

# FAFSA Financial Need Formula and Process

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College / College

Goal: **Financial Aid Leverage**

## **FINANCIAL NEED FORMULA**

\$ _____	\$ _____	Cost of Attendance (COA)--Total (“budgeted”) costs for one year (tuition/fees, room/board, books, transportation, miscellaneous)
- \$ _____	\$ _____	Expected Family Contribution (EFC). See #1 below. Amount your family <i>must</i> pay (FAFSA).
= \$ _____	\$ _____	Preliminary Financial Aid Eligibility. (Family’s potential “need” for one year).
- \$ _____	\$ _____	“Other Resources” – Merit scholarships, state/federal scholarships & grants, private scholarships, MET, gifts, etc..
= \$ _____	\$ _____	Final Financial Aid Eligibility. (Family’s actual “need” for one year). Paid by college.

**TYPES OF FINANCIAL AID.** How a family’s “need” is met by each college.

**Scholarships.** College - Merit/Talent & need-based; Federal – Byrd. State (postponed 2010)- Michigan Competitive, Michigan Tuition Grant, Michigan Promise; Military - ROTC, Academies.

**Grants.** Federal: Pell, SEOG, Acad. Competitive, Smart, Teach. State: MEOG, Adult Part-Time,

**Work-Study.** Federal and State. College-administered work program. Up to 20 hours per week.

**Loans.** Federal: Perkins, Stafford (Subsidized and Unsubsidized), PLUS (covers up to total costs).

**APPLYING FOR FINANCIAL AID.** Apply annually, either on-line or paper.

1. Estimate your family’s first year’s EFC. Rough estimate: [www.finaid.org/calculators/quickefc.phtml](http://www.finaid.org/calculators/quickefc.phtml)  
More accurate estimate: [www.finaid.org/calculators/finaidestimate.phtml](http://www.finaid.org/calculators/finaidestimate.phtml)
2. Scholarship Search. Focus on college merit/talent scholarships, national & local private donor scholarships.
3. FAFSA worksheet – use as a guide. FAFSA application – submit in January using **estimated** income and assets. CSS Profile form (required by some private colleges) – submit after September 1 of your senior year.
4. FAFSA’s Student Aid Report (SAR) and CSS Profile’s Verification. Summary of your reported data. Sent to you in 1-3 weeks. The clearinghouses also send copies to the colleges you applied to.
5. **Special Consideration letters.** February/March. If unexpected circumstances lowered your family’s income or assets, send a brief, factual letter to each financial aid office. This can improve your award letters.
6. Award letters. March/April. The financial aid offer (“award package”) sent to you by each college you are admitted to. Know how to interpret each college’s offer, and know the packaging history of each college.
7. **Appeal letters.** March/April. If an offer is not what you expected, write a direct, yet tactful, letter to the financial aid director. Directors are allowed to use “professional judgement” to adjust awards.
8. Decide which college you will attend. **May 1** is the colleges’ universal deadline date.

## **APPLICATION TIPS**

All families, regardless of income level and assets, are urged to apply for financial aid, as it provides a “safety net” in emergencies, and qualifies you, at the very least, for low-interest education loans.

Apply ON-LINE if possible. On-line applications are processed more quickly than paper applications.

When completing the FAFSA form, use **estimated** figures because timing is vital. Then update when your “base year” (calendar year prior to student’s graduation year) taxes are completed. When **estimating**, use your tax returns from 2 calendar years prior to the student’s graduation year, and add a 3%-5% “fudge factor”.

Report the value of your family assets as of the date you submit the FAFSA and CSS Profile (if required) form.

**“EXPECTED FAMILY CONTRIBUTION”**. Calculated by FAFSA clearinghouse.

Family Income Includes: taxable and nontaxable income

Parent(s) - **35%** of adjusted gross income, after allowances

Allowances = Taxes paid (Federal income taxes and social security),

Income Protection Allowance (IPA), Employment Expense Allowance (EEA).

Student - **50%** of adjusted gross income, after allowances

Allowances = Taxes paid (Federal income taxes and social security), IPA (~\$2500).

Family Assets Excludes: retirement funds, home equity, life insurance products, family farm, cars, boats, etc.

Parent(s) - **6%** of assets, after Asset Protection Allowance (APA).

Student - **20%** of assets. No allowances.

Business - **2%** of net equity.

**-13-**

6/29

\***Key Resources:** FAFSA: [www.fafsa.ed.gov](http://www.fafsa.ed.gov) and 1/800/433-3243 (help).

CSS PROFILE: <https://profileonline.collegeboard.com> and 1/305-829-9793 (help). STATE: [www.michigan.gov/mistudentaid](http://www.michigan.gov/mistudentaid) and

1/888/447-2687 (help).