

The 1997-98 Federal Financial Aid Delivery System

Main Objectives:

- o Participants will be able to identify important features of the federal financial aid delivery system.
- o Participants will be able to understand the meaning of the information on the SAR and the SAR Information Acknowledgement.
- o Participants will be able to help students and their parents with federal, state, institutional, and private organizations' application processes.

Time Estimate:

Lecture 30 minutes

Total Time: 30 minutes

This session is an overview of the federal financial aid delivery system. This is the process by which a Free Application for Federal Student Aid—the FAFSA—is processed, corrected (if necessary), and the results are returned to students and postsecondary schools. The results include the Expected Family Contribution (EFC), as well as other eligibility information.

A student seeking aid needs to complete only one FAFSA per school year, and schools cannot require a fee-based form for students applying for federal aid.

In addition to completing the FAFSA, there are additional eligibility requirements for receiving certain federal loans and for some types of state and postsecondary school aid. These requirements are also addressed in this session.

Please turn to Session 4, page 2 of your Trainee Guide.

TG 2**FEDERAL APPLICATION PROCESS**

Let's look at the chart that describes the federal application process.

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- » Your copy of the federal application processing system chart is found on page 19 of this guide.

As you now know, federal processing begins when students and their families complete and submit the FAFSA. The FAFSA must be completed each year the student wishes to obtain federal student financial aid. After the first year a student applies, however, a simpler Renewal FAFSA requiring updates is all that's needed. There are three different methods of completing the FAFSA and submitting it to be processed:

- o **Paper Process** A student can complete a paper FAFSA and mail it to one of ED's FAFSA processors. The processors enter the data and send it to ED's Central Processing System (CPS).
- o **Electronic Process** EDEExpress is ED's software allowing students to apply for federal financial aid and schools to package financial aid electronically. If EDEExpress is available at the student's school, the student can give the signed FAFSA to the school. Then the school (or its servicer) transmits the data electronically to the CPS.
- o **FAFSA Express** A student can use a software application called FAFSA Express to complete the FAFSA electronically and send it by modem directly to the CPS. This can be done from a personal computer at home, the library, or from school. To order a copy of the FAFSA Express software:
 - call the toll-free number at 1-800-801-0576 or
 - use the Web site address at <http://www.ed.gov/offices/OPE>

Once the CPS receives the FAFSA information, it:

- o performs matches to several federal databases;

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- o calculates the Expected Family Contribution (EFC);
and
- o transmits the results to students and to the schools and agencies students listed in Section H of the FAFSA.

Let's briefly look at each of these CPS functions.

Federal Data Matches

The CPS performs several electronic data-matches to compare a student's information from the FAFSA with other federal records. The matches are used to assess specific eligibility requirements, such as citizenship status. If any match attempt reveals a problem, a student might not be eligible to receive federal financial aid unless the problem is resolved. The SAR/ISIR will indicate whether the student is ineligible for aid or whether there are questions about eligibility. Resolving such problems usually requires the student and parents to submit documentation to the postsecondary schools where the student is applying.

Note to Instructor:
ISIR stands for Institutional Student Information Record; it is an electronic record sent to schools.

Please turn to page 3 of your Trainee Guide.

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The five data-match areas that flag an eligibility problem are: (OH 1)



- o **Social Security Administration**
 - The CPS sends student records to the Social Security Administration for two matches:
 - ◊ to check the validity of the Social Security number (SSN) **and**
 - ◊ to confirm citizenship status.

| | Instructor's Notes |
|---|---|
| <ul style="list-style-type: none"> • If the SSN is invalid, in other words, if the number does not exist in the database, the student will receive a rejected SAR. | Invalid SSN |
| <ul style="list-style-type: none"> • If the SSN is a valid number but does not match the student's name or date of birth, a comment will be placed on the SAR, and the student will be asked for more information. | Valid SSN, but more information is needed |
| <ul style="list-style-type: none"> • If the student does not have a SSN, or if the SSN is left blank, the FAFSA will be returned to the student unprocessed. | No SSN |
| <ul style="list-style-type: none"> • If the match does not confirm the listed citizenship status, a student who is a U.S. citizen must provide documentation to the school. <ul style="list-style-type: none"> ◊ If the student is an eligible noncitizen but claimed U.S. citizenship on the FAFSA, the student must correct his or her status on the SAR and provide the correct Alien Registration Number. ◊ The match will not be able to confirm citizenship status if there is a problem with the SSN, name, or birth date reported on the FAFSA. | Nonconfirmation of citizenship status |
| <p>o Selective Service</p> <ul style="list-style-type: none"> • Student records are sent to the Selective Service to determine whether the student is registered, if the student is required to do so. • A male student must register for Selective Service within 30 days of reaching his eighteenth birthday. • Males who have not registered with the Selective Service, and are required to, may register by answering "Yes" to Question 105 on the FAFSA. | |

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- A female student is not required to register.
 - If the Selective Service does not confirm that the applicant is registered when he is required to be registered, there will be a comment on the SAR.
- o **Immigration and Naturalization Service (INS)**
- The Immigration and Naturalization Service (INS) match determines whether the student is eligible for federal aid on the basis of citizenship or immigration status. As with the SSN, an Alien Registration Number is checked to see if it is a valid number, and the number is checked against the student's name and date of birth. Once again, if there is conflicting information or no confirmation, a comment will appear on the SAR. As you may recall, INS citizenship information is in Attachment 2A of Session2 in your Trainee Guide.
- o **National Student Loan Data System (NSLDS)**
- The newest of the required matches is ED's database, the National Student Loan Data System (NSLDS), which contains an extensive record of students' postsecondary-education financial aid history.
 - ◇ If a student has no financial aid history, as will be the case with a high school student, this match will yield no information.
 - ◇ A student with a financial aid history who has a loan in default will be identified through this match. The student is ineligible for federal aid until the default is paid or satisfactory arrangements to pay have been made.

Note to Instructor:

An example of an INS comment is "The Immigration and Naturalization Service (INS) could not confirm your statement that you are an eligible noncitizen because there is a question about your Alien Registration Number."

Note to Instructor:

Students still in high school do not have to worry about this match, because they have not obtained federal financial aid to attend postsecondary school.

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- ◇ A student who owes an overpayment from an Title IV grant will also be flagged through this match. That student will be ineligible for federal student aid until the problem is resolved.
- ◇ Any of these findings will be reported on the SAR.
- o **ED's Drug-Abuse Hold File**
 - The Anti-Drug Abuse Act of 1988 gave courts the authority to suspend federal student financial aid eligibility when sentencing an individual convicted of possession or distribution of a controlled substance.
 - ◇ This file contains information on students who have been denied student aid because of such sentencing.
 - ◇ A student wishing to contest such a finding must contact ED.

In all of these situations, if an eligibility problem is flagged, the student is ineligible for federal student financial aid until the problem is resolved. Problems are resolved when a student submits documentation to the school that proves eligibility.

Expected Family Contribution (EFC) Calculation

The CPS calculates the EFC from the information on the FAFSA using a formula mandated by Congress. This formula is called the Federal Methodology.

The EFC was discussed in Session 2. How schools use the EFC to package financial aid will be discussed in the next session.

Please turn to page 4 of your Trainee Guide.

Federal Output Documents

After the CPS processes the FAFSA information, which includes performing data matches and calculating the EFC, it sends the processed information to students and the schools listed on the federal output documents. There are three federal output documents: (OH 2)

- o the Student Aid Report (SAR),
- o the SAR Information Acknowledgement, **and**
- o the Institutional Student Information Record (ISIR).

All three documents contain the processed FAFSA information, but in different formats.

- o The **Student Aid Report (SAR)** is a paper document that is approximately four to five pages long. ED's CPS mails it to all students who submit a paper FAFSA or who use a modem to send an electronic FAFSA using FAFSA Express. This is the output document you are most likely to see. It is the only document that can be used to make corrections.
- o The **SAR Information Acknowledgement** is also a paper document, but is shorter than the SAR (only one to two pages long). The CPS mails it—instead of a SAR—to students who apply through schools participating in ED's EDEXpress. This is a new output document, as of 1996-97. You may be seeing more of these in the future.
- o The **Institutional Student Information Record (ISIR)** is an electronic version of the SAR that the CPS makes available to institutions. Schools with electronic

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capability receive the ISIR through ED's electronic network, by magnetic tape, or by cartridge when a student lists them on the FAFSA as a college he or she might attend in 1997-98.

Schools can determine awards using any of the three output documents. However, a school cannot require a student to submit a paper SAR or SAR Information Acknowledgement to it if the school has the electronic capability to receive ISIRs.

First, let's talk about the SAR and the SAR Information Acknowledgement.

The Student Aid Report (SAR)

Many students are likely to bring their SARs into the guidance office and ask what they should do with them.

The SAR itself tells students what they need to do. The SAR will contain one of the following messages:

- o If all the schools the student lists on the FAFSA are electronic, the SAR will say: (OH 3)

"You do not need to submit this SAR to the schools you listed. All of your schools will receive the information electronically."

- o If none of the schools the student lists on the FAFSA are electronic, the SAR will say: (OH 4)

"You should submit a photocopy of this SAR to all the schools that you may be interested in attending. Submit the original SAR to the school where you actually enroll."

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- o If some of the schools are electronic and some are not, the SAR will say: (OH 5)

“Some of the schools that you listed do not receive information electronically. Review any financial aid materials you received from schools that you are interested in attending to see which ones require a photocopy of your SAR. Submit the original SAR to the school where you actually enroll.”

Students should always keep a copy of the SAR for their records.

If a student loses the SAR or needs another original, the student should: (OH 6)

- o call the Federal Student Aid Information Center at 1-319-337-5665 **or**
- o write to the address of the FAFSA processor, identified as “Federal Student Aid Programs” on the SAR.

A complete listing of FAFSA processors’ addresses is given on pages 13 and 14 of your Trainee Guide.

» Your copy of these addresses is on pages 20 and 21 of this guide.

The SAR has two parts.

Turn to the mock-up of a 1997-98 SAR provided in your Trainee Guide starting on page 15 so you can follow along during our discussion.

» Allow participants 1-2 minutes to look over the sample SAR. Your copy of the 1997-98 SAR mock-up starts on page 22 of this guide.

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The SAR consists of the following parts:

- o **Part 1—Information Summary.** A student's EFC is printed on the front of Part 1—unless the student's application has been rejected and no calculation has been performed. Instructions for the student to follow and an explanation of the EFC calculation are provided on this page. The back of Part 1 contains a summary of the information the student submitted on the FAFSA.
- Part I also includes the National Student Loan Data System (NSLDS) Financial Aid History page. You can see this on page 18 of your Trainee Guide. Since most of you will be dealing with high school seniors who do not have any postsecondary education loans yet, this information page will probably be blank.
- o **Part 2—Information Review Form and Information Request Form.** In the paper system, Part 2 is the portion of the SAR students use to make any needed corrections to the information they provided on the FAFSA. After making corrections, they send the SAR to the FAFSA processor for data entry. After the corrections are processed, the student receives a new two-part SAR and the school receives an ISIR.
- The student receives an Information Review Form if an EFC is calculated and corrections to the data are optional. You'll find one on page 19 of your Trainee Guide.
- If a student has provided incomplete information or information that is being questioned, before an EFC can be calculated the student will receive a rejected SAR. In this case, Part 2 of the SAR is called an Information Request Form; one is on page 23 of your Guide. The student would make changes as

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directed and resubmit the SAR for processing, which results in a new SAR and ISIR.

- SARs are rejected for a number of reasons, such as the student's FAFSA does not have:

- ◇ income information (or the information is incomplete),

- ◇ the required parent signature, **or**

- ◇ the required student signature.*

» Direct participants to the sample SAR Information Acknowledgement on pages 28 and 29 of the Trainee Guide. Your copy begins on page 35 of this guide.

The SAR Information Acknowledgement

The SAR Information Acknowledgement is a one-part paper SAR that the CPS mails to students who apply electronically through schools using EDEXpress. This new output document establishes a student's eligibility just like any valid two-part SAR or ISIR, and it can be used by institutions to award student financial aid. To see what it looks like, turn to page 27 in your Trainee Guide.

The comments on the SAR Information Acknowledgement are less detailed than those on the two-part SAR and refer students to the financial aid administrator at the school to make corrections or resolve problems. The student may not make corrections on this document. Corrections must be made electronically through the school, or the student may request a paper SAR and send the corrections through the paper system.

Instructor's Notes

Note to Instructor:

If the student fails to sign the FAFSA, it won't be processed.

*A rejected SAR occurs in the case of a student who used FAFSA Express and did not forward a signed Signature/Certificate page. If a student files a paper FAFSA without signing it, the FAFSA is returned to the student unprocessed.

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New federal output document

Instructor's Notes***The Institutional Student Information Record (ISIR)***

The Institutional Student Information Record (ISIR) is an electronic document that the CPS makes available to institutions with electronic capability.

- o Some schools are able to draw down the ISIR data via ED's network directly from the CPS.
- o Other schools receive ISIRs through magnetic tape or cartridges that the CPS mails on an established schedule.

Please turn to page 9 of your Trainee Guide.

TG 9**Problems with Matches to Federal Databases**

Any problems with matches to federal databases will be detailed on the output document (SAR, SAR Information Acknowledgement, or ISIR). The document will explain the failed match to the student and how to remedy it; usually students bring or send documentation that proves eligibility to the school where they're applying for aid.

Updating and Corrections

A student who is to receive a Federal Pell Grant is required to "update" certain items if they have changed since the date the FAFSA was completed and submitted.

These items are: (OH 7)

- o a change in dependency status (other than one resulting from a change in marital status),
- o a change in the number of family members in the household, **or**



- o a change in the number of family members enrolled in postsecondary schools.

No other information on the SAR may be updated. The only other allowed changes on the SAR are corrections to errors.

For instance, say a student realizes that she has reported her parents' total income as \$23,000 rather than the requested Adjusted Gross Income (AGI) of \$20,000. The student can either correct Part 2 of her SAR and mail it back to ED, or she can have the college submit the correction electronically.

New federal output documents will be produced when the corrections have been made. A new SAR or SAR Information Acknowledgement will be sent to the student and the same corrections will be sent to the school on the ISIR.

Verification

The federal government requires financial aid administrators at postsecondary schools to confirm the accuracy of selected applications for federal student financial aid that are flagged by the CPS. Applications are selected according to established criteria or at random.

Selected applications are subject to verification by the college. Verification requires a student (and spouse, if applicable) and one of the parents to submit signed copies of federal income tax forms and any other requested documentation to the postsecondary school(s) he or she is applying to. This is a reason why it's good practice for students to keep photocopies of their completed FAFSAs before submitting them to the application processor. Students should also keep copies of all documents used to complete the FAFSA, particularly their tax forms. Their parents should keep copies of their tax forms for the same reasons.

Instructor's Notes

Note to Instructor:
Schools with electronic capability, but limited staff, may instruct students to update/correct data by using the paper SAR and submitting it directly to the CPS.

Keep photocopies of all FAFSA records

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When counseling students, you might suggest that they create special file folders for these items.

Please turn to page 10 of your Trainee Guide.

TG 10**APPLICATIONS FOR FEDERAL LOAN PROGRAMS****William D. Ford Federal Direct Loan Program
(Direct Loan Program)**

As you recall, the FAFSA serves as the application for all Direct Loans except Direct PLUS Loans (for parents). The Direct Loan lending process does not involve commercial lenders or guaranty agencies. Direct Loans are handled directly between a student and postsecondary school; the money is provided by the federal government. (OH 8)

**o Direct Stafford Loans**

- The school determines a student's eligibility for a Direct Stafford Loan based on the FAFSA. The school makes the determination by using the information from the SAR, the SAR Information Acknowledgement, or the ISIR.
- Then, the postsecondary school electronically submits the student's data to ED's Direct Loan Servicing Center.
- The student must, of course, also sign a Direct Loan promissory note before receiving any loan funds.

Note to Instructor:
Schools participating in the Direct Loan Program must participate electronically.

o Direct PLUS Loans

- A parent borrower does not complete a FAFSA. Instead, for a Direct PLUS Loan, the parent completes and submits the Direct PLUS application/promissory note to the school, which in

Note to Instructor:
Parents whose Direct PLUS Loan applications are rejected for credit reasons may resubmit their application with an endorser.

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turn processes it directly with ED's Servicing Center. The Servicing Center then performs a credit check and the loan is either approved or rejected.

- A student or parent receives Direct Loan proceeds through the school. Funds are first applied to the charges owed the school; any remaining funds are given to the student (or parent), usually in the form of a check to be used for education-related expenses.
- Funds may not be disbursed earlier than 10 days prior to the start of classes.
- A first-year undergraduate student who has never received a Federal Direct Loan (or FFEL Program loan) cannot receive the first disbursement of a Direct Loan until at least 30 days after the first day of class. This waiting period helps new students avoid federal loan debts if they withdraw from school early on.

Federal Family Education Loan (FFEL) Program

As we discussed earlier, the FFEL Program requires a separate application/promissory note in addition to the FAFSA. The forms can be obtained at a postsecondary school's financial aid office. (OH 9)

A postsecondary school must certify the application(s). In doing so, the school assures a lender that a student or parent meets all of the eligibility requirements and verifies his or her financial need, if this confirmation is necessary.

o Lender Processing

- Once a postsecondary school has certified a FFEL application, it is sent to the commercial lender (such

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as a bank or credit union) selected by the student or parent. The lender then processes the application, ensures the accuracy of the school data and, in the case of a parent Federal PLUS borrower, performs a credit check.

o Guaranty Agency Approval

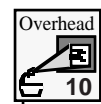
- Before the lender can approve the loan and disburse funds to a student or parent FFEL borrower, the application must be approved by a guaranty agency. This approval is called a “loan guarantee.” A guaranty agency has the authority to confirm the data submitted to it before guaranteeing or rejecting the loan.
- The lender can send the FFEL funds to the school for the student after a guaranty agency issues a loan guarantee.
- As with Direct Loans, funds may not be disbursed earlier than 10 days prior to the start of classes.
 - ◇ Again, the exception is for first-year undergraduates who have not completed 30 days of their program of study.
 - ◇ New borrowers who are first-time students cannot receive their first disbursement until at least 30 days after the first day of class. This waiting period ensures that new students who withdraw within the first few weeks of classes will not be left with federal loan debts that might be difficult for them to repay.

Please turn to page 12 of your Trainee Guide.

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Instructor's Notes**STATE, INSTITUTIONAL, AND PRIVATE APPLICATIONS**

States, institutions, and private organizations (such as corporations and civic groups) also offer aid to students; These entities may require the FAFSA, their own applications, or both. (OH 10)

**State Applications**

Most states award aid using only FAFSA data. A few require an additional application.

In either case, you should become familiar with the scholarship or grant offerings from your state agency and the application procedures.

It is important to know the requirements of your state and the states in your area so that you can accurately advise students about procedures and deadlines. Page 10 of the FAFSA instructions gives deadlines for state aid and shows which states require an additional application form.

» At this point, the financial aid administrator teaching-team member could give a five-minute explanation of the state grant and scholarship programs in the state.

Institutional Applications

Some schools have their own institutional sources of funding, usually from endowments or special scholarship funds. A postsecondary school may require students to complete its own institutional application for aid or a supplemental form from a private needs-analysis agency.

The additional information collected on these applications can be used only to award the institution's student financial aid, not to award federal student financial aid.

Private Applications

Private associations, community service groups, and corporations may have very different application requirements and deadlines. Many of these are included in directories that your school or local public library might have on file. It is a tremendous job to keep up with all of them and to notify your students and parents about them, but it is an important task that's worth the effort.

To simplify the job of distributing this information to students, some schools use bulletin boards, newsletters, or electronic mail to get the word out. The Internet is also a good place to look, such as ED's Web site mentioned in Session 2.

Do you have any questions?

We hope this information about the aid delivery system gives you a better understanding of how it works. If corrections have to be made to initial information submitted by students and parents on the FAFSA, the sooner those corrections are sent back the better. A timely response to information requests from ED, state agencies, and a postsecondary school's financial aid office is key to receiving an on-time financial aid package, as well as providing a realistic way to cover school costs.

Instructor's Notes

Note to Instructor:

You might want to caution the counselors about the potential abuses of database/scholarship services that charge fees!

Note to Instructor:

If you know of reputable Internet scholarship searches, consider mentioning them here.

1997-98 FAFSA Processors and Information Services

FAFSA Processor American College Testing (ACT)

- ◆ To submit FAFSAs

Mail to:

Federal Student Aid Programs
P.O. Box 4008
Mount Vernon, IL 62864-8608

- ◆ To submit Renewal FAFSA

Mail to:

Federal Student Aid Programs
P.O. Box 4009
Mount Vernon, IL 62864-8609

- ◆ To submit SAR (with corrections)

Mail to:

Federal Student Aid Programs
P.O. Box 7023
Lawrence, KS 66044-7023

- ◆ To request a duplicate SAR, change address or change/add colleges

Write to:

Federal Student Aid Programs
P.O. Box 7024
Lawrence, KS 66044-7024

- ◆ To submit FAFSA Express signature page

Mail to:

Federal Student Aid Programs
P.O. Box 7022
Lawrence, KS 66044-7022

- ◆ For Pacific Islanders

Mail to:

Federal Student Aid Programs
P.O. Box 4003
Mount Vernon, IL 62864-8603

FAFSA Processor I-NET

- ◆ To submit FAFSA (English and Spanish)

Mail to:

Federal Student Aid Programs
P.O. Box 60006
Cahokia, IL 62206-6006

- ◆ To submit Renewal FAFSA

Mail to:

Federal Student Aid Programs
P.O. Box 60007
Cahokia, IL 62206-6007

- ◆ To submit SAR (with corrections)

Mail to:

Federal Student Aid Programs
P.O. Box 60008
Cahokia, IL 62206-6008

- ◆ To request a duplicate SAR, change address, or change schools

Write to:

Federal Student Aid Programs
P.O. Box 60009
Cahokia, IL 62206-6009

**U.S. Department of Education
InformationServices**

For these services:

- ◆ Asking questions about applying for aid
- ◆ Finding out whether a school participates in federal aid programs
- ◆ Determining school default rates
- ◆ Learning about student eligibility requirements
- ◆ Requesting publications on federal student financial aid

Call toll free:

1 (800) 4-FED-AID
(1-800-433-3243)

OR

Write to:

Federal Student Aid
Information Center
P.O. Box 84
Washington, D.C. 20044

For these services:

- ◆ Has application been processed?
- ◆ Request a duplicate SAR

Call:

1 (319) 337-5665 (toll call)

For this service:

- ◆ TDD number for the hearing-impaired

Call toll free:

1 (800) 730-8913

Paste in the 1997-98 SAR Part 1 Information Summary
page 1 of 4

Paste in the 1997-98 SAR Part 1 Information Summary
page 2 of 4

Paste in the 1997-98 SAR Part 1 Information Summary
page 3 of 4

Paste in the 1997-98 SAR Part 1 Information Summary
page 4 of 4

Paste in the 1997-98 SAR Part 2
Information Review Form page 1 of 4

Paste in the 1997-98 SAR Part 2
Information Review Form page 2 of 4

Paste in the 1997-98 SAR Part 2
Information Review Form page 3 of 4

Paste in the 1997-98 SAR Part 2
Information Review Form page 4 of 4

Paste in the Information Request Form
page 1 of 5

Paste in the Information Request Form
page 2 of 5

Paste in the Information Request Form
page 3 of 5

Paste in the Information Request Form
page 4 of 5

Paste in the SAR Information
Acknowledgement page 1 of 2

Paste in the SAR Information
Acknowledgement page 2 of 2