

EFC PRIMER

WHAT YOU

NEED TO KNOW

about

EXPECTED FAMILY
CONTRIBUTIONS

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 THE COLLEGE
SOLUTION

If money is an issue, and it usually is, it's important that parents obtain their Expected Family Contribution before exploring their teenagers' college options.

Here is a summary of what parents need to know about this important number:

1. An Expected Family Contribution is a dollar figure that represents what financial aid formulas believe a family should be able to pay for one year of a child's college education.
2. Families with adjusted gross incomes of \$24,000 or less have an automatic EFC of \$0. The EFC for the average American household with an AGI of \$50,000 will usually range from \$5,000 to \$6,000. There is no cap on EFCs so some very wealthy families will have EFCs that exceed the cost of an expensive private university.
3. It's best to get a ballpark idea of what a family's EFC will be as early as a child's freshman year in high school. Obtaining a preliminary EFC will give parents a rough idea of the minimum amount that they will be expected to pay for college.
4. Families with household incomes of \$60,000 to \$80,000 and above typically find that they do not qualify for need-based aid at state universities, but they may qualify for need-based aid at private schools. Determining if a student would be eligible for need-based aid requires subtracting the EFC from a school's cost of attendance.

EXAMPLE NO. 1

Cost of In-State Public University	\$22,000
EFC	\$35,000
Demonstrated financial need	\$0

The family's EFC exceeds price of the state school so the student wouldn't qualify for need-based aid.

EXAMPLE NO. 2

Cost of Private College	\$60,000
EFC	\$35,000
Demonstrated financial need	\$25,000

In this scenario, the student would be eligible for up to \$25,000 in need-based aid from the private college because the price of this institution is far more expensive and exceeds the family's EFC.

5. Families, who discover that they have a high EFC and aren't eligible for need-based financial aid, should look for schools that provide merit scholarships that are given regardless of need. Most schools fall into this category.
6. If an EFC is modest, families should search for schools that provide excellent need-based assistance. Far fewer schools fit into this category.
7. Families will usually have to pay more for college than their EFC indicates they can afford because most schools do not meet 100% of a student's demonstrated financial need. Consequently, it's important to identify the most generous colleges that would consider a child an attractive candidate.
8. Parents can obtain their Expected Family Contribution by using the [College Board's EFC Calculator](#). With this calculator, they'll want to obtain their EFC using the federal and institutional formulas.
9. The calculator will produce one EFC using the federal methodology that is linked to the [Free Application for Federal Student Aid](#). The calculator will also produce an EFC using the institutional methodology, which is linked to the [CSS/Financial Aid PROFILE](#). The vast majority of private and public colleges and universities only use the FAFSA while 260 mostly private, selective schools use the PROFILE and the FAFSA.
10. After completing the FAFSA, a student will receive his/her official federal EFC via an electronic document called the [Student Aid Report](#). The SAR will include the family's Expected Family Contribution near the top of the report and also provide all the information that the family included on the FAFSA. Parents should check for accuracy.
11. PROFILE filers will not receive an EFC from the College Board, which owns and operates this financial aid application. Institutions that use the PROFILE customize their aid applications by choosing from hundreds of different

questions so families will end up with a different EFC for each school. Parents should ask each PROFILE school for their EFC if the institutions do not include this important dollar figure on their children's financial aid awards.

12. Unfortunately, many schools don't include a family's EFC on their financial aid awards. Some institutions suggest that including the EFC on their aid letters will confuse families. More likely, schools don't want to share EFC figures with families because they can then determine if the package is stingy.
13. Once a family has their EFC and the financial aid package, compare the EFC with what a school is offering. Let's say that the cost of a school after deducting institutional grants is \$39,000 and the EFC is \$28,000. That means there is an \$11,000 gap between what the EFC suggests that family can pay and what the school wants to charge you. Some schools essentially admit and deny some applicants by providing such terrible financial aid packages, in comparison to their EFCs, that the institutions are essentially denying these teenagers admission.
14. A household's EFC probably won't be a true indicator of what a family can afford to pay for college. The FAFSA formula, in particular, is a flawed creature of Congress.
15. Plug new numbers into the EFC calculator if a family's financial situation changes due to such things as a divorce, separation, death, disability, job loss or the care of an elderly parent.