Answers to Your Questions About the FAFSA

*The New York Times* invited **Mark Kantrowitz**, the publisher of [FinAid.org](http://www.FinAid.org) and [FastWeb.com](http://www.FastWeb.com), to answer select reader questions about the FAFSA. His responses were posted the week of January 14, 2013.

**Income Eligibility for Need-Based Aid**

**Q.** In general, at what income does one become ineligible for need-based financial aid?

**A.** There is no specific income cutoff for eligibility for need-based financial aid. Financial aid formulas are complicated and depend on many other factors besides income, like family size, the number of children in college, assets, the age of the older parent and the cost of the college.

Financial need is defined as the difference between the total cost of attendance and the expected family contribution. Financial need increases as college costs go up and the expected family contribution goes down. Even wealthy students may qualify for some need-based financial aid at one of the higher-cost colleges.

The number of children who are simultaneously enrolled in college also has a big impact, as the expected family contribution tends to be inversely proportional to the number of children in college. Unusual family financial circumstances may also affect the amount of financial aid a student receives.

Based on current college costs, a family with one child in college, an annual income of $180,000 or more and typical assets probably will not qualify for need-based financial aid (except, perhaps, at the most expensive colleges). But they should nevertheless file the FAFSA to get access to the federal Unsubsidized Stafford Loan and the federal PLUS Loan for parents.

The same family, however, may qualify for some need-based aid with two children in college, or any of dozens of unusual circumstances.

So even if your family income is well into six figures, you should file the FAFSA and apply for need-based financial aid. Families have a tendency to underestimate eligibility for need-based aid and overestimate eligibility for merit-based aid. File the FAFSA every year, even if you got nothing other than student loans last year.

**Q.** There must be some specifiable criteria by which an application would be disqualified, e.g., net worth or income. Why aren't these criteria available to parents?

**A.** The financial aid formulas are so complicated that there is no simple way of expressing thresholds on eligibility for need-based aid. The only way to determine whether you are eligible for need-based aid is to apply. Conversely, if you do not apply for financial aid, you definitely won't get any aid.
Financial aid advisers are reluctant to specify any kind of a cutoff on eligibility because of concerns that the thresholds will be misinterpreted, causing a student who otherwise would be eligible for financial aid to not apply for aid.

More than 1.7 million students failed to file the FAFSA in 2007-8 because they incorrectly believed themselves ineligible for financial aid. More than a third would have qualified for the federal Pell Grant, and about half of these students would have qualified for a full Pell Grant.

**Changes in Household Income**

**Q.** If a parent has lost her job or been cut back at work during the previous year, so that income for the previous tax year does not reflect the family’s current income, does FAFSA have a way to disclose this? Will this be taken into account in determining the student’s need?

**A.** The FAFSA calculates ability to pay based on income during the previous tax year. If you are applying for the 2013-14 academic year, you should provide income information from the 2012 tax year.

The FAFSA form does not have a means for disclosing to colleges significant change in income resulting from job loss, salary reduction, suspension of bonuses, death of a wage-earner or other unusual circumstances.

Instead, the family should ask the college financial aid administrator for a professional judgment review. Some colleges will switch the family from prior year income to an estimate of income during the current calendar or academic year.

Every $10,000 reduction in income will yield about a $3,000 difference in the expected family contribution. If the family normally has volatile income from one year to the next, some colleges will substitute an average of income during the last three to five years.

**Multiple Children in College**

**Q.** I have been told that the more people in the household who are attending college, the more financial aid each receives. My husband doesn’t believe this.

We will have four in our family in college next year. Will this make a big difference with financial aid eligibility? We make too much money to qualify for more than just loans with just one of us in college.

**A.** The number of children who are enrolled in college at the same time has a big impact on eligibility for need-based financial aid. The expected family contribution is the sum of the student contribution and the parent contribution. The federal need analysis formula divides the parent contribution by the number of children enrolled in college.
For example, suppose that the parents have an adjusted gross income of $200,000 and one child in college at a time. The expected family contribution will be about $50,000. With two children in college at the same time, the expected family contribution will be about $25,000 each. With three children in college at the same time, the expected family contribution will be about $17,000 each.

Thus, a family with twins or triplets will get more financial aid than a family with children spaced four years apart.

The federal financial aid formulas are heavily weighted toward income. As a result, the family's ability to pay does not increase just because the family has multiple children in college at the same time. So each child splits the ability to pay.

Here is a typical mistake: A wealthy family applies for financial aid when the eldest child enrolls as a freshman in college and gets nothing other than loans. The next year, the family decides to not apply for financial aid based on the dismal experience the previous year.

Had the family applied for financial aid the second year, with two children enrolled in college, the family might have qualified for some need-based financial aid.

Note that parents do not count, even if they are enrolled in college. If a parent is enrolled in college, he should ask the college financial aid administrator for a professional judgment review.

Waiting for Tax Returns

Q. My daughter has been accepted to a private college. They advised us that it is better to send in the FAFSA after the 2012 tax returns are in. Is it better to wait until mid-February? Also, can I transfer the tax return info automatically to the FAFSA? Thank you.

A. The FAFSA should be filed as soon as possible in order to not miss the deadlines for state grant programs. Some states have February deadlines for the FAFSA and some states award state grants on a first-come-first-served basis. Do not wait until your federal income tax returns are ready.

The I.R.S. Data Retrieval Tool may be used to automatically transfer data to the FAFSA.

Applying to Additional Schools

Q. How do you indicate additional schools on the FAFSA? The form only allows you to send FAFSA information to 10 schools, but what if you have applied to more than 10?

A. If you want to send your FAFSA data to more than 10 schools, wait until you receive your Student Aid Report, or SAR. This is a sign that the colleges have received your data. You can then change the schools listed on the FAFSA so that the additional schools will receive the data.
The colleges can also retrieve your FAFSA data, if you give them your Social Security number and the data release number (D.R.N.) from your student aid report or confirmation page. The Federal Student Aid Information Center, (800) 4-FED-AID (800 433-3243) can also add the schools for you, if you give them your data release number.

**Same-Sex Parents**

**Q.** We are a same-sex couple in a civil union. The FAFSA does not have a category for same-sex, unmarried couples. Should we designate one of us as the "mother" and the other as the "father" and fill out the form that way, or should we include only one parent on the FAFSA?

**A.** Federal law does not currently recognize same-sex marriages or civil unions. Only the student's biological or adoptive parent is responsible for completing the FAFSA.

If one parent is a biological parent and the other is an adoptive parent, or both are adoptive parents, then the parents are treated according to the rules for divorced parents. Normally with divorced parents, the parent with whom the student lived more is responsible for completing the FAFSA. But because a child of same-sex parents usually lives with both parents equally, the parent responsible for completing the FAFSA is the one who provided more support to the student. This is usually the parent with the greater income.

Any support provided by the other parent to the student is reported as untaxed income to the student on the FAFSA. The other parent can be counted in household size only if the parent who completed the FAFSA provided more than half of the other parent's support.

State aid may be subject to different rules, if the state is one that recognizes same-sex marriages or civil unions. Consult with a financial aid administrator at the college about the college's and state's procedures for handling such situations. California and Massachusetts, in particular, have supplemental forms for the awarding of state student aid to students whose parents are in a same-sex marriage or civil union.

**Reporting Monetary Gifts**

**Q.** My husband received a monetary gift of $20,000 from his father. We were told by our tax people that, since it was a one-time gift, we do not need to claim it on our taxes. So this money will not show up in our taxes. Do we need to report this income on my son's FAFSA? The gift was to my husband, not my son.

**A.** The annual gift tax exclusion was $13,000 in 2012 and will be $14,000 in 2013. The amount your husband's father gave him exceeds this amount. However, it can be treated as a joint gift from your husband's father and mother; couples can give up to twice the gift tax exclusion without incurring gift taxes. In any event, gift taxes are paid by the person giving the gift, not the recipient. The one-time nature of the gift is irrelevant to the tax status of the gift.
The gift should not be reported on the FAFSA because it was given to your husband and not your son. Cash support to the student must be reported as untaxed income on the FAFSA. Cash support to the student's parents is not reported on the FAFSA.

Cash support includes money, gifts and loans. It also includes food, clothing, housing, car payments, medical and dental care, insurance and college costs, as well as money paid to someone else on behalf of the student (i.e., money paid for expenses the student would otherwise be obligated to pay).

### 529 College Savings Plans

**Q.** If a 529 college savings plan is held in a parent's name with the child listed as the beneficiary, is the savings plan considered on the FAFSA as student savings (of which they are expected to use at a higher percent) or as a parent asset?

**A.** The reporting of a 529 college savings plan as an asset on the FAFSA is based on the account owner, not the beneficiary.

The College Cost Reduction and Access Act of 2007 changed the treatment of 529 college savings plans starting with the 2009-10 award year. Any 529 plan that is owned by a dependent student or the dependent student's parent is reported as a parent asset on the FAFSA. This includes the 529 plans for siblings.

Any 529 plans that is owned by an independent student or the independent student's parent is reported as a student asset on the FAFSA.

Distributions from such 529 plans are not reported as income on the FAFSA.

Any 529 plan that is owned by someone else is not reported as an asset on the FAFSA, but any distributions from such a 529 plan are treated as income to the beneficiary.

If the parents are divorced and the 529 plan is owned by the noncustodial parent, the 529 plan is not reported as an asset, if the student is dependent. Distributions from such a 529 plan are treated as income to the beneficiary. If the student is independent, it is reported as a student asset and the distributions are ignored.

### Financial Aid Planning for High School Freshmen

**Q.** What can parents of a freshman do now to make the entire process easier when the time comes, and to make our child get the financial aid she needs?

**A.** It is never too soon to start preparing for college costs. Every dollar you save is about a dollar less you'll have to borrow. The sooner you start saving for college, the more time there will be for the savings to grow from compounding interest.
Try to minimize income starting Jan. 1 of the junior year in high school. For example, avoid realizing capital gains, or offset them with capital losses. Need-based financial aid assessments are based on income during the previous tax year, so having higher income during that year may reduce eligibility for need-based financial aid.

It is also a good idea to start learning about financial aid. While financial aid rules change every year, it can help to familiarize yourself with the concepts and language of financial aid. That way you will not be intimidated by the alphabet soup of acronyms like FAFSA, E.F.C. (expected family contribution), S.A.R. (student aid report), and I.B.R. (income-based repayment).

You might also search for scholarships for high school students in younger grades. Fastweb.com, Zinch.com the College Board are just a few of the scholarship matching services available online. FinAid also provides a list of scholarships for children under age 13.

**Federal Aid for International Students?**

**Q.** My child was born in Canada and has been living in California for 13 years with an H-4 Visa. Is my child eligible for any financial aid?

**A.** Individuals with an H-4 visa are not eligible for federal student aid in the United States. They are considered to be international students.

Some colleges provide student financial aid to international students, but the funds are limited and there is a lot of competition. It might be best to see if your child is eligible for Canadian bursaries. There are many excellent Canadian colleges and universities.

Alternately, community colleges offer a low-cost education that may be affordable despite the lack of financial aid.

**Updating the CSS/Financial Aid PROFILE**

**Q.** We completed and submitted the CSS/Financial Aid PROFILE in December in order to obtain a financial aid estimate from a school my son considered for early decision. He decided to apply regular decision. We know we want to send the CSS to several other schools. Some of our financial information has changed. How do we update the CSS? Should we also send the updated information to the first school?

**A.** You cannot update the data on the CSS/Financial Aid PROFILE form for colleges that have already received the data. You should print out a copy of the PROFILE acknowledgment, mark corrections on this printout and send a copy of it to the colleges that have the old data.

When you add new colleges to the PROFILE form, you will have an opportunity to update the data on your PROFILE application. The updated data will be sent to only the new schools.
Divorced, Remarried and Single Parents

Q. How do parents who have 50-50 custody and are both remarried with new children with their new spouses file the FAFSA?

A. When a student’s parents are divorced, only one parent is responsible for completing the FAFSA. If this parent has remarried, the step-parent’s information must also be reported on the FAFSA.

The parent responsible for completing the FAFSA is the one with whom the student lived the most during the 12 months ending on the FAFSA application date. If the child lived equally with both parents, then the parent who provided more support is responsible for completing the FAFSA. If the parents provided the same amount of support, then the college financial aid administrator gets to choose, and they almost always will chose the set of parents with the greater income.

Q. How do we fill out the FAFSA if there is only one known parent, as in, only one parent listed on the birth certificate?

A. If there is only one parent listed on the birth certificate, only that parent completes the FAFSA. However, if this parent is now married, the step-parent's income and asset information must also be reported on the FAFSA.

Q. In my case, my father was wealthy and my mother had a very limited income. Unfortunately, my father was not willing to contribute to my college education.

The FAFSA required information from both parents since they shared custody. Not surprisingly, my father's data painted an inaccurate picture regarding how my education would be paid for. How can this predicament be avoided?

A. Why should the federal government have a greater responsibility to pay for your college education than your father?

Caring for Children With Special Needs

Q. I have a special-needs child, which makes it necessary for me to stay at home to care for her. She will likely need long-term financial support. Does this type of situation get addressed somehow in the FAFSA? Her brothers will be off to college shortly.

A. Ask the colleges for a professional judgment review. Having high childcare costs for a special needs child is an example of an unusual circumstance that can be considered for an adjustment.
Defining Need-Based Aid

Q. Being new to the United States college system, can you tell me if FAFSA applications are to qualify for loans or aid that does not need to be repaid? I am not exactly sure what the term "need-based financial aid" means.

A. A student's financial need is the difference between the total cost of attending a college and the student's expected family contribution (E.F.C.) toward paying for college. The E.F.C. is calculated by a complicated formula based on the data reported in the student's FAFSA.

The federal government, state government, and most colleges provide financial aid to students based on their financial need. The FAFSA is used to apply for this need-based financial aid, which includes grants (money that does not need to be repaid), education loans (money that must be repaid, often with interest) and student employment (money that must be earned).

Scholarships vs. Need-Based Aid

Q. If I won my school's presidential scholarship and it is more than I think I will get in financial aid, should I still fill out the FAFSA and apply for need-based aid?

A. Unless you've worked in a college financial aid office for a decade and can do hand-calculations of expected family contributions in your sleep, you should still file the FAFSA to apply for need-based financial aid. Students and parents often underestimate eligibility for need-based financial aid. If the scholarship actually exceeds your financial need, you will still be able to get the Unsubsidized Stafford and Parent PLUS loans to pay for your remaining share of college costs.

Financial Aid After Freshman Year

Q. When a student is entering her second or subsequent year of college, can she expect to receive similar aid to what she received her freshman year? Our daughter will be a sophomore next year, and our income is slightly higher than last year's (perhaps about $6,000 higher). But, of course, the cost of college has also gone up.

Also, if the CSS/Financial Aid PROFILE was needed for freshman year, is it usually needed for all four years? I understand the FAFSA is needed all four years. Thanks.

A. About half of all colleges practice front-loading of grants, in which the proportion of grants to loans in the financial aid package is higher during the freshman year than during subsequent years. So the net price will increase.

The argument in favor of front-loading of grants is to ensure that students who drop out during the freshman year are left with as little debt as possible. Students who drop out are four times more likely to default on their loans than students who graduate.
But realistically, front-loading of grants is a form of bait and switch. Some colleges have a self-help level which requires the first several thousand dollars of financial need to be met with student loans and student employment, and only above the self-help level will the financial aid be in the form of institutional grants. So if the student's financial need is well above the self-help level, a reduction in need might translate into a loss of only institutional grants. But every college has a different packaging philosophy, so the actual impact of a change in income will vary from college to college.

**Not Seeking Aid, but Filing the FAFSA**

**Q.** It seems that we will not be eligible for financial aid based on our income and having only one child in college. In this case, it seems best to not apply for financial aid, since many schools are not need-blind. But if we check the box stating we are not seeking financial aid, does that mean we cannot file a FAFSA to make ourselves eligible for student loans?

**A.** If you check a box on a college's financial aid form to indicate that you are not seeking financial aid, you can still file the FAFSA to make yourself eligible for student loans. If you do not list the college on your FAFSA, they will not initially receive the data from the FAFSA.

You could also wait to file the FAFSA until after your student has been admitted. Because all new federal education loans are made through the Direct Loan Program, the college will need to verify that a FAFSA has been filed at the time you apply for federal education loans.

**FAFSA for Married Students**

**Q.** My niece is 18 and is married to a man out of the United States. (He is from China.) She is living with her parents and has no job. Thus, she cannot sponsor her husband to come to the United States yet. She has decided to go to college. We wonder whether she is considered independent ("married") and does not need to provide her parents' financial information. Thank you for your help.

**A.** A student who is married to a person of the opposite sex is considered married for federal student aid purposes. Your niece should check the box on the FAFSA indicating that she is married. She will then be considered independent, and parental information will not be required on the FAFSA. It does not matter whether her spouse is a United States citizen or not. Note that an independent student must report any cash support she receives from her parents and her spouse's parents as untaxed income on the FAFSA.

**Selective Service Requirement**

**Q.** I completed the FAFSA successfully. However, I received an e-mail back that stated that my son needs to be registered with the Selective Service. I have no intention of doing this. How will
not being registered affect his application for aid? Will he be excluded from aid from the schools he is applying to or other sources?

**A.** A male student who does not register with Selective Service is not eligible for federal student aid. This may also affect eligibility for state grants and, in some states, the ability to matriculate at a public college. If he does not register by age 26, he will never be eligible for federal student aid.

Male students must register with Selective Service, even if they object to military service. If the draft is ever instituted, they will have an opportunity to seek an exemption based on religious or moral grounds.

**Paying Off Debt to Increase Aid Eligibility**

**Q.** My son will be starting college in the fall. Because balances in checking and savings accounts are considered in calculating how much we can contribute, would we be better off paying off a car loan and thereby drawing down a checking account balance?

**A.** Paying off consumer debt like credit cards and auto loans before filing the FAFSA will reduce reported assets and may lead to an increase in financial aid eligibility. But it may be best to play "what-if" games with an expected family contribution calculator (FinAid has one), to see how much it will affect the expected family contribution (E.F.C.).

Parent assets may have a small impact on the E.F.C. Student assets, on the other hand, are assessed at a 20-percent rate with no asset protection allowance.

Even if there is no benefit on the FAFSA, paying off debt may still be beneficial from a financial planning perspective. For example, if you carry a balance on a credit card with a 14 percent interest rate, paying down the credit card debt is like earning a 14 percent return on investment, tax free. Just be sure to leave yourself with three to six months of salary in a savings account, for emergencies.

**I.R.S. Data Retrieval Tool**

**Q.** Doesn't the I.R.S. Data Retrieval Tool take some time for the form to be processed? I think people should be aware that they can't submit their tax forms one day and expect the data to be available for the FAFSA the next. Also, if they file their taxes on paper, the time until the data is available via the retrieval tool is even longer.

**A.** The I.R.S. Data Retrieval Tool can be used one to two weeks after the federal income tax return is filed, if the return was filed electronically. The tool can be used six to eight weeks after a tax return is filed on paper.
Grandparents as Legal Guardians

Q. How should questions be answered when the legal guardians are the student's grandparents? Will it be clear in the question to answer for the guardian? Will the retirement funds of the grandparents be considered? There is a deceased parent and one is noncontributing with no income (no longer legal guardian of the student). Thanks.

A. If a court of competent jurisdiction in the student's state of legal residence appointed the grandparents as legal guardians, the student is considered independent and parental information is not required on the FAFSA.

The legal guardianship must have been adjudicated by a court, not a lawyer. Otherwise, the student is considered to still be a dependent student and the student's parents must complete the FAFSA. The student could appeal to the college financial aid administrator for a dependency override, but parent refusal to support the student is not sufficient grounds for an override.

The grandparents cannot substitute for the parents on the FAFSA unless they have legally adopted the student.

Any support the student receives from the grandparents is reported on the FAFSA as untaxed income to the student, regardless of whether the student is dependent or independent.