SSS METHODOLOGY

SSS's Estimated Family Contribution (EFC) provides an objective and reliable baseline for schools' financial aid decisions. On this page, we offer a summary of the way in which we calculate the EFC. For a more detailed explanation, SSS Subscribers can read the SSS Computation Manual.

The method we use to calculate family contribution is considered the industry standard for comprehensiveness and fairness. We use information provided on the Parents' Financial Statement (PFS) as well as national data to determine the Estimated Family Contribution (EFC). Here's how it works:

First, we use the information a family has reported on the PFS to determine the total funds the family has available.

Here's how we determine the family's income that is not being spent on obligatory (nondiscretionary) expenses:

- To calculate a family's Total Income, we add up all taxable and nontaxable income that the family reports on its PFS.
- To calculate a family's Total Allowances, we add up all of the obligatory expenses the family reports on its PFS, including taxes, employment-related expenses, medical expenses, and unusual expenses.
- We determine a family's Effective Income by subtracting Total Allowances from Total Income.

Here's how we determine the *other* funds the family has available, which can supplement its income.

- We calculate Net Worth by subtracting all the Debt the family has reported on its PFS from the Total Assets it has reported on its PFS.
- Assets include any residence equity, other real estate equity, etc., that the family has. Debts include any money the family owes on mortgages as other debt it has reported on the PFS. Vehicles and other consumer debt are specifically excluded.
- We assign a portion of that Net Worth and call it the Income Supplement, or, in other words, the amount of additional net assets a family has available that can supplement its income.
- The portion we assign varies depending upon the age of the older parent. The reason we consider age is that we calculate how many more years of working income and asset generation the family can expect to have to support itself.

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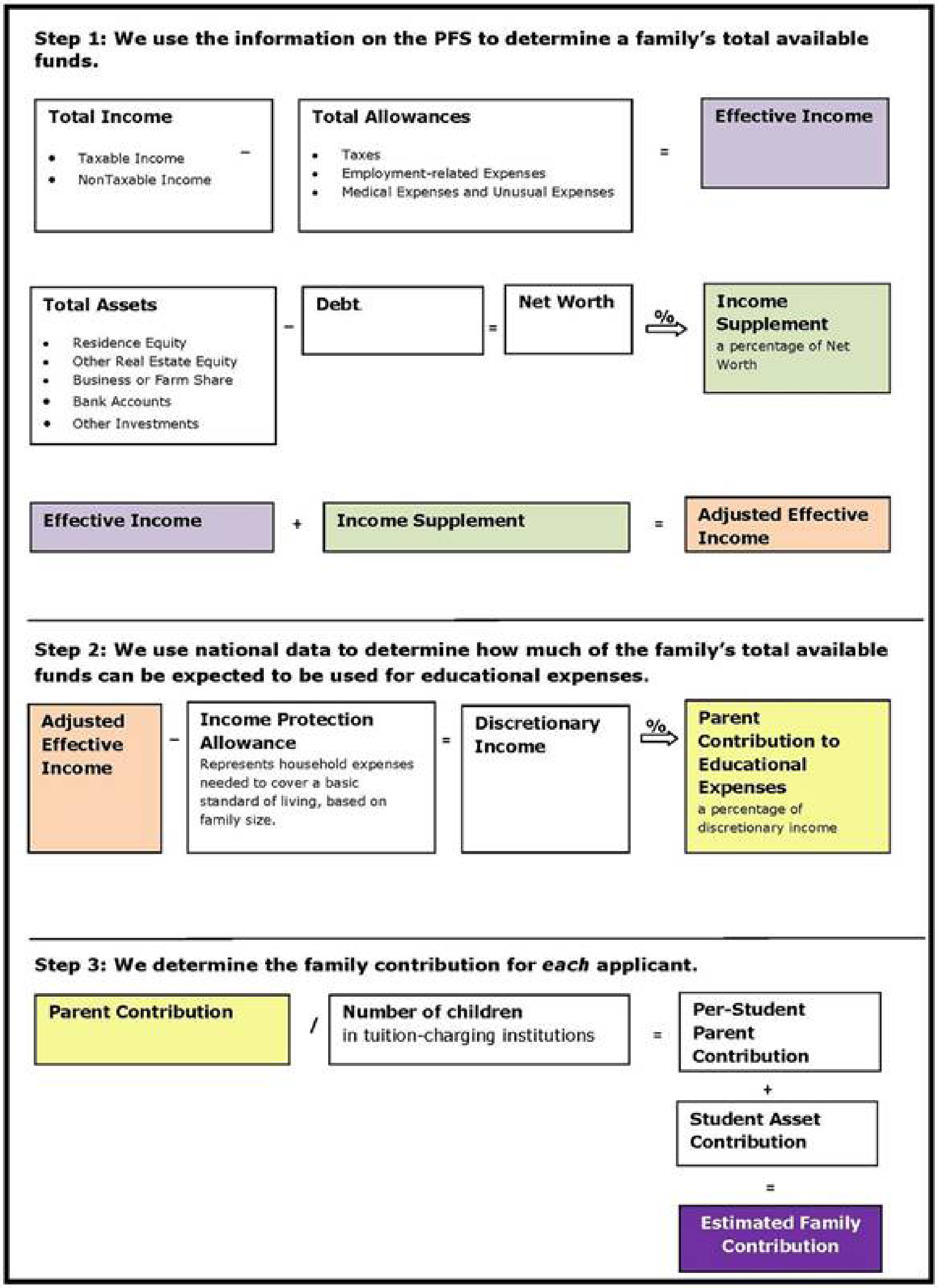
- We add this Income Supplement to the Effective Income to calculate the family's Adjusted Effective Income, or its total available funds.



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Next, using national data, we determine how much of the family's total available funds can be expected to be used for educational expenses.

Here's how we make that assessment:

- We take the family's Adjusted Effective Income and subtract from it an amount called the "Income Protection Allowance (IPA)."

  The IPA is not a figure pulled from the PFS. Rather, it is a figure we determine each year using data from several national sources such as the U.S. Bureau of Labor Statistics' Consumer Expenditure Survey. The IPA essentially accounts for the fact that a family of a particular size can be expected to spend a certain amount of money each year on basic necessities. Each family spends its discretionary income differently; using the IPA sets a level playing field and ensures that schools' financial dollars are being allocated to the families who are most in need.

  This calculation of Adjusted Effective Income minus Income Protection Allowance gives us the family's Discretionary Income, or in other words, the total funds that are available after the family has taken care of its obligatory expenses and basic day-to-day needs.

- We determine the portion of a family's Discretionary Income that can be used to pay educational expenses.

  That portion varies depending on the family's Discretionary Income; we assess an increasing proportion as Discretionary Income Increases. This amount is the total Parents' Contribution.

Finally, we determine the family contribution for *each* applicant.

- Based on the number of children the family has who are enrolled in tuition-charging institutions, we determine the estimated per-student Parents' Contribution.

  Note: The contribution for a boarding student will be higher than that for a day student, to reflect a nine-month allowance for food that the parents will save at home while the student is away at school.

- Using information supplied in the PFS, we calculate the Student Asset Contribution, that is the amount the student himself or herself has to contribute.

- For each student, we add the Parents' Contribution for that student plus the student's own Asset Contribution to determine the per-student Estimated Family Contribution.

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FREQUENTLY ASKED QUESTIONS

What is unique about the SSS methodology?
The SSS approach and methodology was created by schools and in collaboration with NAIS. It's the only one endorsed by NAIS as the standard for the industry and reflects the ongoing guidance of practitioners seeking a common, level starting point for assessing need. The SSS methodology doesn't use "budget-based" approaches, which can potentially unfairly reward families who spend more than other families as well as require subjective assessments of budget-based thresholds that can vary widely from school-to-school, creating an unlevel playing field for assessments.

The SSS methodology is considered the industry standard for comprehensiveness and fairness. To maintain that high standard, our methodology is reviewed annually by members of a school-based advisory task force, who help us ensure that the questions we ask families and the calculations we make are still relevant and comprehensive enough to help schools make sound financial aid decisions.

What is Income Protection Allowance (IPA)?
Each family spends its discretionary income differently. To set a level playing field (and to ensure that schools' financial dollars are being allocated to the families who are most in need), the IPA essentially says that a family of a particular size can be expected to spend a certain amount of money each year on basic necessities. We update the IPA annually using data from U.S. Bureau of Labor Statistics' Consumer Expenditure Survey. To treat each family equitably, the SSS calculation focuses primarily on family expenditures that are needed to maintain a basic standard of living and those that are of an obligatory nature.

Why is the family application (the Parents' Financial Statement) so comprehensive?
In order to best discern an applicant's financial and family situation, it's best to have the most complete picture. Given the limited availability of financial aid dollars at most schools, getting more information can help schools conduct a thorough review of each application and make the best financial aid decision. Over the decades, we have been guided by schools to add or take away questions.

Why does SSS tell parents the SSS Estimated Family Contribution, when it may differ from what our final school review determines the family can contribute?
We believe in transparency and accountability to both schools and families. When parents submit their sensitive financial information, they have a right to know how it's being used and whether it's being reported accurately to the schools to which they apply. From the schools' perspective, families that are educated about how the financial aid process works are more informed partners in the process. On the Family Report and throughout materials on the PFS, we emphasize the message that the SSS Estimated Family Contribution is a starting point ONLY and that each school makes its own financial aid decisions based on its available budget and its school-specific policies.