

Session #22

Need Analysis: The EFC Formula Beyond 2010-11

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Introduction

- What's the EFC?
- What's fair?
- What's reasonable?
- Who writes the EFC formula?
- How does this affect you?
- How does this affect your students?



AGENDA

- Recent Changes
- Proposed Changes
- Discussion
- Questions & Answers



Recent Changes

Cost of Attendance

- Section 472 of HEA
- Cost of Attendance will include an allowance to cover basic expenses incurred for board (NOT ROOM)
 - For students living in housing provided on a military base, or
 - For which a basic living allowance is provided
 - Effective July 1, 2010

Recent Changes

Iraq and Afghanistan Service Grants

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 undergrad and Pell-eligible EFC, all Title IV aid awarded using zero EFC
- If not Pell-eligible EFC, undergraduate student gets an "Iraq/Afghanistan Service Grant" award the amount of maximum Pell for enrollment status
 - All other Title IV aid awarded using calculated EFC

Recent Changes

Simplified Need Test & Auto-Zero EFC

- Section 479 of HEA
- New alternative to tax filing and means tested benefits
 - At least one parent (for a dependent applicant), or the applicant or spouse (for an independent applicant), is a dislocated worker
- See AVG 41-42 of 2010-2011 FSA Handbook for complete definition
- Status does not require verification

Recent Changes

Definitions

- Section 480 of HEA
 - Total income
 - Allows for using “specified year”
 - Total income
 - No portion of VA educational benefits are to be considered income
 - Untaxed income
 - Value of on-base military housing or off-base housing allowance is excluded from untaxed income (BAH)
 - BAS must still be included



Recent Changes

Definitions

- Independent student definition changes
 - Orphan
 - Both parents deceased when student 13 or older
 - Even if subsequently adopted
 - Foster Child
 - If foster child at any time since age of 13
 - Even if status changed later
 - Ward of the Court
 - Any time since age of 13
 - Even if status changed later
 - Incarceration is not ward of court for Title IV



Independent Student Definition

- Emancipated Minor
 - Anytime at or prior to 18 years of age
 - Determined by a court in student's state of legal residence
- In a Legal Guardianship
 - Anytime at or prior to 18 years of age
 - Determined by a court in student's state of legal residence

Independent Student Definition

- Homeless definitions
 - Homeless
 - Lacking fixed, regular and adequate housing
 - At risk of being homeless
 - Housing may cease to be fixed, regular, and adequate
 - e.g. student is being evicted and has been unable to find fixed, regular, and adequate housing



Independent Student Definition

- Homeless definitions
 - Self-supporting
 - Student pays for his own living expenses, including fixed, regular, and adequate housing
 - Unaccompanied
 - Student is not living in the physical custody of a parent or guardian
 - Youth
 - Student who is 21 years old or younger or still enrolled in high school as of date he signs FAFSA



Independent Student Definition

- States of Homelessness
 - Anytime after July 1, 2009
 - Student has been verified as an unaccompanied youth who is a homeless child or youth, by
 - School or school district homeless liaison, or
 - Director, or designee, of an emergency shelter program funded by HUD, or
 - Director, or designee, of a homeless youth basic center or transitional living program, or
 - Financial aid administrator
- OR -

Independent Student Definition

- States of Homelessness
 - Student has been verified as an unaccompanied youth who is at risk of homelessness and self-supporting by
 - Director, or designee, of a homeless youth basic center or transitional living program, or
 - Financial aid administrator

FAA Determination of Homelessness

- Must Be Case by Case but Is Not PJ
- Must be documented
 - If no official documentation can be obtained, documented interview of the student will suffice
- FAFSA does not ask student if FAA is making determination, asks only if homelessness professionals mentioned on previous slides are making determination
 - Determination, however, is NOT a dependency override or PJ

FAA Determination of Homelessness

- Homeless (or at-risk) students who are over 21 and less than 24 years old may not be children or youths
 - FAA may initiate a dependency override
 - This determination is a dependency override



Recent Changes Definitions

- Section 480 of HEA
 - Excludable income
 - Any income from work under a cooperative education program offered by an institution of higher education
 - Other Financial Assistance
 - Excludes VA educational benefits



Treatment of Federal Veterans' Educational Benefits for 2010-11

- Not counted in calculation of EFC
- Not counted as Estimated Financial Assistance (EFA)
- Applies to all recipients
 - Vets
 - Spouses
 - Dependents



VA Educational Benefits Changes

- Guidance on Federal Veterans' Education Benefits for Purposes Title IV Aid posted on August 13, 2009
 - Includes Q and A's
 - List of updated applicable programs included

Beyond 2010-11

- The Administration's Plan for simplification
 - Each year more than 16 million students & their families complete the FAFSA
 - Current process is complicated, burdensome and difficult
 - The Administration is proposing taking 3 steps to make the application process easier and to make college more accessible

3 Steps

- The online application is being streamlined using a shorter, simplified form
- Since January 2010, some students and parents were able to electronically retrieve their tax information from the IRS and transfer it to the online FAFSA (FOTW)
- Congress considered the Administration's proposal to simplify the eligibility formula but took no action

The Simplified FAFSA

- Financial Information used for EFC calculation -
 - In general, only information that can be obtained from an IRS Tax Return will be collected
 - Other income-related questions would be dropped
 - Assets Dropped (except for asset cap)

Income Items Included on IRS Tax Return



- Items Provided by IRS
 - Tax form filed
 - Income Tax Paid
 - Adjusted Gross Income
 - Education Tax Credits
 - IRS Deductions and Payments to retirement plans
 - Tax-Exempt Interest
 - Untaxed IRA Distributions
 - Untaxed Portions of Pensions
 - Exemptions

Items to be Removed from EFC Calculation

- Mother's income from work
- Father's income from work
- Student's income from work
- Spouse's income from work
- Taxable earnings from need-based employment
- Cash, savings and checking amounts
- Investments and real estate
- Net worth of businesses and investment farms
- Combat pay
- Living allowances paid to members of military, clergy & others
- Other untaxed income – e.g. workers' comp
- Child support received/paid
- Payments to tax-deferred pensions & savings plans
- Grants & scholarship aid included in AGI
- Veteran's non-educational benefits
- Other money received or paid on your behalf (students only)

Proposed Changes - Assets

- Reporting assets discourages savings, is not verifiable, and leads to misreporting
- Current FAFSA asks multiple questions about assets
- Federal Pell Grant eligible students generally have low levels of savings and almost no other investments
- In 2007-2008, only 4% of applicants had assets that exceeded \$150,000

Proposed Changes - Assets

- Asset Cap is a bright line test that replaces an asset contribution in the calculation of the EFC
- A simple check-off question asking whether the student (and parents) have more than "X" in assets
 - Does not include
 - Principal place of residence
 - Family owned and operated farm
 - Small business

Proposed Changes - Assets

- For a dependent student – if student's and parent's combined net assets equal or are greater than \$ X
- For an independent student – if the student's and spouse's combined net assets equal or are greater than \$ X

The Asset Threshold Check-Off Box

- If the applicant responds “YES” to the Asset question, then applicant is only eligible for non-need based Title IV aid
 - Unsubsidized Stafford Loan
 - PLUS Loan

The Asset Threshold Check-Off Box

- If the applicant responds “NO” to the Asset question, eligible for consideration of all Title IV aid



The Simplified FAFSA

- Sample Asset Threshold Question
 - For Dependent students –
 - Do you and your parents have assets (savings and investments) totaling “X” or more?
- ➡ NO – continue to complete and submit FAFSA
- ➡ YES – sign certification statement below and submit your FAFSA for processing

The Simplified FAFSA

- Sample Asset Threshold Question
 - For Independent students –
 - Do you (and your spouse) have assets (savings and investments) totaling “X” or more?

 NO – continue to complete and submit FAFSA

 YES – sign certification statement below and submit your FAFSA for processing

Proposed Changes – Untaxed Income

- Section 480 of HEA
 - Removes from definitions of untaxed income
 - Child support received
 - Workman's compensation
 - Veteran's benefits
 - Housing, food, and other allowances
 - Cash support paid on your behalf
 - Any other untaxed income & benefits

Proposed Changes – Untaxed Income

- Section 480 of HEA
 - Untaxed income is limited to
 - Interest on tax-free bonds
 - Untaxed portions of pensions
 - Payments to IRAs & Keogh accounts excluded from income for Federal income tax purposes



Proposed Changes – Excludable Income

- Section 480 of HEA
 - Excludable income is removed
 - Currently that includes
 - Any student financial assistance awarded based on need
 - Income from work under a cooperative education program
 - Any living allowance under the National & Community Service Act
 - Child support paid by the student or parent
 - Payments made under Part E of title IV of the Social Security Act
 - Special Combat Pay



EFC Formula Guides

- EFC Formula Guides
- IFAP
 - Publications
 - Processing Publications 2010-2011
 - and- 2011-2012

The screenshot shows the Federal Student Aid iLibrary website. The browser address bar displays "Federal Student Aid - IFAP: iLibrary - EFC Formul...". The website header includes the "START HERE GO FURTHER FEDERAL STUDENT AID" logo and the "IFAP" label. The navigation menu contains "Home", "Getting Started", "What's New", "Calendar", "iLibrary", "Help", and "Feedback". The "iLibrary" menu item is highlighted. Below the navigation, there is a search bar with a "GO" button and a link to "Advanced Search". The main content area is titled "iLibrary - EFC Formula Guide" and includes a description: "The EFC Formula Guide includes worksheets and tables that can be used to calculate an expected family contribution (EFC)". Below this, there is a section "EFC Formula Guide" with a "By Award Year" filter showing two options: "2011-2012" and "2010-2011". A sidebar on the left lists various "My IFAP" categories such as "System & Processing Links - Application", "System & Processing Links - Programs", "System & Processing Links - Transmission", "Participation Links - Application", "Participation Links - Audits", "Participation Links - Programs", "Funding Links", "Resource Links", "Financial Partners Links", "Student & Parent Links - Application", "Student & Parent Links - Programs", "ED Links", and "Other Links". At the bottom of the page, there are links for "FOIA", "Privacy", "Security", "Notices", "WhiteHouse.gov", "USA.gov", and "ED.gov".

Continuing the Conversation

- Questions, Concerns, Comments ???



Contact Information

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