

UNITED STATES DEPARTMENT OF EDUCATION  
WASHINGTON, D.C. 20202

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In the Matter of

**Docket No. 02-22-SP**

**AVANTI HAIR TECH,**

Federal Student  
Aid Proceeding

Respondent.

PRCN: 200140418754

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Appearances: Stewart A. Smith, President, Avanti Hair Tech, McComb, MS, for Respondent.

Russell B. Wolff, Esq., Office of the General Counsel, United States Department of Education,  
Washington, D.C., for Federal Student Aid Programs.

Before: Richard I. Slippen, Administrative Judge

**DECISION**

Avanti Hair Tech (Avanti) operates as a hairdressing school in Tampa, Florida. Avanti is owned by Southeastern Barber Supply, Inc., which is headquartered in McComb, Mississippi. Avanti participates in the federal student financial assistance programs authorized under Title IV of the Higher Education Act of 1965, as amended (Title IV), 20 U.S.C. § 1070 *et seq.* and 42 U.S.C. § 2752 *et seq.* On March 14, 2002, Avanti appealed the U.S. Department of Education (Department), Office of Federal Student Aid's (FSA) Final Program Review Determination (FPRD) dated February 1, 2002.

The FPRD charged that Avanti failed to resolve conflicting information contained in the files for Title IV Pell Grant recipients. Avanti provided FSA with a list of students for whom corrected information was obtained and Pell Grant awards were recalculated. Avanti also identified 18 students for whom it could not resolve discrepant information. FSA then assessed \$30,728.00 in liability for the Pell funds received by these 18 students. In its appeal, Avanti only challenged the imposition of liability with regard to 12 students.<sup>[1]</sup> Liability for these 12 students totaled \$14,097.15. After reviewing evidence submitted by the school in its request for review, FSA accepted evidence clearing up any discrepancies for four students. FSA then reduced the liability owed to \$12,026.00 for the remaining eight students at issue.

The Federal Pell Grant Program awards grants to help financially needy students meet the cost of their postsecondary education. See 34 C.F.R. § 690.1. In determining the amount of Title IV aid a student is eligible to receive, the Department considers the amount that the student and the student's family may be reasonably expected to contribute towards the student's cost of attendance for the academic year. 34 C.F.R. § 690.2. This amount is known as the Expected Family Contribution (EFC). One factor used to calculate an applicant's EFC is the number of family members in the applicant's household. See 34 C.F.R. §§ 668.56(a)(3), 668.57(b).

A school is required to verify information submitted by an applicant for federal student aid.<sup>[2]</sup> Specifically, a

school is required to verify information used to calculate the applicant's EFC including the number of members in the applicant's household. In verifying the number of members in an applicant's household, a school shall require a student to submit a statement signed by the applicant's parent if the applicant is a dependent student, or 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. 34 C.F.R.

§ 668.57(b). A school is also required to develop and apply an adequate system to identify and resolve discrepancies in the information that the school receives from different sources with respect to a student's application for financial aid. 34 C.F.R. § 668.16(f).

In processing a student's request for financial aid, an Institutional Student Information Record (ISIR) is created. An ISIR is a paper document or electronic record that is transmitted to the school. 34 C.F.R. § 690.2. The ISIR includes an applicant's personal identification information, application data used to calculate the applicant's EFC, and the EFC calculated by the Department's Central Processor.<sup>[3]</sup> As federal verification regulations specify that a statement signed by 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 is acceptable documentation of household size, this standard is a useful guide for evaluating the evidentiary submissions of Avanti with regard to discrepant information concerning household size.

For Student #1, FSA asserts that the student's admission application is left blank in the section pertaining to dependents while this student's ISIR lists her as having a dependent other than a spouse and a household size of two. Avanti submitted a statement from the student indicating she lived with her grandson. FSA states that this statement is inadequate. Further, FSA contends that it also does not explain why Student #1 did not list her grandson on her school admission form.

I find that the statement made by Student #1 satisfies Avanti's burden in demonstrating that the student had a household size of two. This statement signed by an applicant is sufficient to satisfy the school's requirement to verify information used to calculate a student's EFC.<sup>[4]</sup> Moreover, there is no allegation or evidence of fraud by FSA in this case that would impact the credibility of this student's signed statement. Therefore, Avanti is relieved of liability for this student.

For Student #3, FSA points out that the student's admission application is silent as to whether he has dependents; however, his Free Application for Federal Student Aid (FAFSA) lists the 18 year-old student as independent with an annual income of \$1,380 and a household size of four. Avanti offered no further evidence regarding this student other than the assertion that the ISIR and Pell Grant application match. Avanti has not met its burden in demonstrating that it resolved the discrepant information for this student nor can it be determined if the applicant was eligible for the amount of Pell funds he was awarded. Avanti has not submitted a signed statement from this student or explained the implausibility of an "independent" 18 year-old student supporting three dependents on an annual income of \$1,380. Therefore, Avanti remains liable for the \$1,171.00 disbursed to this student.<sup>[5]</sup>

For Student #5, FSA states that the student's Pell application lists her household size as three while her ISIR and admission application lists it as four. Avanti submitted a "corrected" ISIR indicating her household size as five. Avanti submitted no other documentation to resolve this discrepancy. Avanti has not met its burden in demonstrating that it resolved the discrepant information for this student nor can it be determined if the applicant was eligible for the amount of Pell funds she was awarded. Therefore, Avanti remains liable for the \$975.00 disbursed to this student.

For Student #6, FSA states that the student's admission application does not indicate that he has dependents; however, his FAFSA shows that he has dependents with a household size of three. FSA states that this student was selected for verification, and the verification worksheet identifies a household size of four: the student, his girlfriend, the girlfriend's daughter, and their son. Avanti submitted a statement from the student that says in its entirety: "At the time me and my spouse was together and she have a kid. But now it's 3." FSA asserts that this does not clear up the discrepancy or explain the changing status of his household size nor detailed the time periods when these changes allegedly occurred.

I find this student's statement along with the other evidence is sufficient to satisfy the school's requirement to

verify or resolve discrepant information. The statement provides a reasonable explanation for the change in the student's household size. He indicates that his household size fluctuated due to his separation from his spouse/girlfriend and states his current household size is three. The verification worksheet identifies the names and ages of the individuals in his household. The verification regulations specify that a signed statement from the applicant indicating the name and age of each household member and their relationship to the applicant is acceptable documentation of number in household. *See* 34 C.F.R. § 668.57(b). Therefore, Avanti satisfies its burden in demonstrating that the student's household size did evolve and that the discrepancy reflects that change. Again, I note that there is no allegation or evidence of fraud by FSA in this case.

For Student #8, FSA points out that the student's admission application is silent as to whether he has dependents and identifies him as living at home with his parents while his FAFSA indicates that he is married, with dependents, and a household size of three. Avanti does not offer any evidence resolving the discrepancy; it merely asserts that Pell Application and ISIR match. Avanti has not met its burden in demonstrating that it resolved the discrepant information for this student and the significant difference between the student's status and number of dependents may have inflated the amount of Pell funds he was eligible to receive. Therefore, Avanti remains liable for the \$2,542.00 disbursed to this student.

For Student #9, FSA states that the student's admission application identifies him as single with two dependents aged three and 20 while his FAFSA indicates he has a household size of two. Although Student #9 was selected for verification, FSA asserts that there is no evidence offered to show that verification was performed. Avanti argues that the student entered the same ages for his two dependents on both forms. FSA argues that if the student was supporting two dependents his household size would be three. However, there is information on the student's FAFSA that he was paying child support for a child not living with him. The student's admission application indicates that his emergency contact lives at his same address. It seems likely that this student identified the woman living with him and his non-resident child as his dependents on his admission application while listing his household size as two on his FAFSA.

Subpart H proceedings were intended to assess liability when an institution misused funds. This tribunal has held that there must be some harm to SFAP in order to assess liability. *In Re Macomb Community College*, U.S. Dep't of Educ., 91-80-SP, (May 5, 1993) at 7; *In Re Chicago State University*, Docket No. 94-172-SA, U.S. Dep't of Educ. (April 26, 1996) at 5. In *In Re Chicago State University*, this tribunal reduced the liability for the students the institution was able to demonstrate were eligible to receive Title IV funds despite financial aid folders that previously contained missing or incomplete information. *Id.* at 5. Given that a household size of two was submitted on both the student's ISIR and FAFSA, any discrepancy was clearly not intended to enrich the student or the school by underestimating his EFC. Therefore, given the totality of the evidence and FSA's failure to demonstrate any harm, Avanti is relieved of liability for this student.

For Student #11, FSA points out a conflict between the student's ISIR, which lists her as unmarried, and the student's Reference Sheet, which lists her as living with a spouse. FSA argues that the school did not file any documentation to resolve this discrepancy, but instead produced a refund check. FSA states that the school has already received credit for this refund in the calculation of the liability owed for this student. Here, Avanti has not provided sufficient clarification of the number in the student's household. Further, if the student had a spouse living with her, I am unable to determine if the spouse had income that may have inflated the amount of Pell funds she was eligible to receive. Therefore, Avanti remains liable for the \$1,027.00 disbursed to this student.

For Student #12, FSA states that the student's Pell application and ISIR list a household size of four while the student's admission application did not list any spouse and/or dependents. Avanti offers no documentation other than the student had \$810.15 refunded to her, which FSA has already taken into account in calculating liability. Avanti has not met its burden in demonstrating that it resolved the discrepant information for this student. Further, I am unable to tell if the discrepancy altered the student's EFC and consequently, inflated the amount of Pell funds the student was eligible to receive. Therefore, Avanti remains liable for the \$1,563.00 disbursed to this student.

### **ORDER**

On the basis of the foregoing, it is hereby ORDERED that Avanti Hair Tech pay to the U.S. Department of Education the sum of \$7,278.

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Judge Richard I. Slippen

Dated: October 9, 2002

SERVICE

A copy of the attached document was sent to the following:

Stewart A. Smith  
President  
Avanti Hair Tech c/o Southeastern Barber Supply, Inc.  
Corporate Office  
P.O. Box 1367  
McComb, MS 39649

Russell B. Wolff, Esq.  
Office of the General Counsel  
U.S. Department of Education  
400 Maryland Avenue, S.W.  
Washington, D.C. 20202-2111

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[1] In its brief, FSA states that Avanti had already paid \$16,630.85 in undisputed liabilities.

[2] Verification is required when either the Secretary directs that random student files be verified or because a student application contains incorrect, missing, illogical, or inconsistent information. 34 C.F.R. § 668.54, 668.56, *see* In re Fisk University, Docket No. 94-216-SP, U.S. Dep't of Educ. (October 5, 1995). A school cannot be required to verify more than 30 percent of Title IV applicants in any award year. 34 C.F.R § 668.54(a)(2)(i).

[3] The Central Processor is an organization under contract with the Secretary to calculate an applicant's EFC and transmit it to the school(s) designated by the applicant.

[4] FSA has not indicated why it accepted Avanti's evidence for four students nor articulated a standard it used to assess the school's evidentiary submissions. Notably, FSA accepted evidence for Student #4. Evidence for this student consisted of a handwritten note from the student stating that he supported his three younger siblings and two children. Avanti also produced a corrected ISIR indicating a family size of six for this student but, according to FSA, this is information submitted by the student and school and is, itself, subject to verification.

[5] As FSA indicates, it has already reduced Avanti's liability by the \$392.00 the school refunded to the student.