



Clearing the Path to Student Success: Understanding Changes in Needs Analysis for the 2009-10 Award Year

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Changes in Need Analysis- Background

- What is needs analysis?
 - Federal Formula which determines EFC (Estimated Family Contribution)
 - Student completes the FAFSA (Free Application for Federal Student Aid)
 - FAFSA applies needs analysis to give students their EFC
 - EFC is, in theory, what a family can afford to pay for a student

Changes in Needs Analysis- EFC

- Community Colleges use EFC to determine what aid to award
- Colleges must also determine a budget for attending. The combination of the budget and EFC allows for awarding
- $\text{Budget} - \text{EFC} = \text{Financial Need}$

Changes in Need Analysis- Financial Need

- EFCs under \$4617 qualify students for federal Pell grants
- Community Colleges combine state and federal funds to meet direct costs (currently \$4200- \$3200 for tuition/fees; \$1000 for books)

Changes in Needs Analysis- 09-10

- Significant changes in the formula for 09-10 should make more students eligible for Pell grants
- Significant changes in the tests for Dependency should make applying for financial aid simpler for students
- Significant changes in the Department of Education outlook has changed focus of aid offices to providing access rather than providing red tape

Changes in Needs Analysis- Dependency

- Does a student need to provide parents data?
 - Age- over 24
 - Dependents- a child or other dependent
 - Graduate program
 - Married
 - Parents deceased
 - A ward of the Court (until age 18)
 - Serving on Active Duty
 - Veteran

Changes in Need Analysis- Dependency 09-10 changes

- New categories and new definitions
 - Ward of the Court- Changes to at any time over the age of 13 and new categories include foster care
 - Emancipated Minor- New category that asks if at any time were you an emancipated minor
 - Legal Guardianship- New category
 - Homeless- New category- determined by High School, shelter or runaway/youth center

Changes in Needs Analysis- Dependency Change Impact

- Easier access to college for many of our students
- No longer require plethora of letters and red tape but many students without parental support may now fit into new categories
- No longer requires DCF involvement to meet tests to be independent
- Others?

Changes in Needs Analysis- Formula changes

- 3 classifications with 2 formulas
 - Dependant student- Regular formula and simplified formula
 - Independent student without dependents other than spouse- Regular and simplified formula
 - Independent student with dependents other than spouse- Regular and simplified formula

Simplified Formula

- Simplified formula does not ask about assets (cash, savings, checking, investments, etc)
- When completing FAFSA online this allows students to skip asset questions allowing easier completion

Simplified Formula- Qualifications

- Income under 50,000 AND
- Eligible to file a 1040 A or EZ or
- Eligible for means-tested federal benefits
 - SSI, Food Stamps, Free or Reduced lunch, TANF or WIC
 - New for 2009-10- above means-tested federal benefits received anytime in previous 24 months
 - New for 2009-10- Dislocated worker

Automatic Zero EFCs

- Automatic Zero means that a student has a zero contribution
- Eligible for full Pell grant- 2009-10 is \$5350 for year based on full time.

Automatic Zeros- Who Qualifies?

- 2008-09 Dependent student
 - Any federal means tested benefit received in household OR
 - Parents eligible to file a 1040A or EZ AND
 - AGI is less than 20,000
- 2009-10 Dependent Student
 - Any federal means tested benefit received in household OR
 - Parents eligible to file a 1040A or EZ OR
 - Parent is dislocated worker AND
 - AGI is less than 30,000

Automatic Zeros- Who Qualifies?

- 2008-09 Independent student (must have dependents other than spouse)
 - Means tested federal benefits OR
 - Eligible for 1040A or EZ AND
 - AGI under 20,000
- 2009-10 Independent student (must have dependent other than spouse)
 - Means tested federal benefits OR
 - Dislocated worker OR
 - Eligible for 1040A or EZ AND
 - AGI under 30,000

Formula Changes

- Many forms of income and tax credits that would increase the EFC have been eliminated

Income comparisons- Required in 2008-09 and ignored in 2009-10

- Earned income credit
- Additional Child Tax credit
- Welfare Benefits (including Temporary Assistance for Needy Families (TANF))
- Social Security Benefits Received that were not taxed (example SSI)
- Foreign Income Exclusion
- Combat pay and special pay is removed from income

Professional Judgment-2009-10

- Formula based on 2008 income
- However students attends in Fall 2009 and Spring 2010
- Department of Education sent a Dear Colleague letter on April 2, 2009 (GEN-09-04) reminding schools the “Professional Judgment” is a tool available to schools during this tough economic time
- Letter and tone of Department of Education is one of erring on the side of the student (language even encourages offices to “reach out” to students)
- Change in focus on Financial Aid offices to provide ease of access rather than being the FAFSA police

Professional Judgment

- Department sent a follow-up Dear Colleague letter on 5/8/2009 (Gen-09-05)
- Prompts financial aid offices to use PJ to make any independent student a zero income if they provide letter from unemployment
- Prompts schools to complete more PJ's and states in past more PJ's could bring on an audit.
- Now, audit formula will be adjusted in 08-09 and 09-10 in order to encourage schools to complete PJ's.

Professional Judgment

- Changes in income from 2008 to 2009 (loss of job, reduction in hours, etc)
- 1 time withdrawal from a pension or 401 K plan
- Loss in child support received as student is now 18
- Other ideas?

Changes in Need Analysis- Bottom Line

- Should see more automatic zero EFC students
- Should see more students under the age of 24 that are considered to be independent
- Should see increase in Pell eligibility
- We should be more accommodating to students with income changes in 2009
- Other thoughts?