

Session # 18

Need Analysis: The EFC Formula Beyond 2010-11

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AGENDA

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



2

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



3

Recent Changes
Survivors of Service Members

- Students whose parent or guardian died as a result of military service in Iraq or Afghanistan after 9/11/2001
- Student must be less than 24 years old or enrolled in postsecondary program when the parent or guardian died
- Pell-eligible students have EFC reduced to zero for all Title IV aid



4

Recent Changes
Survivors of Service Members

- ED is working with DoD to develop a system to identify individuals in this category
- No current system
- Until system is developed, for assistance contact:
 - Marya Dennis
 - Marya.Dennis@ed.gov
- Electronic announcement with operational guidance posted on November 6, 2009



5

Recent Changes
Iraq and Afghanistan Service Grants

- Established by HEOA Technical Corrections (P.L. 111-39)
 - Effective 7/1/2010
- Grants to students:
 - Parent or guardian died as a result of military service in Iraq or Afghanistan after 9/11/2001
 - Must be less than 24 years old or enrolled in postsecondary program when the parent or guardian died
 - Not Pell Grant eligible



6

Recent Changes
Iraq and Afghanistan Service Grants

- Equal to maximum Pell Grant available for the award year
 - Not to exceed COA
 - Reduced for part-time enrollment
- Not EFA in packaging other Title IV aid
- Calculated EFC used for other Title IV aid



7

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 34-35 of Handbook for complete definition
- Status does not require verification



8

Recent Changes
Definitions

- Section 480 of HEA
 - Total income
 - Allows for prior, prior year pilot
 - 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



9

**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



10

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



11

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



12

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



13

Independent Student Definition

- States of Homelessness
 - Anytime after July 1, 2008
 - 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 -



14

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



15

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
 - For 09-10, FAA will have to treat as a dependency override in order for CPS to accept the determination of the FAA that the student is independent
 - Determination, however, is NOT a dependency override or PJ



16

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



17

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



18

Treatment of Federal Veterans' Educational Benefits for 2009-10

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



START HERE
GO FURTHER
FEDERAL STUDENT AID

19

VA Educational Benefits Changes

- Electronic Announcements
 - Change of effective date for exclusion of Federal VA education benefits posted on July 2, 2009
 - Must review those students already packaged to determine if changes are necessary
 - 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

START HERE
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20

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

START HERE
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21

3 Steps

- The online application is being streamlined using a shorter, simplified form
- In January, some students and parents will be able to electronically retrieve their tax information from the IRS and transfer it to the online FAFSA (FOTW)
- Congress is considering the Administration's proposal to simplify the eligibility formula
 - HR 3221 (Passed by House)
 - Senate still drafting



22

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)



23

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



24

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. workman's 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)



25

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



26

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



27

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



28

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
 - The new Unsubsidized Direct Perkins Loan
 - PLUS Loan



29

The Asset Threshold Check-Off Box

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



30

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



31

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



32

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



33

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



34

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



35

Continuing the Conversation

- Questions and Concerns ???



36

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37
