



FM and IM Differences—Data Elements Table 1

| Federal Methodology (FAFSA) | Institutional Methodology (CSS/Financial Aid PROFILE®) | |
|---|---|--|
| Adjusted gross income | Wages | Medical expenses |
| Nontaxable income | Interest and dividend income | Private elementary/secondary school tuition for siblings |
| U.S. taxes paid | Business income (losses) | Cash, savings |
| Number in household | Rental income (losses) | Investment equity |
| Number of family members enrolled in college at least half-time | Nontaxable income (detail) | Home value and debt |
| Cash, savings | U.S. taxes paid, tax credits, itemized deductions | Business value and debt |
| Investment and other real estate net worth | Number in household (detail about family composition) | Real estate value and debt |
| Business net worth (if more than 100 FTE employees) | Number of family members enrolled in college at least half-time and year in school/where enrolled | Farm value and debt |
| Investment farm net worth | Child support paid | Noncustodial parent information |
| Child support paid (included in Worksheet C) | | Parent assets held in siblings' names |
| | | Student trusts |

Major FM and IM Computational Differences Table 2

| Federal Methodology | Institutional Methodology |
|---|--|
| Excludes assets if AGI < \$50,000 and Automatic 0 EFC if AGI < \$20,000 and } received means tested benefits | Considers income and assets for all families |
| No minimum student income contribution | Limits assessment on earnings of students from low-income families |
| No offsets for medical expenses or private school tuition | Offsets standard for unusually high medical expenses; available as an option for siblings' private school tuition |
| Lower allowance for income protection and employment expense; State tax table ignores sales tax and does not distinguish among income levels; based on IRS Schedule A data | Offsets based on Consumer Expenditure Survey data for income protection, employment expense, asset protection, and asset conversion; State tax table considers sales tax and distinguishes among income levels; based on data from Institute on Taxation and Economic Policy Offset against both income and assets to encourage college savings for younger siblings; Options available to adjust income protection and emergency reserve offsets for regional cost of living variances by zip code |
| Custodial parent and spouse are considered responsible for educational cost. | Option available to request noncustodial parent information and to adjust methodology to treat only the biological parents as "responsible" for educational cost |
| EFC divided equally among all children in college | IM recognizes family's sustained financial effort and prorates EFC based on number in college concurrently. |
| Student assets assessed at 20 percent per year | Student assets assessed at 25 percent; option to assess at parents' rate (5 percent) |
| Parents' assets held in siblings' name(s) excluded | Parents' assets held in siblings' name(s) included in parental assets |
| Home equity not considered | Reported home equity considered in net worth; several options available to compute and/or cap equity |
| Equity in family farm or businesses with fewer than 100 FTE employees not considered | Equity in any farm or business considered in net worth |

A Tale of Two Families

FAFSA Data for Family 1 and 2

| | |
|---------------------------|----------|
| Student cash/investments | \$1,000 |
| Student AGI | \$300 |
| Parent AGI | \$25,000 |
| Father's income from work | \$5,000 |
| Mother's income from work | \$20,000 |
| Nontaxed income | \$2,700 |
| Parents' cash and savings | \$1,000 |

Additional PROFILE Information

| | Family 1 | Family 2 |
|------------------------------|---|--|
| Nontaxed income | Disability \$1,200 EIC \$1,500 Rent payment \$800 Prior year income \$45,000 | Tax-exempt interest \$2,700 Parent investment in sibling's name \$150,000 Business net worth \$200,000 Home value \$900,000 Home debt \$600,000 Mortgage payment \$3,600 Prior year income \$250,000 |
| Special circumstances | Father is currently disabled | Father took an early retirement package and has begun his own consulting business out of his home. |
| Retirement resources | None for father; \$15,000 IRA for mother | Pension for mother; IRA total value \$600,000 for father |
| Occupations | Father: disabled steelworker, last worked June 2005; mother: school aide | Father: self-employed consultant; mother: lawyer |

A Tale of Two Families—The Results!

| | Family 1 | Family 2 |
|-------------------------------|----------|----------|
| FM | \$645 | \$645 |
| IM | \$250 | \$24,071 |
| Fee-waiver designation | YES | NO |