



# California Student Aid Commission

## Use of Assets for Cal Grant Selection

### Q & A

#### **Question 1:**

What is the scenario if a family lists their income at less than \$49,999 and they report that they have filed a 1040 tax return? Is this student asked for asset information on the Free Application for Federal Student Aid (FAFSA)?

#### **Answer to Question 1:**

The answer is yes, the student will be asked for asset information if the family indicated they filed the 1040, but did not indicate they were eligible to file the 1040A or 1040EZ. To determine eligibility for the Simplified Needs Test (SNT) formula for calculating an Expected Family Contribution (EFC), the FAFSA specifically asks if the student and parent filed, or will file, a 1040, and, were they eligible to file a 1040A or 1040EZ? If the student or parent was eligible to file a 1040A or 1040EZ, and their Adjusted Gross Income was \$49,999 or less, they may exclude their assets, even if they actually filed a 1040 tax return. Here are the complete requirements to meet the SNT:

To qualify for the SNT, a dependent student's parent(s) must have an adjusted gross income of \$49,999 or less. They must also meet one of the following:

- a) Anyone included in the parents' household size (as defined on the FAFSA) received benefits during 2008 or 2009 from any of the designated means-tested Federal benefit programs: the Supplemental Security Income (SSI) Program, the Food Stamp Program, the Free and Reduced Price School Lunch Program, the Temporary Assistance for Needy Families (TANF) Program, and the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); **OR**
- b) The student's parents were eligible to file a 2009 IRS Form 1040A or 1040EZ (this means they were not required to file a 2009 Form 1040), or the parents are not required to file any income tax return; **OR**
- c) The student's parent is a dislocated worker.

To be clear on item, "b" above, it does not matter what 1040 version the student's parents actually filed. What matters is what 1040 version were they *eligible* to file. If they were eligible to file the 1040EZ or 1040A, even if they actually filed the 1040 long form, the student meets test "b" above.

Complete eligibility requirements for the use of each EFC calculation method can be found in the *2010-2011 Federal EFC Formula Guide* located on the Web at <http://www.ifap.ed.gov/efcformulaguide/attachments/111609EFCFormulaGuide20102011.pdf>.

**Question 2:**

What happens if a family decides to file a 1040 return instead of 1040A or 1040EZ and the FAFSA does not automatically collect asset information? How is the school able to confirm the assets? In this type of scenario, is the school held to the same compliance standard under a California Student Aid Commission (CSAC) audit?

**Answer to Question 2:**

If the parents has less than \$49,999 in income and filed a 1040 tax return but were eligible to file the 1040EZ or 1040A, they do not have to submit assets on the FAFSA. For the Cal Grant program, if the student qualifies for the SNT or Auto Zero EFC, CSAC will ignore the assets if submitted. In this instance, the school does not have to confirm assets. CSAC would not audit for any missing assets if the student qualifies for the SNT or Auto Zero EFC.

**Question 3:**

Institutions use the FAFSA information and verification documents to satisfy the income/asset verification requirement. The absence of FAFSA asset information will be cumbersome for both schools and students. Are there any proposals on the table about this? If so, what are they? Have they been analyzed to see their impact on students?

**Answer to Question 3:**

Since there has been no change in federal and/or state law for the 2010-11 year, the verification process for assets and income has not changed. If the student and/or parents were not required to provide assets, the assets should not be verified for Cal Grant purposes.

**Question 4:**

What about program integrity to ensure only eligible students are receiving Cal Grant awards? Will institutions need to check asset amounts for all Cal Grant recipients every year? May we get rid of this requirement for our very needy students since the U.S. Department of Education doesn't require it?

**Answer for Question 4:**

If the student was not required to submit parent or student assets, verification of assets for Cal Grant purposes should not be performed. This is in compliance with federal and state law. However, institutions performing verification for institutional aid eligibility purposes may verify any data they receive.

**Question 5:**

Do we need new state legislation to get rid of the asset collection requirement? Has dialogue along this line been started yet?

**Answer to Question 5:**

For the 2010-11 school year, no change in current practices, policies or state law have to be made. However, if federal law changes on the handling of student and parent assets in future years, such as 2011-12, state law may also have to be changed. Decisions on a course of action can be made once we know the Congressional EFC methodology for 2011-12.

**Question 6:**

Does this mean that institutions will now be forced to verify all students who receive a Cal Grant in order to acquire the income and asset information since it won't be available on the FAFSA?

**Answer to Question 6:**

Verify the same students as you would have in prior years. Here is a chart that may help regarding asset verification requirements for the Cal Grant program:

Scenario	Answer
Student/parents were not required to submit assets and did submit them.	No asset verification required
Student/parents were not required to submit assets and did not submit them.	No asset verification required
Student/parents were required to submit assets and did submit them.	Asset verification requirements same as current.
Student/parents were required to submit assets and did not submit them.	In this instance, the EFC is not calculated correctly. If discovered, the student or parent must submit assets or no federal or state aid may be paid. The EFC, if calculated, is invalid.

**Question 7:**

Exactly what figure does CSAC use to compare against the Asset Ceiling?

***Answer to Question 7:***

The Commission uses a preliminary figure in the EFC calculation called the "Net Worth." This is taken directly from the student's ISIR. In the EFC formula, this is the amount of cash assets, added to the net value of investments, including real estate but not including the home where the student lives; added to the portion of assets taken from EFC formula tables A4 or B3 of current businesses and/or investment farms, not including family farms or family businesses with 100 or fewer full-time or full-time equivalent employees.