

ADMINISTRATIVE POLICY

Financial Aid Fraud Prevention

POLICY STATEMENT

In order to protect the integrity of its federal Title IV, State of Texas, and institutional financial aid programs, UIW complies with all existing statutory and regulatory requirements to disburse aid only to eligible students, identify and resolve discrepancies in student information, ensure all requirements regarding the regulatory definition of “regular students” status are met, and report any suspected fraud to the Office of the Inspector General of the U.S. Department of Education. To that end, UIW actively monitors, reviews, and reports any suspected behavior or activity to fraudulently secure financial aid funds.

Although all UIW departments—academic and administrative—share responsibility for preventing fraud, the Office of Financial Assistance is responsible for monitoring and resolving discrepancies in the information received from different sources with respect to a student’s application for financial aid. If UIW suspects that a student, employee, or other individual has misrepresented information, altered documentation to increase student aid eligibility or fraudulently obtain federal funds, UIW will report those suspicions and provide any evidence collected to the Department of Education’s Office of Inspector General. In addition, a student who attempts to obtain financial aid by fraud may be referred to the Office of Student Advocacy and Accountability for possible disciplinary action and may be barred from receiving financial aid. Employees who assist with fraudulent misrepresentation or misinformation may be subject to UIW’s established disciplinary procedures outlined in the UIW Employee Handbook.

All credit-bearing courses and programs must verify that the student who registers for a course or program is the same student who participates in and completes the course or program and receives academic credit. Online course developers and instructors must provide a substantive means of determining participation in a course or program to facilitate the accurate completion of course roster verification.

REASON FOR POLICY

In recent years, Federal financial aid has experienced an increase in financial aid fraud, particularly with respect to distance education. An institution without effective fraud prevention policies risks disbursing aid to students who have no intent to complete coursework, thereby harming the institution and its students by increasing the cohort loan default rate, increasing receivables that most likely will never be recovered, and further failing in its responsibility as a steward of the taxpayer investment in the student assistance programs. This policy establishes procedures to ensure compliance with existing statutory and regulatory requirements governing financial aid.

PROCEDURES

Office of Financial Assistance:

1. The Office of Financial Aid will investigate student records for fraud in the following ways:
 - a. Identify and investigate student records if there are multiple applications with identical email addresses, physical addresses, identical IP address, or phone numbers. On a regular basis, at minimum just prior to disbursement authorization, the Office will run customized queries to identify potential fraud cases.
 - b. Identify and investigate any reports of suspected financial aid fraud or identity theft.
 - c. Investigate claims of fraud or identity theft involving non-applicants who report unauthorized use of their information at UIW. Non-applicants will be required to complete UIW's Fraud Form in order to establish their identity before steps will be taken to adjust aid or other information.
2. Submit the applications suspected of fraud for "Verification" as defined in 34 C.F.R. § 668.56 and 34 C.F.R. § 668.57 and require the identified applicants to:
 - a. Complete a Statement of Educational Purpose and Certification of Identity form.
 - i. An applicant must appear in person and present the following documentation to a UIW Financial Assistance Advisor to verify the applicant's identity—
 1. A valid government-issued photo identification, such as but not limited to a driver's license, state identification card, military identification, or passport; and
 2. A signed Statement of Educational Purpose and Certification of Identity form certifying that the student financial assistance received will only be used for educational purposes to pay the cost of attending UIW for the current award year.
 - ii. For documentation presented in person, an institution must maintain, an annotated copy of the identification submitted by the applicant that includes—
 1. The date the documentation used to verify the applicant's identity was received; and
 2. The name of the institutionally-authorized individual that obtained the documentation from the applicant.
 - iii. If an applicant is unable to appear in person, he or she must provide the institution with—
 1. A copy of a valid government-issued photo identification, such as but not limited to a driver's license, state identification card, military identification, or passport; and
 2. An original notarized Statement of Educational Purpose and Certification of Identity signed by the applicant certifying that the student financial assistance received will only be used for educational purposes to pay the cost of attending UIW for the current award year.
 - b. Complete a UIW Certification of Address form.
 - i. An applicant must appear in person and present the following documentation to a UIW Financial Assistance Advisor to verify the applicant's identity and address—
 1. A valid government-issued photo identification, such as but not limited to a driver's license, state identification card, military identification, or

- passport; and
2. A signed Certification of Address listing the applicants current residential address, substantiated by two documents from two different sources from the following list, showing the addressee's name and address:
 - a. Utility or credit card bill issued in the past 90 days;
 - b. Deed, mortgage or property tax bill, statement or receipt from the past year;
 - c. First class mail received from any federal, state or local government agency in the past 6 months;
 - d. Checking or savings account statement from a bank or credit union issued in the past 60 days; or
 - e. Original lease or rental agreement.
 - ii. If an applicant is unable to appear in person, he or she must provide the institution with—
 1. A copy of a valid government-issued photo identification of the addressee, such as but not limited to a driver's license, non-driver's license, military identification, or passport; and
 2. An original notarized Certification of Address, completed by the applicant or addressee listing the applicants current residential address, substantiated by two documents from two different sources from the following list, showing the addressee's name and address:
 - a. Utility or credit card bill issued in the past 90 days;
 - b. Deed, mortgage or property tax bill, statement or receipt from the past year;
 - c. First class mail received from any federal, state or local government agency in the past 6 months;
 - d. Checking or savings account statement from a bank or credit union issued in the past 60 days; or
 - e. Original lease or rental agreement.
 - iii. If the applicant is unable to provide the required documentation to complete the Certification of Address, a person living at the same address who can provide such documentation will be required to complete and sign the form.
3. Maintain a shared file of fraudulent documents and activities for review and to assist UIW offices in identifying suspicious activity and fraud. Documents to be maintained include but are not limited to academic transcripts, IRS tax returns or other letters, applicant data, financial aid submissions, direct deposit data, and lists of student accounts investigated.
 4. Once internal investigations are completed, the Office of Financial Assistance will:
 - a. Notify the applicant or individual of the outcome of the investigation.
 - b. If an applicant is found to have engaged in fraud, the Office of Financial Assistance will:
 - i. Report suspected applicants to the Office of Student Advocacy and Accountability for violation of Student Code of Conduct.
 - ii. Report suspected fraud to the Office of the Inspector General of the Department of Education.
 - iii. If applicable, report suspected fraudulent tax documents to the Internal Revenue Service.
 - iv. Notify the applicant that they are no longer eligible to receive any aid from UIW, effective immediately.

All UIW departments should report any suspicious activity or data to the Office of Financial Assistance for further investigation. Additionally, certain UIW departments should routinely

monitor and review data for fraud, as follows:

Admissions Office

In keeping with the fraud policy, the Admissions Office will:

1. On a regular basis, at minimum just prior to disbursement authorization, run customized queries to identify students using identical email addresses, physical addresses, or phone numbers and send to the Office of Financial Assistance for follow up.
2. Include a disclaimer on the admissions application that intentional misinformation may result in admission acceptance revocation, suspension, or further information needed from applicant.

Office of the Registrar

In keeping with the fraud policy, the Office of the Registrar will:

1. Prior to matriculation, review suspected documents list (maintained by the Office of Financial Assistance) and prohibit matriculation until all requirements imposed by the Office of Financial Assistance are satisfied.

Business Office

In keeping with the fraud policy, the Business Office will:

1. Prior to issuing student refunds, run customized queries to identify suspected fraudulent activities. If suspected activities are discovered, hold the refund and alert the Office of Financial Assistance immediately via e-mail.

Academic Faculty

In keeping with the fraud policy, the Academic Faculty will:

1. Strictly adhere to UIW's attendance/participation policy by using the Banner 9 Attendance Tracking system which indicates students actively participating in courses, as published in the UIW Faculty Handbook.

Office of Student Advocacy and Accountability

In keeping with the fraud policy, the Office of Student Advocacy and Accountability will:

1. Review reports submitted by the Office of Financial Assistance and determine any necessary disciplinary actions as a result of violation of the UIW Student Code of Conduct.

FORMS/INSTRUCTIONS

Statement of Educational Purpose and Certification of Identity (Customized Verification Worksheet) (PDF)

UIW Certification of Address form (PDF)

UIW Fraud Form (PDF)

CONTACTS

SUBJECT	CONTACT	PHONE	EMAIL
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DEFINITIONS

Fraud: The willful misrepresentation or falsification of information for the purpose of securing financial aid that the individual is not eligible for or not eligible to the extent received. Financial aid fraud can take many forms, including, but not limited to the following:

- Falsified information or forged signatures on an application, verification documents, or loan promissory notes.
- False statement of income.
- False statements of citizenship.
- Use of false or fictitious names or aliases, addresses, or Social Security Numbers (SSN), including the deliberate use of multiple SSNs.
- False claims of independent status.
- Receipt of financial aid without the intent of use for educational purposes or intent to complete academic requirements.
- Patterns of misreported information.

Substantive Participation: The level at which student participation in class reaches the threshold for a student to have begun attendance.

- Online courses: At minimum, completion of one graded assignment relating to course-specific subject matter or participation in a course discussion board.
- In-person courses: In-person attendance in a class meeting, usually during the confirmation of attendance period.

RELATED INFORMATION

34 C.F.R. § 668.16(g)

Dear Colleague Letter (GEN-11-17)

HISTORY

Policy Created: March 31, 2023

Policy Revised:

Publication Date: October 20, 2011

DCL ID: GEN-11-17

Subject: Fraud in Postsecondary Distance Education Programs - URGENT
CALL TO ACTION

Summary: The purpose of this letter is to provide guidance to address potential fraud in the Federal student aid programs at institutions of higher education that offer distance education programs. This letter provides an overview of the fraud schemes that the Department's Inspector General (IG) detected, and recommends immediate steps that institutions can take to detect and prevent fraud. In this letter, we also describe further actions that institutions can take and that the Federal government is committed to taking, including increasing technical assistance to institutions of higher education, the convening of a Department-wide task force on distance education fraud, and plans for recommending legislative and regulatory changes to address the relevant issues.

Dear Colleague:

We appreciate the efforts that institutions routinely take to protect the integrity of the Federal student aid programs. Some of the fraud described in this letter was detected as a direct result of vigilant efforts pursued by institutions that have implemented comprehensive internal controls and fraud detection measures. Despite these efforts, more needs to be done by all institutions to prevent, identify, and report suspected distance education fraud in the Federal student aid programs and enable the successful prosecution of offenders. As evidenced by our recent work with the community on program integrity, we are committed to being a strong steward of the taxpayer investment in the student assistance programs and to ensuring their integrity. For these reasons, the Department determined a swift response was necessary and, through this Dear Colleague Letter (DCL), we are asking for your continued partnership to eliminate this and other attempts to defraud the Federal student aid programs. It is imperative that institutions comply with all existing statutory and regulatory requirements to disburse aid only to eligible students, to identify and resolve discrepancies in student information, to ensure that all requirements regarding "regular student" status are met, and to report any suspected fraud to the Department's IG. In doing so, your efforts will help curb these abuses and ensure that Federal student aid is provided to needy students as intended.

On September 26, 2011, the Department's IG issued a report about fraud

rings operating on distance education programs offered by institutions participating in the Federal student aid programs (<http://www2.ed.gov/about/offices/list/oig/invtreports/I42I0001.pdf>).

The IG's report identified an increasing number of cases involving large, loosely affiliated groups of individuals (fraud rings) who conspire to defraud title IV programs through distance education programs. These fraud rings generally target institutions with low tuition in the context of distance education programs and involve a ringleader who:

Obtains identifying information from straw students – individuals who willingly provide the information – including some who were incarcerated, by promising financial gain.

Completes multiple financial aid applications using the information collected (name, Social Security number, date of birth, etc.).

Applies for admission under the institution's open admissions program, where little or no third-party documentation is required.

Participates in the amount of on-line interaction necessary to establish participation in the academic program and secure disbursements under an institution's procedures.

Once the ringleader has submitted the Federal student financial aid application and completed enrollment at the institution, the institution draws down Federal student aid funds, deducts the institutional charges assessed the straw student, and disburses the credit balances to the straw student by check or debit card. Straw students then give a portion of the proceeds to the ringleaders while keeping the remaining portion. If needed to secure disbursements under an institution's procedures, a ringleader may also participate as the straw student in sufficient academic work to appear to be an eligible student.

The IG's report found that complaints about distance education fraud rings are expected to continue, given that distance education is the fastest growing segment of higher education. Institutions offer the front line of protection and are essential to the Department's efforts to thwart fraud and protect taxpayer dollars. As you know, accrediting agencies are required to review the policies and procedures institutions have in place to verify the identity of the students enrolled in those courses and programs (34 CFR 602.17(g)). Affected institutions should follow these reviewed processes to help detect efforts to defraud the Federal student aid programs. We also expect institutions to take steps necessary to ensure that students are academically engaged prior to disbursing Title IV student aid funds. If students do not begin attendance, Title IV funds must be returned (34 CFR 668.21(a)). We strongly encourage institutions that suspect potential fraud to question an applicant's intent to seriously pursue the academic program by requiring the student to

demonstrate that he or she has an academic purpose in order to establish eligibility for Federal student aid. If a student does not demonstrate academic purpose or resolve other concerns regarding identity or eligibility, the institution should not disburse Title IV funds.

Detecting fraud before funds have been disbursed is the best way to combat this crime. We therefore seek the help of institutions and advise that you take the following additional actions to identify and prevent the kind of student aid fraud identified in the IG's report:

Implement automated protocols that monitor information in your student information data system to identify instances where a number of students –

Use the same Internet Protocol (IP) address to complete and submit an admissions application.

Use the same IP address to participate in the on-line academic program.

Use the same e-mail address to submit an admissions application.

Use the same e-mail address to participate in the on-line academic program

Appear to reside in a geographic location that is anomalous to the locations of most students in the program.

Modify your disbursement rules for students participating exclusively in distance learning programs, which would immediately reduce the amount that fraud ring participants can receive. Institutions have the authority to:

Delay disbursement of Title IV funds until the student has participated in the distance education program for a longer and more substantiated period of time (e.g., until an exam has been given, completed, and graded or a paper has been submitted).

Make more frequent disbursements of Title IV funds so that not all of the payment period's award is disbursed at the beginning of the period.

Our recent program integrity rules include two additional requirements that help identify potential fraud. First, we now require institutions to have procedures in place to address what may appear to be a fraudulent claim of high school completion (34 CFR 668.16(p)). Since we now collect high school completion information on the Free Application for Federal Student Aid (FAFSA), institutions can use these procedures to help detect potential fraud. In addition, in the future, we may in our annual verification notice (which we

publish in the Federal Register pursuant to recently-revised verification regulations found in Subpart E of 34 C.F.R. Part 668) specify certain additional items that would need to be verified, including high school diploma information and applicant identity for all or some of an institution's Title IV applicants who are engaged in distance education. The selection of these applicants for verification may be based on common addresses and other patterns and discrepancies noted in the OIG's investigations. Institutions are encouraged to verify identity of individuals whenever the institution, through use of similar methods and triggering events, finds cause for doing so as a best practice for preventing fraud.

The Department is taking this issue very seriously and has established a Department-wide anti-fraud ring task force, chaired by Jeff Baker, Director, Policy Liaison and Implementation in Federal Student Aid, to address the issues raised in the IG's report as well as emerging future threats. If you have comments and suggestions that you believe will help us address fraud rings or have specific concerns that do not rise to a level that you believe appropriate to refer to the IG, please contact the task force at FraudTaskForce@ed.gov or call 202-377-4340.

Finally, we have added sessions to the upcoming FSA Conference in Las Vegas scheduled for November 29-December 2, 2011, to more fully discuss the IG report and possible institutional responses. We plan to release additional guidance after those sessions and will also consider suggestions for additional statutory and regulatory changes to help institutions combat fraud and protect students and taxpayers from fraudulent activity.

Sincerely,

James W. Runcie
Chief Operating Officer
Federal Student Aid

Eduardo M. Ochoa
Assistant Secretary
for Postsecondary
Education

Attachments/Enclosures:

GEN-11-17: Fraud in Postsecondary Distance Education Programs - URGENT CALL TO ACTION in PDF Format, 1MB, 3 Pages

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Title 34 - Education

Subtitle B - Regulations of the Offices of the Department of Education

Chapter VI - Office of Postsecondary Education, Department of Education

Part 668 - Student Assistance General Provisions

Subpart B - Standards for Participation in Title IV, HEA Programs

Source: 52 FR 45727, Dec. 1, 1987, unless otherwise noted.

Authority: 20 U.S.C. 1001-1003, 1070g, 1085, 1088, 1091, 1092, 1094, 1099c, 1099c-1, 1221-3, and 1231a, unless otherwise noted. Section 668.14 also issued under 20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099a-3, 1099c, and 1141. Section 668.41 also issued under 20 U.S.C. 1092, 1094, 1099c. See *Part 668 for more*

§ 668.16 Standards of administrative capability.

To begin and to continue to participate in any Title IV, HEA program, an institution shall demonstrate to the Secretary that the institution is capable of adequately administering that program under each of the standards established in this section. The Secretary considers an institution to have that administrative capability if the institution -

- (a) Administers the Title IV, HEA programs in accordance with all statutory provisions of or applicable to Title IV of the HEA, all applicable regulatory provisions prescribed under that statutory authority, and all applicable special arrangements, agreements, and limitations entered into under the authority of statutes applicable to Title IV of the HEA;
- (b)
 - (1) Designates a capable individual to be responsible for administering all the Title IV, HEA programs in which it participates and for coordinating those programs with the institution's other Federal and non-Federal programs of student financial assistance. The Secretary considers an individual to be "capable" under this paragraph if the individual is certified by the State in which the institution is located, if the State requires certification of financial aid administrators. The Secretary may consider other factors in determining whether an individual is capable, including, but not limited to, the individual's successful completion of Title IV, HEA program training provided or approved by the Secretary, and previous experience and documented success in administering the Title IV, HEA programs properly;
 - (2) Uses an adequate number of qualified persons to administer the Title IV, HEA programs in which the institution participates. The Secretary considers the following factors to determine whether an institution uses an adequate number of qualified persons -
 - (i) The number and types of programs in which the institution participates;
 - (ii) The number of applications evaluated;
 - (iii) The number of students who receive any student financial assistance at the institution and the amount of funds administered;
 - (iv) The financial aid delivery system used by the institution;
 - (v) The degree of office automation used by the institution in the administration of the Title IV, HEA programs;

(vi) The number and distribution of financial aid staff; and

(vii) The use of third-party servicers to aid in the administration of the Title IV, HEA programs;

(3) Communicates to the individual designated to be responsible for administering Title IV, HEA programs, all the information received by any institutional office that bears on a student's eligibility for Title IV, HEA program assistance; and

(4) Has written procedures for or written information indicating the responsibilities of the various offices with respect to the approval, disbursement, and delivery of Title IV, HEA program assistance and the preparation and submission of reports to the Secretary;

(c)

(1) Administers Title IV, HEA programs with adequate checks and balances in its system of internal controls; and

(2) Divides the functions of authorizing payments and disbursing or delivering funds so that no office has responsibility for both functions with respect to any particular student aided under the programs. For example, the functions of authorizing payments and disbursing or delivering funds must be divided so that for any particular student aided under the programs, the two functions are carried out by at least two organizationally independent individuals who are not members of the same family, as defined in § 668.15, or who do not together exercise substantial control, as defined in § 668.15, over the institution;

(d)

(1) Establishes and maintains records required under this part and the individual Title IV, HEA program regulations; and

(2)

(i) Reports annually to the Secretary on any reasonable reimbursements paid or provided by a private education lender or group of lenders as described under section 140(d) of the Truth in Lending Act (15 U.S.C. 1631(d)) to any employee who is employed in the financial aid office of the institution or who otherwise has responsibilities with respect to education loans, including responsibilities involving the selection of lenders, or other financial aid of the institution, including -

(A) The amount for each specific instance of reasonable expenses paid or provided;

(B) The name of the financial aid official, other employee, or agent to whom the expenses were paid or provided;

(C) The dates of the activity for which the expenses were paid or provided; and

(D) A brief description of the activity for which the expenses were paid or provided.

(ii) Expenses are considered to be reasonable if the expenses -

(A) Meet the standards of and are paid in accordance with a State government reimbursement policy applicable to the entity; or

(B) Meet the standards of and are paid in accordance with the applicable Federal cost principles for reimbursement, if no State policy that is applicable to the entity exists.

- (iii) The policy must be consistently applied to an institution's employees reimbursed under this paragraph;
- (e) For purposes of determining student eligibility for assistance under a title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory academic progress in his or her educational program. The Secretary considers an institution's standards to be reasonable if the standards are in accordance with the provisions specified in § 668.34.
- (f) Develops and applies an adequate system to identify and resolve discrepancies in the information that the institution receives from different sources with respect to a student's application for financial aid under Title IV, HEA programs. In determining whether the institution's system is adequate, the Secretary considers whether the institution obtains and reviews -
 - (1) All student aid applications, need analysis documents, Statements of Educational Purpose, Statements of Registration Status, and eligibility notification documents presented by or on behalf of each applicant;
 - (2) Any documents, including any copies of State and Federal income tax returns, that are normally collected by the institution to verify information received from the student or other sources; and
 - (3) Any other information normally available to the institution regarding a student's citizenship, previous educational experience, documentation of the student's social security number, or other factors relating to the student's eligibility for funds under the Title IV, HEA programs;
- (g) Refers to the Office of Inspector General of the Department of Education for investigation -
 - (1) After conducting the review of an application provided for under paragraph (f) of this section, any credible information indicating that an applicant for Title IV, HEA program assistance may have engaged in fraud or other criminal misconduct in connection with his or her application. The type of information that an institution must refer is that which is relevant to the eligibility of the applicant for Title IV, HEA program assistance, or the amount of the assistance. Examples of this type of information are -
 - (i) False claims of independent student status;
 - (ii) False claims of citizenship;
 - (iii) Use of false identities;
 - (iv) Forgery of signatures or certifications; and
 - (v) False statements of income; and
 - (2) Any credible information indicating that any employee, third-party servicer, or other agent of the institution that acts in a capacity that involves the administration of the Title IV, HEA programs, or the receipt of funds under those programs, may have engaged in fraud, misrepresentation, conversion or breach of fiduciary responsibility, or other illegal conduct involving the Title IV, HEA programs. The type of information that an institution must refer is that which is relevant to the eligibility and funding of the institution and its students through the Title IV, HEA programs;
- (h) Provides adequate financial aid counseling to eligible students who apply for Title IV, HEA program assistance. In determining whether an institution provides adequate counseling, the Secretary considers whether its counseling includes information regarding -

- (1) The source and amount of each type of aid offered;
 - (2) The method by which aid is determined and disbursed, delivered, or applied to a student's account; and
 - (3) The rights and responsibilities of the student with respect to enrollment at the institution and receipt of financial aid. This information includes the institution's refund policy, the requirements for the treatment of title IV, HEA program funds when a student withdraws under § 668.22, its standards of satisfactory progress, and other conditions that may alter the student's aid package;
- (i) Has provided all program and fiscal reports and financial statements required for compliance with the provisions of this part and the individual program regulations in a timely manner;
 - (j) Shows no evidence of significant problems that affect, as determined by the Secretary, the institution's ability to administer a Title IV, HEA program and that are identified in -
 - (1) Reviews of the institution conducted by the Secretary, the Department of Education's Office of Inspector General, nationally recognized accrediting agencies, guaranty agencies as defined in 34 CFR part 682, the State agency or official by whose authority the institution is legally authorized to provide postsecondary education, or any other law enforcement agency; or
 - (2) Any findings made in any criminal, civil, or administrative proceeding;
 - (k) Is not, and does not have any principal or affiliate of the institution (as those terms are defined in 2 CFR parts 180 and 3485) that is -
 - (1) Debarred or suspended under Executive Order 12549 (3 CFR, 1986 Comp., p. 189) or the Federal Acquisition Regulations (FAR), 48 CFR part 9, subpart 9.4; or
 - (2) Engaging in any activity that is a cause under 2 CFR 180.700 or 180.800, as adopted at 2 CFR 3485.12, for debarment or suspension under E.O. 12549 (3 CFR, 1986 Comp., p. 189) or the FAR, 48 CFR part 9, subpart 9.4;
 - (l) For an institution that seeks initial participation in a Title IV, HEA program, does not have more than 33 percent of its undergraduate regular students withdraw from the institution during the institution's latest completed award year. The institution must count all regular students who are enrolled during the latest completed award year, except those students who, during that period -
 - (1) Withdrew from, dropped out of, or were expelled from the institution;
 - (2) Were entitled to and actually received in a timely manner, a refund of 100 percent of their tuition and fees;
 - (m)
 - (1) Has a cohort default rate -
 - (i) That is less than 25 percent for each of the three most recent fiscal years during which rates have been issued, to the extent those rates are calculated under subpart M of this part;
 - (ii) On or after 2014, that is less than 30 percent for at least two of the three most recent fiscal years during which the Secretary has issued rates for the institution under subpart N of this part; and
 - (iii) As defined in 34 CFR 674.5, on loans made under the Federal Perkins Loan Program to students for attendance at that institution that does not exceed 15 percent.

(2)

(i) However, if the Secretary determines that an institution's administrative capability is impaired solely because the institution fails to comply with paragraph (m)(1) of this section, and the institution is not subject to a loss of eligibility under §§ 668.187(a) or 668.206(a), the Secretary allows the institution to continue to participate in the Title IV, HEA programs. In such a case, the Secretary may provisionally certify the institution in accordance with § 668.13(c) except as provided in paragraphs (m)(2)(ii), (m)(2)(iii), (m)(2)(iv), and (m)(2)(v) of this section.

(ii) An institution that fails to meet the standard of administrative capability under paragraph (m)(1)(ii) based on two cohort default rates that are greater than or equal to 30 percent but less than or equal to 40 percent is not placed on provisional certification under paragraph (m)(2)(i) of this section -

(A) If it has timely filed a request for adjustment or appeal under §§ 668.209, 668.210, or 668.212 with respect to the second such rate, and the request for adjustment or appeal is either pending or succeeds in reducing the rate below 30 percent; or

(B) If it has timely filed an appeal under § 668.213 after receiving the second such rate, and the appeal is either pending or successful; or

(C)

(1) If it has timely filed a participation rate index challenge or appeal under § 668.204(c) or § 668.214 from either or both of the two rates, and the challenge or appeal is either pending or successful; or

(2) If the second rate is the most recent draft rate, and the institution has timely filed a participation rate challenge to that draft rate that is either pending or successful.

(iii) The institution may appeal the loss of full participation in a Title IV, HEA program under paragraph (m)(2)(i) of this section by submitting an erroneous data appeal in writing to the Secretary in accordance with and on the grounds specified in §§ 668.192 or 668.211 as applicable;

(iv) If the institution has 30 or fewer borrowers in the three most recent cohorts of borrowers used to calculate its cohort default rate under subpart N of this part, we will not provisionally certify it solely based on cohort default rates;

(v) If a rate that would otherwise potentially subject the institution to provisional certification under paragraphs (m)(1)(ii) and (m)(2)(i) of this section is calculated as an average rate, we will not provisionally certify it solely based on cohort default rates;

(n) Does not otherwise appear to lack the ability to administer the Title IV, HEA programs competently;

(o) Participates in the electronic processes that the Secretary -

(1) Provides at no substantial charge to the institution; and

(2) Identifies through a notice published in the FEDERAL REGISTER; and

(p) Develops and follows procedures to evaluate the validity of a student's high school completion if the institution or the Secretary has reason to believe that the high school diploma is not valid or was not obtained from an entity that provides secondary school education.

(Approved by the Office of Management and Budget under control number 1845-0022)

(Authority: 20 U.S.C. 1082, 1085, 1092, 1094, and 1099c)

[59 FR 22431, Apr. 29, 1994, as amended at 59 FR 34964, July 7, 1994; 59 FR 61180, Nov. 29, 1994; 60 FR 34431, June 30, 1995; 60 FR 42408, Aug. 15, 1995; 61 FR 60603, Nov. 29, 1996; 62 FR 27128, May 16, 1997; 63 FR 40624, July 29, 1998; 64 FR 59038, Nov. 1, 1999; 65 FR 65637, Nov. 1, 2000; 74 FR 55648, Oct. 28, 2009; 75 FR 66951, Oct. 29, 2010; 76 FR 52272, Aug. 22, 2011; 77 FR 18679, Mar. 28, 2012; 80 FR 67235, Oct. 30, 2015]

This content is from the eCFR and is authoritative but unofficial.

Title 34 - Education

Subtitle B - Regulations of the Offices of the Department of Education

Chapter VI - Office of Postsecondary Education, Department of Education

Part 668 - Student Assistance General Provisions

Subpart E - Verification and Updating of Student Aid Application Information

Source: 75 FR 66954, Oct. 29, 2010, unless otherwise noted.

Authority: 20 U.S.C. 1001-1003, 1070g, 1085, 1088, 1091, 1092, 1094, 1099c, 1099c-1, 1221-3, and 1231a, unless otherwise noted. Section 668.14 also issued under 20 U.S.C. 1085, 1088, 1091, 1092, 1094, 1099a-3, 1099c, and 1141. Section 668.41 also issued under 20 U.S.C. 1092, 1094, 1099c. See *Part 668 for more*

§ 668.56 Information to be verified.

- (a) For each award year the Secretary publishes in the FEDERAL REGISTER notice the FAFSA information that an institution and an applicant may be required to verify.
- (b) For each applicant whose FAFSA information is selected for verification by the Secretary, the Secretary specifies the specific information under paragraph (a) of this section that the applicant must verify.

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(Authority: 20 U.S.C. 1094, 1095)

This content is from the eCFR and is authoritative but unofficial.

Title 34 - Education

Subtitle B - Regulations of the Offices of the Department of Education

Chapter VI - Office of Postsecondary Education, Department of Education

Part 668 - Student Assistance General Provisions

Subpart E - Verification and Updating of Student Aid Application Information

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§ 668.57 Acceptable documentation.

If an applicant is selected to verify any of the following information, an institution must obtain the specified documentation.

(a) *Adjusted Gross Income (AGI), income earned from work, or U.S. income tax paid.*

- (1) Except as provided in paragraphs (a)(2), (a)(3), and (a)(4) of this section, an institution must require an applicant selected for verification of AGI, income earned from work or U.S. income tax paid to submit to it -
 - (i) A copy of the income tax return or an Internal Revenue Service (IRS) form that lists tax account information of the applicant, his or her spouse, or his or her parents, as applicable for the specified year. The copy of the return must include the signature (which need not be an original) of the filer of the return or of one of the filers of a joint return;
 - (ii) For a dependent student, a copy of each IRS Form W-2 for the specified year received by the parent whose income is being taken into account if -
 - (A) The parents filed a joint return; and
 - (B) The parents are divorced or separated or one of the parents has died; and
 - (iii) For an independent student, a copy of each IRS Form W-2 for the specified year he or she received if the independent student -
 - (A) Filed a joint return; and
 - (B) Is a widow or widower, or is divorced or separated.
- (2) An institution may accept, in lieu of an income tax return or an IRS form that lists tax account information, the information reported for an item on the applicant's FAFSA for the specified year if the Secretary has identified that item as having been obtained from the IRS and not having been changed.
- (3) An institution must accept, in lieu of an income tax return or an IRS form that lists tax account information, the documentation set forth in paragraph (a)(4) of this section if the individual for the specified year -
 - (i) Has not filed and, under IRS rules, or other applicable government agency rules, is not required to file an income tax return;

- (ii) Is required to file a U.S. tax return and has been granted a filing extension by the IRS; or
 - (iii) Has requested a copy of the tax return or an IRS form that lists tax account information, and the IRS or a government of a U.S. territory or commonwealth or a foreign central government cannot locate the return or provide an IRS form that lists tax account information.
- (4) An institution must accept -
- (i) For an individual described in paragraph (a)(3)(i) of this section, a statement signed by that individual certifying that he or she has not filed and is not required to file an income tax return for the specified year and certifying for that year that individual's -
 - (A) Sources of income earned from work as stated on the FAFSA; and
 - (B) Amounts of income from each source. In lieu of a certification of these amounts of income, the applicant may provide a copy of his or her IRS Form W-2 for each source listed under paragraph (a)(4)(i)(A) of this section;
 - (ii) For an individual described in paragraph (a)(3)(ii) of this section -
 - (A) A copy of the IRS Form 4868, "Application for Automatic Extension of Time to File U.S. Individual Income Tax Return," that the individual filed with the IRS for the specified year, or 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; and
 - (B) A copy of each IRS Form W-2 that the individual received for the specified year, or for a self-employed individual, a statement signed by the individual certifying the amount of the AGI for the specified year; and
 - (iii) For an individual described in paragraph (a)(3)(iii) of this section -
 - (A) A copy of each IRS Form W-2 that the individual received for the specified year; or
 - (B) For an individual who is self-employed or has filed an income tax return with a government of a U. S. territory or commonwealth, or a foreign central government, a statement signed by the individual certifying the amount of AGI and taxes paid for the specified year.
- (5) An institution may require an individual described in paragraph (a)(3)(ii) of this section to provide to it a copy of his or her completed and signed income tax return when filed. If an institution receives the copy of the return, it must reverify the AGI and taxes paid by the applicant and his or her spouse or parents.
- (6) If an individual who is required to submit an IRS Form W-2, under paragraph (a) of this section, is unable to obtain one in a timely manner, the institution may permit that individual to set forth, in a statement signed by the individual, the amount of income earned from work, the source of that income, and the reason that the IRS Form W-2 is not available in a timely manner.
- (7) For the purpose of this section, an institution may accept in lieu of a copy of an income tax return signed by the filer of the return or one of the filers of a joint return, a copy of the filer's return that includes the preparer's Social Security Number, Employer Identification Number or the Preparer Tax Identification Number and has been signed, stamped, typed, or printed with the name and address of the preparer of the return.

- (b) **Number of family members in household.** An institution must require an applicant selected for verification of the number of family members in the household to submit to it a statement signed by both the applicant and one of the applicant's parents if the applicant is a dependent student, or only the applicant if the applicant is an independent student, listing the name and age of each family member in the household and the relationship of that household member to the applicant.
- (c) **Number of family household members enrolled in eligible postsecondary institutions.**
- (1) An institution must require an applicant selected for verification of the number of household members in the applicant's family enrolled on at least a half-time basis in eligible postsecondary institutions to submit a statement signed by both the applicant and one of the applicant's parents, if the applicant is a dependent student, or by only the applicant if the applicant is an independent student, listing -
- (i) The name of each family member who is or will be attending an eligible postsecondary educational institution as at least a half-time student in the award year;
- (ii) The age of each student; and
- (iii) The name of the institution that each student is or will be attending.
- (2) If the institution has reason to believe that an applicant's FAFSA information or the statement provided under paragraph (c)(1) of this section regarding the number of family household members enrolled in eligible postsecondary institutions is inaccurate, the institution must obtain a statement from each institution named by the applicant in response to the requirement of paragraph (c)(1)(iii) of this section that the household member in question is or will be attending the institution on at least a half-time basis, unless -
- (i) The institution the student is attending determines that such a statement is not available because the household member in question has not yet registered at the institution he or she plans to attend; or
- (ii) The institution has information indicating that the student will be attending the same institution as the applicant.
- (d) **Other information.** If an applicant is selected to verify other information specified in the annual FEDERAL REGISTER notice, the applicant must provide the documentation specified for that information in the FEDERAL REGISTER notice.

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(Authority: 20 U.S.C. 1094)