Verification in the Real World

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Verification in the Real World

Real world scenarios pulled from list serv questions and answers

Researched with NASFAA
AskRegs and reviewing 2018-19 Verification handbook
Verification Topics

- Marriage
- Household size
- Dependency Status
- Income/Taxes
- Eligibility
Hats Off to ILASFAA: Celebrating 50 Years

MARRIAGE

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Verification in the Real World: Marriage

- Q: In 2016 a student said mom was remarried, step-dad was receiving disability, and mom filed Head of Household on her taxes. FAFSA was marked that mom was married and included the step-dad on the verification worksheet. She did not receive any aid for that year, because of the conflict and she did not want to amend her filing status.

- In 2017, she marked on FAFSA that mom is single. She was not selected for verification.

- In 2018, FAFSA stated that mom is single. She was selected for verification, listed step-dad on the verification worksheet, and Mom filed her 2016 tax return as head of household. Mom used the step-dad's last name as her own last name on her tax return. In a meeting the mom said she was divorced from the student's biological dad in 2008 and was never married to the step-dad, even though he was listed as a step-father on the verification worksheet, but he came in with the student in 2016 and said he was the step-dad.
Verification in the Real World: Marriage

Do we accept a statement from the mom that she was never married to the step-dad, and let her complete a new verification form, removing him from it, or is there some other step that we can take to resolve the issue? That issue being, what else she could provide stating that she was never married to the Step-dad?
Verification in the Real World: Marriage

1- Unfortunately for your student, there are too many “unresolved” conflicting issues and there is no way to confirm which story is true. As such, I would deny all Title IV aid to the student.

2- It is hard to prove a negative. However, you may wish to check with the county to see if they obtained a marriage license. That isn't the only way to get married (some states allow a common law marriage), but if they are married, there generally would be a record there. Of course, they could have gotten married in a different county or state (e.g., Las Vegas, NV is a common wedding destination), so the lack of a marriage license in the county of current residence isn't necessarily conclusive.

3- You could also ask him and her to sign a sworn statement in the front of a notary that asserts they are not married. People seem less willing to lie in front of a notary.
Verification in the Real World: Marriage

- **AskRegs:**
- You could use professional judgment (PJ) authority to add an amount representing the amount the boyfriend contributes toward the mother’s housing and other living expenses. Verification must be completed before making the PJ adjustment. Also, as for all exercises of PJ authority, you must document in the student's file your reasons for exercising PJ in this situation.
Q: Student's parents divorced in March 2015. In Oct. 2016 the mother re-married. The student was selected for 2018-19 verification and the file reviewer noticed that the mother is married (effective date 10/2016) but listed only herself and her own 2016 income on the FAFSA, and had filed her 2016 tax return as Head of Household.

Mom stated she has lived and worked in Indiana for 17 years, step-dad had lived and worked in Florida for 6 years. They intended to merge households in Florida Feb. 2017. He "visited" his new wife at her home in Indiana during parts of November and December 2016. For 2016, they both filed their tax returns as Head of Household, believing they met all of the criteria.
Verification in the Real World: Marriage

Maintaining separate households after marrying was a temporary situation because they did occupy the same home for a brief portion of 2016 (although he was just "visiting") and they intended to merge households (albeit not until the next tax year). They say it was not temporary for the 2016 tax year because they never intended to merge households until 2017.

Was it appropriate for them to file 2016 taxes as Head of Household?
Verification in the Real World: Marriage

A: Maintaining two households for employment purposes is one of the legitimate reasons for filing as head of household. But, each of them needs to have a qualifying person living with them in their separate household.

Also, having separate households does not mean that they can file the FAFSA as separated. They are married, and the "visits" are evidence that they do not intend to dissolve the marriage. Accordingly, the income of both parents must be reported on the FAFSA, even though they don't live together and didn't live together in 2016.
Verification in the Real World: Marriage

AskRegs:

- Unless the parents are considered separated, which means that the marriage in the process of dissolving (as opposed to being residentially separated), the spouse's information must be included on the FAFSA.

- A married parent can file as head of household. There are several legitimate reasons why a married individual could have filed as head of household, including living apart due to employment conditions, family dynamics, and foreign residency. In such cases, an amended tax return is not required. Simply being married and filing head of household, by itself, is not conflicting information and does not need to be resolved unless there is some other indication that the individual filed taxes incorrectly.
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HOUSEHOLD

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Q. The parents of a dependent student...

1-Are also the legal guardians for their nine-year-old nephew, who is an orphan and who lives with them, and

2-The nephew has $13,000 in annual Social Security survivor benefits (which covers more than half of his support), can the parents count the nephew in their family size on the FAFSA?

The parents have not adopted the nephew.
A: If the Social Security benefits are paid to the parents (since the nephew is a minor), then the parents are considered to be providing more than half of his support. (See the example in the margin note on page AVG-25 of the Application and Verification Guide.) Since the nephew lives with them and receives more than half his support from them, he can be counted in household size on his cousin's FAFSA (his cousin being the parent's dependent student).
Verification in the Real World: Household

- If the Social Security benefits are paid to someone else, however, the parents do not provide more than half support, and therefore the nephew would not be counted in household size. But, usually the Social Security benefits are paid to the guardians when the beneficiary is a minor.

- The legal guardianship and orphan status are a red herring, since they do not affect whether the nephew can be counted in household size on his cousin's FAFSA. (On his own FAFSA, the nephew would be independent because of the legal guardianship and orphan status, assuming he doesn't get adopted prior to reach age 13.)
Q-We are in the midst of a discussion with a family regarding which parent's data to use. Student lived with mom more for 12 months prior to completing FAFSA in October and FAFSA was originally completed with mom's financial info. On our verification form, student indicates living in dad's household.

Over Christmas break, student moved in with dad and will be residing with him permanently going forward. Dad says he called FAFSA and FAFSA said he can use mom's financial data and dad's household data since student had lived with mom more during the 12 months prior to completing FAFSA but will be with dad for the 2018-19 academic year. We know this cannot be correct but the actual wording on the FAFSA question does leave room for interpretation.
1-When in doubt, read the statute. There's no ambiguity in the HEA. The FAFSA must be internally consistent, so if Mom is the custodial parent, you use Mom's financial and household data. You can use PJ to change custodial parent to be the Dad, but then you must use Dad's financial and household data. You can't have it both ways, with financial data from one parent and household data from the other.

Specifically, 20 USC 1087vv(l)(1)(B) defines family size as "if the parents are divorced or separated, family members include the parent whose income is included in computing available income and that parents dependents, including the student." This statutory language clearly links household data to financial data.
2-I would like to add one caveat (and a possible wrench, depending on how you see it). When the FAFSA asks you to report on the parent you live with, the guidance advises you to base the answer on the last 12 months. However, if the student is selected for Verification, the Verification Worksheet asks for the parent you will live with during the next academic school year (so for the 18/19 FAFSA, it asks from 7/1/18 to 6/30/19). This timeline difference can cause quite the conundrum in a situation like the one presented here.
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DEPENDENCY
Q- We have a student who says he has lived with his aunt since he was a baby. The aunt has power of attorney and she has written a letter that says parents abandoned him as a baby because they wanted to do their own thing. I received a letter from a high school counselor verifying that the aunt has always been his guardian while attending their school. I have tried explaining reasons we do an override and the type of documentation that we usually receive but she says there is none of that to give and that is all there is to it. I feel like I need more information but at the same time she has stated abandonment and should this be good enough. Is this enough documentation?
Verification in the Real World: Dependency

1- I would require a letter from the student's medical doctor as well a letter from the attorney that was involved in the guardianship of the student. Can the aunt provide court documents?

2- We require 3 letters of support for a dependency override. We would use the letter from the high school counselor as one of the letters, but then require two additional. These could be letters from someone else at the school (teacher, school secretary, principal, etc.), a pastor, a family friend, a supervisor/co-worker, etc. We would not necessarily drill in on the "why" the mom left, but focus more on the fact that the student has not/does not have contact with his parents.
Verification in the Real World: Dependency

- AVG-26-Example in the left margin
- “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.”
Q- I've been working with a student who, in the course of a few months, changed her story several times surrounding her circumstances with dependency status.

1.) For 2016-2017 award year, student reported parent’s information, but was not eligible for aid due to high EFC,

2.) For current year, student submitted FAFSA without parent’s information and submitted a dependency override stating that parents does not do anything for her.
Verification in the Real World: Dependency

3.) Dependency Override was denied as student has contact with parents and refusal to provide FAFSA data or financial support does not warrant an override.

4.) Last month, student called in (very upset and belligerent) stating that her parents don’t do anything for her and it's not fair. I inquired about student's current living situation and mentioned homelessness, but student stated that she works, pays for her own apartment and bills. Informed student that self-sufficiency does not warrant a dependency override and she does not fit the definition of homeless youth or unaccompanied youth at risk of homelessness.
5.) Today, received email from student that her circumstances has changed and she is now living with friends on couches. She also provided me screen shots of federal guidelines surrounding homelessness. Initially, student told me that she did not have parents as they died when she was very young, but when questioned about the parental information reported on her FAFSA last year, she stated she was adopted as a young toddler, but her adoptive parents only adopted her for the ‘tax benefits’. When told that her parents' refusal to provide FAFSA data does not warrant a dependency override, she changed her story to that she is self-sufficient. Then, when told self-sufficiency does not warrant a dependency override either, she has now changed her story again to living on couches. I have feeling the student is just trying to find a "loophole" to gain independent status because parent's incomes is too high, which makes her ineligible for aid.
1. Call her parent's house in the evening and ask to speak with her. If she comes to the phone, there you are. Otherwise, have a nice chat with her parents.

2. Some - if not all - of us have gone through this situation. The above advice is brilliant. I would bet that the parents have her on their health insurance and may also be paying her auto insurance.
Verification in the Real World: Dependency

AVG 113: “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 out the determination and retain it and the supporting documentation”
Verification in the Real World: Dependency

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

- “Situations that might warrant a dependency override include the student’s voluntary or involuntary removal from the parents’ home due to an abusive situation that threatened the student’s safety and/or health, the student’s abandonment by the parents, or the inability of the student to locate the parents.”
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INCOME/TAXES
Verification in the Real World: Income/Taxes

Q. Mom on full disability, earning $10,356 for 2016. Husband (legally married to mom in 2012), earned $14,568 "under the table" because he does not have a SSN, is from Guatemala (not sure his residency status but is currently stuck in Guatemala due to paperwork issues). Does this family need to file taxes for 2016?
Verification in the Real World: Income/Taxes

1- Filing threshold for MFJ is $20,700. The husband may apply for an ITIN and file taxes using that since he is not eligible for an SSN. Undoubtedly they have concerns about doing so given the current climate toward undocumented immigrants, but unfortunately I think your hands are tied.

2- Technically yes. An undocumented immigrant is still required to file a tax return and can apply for a ITIN (individual tax identification number) if they don't have an SSN. It takes 7-11 weeks to receive an ITIN. (see IRS Publication 1915)

3- If he was actually in the U.S. the answer is yes. He would need to get a ITIN number from the IRS, but because he isn't here. They are exempt.
Verification in the Real World: Income/Taxes

4- If they would file "married filing jointly" and both are under 65, they don't have to file until gross income is $20,700. So then it depends on whether mom's income is taxable. But if selected for verification, they'll need to find a way for dad's employers to verify what they paid him.

5- Only if they want to participate in the programs funded by tax revenue.

6- Unfortunately, there is confusion about residency for IRS purposes and residency under USCIS. The IRS residency and who must pay taxes is separate and based on the information provided, it sounds to me like they should file MFJ or MFS and report both Mom's disability and Dad's earnings. The IRS regulations related to residence and who must file can be found online at: https://www.irs.gov/taxtopics/tc851.html. The other component that applies is that they earned more than the maximum you can earn and not file taxes.
Verification in the Real World: Income/Taxes

7- "Under the table" is considered by the IRS to be self-employment and is taxable income if the husband earned it in the U.S. If he is a non-citizen, he may be able to exclude the income if it was not earned in the U.S. and/or he was residing outside the U.S. "Working under the table" is unlawful and may be considered tax fraud for both the payer and payee. Not something I would want to do if I was trying to get some sort of legal immigration status in the U.S.

8- Yes, they should have filed with the husband using an Individual Taxpayer Identification Number or ITIN. You can find Form W-7 and the Instructions on the IRS website.
Verification in the Real World: Income/Taxes

Q-I received a 2016 tax return from a student for verification. Her tax return indicates 'married filed separately' and has her spouse's SSN and name where they should be. She reports marital status on FAFSA as married as of 2005. We then also received a written statement from the husband that he did not make enough to file taxes in 2016. First, I wondered if you can even do that, and I'm not finding guidance through IRS.gov or AVG or AskRegs saying you can or cannot. Should I request a tax transcript? W2s at least? A statement from a tax professional?
Verification in the Real World: Income/Taxes

1-If one spouse has income under the filing threshold, it is possible for the other spouse to file as married filing separately and the low-income spouse to not file. By filing separately, they lose out on many tax benefits. But, sometimes the tax savings is significant enough to make it worthwhile financially.

2-Or if one spouse owes back taxes :) It is perfectly within the tax law to do so.
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ELIGIBILITY

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Verification in the Real World: Eligibility

Q-Our College is located in a very small town so many of us personally know the students that enroll here. What is the correct thing to do when we receive a FAFSA that clearly states information that we know isn't correct? A student listed "Parent not married" and only has the one parent's information listed on the FAFSA. This student was not selected for verification. We have contacted the student and told her that the FAFSA needs to be adjusted to say "married/remarried" for the parent and add the step-parent and income to the FAFSA.

Currently, the student is full need but once the step parent is added and updated, she will not be full need. How do other schools handle this situation?
Verification in the Real World: Eligibility

1- My philosophy is that once a member of the Financial Office becomes aware of any conflicting data, the Financial Aid Office is obligated in following up and resolving the issue (i.e., marriage, employment, scholarships).

2- Schools have the right to select a student for verification when they find data that appears to be incorrect or irregular. We would simply select the student for verification.

3- Same here. If for some reason information is inconsistent we are responsible to collect forms/documents for verification. Unfortunately, full need may change.
Verification in the Real World: Eligibility

Q-We have a student that is looking at starting in the spring. He is an eligible non-citizen (or at least) that is what he has put on his FAFSA. He marked on the FAFSA that this will be his 1st year in school that he has never attended and his first Bachelor's degree. However he has turned in transcripts from an overseas school that shows he has a degree in Criminal Justice and a Law Degree. Our Registrar says that the degree he has is equivalent to our BA and the Law Degree is equivalent to a Masters.

According to his wife, she has degrees from overseas, but since she did not get them here in the states she still qualified for Pell and Student Loans.
Verification in the Real World: Eligibility

1- No matter where the bachelor's degree has been earned, if it is the equivalent of a U.S. bachelor's degree, then he is not eligible for any Federal Grant funds and must say YES the Bachelor's Degree question.

2- Have you had the foreign transcript evaluated? As a graduate school, we see many foreign transcripts for BA degrees that end up not being the equivalent of a U.S. degree either because the degree was from a degree mill or an unaccredited school. One BA was actually only equivalent to a high school degree. So it might be worthwhile to have the degree evaluated by a service that does that sort of thing. At least you will feel vindicated in your decision if it is a valid degree.

3- A degree from an unaccredited school can still count as a Bachelor's degree and prevent a student from qualifying for the Federal Pell Grant.
Verification in the Real World: Eligibility

- page 1-85 of the Federal Student Aid Handbook:

- “A student with a baccalaureate or professional degree is ineligible even if the degree is from an unaccredited school or is not recognized by your school. Similarly, a student with a baccalaureate or professional degree from a foreign school usually isn’t eligible for a Pell Grant. But because a foreign degree often won’t translate neatly into the American classification, the school must judge whether it equates to a U.S. bachelor’s degree. If the student provides written documentation that the foreign degree is not equivalent to a bachelor degree awarded in the United States, you may determine that he does not have a bachelor degree. Documents supporting such a conclusion may include information about the type of school the student attended and total years of education leading to the degree.”
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Questions?

Comments?
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Thank You!!