

Section V



Federal Methodology Changes

National Association of Student
Financial Aid Administrators Presents...

Section V

Federal Methodology Changes

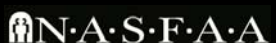

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Federal Methodology Changes

- College Cost Reduction and Access Act
 - Signed into law September 2007
 - Made significant changes to Federal Methodology (FM), effective with the 2009-10 processing year
- Higher Education Opportunity Act
 - Signed into law August 2008
- Reminder: need analysis is not regulated

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Agenda

- Definition of an independent student
- Simplified Needs Test and Auto Zero EFC
- Untaxed income
- Special combat pay
- Veteran's educational benefits
- Cooperative education income
- Qualified education benefits
- Income protection allowance
- Professional judgment

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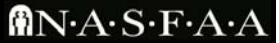



Definition of an Independent Student

CCRAA added 4 categories of students to the definition of an independent student:

- Students who were in foster care or were wards of the court at any time when they were age 13 or older
- Emancipated minors, as determined by a court in the student's state at the time the student files a Free Application for Federal Student Aid (FAFSA)

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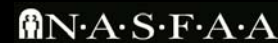



Definition of an Independent Student

CCRAA added 4 categories of students to the definition of an independent student (continued):

- Students who have a legal guardian, as determined by a court in the student's state at the time the student files a FAFSA
- Homeless unaccompanied youths and youths at risk of homelessness

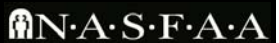

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Foster Care and Ward of the Court

- Student is independent if he or she was in foster care or a ward of the court at any time at age 13 or older, even if the student is no longer in foster care or a ward of the court
- Applies even if the student has been adopted or returned to biological parents

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Emancipated Minors and Legal Guardianship

- Status must be
 - Current as of the date the student completes the FAFSA
 - Determined by a court in the student's state of legal residence
- No standard court documentation is used in all states

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Homelessness

Must have status officially determined at any time on or after July 1 of the base year; that is, on or after July 1, 2008 for the 2009-10 year

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Homelessness

Determination of unaccompanied homelessness or risk for homelessness and self-supporting:

- High school or school district homeless liaison;
- Director of emergency shelter program funded by U.S. Department of Housing and Urban Development; or
- Director of a runaway or homeless youth basic center or transitional living program

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Homelessness

Law permits financial aid administrator to determine that a student is a homeless unaccompanied youth or self-supporting and at risk for homelessness

- No further guidance provided at this time

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Simplified Needs Test and Auto Zero EFC

- Dislocated worker status added as an alternative eligibility criterion to the tax filing status and means-tested benefit criteria
- Income criterion must still be met

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Dislocated Worker

- Lost job;
- Laid off or received lay-off notice;
- Receiving unemployment benefits due to being laid off or losing job and unlikely to return to previous occupation;
- Self-employed but unemployed due to economic conditions or natural disaster; or
- Displaced homemaker (previously provided unpaid services to the family, no longer supported by spouse, unemployed or underemployed, and having trouble finding or upgrading employment)

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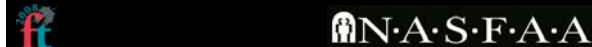
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Federal Methodology Changes

Simplified Needs Test and Auto Zero EFC

- Increase in the time frame for receipt of a means-test benefit from 12 to 24 months
- For the 2009-10 year, someone in the applicant's household must have received the means-tested benefit in 2007 or 2008

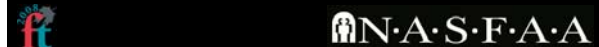
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Auto Zero EFC Only

- Maximum income to qualify for auto zero EFC is increased from \$20,000 to \$30,000
- CCRAA requires annual adjustment based on increases in the Consumer Price Index (CPI)
- EFC for **Federal Pell Grant purposes only** is set to zero if:
 - Student's parent or guardian was a member of the Armed Forces who died as a result of performing military service in Iraq or Afghanistan after 9/11/01
 - Student was under 24 or enrolled at an institution of higher education at the time of the death

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Untaxed Income: CCRAA Changes

Removed from the definition of untaxed income for 2009-10:

- Welfare benefits
- Earned income credits
- Special fuel tax credit
- Foreign income that is excluded from U.S. taxation
- Untaxed Social Security benefits
- Additional child tax credit

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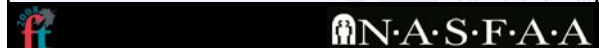


Untaxed Income: HEOA Changes

Removed from the definition of untaxed income for 2010-11:

- Value of on-base military housing
- Military housing allowances

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Special Combat Pay

- Pay received by a member of the U.S. Armed Forces because of exposure to a hazardous situation
- Synonymous with combat pay and includes a variety of special pay categories such as:
 - Combat zone pay
 - Imminent danger pay
 - Hostile fire pay
- Reported in Box 12 of the W-2, Code Q
- Both taxable and untaxed special combat pay is excluded from EFC calculation

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Veteran's Educational Benefits

- HEOA excludes veteran's educational benefits from income in the EFC calculation
- Effective for 2010-11 EFC calculations

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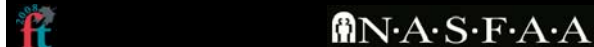
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Cooperative Education Income

- HEOA excludes income earned from work while in a cooperative education program from the EFC calculation
- Effective for 2010-11 EFC calculations

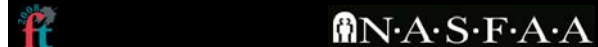
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Qualified Education Benefits

- Include:
 - 529 plans (college savings plans and prepaid tuition plans)
 - Other state prepaid tuition plans
 - Coverdell education savings accounts
- Qualified education benefits owned by a dependent student are an asset of the parent

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Income Protection Allowance

- For 2009-10 through 2012-13, CCRAA dictates the exact dollar amount of the student's IPA
- Beyond 2012-13, ED will determine the IPA by increasing amounts by a percentage equal to the estimated percentage increase in the CPI and rounding the result to the nearest \$10

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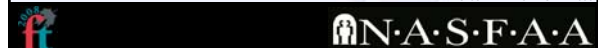


Professional Judgment Issues

CCRAA added 3 additional examples of special circumstances that might warrant PJ:

- Unemployment of an independent student
- A family member who is a dislocated worker
- A change in housing status that results in an individual being homeless

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Professional Judgment Issues

HEOA added 3 additional examples of special circumstances that might warrant PJ :

- Nursing home expenses not covered by insurance
- Unusually high dependent care expenses
- A student who is a dislocated worker

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Professional Judgment Issues

If a parent of a dependent student refuses to support the student and will not complete the FAFSA, the financial aid administrator may allow that student access to unsubsidized Stafford loans

- Effective 8/14/08
- Operational details still to be determined

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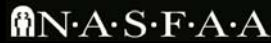
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Professional Judgment Issues

- CCRAA permits schools to accept a dependency override performed by another school within the same award year
- The school need only document that it is accepting the dependency override already performed
- The school that performed the dependency override is responsible for maintaining documentation of the special circumstances
- Schools have complete discretion on which, if any, dependency overrides they will accept from another school

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Section VI



Changes to the Construction of the Cost of Attendance

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Changes to the Construction of the Cost of Attendance

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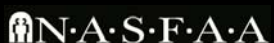



Purpose of the Cost of Attendance

Provide a reasonable estimate of a student's expenses for a period of enrollment

- Include costs incurred during enrollment
- Allow for a moderate standard of living

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Changes Made by the Higher Education Reconciliation Act of 2005 (HERA)

Room and board for students enrolled less than half time

- Included for up to three semesters or the equivalent
- No more than two semesters can be consecutive at any one school

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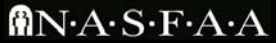



Changes Made by the Higher Education Reconciliation Act of 2005 (HERA)

Room and board for students enrolled less than half time

- Institutions do not need to track what was done by other schools
- Added at institution's discretion
- Not professional judgment

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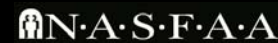



Changes Made by the Higher Education Reconciliation Act (HERA) of 2005

One-time cost of a first professional license or certificate

- Must be required by a state or be commonly accepted as being required to practice or be employed in the profession
- Cost must be incurred while student is still enrolled at your institution

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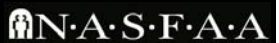



Changes Made by the Higher Education Reconciliation Act (HERA) of 2005

One-time cost of a first professional license or certificate

- Cannot include costs associated with preparing for a required examination for licensure or certification unless preparation is part of the student's academic program

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Section VI

Changes to the Construction of the Cost of Attendance

Changes Made by the Higher Education Reconciliation Act (HERA) of 2005

One-time cost of a first professional license or certificate

- Added at institution's discretion
- Not professional judgment

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Changes Made by the Higher Education Opportunity Act (HEOA) of 2008

Adds a new category to the room and board component

- Students who live in housing located on a military base or who live in housing for which a basic allowance is provided under Section 403(b) of Title 37 of the U.S. Code, which covers the pay and allowances of the U.S. Armed Forces

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Changes Made by the Higher Education Opportunity Act (HEOA) of 2008

Room and board for students living in military or military-subsidized housing

- Calculate value using reasonable board expenses but will not include an allowance for housing
- Effective July 1, 2010

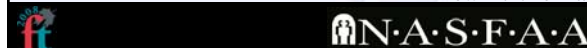
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Update Institutional Policies & Procedures

- Address whether institution will add components modified or added by HERA
- Include additional room and board category added by HEOA
- State how eligible students are identified and tracked
- Explain component value calculations
- Specify documentation requirements

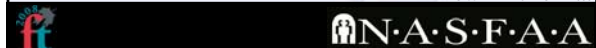
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Update Institutional Policies & Procedures

- State whether components are added on a student-by-student basis or for all eligible students
- Explain roles of other campus offices or other agencies

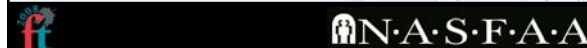
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Staff Training and Information Sharing

- Staff understands changes and conveys accurate information
- Staff understands parameters of adding components to COA and policies and procedures
- Training and information sharing provided in a variety of formats

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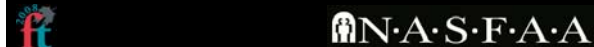
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Changes to the Construction of the Cost of Attendance

Identifying Eligible Students

- Use reporting functionality of computer systems
- Work with campus offices and outside agencies

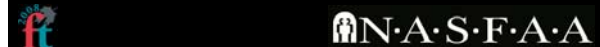
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Documentation

- Student budget adjustment request form
- Specify acceptable documentation and any institutional deadlines

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Tracking

- Ensures compliance with statutory requirements
- Encourages good communication
- Various methods for tracking adjustments
 - Tracking forms
 - Flags or user-defined fields in computer system

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Calculating Component Values

- Reflect principles of budget construction
- Based on data collected from primary or secondary sources on a regular basis

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Counseling

- Be prepared to explain restrictions on including certain components in the COA
- Be honest about the impact COA adjustments will have on eligibility for financial aid
- Be proactive

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