

The financial aid formula used by the Free Application for Federal Student Aid (FAFSA) to calculate the student's expected family contribution (EFC) is known as the Federal Methodology (FM). Some colleges and scholarship providers award financial aid funds based on a different formula, known as an Institutional Methodology (IM). About 250 mostly-private colleges use the CSS/Financial Aid PROFILE form, developed by the College Board, to calculate an EFC under the Institutional Methodology. The most common differences between the FM and IM formulas are summarized in this table:

Financial Aid Formula Components	Federal Methodology (FAFSA)	Institutional Methodology (CSS/Financial Aid PROFILE)
Net Worth of Family Home	Ignored	Capped, usually at 2-3 times income
Simplified Needs Test	Yes	No
Net Worth of Small Family Businesses	Ignored	Counted
Minimum Student Contribution or Summer Work Expectation	No	Yes
Paper Losses (Depreciation, capital losses, business/farm losses, net operating loss carry-forwards)	Counted	Ignored
Non-Custodial Parent Income/Assets	Ignored	Counted
Number of Children in College (see below)	Equal split of parent contribution	Smaller reduction in parent contribution
Assets Owned by a Sibling	Ignored	Counted, if sibling is under age 19 and not yet in college
Allowance for College Savings	None	Subtracted from assets
Allowance for Emergency Reserve	None	Subtracted from assets
Start of Application Season	October 1	October 1
Adjustment for Regional Cost of Living Differences	No	Yes
Assessment of Student Assets	20%	25%

Number in College	Federal Methodology	Institutional Methodology
1	100%	100%
2	50%	60%
3	33%	45%
4	25%	35%

Find out more about financial aid formulas. **Download our free book, *Filing the FAFSA: The Edvisors Guide to Completing the Free Application for Federal Student Aid* at: www.edvisors.com/fafsa/book/user-info/ and check out Appendix 1.**



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