
Introduction



This publication is intended for financial aid administrators and counselors who help students begin the student 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 some more specific use is given. “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 United States Department of Education, and “federal student aid” and “Title IV aid” are synonymous terms for the financial aid offered by that 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 because of 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 2009–10

Two substantial pieces of legislation account for most of the changes to this year’s guide: the College Cost Reduction and Access Act (CCRAA, signed into law on September 27, 2007) and the Higher Education Opportunity Act (HEOA, which also reauthorizes the Higher Education Act, or HEA, and was signed into law on August 14, 2008).

Many of these changes occur in Chapter 2 and have affected the order and number of the FAFSA questions. For example, on page 14, we discuss the new question added to identify potential recipients of the Teacher Education Assistance for College and Higher Education (TEACH) grant, which resulted from the CCRAA.

Also on page 14, we added text to the margin note specifying that income designated by code A in box 14 of the IRS Schedule K-1 is what should be included in income earned from work. We also specified that a negative income in box 14 (as with lines 12 and 18 of IRS Form 1040) should be treated as zero when determining income earned from work on the FAFSA.

On page 17 we specify that for the small family business exclusion, the term “family-owned and controlled” means over 50% ownership of the business by the “family,” who are persons that are directly related or are or were related by marriage.

We updated the guidance on page 18 to show that dependent students who are owners of qualified education benefits now count those benefits as assets of their parents. We also noted that when the owner is someone else, such as a noncustodial parent, disbursements from these plans are untaxed income to the student.

On page 20 we note that the question for the amount of veterans benefits was removed, though questions remain that ask the student if he will receive the benefits and what kind they are. Because the HEOA does not exclude these benefits from estimated financial assistance until the 2010–2011 award year, aid administrators will need to determine the total amount of these benefits for one more year.

The Secretary has determined that the stimulus payments taxpayers received due to the Economic Stimulus Act of 2008 are not to be counted as untaxed income. We note this in the margin on page 21.

The CCRAA removed several types of income from the need analysis. As a result, Worksheet A was removed from the application and the items formerly on Worksheets C and B now appear in questions in the body of the FAFSA. We discuss this on pages 20 to 23. Taxable combat pay is now excluded income; this is mentioned on page 23.

On page 22 we specify that when a dependent student receives money from a non-custodial parent that is not part of a child support agreement, the money counts as untaxed income to the student.

Beginning on page 24 we note the changes to the dependency status questions that resulted from the CCRAA. Foster children, emancipated minors, those in legal guardianship, and unaccompanied homeless youth have been added as categories of independent student.

We explain on page 28 that some states use the phrase “ward of the state” and that this is synonymous with “ward of the court” as long as the student is not a ward of the state due to being incarcerated.

We added a margin note to page 28 describing the new special circumstances field available for FAFSA on the Web applicants.

On page 30 we note that schools may now accept dependency overrides from a previous school in the same award year without gathering documentation in support of the override.

On page 32 we explain the new provision, added by the HEOA, that permits FAAs to determine if a student whose parents refuse to support and refuse to provide data for on the FAFSA may receive unsubsidized Stafford loans only.

Pages 34 and 35 give guidance about who is a dislocated worker. This status is now an alternative to the type of tax return and the receipt of means-tested federal benefits criteria for determining if a student qualifies for the simplified needs test or the automatic zero EFC.

In Chapter 3, on pages 41 and 42, we include the dislocated worker option in the criteria for the simplified needs test and zero EFC. We also note that for the means-tested benefit option, the benefit may be received at any time in the previous two years, rather than just during the base year.

Also on page 42, we amended the income threshold for determining if a student qualifies for an automatic zero EFC; in accord with the CCRAA, this has changed from \$20,000 to \$30,000.

Chapter 3 has also been updated throughout to include the annual revisions to the EFC calculation.

In Chapter 4 we removed references to the earned income credit, the additional child credit, and Social Security benefits because these are no longer considered untaxed income.

Chapter 5 contains additions to the types of specific situations in which an FAA may use professional judgment to adjust the student's numerical data to account for unusual family circumstances. The additions include nursing home expenses and being homeless or a dislocated worker. Also included here, in the verbatim text from the law in the margin of page 106, is the new provision relating to students whose parents refuse support.

Chapter 6 is new to this guide and contains information previously found in Volume 4, Chapter 1, of the Federal Student Aid Handbook. It pertains to applying for a Stafford or PLUS loan and signing the master promissory note.

