

Trevor Summers: Well, let's get started to talk about the need-analysis formula for 2010, 2011, and beyond. So before we get into the nitty-gritty, let's just start with some general information about what the EFC formula is and what it does. Now, I believe everybody here probably knows what EFC stands for. It stands for the Expected Family Contribution, and, as you know, it's arrived at by the students filling out the application for federal student aid that gets submitted into the central processing system, and the EFC formula is calculated according to a statute or according to the law. In fact, I can see in the EFC handbook – I don't know if any of you have ever read the EFC handbook, which is a great document that you can go to IFAP, our favorite web site, go to the EFC formula guide and print it out, as I do every year – in fact, I have the EFC formula guide here for 2010-2011 and for 2011-2012, so I can compare the two to see where they're similar and where they're different.

But it gives a great explanation of what the EFC formula is, and just in case you're new to this concept of what the EFC is, I just want to read a quick paragraph that gives a good explanation of what it is. "The Expected Family Contribution is the amount a family can be expected to contribute toward a student's college cost." Now, I want to mention, that's toward the college cost for that year. That may be different if you have a student enrolled in a one, a two-year, a three-year, a four-year program. As you know, a student's EFC could change year by year because a student's family or financial situation could change year by year. As you know, sometimes family incomes go up, sometimes they go down, sometimes family sizes get bigger, sometimes they go smaller.

But the EFC formula guide goes on to say that the financial-aid administrators determine an applicant's need for federal student aid from the U.S. Department of Education and other sources by subtracting the EFC, the Expected Family Contribution, from your student's cost of attendance. Now, the EFC is calculated, again, when students fill out the federal-aid application, the **fass then** submits it. That will tell you and tell the student what the EFC is, but the cost of attendance, of course, is calculated by you, your school. Your school's cost of attendance could be different than my school's cost of attendance, and you may have different cost of attendance for academic programs, things like that. How is it used? The EFC formula is used to ultimately determine the student's need for aid, both directly and indirectly.

What I mean by that is, as you know, if a student's going to be Pell Grant eligible, then there's a valid range for the EFC that has to fall into in order for the student to be Pell Grant eligible, and, of

course, because it's used in calculating the student's need by subtracting it from the cost of attendance, that's gonna show how much need or eligibility the student shows for need-based aid. So that's a quick explanation of how the EFC both directly and indirectly determines your student's eligibility for their financial-aid package per year.

Now let's talk about what's fair and what's reasonable. If you consider yourself a student of the EFC calculation, and you can become a student of the EFC calculation if you print out and read the EFC formula guides like I did, but if you consider yourself a student of this, you may ask yourself, "Trevor, what's fair, and what's reasonable?" And, unfortunately, there's many subjective answers to that question. In my office in Dallas, Texas, we routinely present fundamental training of the Title IV programs, what they are and how they work – we present this to both new financial-aid administrators and seasoned financial-aid professionals – and we have a fun session in which we do a joint exercise in which we let the students determine any eligibility factors they want in determining not the EFC but in determining the student's overall financial-aid eligibility

We allow the students to ignore the current regulations, the current laws, the current guidance, when it comes to determining how much financial aid a student gets. We allow them to pull out any criteria out of their hat that they can use, anything that they wish to determine what determines if a student receives financial aid or not. And since this is just a hypothetical exercise, our students there in Dallas do a great job of really brainstorming and opening up and giving us their opinion on what factors should be included when we determine a student's eligibility for federal aid. We're not going to do a joint exercise today, but I bet if any of you consider yourself a student of the EFC calculation, you could probably give me an answer on what's fair and what's reasonable to determine how much money, both indirectly and directly, your students will get for the cost of education for the upcoming year.

And I might add, it's a daunting task because you're determining a lot. How many of you have ever been involved on your campus in determining which students receive institutional scholarships? How many of you have ever sat on the scholarship committees? How many of you have sat on those committees where you had 100 worthy applicants but you only had five scholarships? Have you ever done that? And you had to determine who gets it? That's a tough job, isn't it? I used to work at a college campus, and I did the same thing. We had 100 worthy students – this is just

an example – maybe you have one, maybe five, maybe ten scholarships. The gravity of your decision is pretty broad because you're determining who gets the money and who doesn't. It's the same way with the EFC formula, so, in going through this, you can kind of thing what's fair and what's reasonable.

Now who writes the EFC formula? How many of you think the United States Department of Education writes the EFC formula? The United States Department of Education does not write the EFC formula. It's embedded in the law, in the Higher Education Act. It's written by Congress, along with the president, so as we go through this process to look at the EFC formula, be aware that Trevor didn't write it and the Department of Education didn't write it. It's written by Congress, but it's there, so you can effect change if you want to, by talking to those people in the key positions. Certainly you can talk to me or anybody in the Department, but we can't effect change, certainly not like Congress or the presidential administration can.

So how does this EFC formula affect you? Well, it does affect you a great deal. Some of you are parents of college students, and some of you, like most of us, may need help to figure out, "What is my son or daughter gonna be eligible for?" Some of you are college students right now, and, with the cost of education rising to where it is, some of you may be in a position where you can apply for and possibly qualify for a Pell Grant, a subsidized Stafford loan, unsubsidized Stafford loan, things like that. So how does it affect you? It affects you plenty. And how does it affect the students on campus? Friends, it affects your students on campus in every way. Agreed?

So let's keep going. We're gonna talk about some recent changes, some proposed changes. We'll have some discussion and some questions and answers, but I hope that helps kind of give us an introduction to what the EFC is and how we can think through it to contribute to make it a better formula. These are recent changes. They've been in place, some of them have been in place for a year or so, but before we get into the proposed, the upcoming, EFC formula ideas, I just wanted to go back and recap some of the changes just so we're all on the same page. So this isn't directly related to the EFC calculation, but I thought it'd be relevant just the same.

You need to be aware that there was a section of the law that was modified that directed you, when you calculate the cost of attendance for your students, that in certain situations you do not

include, in the cost of attendance, a component for the student's room, and you can see that this is for students living in housing provided on a military base or for which a basic living allowance was provided. This was effective recently, June 1, 2010. This may not apply to everyone here, but some of you may have campuses close to military bases, and this may affect a lot of your students. And I want to read a quick excerpt from a dear-colleague letter that gave details on this topic. And if you're not familiar with what the Dear Colleague letters are, you need to tune into IFAP, go to the section for Dear Colleague letters, and you can see this from Dear Colleague letter GEN – G-E-N, that stands for general – 08-12, so if you're taking notes and you want to follow up on this, again, go to Dear Colleague GEN-08-12, in reference to the cost of attendance section, and it refers to the Higher Education Opportunity Act.

It specifies that for students living in housing located on a military base or housing for which they've received a basic allowance, under Title 37 of the United States Code, which is called "Pay and Allowances of the Uniformed Services," "The room-and-board allowance shall include an allowance based on the expenses reasonably incurred for board only," and that Dear Colleague letter gives a link to Title 37 of the U.S. Code, the "Pay and Allowances for Uniformed Services," so just be aware of that if you have students on your campus that fall into that category. Double-check your cost-of-attendance calculations to make sure those are in line with the guidance in Dear Colleague letter GEN 08-12.

Another recent change – now, this change is important. This change on this slide does not speak to any calculation changes in the EFC formula, but it does speak to a change, a condition, that will bring a Pell Grant in the picture if certain conditions are met, and I'm sure you guys are familiar with this already because you've been hearing more and more about it. This is in reference to the Iraq and Afghanistan service grant. In a nutshell, it says, "For any student, whose parent or guardian was a member of the U.S. armed forces and died as a result of military service in Iraq or Afghanistan after September 11, 2001, if this is an undergraduate student, and if the student has a Pell Grant-eligible EFC, then all Title IV aid for that student for that year is calculated and awarded using a zero EFC."

Now, if the student is not Pell Grant-eligible, so if they have an EFC above the allowable range for the Pell Grant program, the undergraduate student gets an Iraq-Afghanistan service grant. They don't get a Pell Grant, but they get an Iraq-Afghanistan

service grant, and the award is the amount of maximum Pell for that enrollment status, but then, in this situation, all the other Title IV aid that the student may qualify for will be awarded or packaged using the calculated EFC right off the student's SAR or their output document. So if you have a student in this situation, the first thing you need to look at – are they Pell Grant eligible or are they not? – and then refer to this section in the federal student-aid handbook that talks about the Iraq-Afghanistan service grants.

Now, in May 2010, we, the Department of Education, we began matching applicant records in the CPF system with the Department of Defense, and for the 2009-2010 year we made phone calls and sent e-mails to financial-aid administrators to let them know exactly how we're tracking these students. We sent letters to students saying, "We understand you're in this position. This may open the door up for additional aid. Contact your financial-aid administrator." But now, for 2010-2011 and beyond, we have a new match flag between the CPS and the Department of Defense that should automatically identify these students and pick them up and alert the students and alert you, as a financial-aid administrator, so you need to be real careful that when you receive those output documents in your office – as you know, the students fill out the FASA, they list your school code, that gets processed by the CPS, you're sent the output document.

Watch those flags to determine if this student is possibly a recipient for this Iraq-Afghanistan service grant. There are Dear Colleague letters posted on IFAP along this topic that tell you exactly how to do it, and there will be more Dear Colleague letters posted to tell you how to do this. I know some of you with fancy computer systems can program your system so you can identify these students based on icer-comment code or certain conditions. You need to watch that and build that in there so, when you review these icers you can catch who they are.

Also recent changes for the simplified-need test and the automatic-zero EFC. The simplified-need test and automatic-zero EFC, if those are new to you, I'll just give you a quick definition. That has to do with how the EFC is calculated, but it does not actually change the EFC calculation. For example, for the simplified-need test, that is a condition in which, if the student meets certain criteria, then, when the EFC is calculated, the student's assets are not considered. They're not looked at, they're not calculated, they're not considered, in calculating the EFC. And certain students will qualify for the simplified-need test, and certain students won't. And also, the next one, there's two of 'em on the

slide, the automatic-zero EFC, that's a real quick calculation in which no EFC calculation is done. It's a situation in which, if certain conditions are present, no EFC calculation is done and the student qualifies for an automatic zero EFC. And, as you know, that usually translates into full Pell Grant eligibility.

Now, that doesn't translate into the student's entire school bill being paid for, but it does translate into typically a maximum Pell Grant for that student for that enrollment status, and, depending on the cost of your academic program, that may be enough to cover the entire cost of your academic program, but some of you that may only cover a fraction. But the recent change along these two items, again, in reference to the Higher Education Act – at least one parent for a dependent applicant, or the applicant or spouse, has to be a dislocated worker. The dislocated worker is one of the criterias for the simplified need test or automatic zero EFC. Prior to this, both of the parents had to be in that situation, but now only one has to do. And the icer guide goes into great detail more than this about which students qualified for the simplified-need test and the automatic-zero EFC calculation. I won't go into great detail here, although it's not difficult to understand once you see it in writing and read through it a couple of times.

You can look in the AVG. AVG stands for application and verification guide, which is the very first section of the federal student aid handbook, also available on IFAP. You can see in the AVG, page 41 and 42 of the federal student aid handbook, gives complete definitions of who qualifies for the simplified-need test and the automatic-zero EFC. And the last bullet of this slide – of course this does not require verification – if the student fills out the FASA accurately, when that gets submitted, then that will be calculated automatically. You don't have to memorize that. You just need to know that some of your students on your campus will qualify for the simplified-need test and the automatic-zero EFC. And of course some of your students may have low or no assets anyway, so just because the assets are not considered in their calculation, that does not mean they'll get appreciably more financial aid. That just means that part of the section isn't referred to.

So let's keep going. You'll hear me refer to IFAP a lot. I get a lot of these documents off of IFAP. I hope you do, too. The federal student aid handbook, the Dear Colleague letters, the electronic announcements. I like to think of IFAP as more fun than Facebook or Farmtown or things like that, so I hope you do. Have it bookmarked. And I know some of you may be in the back right

now with Farmtown or Facebook pulled up, but I hope some of you have IFAP pulled up also. This is important because this is in reference – this next slide is in reference to some proposed changes that came out last summer and some final regulations that are just now coming to fruition or coming to clarification or at least coming to the surface so that we know what they are. And this is a big change in reference to the law that talks about, when students apply for financial aid, what year of income is considered in determining their financial-aid eligibility.

Now, here we find yourself – I guess we're in late November of 2010, so we're in the middle of the 2010-2011 award year – and, as most of you know, for this particular award year, when students filled out the free application for federal student aid, they filled out the FASA, and the income they put on the FASA was from 2009. 2009 was the most recently completed year before the 2010-2011 award year. That's why all the students were scrambling to get those 2009 taxes done in January, February, and March earlier this year. And hopefully the student and parent kept a photocopy of those taxes so they can fill out the FASA accurately, but ever since I can remember, the base year was always used to determine what the family's income was to determine their eligibility for the current or upcoming award year. This is a big change because if you look in the regulations that were printed on October 29 of this year, and it's a very lengthy regulations that talk about this change of using the specified year, you can see that there's new laws in place to allow the Secretary of Education to, instead of looking at base year, to look at what's called "total income," or specified year in determining what the student's financial-aid eligibility should be.

And the definition, once you read the federal register to see what's defined as specified year, you can see that it's a little open ended in that it can be specified as the base year or even the year before. So that's what we mean in this first bullet when we say, "Allows for using the specified year." So looking in the future, you can see that we – it may not always be the situation where you look at the most previous year. It may be the year before. And I know some of you have heard this rumor or some of you have heard this discussion, some of you have heard this idea for the last five or ten years. I remember hearing this several years ago. But now we're seeing slowly we're getting closer to this becoming a reality, and one of the main reasons for this to come to reality is so more students can take advantage of the automated matches between the central processing system and the IRS database so the students can transfer that information from the IRS system to the CPS system

easier, and the students can do it quicker after January 1, when they start filling out the federal aid application.

So now that's – it is open ended in this respect. I'm not saying that the specified year is always going to be the year before the base year. What I want to tell you is this. You need to look at this federal register, you need to look at the definition of what the specified year is, and the bottom line is this – it may, not that it will, it may be in future years we're looking at other years other than the prior year. But don't write that in stone until you see it addressed in writing either in a Dear Colleague letter or an electronic announcement. You just need to be aware there was a change there to give some flexibility on how that specified year is defined.

Some other changes. Look at the next bullet with me, the total income. No portion of VA educational benefits are to be considered income as they were. And, again, the final bullet on the slide, for untaxed income on this, untaxed income, as we said earlier, the value of on-base military housing or off-base housing is excluded from untaxed income. That's for the BAH, which I think stands for basic allowance for housing, and I'm not a veteran. Some of you may be a veteran. You may be familiar with this BAH, but the basic allowance for subsistence must still be included in the other untaxed income, and you can see details for that in the federal student aid handbook, the application and verification guide, and also on the FASA, and I have the FASA here for 2010-2011, and you can get into the nitty-gritty, into the instructions, where it specifies, it directs the students to “fill out this part for your untaxed income.” It gives greater details there.

And there are also some recent changes in reference to the definition of independent students. Some of you are familiar with these because these have been in place for a year or so, but there was changes in reference to the definition of an orphan, and you can read with me. In order for students to qualify as an orphan for purposes of federal student aid, you can see that both parents should have been deceased when the student was 13 or older, and this is even if the child is subsequently adopted. That's relevant because that's one of the questions that students are asked on the FASA. And for foster child, same thing. If you have some of your students that may be foster children, if the foster child, if they were a foster child at any time since the age of 13, even if the status was changed earlier, and also the ward of the court, if the student was a ward of the court at any time since the age of 13, that's relevant for the student, so when they fill out the FASA, they can say, “Yes,

this applies to me,” assuming it does. And you should also be aware – it does not count if the student is incarcerated. So be aware of those recent changes.

Now, let’s keep talking in reference to the independent student definition. Now, just because a student is independent, that does not mean the student will get a lot of financial aid. Sometimes it doesn’t mean they’ll get more than they would have if they were dependent. But this is one of the criteria in determining the student’s eligibility because, as you know, if they’re independent, then the parent’s income is not considered. There was a recent legislation called the College Cost Reduction and Affordability Act that added some criteria for students to become independent, and the FASA asks the students if they’re an emancipated minor. What does that mean? If the student was emancipated any time at or prior to 18 years of age, and this is typically determined by a court in the student’s state of legal residence – every state is different, so I don’t know what the rules are in your state – or, also into the definition of an independent student, is the student in legal guardianship at any time at or prior to 18 years of age.

Again, this is determined by the student’s state of legal residence, and I want to refer to the FASA instructions just for a second. It says, “Students should answer yes to these questions if they can provide a copy of the court’s decision that, as of the day they completed the FASA, they are an emancipated minor or are in a legal guardianship. Also, they should answer yes if they can provide a copy of the court’s decision that they were an emancipated minor or were in legal guardianship immediately before they reach the age of adulthood in their state.” What’s the age of adulthood in your state? I don’t know. You’ll have to find out. Now, this tells the students that they should answer these questions as yes if they can provide this proof. You as a financial-aid administrator, you don’t have to require students to submit this proof. You can if you want to. If you suspect it’s wrong or if something is conflicting, you should pursue it, but you don’t have to do this. Some of your students will fill out the FASA, and they will say yes to this question, and they will list your school code, and that data will come right into your computer system, and you’ll package them automatically, as soon as possible, so you don’t have to collect documentation to verify this unless you think it’s necessary.

And, again, from the FASA instructions, it says, “For these questions” – this question 54 and 55 – it goes on to say, “Students are independent if they are or they were upon reaching the age of

majority” – that’s the age of adulthood in your state – “if they are or if they were upon reaching the age of majority emancipated minors or in a legal guardianship, both as adjudicated by a court in their state of legal residence at the time of adjudication, students in legal guardianship to their parents” – for instance, if they are handicapped adults and under their parents’ care, they are not independent by this criteria, and they would say no. That’s gonna be kinda rare, but you may have some students in legal guardianship to their parents if they’re handicapped and if they can’t make decisions for themselves. They would say no. Other than that, the students say yes to these questions. Why is this relevant? ’Cause this is gonna kick them into the independent category for purposes of determining their Title IV **eight**.

Let’s look at the next slide for homeless definitions, and you can come up with your definition of homeless, but for purposes of Title IV eight or purposes of filling out the FASA, you can see the instructions on the FASA and in the application and verification guide to the federal student aid handbook speaks to students who lack fixed, regular, or adequate housing. Now, my prayer is none of that applies to you guys here. I hope everyone here has fixed, regular, or adequate housing, but you never can tell in this time. Or students that are at risk of being homeless. Students that are at risk are very close. That is to say a student is being evicted or maybe in the process of being evicted and has been unable to find fixed, regular, or adequate housing, and there’ll be situations in which students fill out the FASA, and one of the questions on the FASA asks the student this point blank. It asks them in 57 and 58, “Are you homeless or are you at risk of being homeless?” And if the student says yes, then they’ll go through the system as an independent student.

Now, verification for this topic is not required. You’re not required to verify the answers unless you have conflicting information, and if you do have conflicting information, you need to visit with the student. You do need to document it. You don’t have to verify it, but you have to have some record in the student’s file to show that you’re aware of this, you talked it over to the student, and you’re documenting accordingly, and you can see in the application verification guide, page 28 and 29, for more details of how you handle this. And we’ll just look at this for a second because I wanted to get some additional definition here. It says on 28 and 29, in the section for homeless definitions, it goes on to talk about the definitions of what homeless means. If the student is self supporting, that is to say if the student is paying for their own living expenses, or if the student is unaccompanied –

“unaccompanied” mean if the student is not living in the physical custody of a parent or legal guardian – or if the student is a youth, a student is 21 years or younger, or is still enrolled in high school as of the date they sign the FASA.

On the application and verification guide, page 28, it goes into great detail to explain what the unaccompanied homeless youth is, and I’ll just read a quick section. It says, “A student is independent if, at any time on or after July 1, 2009, he or she is determined to be an unaccompanied homeless youth by a school-district homeless liaison or the director of an emergency shelter program funded by the Department of Housing and Urban Development.” And it goes on to say that there are some other situations in which a financial-aid administrator – that’s you – you can determine if this student is homeless or at risk of being homeless. Now, you don’t have to do this. In some situations, other people will do this for you on your behalf, but you may have a situation where a student is in the process of filling out their FASA. Maybe they haven’t submitted it yet.

Maybe they come to you and they say, “Hey, I need some help. I have an unusual situation. I want to sit down and talk with you about it,” and you talk to the student, and you may determine that this student is either homeless or at risk of being homeless, and there’s a specific section in the federal student aid handbook AVG –

Take one question real quick. Yes, sir. And speak loudly if you don’t want to go to the microphone. Okay, yeah, I hope I can answer that and I hope I can repeat that. The gentleman mentioned that you may have some students that may profess to be self supporting, may be out there actually paying for things, paying for all their living, housing, food, things like that, themselves, but then they may run into some financial problems and they may wind up being homeless – is that right? – or at risk of being homeless. And how do we kind of work all that together. So what does it mean to be self supporting? Well, in reference to dependency overrides, which is a situation in which you may look at a student, and, even though they may meet the criteria, they may meet the definition of being dependent students on paper, you can use some professional judgment to override their dependency status.

A student being self supporting in and of itself is not sufficient grounds to make a student independent by way of a dependency override. But here we’re talking about something separate. We’re talking about basically the definition of a homeless student, so if

you have a situation like that, and if this – I don't know if I could really tell you what to do. If you have a student that's really homeless, and you know they're homeless – and what's homeless? Well, we go into detail to explain what homeless is – if they're lacking stationary, permanent housing, if they don't have regular housing that's based on a predictable routine or consistent basis, or if they don't have adequate housing, if you have a student that's homeless and you need to sit down and talk with the student, you need to look at what's in this application and verification guide, page 28 and 29, go through it with them, but if they're homeless and you see that they're either self supporting or unaccompanied or a youth in this area, then follow this instruction and you can make the determination that they're homeless.

But don't do it lightly. Don't leave here saying, "Trevor said I could do it." Leave here saying, "Trevor said, 'Look at the application and verification guide, page 28 and 29, to look at the specific instructions where it gives you guidance on exactly how to do it.'" I don't know if I answered your question very well, but it's tough for me to give you a specific answer. If you think of something else more concrete, grab me after the session, and I'll do my best to give you a better answer. Yes, go ahead. And I can hear you. If that mic's not working, I'll hear you.

Audience:

Well, at least at my school, one of our biggest problems – and I think a lot of other institutions are feeling the same thing – especially in less urban communities, we have a great number of students who will profess to be homeless or – because they either live with this group part of the year and they live with this group part of the year, or whatever like that, and they're not in the physical custody of their parents, and yet, in many cases, they're driving better cars than we are and are dressed in a fashion that better fits someone at a four-star institution, and my question is, hasn't the Department – or at least the law in this case – doubled back on us? We might as well almost go back to a decade and a half ago, where, if the parents didn't claim them on the tax return and they made at least \$4,000, then they were independent. At least we could take a tax return and look at it and say, "Okay, that's the case."

My question and concern is, the way this is phrased in the FASA, and the lack of definition that is given in the verification guide – it suddenly comes down to your word against my word. "I say I'm homeless. Prove I'm not." And that's quite an awkward position to be placed in as financial-aid administrators.

Trevor Summers: Okay. Thanks for your comment, Jim, and I hope everybody heard that. *(Applause)* I understand that you are accustomed to precision and accuracy. “What do we do in this case? What do we do in this case?” And this does make it a little more gray. The best answer I can give you – and this is easy to answer from my perspective; I know it’s not so easy from where you’re at – you’ve just got to sit down with a student, look at the instructions on the FASA, look at the instructions in the application and verification guide, and use your best judgment. Use your best judgment. If you don’t feel comfortable in determining that this student is a homeless student, then don’t do it. And if the student has a problem, they’ll call the regional office of the Department of Education and express their concern. The folks that they talk to in the regional office may call you and ask some questions, but I think if you feel like you can’t make the determination that the student is homeless, then I don’t think there’s anything here that expects you to do something you’re not comfortable with.

So use your best judgment, but, again, rely on the instructions in the FASA. Rely on the guidance in the AVG. And if you have one of those crazy situations after you leave here, don’t be afraid about picking up the phone and calling one of the training officers or calling someone in the department and say, “Hey, I have this real situation. I have this student right now. Here’s the situation. I need some guidance.” Call us. We’ll sit down, we’ll listen to ya, and we’ll give you the best info we can. And there was a question in the back, I believe. Yes, go ahead.

Audience: **Well, I’ve had office appointments** Southern California. A parent called me, saying, _____.

Trevor Summers: Yeah.

(Laughter)

Audience: _____ not my responsibility, _____ office _____ so, _____ parent. The parent knows where they are, they’re homeless, _____.

Trevor Summers: Thank you for that comment. I don’t know if everyone heard that, but I’ll try to repeat that. There was a concern from her school in California, where they may have parents call in and say, “Hey, my son or daughter, they are homeless, and they are out there.” What do you do in that situation? Use your best judgment. You have to ask more questions to determine, “Why are you calling? Why are

you in the picture? Is the student really independent?" All I can tell you is you have to ask questions, and if you use your reasonable judgment in determining what you decide to do, I don't think anybody's gonna question you on it. But, sure, if the parent's calling saying this, this, or this, and you get the feeling that the parent's just trying to step aside from their normal duties of supporting their son or daughter, tread very slow, do not think, do not feel like we're expecting you to automatically make the student independent or consider them homeless.

And, again, you see a situation like that? Give any of us a call. Call us in the Dallas office or the regional office of the case team of whatever region or whatever state you're in. We want to hear what you have to say. We'll refer to this. We'll get our heads together and give you the best advice we can. Okay, well, let's keep going. This discussion about homeless is so much fun, let's keep going for a few more slides. *(Laughter)* States of homelessness – and this is some recent changes. Any time after July 1, 2009, a student that has been verified as an unaccompanied youth or who is a homeless child or youth by, as I said earlier, either a school or school-district homeless liaison or a director of an emergency shelter funded by the Department of Housing and Urban Development or a director or designee of a homeless youth-basic center or a financial-aid administrator.

Now, hopefully you won't have these, but this student may qualify as an independent student, and you can see down at the bottom, there's an "or" statement. This first slide talks about students that have been verified, but the next slide you see has to do with students who have been verified as at risk of becoming homeless or self supporting. Again, if students meet this criteria, there are certain people that can designate or conclude that this student is homeless or at risk of being homeless, and that can make the student an independent. Now, we're gonna talk about this – this is the last slide, and I want to point this out, and my mind is going back to a question that was asked earlier, and I want to comment on that before this thought escapes me.

Earlier there was a comment from a gentleman about, "Here's what the new regulations are, the new laws are. Are we going back to where we used to be where a student, if they just could show that they weren't claimed on their parents' tax return for the last two years and their income was at least \$4,000 the last two years, we would know they're automatically conditionally independent," so the question was, "Are we really going back?" I don't know if we're really going back, but I would say this. Keep

this in mind. All these changes are coming from Congress, and Congress is getting this information from their constituents, their voters, from the people in their region, and I think this is really just a reflection of where we're at today in that we have more and more people that are either homeless or at risk of being homeless.

Now, I don't have any way to quantify that. I'm not an expert on the homeless. I see them every day where I work, near my office, and I can't say that I've seen more than any other time, personally, but I think this whole move to bring this into the definition of an independent status is simply being sensitive to the fact that, I believe, there's more people out there than ever that are homeless today or at risk of being homeless. I bet if I asked all of you, "Do you know anybody homeless or at risk of being homeless," most of you would say, "I do," so I don't know if I would see this as going back. I would just see this as some move on the part of the Congress to be sensitive to these situations. Nevertheless, it's a good comment, and I certainly hope we're not going back, but we all hope that this problem of homelessness gets evaded somehow, sooner rather than later.

Now, there are situations, when you determine whether someone is homeless – again, it must be done on a case-by-case basis. It's not really a professional judgment call. However, it must be documented. If you don't have any official documentation from the director of a housing center or school official, things like that, then you can document an interview from the student, and the FASA does not ask the student if the financial-aid administrator is making the determination. It asks only if a homeless professional mentioned on the previous slides are making the determination. So if that's the case, you can make the determination and you can code it – in some situations you may have to code it as a dependency override, but it's kind of squirrely. It's actually not a dependency override.

And some of you have read this more than I have, but in reference to this question – I'll read you a quick portion from the application and verification guide 'cause I think this might help out a little. And, again, I'm going back to 28 and 29. It says that for the 2010-2011 award year, which is where we are now, if you have a situation like this in which you make the call, you can process the student's FASA as though it were a dependency override, even though it's not. So it looks kinda confusing. It says it's not a professional judgment call – it's really not, but you can process it as though it were a dependency override. And it goes on to say that it's possible we may add a separate item for homeless youth

for the upcoming 2011-2012 FASA application. So just keep that in mind as you're going through this process and working with these students. Hopefully you won't have many of these students, but if you do, hopefully there's some guidance here that should help.

And I want to go to the next slide. Now, there's a different set of rules if you have students that are homeless or at risk of being homeless. If you have students in this category that are over 21 and not yet 24, then you can, you don't have to, you ask the student questions, go into details. This may initiate a dependency override, and of course this is a full-blown dependency override. We're not gonna tell you have to do it. This is just at your option. So talk to those students and go through the regular process to determine if that student qualifies for a dependency override in your judgment. Not in my judgment, but in your judgment.

So let's shift gears right now and keep going. I want to keep an eye on the time and give time for the Q&A at the end of the session. Some other recent changes or definitions. There was a section in the law that was modified that you don't have to count educational VA benefits as estimated financial assistance when packaging. That's what we mean in the last bullet on the slide where we say, "Other financial **assistances** now excludes VA educational benefits," but in the first slide it talks about "any income from work under a cooperative education program offered by an institution of higher education is now not counted as income." That's an excludable category of income. You can see those definitions right on the FASA. And, again, treatment of veterans' benefits for 2010-2011, not considered in the calculation of the EFC, not calculated as estimated financial assistance. This applies to all students, vets, spouses, and benefits.

And I'm gonna speed up a couple slides here because I want to get to some of these proposals. If you have questions about that, because there are many different types of veterans' educational benefits, and, again, I'm not a veteran, I'm not an expert of it. Some of you I know are an expert in it 'cause I hear from you often. You can look at an electronic announcement dated August 13, 2009, on IFAP, and this gives questions and answers about what types of federal veterans' educational benefits are affected for this purpose, and it gives a list of updated applicable programs, and I have a copy of that here. I printed it off, and I brought it with me in case any of you wanted to see it. But, again, look on IFAP at August 13, 2009, the electronic announcement from that date. You'll have the same thing I do.

Now let's have some fun. That's some recent changes. Let's look at beyond 2010-2011. The EFC formula. What's going on beyond 2010-2011? Looking immediately beyond that is of course 2011-2012, and the EFC formula for that year is no secret because, again, the EFC formula guide for that year is on IFAP. I downloaded it, printed it, and I've compared the 2011-2012 to the 2010-2011 year, and in 99.9 percent of the time, it's the same thing. There were just a few allowances that were modified once you get into the different tables that are used to determine various allowances for the students in reference to their state allowance or tax allowance or education savings, asset protection allowance. In some cases it maybe went down a little bit or went up a little bit. The changes between the EFC formula for 2010-2011 and 2011-2012 are really very small. It's not correct to say they are exactly the same thing.

And I went through both formulas and made a little cheat sheet. I won't read it to you in detail. There were some changes for Formula A for dependent students, Formula B for independent, and Formula C, independent students with dependents other than a spouse, but they weren't material. But, in looking beyond even 2011-2012, this is where we get into the presidential administration's plan for simplifying this whole process. Just as you heard the speaker this morning, there's a tremendous emphasis from the White House to make this process easier and simpler, and you can see that this slide was performed before the figures were released this morning, but there's a plan for simplification. It says here, "Each year, more than 16 million students and their families complete the FASA. It was more than that last year. Many people perceive the process to be complicated, burdensome, and difficult, and the administration is proposing taking three basic steps to make this process easier."

What are the three steps? Here we go. Some of these are already coming to fruition, by the way. But you can see the first bullet, the online application is being streamlined using a shorter simplified form. Some of you will see this in detail if you attend the session tomorrow that talks about the simplification process for the application system. You can see the details of the shorter simplified form there. You can see that since January 2010, some students and parents were able to electronically retrieve their tax information from the IRS web site and transfer it right onto the FASA, and you can see that Congress considered the administration's proposal to simplify the eligibility formula but took no action. So here's the scoop. There are proposals out there,

proposals coming directly from the White House, but guess what. Congress has to approve them. Congress has to approve these. There were many proposals – and we'll talk about these here in just a second – but if Congress doesn't approve them, it's not going to happen. In fact, the Congressional session is about to end, and a new Congress will come back in January, and guess what will happen. The new Congress would have to start over to look at these proposals again to see if they want to act.

So here's what you need to understand. We're gonna talk about some proposals here. These are just proposals. I'm gonna be real honest with you. Nobody knows what the EFC formula is going to look like beyond 2011-2012. Is that to say it's going to change? It might. Is that to say it's going to stay the same? It might. Let's keep going. Simplified FASA. As you know, there's an emphasis to make this process easier for the student. You can see the financial aid information used for the EFC calculation. There's a proposal that only the information that can be obtained from the tax return would be collected, and there was a proposal, there still is a proposal, that other income-related questions would be dropped, and there's an idea for the assets to be dropped except for the asset cap, and we'll talk about that.

The income items included on the student's tax return – some of you know this by heart because you've seen many, many tax returns through your verification work, but the items provided by the IRS are things like what type of tax return file, what's the income tax paid, what's the adjusted gross income. I won't read the whole list, but you can go through down to exemptions, things like that. There is a proposal, there was a proposal, and there will be still a proposal for certain items to be removed from the EFC calculation. And if you read through the EFC handbook to step by step on how you calculate the EFC, all of these things come into play. For example, mother's income earned from work, father's income earned from work – I won't read them all, but I'll read a couple from the right-hand column, such as combat pay, other untaxed income, things like that – workman's comp and things like that. So there's a proposal for these things to be removed from the EFC. Now, these are still in place for this 2010-2011 year and still in place for 2011-2012 year, but, as I said, if this proposal is granted, you might see, in the future, these things disappear. How will this affect the overall EFC formula? We don't know. We're just gonna take this year by year and get the details as they develop.

There's proposals for reporting the student's assets. Reporting the

assets in some case discourages savings. It's not verifiable. In some cases it leads to misreporting, and the slide here says, "Current FASA asks multiple questions about assets." That's not really true. It asks basically three questions about assets. But you can see that most federal Pell Grant recipients have very low level of savings and almost no other investments, and there's an old stat here from 2007-2008 that only four percent of the applicants had assets that exceeded \$150,000, so there's a proposal just to ask the question, "Why are we asking that on the FASA?"

And there's an idea that there would be an asset cap established as a test, like a bright-line test or a litmus test, that would replace the asset contribution in the calculation of the EFC, and, again, this is just a proposal. It may be something as simple as a check-off box that asks the students and the parents if they have assets more than a certain amount, maybe \$150,000 or \$100,000. I don't know. But if the student says, "We do not have assets more than this amount," excluding the principal place of residence, things like that, then the student would not have to answer any of those questions for the assets. Now, that's slowly coming to fruition, in some respect, for this year, and we're gonna look at that just for a second. Same thing here, for a dependent student, if the student's and parents' combined net assets are equal to or greater than a certain amount. Same thing for independent students.

This is still a proposal on the table because this isn't exactly what we have coming into this year, and I want to look at that in just a second. If this comes to fruition, this proposal would mean if the applicant responds yes to this asset question, then the applicant would only be eligible for non-need-based aid such as an unsubsidized loan or a plus loan. This is not policy. This is just a proposal. This is not in place for 2010-2011 or 2011-2012. This may never come into place. You just need to be aware what the proposals are, what they were, coming into legislation to the White House. So I'm not gonna comment whether I think this is a good proposal or a bad proposal, but here's the thing. When people start thinking, "How could we make this process easier for the students," these are some ideas that come to the surface. So just a proposal. And if the applicant responds no to this asset question, to let us know that they don't meet this criteria, then they would be eligible to be considered for all Title IV eight just like they are now.

Now, I do want to say this. Here's something that did come to fruition. The simplified FASA – we'll have students that fill out the FASA for upcoming '11-'12 on the web, and when the students

fill out the FASA on the web, they will be asked a question that says something to the effect of, “What are your total assets in excess of certain amount or not,” and you’ll see this demonstrated if you go to the session – I believe it’s tomorrow – on – forgive me, I don’t know if it’s this afternoon or tomorrow, but – the session on simplifying the aid-delivery process to the application process. They’ll show specific screenshots on exactly where this is. It will ask the student or parent, “Do you have assets that exceed this.” If the student says no, then the student doesn’t have to answer any questions about assets. If the student says yes, they do. And that’s what this slide is speaking to for this option.

So now let’s keep going. Another proposal – again, just a proposed change in reference to untaxed income. This removes additional things from the definition of untaxed income. This may remove child support received. This may remove workman’s comp, remove veterans’ benefits, remove housing and food and other allowances. I know this is a proposal because if you look at the current FASA you can see that these items are still on there as far as untaxed income. Some of you may agree or disagree. Some of you may be for this or not, but this speaks to the fact that you can be thinking, “How could we make the EFC formula better.” Should child support received be removed? Should workman’s comp be removed? Should veterans benefits be removed, or things like that?

And more proposed changes in reference to untaxed income. As you can see, untaxed income is limited for interest on tax-free bonds, untaxed portions of pensions, and things like that. Payments to IRAs and Keogh accounts are excluded from income for federal income-tax purposes, but there are proposals to limit the untaxed income to these items only. So just proposals. We’ll see. We’ll see what happens. Now we’re wrapping it up here. Just a couple of other final things, and I want to make sure I hit this last slide properly. Just another proposal on the table – this would exclude income – this income would be removed – currently that includes any student financial assistance award based on need or any income from a work program under cooperative education program, any allowance under the national community service act, things like that. These items should be able to be confirmed through the data-retrieval system with the IRS, so really we would expect these things to continue to be looked at in the need analysis. However, the question is, “Can we take this off the FASA so the student doesn’t have to answer it? We should know this information already, so we can calculate that in, calculate that in, make it easier on the student.”

Look at this with me. The EFC formula guide – I’ve said this before – go to IFAP, print these out. I have them right here if you want to take a look at them. They’re not very long. I think they’re just 36 or 37 pages each, and you can become an expert on what the EFC formula is. Most of that is the tables and the allowances, things like that. In fact, if you come to one of our fundamentals of Title IV sessions, we’ll go through some of these calculations by hand. Some of you may remember the old days, where you had to calculate the EFCs by hand.

“So, Trevor, what are you saying here?” All I’m saying is this – keep an eye on the EFC formula guides as they’re printed every year, keep an eye on those Dear Colleague letters, and keep an eye on any proposed legislation coming from Congress that has to do with what the EFC formula is and how it’s calculated. I think it’s safe to assume this – we know what it is for 2010-2011, we know what it is for 2011-2012. I’m not at this point convinced we’re gonna see wholesale changes for 2012-2013, but you never know. How many of you know that in Congress we have a little different landscape now than we did, due to the recent midterm elections. Anybody agree with me on that? So we simply don’t know what Congress is going to do. Keep an eye on IFAP, keep an eye on this information, for proposed changes, and you can watch this just like your colleagues.

That concludes my presentation, but I want to get some questions before we go. Yes, ma’am. Go ahead.

Audience:

Trevor, thanks for your comments. Just a couple of questions. You’ve said a number of times, “We don’t know,” and I know that I think everyone here would agree that the financial-aid process is overcomplicated because it’s a Congressional process. But is there any one place where this audience can follow the conversation and look at the data that undergirds these proposals that the Department of Education is looking at seriously? I know some of them come from public discourse and conversations, but there are others that you’re pulling data on from various places or looking at studies. Is there a place on your site that we can follow this?

Trevor Summers:

Well, let me chew on that for a second. Here’s what comes to my mind. The main web site for the Department of Education is basically ed.gov. You can go to ed.gov, and you may not go there a lot because it’s really not specific to federal student aid. It’s really in reference to the whole process, the whole gamut of the Department of Education, but you can go there to see – are the

Department's recommendations for the EFC formula – and I believe there's a link for the president's recommendations or the president's proposal. The presidential administration submits a budget proposal once a year, and I have a link for that here. In fact, I've printed it out. Although it's very general, it doesn't go – I was asking myself that same question, and I was reading this in detail to try to find these specific things, and I really couldn't find the specifics that I wanted, but I did find value in keeping an eye on what the president's budget proposal is because that will tell us how much money are they proposing, things like that, and there's value in seeing on the web what the Department's recommendations are for modifying this, but it's really – I don't know of any one specific place where you can follow where this stuff is going on.

The best thing I can tell you – if you go to IFAP – remember, just like Farmtown and Facebook – go to IFAP, look at that “What's New” section – there's a section on the main page for what's new – you'll see – if there's serious consideration to modifying this EFC formula in a bit way, you should know about it by seeing those announcements on IFAP and seeing references to it, seeing information that says these discussions are underway, things like that. So the best I can tell you is look at IFAP and look at ed.gov, and I wish I could tell you better. If you look at those, and if it doesn't tell you what you need to know, e-mail me, and I'll dig deeper, and I'll ask questions to try to find the right answer to give you so you can follow this, you can follow the conversation to see what's gonna happen and when. Okay, more questions over here. Go ahead. I'm listening.

Audience:

All right. Thanks, Trevor. Good job with the session. This is offered in the spirit of Mr. Taggart's suggestion that you want to hear what we think, okay? In terms of the information you shared with us at the beginning, particularly around the relatively new categories of dislocated worker, homeless or unaccompanied youth, emancipated minor, orphans, those in guardianship, and then subsequently adopted, and so forth, all of that, as you point out, is now in the Higher Education Act. What this does, of course, and you know this, is it sets into conflict the effort to simplify the application with the political influence of all of this being dictated by Congress. So that is a conflict that we're all aware of.

Basically it shows over time how this has developed – basically shows a lack in our ability as financial-aid administrators who effectively use our professional judgment. And we know that this

is not the Department's doing – I understand that – but if you could be an advocate for the Department for our point of view, the different populations now ill served by the new application have always had their needs met through professional judgment. Now that it's been codified into law, it's complicating the larger issue to simplify. So at any opportunity that you can support the fact that we actually know what we are doing, that will be helpful. Thank you.

Trevor Summers: Thank you. Absolutely. I appreciate that. (*Applause*) Very good. Thank you. Yes, ma'am.

Audience: I don't necessarily have a question, but an observation. With all the skip logic and all of the information that they're now leaving off, what people are now selected for verification? Now, the colleges are now required to collect some form of some of the stuff that they are skipping. So the skip logic has just created more work for financial aid.

Trevor Summers: Now, okay, thank you, but (*Applause*) let me ask a question along those lines. The skip logic –

Audience: Let's just say one. If you don't want to answer the questions about your parents' assets – now, that's, of course, '09-'10, '10-'11 – you don't have to, but yet that same student is selected for verification.

Trevor Summers: Sure, I understand.

Audience: Then you have to go back and ask for it.

Trevor Summers: Well, I hear what you're saying, but now I believe that the assets aren't really subject to verification. Am I correct there? When you go through the verification process, you're looking at the AGI, the family size, income tax paid, untaxed income, or things like that.

Audience: And that's true. Now if we can feel comfortable in not checking some of that, that's great, but then it's kind of – I don't know. Maybe I'm the only that's doing it, but –

Trevor Summers: Well, let me mention this. We are working on an improved logic behind the scenes so that – we're trying to ease the burden of verification on the financial-aid community by relooking at our rules to determine who's selected and why, and we're trying to find some improvements there that should hopefully, in the

upcoming years, do a better job of selecting those for verification that really need to be verified, hopefully to make it easier on you. You can read details in the proposed regulations that came out in June or July of this year and also the final regs that came out October 29 of this year. Thank you for your comment. I appreciate that, and I'll take that back. Yes, ma'am.

Audience: Going back to the beginning of your presentation, we were talking about the veterans and that we don't put in the budget room for people that have a subsistence or room allowance that they're getting from the VA, but how do we know who has it and who doesn't, how much – I mean, if you guys don't ask the questions on the FASA, how are we supposed to get that information?

Trevor Summers: I don't know if I can answer that. You may have to go back to your students to say, "Okay, who's receiving" – you may have to ask your students if they are getting any of this and then treat it from there.

Audience: Yeah, because this is – simplifying the FASA just means more work we have to collect on our end. It's not really simplifying anything.

Trevor Summers: Well, I understand that, yeah, these additional provisions, these additional rules, may require more work. Yes.

Audience: Yes. And also, I wanted to comment what she's talking about, verification. When I see my students, most of the ones that are selected for verification, their stuff is accurate. The people that aren't selected are the ones with the problems.

Trevor Summers: Okay, that's a good comment. If you see that once in a while, then that's one thing, but if you see that often, over and over, then what you need to do is put that in writing and send it to someone in the Department without – exclude personally identifiable information but just say, "Student number one, I saw this. Student number two, I saw this. Student number three, four, and five, I saw this, this, and this. What's going on? Why is this happening?" And I think I've seen exactly what you've said in certain situations, yeah.

Audience: And then the third comment – I mean, all of our presidents got letters about – that "you have to make sure your financial office is on us, that they check out everything," but then, when the students call the central processor, and they tell them, "Oh, no, you don't have to answer that question. You don't have to answer untaxed income and benefits," well, you know, you've got a kid who says,

“I lived on nothing” – I do mainly graduate students – “I lived on nothing. I have zero exemptions,” which, by IRS standards means, “I am providing less than half my own support,” why aren’t they making them put that in there? You know, you could have Bill Gates’s kid come into your place – “Well, I have no income,” but, you know – and this person gets maximum aid, where the kid that’s working hard and trying to support himself is getting less than the kid that’s not reporting the untaxed income and benefits because someone at the central processor said, “Oh, that’s an optional question.”

Trevor Summers: Well, if you have a specific situation where you have a student that was given what you feel is incorrect or bad info from the federal student aid information center or the toll-free number, immediately pick up the phone and call one of us in the Department, either me or one of the training officers or someone, so we can find out what’s going on. I don’t know how all these conversations transpire. I don’t know who says what on either end. So I can’t say whether anything’s right or wrong. But if you see something that’s an issue, let us know, try to give us as many specifics as possible, and we’ll follow up to find out what was said and why.

Audience: All right, ’cause I’m saying – if the question is there, it’s supposed to be answered.

Trevor Summers: Sure. And they need to get the same answer from them as they do from you or me.

Audience: Right. Exactly. Thank you.

Trevor Summers: All right. Two more questions. Yes, ma’am.

Audience: Trevor, thanks for your information today. I just wanted to comment on the skip logic. A family estimates their income to be \$25,000. They’re allowed to skip all of the asset information. They’re selected for verification because they’ve estimated, most cases. We get their tax return, and their income is actually \$60,000, and they own a business, so, no, they are not eligible for the simplified needs. We have to go out there and require them to then add their asset information. And that’s happened frequently this year with the skip logic built in. *(Laughter)* So that’s an extra burden **on us**.

Trevor Summers: I see. Very interesting. But they’re estimating up front \$25,000, and after the fact it’s \$60 or more. Thank you. I’ll pass that back. Yes, ma’am.

- Audience:* That was the point I was going to make, as well. That's how you end up collecting the assets. No point in skipping the assets.
- Trevor Summers:* I see.
- Audience:* The other point I wanted to make was – when I verify a student to be homeless, under the age of 21, then they age out. They suddenly can't answer that question anymore that they were deemed to be homeless. I knew they were homeless, their situation hasn't changed, but now the feds aren't accepting their yes answer to that question, and now I have to do a dependency override. I might as well have just done the dependency override to begin with.
- Trevor Summers:* Well, I hear what you're saying. If they age out and if the situation warrants it in your judgment, do a dependency override, but prior to that, you still have to follow – I hear what you're saying, but you still have to follow the guidance of what's in the federal student aid handbook and what's in the FASA instructions. You're saying, "I might as well have done a dependency override from the get-go, right?"
- Audience:* Right, and you're saying we cannot do a dependency override if we think they're homeless? We should be using the homeless question yes answer?
- Trevor Summers:* No –
- Audience:* It just creates a processing nightmare for us.
- Trevor Summers:* Sure.
- Audience:* – because we're treating them one way, and maybe one or two years, and all of a sudden we're gonna turn around and treat 'em another way. There's – we do a close examination. If they're homeless, they're homeless. The situation is not changing. So that's just a comment I wanted to make.
- Trevor Summers:* Thank you. Okay, one more question, and I hope I can hear you.
- Audience:* My ____ question is – when they age out, why don't they just grandfather them in?
- Trevor Summers:* Great question. Yeah, I don't know if I can answer that. I know there's a different set of rules, but if that's your suggestion – the

suggestion is, why, when they age out, why aren't they just grandfathered in, that's something I can take back and pass on to my colleagues. Thank you all very much. I appreciate you staying to the bitter end. Enjoy the rest of the conference.

[End of Audio]