

Federal Methodology

An underlying premise of financial aid policy is that it is the main responsibility of a student's family to pay for the student's college education. Federal Methodology is the formula designed by Congress and the U.S. Department of Education to be used in calculating a student's Expected Family Contribution (EFC). The EFC is an indexed measure of a family's ability to pay for college for a student applicant for a particular period of time (for example, an academic year consisting of two semesters within nine months). Federal Methodology utilizes the income and asset information reported on the Free Application for Federal Student Aid (FAFSA) to establish the EFC. Federal Methodology is the system in place that analyzes data and formulates equitable contribution amounts.

Federal financial aid funds are available to assist and support students to attain a college education; however, funds can be limited, and the Federal Methodology formula is used to provide a basis on which federal financial aid eligibility can be distributed as fairly as possible. The philosophy is that families with similar financial situations should be treated in the same way. By utilizing a standard federal formula, the theory is that families with similar financial situations will be treated similarly in the financial aid process.

For students considered dependent in the financial aid process (please note that dependency for financial aid purposes has no relation to whether or not a student is considered dependent on any tax form), the FAFSA data from both the student and parent(s) is used in the methodology. Although both student and parent data is taken into consideration, the income and asset data sets are treated differently within the Federal Financial Aid formula (see the chart below for examples of the differences).

Financial Aid Formula – Treatment of Income and Assets*

	Income	Assets
Parent Data	22-47% of available income* will be considered available after allowing for federal taxes, family size, number in college, income protection allowance, etc.	5.6 % maximum of assets will be considered and included in the Expected Family Contribution (EFC)
Student Data	50% of the student's income* will be considered after an income protection allowance of \$6,000 against student income	20% of a student's assets are considered and included in the Expected Family Contribution (EFC)

**This is a simple illustration to give you a general idea of what the formula considers. For more details on the calculations behind Federal Methodology, visit: <https://ifap.ed.gov/efcformulaguide/1920EFCFormulaGuide.html>*

Federal Methodology considers both taxed and untaxed sources of income from both the student and his/her parent(s). Although the federal formula will take into consideration all income sources, the federal formula does account for the size of the family, the number of children attending college, and the total federal tax liability. In addition, specific allowances are incorporated into the formula that provides an offset against income, such as accounting for basic living expenses and protection of assets. The federal formula will determine a contribution from income for both the student and the parent(s).

In addition to expecting a contribution from income sources, both student and parent assets are also taken into consideration when determining a family's ability to pay for college. The federal formula

considers assets including cash, checking and savings accounts, stocks and bonds, the net value of second homes, other real estate, business assets, farm values, and in some cases commercial property. After considering parental and student asset information, a contribution from student and parent assets will also be determined. The contribution from income and the contribution from assets for both the student and parent(s) will be combined and in total constitutes the EFC.

For federal financial aid programs, the value of a primary residence, the value of qualified retirement plans and/or the value of life insurance are not taken into consideration for the Federal Methodology EFC.

The Federal Methodology EFC is used in determining eligibility for the following federal student aid programs:

- Federal Pell Grant
- Federal Supplemental Educational Opportunity Grant
- Federal TEACH Grant
- Federal Work Study
- Federal Direct Loans:
 - Subsidized Loan
 - Unsubsidized Loan
 - Graduate PLUS Loan

Each year, the Secretary of Education announces any changes to the Federal Methodology in the Federal Registry, which is fully open to the public for review.

*v. 03/07/19
Tulane University Financial Aid Office
Information subject to correction*