.

Check the box that applies:

☐ The parents have used the IRS DRT in *FAFSA on the Web* to transfer 2014 IRS income tax return information into the student's FAFSA.

☐ The parents have not yet used the IRS DRT in *FAFSA on the Web*, but will use the tool to transfer 2014 IRS income tax return information into the student's FAFSA once the 2014 IRS income tax return has been filed.

☐ The parents are unable or choose not to use the IRS DRT in *FAFSA on the Web*, and instead will provide the school a **2014 IRS Tax Return Transcript(s)**.

A **2014 IRS Tax Return Transcript** may be obtained through the:

- Online Request - Go to www.IRS.gov, under the Tools heading on the IRS homepage, click "Get Transcript of Your Tax Records." Click "Get Transcript ONLINE" or "Get Transcript by MAIL." Make sure to request the "IRS Tax Return Transcript" and ***NOT*** the "IRS Tax Account Transcript."
- IRS2Go App –
  Apple Online Store at https://itunes.apple.com/us/app/irs2go/id414113282?mt=8
  Google Play at https://play.google.com/store/apps/details?id=gov.irs
- Telephone Request - 1-800-908-9946
- Paper Request Form - IRS Form 4506T-EZ or IRS Form 4506-T

In most cases, for electronic tax return filers, 2014 IRS income tax return information is available for the IRS DRT or the IRS Tax Return Transcript within 2–3 weeks after the 2014 electronic IRS income tax return has been accepted by the IRS. Generally, for filers of 2014 paper IRS income tax returns, the 2014 IRS income tax return information is available for the IRS DRT or the IRS Tax Return Transcript within 8–11 weeks after the 2014 paper IRS income tax return has been received by the IRS. Contact the financial aid office if more information is needed about using the IRS DRT or obtaining an IRS Tax Return Transcript.

If the parents filed separate 2014 IRS income tax returns, **2014 IRS Tax Return Transcripts** must be provided for each.

____ Check here if a **2014 IRS Tax Return Transcript(s)** is provided.
____ Check here if a **2014 IRS Tax Return Transcript(s)** will be provided later.

2015-2016 Suggested Verification Text

Verification of 2014 Income Information for Individuals with Unusual Circumstances

Individuals Granted a Filing Extension by the IRS

If an individual is required to file a 2014 IRS income tax return and has been granted a filing extension by the IRS, provide the following documents:

- A copy of IRS Form 4868, ‘‘Application for Automatic Extension of Time to File U.S. Individual Income Tax Return,’’ that was filed with the IRS for tax year 2014;
- A copy of the IRS's approval of an extension beyond the automatic six-month extension if the individual requested an additional extension of the filing time for tax year 2014; ***and***
- A copy of IRS Form W–2 for each source of employment income received for tax year 2014 and, if self-employed, a signed statement certifying the amount of the individual’s Adjusted Gross Income (AGI) and the U.S. income tax paid for tax year 2014.

Individuals Who Filed an Amended IRS Income Tax Return

If an individual filed an amended IRS income tax return for tax year 2014, provide both of the following:

- A signed copy of the original 2014 IRS income tax return that was filed with the IRS or a **2014 IRS Tax Return Transcript**; ***and***
- A signed copy of the 2014 IRS Form 1040X, “Amended U.S. Individual Income Tax Return,” that was filed with the IRS.

Individuals Who Were Victims of Tax Administration Identity Theft

- A victim of tax administration identity theft who is not able to obtain a **2014 IRS Tax Return Transcript** or use the IRS DRT must contact the IRS at 1-800-908-4490. Upon authentication of the tax filer’s identity, the IRS will provide, by U.S. Postal Service, a printout of the tax filer’s 2014 IRS income tax return information.

Individuals Who Filed Non-IRS Income Tax Returns

- An individual filed or will file a 2014 income tax return with Puerto Rico, another U.S. territory (e.g., Guam, American Samoa, the U.S. Virgin Islands, the Northern Marianas Islands), or with a foreign country, must provide:
  - A signed copy of that 2014 income tax return(s); **or**
  - A transcript obtained from a government of a U.S. territory or commonwealth, or a foreign central government that includes all of the tax filer’s income and tax information required to be verified for tax year 2014.

2015-2016 Suggested Verification Text

Verification of 2014 Income Information for Student Nontax Filers

The instructions and certifications below apply to the student and spouse, if the student is married. Complete this section if the student and spouse will not file and are not required to file a 2014 income tax return with the IRS.

Check the box that applies:

☐ The student and spouse were not employed and had no income earned from work in 2014.

☐ The student and/or spouse were employed in 2014 and have listed below the names of all employers, the amount earned from each employer in 2014, and whether an IRS W-2 form is provided. [Provide copies of all 2014 IRS W-2 forms issued to the student and spouse by their employers]. List every employer even if the employer did not issue an IRS W-2 form.

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

Employer's Name	Annual Amount Earned in 2014	IRS W-2 Provided?
ABC's Auto Body Shop (example)	*$4,500.00*	*Yes*
Total Amount of Income Earned From Work	$	

Note: We may require you to provide documentation from the IRS that indicates a 2014 IRS income tax return was not filed with the IRS.

2015-2016 Suggested Verification Text

Verification of 2014 Income Information for Parent Nontax Filers

The instructions and certifications below apply to each parent included in the household. Complete this section if the parents will not file and are not required to file a 2014 income tax return with the IRS.

Check the box that applies:

☐ Neither parent was employed, and neither had income earned from work in 2014.

☐ One or both parents were employed in 2014 and have listed below the names of all employers, the amount earned from each employer in 2014, and whether an IRS W-2 form is provided. [Provide copies of all 2014 IRS W-2 forms issued to the parents by their employers]. List every employer even if the employer did not issue an IRS W-2 form.

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

Employer's Name	Annual Amount Earned in 2014	IRS W-2 Provided?
ABC's Auto Body Shop (example)	*$4,500.00*	*Yes*
Total Amount of Income Earned From Work	$	

Note: We may require you to provide documentation from the IRS that indicates a 2014 IRS income tax return was not filed with the IRS.

2015-2016 Suggested Verification Text

Verification of Other Untaxed Income for 2014

If any item does not apply, enter "N/A" for Not Applicable where a response is requested, or enter 0 in an area where an amount is requested.

If the student was required to provide parental information on the FAFSA, answer each question below as it applies to the student and the student's parent(s) whose information is on the FAFSA.

If the student was not required to provide parental information on the FAFSA, answer each question below as it applies to the student (and the student's spouse, if married) whose information is on the FAFSA.

2014 IRS W-2 forms: Provide copies of all 2014 IRS W-2 forms issued by the employers to the dependent student and the student's parents or to the independent student and spouse, if the student is married.

To determine the correct annual amount for each item: If you paid or received the same dollar amount every month in 2014, multiply that amount by the number of months in 2014 you paid or received it. If you did not pay or receive the same amount each month in 2014, add together the amounts you paid or received each month.

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

A. Payments to tax-deferred pension and retirement savings

List any payments (direct or withheld from earnings) to tax-deferred pension and retirement savings plans (e.g., 401(k) or 403(b) plans), including, but not limited to, amounts reported on W-2 forms in Boxes 12a through 12d with codes D, E, F, G, H, and S.

Name of Person Who Made the Payment	Annual Amount Paid in 2014
Total Payments to tax-deferred pension and retirement savings	$

B. Child support received

List the actual amount of any child support received in 2014 for the children in your household.

Do not include foster care payments, adoption payments, or any amount that was court-ordered but not actually paid.

Name of Adult Who Received the Support	Name of Child For Whom Support Was Received	Annual Amount of Child Support Received in 2014
Total Amount of Child Support Received		$

Verification of Other Untaxed Income for 2014

C. Housing, food, and other living allowances paid to members of the military, clergy, and others

Include cash payments and/or the cash value of benefits received.

Do not include the value of on-base military housing or the value of a basic military allowance for housing.

Name of Recipient	Type of Benefit Received	Annual Amount of Benefits Received in 2014
Total Amount of Benefits Received		$

2015-2016 Suggested Verification Text

D. Veterans non-education benefits

List the total amount of veterans non-education benefits received in 2014. Include Disability, Death Pension, Dependency and Indemnity Compensation (DIC), and/or VA Educational Work-Study allowances.

Do not include federal veterans educational benefits such as: Post-9/11 GI Bill, Montgomery GI Bill, Dependents Education Assistance Program, VEAP Benefits

Name of Recipient	Type of Veterans Non-education Benefit	Annual Amount of Benefits Received in 2014
Total Amount of Benefits Received		$

E. Other untaxed income

List the amount of other untaxed income not reported and not excluded elsewhere on this form. Include untaxed income such as workers' compensation, disability, Black Lung Benefits, untaxed portions of health savings accounts from IRS Form 1040 Line 25, Railroad Retirement Benefits, etc.

Do not include any items reported or excluded in A – D above. In addition, do not include student aid, Earned Income Credit, Additional Child Tax Credit, Temporary Assistance to Needy Families (TANF), untaxed Social Security benefits, Supplemental Security Income (SSI), Workforce Investment Act (WIA) educational benefits, combat pay, benefits from flexible spending arrangements (e.g., cafeteria plans), foreign income exclusion, or credit for federal tax on special fuels.

Name of Recipient	Type of Other Untaxed Income	Annual Amount of Other Untaxed Income Received in 2014
Total Amount of Other Untaxed Income		$

2015-2016 Suggested Verification Text

Verification of Other Untaxed Income for 2014

F. Money received or paid on the student's behalf

List any money received or paid on the student's behalf (e.g., payment of student's bills) and not reported elsewhere on this form. Enter the total amount of cash support the student received in 2014. Include support from a parent whose information was not reported on the student's 2014–2015 FAFSA, but do not include support from a parent whose information was reported. For example, if someone is paying rent, utility bills, etc., for the student or gives cash, gift cards, etc., include the amount of that person's contributions **unless the person is the student's parent whose information is reported on the student's 2014–2015 FAFSA**. Amounts paid on the student's behalf also include any distributions to the student from a 529 plan owned by someone other than the student or the student's parents, such as grandparents, aunts, and uncles of the student.

Purpose: e.g., Cash, Rent, Books	Annual Amount Received in 2014	Source
Total Amount Received	$	

2015-2016 Suggested Verification Text

Verification of Other Untaxed Income for 2014

Additional information:

Please provide information about any other resources, benefits, and other amounts received by the student and any members of the student's household. This may include items that were not required to be reported on the FAFSA or other forms submitted to the financial aid office, and include such things as federal veterans' education benefits, military housing, SNAP, TANF, etc.

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

Name of Recipient	Type of Financial Support	Annual Amount of Financial Support Received in 2014
Total Amount of Financial Support Received		$

Comments:

_____
_____
_____
_____
_____
_____
_____
_____
_____
_____
_____

2015-2016 Suggested Verification Text

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

Number of Household Members: List below the people in the student's household. Include:

- The student.
- The student's spouse, if the student is married.
- The student's or spouse's children if the student or spouse will provide more than half of the children's support from July 1, 2015, through June 30, 2016, even if the children do not live with the student.
- Other people if they now live with the student and the student or spouse provides more than half of the other people's support and will continue to provide more than half of their support through June 30, 2016.

Number in College: Please include in the space below information about any household member who is, or will be, enrolled at least half time in a degree, diploma, or certificate program at an eligible postsecondary educational institution any time between July 1, 2015, and June 30, 2016, include the name of the college.

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

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

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

2015-2016 Suggested Verification Text

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

Number of Household Members: List below the people in the parents' household. Include:

- The student.
- The parents (including a stepparent) even if the student doesn't live with the parents.
- The parents' other children if the parents will provide more than half of the children's support from July 1, 2015, through June 30, 2016, or if the other children would be required to provide parental information if they were completing a FAFSA for 2015–2016. Include children who meet either of these standards even if the children do not live with the parents.
- Other people if they now live with the parents and the parents provide more than half of the other people's support and will continue to provide more than half of their support through June 30, 2016.

Number in College: Please include in the space below information about any household member who is**,** or will be**,** enrolled at least half time in a degree, diploma, or certificate program at an eligible postsecondary educational institution any time between July 1, 2015, and June 30, 2016, include the name of the college.

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

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

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

2015-2016 Suggested Verification Text

Receipt of SNAP Benefits
(Independent Student)

The student certifies that _____, a member of the student's household, received benefits from the Supplemental Nutrition Assistance Program (SNAP) sometime during 2013 or 2014. SNAP may be known by another name in some states. For assistance in determining the name used in a state, please call 1-800-4FED-AID (1-800-433-3243).

The student's household includes:

- The student.
- The student's spouse, if the student is married.
- The student's or spouse's children if the student or spouse will provide more than half of the children's support from July 1, 2015, through June 30, 2016, even if the children do not live with the student.
- Other people if they now live with the student and the student or spouse provides more than half of the other people's support and will continue to provide more than half of their support through June 30, 2016.

Note: If we have reason to believe that the information regarding the receipt of SNAP benefits is inaccurate, we may require documentation from the agency that issued the SNAP benefits in 2013 or 2014.

2015-2016 Suggested Verification Text

Receipt of SNAP Benefits
(Dependent Student)

The parents certify that _____, a member of the parents' household, received benefits from the Supplemental Nutrition Assistance Program (SNAP) sometime during 2013 or 2014. SNAP may be known by another name in some states. For assistance in determining the name used in a state, please call 1-800-4FED-AID (1-800-433-3243).

The parents' household includes:

- The student.
- The parents (including a stepparent) even if the student doesn't live with the parents.
- The parents' other children if the parents will provide more than half of the children's support from July 1, 2015, through June 30, 2016, or if the other children would be required to provide parental information if they were completing a FAFSA for 2015–2016. Include children who meet either of these standards even if the children do not live with the parents.
- Other people if they now live with the parents and the parents provide more than half of the other people's support and will continue to provide more than half of their support through June 30, 2016.

Note: If we have reason to believe that the information regarding the receipt of SNAP benefits is inaccurate, we may require documentation from the agency that issued the SNAP benefits in 2013 or 2014.

2015-2016 Suggested Verification Text

Child Support Paid
(Independent Student)

If the student and/or spouse, who is a member of the student's household, paid child support in 2014, provide in the space below the names of the persons who paid the child support, the names of the persons to whom the child support was paid, the names and ages of the children for whom the child support was paid, and the total annual amount of child support that was paid in 2014 for each child.

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

Name of Person Who Paid Child Support	Name of Person to Whom Child Support was Paid	Name and Age of Child for Whom Support Was Paid	Annual Amount of Child Support Paid in 2014
		Total Amount of Child Support Paid	$

Note: If we have reason to believe that the information regarding child support paid is inaccurate, we may require additional documentation, such as:

- A signed statement from the individual receiving the child support certifying the amount of child support received; or
- Copies of the child support payment checks, money order receipts, or similar records of electronic payments having been made.

2015-2016 Suggested Verification Text

Child Support Paid
(Dependent Student)

If one or both of the parents included in the household and/or the student paid child support in 2014, provide in the space below the names of the persons who paid the child support, the names of the persons to whom the child support was paid, the names and ages of the children for whom the child support was paid, and the total annual amount of child support that was paid in 2014 for each child.

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

Name of Person Who Paid Child Support	Name of Person to Whom Child Support was Paid	Name and Age of Child for Whom Support Was Paid	Annual Amount of Child Support Paid in 2014
		Total Amount of Child Support Paid	$

Note: If we have reason to believe that the information regarding child support paid is inaccurate, we may require additional documentation, such as:

- A signed statement from the individual receiving the child support certifying the amount of child support received; or
- Copies of the child support payment checks, money order receipts, or similar records of electronic payments having been made.

2015-2016 Suggested Verification Text

High School Completion Status

Provide one of the following documents that will indicate the student's high school completion status when the student begins college in 2015–2016:

- A copy of the student's high school diploma.
- A copy of the student's final official high school transcript that shows the date when the diploma was awarded.
- A state certificate or transcript received by a student after the student passed a State-authorized examination (GED test, HiSET, TASC, or other State-authorized examination) that the State recognizes as the equivalent of a high school diploma.
- For students who completed secondary education in a foreign country, a copy of the "secondary school leaving certificate" or other similar document.
- An academic transcript that indicates the student successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- For a homeschooled student in a state where state law requires the student to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a copy of that credential.
- For a homeschooled student in a state where state law does not require the student to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a transcript or the equivalent, signed by the student's parent or guardian, that lists the secondary school courses the student completed and includes a statement that the student successfully completed a secondary school education in a homeschool setting.

A student who is unable to obtain the documentation listed above must contact the financial aid office.

2015-2016 Required Verification Text
(Note: Institutions must use the exact language in the Statement of Educational Purpose as provided below)

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

The student must appear in person at _____ to
(Name of Postsecondary Educational Institution)

verify his or her identity by presenting a valid government-issued photo identification (ID), such as, but not limited to, a driver's license, other state-issued ID, or passport. The institution will maintain a copy of the student's photo ID that is annotated by the institution with the date it was received and reviewed and the name of the official at the institution authorized to collect the student's ID.

In addition, the student must sign, in the presence of the institutional official, the Statement of Educational Purpose provided below.

Identity and Statement of Educational Purpose
(To Be Signed in the Presence of a Notary)

If the student is unable to appear in person at _____
(Name of Postsecondary Educational Institution)

to verify his or her identity, the student must provide:

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

(b) The original Statement of Educational Purpose, which is provided below, must be notarized. If the notary statement appears on a separate page than the Statement of Educational Purpose, there must be a clear indication that the Statement of Educational Purpose was the document notarized.

Statement of Educational Purpose

I certify that I _____ am the individual signing
(Print Student's Name)

this Statement of Educational Purpose and that the Federal student financial assistance I may receive will only be used for educational purposes and to pay the cost of attending _____ for 2015-2016.
(Name of Postsecondary Educational Institution)

_____ _____
(Student's Signature) (Date)

_____
(Student's ID Number)

Texto de verificación requerida para 2015-2016
(Nota: Las instituciones deben utilizar el lenguaje exacto en la Declaración de Propósito Educativo que se presenta a continuación)

Verificación de Identidad y Declaración de Propósito Educativo
(Para ser firmadas en la institución)

El estudiante debe comparecer en persona en _____ para
(Nombre de la institución educativa postsecundaria)

comprobar su identidad mediante la presentación de una identificación con fotografía (ID) válida emitida por el gobierno, como una licencia de conducir, otro tipo de identificación emitida por el estado o pasaporte, entre otros. La institución conservará una copia de la identificación con fotografía del estudiante y anotará en ella la fecha en la que se recibió y revisó, y el nombre del funcionario de la institución autorizado a recolectar las identificaciones de los estudiantes.

Además, el estudiante debe firmar, en presencia del funcionario de la institución, la Declaración de Propósito Educativo proporcionada a continuación.

Verificación de Identidad y Declaración de Propósito Educativo
(Para ser firmadas en la presencia de un notario)

Si el estudiante no es capaz de comparecer en persona en _____
(Nombre de la institución educativa postsecundaria)

para comprobar su identidad, debe proporcionar:

(a) Una copia de la de identificación con fotografía (ID) válida emitida por el gobierno, que se reconoce en la declaración del notario que aparece a continuación, o que se presenta ante un notario, como una licencia de conducir, otro tipo de identificación emitida por el estado o pasaporte, entre otros; y

(b) La Declaración de Propósito Educativo original proporcionada a continuación debe ser notariada. Si la declaración del notario aparece en una página separada de la Declaración de Propósito Educativo, se debe indicar de manera clara que la Declaración de Propósito Educativo era el documento notariado.

Declaración de Propósito Educativo

Certifico que yo, _____, soy el individuo que firma esta
[Imprimir Nombre del Estudiante]

Declaración de Propósito Educativo y que la ayuda financiera federal estudiantil que yo pueda recibir, sólo será utilizada para fines educativos y para pagar el costo de asistir a _____ para 2015–2016.
[Imprimir Nombre de Institución Educativa Postsecundaria]

_____ _____
[Firma del Estudiante] [la Fecha]

_____
[Número de Identificación del Estudiante]

2015-2016 Suggested Verification Text

Sample of a Notary's Certificate of Acknowledgement

Notary's certification may vary by State

State of _____

City/County of _____

On_____, before me, _____,

(Date) (Notary's name)

personally appeared, _____, and proved to me

(Printed name of signer)

on basis of satisfactory evidence of identification_____

(Type of government-issued photo ID provided)

to be the above-named person who signed the foregoing instrument.

WITNESS my hand and official seal

(seal) _____

(Notary signature)

My commission expires on _____

(Date)

2015-2016 Suggested Verification Text

Certification and Signature
(Independent Student)

Certification and Signature

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

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

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

2015-2016 Suggested Verification Text

Certifications and Signatures
(Dependent Student)

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

Certifications and Signatures

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

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

This example is for a dependent student selected for Verification Tracking Group V4 who cannot appear in person at the institution and whose ISIR indicates child support paid but not the receipt of SNAP benefits.

2015–2016 Institutional Verification Document

Your 2015–2016 Free Application for Federal Student Aid (FAFSA) was selected for review in a process called verification. The law says that, before awarding Federal Student Aid, we may ask you to confirm the information you reported on your FAFSA. To verify that you provided correct information, we will compare your FAFSA with the information on this institutional verification document and with any other required documents. If there are differences, your FAFSA information may need to be corrected. You and a parent whose information was reported on the FAFSA must complete and sign this institutional verification document, attach any required documents, and submit the form and other required documents to us. We may ask for additional information. If you have questions about verification, contact us as soon as possible so that your financial aid will not be delayed.

A. Student's Information

_____ _____
Student's Last Name First Name M.I. Student's Identification (ID) Number

_____ _____
Student's Street Address (include apt. no.) Student's Date of Birth

_____ _____
City, State Zip Code Student's Email Address

(____)_____ (____)_____
Student's Home Phone Number (include area code) Student's Alternate or Cell Phone Number

B. High School Completion Status

Provide one of the following documents that will indicate your high school completion status when you begin college in 2015–2016:

- A copy of your high school diploma.
- A copy of your final official high school transcript that shows the date when the diploma was awarded.
- A state certificate or transcript you received after you passed a State-authorized examination (GED test, HiSET, TASC, or other State-authorized examination) that the State recognizes as the equivalent of a high school diploma.
- If you completed secondary education in a foreign country, a copy of the "secondary school leaving certificate" or other similar document.
- An academic transcript that indicates you successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree.
- If you were homeschooled in a state where state law requires you to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a copy of that credential.
- If you were homeschooled in a state where state law does not require you to obtain a secondary school completion credential for homeschool (other than a high school diploma or its recognized equivalent), a transcript or the equivalent, signed by your parent or guardian, that lists the secondary school courses you completed and includes a statement that you successfully completed a secondary school education in a homeschool setting.

Contact the financial aid office if you are unable to obtain the documentation listed above.

EXAMPLE

Student's Name _____ Student's ID Number _____

C. Identity and Statement of Educational Purpose (To Be Signed In the Presence of a Notary)

If you are unable to appear in person at _____
(Name of Postsecondary Educational Institution)
to verify your identity, you must provide:

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

(b) The original Statement of Educational Purpose, which is provided below, must be notarized.

Statement of Educational Purpose

I certify that I _____ am the individual signing this
(Print Student's Name)
Statement of Educational Purpose and that the Federal student financial assistance I may receive will only be used for educational purposes and to pay the cost of attending
_____ for 2015–2016.
(Name of Postsecondary Educational Institution)

_____ _____
(Student's Signature) (Date)

_____
(Student's ID Number)

Notary's Certificate of Acknowledgement

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

WITNESS my hand and official seal
(seal) _____
(Notary signature)
My commission expires on _____
(Date)

EXAMPLE

Student's Name _____ Student's ID Number _____

D. Child Support Paid

Enter information for one or both of your parents included in the household and/or you, if you paid child support in 2014. List below the names of the persons who paid the child support, the names of the persons to whom the child support was paid, the names and ages of the children for whom the child support was paid, and the total annual amount of child support that was paid in 2014 for each child.

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

Name of Person Who Paid Child Support	Name of Person to Whom Child Support was Paid	Name and Age of Child for Whom Support Was Paid	Annual Amount of Child Support Paid in 2014
		Total Amount of Child Support Paid	**$**

Note: If we have reason to believe that the information regarding child support paid is inaccurate, we may require additional documentation, such as:

- A signed statement from the individual receiving the child support certifying the amount of child support received; or
- Copies of the child support payment checks, money order receipts, or similar records of electronic payments having been made.

E. Certifications and Signatures

Certifications and Signatures

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

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

_____ _____
Print Student's Name Student's ID Number

_____ _____
Student's Signature Date

_____ _____
Parent's Signature Date

EXAMPLE

EXAMPLE

Special Cases

There are unusual situations where you will need to exercise your discretion as a financial aid administrator: when modifying the student's data that calculate the EFC, performing dependency overrides, resolving conflicting information, reporting cases of fraud, and determining a student to be an unaccompanied homeless youth.

While many questions you get as a financial aid administrator will have routine answers, some situations will require extra discretion on your part. To account for special circumstances of a student, you may choose to exercise professional judgment (PJ) to adjust her cost of attendance or the data that determine her expected family contribution (EFC). You might decide that unusual circumstances warrant making a dependent student independent. If you receive conflicting information for a student, you will need to resolve that. In some cases you may discover that a student has been guilty of fraud and should be reported. And you may need to determine if a student should be classified as an unaccompanied homeless youth.

Adjustment example

Kitty's mother had income earned from work of $25,000 in 2013 but is no longer employed. After receiving documentation confirming this, the FAA at Krieger College decides to adjust the AGI reported for Kitty's parents to take into account their reduced income. The FAA also reduces the income earned from work for Kitty's mother to zero.

PROFESSIONAL JUDGMENT

An aid administrator may use PJ on a case-by-case basis only to adjust the student's cost of attendance or the data used to calculate her EFC. This adjustment is valid only at the school making it. You submit a PJ change electronically, via FAA Access to CPS Online or third-party software, and you may do it without a signature from the student or parent. In FAA Access or EDE, you must select "EFC adjustment requested" for the professional judgment field. The next ISIR will indicate "Professional judgment processed."

Online review of PJ practices

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

The reason for the adjustment **must be documented** (by a third party if possible) 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 FAA's decision regarding adjustments is final and cannot be appealed to the Department.

PJ and unemployment benefits

In Dear Colleague Letters GEN-09-04 and GEN-09-05, the Department issued special guidance concerning the use of professional judgment for persons who are receiving unemployment benefits during economic hardship. This continues to be in effect; see GEN-11-04 for more information.

The statute states that nothing within it shall be construed as limiting the authority of aid administrators to make data adjustments for some situations. However, the law gives some examples of special circumstances, such as elementary or secondary school tuition, medical or dental or nursing home expenses not covered by insurance, unusually high child care costs, being homeless or a dislocated worker, recent unemployment of a family member, or other changes in the family's income or assets. Use of professional judgment is neither limited to nor required for the situations mentioned.

Professional judgment

HEA Sec. 479A(a) IN GENERAL—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998), the number of parents enrolled at least half time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act), or other changes in a family's income, a family's assets or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

Another situation where you might want to use professional judgment involves Roth IRAs. When someone converts a regular IRA into a Roth IRA by transferring funds, the amount converted has to be reported as taxable income on the tax return. So the income reported on the FAFSA will be higher than without the Roth conversion, even though the family doesn't actually have additional income or assets available. You can use professional judgment to reduce the income and taxes paid to the amount that would have been reported if there was no Roth conversion if you think the adjustment is warranted for a student. As with the specific special circumstances listed in the law, you're not required to make an adjustment in this situation.

The law doesn't allow you to modify either the formula or the tables used in the EFC calculation; you can only change the cost of attendance or the values of specific data elements used in the EFC calculation. In addition, you can't adjust data elements or the cost of attendance solely because you believe the tables and formula are not adequate or appropriate. The data elements that are adjusted must relate to the student's special circumstances. For example, if a family member is ill, you might modify the AGI to allow for lower earnings in the coming year or might adjust assets to indicate that family savings will be spent on medical expenses.

You can't use PJ to waive general student eligibility requirements or to circumvent the intent of the law or regulations. For instance, you cannot use PJ to change FSEOG selection criteria. Nor can you include post-enrollment activity expenses in the student's COA. For example, professional licensing costs to be incurred after the enrollment period would not be includable (though one-time licensing costs incurred during the enrollment period may be—see *Cost of Attendance* in *Volume 3*).

Occasionally aid administrators have made decisions contrary to the professional judgment provision's intent. These "unreasonable" judgments have included, for example, the reduction of EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses (related to utilities, credit card expenses, 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 or via the Electronic Data Exchange (EDE).

Finally, if you use PJ for a student who was selected for verification (by you or the Department), you must complete verification before exercising professional judgment. However, using PJ does not require you to verify a student's application if he was not selected for verification.

Students without parent support

Students whose parents refuse to support them are not eligible for a dependency override, but they may be able to receive unsubsidized Stafford loans only. For a student to be eligible for this provision (the text of which is in the "Professional judgment" margin note on page 122), you must get documentation (1) that his parents refuse to complete his FAFSA and (2) that they do not and will not provide any financial support to him. Include the date support ended. If the parents refuse to sign and date a statement to this effect, you must get documentation from a third party (the student himself is not sufficient), such as a teacher, counselor, cleric, or court.

As noted in the next section, this situation does not justify a dependency override. But as with overrides, resolving the situation is at your discretion. If you decide that a student falls into this category, you must document your decision and ensure that the student submits a FAFSA and passes all the eligibility matches. The result will be a rejected application with no EFC. You can then award the student unsubsidized Stafford loans up to the maximum the student would normally be eligible for depending on his grade level (but not the amount a student can get when his parent is unable to get a PLUS loan). See DCL GEN-08-12 for more information.

DEPENDENCY OVERRIDES

A financial aid administrator (FAA) may do dependency overrides on a **case-by-case** basis for students with unusual circumstances. If the FAA determines that an override is appropriate, she must write a statement detailing the determination and must include the statement and supporting documentation in the student's file. **However, none of the conditions listed below, singly or in combination, qualify as unusual circumstances meriting a dependency override:**

1. Parents refuse to contribute to the student's education.
2. Parents are unwilling to provide information on the FAFSA or for verification.
3. Parents do not claim the student as a dependent for income tax purposes.
4. Student demonstrates total self-sufficiency.

Unusual circumstances do include (and may cause any of the above conditions) abandonment by parents, an abusive family environment that threatens the student's health or safety, or the student being unable to locate his parents. In such cases a dependency override might be warranted.

IPA percentage example

In 2014 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 $38,180. Because his expenses are less than the amount for medical expenses already provided for in the IPA (11% of $38,180 is $4,200), the aid administrator at Sarven Technical Institute does not adjust Alan's FAFSA information.

Dependency overrides

HEA Sec. 480(d)(1)(I) and (d)(2). Also see Dear Colleague Letters GEN-03-07 and GEN-11-15.

Overrides and professional judgment

The phrase "professional judgment" is loosely used for the discretion that FAAs apply to dependency overrides and to data adjustments in the application. The provisions for these two types of changes are in separate places in the HEA. The citation for dependency overrides is in Sec. 480(d)(7); the citation for data adjustments is in Sec. 479A and is copied *in toto* in the margin on page 122.

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).

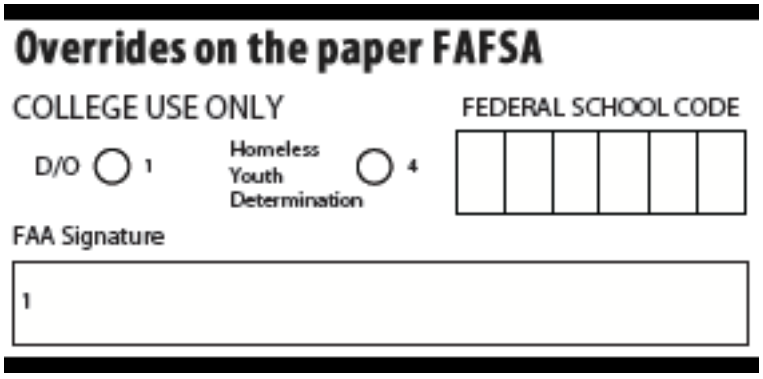
Documentation is critical to the dependency override process. The documentation must support, and include the reason for, the decision and should in almost all cases originate from a third party with knowledge of the unusual circumstances of the student.

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.



If the student has already applied, you can use FAA Access to authorize or cancel an override; overrides cannot be done on the SAR. If she had an override done at another school in the current year, that will be noted with

the school's federal code on FAA Access. Only the school performing the override will receive that transaction. If the student adds your school to the transaction or if she gives you her data release number (DRN), you can access the record.

Requirement to identify and resolve discrepant information
34 CFR 668.16(f)

CONFLICTING INFORMATION

In addition to reviewing application and data match information from the CPS, a school must have an adequate internal system to identify conflicting information—regardless of the source and regardless of whether the student is selected for verification—that would affect a student's eligibility, such as information from the admissions office as to whether the student has a high school diploma or information from other offices regarding academic progress and enrollment status. The school must resolve all such conflicting information, except when the student dies during the award year.

Requirement to verify questionable data
34 CFR 668.54(a)(2)
"If an institution has reason to believe that an applicant's FAFSA information is inaccurate, it must verify the accuracy of that information."

If your school has conflicting information concerning a student's eligibility or you have any reason to believe a student's application information is incorrect, you must resolve the discrepancies before disbursing FSA funds. If you discover discrepancies *after* disbursing FSA funds, you must still reconcile the conflicting information and take appropriate action under the specific program requirements.

Subsequent ISIRs

You are generally required to review all subsequent transactions for a student for the entire processing year even if you verified an earlier transaction. First determine if the EFC or the "C" flag has changed or if there are new comments or NSLDS information that impacts eligibility for aid. Also, check any updates or corrections. If the EFC has not changed and there are no changes in the "C" flag or NSLDS information, no action is generally required. If the EFC does change but it either doesn't affect the amount and type of aid received or the data elements that changed were already verified, no action is required. But if the EFC changes and the pertinent data elements were not verified, then you must investigate. Of course, any time the "C" flag changes or NSLDS data have been modified, you must resolve any conflicts.

Online review of conflicting information policies
http://ifap.ed.gov/qadocs/FSAVeriModule/activity1verif.doc

Discrepant tax data

We have already stated that financial aid administrators do not need to be tax experts, yet there are some issues that even a layperson with basic tax law information can evaluate. Because conflicting data often involve such information, FAAs must have a fundamental understanding of relevant tax issues that can considerably affect the need analysis. You are obligated to know: (1) whether a person was required to file a tax return, (2) what the correct filing status for a person should be, and (3) that an individual cannot be claimed as an exemption by more than one person.

IRS Publication 17
The IRS's Publication 17 is a large document, but so that you won't be daunted by its size, we have included the page numbers you might need to refer to.

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 5–7; the instructions on which form a person should file are on pages 7–8; and the filing status requirements are on pages 20–25.

OIG referrals
34 CFR 668.16(g)

For example, an FAA who notices that a dependent student's married parents have each filed as "head of household" (which offers a greater tax deduction than filing as single or married) must question whether that is the correct filing status. Publication 17 explains on pages 23–25 the criteria a person must meet to file as head of household. Resolution of the conflict may be a reasonable explanation of why there appears to be a conflict but is none, or the parents may refile and submit a copy of the amended return.

Resolution of conflicting information

You may not disburse aid until you have resolved conflicting information, which you must do for any student as long as he is at your school. Even if the conflict concerns a previous award year, you must still investigate it. You have resolved the matter when you have determined which data are correct; this might simply be confirming that an earlier determination was the right one. Of course, you must document your findings in the student's file and explain why, not simply assert that, your decision is justified.

Marital and tax filing status
The ISIR/SAR comments with codes 361–368 indicate a possible error when the filing status and marital status do not match. This is not considered to be conflicting information subject to the resolution requirements of 34 CFR 668.16(f), but we do encourage schools to review the application for mistakes when these comments appear. See the electronic announcement from 5/15/14.

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 (1-800-647-8733) Hours: M, W 9–11am T, Th 1–3pm To submit a complaint online at any time, go to **http://www2.ed.gov/about/offices/list/oig/hotline.html** 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	
Ann Arbor, MI	(312) 730-1630	
Dallas, TX	(214) 661-9530	
Denver, CO	(303) 844-0058	
Kansas City, MO	(816) 268-0530	
Long Beach, CA	(562) 980-4141	
Phoenix, AZ	(562) 980-4141	
San Juan, PR	(787) 773-2740	
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 26, 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 collabora-

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.

It is not conflicting information if you disagree with an authority's determination that a student is homeless. If you believe the authority is incorrect or abusing the process, accept his determination but contact the following oversight party, as relevant, to evaluate the authority's determinations:

- School district homeless liason: contact the coordinator of education for homeless children and youth programs of the state's educational agency. A list of state coordinators can be found at: **http://center.serve.org/nche/states/state_resources.php**.
- Director of an emergency shelter or transitional housing program: contact the local Continuum of Care administering the HUD homeless assistance program. A list of local Continuums of Care and state HUD field offices may be found at **http://www.hudhre.info/index.cfm?do=viewCocContacts**.
- Director of a runaway or homeless youth basic center or transitional living program: contact the National Clearinghouse on Families and Youth by phone at (301) 608-8098 or by e-mail at **ncfy@acf.hhs.gov**.

tively by the school's general counsel, the financial aid director, and a recognized McKinney-Vento practitioner (such as a school district homeless liaison, state homeless education coordinator, or the National Center for Homeless Education). Students may also appeal a determination to the Department.

- Unaccompanied homeless youth 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 124), 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, 2014, 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.