



NASFAA Authorized Event Overview of Need Analysis: Federal and Institutional Methodology

National Association of Student
Financial Aid Administrators

Overview of Need Analysis

A NASFAA Authorized Event*

Presented by
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NASFAA

*For training purposes only; not for credential preparation. Slide 1 © 2021 NASFAA

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Agenda

- Introduction to Need Analysis
- The Regular Formula
- Simplified Formulas
- Recalculating the EFC

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Financial Need

Cost of Attendance (COA)

– Expected Family Contribution (EFC)

= Financial Need

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Cost of Attendance

- Tuition and fees
- Room and board
- Books and supplies
- Transportation
- Miscellaneous personal expenses

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Expected Family Contribution

Measure of student's and family's ability to pay postsecondary expenses

- Measure of family's financial strength or wealth
- Assess a portion of family's available financial resources

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Evolution of Need Analysis

1965-HEA, 1972, 1976, 1986-Federal Formula, 1992, 2007


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Underlying Principles of Need Analysis



 PRIMARY RESPONSIBILITY



 BASED ON THE FAMILY'S ABILITY TO PAY



 INDEPENDENT ASSESSMENT


 HORIZONTAL EQUITY


 VERTICAL EQUITY


 SNAPSHOT




 SUBJECT TO PROFESSIONAL JUDGMENT

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Federal Methodology

- Uses information provided on the FAFSA
- Used to calculate nine-month EFC
- Takes into account dependency status


OR


SOFTWARE WORKSHEET


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Regular Formula

Formula A


Dependent student



Formula B

Independent student


No dependent(s) other than a spouse






Formula C

Independent student

With dependent(s) other than a spouse




OR


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Learning Activity: Which is the Correct Regular Formula?

1. Alex

Alex is a 22-year-old senior at Big State University. He works part time and earns enough money to pay for most of his living expenses. Alex's parents no longer claim him on their tax return, but still pay for his health and car insurance.

Formula A Formula B Formula C

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Learning Activity: Which is the Correct Regular Formula?

2. Leila

At 21, Leila works as the manager of a popular pizza delivery business and supports herself financially. Her younger brother Nathan had a huge fight with their stepfather last year and now lives with Leila. Leila will provide more than half of Nathan's financial support during the award year and claimed Nathan as a dependent on her 2019 tax return. She plans to enroll at Wood College in Fall 2021 to pursue a degree in business.

Formula A Formula B Formula C

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Learning Activity: Which is the Correct Regular Formula?

3. Carlos

Carlos is enrolled in the astrophysics doctoral program at National Science University. He and his wife Maria have no children, and they now live with her parents because the stipend from his research assistantship no longer covers the rent for an apartment close to campus.

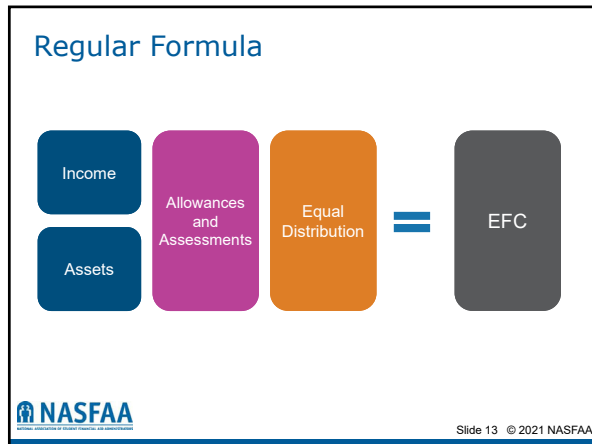
Formula A Formula B Formula C

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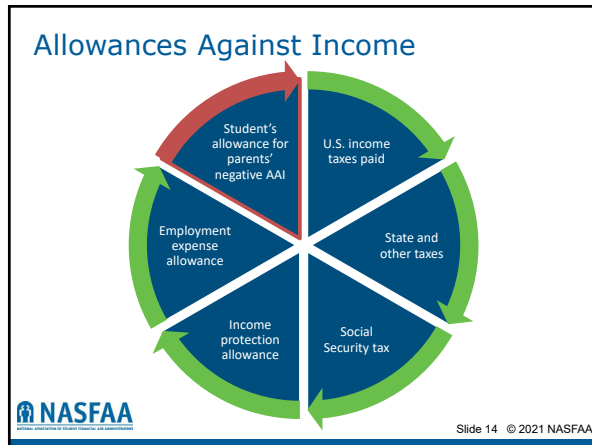
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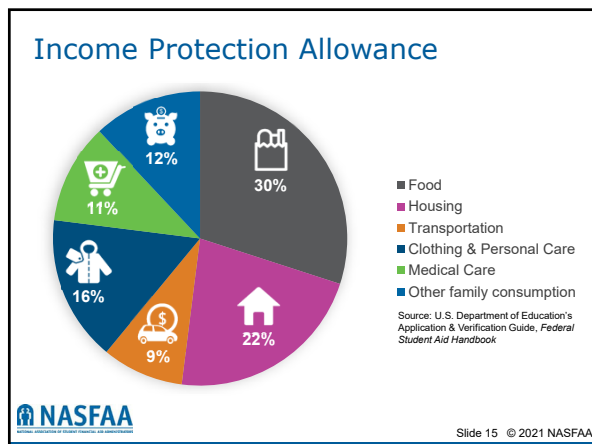
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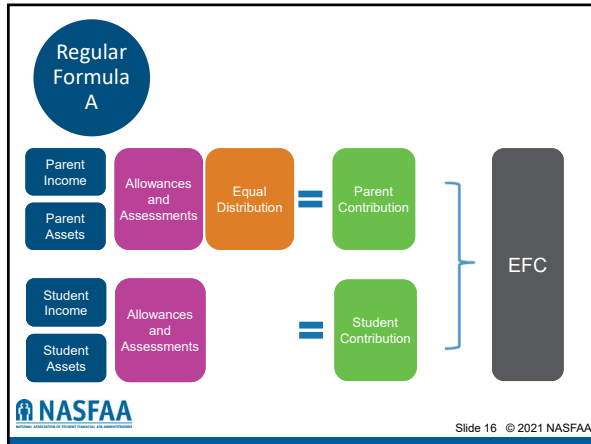


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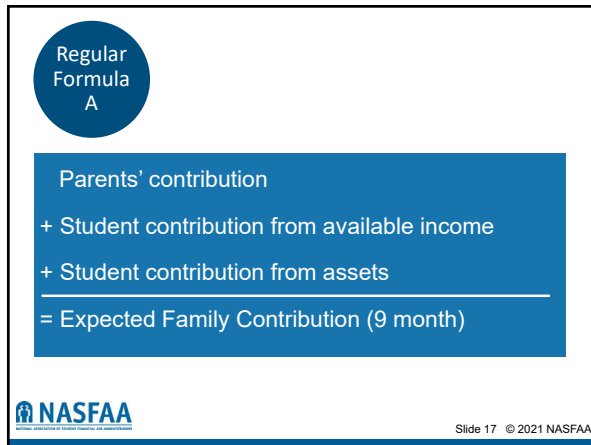


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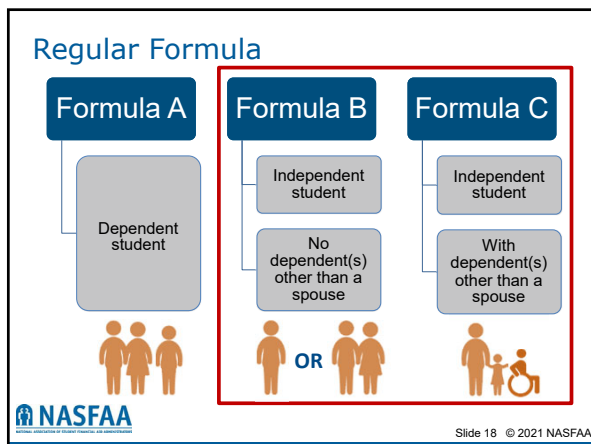
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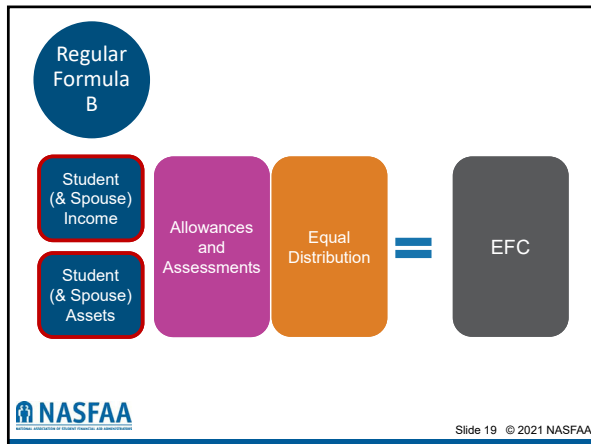


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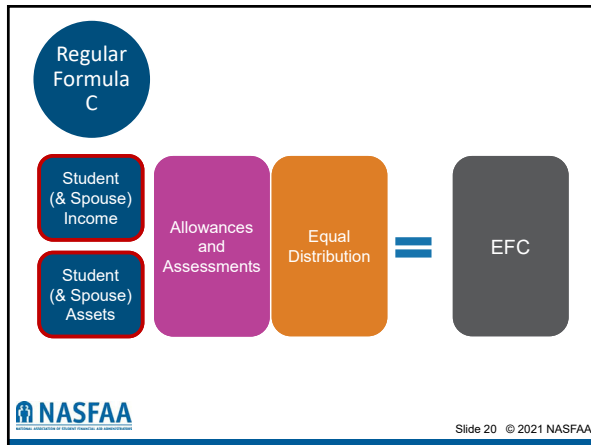


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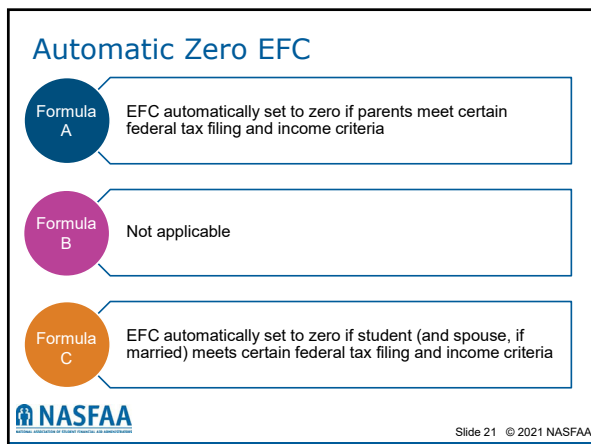
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Automatic Zero EFC: Status Criterion

Independent student (and spouse, if married) or both parent(s) of dependent student

- Filed an IRS Form 1040
 - Filed Schedule 1 only to report:
 - Unemployment compensation;
 - Alaska Permanent Funds dividends;
 - Educator expense;
 - IRA deductions;
 - Virtual currency; or
 - Student loan interest deductions
- Filed income tax return required for:
 - The Commonwealth of Puerto Rico, Guam, American Samoa, US Virgin Islands, Republic of Marshall Islands, Federated States of Micronesia, or Palau
- Not required to file any income tax return

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Automatic Zero EFC: Status Criterion

A member of the independent student's or parents' of dependent student household

- Supplemental Security Income (SSI)
- Supplemental Nutrition Assistance Program (SNAP)
- Free and Reduced Price School Lunch
- Temporary Assistance for Needy Families (TANF)
- Medicaid (including Children's Health Insurance Program)
- Special Supplemental Nutrition Program for Women, Infants, & Children (WIC)

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Automatic Zero EFC: Status Criterion

Independent student (and spouse, if married) or both parent(s) of dependent student

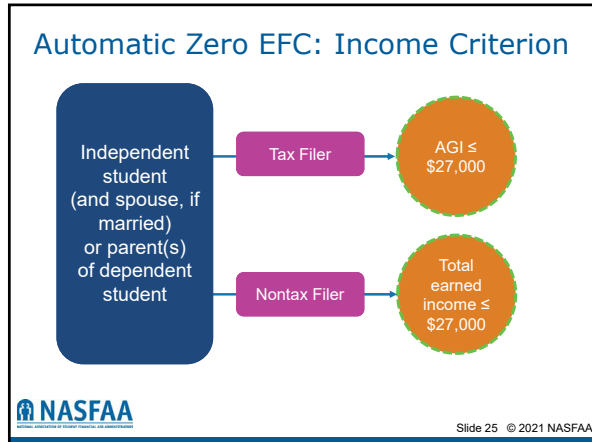
- Dislocated worker:
 - Terminated or laid off, could qualify for unemployment compensation, and unlikely to return to a previous occupation
 - Terminated as result of plant closure or substantial layoff
 - Employer announced closure within 180 days
 - Employer made a general announcement of closure
 - Self-employed, but unemployed due to economic conditions or natural disaster
 - Spouse of active-duty service member unemployed or underemployed
 - Displaced homemaker

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Learning Activity: Who Qualifies for Automatic Zero EFC?

1. Nicholas

Nicholas is a dependent student who lives with his mother. He and his mother recently completed the 2021-22 FAFSA. Nicholas' mother works part time as a receptionist for the local humane society and earned \$18,000 in 2019. For the 2019 tax year, Nicholas' mother filed an IRS Form 1040 including a Schedule 1 to report alimony received. Her AGI was \$27,000.

Eligible Not eligible

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Learning Activity: Who Qualifies for Automatic Zero EFC?

2. Priya

Priya is in her second year at Mile High College. She is the single parent of two small children who live with her. Between her off-campus job and her on-campus FWS job, she earned \$20,000 in 2019. She filed an IRS Form 1040 with no accompanying schedules for the 2019 tax year. She reported an AGI of \$20,000. In 2020, Priya received several months of benefits through TANF.

Eligible Not eligible

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Learning Activity: Who Qualifies for Automatic Zero EFC?

3. Lupe

Lupe will be an entering freshman Fall 2021. For 2019, her parents reported an AGI of \$48,000 on IRS Form 1040. Her father, who works in a local manufacturing plant, just received notice that the plant will be closing in three months.

Eligible Not eligible

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Simplified Needs Test

Formula A Student and parent assets ignored if parents meet certain federal tax filing and income criteria

Formula B Student (and spouse, if married) assets ignored if meets certain federal tax filing and income criteria

Formula C Student (and spouse, if married) assets ignored if meets certain federal tax filing and income criteria

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Simplified Needs Test: Income Criterion

Independent student (and spouse, if married) or parent(s) of dependent student

Tax Filer → AGI ≤ \$49,999

Nontax Filer → Total earned income ≤ \$49,999

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Recalculating and Prorating the EFC

- EFC is:
 - Distributed proportionately to length of student's actual enrollment
 - Prorated for periods other than 9 months
- Proration of the EFC does not apply to Pell Grant or IASG award determinations



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Recalculating and Prorating the EFC

- Express periods of enrollment as full months
 - School may round up or down to full month
 - Cannot exceed 12-month EFC in a 12-month period
- Alternate EFC added to the nine-month EFC could result in double counting the student contribution



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Alternate EFC

- Calculated by CPS
- Portion of EFC for each month of enrollment

| | | |
|-------------|--------|---------------|
| Primary EFC | | 3780 |
| Mon 1 | 000342 | Mon 7 002394 |
| Mon 2 | 000684 | Mon 8 002736 |
| Mon 3 | 001026 | Mon 10 003174 |
| Mon 4 | 001368 | Mon 11 003516 |
| Mon 5 | 001710 | Mon 12 003858 |
| Mon 6 | 002052 | |



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Calculating EFCs for Summer

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



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Why do you think there are three versions of the regular formula?

Is it fair to assess student income and assets at higher rates than for the parents of dependent students?

Do you believe the IPA is an adequate representation of basic living expenses?



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