Verification Requirements for 2016-17

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ED presentations will be available at www.lasfaa.org
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
Verification – Policy

For the 2012-13 award year
• Retained the long-standing five items and added SNAP and child support paid, if reported on the ISIR

For the 2013-14 award year
• Introduced the concept of verification groups
• Added high school completion and identity/statement of educational purpose as verification items
Verification – Policy

For the 2014-15 award year
• Eliminated SNAP (V2) as a separate verification group
• Added household resources group (V6)
• Added other untaxed income and benefits as a verification item

For the 2015-16 award year
• No changes
For the 2014-15 cycle, approximately 5.3 million applicants (26.0%) were selected for verification; As of Nov 30, 2015, for 2015-16, approximately 5 million applicants (28%) have been selected.
Verification – Changes 2016-17

- Eliminated Verification Tracking Group V3 (Child Support Paid)
- 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 and are no longer responsible for V6 items that are not included in V5
Verification – Changes 2016-17

• If the applicant is moved to Verification Tracking Group V5, no additional disbursements of any Title IV aid may be made until verification is satisfactorily completed.

• If verification is not satisfactorily completed, the student is liable for the full amount of Title IV aid disbursed.

• The institution is not liable.
  • EXCEPT if student withdraws without completing the V5 requirements, school must perform R2T4 and return the school’s share.
Clarifications
Acceptable Documentation for 2016-17
Verification – 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
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
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
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
  • ED has determined that a DD-214 is acceptable documentation for documenting high school completion if it indicates that the individual is a high school graduate or equivalent
Verification – Acceptable Documentation

• Child support paid
  • Removed a separation agreement or divorce decree from acceptable documentation

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

<table>
<thead>
<tr>
<th>Verification Tracking Flag</th>
<th>Verification Tracking Group</th>
<th>Verification Selection Criteria</th>
</tr>
</thead>
<tbody>
<tr>
<td>V1</td>
<td>Standard Verification Group</td>
<td>Record selected because conditions based on statistical analysis error-prone risk model were met</td>
</tr>
<tr>
<td>V2</td>
<td>Reserved for FSA Use Only</td>
<td>N/A</td>
</tr>
<tr>
<td>V3</td>
<td>Reserved for FSA Use Only</td>
<td>N/A</td>
</tr>
<tr>
<td>V4</td>
<td>Custom Verification Group</td>
<td>Record selected for Identity criteria</td>
</tr>
<tr>
<td>V5</td>
<td>Aggregate Verification Group</td>
<td>Record selected for combination of Identity criteria, “Standard Verification” criteria and Total Income/Household Size</td>
</tr>
<tr>
<td>V6</td>
<td>Household Resources Verification Group</td>
<td>Record selected for Total Income and Household size</td>
</tr>
</tbody>
</table>
V1 – 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

Documentation:
- IRS DRT;
- Tax Return Transcripts;
- Alternate documentation where allowed (e.g. amended returns, foreign returns, etc.)
V1 – Non-Tax Filers

- Income earned from work

Documentation:
- Signed statement certifying –
  - Individual has not filed and not required to file a 2015 tax return;
  - Sources of income earned from work and amounts of income
    from each source for tax year 2015; and
- Copy of IRS Form W–2 for each source of employment
  income received for tax year 2015
V1 – Non-Tax Filers

• If an institution questions a claim that the tax filer is not required to file, must require applicant to submit a “Verification of Nonfiling Letter”

• Form 4506-T and checking box 7
• “Verification of Nonfiling Letter” for 2015 tax year generally not issued until after June 15, 2016
• Does not document whether or not there was a requirement to file
V1 – All Applicants

- Number in Household and Number in College

Documentation:
- Household size – signed statement (name, age, relationship)
  - Not required if:
    - Dependent household size reported is two and parent is unmarried or three if the parents are married or unmarried and living together
    - Independent household reported is one and applicant is unmarried or two if the applicant is married
- Number in College – signed statement (name of household member attending at least half-time and eligible institution name)
  - Not required if reported number is one (student)
V1 – All Applicants

- SNAP Benefits (if reported on ISIR)

**SNAP Documentation:**
- Statement signed by applicant/parent affirming SNAP benefits received by someone in household during 2014 and/or 2015
- If school has concerns with accuracy of information, the institution must obtain documentation from the agency that issued the SNAP benefits
V1 – All Applicants

• Child Support Paid (if reported on ISIR)

Documentation:
• Statement signed by applicant/parent certifying–
  • Amount of child support paid;
  • Name of the person who paid the child support;
  • Name of the person to whom child support was paid; and
  • Names of the children for whom child support was paid
V1 – All Applicants

- If the institution has reason to believe that the information provided in the signed statement is inaccurate, the applicant must provide the institution with supporting documentation, such as checks, money order receipts, or similar records of electronic payments having been made.
V4 – Custom

- High School Completion Status
- Identity/Statement of Educational Purpose
- SNAP Benefits (if reported on ISIR)
- Child Support Paid (if reported on ISIR)
High School Completion Status

• High school completion status

Documentation:
• High school diploma; or
• Final official high school transcript showing date diploma awarded; or
• “Secondary school leaving certificate” for students who completed secondary education in foreign country and unable to get copy of high school diploma/transcript

• Note: If prior to being selected for verification, an institution already obtained HS completion status records for other purposes, the institution may rely on those records as long as it meets ED HS completion criteria
High School Completion Status

- Recognized equivalent of a HS diploma

Documentation:
- Copy of the student’s General Educational Development (GED) certificate, an official GED transcript that indicates the student passed the exam, or a state-authorized HS equivalent certificate; or
- Academic transcript of a student who has successfully completed at least a two-year program that is acceptable for full credit toward a bachelor's degree; or
- Student excelled academically in HS and met all criteria to be admitted into a two-year degree program or higher
High School Completion Status

- Test transcripts of State-authorized examinations

Documentation:

- Test transcripts of State-authorized examinations (e.g., GED test, HiSET, TASC, or other State-authorized high school equivalency examinations) are acceptable documentation of high school completion only if:
  - The official test transcript specifically indicates that a State has determined that the test results are considered by the State to meet its requirements of high school equivalency; or
  - The official test transcript includes language that the final score is a passing score.
High School Completion Status

- Homeschooled

Documentation:

- Credential, transcript, or the equivalent, signed by the parent or guardian, that lists the secondary school courses completed by the applicant and documents the successful completion of a secondary school education; or
- A secondary school completion credential for home school provided for under State law
Identity/Statement of Educational Purpose

• Students that appear in person

Documentation:

• Present to an institutionally authorized individual
  • An unexpired valid government-issued photo identification; and
  • A signed statement of educational purpose provided by ED, cannot be modified

• Maintain an annotated copy of the identification:
  • The date documentation was received; and
  • The name of the institutionally authorized individual that obtained the documentation
Identity/Statement of Educational Purpose

• Student unable to appear in person

Documentation:

• Must provide the institution—
  • A copy of an unexpired valid government-issued photo identification AND
  • An *original*, notarized statement of educational purpose signed by the applicant, **cannot** be faxed or scanned
  • Maintain a copy in the file
  • After examining the *original* Statement of Educational Purpose for accuracy and completeness, the institution may convert it into an electronic record
V5 – Aggregate

- High School Completion Status
- Identity/Statement of Educational Purpose

AND

- All items indicated-Tax Filer (V1)
- All items indicated-Non-Tax Filer (V1)
V6 – Household Resources

- All items indicated-Tax Filer (V1); or
- All items indicated-Non-Tax Filer (V1); AND

- Other untaxed income from 2016-17 FAFSA:
  - Payments to tax-deferred pension and savings
  - Child support received
  - Housing, food, and other living allowances paid to members of the military, clergy, and others
  - Veterans noneducation benefits
  - Other untaxed income
  - Money received or paid on the applicant’s behalf
V6 – Household Resources

• Other Untaxed Income Documentation:

  Documentation
  • Signed statement listing –
    • Sources and amounts of income for tax year 2015; and
  • Copy of IRS W2s for sources of employment income received for tax year 2015, where applicable
V6 – Household Resources

• If school determines amounts provided do not appear to provide sufficient support for family members reported, the applicant (and parent/spouse) must:

• Provide additional signed statement listing other resources used to support family (may include items not required to be reported on FAFSA or other verification forms)

• Explain how financially supported during 2015 calendar year
V6 – Household Resources

• Institutions should use reasonable judgment when evaluating the validity of the income information provided by students and parents who are placed in Verification Tracking Group V6.
• “Reasonable” may differ among institutions.
• Institutions may choose to accept a signed low-income statement, an income-to-expenses comparison, or other documentation as determined by the institution.
Verification – Hot Topics

- Amended Tax Returns
- Transcript Requests
- Identity Theft
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
  • For more info, refer to Dear Colleague Letter – GEN-15-11 and the Verification Q&As
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
- IRS2GO app is operational
- IRS is working on the “Get Transcript Online” tool and hopes to have it operational sometime in the Spring
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

• For more info, refer to DCL GEN-15-11
Verification – Tracking Group

- Beginning in 2016-17, a student may go to tracking group V5 from V1, V4, or V6
- Verification can be set on the application or correction
- Verification Selection Change Flag
  - Y: indicates verification was not set and now record is selected for verification
  - C: indicates the verification tracking group has changed. This “C” is transaction specific
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
# IRS Data Retrieval Tool Request Flags

<table>
<thead>
<tr>
<th>IRS Request Flag</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Blank</td>
<td>IRS Data Retrieval Tool not available</td>
</tr>
<tr>
<td>00</td>
<td>Student/Parent was ineligible to use the IRS Data Retrieval Tool</td>
</tr>
<tr>
<td>01</td>
<td>Student/Parent was presented with the IRS Data Retrieval Tool and elected to use it, but did not transfer IRS data into the FAFSA</td>
</tr>
<tr>
<td>02</td>
<td>IRS data was transferred and was not changed</td>
</tr>
<tr>
<td>03</td>
<td>IRS data was transferred and changed</td>
</tr>
<tr>
<td>04</td>
<td>IRS data was transferred and then changed on a subsequent transaction</td>
</tr>
<tr>
<td>05</td>
<td>Student/Parent was presented with the IRS Data Retrieval Tool and elected not to use it</td>
</tr>
<tr>
<td>06</td>
<td>IRS data was transferred, but a subsequent change made the student/parent ineligible to use the IRS Data Retrieval Tool</td>
</tr>
</tbody>
</table>
Verification – Operations

• Once a record is selected for verification:
  • Verification selection will not be removed
  • Verification selection reason can only change if the record moves from V1, V4, or V6 to V5
  • Verification will not be removed even if verification reason no longer exists
Communication with Students

Current SAR comments:

- Dependent Student (170)
  - Your FAFSA has been selected for a review process called verification. Your school has the authority to request copies of certain financial documents from you and your parent(s).

- Independent Student (171)
  - Your FAFSA has been selected for a review process called verification. Your school has the authority to request copies of certain financial documents from you (and your spouse).
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.
FAA Access – Identity Verification Results

- FAA have multiple options for loading Identity Verification Results
FAA Access – Identity Verification Results

- FAAs can manually enter SSNs/Name ID/ Verification Results from a dropdown menu on this page.
FAA Access – Identity Verification Results

• FAAs can upload a flat file of SSNs/Name ID/Verification Results from their database

Select file from database by browsing
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
Verification – Resources

• 2016-17 Verification Suggested Text and Availability of 2015 IRS Tax Information; Electronic Announcement Published on November 18, 2015


• Program Integrity Q & A Website (verification topic)

Important Dates

January 2016

- Final 2016-2017 Application Processing System Specifications for Software Developers

February 2016

- IRS Data Retrieval Tool, February 7, 2016
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Thank You, LASFAA!
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