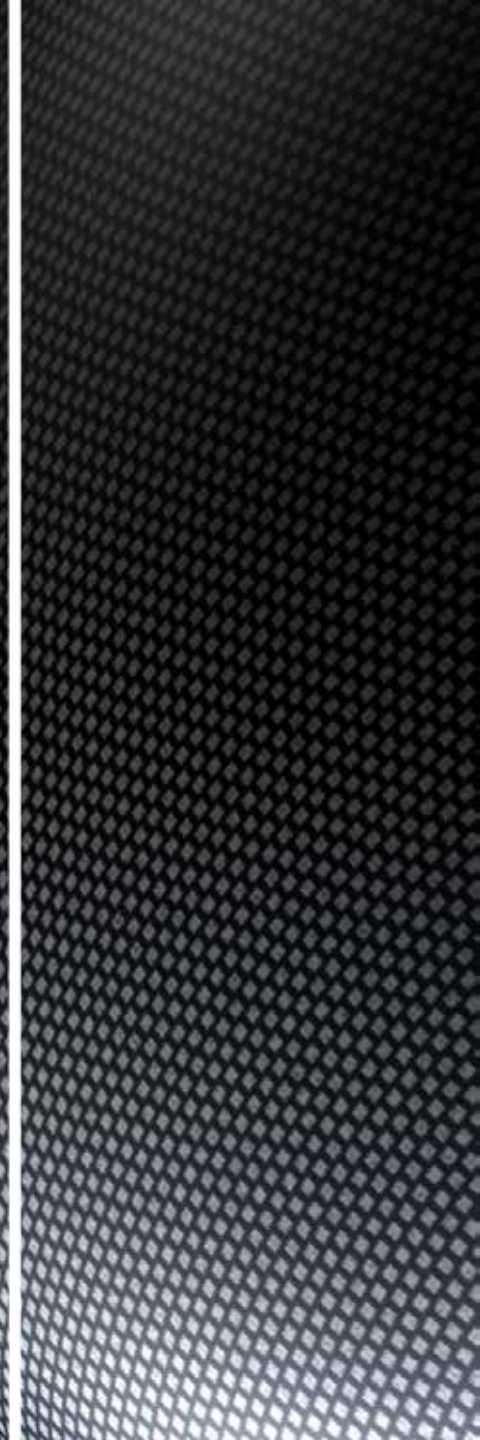


ACM Summer Institute for Counselors

Case Studies in Financial Aid



- § Federal Methodology
- § Institutional Methodology
- § EFC
- § Case Studies

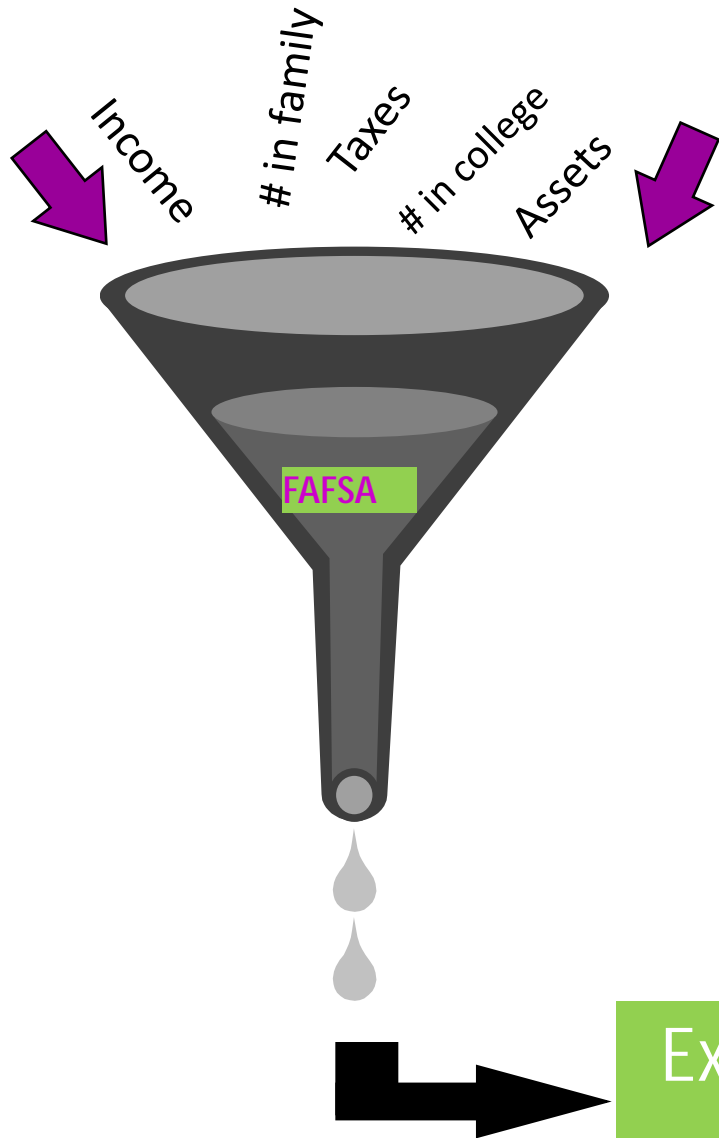
Brief Overview

Financial Aid Basic Premises

Needs Analysis: Formula by which an applicant's ability to pay for educational expenses is evaluated and calculated.

- Principals of Needs Analysis
 - To the extent they are able, parents have primary responsibility to pay for their dependent children's education
 - Students also have a responsibility to contribute to their educational costs
 - Families should be evaluated in their present financial condition
 - A family's ability to pay for educational costs must be evaluated in an equitable and consistent manner, recognizing that special circumstances can and do affect a family's ability to pay

Elements of Federal Methodology



- Used to award Federal Aid at public and private schools
- Uses both parent and student information (for *dependent* students)
- Uses standard income and asset protection allowances

Expected Family Contribution (EFC)

Current Federal Methodology

for a Dependent Student

STUDENT Contribution

- **Student Income 50%**
after taxes and income protection allowance of \$5250
- **Student Assets 20%**

+

PARENT Contribution

- **Parent Income 22-44%**
after taxes and income protection allowance
- **Parent Assets* 5-6%**
after asset protection allowance
- **Divided by number in college**



EXPECTED
FAMILY
CONTRIBUTION



§ WHAT IT IS...

- § A financial index used to determine eligibility for federal student aid (i.e. Pell Grant, Subsidized Stafford Loan)
- § A measure of a family's capacity over time to absorb educational costs

§ WHAT IT'S NOT...

- § A dollar amount expected from income and/or assets
- § An estimate of extra cash available

What is an
EFC?

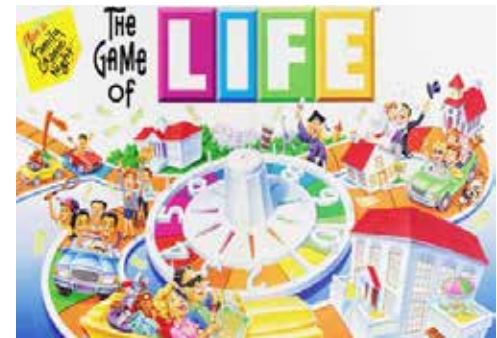
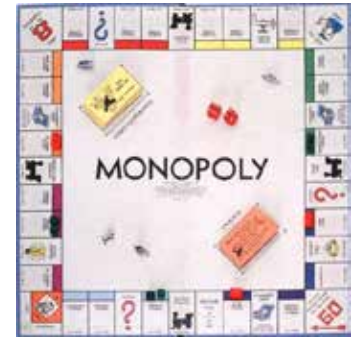
Methodology: Federal v. Institutional

§ Federal

- § FAFSA = eligibility for federal student aid
- § Most institutions use this in determining need-based aid

§ Institutional

- § Different questions, different rules, different game



Institutional Methodology

- Used by some colleges to award their own institutional funds
- Formula can vary widely from school to school
- Often requires additional applications/forms
- May consider income & assets not reported on the FASFA such as:
 - Equity in home, farm, and/or business
 - Retirement accounts
 - Assets in siblings names
 - Income of non-custodial parent
 - Paper losses and income adjustments

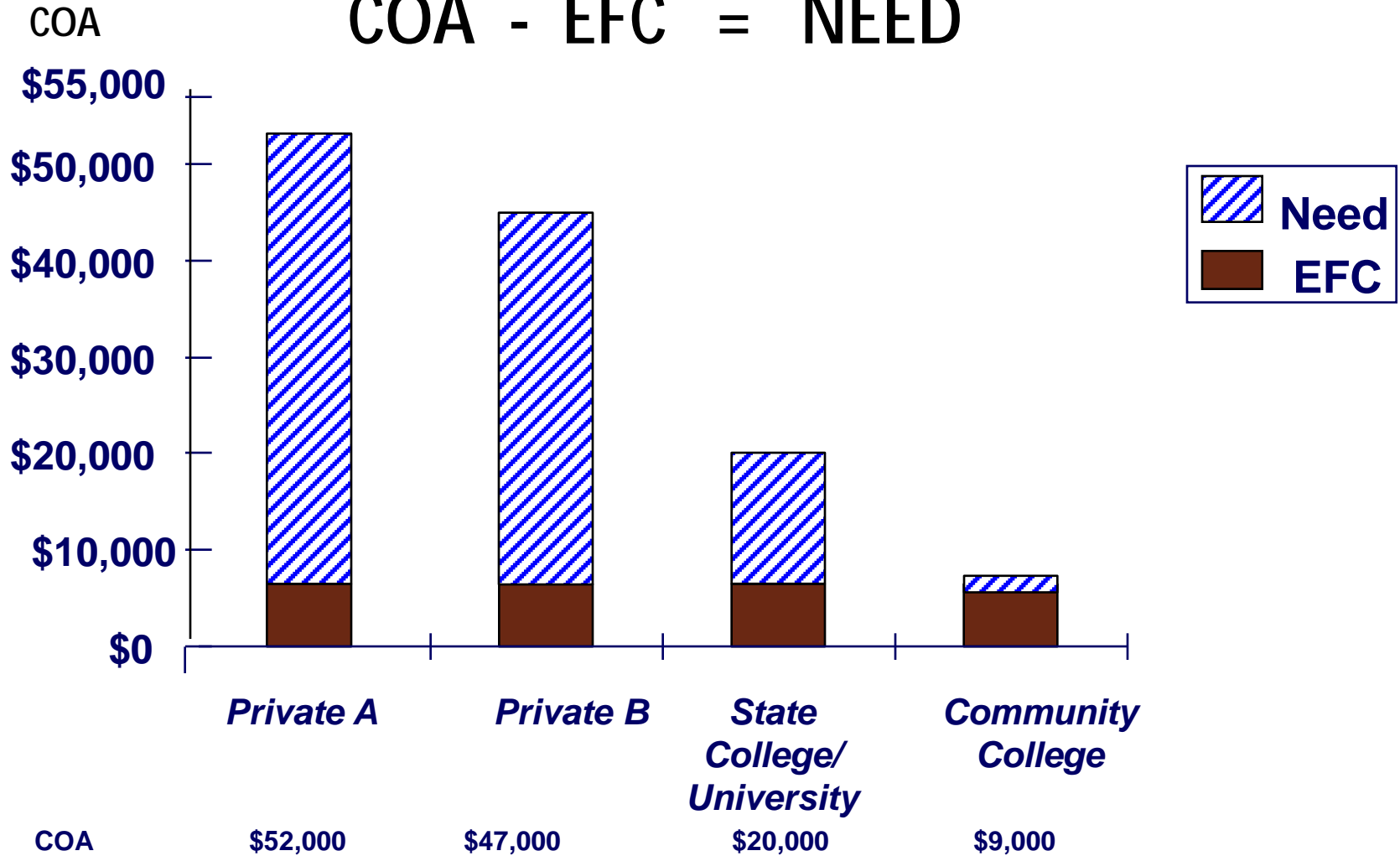
Financial Need Determination

Cost of Attendance (COA)

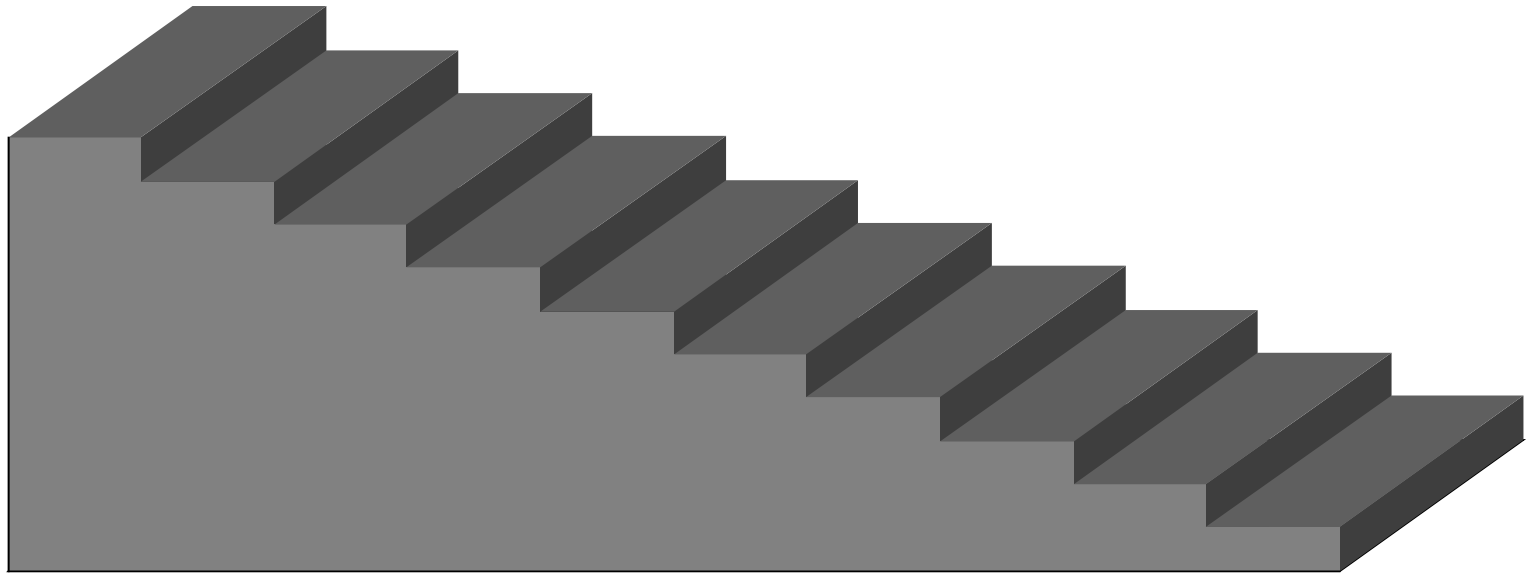
- Expected Family Contribution (EFC)

= **Financial Need**

$$\text{COA} - \text{EFC} = \text{NEED}$$

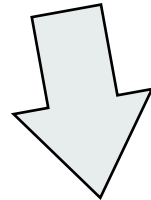


The “Step” Approach to Awarding Financial Aid

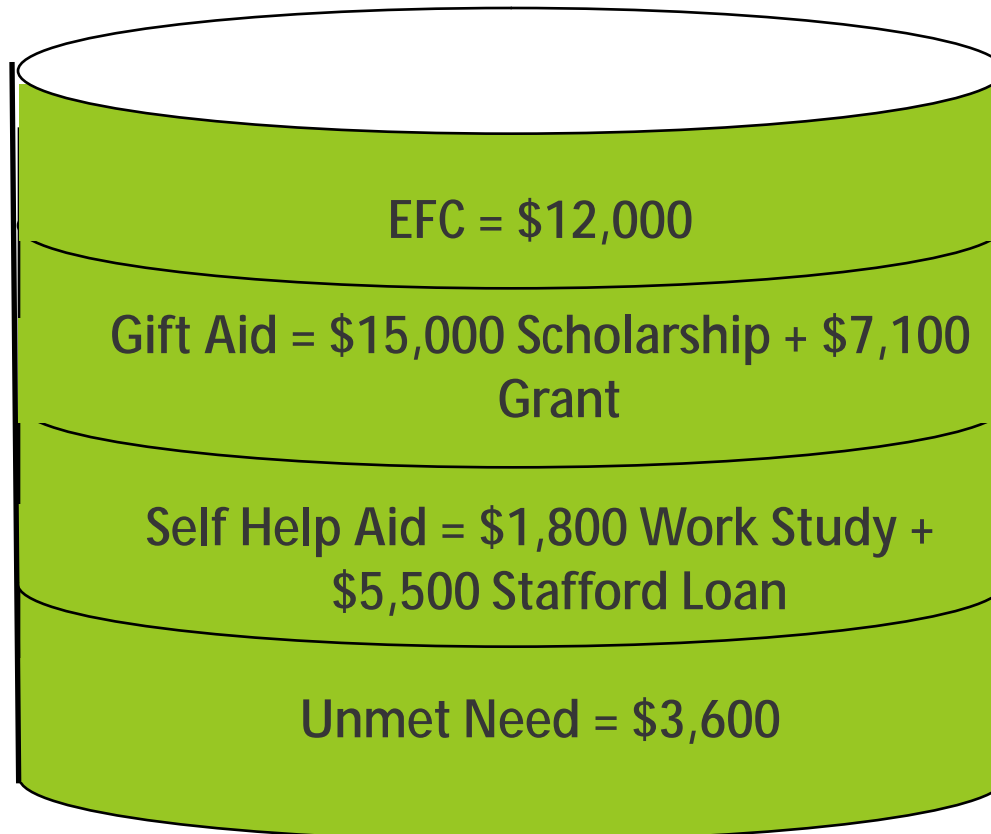


For Institutional Grants, Admissions Ranking can determine Financial Aid Awarded

A Sample Financial Aid Award



$$\begin{array}{r r r r r} \text{COA} & - & \text{EFC} & = & \text{Need} \\ \$45,000 & - & \$12,000 & = & \$33,000 \end{array}$$



Total Out-of-Pocket: \$12,000 (EFC) + \$3600 (unmet need) = \$15,600

The Parent Contribution

A Case Study

Family Profile

Oldest Parent's Age: 50

Family Members: 4

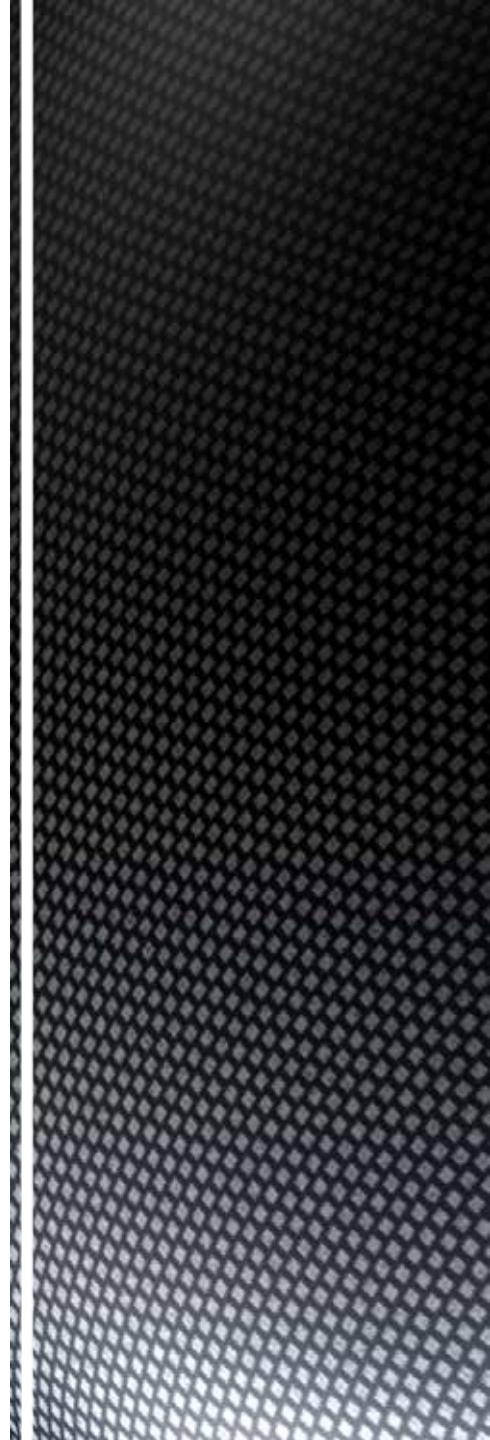
Number in College: 1

If Parents' Assets are:

	\$15,000	\$50,000	\$70,000	\$100,000
Parents' AGI	Expected Parent Contribution will be:			
\$40,000	\$1,558	\$1,590	\$2,118	\$2,910
\$60,000	\$4,178	\$4,220	\$4,916	\$6,093
\$80,000	\$10,223	\$10,290	\$11,418	\$13,110
\$100,000	\$17,129	\$17,196	\$18,324	\$20,016

Case Studies

Net Price Calculator Comparisons



- § Federally mandated
- § *Estimated* Cost of Attendance for that individual at that specific institution
- § Based on income information and, sometimes, academic information

Net Price Calculator

Student A

State of Residence	Illinois	Class Rank	523/127
High School GPA	3.73	ACT	26
Recalculated GPA	3.57		

Parent Information

Marital Status	Married
Household Size	4
Number in College	1
Age of Older Parent	55
Adjusted Gross Income	\$38,030
Federal Taxes Paid	\$163
Father's Income	\$19,546
Mother's Income	\$18,547
Untaxed Income	\$0
Income Exclusions	\$0
Cash/Checking/Savings	\$200
Net Value of Investments	\$43,000
Net Business Value	\$0
Home Value	\$200,000
Home Debt	\$198,000

Federal Calculation

Student Contribution	\$361
Parent Contribution	\$1,008
Family Contribution	\$1,369

Student Information

Adjusted Gross Income	\$6,300
Federal Taxes Paid	\$200
Student's Income	\$6,300
Spouse's Income	\$0
Untaxed Income	\$0
Income Exclusions	\$0
Cash/Checking/Savings	\$1,200
Net Value of Investments	\$0
Net Business Value	\$0

Institutional Calculation

Student Contribution	\$2,300
Parent Contribution	\$1,008
Family Contribution	\$3,308

Special Circumstances:

Parents own their own business and have acquired a lot of debt, including borrowing against their home, to keep it afloat. They do not feel they can take on any new payments and hope the school can provide additional aid in the form of grants or scholarships.

The \$48,000 listed as an investment is not money they have access to. Several years ago they inherited a small rustic cabin and hunting land from an uncle. It was the uncle's desire that they keep the land and cabin and allow the extended family to use it as they have in the past.

Student A

	Out of State Private	In State Private	In State Public
Tuition & Fees	\$39,900	\$36,500	\$15,900
Room & Board	\$ 9,500	\$ 8,000	\$10,300
Misc Exp	\$ 2,600	\$ 2,300	\$ 3,700
Estimated COA	\$52,000	\$46,800	\$29,900
Federal Grant	\$ 5,050	\$ 5,050	\$ 5,050
State Grant	\$ 0	\$ 4,700	\$ 4,700
Institutional Grant/Scholarship	\$33,100	\$23,300	\$ 2,700
Net Price	\$13,850	\$13,750	\$17,450
Self-Help	\$5,600	\$ 7,000	\$10,500
Estimated Remaining Cost	\$8,250	\$ 6,750	\$ 6,950

Student B

State of Residence	WI		
High School GPA	3.98	Class Rank	2/125
Recalculated GPA	3.92	ACT	29

Parent Information

Marital Status	Married
Household Size	4
Number in College	1
Age of Older Parent	59
Adjusted Gross Income	\$79,359
Federal Taxes Paid	\$7,100
Father's Income	\$59,878
Mother's Income	\$12,000
Untaxed Income	\$5,200
Income Exclusions	\$0
Cash/Checking/Savings	\$5,000
Net Value of Investments	\$70,000
Net Business Value	\$0
Home Value	\$140,000
Home Debt	\$0

Federal Calculation

Student Contribution	\$2,500
Parent Contribution	\$12,254
Family Contribution	\$14,754

Student Information

Adjusted Gross Income	\$0
Federal Taxes Paid	\$0
Student's Income	\$1,200
Spouse's Income	\$0
Untaxed Income	\$0
Income Exclusions	\$0
Cash/Checking/Savings	\$500
Net Value of Investments	\$12,000
Net Business Value	\$0

Institutional Calculation

Student Contribution	\$5,125
Parent Contribution	\$18,965
Family Contribution	\$24,090

Student B

	Out of State Private	In State Private	In State Public
Tuition & Fees	\$39,900	\$36,500	\$15,900
Room & Board	\$ 9,500	\$ 8,000	\$10,300
Misc Exp	\$ 2,600	\$ 2,300	\$ 3,700
→ Estimated COA	\$52,000	\$46,800	\$29,900
Federal Grant	\$ 0	\$ 0	\$ 0
State Grant	\$ 0	\$ 0	\$ 0
→ Institutional Grant/Scholarship	\$21,200	\$23,600	\$ 0
Net Price	\$30,800	\$23,200	\$29,900
→ Self-Help	\$ 5,500	\$ 5,500	\$5,500
→ Estimated Remaining Cost	\$25,300	\$ 17,700	\$ 24,400

Special Circumstances:

None, but sibling will start college next year. What will change?

Parent Information

Marital Status	Married
Household Size	4
Number in College	2
Age of Older Parent	59
Adjusted Gross Income	\$79,359
Federal Taxes Paid	\$7,100
Father's Income	\$59,878
Mother's Income	\$12,000
Untaxed Income	\$5,200
Income Exclusions	\$0

Federal Calculation

Student Contribution	\$2,500
Parent Contribution	\$6,780
Family Contribution	\$9,280

Student Information

Assume No Changes

Parent Information

Cash/Checking/Savings	\$5,000
Net Value of Investments	\$70,000
Net Business Value	\$0
Home Value	\$140,000
Home Debt	\$0

Institutional Calculation

Student Contribution	\$5,125
Parent Contribution	\$10,136
Family Contribution	\$15,261

Student B

	Out of State Private	In State Private	In State Public
Tuition & Fees	\$39,900	\$36,500	\$15,900
Room & Board	\$ 9,500	\$ 8,000	\$10,300
Misc Exp	\$ 2,600	\$ 2,300	\$ 3,700
→ Estimated COA	\$52,000	\$46,800	\$29,900
Federal Grant	\$ 0	\$ 0	\$ 0
State Grant	\$ 0	\$ 0	\$ 0
→ Institutional Grant/Scholarship	\$25,900	\$24,500	\$ 2,000
Net Price	\$26,100	\$23,300	\$27,900
→ Self-Help	\$7,500	\$ 7,500	\$5,500
Estimated Remaining Cost	\$18,600	\$ 16,400	\$ 22,400

Student C

State of Residence	IL	Class Rank	None
High School GPA	3.87	ACT	30
Recalculated GPA	3.85		

Parent Information

Marital Status	Married
Household Size	4
Number in College	1
Age of Older Parent	48
Adjusted Gross Income	\$143,303
Federal Taxes Paid	\$13,024
Father's Income	\$113,626
Mother's Income	\$26,307
Untaxed Income	\$7,900
Income Exclusions	\$0
Cash/Checking/Savings	\$4,300
Net Value of Investments	\$155,000
Net Business Value	\$0
Home Value	\$590,000
Home Debt	\$130,000

Federal Calculation

Student Contribution	\$200
Parent Contribution	\$40,722
Family Contribution	\$40,922

Student Information

Adjusted Gross Income	\$0
Federal Taxes Paid	\$0
Student's Income	\$0
Spouse's Income	\$0
Untaxed Income	\$0
Income Exclusions	\$0
Cash/Checking/Savings	\$1,000
Net Value of Investments	\$0
Net Business Value	\$0

Institutional Calculation

Student Contribution	\$2,250
Parent Contribution	\$52,846
Family Contribution	\$55,096

Student C

	Out of State Private (IM)	In State Private (FM)	In State Public (FM)
Tuition & Fees	\$39,900	\$36,500	\$15,900
Room & Board	\$ 9,500	\$ 8,000	\$10,300
→ Misc Exp	\$ 2,600	\$ 2,300	\$ 3,700
Estimated COA	\$52,000	\$46,800	\$28,900
Federal Grant	\$ 0	\$ 0	\$ 0
State Grant	\$ 0	\$ 0	\$ 0
→ Institutional Grant/Scholarship	\$ 7,000	\$14,000	\$ 0
Net Price	\$47,000	\$32,800	\$28,900
→ Self-Help	\$ 5,500	\$ 5,500	\$ 5,500
Estimated Remaining Cost	\$41,500	\$ 27,300	\$23,400

Special Circumstances:

Parents recently separated, student & sibling living with mother. Mother says that father is not planning to help pay for college.

Parent Information

Marital Status	Separated
Household Size	3
Number in College	1
Age of Older Parent	44
Adjusted Gross Income	\$27,992
Federal Taxes Paid	\$544
Father's Income	\$0
Mother's Income	\$26,307
Untaxed Income	\$12,000
Income Exclusions	\$0

Federal

Student Contribution	\$200
Parent Contribution	\$2,640
Family Contribution	\$2,840

Student Information

No Changes

Parent Information

Cash/Checking/Savings	\$2,150
Net Value of Investments	\$77,500
Net Business Value	\$0
Home Value	\$295,000
Home Debt	\$650,000

Institutional

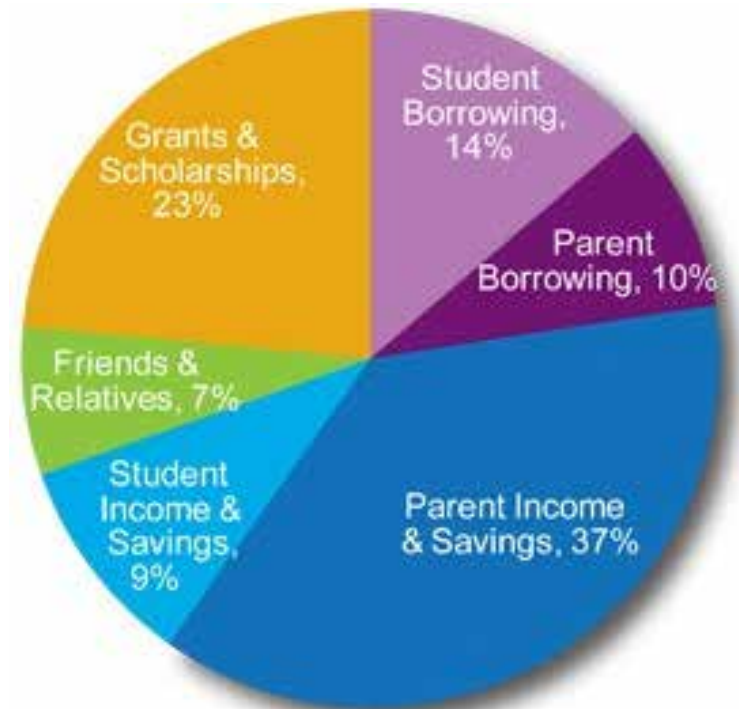
Student Contribution	\$2,250
Parent Contribution	\$3,726
Family Contribution	\$5,976
Non-Custodial Contribution	?

Student C

	Out of State Private (IM)	In State Private (FM)	In State Public (FM)
Tuition & Fees	\$39,900	\$36,500	\$15,900
Room & Board	\$ 9,500	\$ 8,000	\$10,300
→ Misc Exp	\$ 2,600	\$ 2,300	\$ 3,700
Estimated COA	\$52,000	\$46,800	\$28,900
Federal Grant	\$ 2,700	\$ 2,700	\$ 2,700
State Grant	\$ 0	\$ 4,500	\$ 4,500
→ Institutional Grant/Scholarship	\$21,300	\$23,900	\$ 3,800
Net Price	\$28,000	\$15,700	\$17,900
→ Self-Help	\$ 5,500	\$ 7,000	\$ 7,500
Estimated Remaining Cost	\$22,500	\$ 8,700	\$ 10,400

Paying for College

More than half of college costs are paid through combination of parent income & assets and student & parent borrowing.



'Financially' Manageable
During and AFTER
the College years

Look at your entire
Financial Situation

Estimate
the 'Total'
Cost of Education
4+ years of expenses

PARENT

STUDENT

Make financial decisions that :

Will not jeopardize

- Financial Security
- Comfortable Retirement
- Educating other children
- Other financial goals

- Will not leave excessive debt
- Will not jeopardize financial independence after graduation

§ Don't fixate on the sticker price

§ Plan for more than one year

§ Submit all documents on time

§ Notify schools of special circumstances

Wrap-Up

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