

National Association of Student
Financial Aid Administrators Presents ...

Module 6

Federal Methodology

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Need Analysis

Cost of attendance (COA)

– Expected family contribution (EFC)

= Financial need

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Federal Methodology

- Method for assessing ability to pay consists of two steps:
 - Measuring the family's financial strength
 - Assessing a portion of family's financial resources as a contribution toward educational costs
- Used to calculate expected family contribution (EFC)

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Federal Methodology

Student is independent if he or she:

- Will be 24 by December 31 of the award year;
- Is an orphan, in foster care, or a ward of the court, at any time when the student was 13 years of age or older; or
- Is an emancipated minor or is in legal guardianship as determined by a court in the student's state of legal residence

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Federal Methodology

Student is independent if he or she:

- Is an unaccompanied youth who is determined to be homeless, or at risk of homelessness and self-supporting, at any point on or after July 1, 2014;
- Is a veteran; or
- Is serving on active duty in the U.S. Armed Forces for purposes other than training

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Student is independent if he or she:

- Is married;
- Is a graduate or professional student;
- Has legal dependents other than a spouse;
- Has dependent children; or
- Determined to be independent under professional judgment

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Federal Methodology

Classifies students according to one of three models based on dependency status:

- Model A: Dependent student
- Model B: Independent student without dependents other than a spouse
- Model C: Independent student with dependents other than a spouse

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Federal Methodology

- Models A, B, and C have two formulas:
 - Regular Formula
 - Simplified Needs Test Formula
(Simplified Formula)
- Models A and C have additional formula:
 - Automatic Zero EFC

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Automatic Zero EFC

- If certain criteria are met no calculation is performed, and the EFC automatically is set to zero
- Automatic Zero EFC is limited to:
 - Model A: Dependent student
 - Model C: Independent student with dependents other than a spouse

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Simplified Needs Test Formula

- Qualifying criteria similar to Automatic Zero EFC criteria
 - Applies to all student models (A, B, and C)
 - Income cap is higher
- Formula excludes assets from EFC calculation

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Simplified Needs Test Formula

- If asset information is reported on Free Application for Federal Student Aid (FAFSA), two EFC calculations
 - EFC from simplified formula is primary EFC
 - EFC from regular formula is secondary EFC
- School must use primary EFC to calculate need for Title IV funds

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Regular Formula

- Full data element formula
- Includes contribution from available income and assets
- Applies to all 3 student models (A, B, and C)
- EFC is calculated for 9-month enrollment period

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Regular Formula

- Allowances protect portions of income and assets from use for educational expenses
- Equal distribution of calculated amount of available family resources among all family members (other than parents of dependent student) attending a postsecondary school at least half time

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Rounding Rules

- Carry all calculations to 3 decimal places
- Round resulting amount to nearest whole number:
 - .001 to .499 round down
 - .500 to .999 round up

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EFC Recalculation for Other than Nine Months

- EFC must be adjusted for enrollment period other than nine months for all Title IV programs other than Federal Pell Grant and Iraq and Afghanistan Service Grant (IASG) programs
- Alternate EFCs appear on Institutional Student Information Record (ISIR) and Student Aid Report (SAR)

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Summer Periods of Enrollment

- Often optional for students
- School chooses award year from which student will be awarded
- Packaging depends on whether student will be enrolled in:
 - Summer only; or
 - All or part of regular academic year + summer

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Summer EFC Double Counting Example—Ralph

If enrollment period is 9-12 months, student's contribution (SC) = \$900; alternate 3-month SC = \$300

- **Correct:** If package summer and regular academic year together, 12-month SC = \$900
- **Incorrect:** If package summer and regular academic year separately, 12-month SC = \$1,200 (\$900 9-month SC + \$300 3-month SC = \$1,200)

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Alternate EFC Approach Example— Bobbi (Summer Trailer)

- Summer is last term of academic year (trailer)
- Total enrollment = 12 months
- Alternate EFC for 12 months = 10,542
- Fall through Spring 9-month EFC = 10,230

$$\begin{array}{r} 10,542 \quad 12\text{-month EFC} \\ - 10,230 \quad 9\text{-month EFC} \\ \hline = 312 \quad \text{Summer EFC} \end{array}$$

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Alternate EFC Approach Example—Troy (Summer Header)

- Summer is first term of academic year (header)
- Total enrollment = 10 months
- Alternate 1-month EFC for Summer = 326
- Fall-Winter-Spring-Summer 10-month EFC = 7,543

$$\begin{array}{r} 7,543 \text{ 10-month EFC} \\ - \quad 326 \text{ 1-month EFC} \\ \hline = 7,217 \text{ Fall-Winter-Spring EFC} \end{array}$$

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