

Verification Update for
2016-17 and Using
Professional Judgment
with Confidence



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Verification



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Verification – Overview

- History
- Last comprehensive look in 1985
 - Program Integrity regulations—October 29, 2010
 - Move to customized verification
 - Effective for the 2012-13 award year



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Verification Update and PJ

Verification – Changes 2016-17

- Changes for 2016-17
 - Same data elements as for 2015-16 award year
 - Some modifications and clarifications to acceptable documentation
 - Eliminated Child Support Paid (V3) as a separate verification group
 - Applicants may be moved from previously assigned Groups V1, V4, and V6 to Verification Tracking Group V5
 - Applicant is only required to verify the additional items in V5 that were not previously verified

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Verification – Acceptable Documentation

- Acceptable Documentation
 - Tax filers in a U.S. territory or commonwealth must submit a transcript of their tax return if it is available for free from the taxing authority
 - Nontax filers in the Freely Associated States, a U.S. territory or commonwealth, or a foreign country must submit a copy of their Wage and Tax statement for each source of employment income for 2015 and a signed statement identifying all income and taxes for 2015

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Verification – Acceptable Documentation

- Tax filers and Nontax filers—if a copy of the tax return was not retained and cannot be located by the IRS (or other relevant taxing authority) must submit:
 - Copy of all relevant W-2s, a wage and income transcript, or an equivalent document
 - Signed statement that the individual did not retain a copy of his or her 2015 tax account information, and
 - Documentation from the IRS or other relevant taxing authority that indicates that the individual's 2015 tax account information cannot be located

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Verification – Acceptable Documentation

- Victims of IRS tax-related identity theft must submit:
 - A Tax Return DataBase View (TRDBV) transcript and
 - A signed and dated statement from the tax filers that they are victims of IRS tax-related identity theft and that the IRS has been made aware of this
- Tax filers who filed an amended tax return must submit:
 - A transcript from the IRS that lists tax account information of the tax filer and
 - A signed copy of the IRS Form 1040X that was filed



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Verification – Acceptable Documentation

- High school completion status
 - If the institution successfully verified and documented high school completion status in a prior award year, it does not have to reverify this item
 - If documentation is not available, alternative documentation may not include self-certification
- Child support paid
 - Removed a separation agreement or divorce decree from acceptable documentation



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Verification – Acceptable Documentation

- Identity/Statement of Educational Purpose
 - Clarified that the valid government-issued photo identification used to verify identity must not have expired



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Verification Update and PJ

Verification – Hot Topics

- Amended Tax Returns
- Transcript Requests
 - Recomputed vs. Per Computer
- Identity Theft

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Amended Tax Returns

- If the institution is aware that an amended tax return was filed, to complete verification, the applicant must submit—
 - Transcript obtained from the IRS that lists tax account information for the filer(s) for 2015, and
 - A signed copy of IRS Form 1040X that was filed with the IRS
 - Refer to Dear Colleague Letter – GEN-15-11 and the Verification Questions and Answers

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Transcript Requests – 2016-17

Transcript Requests

- Online **Get Transcript by Mail**,
- Automated phone tool (1-800-908-9946)
- Paper Form 4506-T or 4506T-EZ generate a paper transcript
- (Refer to Appendix A of the 2016-17 Verification Suggested Text)

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Transcript Requests – 2016-17

Which do we use: Recomputed or Per Computer?

According to our friends at the IRS these new fields are only present when the income on the return includes certain income types. The new fields do not change the AGI for income verification purposes, so schools should continue to use the *per computer* values for verification purposes.

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Identity Theft – 2016-17

A tax filer who is unable to obtain an IRS Tax Return Transcript because of *IRS identity theft*, calls a special IRS group at 1-800-908-4490

- Upon verification of identity, the tax filer can obtain a paper copy of an alternative document unique to identity theft issues (Tax Return Data Base View (TRDBV))
- The TRDBV is an official transcript that can be submitted to the school to meet verification requirements
- (Refer to Dear Colleague Letter – GEN-15-11)

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IRS Data Retrieval Tool

- Applicants selected for verification – V1-Standard Verification
 - Who transfer their income tax return information **unchanged** using the Internal Revenue Service Data Retrieval Tool (IRS DRT) –
 - When initially completing the FAFSA using FAFSA on the Web (FOTW)
 - When making corrections on FOTW
 - Are considered to have verified the FAFSA IRS information
 - Adjusted Gross Income, taxes paid, and the applicable untaxed income items and education credits
 - Unless changes were made to the transferred information or institution has reason to believe that the information transferred is inaccurate
 - School **only needs to verify** # in HH and # in College

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Verification Update and PJ

FAA Access – Identity Verification Results

- In 2014-15 an Identity Verification Results reporting function was added to FAA Access
- Schools report the identity verification results for students who have been selected for verification under V4 or V5
- Schools should be reporting this information on a regular basis (Refer to Electronic Announcement posted November 6, 2014)

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Verification – Resources

- 2016-17
 - Federal Register Notice, published June 26, 2015, Free Application for Federal Student Aid (FAFSA) Information To Be Verified for the 2016-17 Award Year
 - Dear Colleague Letter GEN-15-11, Published June 29, 2015, 2016-17 Award Year: FAFSA Information to be Verified and Acceptable Documentation

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Verification – Resources

- 2016-17
 - 2016-17 Verification Suggested Text and Availability of 2015 IRS Tax Information; Electronic Announcement Published on November 18, 2015
<http://ifap.ed.gov/eannouncements/111815VerificationSuggestedTextAvailability2015IRSTaxInfo20162017.html>
 - Program Integrity Q & A Website (verification topic)
<http://www2.ed.gov/policy/highered/reg/hearulemaking2009/integrity-qa.html>

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QUESTIONS?



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Professional Judgment



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What is PJ?

The Higher Education Act provides financial aid administrators with the authority to make adjustments, on the basis of documentation, to allow for treatment of an individual with special circumstances. The intent of the law is to enable a response to situations that cannot be fully anticipated in legislation or regulation.



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Preparing to Use PJ

You must have Policies and Procedures to guide your staff how these appeals are:

- Accepted
- Reviewed
- Considered
- Documented
- Communicated to student
- Finalized

Using your Professional Judgment

- All PJ decisions must be case by case
- The reason for the adjustment must be **documented** in the student's file
- It must relate to the special circumstances that differentiate the individual — 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

PJ and Verification

For any applicant who is selected for verification, whether by ED or the school, must complete verification *before* any professional judgment adjustments can be made.

NOTE: This requirement does not apply to applicants not selected for verification.

Verification Update and PJ

PJ and Verification

- The results of the verification and professional judgment cannot be submitted to CPS on the same day.
- After the school receives the ISIR resulting from verification, the school would use that ISIR transaction to make adjustments to the applicant's FAFSA using professional judgment.

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What you Cannot do with PJ

- A professional judgment is award year-specific and cannot carry forward from year to year unless subsequent requests are made and subsequent documentation obtained, if additional documentation is necessary.
- You may not establish automatic categories of special circumstances and provide identical outcomes to all students in that circumstance. All professional judgment decisions must be conducted on a case-by-case basis.

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What you Cannot do with PJ

- You cannot directly change an EFC.
- You cannot make changes to the EFC formula.
- You must not use professional judgment to circumvent the regulations or the law.
- You must not use professional judgment to waive student eligibility requirements.

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What you Cannot do with PJ

- You cannot make an otherwise independent student dependent. Dependency overrides are a one-way option from dependent to independent.
- You cannot make a dependent student independent solely based on the student's demonstrated self-sufficiency.
- You cannot make a dependent student independent solely based on the student not being claimed as a dependent on the parents' federal tax return.

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Where is Professional Judgment Applied?

- Recent Income Changes (a.k.a. Special Circumstances)
- Satisfactory Academic Progress
- Dependency Overrides
- Cost of Attendance
- Refusing or Reducing Loan Origination

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Dependency Overrides

- A financial aid administrator (FAA) may not do dependency overrides based on the:
 - Parents refusal to contribute to the student's education
 - Parents unwillingness to provide information on the FAFSA or for verification
 - Parents not claiming the student as a dependent for income tax purposes
 - Student demonstrating total self-sufficiency

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Dependency Overrides

- Unusual circumstances do include abandonment by parents, an abusive family environment that threatens the student's health or safety, or the student being unable to locate his parents
- 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

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Direct Loan Refusal or Reduction

- What you cannot do:
- You cannot limit borrowing by students or parents on an across-the-board or categorical basis
- You cannot engage in a practice of originating FSA loans only in the amount needed to cover the school charges
- You cannot limit Unsubsidized Direct Loan borrowing by independent students

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References for Professional Judgment

- *Federal Student Aid Handbook*
 - Application & Verification Guide, Chapter 5
- *Dear Colleague Letters*
 - GEN 11-15
 - GEN 11-07
 - GEN 08-12
 - GEN 03-07
- *Law*
 - HEA Sec. 479A(a)

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Training Resources on PJ

- Recorded PJ Webinar Session I available in the IFAP Library
• <https://ifap.ed.gov/dpclatters/ANN1017.html>
- Recorded PJ Webinar Session II available in the IFAP Library
• <http://www.ifap.ed.gov/dpclatters/ANN1112.html>
- FSA Assessments Verification Module:
• <http://ifap.ed.gov/qahome/qaassessments/fsaverification.html>

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Documentation

The HEA and associated regulations use the phrase, “on the basis of adequate documentation.” While the Department of Education does not define adequate documentation, the documentation should be such that an auditor or program reviewer will be able to gain an understanding of the determination to exercise professional judgment. Documentation should also be such that the institution has satisfied itself in the belief that proper action has been taken.

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QUESTIONS?

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Help with Title IV Questions

- *For Schools & Other Professionals*
 - Research and Customer Care Center (RCCC)
 - 1-800-433-7327
 - fsa.customer.support@ed.gov
- *For Students*
 - Federal Student Aid Information Center (FSAIC)
 - 1-800-4FED-AID

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My Supervisor Requests Your Feedback

- Mark Gerhard
- Supervisor of Training Officers
- U.S. Dept. of ED/Federal Student Aid
- 415.486.5620
- mark.gerhard@ed.gov
- Please use this link to complete your evaluation:
<https://s.zoomerang.com/s/RickRenshaw>

Session Name: NDASFAA 2016 Verification

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