

Appendix D

Activities

Questions and Answers

Overview

Question – Jamie, a senior at State University, just celebrated her first wedding anniversary. The couple has no dependents and her husband is a full-time architect. Can Jamie qualify for an Automatic Zero EFC?

Answer –

No. Jamie is an independent student without dependents other than a spouse. Note that the automatic eligibility criteria for a zero EFC are not applicable to a single or married independent student without dependents other than a spouse. The other methodologies (dependent and independent with dependents other than spouse) do allow for an automatic zero EFC.

Question – Why would you need to understand the EFC formulas or calculate an applicant's EFC by hand when the CPS provides a calculated EFC?

Answer –

Some reasons why an FAA calculates an EFC by hand are:

- FAAs may be asked by students and their families to explain how their EFCs were calculated
- FAAs need to know EFC formulas to apply professional judgment
- When it appears that an applicant has reported inconsistent data and the CPS made certain assumptions to resolve the inconsistencies.
 - These assumed values, which are reported on the student's SAR, are used to calculate the student's EFC
 - Therefore, in some cases, the EFC produced by these worksheets may differ from the EFC produced by the CPS if the assumed values are not used

Scenario 1:

Question – Which EFC calculation/worksheet is used and why?

Answer –

- Simplified Worksheet B
- Qualifies for simplified needs
 - Adjusted Gross Income is \$40,000 (less than the \$50,000 limit)
 - Greg and Jane were not required to file a 1040 (they filed a 1040A)

Question – Which pages of the *EFC Formula Guide* are referenced and completed for this EFC calculation?

Answer –

- Simplified Worksheet B, pages 23-24
- Tables B1-B4, pages 25-27

Question – What is Greg and Jane’s Social Security Tax percentage?

Answer –

- Use Table B2
- Social Security Tax percentage 7.65% (income earned from work falls between \$0 and \$94,200)

Scenario 2:

Question – Which EFC calculation/worksheet is used and why?

Answer –

- Regular Worksheet A
- Lisa is a dependent student (does not meet criteria listed in EFC Formula Guide for independent student status)
- Regular EFC calculation – parents’ combined AGI is \$56,000, which exceeds both income maximums for simplified (less than \$50,000) and automatic zero (\$20,000 or less)

Question – Which pages of the *EFC Formula Guide* are referenced and completed for this EFC calculation?

Answer –

- Regular Worksheet A, pages 9-12
- Tables A1-A7, pages 17-20

Question – What is Lisa’s State Tax allowance?

Answer –

- Use Table A7 for students (note that A1 is for parents).
- Lisa’s state tax allowance is 3%

Scenario 3:

Question – Which EFC calculation/worksheet is used and why?

Answer –

- Regular Worksheet C
- Qualifies for Automatic Zero
- Meets both requirements for an automatic zero EFC
 - Income earned from work is \$15,600 ($\$1,300 \times 12$) which is less than the \$20,000 limit
 - Tina qualified for and received benefits from a means-tested federal benefit program (Free or Reduced Price Lunches)

Question – Which pages of the *EFC Formula Guide* are referenced and completed for this EFC calculation?

Answer –

- Regular Worksheet C, pages 29-30
- Tables C1-C6, pages 33-35

Question – What is Thomas's Income Protection allowance?

Answer –

- Use Table C3
- Student's number in household, including student, is 2.
- Using Table C3, Income Protection Allowance is \$15,320.

Dependent Regular Worksheet A

Question – Which formula should be applied using the information provided?

- Regular
- Simplified
- Automatic Zero

Answer –

The correct answer is **Regular**, since the parents filed a 1040 tax return and their income exceeded \$49,999 (reported at \$78,000). We do not state that they were required to file a 1040, but in this case they were because of itemized deductions (which we would see only if we reviewed the tax return).

Question – If total income increases by \$20,000, will the Available Income also increase by \$20,000?

Answer –

Not if the increase is due to earned income.

The increase in Available Income is proportional based on the state and Social Security allowance calculations.

Question – Would the EFC be higher or lower if the state of residence were New Jersey instead of Florida?

Answer –

Refer to Table A1 for the state offset percentages.

The EFC would be lower.

Florida's allowance offset is 1% and New Jersey's is 7% for income over \$15,000.

A comparison of the two provide a difference of 4,773. The parent from New Jersey may have a lower EFC based on the higher offset amount.

Question – An asset of \$10,000 would likely result in a higher EFC for a dependent student if reported as a parent’s asset or if reported as a student’s asset?

Answer –

A higher EFC would result if it was reported as a student’s asset, because the asset conversion rate is higher for the student.

Dependent Simplified Worksheet A

Question – Which formula should be applied using the information provided?

- Regular
- Simplified
- Automatic Zero

Answer –

The correct answer is **Simplified**, since the parent filed a 1040A tax return and her income was less than \$49,999 (reported at \$38,340).

Independent Regular Worksheets B and C

Question – Which formula should be applied using the information provided?

- Regular
- Simplified
- Automatic Zero

Answer –

The correct answer is **Regular**, since the student filed a 1040 tax return. We do not state that the student was required to file a 1040, but, in this case, he did because of business income and deductions (which we would only see if we reviewed the tax return).

The criteria presented lead us to use worksheet B, which is for an Independent Student without dependent(s) other than a spouse.

Question – An asset of \$10,000 would likely result in a higher EFC for an

- Independent student without dependents other than a spouse
- Independent student with dependents other than a spouse

Answer –

The correct answer is **independent student without dependents**, since the asset conversion rate is higher at 20% vs. 7% for the independent student with dependents. The asset protection allowance is built into each worksheet to protect a portion of the family's assets. The higher assessment would increase the amount of contribution from assets which directly increases the total EFC.