

Cost of Attendance, Expected Family Contribution, and Need

Instructor's Notes

Time Estimate:

Lecture 20 minutes

Exercise 10 minutes

Total Time: 30 minutes

By the end of this session, you will be able to:

- *identify cost of attendance components,*
- *determine costs of attendance for Title IV programs at your school, and*
- *calculate financial need.*

INTRODUCTION

This session is divided into three parts.

- In the first part, we'll look at the definition for cost of attendance (COA) and the components of COA.
- Then, we'll briefly discuss the Expected Family Contribution (EFC).
- Finally, we'll discuss how a student's financial need is determined.

Before I begin, it is important for you to understand how these three concepts are related.

Need is the difference between the cost of attendance (COA) and the family's ability to pay (EFC). (OH 1)

$$\text{COA} - \text{EFC} = \text{Need}$$

When we determine the cost of attendance (COA), we're trying to establish what it will cost a student to attend a particular school.

- For example, the COA takes into account the school's charges for the student's specific program of study.
- The COA also takes into account the student's living circumstances and family situation.

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Instructor's Notes

- This means that students attending the same school may have different COAs.

The COA is the single most important figure in awarding financial aid to a student. This is for one simple reason:

- The COA sets an upper limit to financial aid.

A school participating in Title IV programs must establish written standard COA figures that are in accordance with statutory requirements.

- We'll look at the COA components defined by law, which are common to all Title IV programs, and see how COAs are established.
 - Exceptions made for specific groups of students will be reviewed.
- Then, you'll have an opportunity to calculate COAs for two case study students.
- After that, we'll discuss the COA calculations for the case studies.

TITLE IV COST OF ATTENDANCE (COA) COMPONENTS

Description of COA Components

The eight allowable components of a school's COAs are specified by law. Schools are required to use "reasonable costs" when determining costs of attendance.

Please turn to page 3 of your Workbook. The listed COA components are the same for all Title IV programs.

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They are: [IG, pg. 14] (OH 2)

1. tuition and fees;
2. room and board;
3. books, supplies, transportation, and miscellaneous personal expenses;
4. dependent-care expenses; (OH 3)
5. disability-related expenses;
6. study-abroad expenses;
7. employment expenses related to cooperative education programs; and
8. student loan fees.

This set of eight components is used for calculating cost of attendance for all Title IV programs.

The COA established for the Pell Grant Program, however, can differ from those of other Title IV programs. This difference occurs when programs of study or enrollment periods are less than or greater than the school's academic year. In this instance, Pell awards are always prorated to the costs for a full-time student for a full academic year. For all other Title IV programs, the COA is determined on the basis of the student's costs for the period for which need is being analyzed.

Now I want to make a few important points about some of the cost of attendance components.

- **Tuition and Fees** This is the amount normally assessed to all students who have the same academic workload.
 - This could be either the actual or average tuition costs for full-time students for a full academic year.
 - The amount may include mandatory fees, such as an equipment-breakage fee for all students taking a lab course.

Instructor's Notes

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Note to Instructor:

Student loan fees include fees paid by PLUS borrowers and may include fees for non-federal loans.

Note to Instructor:

Pell Grant COA is discussed in detail in Sessions 18a and 18b.

Instructor's Notes

- It may also include costs for renting or purchasing equipment, materials, and supplies **required** of all students in the same course of study.
- Your school may have different charges for different academic programs or different charges for in-state students and out-of-state students.
- For part-time students, the school may have separate lower tuition and fee charges. The actual or average lower charges would be used in determining COAs for the campus-based programs, the Direct Loan Program, and the FFEL Program.

What questions do you have about tuition and fees?

■ **Room and Board**

- For students without dependents who live with their parents, the minimum allowance is \$1,500.
- For students without dependents living in institution-owned housing, the actual or average cost is used.
- All other students are allowed a minimum of \$2,500 for expenses incurred for their room and board.
- Based on documentation of reasonable costs, your school can establish higher allowances than the statutory minimums.
- This room-and-board allowance is only for students who are enrolled at least half time.

■ **Books, Supplies, Transportation, and Miscellaneous Personal Expenses** This component is an allowance for these expenses.

- Miscellaneous personal expenses may include personal hygiene items, such as soap, toothpaste, deodorant, and shampoo.

Any questions about room and board or books and supplies?

■ Dependent-Care Expenses

- Dependent-care expenses refer to expenses for dependent children, spouse, and/or elderly parents living with the student who require special care.
- These costs must be necessary for the student to be able to attend school.
- Although there is no dollar maximum, the allowance may not exceed the cost for the specific type of dependent care in the student's community.

■ Disability-Related Expenses

- This allowance covers costs related to a student's disability that are not covered by another agency or that aren't provided for free.
- The costs must be determined to be directly related to the student's attendance—this includes costs reasonably incurred for special services, transportation, personal assistance, equipment, and supplies.
- Students must be enrolled at least half time if this allowance is to be included in their COA.

■ Study-Abroad Expenses For students enrolled at least half time in a study-abroad program that is approved for credit by the student's home institution, the school at which the student is enrolled may include an allowance for reasonable costs associated with the study-abroad program.

■ Employment Expenses Related to Cooperative Education Programs For students enrolled at least half time and placed in a work experience under a cooperative education program, the school may include an allowance for reasonable costs associated with their employment.

Instructor's Notes

Note to Instructor:

These expenses include, but are not limited to, care for dependents during class time, study time, field work, internships, and commuting.

Instructor's Notes

- **Student Loan Fees** For students who receive a loan under the Federal Direct Loan Program or FFEL Program (or parents of such students who receive PLUS Loans), an allowance for the **actual or average cost of any required fees**, such as origination fees and insurance premium fees, must be included in the COA. Fees for other types of loans may be included.

What questions do you have about any COA components?

COA Components for Specific Student Groups

In special circumstances, some of the eight components may **not** be allowed for specific groups of students. These include:

- less-than-half-time students,
- incarcerated students, and
- students enrolled in correspondence schools.

Restrictions also exist for students enrolled in telecommunications courses.*

The chart on page 3 of your Workbook notes these exceptions. [IG, pg. 14]

CASE STUDIES

Now it's your turn.

You are the financial aid administrator at the designated school. Your job is to calculate cost of attendance for the campus-based, Direct Loan, and FFEL Programs.

Working by yourself, use the information provided to fill in the worksheets for both case studies on pages 4 and 5 of your Workbook. When you finish calculating the cost of attendance for the sample student and your school, go ahead and compare your answers with one or two of your neighbors.

*No restrictions can be made about the mode of telecommunications instruction in determining costs, except that the costs of renting or purchasing equipment cannot be included as an element of the cost of attendance. See the *1997-98 EFC Formula Book* for additional information. **PW 3**

PW 4-5

Instructor's Notes

You have up to 5 minutes to complete the exercises.

- » The case-study summaries are shown below. However, when you are ready to discuss the cases with the participants, you will probably want to start with the solution discussions that begin on page 8.

Case Study 1: Amelia's COA

Amelia enrolls full time in a 600-clock-hour program at the Wild Thyme Culinary Institute. The institute defines the academic year for this program as 900 clock hours. Full-time students in Amelia's program attend 40 hours a week, complete the program in 15 weeks, and have the average costs of attendance shown below.

■ Tuition and Fees	\$1,800
■ Room and Board	\$2,500
■ Books and Supplies	\$ 200
■ Transportation	\$ 200
■ Miscellaneous Expenses	\$ 300

Amelia plans on borrowing a subsidized FFEL. Amelia's loan fees will total \$105. Correctly calculate Amelia's COA.

Case Study 2: Your School's COA

Fill in the blanks on the COA Worksheet with figures for one of the educational programs at your school. Assume that the average loan fees at your school will total \$105.

- » Allow participants to provide COA components for their schools.

PW 4**PW 5**

Case Study 1 Solution: Amelia

The costs normally assessed a full-time student enrolled in the 600-clock-hour program are as follows: (OH 4)

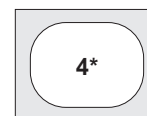
Amelia's COA Worksheet

Tuition and fees	\$1,800
Room and board	\$2,500
Books, supplies, transportation, and miscellaneous personal expenses	\$ 700
Dependent-care expenses	\$ 0
Disability-related expenses	\$ 0
Study-abroad expenses	\$ 0
Co-op employment expenses	\$ 0
Student loan fees	\$ 105
COST OF ATTENDANCE TOTAL	\$5,105

Q: Besides books and supplies, what COA expenses did Wild Thyme Culinary Institute have to take into consideration when calculating Amelia's COA?

A: Student loan fees.

The costs associated with Amelia's attendance are totaled to determine her COA, which is \$5,105.

Instructor's Notes**PW 9**

*Reveal each cost category one at a time on the OH.

Case Study 2 Solution: Your School

- » Call on a volunteer to provide COA components for his or her school. You may fill in each component as he or she discusses them. (OHs 5 and 6)

Instructor's Notes

5+6

Your School's COA Worksheet

Tuition and fees	\$ _____
Room and board	\$ _____
Books, supplies, transportation, and miscellaneous personal expenses	\$ _____
Dependent-care expenses	\$ _____
Disability-related expenses	\$ _____
Study-abroad expenses	\$ _____
Co-op employment expenses	\$ _____
Student loan fees	\$ _____
COST OF ATTENDANCE TOTAL	\$ _____

Q: What special COA expenses does your school have to take into consideration when calculating a student's COA?

A: [To come from participants.]

Are there any questions so far?

EXPECTED FAMILY CONTRIBUTION (EFC)

Expected Family Contribution (EFC) is the amount that a student and his or her family are expected to contribute to the student's education costs. The EFC is determined by a formula called the Federal Need Analysis Methodology, which is mandated by the Higher Education Amendments of 1992.

Instructor's Notes

Some of the factors that go into this formula are:

- the student's income;
- the student's parents' or spouse's income;
- family size; and
- the number of family members enrolled in postsecondary education.

All the information needed to compute a student's EFC is collected in the Free Application for Federal Student Aid, the FAFSA, which we'll discuss in detail during Session 12.

For more information on how the EFC is calculated, see *The EFC Formula Book, 1997-98*. You may order a copy by contacting the Federal Student Aid Information Center; you'll find the order information in your Workbook's "Need to Know" section, on page 2.

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NEED

By subtracting the EFC from the student's COA, the financial aid administrator at the school can determine the student's need for financial aid from ED and from other sources. Remember, $\text{COA} - \text{EFC} = \text{Financial Need}$.

Need for a Federal Pell Grant

Whether a student is eligible to receive a Federal Pell Grant and the amount of the grant are determined by the EFC and the school's COA. The financial aid administrator looks up these two figures on a chart ED puts out called a **payment schedule**, which shows amounts for Federal Pell Grant awards. The lower the student's EFC, the higher the Federal Pell Grant Award. Or, put another way, the less a family can contribute, according to the Federal Need Analysis Methodology, the greater the Pell Grant will be for an eligible student.

A full-time student with an EFC of zero receives the maximum Federal Pell Grant amount for the award year, while a student with a high EFC, at or above the cutoff point, is not eligible for a Federal Pell Grant. For 1997-98, the cutoff point is 2500. This means that a student whose family is expected to contribute more than \$2,500 isn't eligible for this type of federal education grant.

Need for Other Student Financial Aid Programs

To determine a student's eligibility for federal need-based student financial aid programs other than a Federal Pell Grant, the school must consider the COA, the student's EFC, and any estimated financial assistance (EFA).

Let's look at how this works by doing a couple of exercises. Please turn to page 6 of your Workbook.

Read the information about Susan in Exercise 1. Then, calculate her financial need, her EFA, and her eligibility for other need-based SFA program funds.

» Give participants 5 minutes to do the exercise. Then review the answers.

Susan is a dependent student who attends a college that costs \$6,000 a year. Her EFC is \$500. She has been awarded an academic scholarship by a civic group for \$1,500, and she qualifies for a \$2,000 Federal Pell Grant. Therefore, she could receive up to \$2,000 in other need-based aid. (OHs 7 and 8)

Cost of attendance	\$6,000
Expected Family Contribution	- 500
Student's financial need	\$5,500

Federal Pell Grant	\$2,000
Academic scholarship from a civic group	+ 1,500
Estimated financial assistance	\$3,500

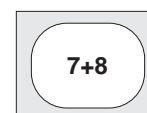
Instructor's Notes

Note to Instructor:

Due to the algorithm in the law that determines the Pell Payment Schedule, students who attend schools charging \$150 or less for tuition are not eligible for the maximum Pell Grant award.

PW 6

PW 10



Student's financial need	\$5,500
Estimated financial assistance	- 3,500
Eligibility for other need-based SFA programs	\$2,000

Instructor's Notes

To determine a student's eligibility for federal aid that is not awarded on the basis of financial need, the school must consider only the student's cost of attendance and any estimated financial aid. Federal financial aid not based on need is limited to:

- Federal Direct Unsubsidized Loans,
- Federal Unsubsidized Stafford Loans,
- Federal Direct PLUS Loans, and
- Federal PLUS Loans.

Therefore, if Susan were awarded \$2,000 in additional need-based aid, and her parents were unable to borrow a PLUS, she could also be awarded an additional \$500 in an unsubsidized loan.

The EFC is not needed to calculate eligibility for these loans. The basic rule is that the loan amount cannot exceed the difference between the COA and any other aid the student is receiving. In other words, the total amount of student aid cannot exceed school costs.

Exercise 2 about Joe on page 7 of your Workbook shows you how this works.

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- » Give participants 5 minutes to calculate the student's financial need, estimated financial assistance, unmet need, and eligibility for a Federal Direct Unsubsidized Loan. Then review the answers.

Joe is a junior at a four-year school that costs \$7,000 a year. His EFC is \$1,500. He has been awarded a \$650 state scholarship, an \$850 Federal Pell Grant, and a \$4,000 Direct Subsidized Loan. Even though Joe is receiving enough aid to cover the difference between his COA and his EFC, he also qualifies for a \$1,500 Direct Unsubsidized Loan to

PW 11

replace his EFC because his parents are unable to borrow a PLUS Loan. (OH 9 and 10)

Cost of attendance	\$7,000
Expected Family Contribution	- 1,500
Student's financial need	\$5,500

Federal Pell Grant	\$ 850
State scholarship	+ 650
Direct Subsidized Loan	+ \$4,000
Estimated financial assistance	\$5,500

Student's financial need	\$5,500
Estimated financial assistance	- 5,500
Unmet need	\$ 0

To determine the eligibility for a Direct Unsubsidized Loan: (OH 11)

Cost of attendance	\$7,000
Estimated financial assistance	- 5,500
Eligibility for Direct Unsubsidized Loan	\$1,500

Are there any questions on the material we covered in this session?

BACK AT THE OFFICE

You should become familiar with the components of COAs at your school. You should also be aware of any special expenses your school considers when calculating a student's COA.

What else should you do when you return to your office?

Instructor's Notes

9+10

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PW 8

COA Components for Specific Student Groups

Components	Incarcerated Students*	Less-Than-Half-Time Enrollment	Correspondence Study **
Tuition and fees	Yes	Yes	Yes
Room and board	No	No	Only for required period of residential training
Books, supplies, transportation, and miscellaneous personal expenses	Only books and supplies related to course of study	Only books, supplies, and transportation	Books, supplies, and only travel related to a required period of residential training
Dependent-care expenses	No	Yes	No
Disability-related expenses	No	No	No
Study-abroad expenses	No	No	No
Employment expenses related to cooperative education programs	No	No	No
Student loan fees (Federal Direct Loan and FFEL Programs)	No	No	No

* An incarcerated student is **ineligible** to receive a student loan. Further, students incarcerated in federal or state penal institutions may not receive a Pell Grant.

**A student is eligible for federal student financial aid for correspondence courses if the courses are part of a degree program and the school meets ED's acceptance criteria for the percentage of correspondence courses taught.