



NASFAA 2009 National Conference

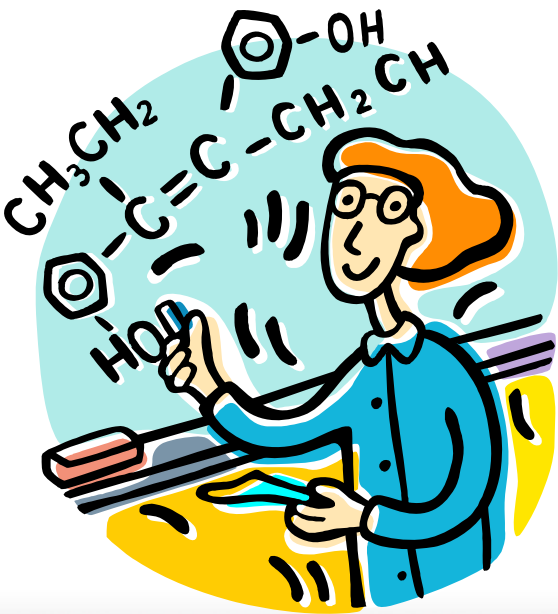


July 12-15, 2009
San Antonio, Texas





FEDERAL METHODOLOGY



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Objectives

- The Basics
- Income
- Assets
- Simplified Needs Test/Auto Zero EFC
- Independent student
- Treatment of VA benefits
- Automatic 0 EFC for survivors of post 9/11 veterans who died from service in Iraq or Afghanistan
- Professional judgment



The Basics of Federal Methodology





The Basics

- Part F of the Higher Education Act of 1965, as amended (the HEA)

Cost of Attendance

- Expected Family Contribution
- = Need



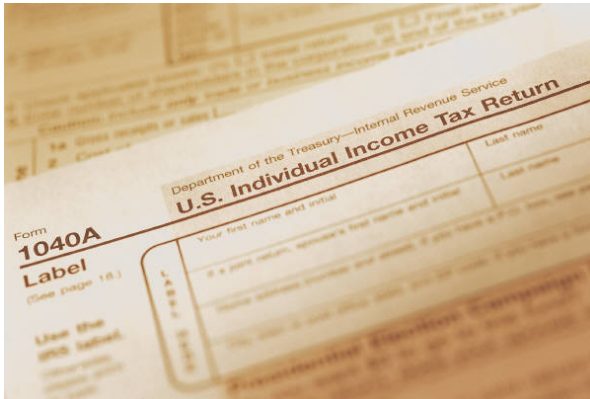
The Basics - Formulas

- Formula A – Dependent Students
- Formula B – Independent students without dependents other than a spouse
- Formula C – Independent students with dependents other than a spouse
- Simplified Formula
- Auto-Zero EFC



The Basics – EFC

$$\begin{aligned} & \text{Available Income} \\ + & \text{Contribution from Assets} \\ \div & \text{\# in College} \\ = & \text{EFC} \end{aligned}$$



Income

YOUR BUSINESS
The following information
has been entered into
the software system.

FILED
CUSTOMER

W-2
W-9
1099
1042-B

Line	Amount	Description	Form	Amount	Description	Form
1	10,000	Wages, salaries, tips, etc.	W-2	10,000	Wages, salaries, tips, etc.	W-2
2	0	Dividends and interest	1099	0	Dividends and interest	1099
3	0	Capital gains and losses	1099	0	Capital gains and losses	1099
4	0	Other income	1099	0	Other income	1099
5	0	Other income	1099	0	Other income	1099
6	0	Other income	1099	0	Other income	1099
7	0	Other income	1099	0	Other income	1099
8	0	Other income	1099	0	Other income	1099
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46	0	Other income	1099	0	Other income	1099
47	0	Other income	1099	0	Other income	1099
48	0	Other income	1099	0	Other income	1099
49	0	Other income	1099	0	Other income	1099
50	0	Other income	1099	0	Other income	1099



Contribution from Income

Total Income
- Allowances
= Available Income



Contribution from Income

Taxable income

□ Adjusted gross income; income earned from work

+ Untaxed income

- Excluded Income

= Total income



Contribution from Income

➤ Untaxed Income

- Payments to tax-deferred pension & savings plans
(W-2, Boxes 12a – 12d)
- IRA deductions & payments to a SEP & to a KEOGH & other qualified plans
- Child support received
- Tax exempt interest
- Untaxed portion of IRA distributions
(IRS 1040 Lines 15a – 15b)



Contribution from Income

- **Untaxed income – continued**
 - Untaxed portions of pensions (IRS 1040 Lines 16a – 16b)
 - Housing, food and other living allowances paid to military, clergy, and others
 - Veterans non-education benefits – Disability, Death Pension & Dependency and Indemnity Compensation, VA Work Study Allowances
 - Other untaxed income not reported elsewhere
 - Money received or paid on your behalf



No Longer Untaxed Income in 09-10

- Earned Income Credit
- Welfare benefits including TANF
- Credit for federal tax on special fuels
- Foreign income exclusion
- Untaxed Social Security benefits (SSI)
- Additional Child Tax Credits (IRS 1040 Line 66)
- Combat Pay not included in AGI



Excludable Income

- Combat Pay – pay received by a member of the U.S. Armed Forces because of exposure to a hazardous situation
- see IRS Pub. – 3 Tax Guide for Armed Forces



Contribution from Income

Total Income

(Taxable + Untaxable – Excluded)

- Allowances

= Available Income



Contribution from Income - Allowances

- U.S. Income Tax Paid
- State & Other Tax Allowance
- Social Security Tax
- Income Protection Allowance
- Employment Expense Allowance



Contribution from Income - Allowances

- Income Protection Allowance – based on family size
 - 30% Food
 - 22% Housing
 - 9% Transportation
 - 16% Clothing & Personal Expense
 - 11% Medicine
 - 12% Other Expenses



Income Protection Allowance

- IPA in EFC Formulas
 - The way student income protection allowances are calculated and updated has changed
 - Will result in a lower EFC



Contribution from Income - Allowances

- Employment Expense Allowance
 - Two worker family
 - 35% of lesser earned income
 - or \$3,300, whichever is less
 - One worker family
 - 35% of earned income
 - or \$3,300, whichever is less



Contribution from Income – Available Income

Total Income

- Total Allowances

= Available Income (could be negative)



Assets





Contribution from Assets

Cash, Savings & Checking
+ Net Worth of Investments
+ Net Worth of Business/Farm
= Total Net Worth



Contribution from Assets

Total Net Worth

- Education Savings & Asset Protection Allowance

= Discretionary Net Worth



Contribution from Assets

Discretionary Net Worth

Multiplied by Asset Conversion Rate

- Parent's rate = 12 %
- Dependent Student's rate = 20 %
- Independent w/out Dependents Other than A Spouse
Student's rate = 20%
- Independent w/Dependents Other than A Spouse
Student's rate = 7%

= Contribution from Assets



Assets-QEBs

- The term “qualified education benefits” includes
 - Coverdell Education Savings accounts
 - Prepaid tuition plans offered by a State
 - Qualified tuition programs (529 prepaid tuition plans and 529 savings plans)



Assets-QEBs

- QEBs are not treated as an adjustment to COA or as estimated financial assistance in packaging
- Treated as assets of the owner of the plan unless owned by dependent student



Assets-QEBs

- If owned by a dependent student
 - QEBs are considered an asset of the parents
- If plan owned by someone whose information is not included on the FAFSA
 - QEBs are not counted



Assets-QEBs

- Value of asset reported –
 - For savings plans or savings accounts
 - Balance of the account on the date the FAFSA is signed.
 - For prepaid tuition plans
 - “Refund” value of any tuition credits or certificates purchased. It is the amount the owner of the plan would receive if the account is liquidated. Available from plan administrator



Assets-QEBs

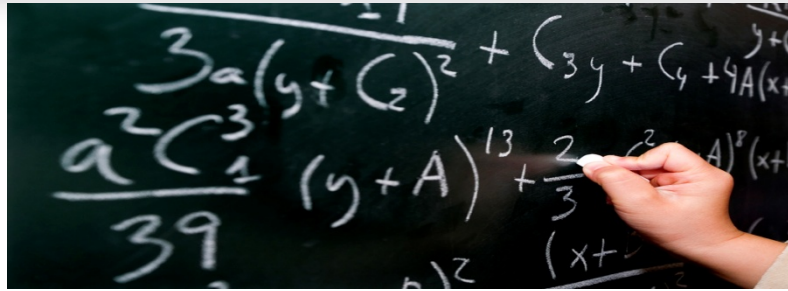
- Value of all plans owned by the parent of dependent applicant must be reported (such as plans for the applicant's siblings)
- Value of all plans owned by independent student (and spouse) must be reported (such as plans for children)



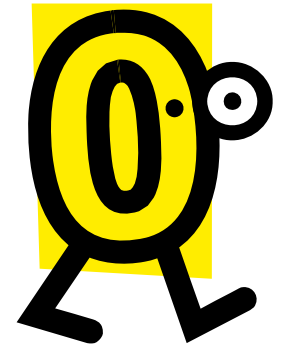
Assets-Small Businesses

The term “assets” excludes a small business with not more than 100 full-time or full-time equivalent employees (or any part of such a small business) that is owned and controlled by the family

- Small Business = 100 or fewer FTE employees
- Owned and controlled by the family = 50%+ ownership
- Family = directly related or are or were related by marriage



Simplified Needs Test & Auto Zero EFC





Simplified Need Test Dependent Students

- Same as the regular need analysis except assets are not considered in the EFC calculation
 - Parents combined AGI (or income earned from work for non-filers) < \$50,000
 - AND
 - Parents are not required to complete IRS Form 1040
 - OR either parent is a Dislocated Worker
 - OR any household member received a federally means tested benefit



Simplified Need Test Independent Students

- Same as the regular need analysis except assets are not considered in the EFC calculation
 - Student's and spouse's combined AGI (or income earned from work for non-filers) < \$50,000
 - AND
 - Student and spouse are not required to complete IRS Form 1040
 - OR either is a Dislocated Worker
 - OR any household member received a federally means tested benefit



Simplified Need Test

- The means-tested federal benefit programs are:
 - Supplemental Security Income (SSI)
 - Food Stamps
 - Free and Reduced Price School Lunches
 - Temporary Assistance for Needy Families (TANF)
 - Special Supplemental Nutrition
 - Program for Women, Infants, and Children (WIC)



Simplified Need Test

- Benefits received by anyone included in the household size
- Must be received in base year or prior prior year
 - 2007 or 2008 for the 2009-10 award year
- May use professional judgment to consider receipt after end of base year
- No required documentation
 - Self-certification is sufficient



Dislocated Worker

- See AVG pages 34-35 for complete definition
- Status does not require verification



Auto-Zero EFC

- Combined Income Earned from Work \leq 30K
- AND
- Not required to complete IRS Form 1040
- OR dislocated worker
- OR any household member received a federally means tested benefit



Auto Zero EFC/SNT

- For dependent student, AGI of parents is used
- For independent students with dependents other than a spouse, AGI of student and spouse is used
- Auto Zero EFC calculation is not available to an independent student without dependents other than a spouse
- SNT calculation is available to all categories of students so long as the student is SNT eligible



Independent or Dependent





13 Questions to Determine Dependency Status

1. Were you born before January 1, 1986?
2. As of today, are you married?
3. At the beginning of the 2009–2010 school year, will you be working on a master's or doctorate program
4. Are you currently serving on active duty in the U.S. Armed Forces for purposes other than training?
5. Are you a veteran of the U.S. Armed Forces?
6. Do you have children who will receive more than half of their support from you between July 1, 2009 and June 30, 2010?
7. Do you have dependents (other than your children or spouse) who live with you and who receive more than half of their support from you, now and through June 30, 2010?



13 Questions to Determine Dependency Status

8. At any time since you turned age 13, were both your parents deceased, were you in foster care or were you a dependent or ward of the court?
9. Are you or were you an emancipated minor as determined by a court in your state of legal residence?
10. Are you or were you in legal guardianship as determined by a court in your state of legal residence?
11. At any time on or after July 1, 2008, did your high school or school district homeless liaison determine that you were an unaccompanied youth who was homeless?
12. At any time on or after July 1, 2008, did the director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development determine that you were an unaccompanied youth who was homeless?
13. At any time on or after July 1, 2008, did the director of a runaway or homeless youth basic center or transitional living program determine that you were an unaccompanied youth who was homeless or were self-supporting and at risk of being homeless?



Independent Student

- Orphan
 - Both parents deceased when 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
 - If ward at any time since age of 13
 - Even if status changed later
 - Incarceration ≠ ward of court for Title IV



Independent Student

- 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



Homelessness 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



Homelessness 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 the date he signs FAFSA



Independent Student

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

- States of Homelessness
 - The 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 the homelessness professionals mentioned on the previous slides are making the 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
 - This 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



Veterans





Treatment of Federal Veterans' Educational Benefits - 2009-10

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



Children of Post-9/11 Veterans Who Died from Service in Iraq or Afghanistan

- Pell eligible students have EFC reduced to zero
- Student must be less than 24 years old or enrolled in postsecondary program when the parent or guardian died



Children of Post-9/11 Veterans Who Died from Service in Iraq or Afghanistan

- ED is working with DOD to develop a system to identify individuals in this category
- No current system
- Until system is developed
 - Contact Dr. Thurman McClain for assistance
 - thurman.mcclain@ed.gov



Professional Judgment





Professional Judgment

Section 479A of the Higher Education Act of 1965, as amended—

“(a) IN GENERAL—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances.”



Professional Judgment

- Examples of special circumstances listed in section 479A of the HEA—
 - Elementary or secondary school tuition expenses
 - Medical, dental, or nursing home expenses not covered by insurance
 - Unusually high child or dependent care costs
 - Recent unemployment of family member or independent student





Professional Judgment

- Examples of special circumstances listed in section 479A of the HEA—cont'd.
 - Family member or student is a dislocated worker
 - Parents enrolled in college
 - Change in housing status resulting in homelessness
 - Other changes in family's income, family's assets, or student's status



Professional Judgment

- Use of professional judgment is—
 - Not limited to these circumstances
 - Not required in these circumstances
 - Examples are just that:
 - Ideas about the types of conditions you might consider





Professional Judgment

- Examples of “unreasonable” adjustments—
 - Vacation expenses
 - Tithing expenses
 - Standard living expenses such as utilities, cable bills, credit card payments, children’s allowances
 - Standard maintenance items such as lawn care and home repair



Professional Judgment

- **Remember!**
 - Must be “special circumstances”
 - Must be individual, not a class of students
 - Must have adequate documentation
 - Cannot use professional judgment to waive eligibility requirements (e.g. regular student) or circumvent the intent of the statute





Professional Judgment

- Dear Colleague Letter GEN-09-04
April 2, 2009
 - Encourages FAAs to consider special circumstances during these challenging economic times





Professional Judgment

- Dear Colleague Letter GEN-09-05
May 8, 2009
 - Letters to all recipients of unemployment insurance benefits that can be used as documentation





Emergency Preparation



Emergency Preparation

- Federal Student Aid is committed to helping FAAs and schools impacted by a disaster.
- Preparation is the key!
- Update your existing officials in Section A of the E-App and provide ALTERNATE contact information in Section K, Question 69.
- Staff are in the Resource Room (007AB) to assist you with updating your contact information. Please come see us!



QUESTIONS???





Contact Information

We appreciate your feedback and comments.

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- Fax Number (214) 661-9662