

2024-25 DRAFT SAI Guide Supplement: EFC-to-SAI Crosswalk

The basic EFC and SAI formulas are very similar with one notable difference – the SAI formula no longer includes number in college.

Dependent Student Formula

EFC =	$\frac{\text{Parents' Contribution from Income and Assets}}{\text{Number in College}} + \text{Student's Contribution from Income} + \text{Student's Contribution from Assets}$
SAI =	$\text{Parents' Contribution from Income and Assets} + \text{Student's Contribution from Income} + \text{Student's Contribution from Assets}$

Independent Student Formula

EFC =	$\frac{\text{Student's Contribution from Income} + \text{Student's Contribution from Assets}}{\text{Number in College}}$
SAI =	$\text{Student's Contribution from Income} + \text{Student's Contribution from Assets}$

However, there are significant differences in the factors that comprise the income and asset components of each formula. Those differences are described below.

Changes to Income Components

The SAI formula significantly reduces the number of items considered in the income components of the formula. Most income items can be found on a U.S. income tax return, eliminating the need for the applicant to self-report income from untaxed sources.

Income not reported on a U.S. income tax return that was previously included in the EFC formula is not included in the income components of the SAI formula. However, the SAI formula does include untaxed or tax-exempt portions of items on a U.S. income tax return, including tax exempt interest and untaxed IRA or pension distributions (excluding rollovers). Payments to tax-deferred pension and retirement savings plans; child support received¹; housing, food, and other living allowances paid to members of the military, clergy, and others; veterans noneducation benefits; other untaxed income; and money received by or paid on behalf of the student are no longer reported as income on the FAFSA form.

The chart below shows a summary of the income components included in the EFC and SAI formulas.

Expected Family Contribution (EFC)	Student Aid Index (SAI)
<p>Income</p> <ul style="list-style-type: none"> • AGI (tax filers) or income earned from work (non-tax filers) • Deductible payments to SEP/SIMPLE/KEOGH/Other • Tax-exempt interest • Untaxed portions of IRA distributions and pensions (excluding rollovers) • Payments to tax-deferred pension and retirement savings plans • Child support received • Housing, food, and other allowances paid to members of the military, clergy, and others • Veterans noneducation benefits • Other untaxed income • Money received by or paid on your behalf (student income only) 	<p>Income</p> <ul style="list-style-type: none"> • AGI • Deductible payments to SEP/SIMPLE/KEOGH/Other • Tax-exempt interest • Untaxed portions of IRA distributions and pensions (excluding rollovers) • Foreign income exclusion

Taxable earnings from need-based employment in the EFC formula was narrowed to Federal Work-Study (FWS) in the SAI formula as an allowance against income. While need-based employment in the EFC formula could have included funding sources other than FWS, such as state or institutional need-based employment, it now **only** includes FWS in the SAI formula.

Cooperative education employment earnings, child support paid, combat pay, and state and other taxes are no longer allowances against income in the SAI formula and do not need to be reported by the

¹ Child support received is reported as an asset of the recipient in the SAI formula.

applicant or contributors on the FAFSA form. Additionally, Social Security tax allowance in the EFC formula was replaced with the payroll tax allowance in the SAI formula but remains largely unchanged.

The chart below shows a summary of the allowances against income in the EFC and SAI formulas.

Expected Family Contribution (EFC)	Student Aid Index (SAI)
<p>Allowances Against Income</p> <ul style="list-style-type: none"> • Taxable college grant and scholarship aid reported as income • Education credits • U.S. income tax paid (or foreign equivalent) • Income protection allowance • Employment expense allowance • Taxable earnings from need-based employment • Social security tax allowance • Child support paid • Combat pay or special combat pay • Cooperative education employment earnings • State and other tax allowance 	<p>Allowances Against Income</p> <ul style="list-style-type: none"> • Taxable college grant and scholarship aid reported as income • Education credits • U.S. income tax paid (or foreign equivalent) • Income protection allowance • Employment expense allowance • Federal Work-Study • Payroll tax allowance

Changes to Asset Components

There were several significant changes to the asset contribution components in the SAI formula.

1. Assets now include the annual amount of child support received. The recipient of the child support will be asked to report the amount received in the last complete calendar year.
2. The net worth of a business is no longer limited to those with more than 100 full-time employees. Applicants will be asked to report the net worth of all businesses, regardless of the size of the business.
3. Net worth of a farm now **includes** the value of a family farm. However, the value of a family's primary residence is still excluded.
4. The asset protection allowance was narrowed to exclude education savings in the SAI formula.

The chart below shows a summary of the asset component in the EFC and SAI formulas.

Expected Family Contribution (EFC)	Student Aid Index (SAI)
<p>Contribution from Assets</p> <ul style="list-style-type: none"> • Cash, savings, and checking • Net worth of investments, including real estate (excluding primary residence) • Adjusted net worth of business and/or farm (excluding family farms or businesses with fewer than 100 full-time employees) 	<p>Contribution from Assets</p> <ul style="list-style-type: none"> • Cash, savings, checking, time deposits, and money market funds • Net worth of investments, including real estate (excluding primary residence) • Adjusted net worth of business and/or farm • Annual child support received
<p>Allowances against Assets</p> <ul style="list-style-type: none"> • Education savings and asset protection allowance 	<p>Allowances against Assets</p> <ul style="list-style-type: none"> • Asset protection allowance

Other Notable Changes

- While family size is still considered in the SAI formula, the definition has changed to align with the number of individuals included on either the applicant's (if independent) or parent's (if dependent) U.S. Tax Return. However, applicants are provided an opportunity to update family size if the family size has changed since the applicable U.S. Tax Return was filed.
- A student's SAI may be a negative number (down to -1,500). A negative SAI should be treated as a zero in determining a student's eligibility for need-based financial aid. In other words, treat a negative SAI as a zero when subtracting the SAI value from cost of attendance to determine a student's unmet need.
- The FAFSA Simplification Act removes the requirement to prorate a student's SAI for periods of enrollment other than nine months.