SCHOOL & STUDENT SERVICES BY NAIS

SSS Computation Manual

for Academic Year 2012-13

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About SSS By NAIS

School and Student Services By NAIS (SSS) provides a need-based financial aid analysis system for families, schools, and organizations. SSS By NAIS is a suite of products, services, and resources owned and managed by the National Association of Independent Schools (NAIS) as part of its endeavor to help private schools maintain access and affordability for students and families interested in private school education. In 1968, NAIS contracted with the Educational Testing Service to operate a central system of computing parental financial need as a scholarship service, patterned after the College Scholarship Service but directed toward the specific concerns of elementary, middle, and secondary schools. Today NAIS owns and fully operates SSS, partnering with companies that provide expertise in customer service and technology.

Advisory Task Force: By Schools, For Schools

In operating SSS, NAIS relies upon the advice and guidance of a group of financial aid practitioners to shape the service's activities, programs, and products. This advisory group reflects and supports leadership to schools in developing financial aid policies and practices. It works to promote greater access to private education though need-based financial aid and shapes professional development opportunities.

In its work, this advisory group strives to meet the following goals:

1. To uphold and promote the principles of need-based financial assistance in private elementary, middle, and secondary schools;
2. To maintain the integrity of SSS, including monitoring the validity of the SSS methodology and assessing ongoing improvements in products and services delivered to schools and families;
3. To provide guidance for the ongoing professional development of financial aid administrators in private elementary, middle, and secondary schools;
4. To provide guidance and direction to SSS subscribers and organizations about financial aid programs and policies;
5. To support NAIS's efforts to provide to the broader society information about access to private elementary, middle, and secondary schools.

Principles of Good Practice for Financial Aid Administration

Recognizing that each family bears the primary responsibility for financing a student's educational costs, NAIS's "Principles of Good Practice for Financial Aid Administration" are designed to serve as guideposts in the development of professional policies and orderly procedures among schools. Through these principles, NAIS affirms its belief that the purpose of a financial aid program is to provide monetary assistance to those students who cannot afford the cost of attending an independent school. Furthermore, these principles reflect the standards of equity and fairness NAIS embraces and reassert NAIS's ongoing commitment to access and diversity.

1. The school adheres to local, state, and federal laws and regulations that require nondiscriminatory practice in the administration of its financial aid policies.
2. The school operates within the context of both short- and long-range financial aid budget and policy goals.
3. The school uses objective research to measure the effectiveness of its progress toward its goals, and communicates the outcome as appropriate.
4. The school provides outreach, education, and guidance to students and families on all aspects of its financial aid process and options.
5. The school determines eligibility for admission without regard to a student's application for financial aid.
6. The school commits to providing financial aid dollars to applicants who demonstrate that their family resources are insufficient to meet all or part of the total educational costs.
7. The school continues to provide support to students as long as financial need is demonstrated.

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8. The school maintains the same standards of behavior and academic performance for recipients of financial aid as it does for non-recipients.
9. The school enacts documented procedures that ensure a fair, consistent, and equitable assessment of each family's ability to contribute toward educational expenses.
10. The school makes and communicates financial aid decisions in a manner that allows families to make timely, careful, and fully-informed enrollment decisions.
11. The school establishes administrative and accounting procedures that distinguish the school's need-based financial aid program from tuition assistance programs that are not based on financial need.
12. The school safeguards the confidentiality of financial aid applications, records, and decisions.
13. The school supports collaboration between the financial aid office and other offices within the school.

Revised and approved by the NAIS board in 2003.

Changes to SSS Services for the 2012-13 Academic Year

Each year, NAIS reviews suggestions from member schools and staff regarding SSS services and determines what changes should be made to keep pace with economic conditions, to integrate newly available statistics, and to improve service quality. For the 2012-13 Academic Year, the following changes are noteworthy:

Changes to Application Processing

- An upgrade the Comp*Assist Online technology platform to enhance system reliability and performance.
- Redesigned features of the custom reporting and work list tools in Comp*Assist Online.
- Added the ability for school users to "lock" applicant folders, disallowing revisions by parents after a decision has been made on the folder.
- Extended session time-out period with a warning message prior to automatic log-off.
- Ability to batch-print PFS's for multiple students.
- Added new information on the Report of Family Contribution—School Report (RFC)
- Improved functionality of the document carry-forward feature.
- Improved display and organization of the Documents feature.
- Easier ability to indicate New/Returning applicant status.

Changes to the Parents' Financial Statement

- Moved Question 21, "How much do you believe you can afford for educational expenses…" to become Question 20, placed before the section where families indicate where each child is attending school and what the costs are.
- Added advisory language to encourage families to be more realistic in what they report as the amount they can afford to pay for school costs.
- Revised wording of several questions ensure better consistency between the online and paper PFS's.
- Removed the Additional School Request Form (ASR) from the paper application. The ASR form is available online from the SSS website.

Changes to the Methodology

- SSS is using an increase in the Consumer Price Index (Urban) of 1.5 percent, where appropriate, to update certain SSS tables and to calculate certain allowances for 2011.
- The most recent available Consumer Expenditure Survey data on household spending – provided by the US Bureau of Labor Statistics and used to calculate the SSS Income Protection Allowance – resulted in IPA's used in this year's methodology that are *lower* than the IPA's used in the methodology last year.
- SSS updated the tables used for estimated federal income tax liability and FICA rates based on the IRS tax codes for 2011. FICA calculation reflects federal government reduction in employee's share of FICA taxes from 7.65% to 5.65% of the first $106,800 of salary or wages, effective for the 2011 tax year.

I. Introduction

A. The Purpose of the SSS Computation Manual

This *Manual* explains in detail the need-analysis computation procedures followed by the School and Student Service (SSS by NAIS). The *Manual* has been revised to reflect any changes that will be in effect during the current processing year. It contains tables that have been updated to the most recent year of available information. It also provides guidance to financial aid practitioners on reviewing applications and exercising effective professional judgment. Please note that the *Manual* is not intended to be a Users' Guide to using the Comp* Assist Online system. The Comp* Assist Online system has complete help resources built into it. The *Manual* is solely developed to provide transparency into how SSS calculates family contributions and to offer instructive help to practitioners in making financial aid decisions.

B. Principles of Financial Aid Administration

NAIS believes that the purpose of a financial aid program is to provide financial assistance to parents and their children who would not have the opportunity to attend the school and benefit from an independent education without such help. A school's financial aid program should be guided by the NAIS Principles of Good Practice for Financial Aid Administration (see page 4).

Each school should publish complete cost-of-attendance budgets that reflect total student expenses realistically, including books, fees, equipment and lab costs, commuting and travel expenses for students whose homes are some distance from the school, and other typical costs families incur in a year of schooling (see page 17 for an example).

Parents are expected to contribute according to their means, taking into account total income, assets, number of dependents, and other appropriate information. Although grandparents occasionally contribute toward educational expenses, and this may be encouraged in certain cases by individual financial aid administrators, SSS *does not* provide a separate means for requesting detailed financial information from grandparents. When appropriate, schools that require grandparents to submit financial information should ask them to complete the PFS.

Financial aid should be offered only after determining that the resources of the family are insufficient to meet the student's total educational expenses. Students who are old enough to hold summer jobs may be expected to contribute some portion of their earnings to school expenses. SSS does consider a student's personal assets in its assessment of family ability to pay such expenses.

A school should review its financial aid awards annually and adjust them, if necessary, to reflect changes in family financial need and in the school's total budget. At the time of the initial offer of financial aid, the school should notify parents of the necessity to reapply annually for financial aid.

C. Establishing a Financial Aid Policy

The school should take financial aid into account when setting policy and in short- and long-term institutional planning and budgeting. As a school balances the demands for financial resources for staffing, facilities, equipment, etc., to meet school objectives, it must also determine the goals for its financial aid program and determine the resources needed to meet those goals.

Evidence suggests that few SSS subscriber schools have a financial aid budget large enough to meet the full financial need of all applicants. In most instances, only a percentage of established need can be awarded to any individual applicant. What factors, other than the constraints of a school's total financial aid budget, affect decisions that must be made in determining financial aid grants to its applicants?

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Perhaps the most important factor is the basic purpose for which financial aid is granted. First and foremost, NAIS believes in awarding financial aid on the basis of reported family need. With need-based financial assistance as the one essential feature in a financial aid policy, a school may wish to specify additional criteria to be used in making financial aid decisions. Among those criteria most frequently cited are encouraging diversity in enrollment, examining length of commitment, rewarding academic or athletic performance, and filling spaces that might otherwise remain empty. NAIS believes a school should not exceed the established need limit because of these additional criteria. Some schools have endowed scholarships to be awarded based on certain criteria. NAIS strongly encourages schools with such monies to seek students whose families qualify for financial aid under its guidelines. Once the basic purposes of the financial aid program have been determined, the total financial aid budget should be apportioned accordingly.

It may be necessary to provide funds based on a higher percentage of need to economically disadvantaged students. A commitment of an amount that is almost equal to full educational costs is often necessary to enable such applicants to enroll or continue their academic careers within the school.

Budgeting

Relatively few schools have an established annual financial aid budget. Instead, many schools operate within a maximum allowable percentage of the total school budget for the full academic year. Statistics collected from NAIS member schools for the 2010-2011 academic year indicate that budgets for financial aid represented a median of 12.9 percent of total operating expenses, 13.8 percent of tuition revenue.

Communicating Objectives to Families

The school should have clear objectives for financial aid investment, including loans, as well as clear criteria and priorities for determining who receives such aid. The following procedures may help families understand the financial aid process.

- Advise parents that when financial aid applications containing insufficient information are processed, certain assumptions will be made by SSS about questions in the applications for which there is no information or insufficient information is provided.
- State explicitly who in the school reviews confidential information.
- Indicate whether or not the school requires interviews with parents to discuss their financial aid applications.
- Explain how information from applicants about each of the following is relevant in the determination of financial aid.
    - Savings accounts
    - Liquid assets
    - Size of home mortgage/equity
    - Separation or divorce
    - Parents' own educational costs
    - Parents' own educational debts (loans)
    - Voluntary salary reduction
    - Voluntary early retirement
    - Automobile(s)
    - Recreational expense (vacation, summer camp, boat)

Visit the Knowledge Center on the SSS Website at sss.nais.org *for articles on financial aid policy and on communicating with families.*

D. Financial Aid Administrator's Judgment

Although NAIS establishes uniform criteria for evaluating parental ability to pay the total educational expenses of the student, there are times when the strict application of SSS principles and philosophy may not best reflect a particular family's or school's situation. When such occasions arise, it is important for a financial aid administrator to remember:

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- The SSS process provides a baseline measure of the ability of parents and students to contribute towards total educational expenses and *does not* consider academic ability, character, or other criteria that a school may employ in making its final decision on recipients of financial awards.
- As with any system designed to process a large number of different cases, SSS uses a standard set of procedures. These procedures may not be completely applicable to the particular circumstances reflected by an individual case.
- The financial aid administrator has the right to contact the family for further information if what is reported on the PFS or the RFC is inadequate. For example, a school may request that parents provide a copy of IRS Form 1040, including all schedules, and W-2 Forms to verify information reported on the financial aid application.
- The current school situations of other children in the applicant's family (from pre-kindergarten through graduate school) and the financial aid and parental contribution related to that schooling should be carefully considered.

Even though SSS attempts to treat all cases equitably, the judgment of the financial aid administrator is indispensable. In some instances, the financial aid administrator may need to recalculate the family contribution for education based on school policy and/or additional financial information received from the family. When recalculating family contributions, the financial aid administrator may use the RFC and Comp* Assist Online to identify and enter appropriate revisions to determine the revised EFC. It is the financial aid administrator, who has experience within the school dealing with the individual problems of families in varied financial circumstances, who must ultimately make the recommendation for, or the final decision on, amounts and recipients of financial aid.

Accuracy is the most essential ingredient of effective need analysis; yet such accuracy should take into account the nature of the information upon which the analysis is based. *Both objective data and subjective data, made available through the PFS, must be evaluated by the financial aid administrator*. Complexities and unusual circumstances of each family situation must be acknowledged and considered in a final decision.

The Report of Family Contribution– School Report (RFC) provides factual information that will *guide* the financial aid administrator. The unusual condition codes shown on the RFC (see page 18 for the Unusual Conditions Code Listing) provide helpful information about a family's financial circumstances and should be carefully evaluated. The RFC is *not* meant to be used as the sole factor in making a decision about financial aid. Family circumstances should be considered by the financial aid administrator through a close scrutiny of facts given in the PFS and other documents collected. All families are, therefore, treated equitably according to the available information.

Thus, it should be understood, particularly by new financial aid administrators, that *it is the school's responsibility*, when establishing a final amount of need, to consider known circumstances about the applicant and the applicant's family in addition to the information shown on the RFC. The treatment of each case in a thoughtful, consistent, and reasonable way will help achieve the purpose of financial aid programs.

To help build the professionalism of administrators in making these judgments, SSS offers a series of resources online, in addition to professional development workshops, trainings, webinars, and other events.

E. Confidentiality of Parental Financial Information

NAIS advises schools that an absolute minimum number of staff and/or financial aid committee members should be allowed to have access to any financial information submitted by a parent (PFS, tax forms, etc.) or to the analysis of need (RFC). Parents have the right to expect that such information will be treated in complete confidence. Schools should refrain from any public announcement concerning the amount of financial aid offered to any recipient.

The amount of the aid granted typically reflects the economic circumstances of the family, and this information should be considered completely confidential. To the extent that they are made aware of the amount of financial aid granted to them, students should be encouraged to respect the confidentiality of this information.

Schools are advised to maintain *in secure files* all forms and information pertaining to financial aid awards for currently enrolled students that it wishes to maintain. Such files should be maintained for at least one year after the student leaves school and should be destroyed as soon as possible after that time.

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To facilitate the document collection and data capture services, SSS partners with the leading provider of electronic enrollment processes for colleges and universities nationwide. This company manages key elements of the enrollment process for thousands of college and university students, and through its world-class partnerships, it handles millions of documents annually. Document handling services are covered by SAS 70 Type II certification. SSS systematically disposes of all PFSs and other documents received at the end of the award year.

F. Explaining SSS Methodology to Parents

Given that NAIS believes that parents are the primary resource for paying for their child's education, NAIS also believes that parents have the right to know the way in which SSS calculates the family contribution. Therefore, we encourage financial aid administrators to discuss SSS processing and methodology with parents. In addition, to assist parents in understanding the calculation, parents may view a Report of Family Contribution – Family Report, which provides a summary of their specific calculation.

The two most common questions parents ask are: How did SSS come up with our family contribution, and why did you (the aid administrator) revise our family contribution? Recognizing this, NAIS has designed the Family Report to assist parents in understanding financial aid computation procedures. SSS makes the Family Report available online to all parents who file the PFS. The Family Report differs from the School Report. It provides an overview of the financial aid process and calculation and allows the parents to verify the data they submitted on the PFS. Some of the details of the calculation are not included on this report. The Family Report does not reflect any financial aid amounts and it does not include the results of any changes or revisions to the SSS calculation that the school administrator makes. The financial aid administrator should feel free to share the details of the calculation with the parents. On the Family Report, a zero (0) parents' contribution will appear when a School Report reflects a negative contribution.

If the family has not received the Family Report, then there are two key factors you will want to explain. First, the aid administrator can explain the basic components of the SSS processing. Using the School Report and the PFS, the financial aid administrator can point out which dollar amounts were used by SSS to estimate the contribution. Further, it can be shown how certain allowances have been deducted from net income and how assets have been employed to determine net worth (see Section III, "Overview/Rationale of the SSS Methodology").

The second key factor – one that requires thoughtful documentation by the financial aid administrator – is the application of the school's financial aid policies and the financial aid administrator's judgment. This explanation may also include the review of tax returns, firsthand knowledge of the specific school, limitations imposed by the amount of the school's total budget for financial aid, and other factors considered by the financial aid administrator.

G. Verifying Income and Tax Information

In the financial aid application process, the quality of the assessment of need is only as good as the quality of the information provided by the family. It is imperative that the process includes comparing PFS data the parents provide with comparable data provided on other forms and documents.

For example, the aid administrator may find that the federal income tax paid on Form 1040 varies from the amount of federal income tax reported to SSS by the parents and/or the tax paid calculated by SSS. One reason for such a difference could be that parents fail to report "total itemized deductions" on the PFS, even though they do itemize deductions when completing Form 1040. Another reason may be that the family qualifies for certain tax credits that are not factored into the SSS estimate of federal taxes. A third reason for such a difference could be that self-employed persons pay the entire amount of their social security tax (see amount entered on the PFS as self-employment tax paid). Including that sum as part of their total tax for the year on the PFS will make their tax seem far too high in relation to their income. Copies of Form 1040 and other schedules filed by the parent(s) and student applicant and their W-2 and 1099 Forms help to clarify such inconsistencies by enabling the financial aid administrator:

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- To verify income from salary and wages
- To compare the income tax listed on the RFC to what the parents have actually paid;
- To verify the number of exemptions claimed;
- To verify income from interest and dividends and the sources of such income;
- To review income other than wages and salaries, dividends, and interest (such as rental income, pension payments, and annuities);
- To review medical and dental expenses.

As such, collecting additional documentation, comparing and verifying amounts reported on the PFS, and making the necessary revisions to the SSS assessment are critical parts of effective financial aid decision-making.

To help school complete the verification process, SSS provides document collection and data capture features. When SSS collects particular tax forms and documents from families, it pulls from the documents key pieces of information to help administrators locate and verify information submitted on the PFS. In Comp*Assist Online, a school will see those figures alongside the figures submitted on the PFS, and exercise judgment to make revisions as necessary and appropriate.

II. The SSS Application Process

Each year, beginning in August, SSS distributes copies of the new printed PFS to all SSS subscriber schools and organizations. The schools, in turn, distribute them to the parents of applicants requesting financial aid – or they can direct parents to complete the PFS online at *sss.nais.org*. Families pay a fee when submitting the PFS.

SSS will continue to accept and process PFS's and other documents submitted for 2011-12 academic year awards through December 31, 2011.

For the 2012-13 Academic Year, SSS begins to process completed PFS forms on November 1. The Reports of Family Contribution (RFC) – School Reports are available to schools and organizations designated by the parents within three days of receiving a paper PFS and within minutes following the successful submission of an online PFS. Any PFSs submitted before November 1 will be processed on November 1.

Reports of Family Contribution and copies of the PFS (as PDF files) will be available to the schools through Comp*Assist Online. Because application data is calculated to determine an Estimated Family Contribution immediately, the PFS and the RFC will be available at the same time for school review. For a school to receive and view a student's RFC, SSS only requires the successful submission of the PFS.

An RFC is available for viewing in the Comp*Assist Online account belonging to the school(s) designated by the applicant or parent on the PFS. After the PFS has been submitted, parents can make an Additional School Request (ASR) to make the RFC and PFS documents available to another school. Parents submitting the PFS in print can find an ASR form for download on the SSS website for parents. Parents submitting the PFS Online will find a link for submitting an ASR as an option on their online PFS. There is no fee for ASRs.

Financial aid administrators should read carefully all detailed instructions that accompany the PFS and communicate to parents the following important advice:

- Complete the form fully, as errors or omissions may result in processing delays.
- When a number is required, fill in the number zero (0) instead of the words "none" or "same."
- If SSS sends follow-up correspondence to parents, they should respond as quickly as possible, as inaction could delay the production of a RFC.

The PFS Online application is designed to eliminate the possibility of a family submitting an error-filled PFS. Financial aid administrators should encourage families to complete the application online in order to save the family money on application fees, receive the RFC much sooner, and to ensure that the application is submitted without error.

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III. Overview/Rationale of the SSS Methodology

A. General Assumptions

NAIS takes the position that the sole purpose of providing need-based financial aid is to permit the attendance of students whose parents cannot afford to pay total educational expenses by themselves. Schools must recognize the importance of using a uniform method to measure the ability of families to pay educational costs. The SSS system, therefore, is based on several assumptions and expectations that are based on *national* economic factors.

In common with the other national need-analysis systems, the underlying assumption of SSS is that parents have an obligation to finance their children's education to the extent that they are able. Several factors, including the size of the family, the age of the parents, provisions for retirement, and extraordinary expenses, are considered when evaluating the family's financial strength and ability to contribute to educational expenses. The SSS system does not make distinctions among varying family spending patterns.

Families with similar incomes may, because of any of several different circumstances, have considerably different assets. An objective system of need analysis must treat every family equitably, taking into consideration differences in certain family circumstances that may be beyond a family's control. There must be a distinction made between family expenditures made by *choice* -- such as purchase of an expensive car, an extensive vacation, expensive club dues, or a second home -- and those of an *obligatory* nature such as tax payments, emergency home repairs due to fire or flood, or support for dependent relatives.

Since SSS uses objective information as the basis of its central need-analysis system, the reported family contribution can be considered as a reliable guide for the financial aid administrator.

Differences in family circumstances and inaccuracies in reporting values on the PFS will almost always require the financial aid administrator to adjust the figures provided on the RFC. Responsibility for final amounts of family contribution clearly rests with the school official. Parents who call or write to SSS are made aware of this fact. SSS computes and reports a contribution guideline; the financial aid administrator determines an award amount, and the school grants the financial aid funds.

The school is not required to use the family contribution calculated by SSS. A school's policies may cause the recalculation of a family contribution. It is important to educate families about your school's specific policies, including those relating to separated/divorced parents, nonworking parents, etc.

B. Four Steps to Assessing Aid Eligibility

In general, there are four major steps in assessing the estimated family contribution (EFC) toward educational expenses and the student's financial need. These steps are outlined below. In the following sections, the rationale underlying these steps is described in more detail.

Step 1: Determining Effective Income

- Determine total income (taxable and nontaxable).
- Determine allowances for federal, state, and local taxes; social security and Medicare taxes (FICA); employment-related expenses; medical expenses; and unusual expenses.
- Determine effective income by subtracting total allowances from total income.

Step 2: Determining Net Worth and Income Supplement

- Determine total assets by adding residence equity, other real estate equity, and all other assets.
- Determine net worth by subtracting indebtedness from total assets.

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- Determine an income supplement by assessing a portion of the net worth depending upon the age of the older parent.

Step 3: Determining the Estimated Family Contribution

- Determine adjusted effective income by adding the income supplement to the effective income.
- Determine the discretionary income by subtracting the income protection allowance based on family size from the adjusted effective income.
- Determine the estimated parental contribution for education by assessing an increasing proportion of discretionary income as discretionary income increases.
- Determine the estimated parental contribution for each student as a day or boarding student based on the number of children enrolled in tuition-charging institutions. The contribution for a boarding student will be $1,706 higher than that of 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.
- Determine the student asset contribution.
- Determine the estimated family contribution by adding the per-student parents' contribution and the student asset contribution.

Step 4: Determining Student's Financial Need

- Determine the student's financial need by subtracting the family contribution (as a day or boarding student) from the total nine-month school budget (day or boarding) for educational expenses.

C. What Is "Discretionary Income"?

As with other national systems of financial aid need analysis, the concept of discretionary income is the foundation of the analysis performed by SSS. At the point at which the family has one dollar of discretionary income, the family begins to make choices about how it will spend this discretionary income. Below that point, the family has virtually no discretion as to its spending. Resources are available only to cover essential expenses, and no contribution for education can be expected from the family.

Once the family has discretionary income, the family choices may not be easy. However, the choice to contribute to educational expenses is one decision, among many, that the family can begin to make.

As discretionary income increases, the family's purchasing power grows, and SSS assumes that a greater percentage of discretionary income is available for education. It is important to recognize that each family may have a different perspective on how much of its discretionary income it can contribute. Some families are willing to contribute a large percentage, others a small percentage. Each family's reaction will be different.

D. Understanding "Effective Income"

The first step toward the determination of discretionary income is the assessment of a family's effective income. A family's financial strength increases as its income increases. Effective income is that income available to the family after special allowances are made for expenditures about which the family has little or no choice. These allowances are primarily for taxes - federal, social security/Medicare (FICA), state and local taxes (such as those on sales and property, and city taxes where applicable) - and unusual expenses associated with employment, illnesses, and other uncommon or sporadic circumstances (such as unplanned emergencies).

E. Understanding "Income Supplement"

The possession of assets generally increases a family's financial strength. SSS measures the financial strength provided by various levels of assets by determining the potential supplementary income that may be expected from assets of a given value. Since assets generally have been accumulated by deferring the purchase of goods and services in the past, the assets can be considered available to supplement the purchase of goods and services from income in the present and future.

Traditionally, families accumulate assets for three major purposes: providing for retirement, preparing for emergencies, and future spending. In determining the income supplement that can be expected from assets, SSS recognizes the need to save for retirement. A retirement allowance is subtracted from the parents' net worth (total assets less indebtedness), even as the amount saved for retirement is not considered in the calculation. The income supplement is derived from the remaining discretionary net worth.

While families may not choose to convert their assets according to the SSS formula, this technique serves to equitably group families with approximately the same financial strength. Allowances for retirement needs vary according to both the age of the older parent, the number of parents, and the size of available assets within anyone age group. At 42 years of age, a parent is expected to have a longer period of time to invest in retirement than at age 62. Thus, the allowance should be greater when there is less time to save for retirement. Additionally, since the use of assets by a family expands in proportion to the amount of assets, a progressive index will reduce the calculated income supplement at the lower level of net worth and increase it at the upper levels.

Determining the income supplement also recognizes that some families with considerable home equity, relative to their incomes, have difficulty in translating the parental contribution driven by that asset into real cash to cover their parental contribution. Thus, whenever the home equity exceeds three times the parents' total income, the amount in excess of three times total income is protected -- that is, not considered -- in the calculation of the income supplement.

F. Understanding “Adjusted Effective Income”

The SSS system of need analysis assumes that assets combine with income to reflect the most complete index of a family's financial strength. Adjusted effective income is the sum of effective income (income minus nondiscretionary allowances) and the income supplement (a portion of net worth). Thus, adjusted effective income is deemed to be the resources that the family has to cover its basic living costs and, if high enough, its discretionary costs as well. The fact that a family with an income supplement is asked to contribute more toward school expenses than would be required from its effective income alone is a reflection of a family's ability to contribute more from current income for school expenses because its assets provide it with greater financial security.

A family with a small income and large assets may have the same financial strength as a family with a large income and no assets. A two-child family with an effective income of $25,000 and no income supplement from discretionary net worth and a similar family with an adjusted effective income composed of $22,000 effective income and a $3,000 income supplement from discretionary net worth can be considered to have equal financial strength and can also be expected to contribute the same amount toward a year of school expenses.

G. Understanding the Income Protection Allowance (IPA)

The Income Protection Allowance (IPA) represents an initial allowance against income and the income supplement to cover basic necessities for the family beyond the standard allowances for taxes and expenses considered unusual. SSS develops the IPA using baseline data from the U.S. Bureau of Labor Statistics (BLS) Consumer Expenditure Study (CES). The IPA for the 2012-13 processing year is based on the CES for 2009 (the most recently available data at the time the IPA is adjusted annually), updated for inflation and set at three-fourths of the median expenditure for a family of four, in order to establish a lower standard of living. It sets a level of consumption sufficient to provide for basic needs, and as updated for inflation, is typically above the federal government's "poverty line," yet below average family income. Further, the system initially assumes that the student applicant will not live at home during the nine-month school year, and, therefore, the cost of food for this student is subtracted from total family consumption costs. Later the SSS system adjusts the computation to provide estimated family contributions for both day and boarding students.

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Since a direct allowance from income is provided for state and local taxes, this portion of the CES expenditure is also subtracted. Since SSS is calculating a contribution to education, CES education expenses are also subtracted.

To determine the IPA for families of differing sizes, "equivalency scales" based on those published by the BLS are used to adjust the IPA for a family of four. For the 2012-13 academic year applications, the following income protection allowances will be used in the methodology.

Family Size	Income Protection Allowance
Family of 2	$22,766
Family of 3	$27,183
Family of 4	$33,979
Family of 5	$40,775
Family of 6	$47,231
Each additional person	$6,116

H. Determining the Estimated Parental Contribution from Discretionary Income

The estimated parental contribution toward educational expenses is derived from discretionary income (adjusted effective income minus the income protection allowance). Since discretionary purchasing power grows as the level of discretionary income increases, a progressive rate of expectation is applied to assess parental ability to contribute toward educational expenses. Since the SSS system only allows for a lower standard of living through its allowances, the contribution rates are set in a progressive manner so that the untapped portion of the discretionary income is available for the family' s other spending choices.

The SSS expected rates of contribution from discretionary income are shown in the following table:

Discretionary Income	Expected Contribution Rates
Not over $5,646	22% of discretionary income
$5,647 to $11,293	$1,242 plus 25% in excess of $5,646
$11,294 to $16,940	$2,654 plus 29% in excess of $11,293
$16,941 to $22,587	$4,292 plus 34% in excess of $16,940
$22,588 to $28,234	$6,211 plus 40% in excess of $22,587
$28,235 and over	$8,470 plus 45% in excess of $28,234

In other words, the first $5,646 of discretionary income will be assessed at 22 percent. Twice that amount (up to $11,292 of discretionary income) will be assessed at $1,242 plus 25 percent, and so on.

> Example 1: If the discretionary income is $10,500, then the parental contribution will be $2,456
> [$1,242 plus 25 percent of the excess of the discretionary income over $5,646;
> that is, $1,242 + ($10,500 - $5,646) X .25 = $1,242 + ($4,854 X .25) =$1,242 + $1,214 = $2,456].
>
> Example 2: If the discretionary income is $30,000, then the parental contribution will be $9,264
> [$8,470 plus 45% of the excess of discretionary income over $28,235;
> that is, $8,470 + ($30,000 - $28,235) X .45 = $8,470 + ($1,765 X .45) = $8,470 + $794 = $9,264].

The result of calculating the parental contribution in this manner results in a parental contribution for a boarding student. To calculate the contribution for a day student, subtract $1,706 (the amount assumed to be retained by the parents for food expenses for the applicant at home).

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I. Understanding the Negative Contribution

To enable financial aid administrators to make appropriate distinctions in family living standards and to differentiate among families living below the basic standard used by SSS, negative parental contributions are reported when such figures are computed. Negative contributions reflect extreme hardship in covering tuition and associated educational expenses. SSS reports to schools negative contributions to a maximum of $3,412 (twice the food allowance). To avoid confusion about its meaning, a negative contribution will appear as zero on the Report of Family Contribution-Family Report sent to the parent.

Financial aid administrators should understand that a family contribution of - $600 shown on the Report of Family Contribution - School Report indicates a greater degree of need than a contribution of - $250, which, in turn, represents greater need than a contribution reported at $0. It should be noted that in every case the student's food allowance of$1,706 is to be added by the financial aid administrator to the family's negative or zero contribution for a day student to determine the contribution for a boarding student.

J. Understanding the Student Asset Contribution

Determining the family ability to contribute to educational expenses also requires considering the resources of the student. SSS collects information about the student's assets on the PFS and determines a contribution from these assets. Since the PFS permits the parents to apply for financial aid for multiple students, information on each student's assets is collected, and the calculation of a student asset contribution is performed for each student. The student asset contribution for a particular student appears only on the RFC for the school designated to receive information for that student.

SSS assumes that the primary reason for accumulating student assets is saving for educational expenses, including elementary, middle and secondary school, and undergraduate college. Thus, to determine the student asset contribution, SSS divides the student assets by the number of years remaining in school plus four years of college. If the grade of the student is not provided on the PFS, SSS assumes a grade of nine and divides by eight remaining years in school. The maximum number of years that SSS uses to divide into the assets is 18 for a student in pre-kindergarten.

K. The Family Contribution

SSS measures the family ability to contribute to educational expenses by a combination of the parental resources and the student resources. Thus, SSS adds the parental contribution to the student asset contribution to determine the family contribution. In using the RFC, the financial aid administrator should be careful to use the appropriate contribution for either day or boarding school.

L. Concept of Recalculation

The family contribution calculated by SSS is not "law"; rather, a school should use it as a guideline in conjunction with school policies and the review of family tax returns. There may be an instance when it is necessary to recalculate a family contribution based on explanations on the PFS or other documentation the school receives, including tax returns. The detailed steps to be followed in calculating the family contribution are described in Sections V and VI.

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M. Determining Financial Need

Financial need is defined as the difference between the student's total cost of education and the family contribution. Thus, in addition to determining the family contribution, the financial aid administrator must determine the cost of education that the school will use to determine financial need for its financial aid applicants.

Most schools list educational expenses in their catalogs. It is important for the financial aid administrator to have a comprehensive budget printed and available for financial aid applicants. Schools differ in the way they present their costs; however, it is important to include a fair appraisal of all costs for the school year. Sometimes schools use tuition to determine financial need and financial aid. Even in circumstances where the school gives aid to cover full financial need, the school may still be asking parents to cover $2,000-$3,000 beyond tuition. The following are examples of cost-of-attendance budgets:

	Sample Cost-of-Attendance Budgets	
	Day School	Boarding School
Tuition	$17,000	$31,000
Fees:		
Testing	100	100
Athletic	150	150
Breakage	50	75
Laboratory	75	75
Music/Art	75	100
Books/Supplies	600	600
Miscellaneous	200	200
Linen/Laundry	-	250
Transportation	300	800

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IV. SSS CLASSIFICATION & UNUSUAL CONDITION CODES

When a PFS is received, SSS performs a variety of edits on the information submitted by the parents on the PFS. Some of these edits are designed to assist the financial aid administrator in the review of the PFS and School Report and may result in the need to recalculate the family contribution determined by SSS. "Classification" and "Unusual Condition" codes appear on the School Report as a result of these edits and refer to elements that need to be reviewed. Their use is described in the next section of this *Manual*.

CLASSIFICATION	
Family Status	Special Circumstances
1= Two Parents	R= Business or Farm cases
2= Two Parents, Assumed	T= Parents' Indebtedness Exceeds Assets
3= One Parent	
4= Not Computable	

UNUSUAL CONDITIONS	
A =	No income tax reported for 2011.
B =	Income tax reported for 2011 is less than 80% of standard tax.
C =	Income tax reported for 2011 exceeds standard tax by 20% or more.
D =	Taxed income is zero.
E =	Income for 2012 differs by $5,000 or more from 2011 income.
F =	Medical expenses exceed 5% of total income.
G =	Adjustments to income reduce Estimated Parental Contribution for Education by $300 or more.
H =	Unusual expenses reduce Estimated Parental Contribution for Education by $300 or more.
I =	Indebtedness reduces Estimated Parental Contribution for Education by $300 or more.
K =	Taxable dividend and/or interest income represents less than a 5% return on the total of bank accounts and investments when this total exceeds $5,000. Or the total of bank accounts and investments represents less than the appropriate amount expected when the taxable dividend and interest income exceed $250 and reflects a 5%return.
L =	The negative amount in other taxable income reduces Estimated Parental Contribution for Education by$300 or more.
M =	Using the Housing Index Multiplier table, $XXXXXX is the home equity.
N =	Review per-student Family Contribution. The contribution may not be appropriate given varying school expenses for each student.
P =	Student assets are listed, and no grade has been provided; SSS assumed a grade of 9.
Q =	The home equity used in the computation has been capped at three times the total income. The home equity based upon the market value less the sum of unpaid mortgage principal on first mortgage and unpaid principal on second mortgage/equity loan(s) is $XXXXXX. Using the Housing Index Multiplier table, $XXXXXX is the home equity.
S =	Student assets are listed for at least one of the children in the family; the Estimated Family Contribution for each child may differ as listed below. (This message will also include the names of the children and the corresponding family contribution for each.)
U =	Total unpaid principal on all mortgages and equity loans for the home and/or other real estate is greater than present market value. SSS assumes no equity.
V =	Review business or farm income, assets, debts, and percentage of ownership. Information provided by the parents may be incomplete.
Z =	Income reported in foreign currency. SSS recommends individual review.

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V. SSS PROCEDURES DEALING WITH INCOME

In all computations of income and expenses, SSS uses the most recently completed full year of financial information. For example, for awards made for the academic year 2012-13, dollar amounts for 2011 will be used. Occasionally there will be a case where it will be impossible for 2011 figures to be used. In this situation, SSS will indicate that the case cannot be computed using the standard procedures and will forward a non-computed RFC and a copy of the PFS to the school(s) designated by the parents.

Occasionally, a family submits additional or updated information to SSS after the RFC has been processed that necessitates producing a revised RFC. Revised RFCs will be produced and made available to all designated institutions when the updated financial information is successfully submitted. All other additional financial information provided should be carefully reviewed by the school for its impact on the estimated family contribution.

A. Determination of the Family's Total Income Before Taxes

Dollar amounts reported in Section C of the paper PFS provide information about income in two categories, taxable and nontaxable. The information is divided to allow accuracy in computing federal income tax and FICA. Note that the PFS also allows the parents to indicate adjustments to income and are intended to follow the IRS 1040 rules in this area. The IRS allows families to exclude from income voluntary contributions to tax-sheltered retirement accounts on a limited basis. In the SSS methodology, IRA/Keogh current-year contributions are treated as nontaxable income within the limits allowed by law and as entered by families on the PFS.

If the entry for “Other IRS allowable adjustments to taxable income” reduces the final parental contribution by $300 or more, Unusual Condition Code "G" and message will trigger.

There are several other unusual condition codes relating to total income that will aid the financial aid administrator in determining whether recalculation of the family contribution may be necessary.

- First, Unusual Condition Code "D" and message will show when taxed income is zero. A code also results from a computer match of total 2011 estimated income with total income reported for 2011.
- If the difference is $5,000 or more, Unusual Condition Code "E" and message will be reported. This message tells the financial aid administrator that a change in the family income warrants review, and an adjustment, an increase or reduction, in financial aid may be appropriate.
- If a negative amount reported for “Other taxable income” reduces the parental contribution by $300 or more, the Unusual Condition Code "V' and message will trigger.
- Unusual Condition Code "K" and message corresponds to information provided on the PFS related to dividend and interest income. This code and message will trigger in two situations: l) if the total of bank accounts and other investments is greater than $5,000 and the taxable dividend and/or interest income reported represents less than 5 percent return or 2) when the taxable dividend and interest income exceed $250 and, assuming a 5 percent return, the total of bank accounts and investments represents less than the appropriate amount. (Bank accounts and investments earning less than 5 percent are more likely to be kept liquid for frequent use.)
- Unusual Condition Code "V" and message relate to information provided on the PFS regarding self-employed businesses (business profit/loss and business assets/debt). This code and message will appear whenever any information relating to business and farm income is present to suggest to the financial aid administrator that additional information, such as an SSS Business or Farm Statement and a copy of the parents' complete tax return, may be needed to assess the parents' financial situation.

The financial aid administrator will want to review and may need to recalculate SSS-generated allowances for federal income taxes paid, using Unusual Condition Code A, B, or C and message as indicators of possible discrepancies. In most cases, the total income figure for the current year is reliable. The best check on income tax paid figures may be found in PFS item “Total Federal Income Tax paid,” the Federal Income Tax allowance computed by SSS using the

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standard federal tax tables, and the SSS reconciliation between the two. Of course, each of these values should ultimately be checked against the applicant's 1040 to verify the actual amount of income tax liability for the year.

There are two types of nontaxable income (which are included in the total income figure) that should be carefully reviewed by the financial aid administrator:

(1) Social Security Benefits: The PFS asks for annual nontaxable social security benefits in the Total Nontaxable Income section of the form. Occasionally, this item is overlooked and information omitted. When a parent who qualifies as a widow(er) or retiree sends a PFS to SSS with such benefits omitted, or when the death of a parent occurs after the submission of the PFS, the financial aid administrator may want to contact the parent and recomputed the family contribution based on additional information or new circumstances. Information regarding survivor benefits is available through the Social Security Administration.

(2) Other Nontaxable Income: The PFS also asks for all nontaxable income received or estimated to be received by the family (other than social security benefits or child support received). A worksheet detailing the various types of other nontaxable income is included on the PFS to provide the financial aid administrator with more complete information about a family's financial resources. The worksheet is also a handy tool for families to use to identify certain nontaxable income they might otherwise leave unreported.

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B. Determination of Allowances

The following allowances are included in the SSS methodology, but special circumstances should always be examined carefully to determine whether or not they should be accepted by an individual school's financial aid administrator.

(1) Federal Income Tax: SSS makes an allowance for federal income tax by directly computing an appropriate tax based on the reported total taxable income for the current year in PFS and by subtracting IRS allowable adjustments reported. It also takes into account the greater of total itemized deductions reported on the PFS or the standard deduction. No comparison is made centrally between the tax reported for the current year and the tax paid for the previous year, even though the previous year's tax is requested on the form.

Even though the PFS asks families to report the amount of federal income tax paid, SSS provides a separate calculation of federal income taxes paid based on the filing status of the parent(s), the number of exemptions reported on the PFS, the total taxable income after adjustments (adjusted gross income), and the standard U.S. income tax tables shown below.

2011 U.S. Income Tax Rates by Level of Taxable Income	
Schedule for Filing a Married Joint Surviving Spouse Return	
(SSS Family Status 1 or 2)	
*Taxable Income**	*U.S. Income Tax*
Not over $17,000	10% of taxable income
$17,001-69,000	$1,700.00 plus 15% of excess over $17,000
$69,001-139,350	$9,500.00 plus 25% of excess over $69,000
$139,351-212,300	$27,087.50 plus 28% of excess over $139,500
$212,301-379,150	$47,513.50 plus 33% of excess over $212,300
$379,151 or more	$102,574.00 plus 35% of excess over $379,150
Schedule for Individual Filing as Head of Household	
(SSS Family Status 3)	
*Taxable Income**	*U.S. Income Tax*
Not over $12,150	10% of taxable income
$ 12,151-46,250	$1,215.00 plus 15% of excess over $12,150
$ 46,251-119,400	$6,330.00 plus 25% of excess over $46,250
$119,401-193,350	$24,617.50 plus 28% of excess over $119,400
$193,351-379,150	$45,323.50 plus 33% of excess over $193,350
$379,151 or more	$106,637.50 plus 35%of excess over $379,150
Schedule for Individual Filing a Single Return	
*Taxable Income**	*U.S. Income Tax*
Not over $8,500	10%of taxable income
$8,501-34,500	$850.00 plus 15% of excess over $8,500
$34,501-83,600	$4,475.00 plus 25% of excess over $34,500
$83,601-174,400	$17,025.00 plus 28% of excess over $83,600
$174,401-379,150	$42,449.00 plus 33% of excess over $174,400
$379,151 or more	$110,016.50 plus 35% of excess over $379,150
Schedule for Married Filing Separately	
*Taxable Income**	*U.S. Income Tax*
Not over $8,500	10%of taxable income
$8,501-34,500	$850.00 plus 5% of excess over $8,500
$34,501-69,675	$4,750.00 plus 25% of excess over $34,500
$69,676-106,150	$13,343.75 plus 28% of excess over $69,675
$106,151-189,575	$23,756.75 plus 33% of excess over $106,150
$189,576 or more	$51,287.00 plus 35% of excess over $189,575
***Total taxable income after deductions and exemptions**	

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The SSS estimate of federal income tax paid, even when using the tax tables and rates above, can be imprecise if the family qualifies and takes advantage of certain tax credits that can reduce taxable income and SSS is unaware that those credits are taken. As a result, it is always recommended as best practice to verify the federal tax paid that families report and that SSS calculates using the actual 1040 the parent(s) files. It is typically more likely that SSS will calculate federal income taxes at a higher level than a family might end up paying.

(2) FICA Allowance -SSS computes an allowance for FICA payments by multiplying each parent, stepparent, or guardian's gross income (salary and wages and/ or profit from farm or business) by the 2011 FICA rate of 5.65 percent of salary and wages up to $106,800 plus 1.45 percent on the amount of salary and wages exceeding $106,800 (no maximum). If there are two parents, the products of these calculations are added together to produce the FICA allowance.

If either or both parents are self-employed and the financial aid administrator chooses to take this status into account, the FICA rate for those who are self-employed is 15.3 percent of the first $106,800 of salary and wages plus 2.9 percent on the amount exceeding $106,800 if not paid in advance, or the self-employment tax paid reported on the PFS. There is no maximum on the FICA allowance. For the 2011 tax year, part of the self-employment tax may be deducted from the taxable income amount. If one parent is self-employed and one is salaried, the financial aid administrator should calculate at the appropriate FICA rate for each and add the two together.

(3) State and Other Taxes-SSS provides an allowance for state and other taxes that a family pays to the state and/or the community in which the family lives. This allowance is computed to reflect both a state-based average by income groups and differences in the relative tax burdens from state to state, as a percentage of total income. Included in this allowance are state income taxes and taxes on sales and real estate or other property.

See the table on the following page. Note the rates in the tables did not change compared to the rates in the tables for the 2010-2011 processing year. *All Canadian Provinces use the Canada rate. For Foreign, including Americans Abroad (AA, AE, AP), use the same rate as "Not Reported."*

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State and Other Allowances

	Percentage of Total Income									
	$0-50,000	$50,001-60,000	$60,001-70,000	$70,001-80,000	$80,001-90,000	$90,001-100,000	$100,001-110,000	$110,001-120,000	$120,001-130,000	$130,001+
Alabama	9.5%	8.5%	8%	7.5%	7.5%	7%	6.5%	6.5%	6.5%	6%
Alaska	3.5	3.5	3.5	4	4	4	4	4	4	4
Amer. Samoa	4	3	2.5	2	2	2	2	2	2	2
Arizona	9.5	8.5	8	8	8	8	8	8	8	8
Arkansas	9.5	9	9	9	9	9	9	9	9	8.5
California	8	8	8	8.5	9	9.5	9.5	9.5	9.5	10
Canada	12	12	12	12.5	13	13	13	13	13	12.5
Colorado	8	8	8	8.5	8.5	8.5	8.5	8.5	8.5	8
Connecticut	12	12	12	12.5	13	13	13	13	13	12.5
Delaware	5	6	6	6	6.5	6.5	6.5	6	6	6
D.C.	8.5	9.5	9.5	9.5	9.5	9.5	10	10	10	9.5
Fed. States of Micronesia	4	3	2.5	2	2	2	2	2	2	2
Florida	8.5	7.5	7	6.5	6.5	6.5	6	6	6	5.5
Georgia	9	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9.5	9
Guam	4	3	2.5	2	2	2	2	2	2	2
Hawaii	8	8	8	8	8	8	8	8	8	7.5
Idaho	9	9	9	9	9	9	9	9	9	8.5
Illinois	11	10.5	10.5	10.5	10	10	10	10	10	9.5
Indiana	10.5	10	9.5	9	9	9	8.5	8.5	8.5	8
Iowa	10.5	10.5	10	10	10	10	10	10	9.5	9
Kansas	9.5	10.5	10.5	10.5	10.5	10	10	10	10	9.5
Kentucky	9.5	10	10	10	10	10	10	10	9.5	9
Louisiana	7.5	7.5	7	7	7	7	7	7	7	6.5
Maine	10	10.5	11	11	11	11	11	10.5	10	9.5
Marshall Isl.	4	3	2.5	2	2	2	2	2	2	2
Maryland	9	9.5	9.5	9.5	9.5	10	10	9.5	9.5	9
Massachusetts	9.5	10	10.5	10.5	11	11	11	11	10.5	10
Mexico	3.5	3.5	3.5	4	4	4	4	4	4	4
Michigan	11	10.5	10.5	10.5	10.5	10	10	9.5	9.5	9
Minnesota	8.5	9	9	9	9	9.5	9.5	9.5	9	9
Mississippi	8	8	8	7.5	7.5	7.5	7.5	7	7	6.5
Missouri	9.5	9.5	9.5	9.5	9.5	9	9	9	9	8.5
Montana	8	8	8	8	7.5	7.5	7.5	7.5	7	7
Nebraska	10.5	10	10	10	10.5	11	11	11	10.5	10
Nevada	6	6	6	6	6	5.5	5	5	4.5	4
New Hampshire	8	8	8	8	8	8	8	8	7.5	7
New Jersey	12.5	12	12	12	11.5	11	11	10.5	10.5	10
New Mexico	9	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8.5	8
New York	13	13.5	14	14	14	14	14	14	14	13.5
North Carolina	9.5	10	10	10	10	10	10	10	9.5	9
North Dakota	7.5	7.5	7.5	7	7	7	7	7	6.5	6
Northern Mariana Isl.	4	3	2.5	2	2	2	2	2	2	2
Ohio	10.5	10.5	10.5	10.5	10.5	10.5	10.5	11	11	10.5
Oklahoma	10	10	10	10	10	10	9.5	9	9	8.5
Oregon	10	10	10	10	10	10	10.5	10.5	10.5	10
Palau	4	3	2.5	2	2	2	2	2	2	2
Pennsylvania	11	11	10.5	10.5	10.5	10.5	10	10	10	9.5
Puerto Rico	4	3	2.5	2	2	2	2	2	2	2
Rhode Island	12	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11.5	11
South Carolina	8.5	9	9	9	9	9	9	9	8.5	8
South Dakota	7	6	6	6	6	6	6	5.5	5.5	5
Tennessee	7.5	7	6.5	6	6	6	6	6	5.5	5
Texas	7	6.5	6	6	6	6	6	6	6	5.5
Utah	10	9.5	9	9	9	9	9	8.5	8.5	8
Vermont	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5	10.5
Virgin Islands	4	3	2.5	2	2	2	2	2	2	2
Virginia	9	9	9	9	9.5	9.5	9.5	9.5	9.5	9
Washington	9.5	8.5	8	8	7.5	7.5	7.5	7.5	7.5	7
West Virginia	9	9	9	9	9	9	9	8.5	8	7.5
Wisconsin	12	12	12	12.5	12.5	12.5	12.5	12	11.5	11
Wyoming	6.5	5.5	5	4.5	4	4	4	4	4	4
Not Reported	9	9	9	9	9	9	9	9	9	9

Source: College Board Institutional Methodology Computation Tables

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(4) Employment Allowance-SSS provides an allowance for two-parent families in which both parents have earned incomes and for one-parent families in which the parent reports earnings. The allowance was developed in recognition of the additional expenses incurred for clothing, transportation, meals away from home, and household operations that were not included in the Bureau of Labor Statistics lower budget standard. For two-parent families, the allowance is computed on earnings reported as salaries/wages plus business profits reported for each parent and uses whichever total amount is less. For single parents, the allowance is computed against that parent's reported salary/wage and business profits. The allowance is computed by taking 50 percent of the first $9,776 of salary/wages and business profit and 25 percent of the balance, always to a maximum of $5,430. This maximum is the result of calculations on income of $11,945 and above.

(5) Unreimbursed Medical Expenses-An allowance is made for unreimbursed medical expenses, as reported on the PFS, in excess of five (5) percent of total income, and if the amount reported exceeds the five percent threshold, Unusual Condition Code "F" and message will trigger for review. The amounts reported in for medical expenses should then be reviewed by the financial aid administrator.

(6) Unusual Expenses-SSS provides an allowance against income to account for unforeseen, emergency, or other non-standard household expenses that a family has experienced. Unusual Condition Code "H" and message indicates that the amount listed under unusual expenses has reduced the Parental Contribution for Education by $300 or more. In some cases, the items corresponding to that sum may be non-allowable as suggested by SSS (see page 33). The financial aid administrator can review the entry and any explanation provided by the parent(s) on the PFS to determine whether the item(s) should be eliminated and the parent contribution adjusted accordingly. SSS uses the amount listed on the PFS in the calculation. No review for appropriateness is performed, leaving that as a matter of professional judgment for the school reviewing the case.

C. Determination of Effective Income

By subtracting the non-discretionary allowances described above from total income, effective income is calculated. This is the amount available for food, housing, clothing, support of children, and discretionary purchases.

VI. SSS COMPUTATION PROCEDURES DEALING WITH ASSETS

A. Home Equity

Financial aid experts agree that home equity should be used in financial need analysis. Families with assets have greater financial strength than those with none and should be expected to contribute more for educational expenses. NAIS endorses the use of home equity in financial need analysis. It is important to note that the home is a valuable asset and provides a tax advantage.

Home equity is the difference between present market value of the family's home and unpaid principal on all mortgages and equity loans as reported on the PFS. In most cases, this amount will be used in the methodology as the home equity. However, SSS adjusts for those families where home equity is considerable, relative to their incomes. For these families, home equity is capped at three times the parents' total income. For example, for a family with income of $60,000 and home equity of $100,000, the full home equity will be used in the computation of the parental contribution. Whereas, for a family with income of $60,000 and home equity of $250,000, the home equity used in the computation of the parental contribution will be capped at $180,000, or three times the total income. Thus, for the second family, $70,000 of assets in the form of home equity will be protected.

Two messages assist financial aid administrators in the review of home equity:

- Unusual Condition Code "M" and message and Unusual Condition Code "Q" and message.

  Unusual Condition Code "M" and message appear when home equity is not capped. Both messages assist the financial aid administrator in the review of the present market value in comparison to the original purchase price.

  Unusual Condition Code "M" and message will show the home equity using the Housing Index Multiplier table. If the year of purchase and/or purchase price of the home is missing on the PFS, the Unusual Condition Code "M" and message will not trigger. The Housing Index Multiplier table serves as a guide in the evaluation and recalculation of home equity; it provides a way to make adjustments based on year and price of purchase by raising the equity in an undervalued home or modifying the effect of inflated home values and most useful when incomplete or clearly inaccurate information about the current market value of a home is given. It is one measure, based on historical trends in national measures of property appreciation.

  To compute revised home equity, the financial aid administrator must know the year the house was purchased and purchase price. For example, for a home purchased in 1972 for $50,000 the current market value based on the table is estimated at $276,500 ($50,000 X 5.53). The home equity is the difference between the recomputed current market value and any unpaid mortgage principle or equity loan.

- Unusual Condition Code "Q" and message appears when home equity is capped at three times the parents' income.

  When the home equity is capped at three times the parents' income, Unusual Condition Code ''Q'' and message will appear instead of Unusual Condition Code "M" and message. If the year of purchase and/or purchase price of the home is missing on the PFS, only the first sentence of Unusual Condition Code “Q” and message will print on the RFC. The financial aid administrator should review what the impact of using the Housing Index Multiplier is upon the determination of the home equity before capping and which value is more appropriate in the computation.

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Housing Index Multiplier

Home Purchase Year	Housing Index Multiplier*	Home-Purchase Year	Housing Index Multiplier'
1958	8.15	1991	1.78
1959	8.15	1992	1.76
1960	8.09	1993	1.68
1961	8.09	1994	1.60
1962	8.05	1995	1.54
1963	8.12	1996	1.51
1964	8.07	1997	1.47
1965	7.80	1998	1.43
1966	7.48	1999	1.37
1967	7.22	2000	1.31
1968	6.84	2001	1.24
1969	6.44	2002	1.21
1970	6.28	2003	1.15
1971	5.92	2004	1.06
1972	5.53	2005	0.98
1973	5.05	2006	0.92
1974	4.59	2007	0.91
1975	4.20	2008	0.94
1976	3.95	2009	0.98
1977	3.58	2010	1.00
1978	3.16		
1979	2.82		
1980	2.53		
1981	2.35		
1982	2.26		
1983	2.24		
1984	2.18		
1985	2.14		
1986	2.05		
1987	1.97		
1988	1.90		
1989	1.83		
1990	1.79		

* Source: National Income and Product Accounts of the United States, Table 5.3.4, U.S. Department of Commerce, Bureau of Economic Analysis

Unusual Condition Code "U" and message relate to information provided on the PFS regarding real estate ownership. This code and message will trigger when total debt (unpaid principal on all mortgages and equity loans) for the home and/or other real estate is greater than present market value. In these cases, the financial aid administrator may wish to ask the parents for further clarification. The SSS methodology does not allow for “negative equity” and uses zero equity when real estate debt reported exceeds market value.

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B. Other Real Estate

SSS determines equity in other real estate just as it determines residence equity. The financial aid administrator may want to review the IRS schedule that families owning other real estate are required to file, typically Schedule E if they own rental property. As mentioned above, Unusual Condition Code "U" and message also triggers when total unpaid mortgage for the other real estate is greater than present market value. Clarification from the parents may be needed in this situation.

C. Business or Farm Case

SSS assesses the net worth of a business or farm by subtracting business debts reported on the PFS from business assets reported, then multiplying the remainder by the percent of ownership. (A negative result of subtracting business debt from business assets is changed to zero). For example, if the PFS shows business assets of $83,000, and also business debts of $36,700, and 100 percent ownership, then the net worth of this business or farm would be $83,000 less $36,700 times 100 percent, or $46,300. Next, SSS determines a share of this value to be included in the total assets. A share is included in total assets instead of the full asset to recognize that the assets contribute to the capacity of the parents to produce income. The share is computed by the following table:

Net Worth of Business or Farm	Adjustment Rate
$45,150 or less	40% of the amount
$45,151 to $135,454	$18,061 plus 50% of the amount over $ 45,150
$135,455 to $225,756	$63,214 plus 60% of the amount over $135,454
$225,757 or more	$117,396 plus 70% of the amount over $225,756

In the example above, the value is established at $46,300. To calculate the share, subtract $45,150 from $46,300 for $1,150 and multiply by 50 percent, or $575. Add $18,061 to sum $18,636. So, out of a business with net worth of $46,300, $18,636 would be included in the determination of the net worth of the applicant family completing the PFS.

Unusual Condition Code ''V'' and message triggers when business or farm ownership is indicated on the PFS to alert the financial aid administrator to business and farm situations. The financial aid administrator may ask the family to complete the Business or Farm Statement and/or submit the appropriate IRS schedules and forms so that a more complete review of the family's financial circumstances can be made. The Business or Farm Statement can be downloaded from the SSS website at sss.nais.org. Typically, families owning a business might submit a Schedule C with their 1040's and families owning a farm might submit a Schedule F with their 1040's. If the business is a partnership, typically a schedule K-1 and Form 1065 would provide useful detail.

D. Bank Accounts

SSS reviews the parents' interest-bearing bank accounts (i.e., checking and savings accounts) reported on the PFS. If the total of bank accounts and other investments exceeds $5,000, and the dividend/interest income reported on the PFS reflects a return of less than 5%. Unusual Condition Code "K" and message will trigger. Financial aid administrators should review parents' bank account and investment information to determine if one or the other may be misreported. Verifying interest and dividend income from the 1040 is particularly important in this regard.

E. Other Investments

SSS treats other investments as it treats bank accounts in the manner described in “D. Bank Accounts” above.

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F. Debts Outstanding

SSS makes an allowance against assets for indebtedness by subtracting the debts reported on the PFS from the total assets reported on the RFC. The entries for how much debt is expected to be paid in the year and for consumer (i.e., credit card) debt are for the aid administrator's review only and are not part of the calculation. If debts outstanding exceed total assets, Net Worth is zero (RFC classification code "T"). If the amount of debt reported will reduce the parental contribution for education by $300 or more, Unusual Condition Code "I" and message will trigger. Carefully review debts outstanding. See page 33 for examples of allowable and non-allowable expenses.

G. Determination of Income Supplement

The Income Supplement is that portion of discretionary net worth (assets) that can be added to Effective Income to create Adjusted Effective Income. In other words, some portion of net worth is considered potentially available to help meet household expenses, thereby serving as a supplement to income for meeting costs, including tuition. The Income Supplement varies based on the age of the older parent ages and the level of discretionary net worth. Separate figures are given for two-parent families and for one-parent families. The age of the parents is determined from the PFS. If the age is not reported on the PFS, SSS assumes the age to be 42.

The income supplement can be computed step by step, using the charts and the procedures that follow.

Example: Using the example of the family with a net worth of $60,000 and the older parent age 47, look at the Retirement Allowance chart below. On the age line (47), find the allowance, under two-parent family, of $43,400. This amount is deducted from the net worth ($60,000 - $43,400) to determine the discretionary net worth of $16,600. Using the conversion coefficient for age 47 (5%) and the index numbers of asset progressivity (see Index below), the calculation of the income supplement is:

(1st)	$16,600	X	.05	X	.50	=	$415

In this case, total net worth of $60,000 translates into $16,600 of discretionary net worth, yielding a final Income Supplement of $415.

Example: Next, assume a case in which a one-parent family (parent age 55) has a net worth of $550,000, Looking at the Retirement Allowance chart, find the allowance of $17,900 (55 years of age, one-parent family) and subtract this amount from net worth of ($550,000 - $17,900) to determine the discretionary net worth of $532,100. Using the conversion coefficient for age 55 (3%) and the index number of asset progressivity, the calculation of the income supplement is:

(1st)	$22,579	X	.03	X	.50	=	$339
(2nd)	$22,579	X	.03	X	.75	=	$508
(3rd)	$22,579	X	.03	X	1.05	=	$711
(4th)	$22,579	X	.03	X	1.40	=	$948
	$441,784	X	.03	X	1.80	=	$23,856
	$532,100 Total Discretionary Net Worth						$26,362 Income Supplement

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Retirement Allowance Chart

	Two-Parent Family		One-Parent Family	
Age	Conversion Coefficient	Allowance	Conversion Coefficient	Allowance
40 or less	7%	$ 36,500	4%	$ 12,700
41	6%	$ 37,500	3%	$ 13,000
42	6%	$ 38,400	3%	$ 13,300
43	6%	$ 39,300	3%	$ 13,600
44	6%	$ 40,300	3%	$ 13,900
45	5%	$ 41,300	3%	$ 14,200
46	5%	$ 42,300	3%	$ 14,500
47	5%	$ 43,400	3%	$ 14,900
48	5%	$ 44,400	3%	$ 15,200
49	5%	$ 45,500	3%	$ 15,600
50	4%	$ 46,600	3%	$ 16,000
51	4%	$ 48,000	3%	$ 16,300
52	4%	$ 49,200	3%	$ 16,700
53	4%	$ 50,700	3%	$ 17,100
54	4%	$ 51,900	3%	$ 17,500
55	3%	$ 53,400	3%	$ 17,900
56	3%	$ 54,700	3%	$ 18,500
57	3%	$ 56,300	3%	$ 18,900
58	3%	$ 58,000	3%	$ 19,400
59	3%	$ 59,700	3%	$ 19,900
60	2%	$ 61,400	2%	$ 20,400
61	2%	$ 63,100	2%	$ 20,900
62	2%	$ 65,000	2%	$ 21,500
63	2%	$ 66,800	2%	$ 22,100
64	2%	$ 68,700	2%	$ 22,700
65	2%	$ 71,000	2%	$ 23,300

Source: Federal Register, Federal Need Analysis Methodology for the 2012-2013 Award Year, May 24, 2011, http://federalregister.gov/a/2011-12812

ASSET PROGRESSIVITY INDEX

Discretionary Net Worth	Index Number
$1-$22,579.00	0.50
$22,580-$45,159	0.75
$45,160-$67,739	1.05
$67,740-$90,319	1.40
$90,320 and over	1.80

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VII. ADJUSTED EFFECTIVE INCOME AND COMPUTING THE PARENTAL CONTRIBUTION

The next step in the SSS methodology is to determine the adjusted effective income of the parents. Adjusted effective income equals the effective income plus income supplement. This represents the amount of financial resources the family has to spend on household living costs and discretionary spending.

From the adjusted effective income, SSS subtracts the Income Protection Allowance based on the size of the household to reflect basic level living costs. This leaves discretionary income, from which the parental contribution to school costs is expected to come. As discretionary income rises, SSS assumes that the parent(s) can use more of it for tuition and other school costs.

To determine how much the parents can contribute to each student attending a day school, the estimated parental contribution must be divided by the number of children attending tuition-charging schools. To determine the parental contribution for the student attending boarding school, the food allowance of $1,706 must be added to the per-student parental contribution for day school.

For example, when the RFC shows an estimated parental contribution of $4,350 and there are two children enrolled in tuition-charging schools, the estimated parental contribution for a student attending a day school will be $2,175 ($4,350 ÷ 2) and for a boarding student $3,881 ($2,175 + $1,706).

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VIII. STUDENT ASSET CONTRIBUTION

Since the PFS collects information for each student's assets, the calculation of the student asset contribution is performed for each student. The RFC only reflects the student asset contribution for the student who has designated that school to receive the information.

The student asset contribution equals the student assets reported on the PFS, divided by the number of years the student will remain in school plus four years of college. Unusual Condition Code "P" and message will trigger when student assets are reported and the grade for the student is blank. In this case, SSS will assume that the student is in the ninth grade for calculation purposes. When this code and message appears, the financial aid administrator should review this assumption and correct the calculation if the student is not in the ninth grade.

The per-grade denominators that SSS uses for the student assets calculation are:

Year in School	*Divide Student Assets By*
Pre-Kindergarten	18
Junior Kindergarten	18
Kindergarten	17
Pre-First Grade	17
First Grade	16
Second Grade	15
Third Grade	14
Fourth Grade	13
Fifth Grade	12
Sixth Grade	11
Seventh Grade	10
Eighth Grade	9
Ninth Grade	8
Tenth Grade	7
Eleventh Grade	6
Senior	5
Postgraduate	5
Blank, Assume Grade 9	8

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IX. ESTIMATED FAMILY CONTRIBUTION

The estimated family contribution equals the sum of the per-student parental contribution and the student asset contribution.

In addition, it is important be mindful of the total education expenses of the family when determining awards and the education expenses for each child in relation to the family contribution per student.

- Unusual Condition Code "N" and message will trigger whenever there is more than one child attending a tuition-charging school (as reported on the PFS). The financial aid administrator will want to check that the per-student family contribution does not exceed the cost of schooling for any student. In such a situation, the excess amount could be added to the family contribution for a child at a school where the cost exceeds the student's family contribution.

- Unusual Condition Code ''S'' and message will trigger whenever any of the children have reported assets on the PFS. Since the student asset contribution may differ among children, the estimated family contribution for each child may differ. This code and message brings this possibility to the attention of the financial aid administrator. The financial aid administrator can review the other students' assets by referring to the PFS. To assist the financial aid administrator, SSS provides the family contributions for the other children with this message.

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X.ALLOWABLE/ NONALLOWABLE EXPENSES

A. Medical Expenses

Most current medical and dental expenses are allowable; however, the following should be clarified:

- *Orthodontia, psychiatric care, or special nursing:* Such expenses are generally extensive and maybe shown as medical, unusual, or indebtedness.
- *Schooling expenses for physically- or mentally-disabled children:* These expenses may also be represented in medical, unusual, or indebtedness.
- Generally, medical expenses for cosmetic procedures or cosmetic purposes are not allowable.

B. Allowable Unusual Expenses

- Child support paid, in excess of $5,000
- Closing costs for home purchases or home refinancing
- Current legal fees
- Nursing home/assisted living care
- Sewer, street, and water assessments (installation only)
- Special costs for a child with physical, developmental, or other diagnosed challenges
- Unreimbursed tuition for parent's education
- Uninsured/unreimbursed natural disaster expenses (flood, fire, storm damage, etc.)

C. Allowable Indebtedness

- Educational indebtedness of parents (past)
- Encumbrances (lien, personal loan for down payment, etc.) against home or other real estate
- Funeral expenses (past)
- General medical and dental expenses (past)
- Indebtedness to purchase investments listed in on the PFS
- Legal fees (past)
- Living expenses if business failure, prolonged illness, unemployment, etc., have depleted income and assets and forced indebtedness
- Past business debts (business dissolved)
- Natural disaster not covered by insurance (flood, fire, storm, etc.)

D. Non-allowable Unusual Expenses or Indebtedness*

Note: These expenses or debts are considered non-allowable because they are already taken into account through other allowances used in the methodology, such as the Income Protection Allowance (IPA). Know that your school's particular policies may cause you to add to, or subtract from, these lists. Whatever you decide, be sure to implement these steps consistently for all families applying for aid.

- Appliances
- Business debts for current business
- Car payments and indebtedness
- Charge accounts and installment purchases

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- Charity or church contributions
- Child care/day care expenses
- College expenses for children
- Commuting expenses
- Furniture
- General living expenses (food, clothing, etc.)
- Home repairs (routine)
- Household help expenses
- Insurance premiums
- Payments for condo/association fees
- Living-away-from-home expenses
- Mortgage payments
- Payments for retirement plans
- Schooling expenses for children
- Tax payments
- Travel expenses
- Unpaid taxes and accident costs
- Vacation expenses
- Wedding, continuation, bar mitzvah expenses

* Families are instructed to enter the sum of non-allowable indebtedness on the PFS and explain the debts where applicable. The sum is not included in the computation but may be reviewed by the financial aid administrator as a professional judgment matter.

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XI. SPECIAL CIRCUMSTANCES

A. Separated, Divorced, and Single-Parent Families

The SSS policy for determining the financial need of students is based on the principle that both parents are responsible for the support and educational expenses of their children to the extent that they are financially able to assume responsibility. That principle applies to all parents, including those who are separated or divorced. Remarriage of either natural parent creates a new family unit with new relationships, but since the natural parents still have a parental obligation, the income and assets of the entire new family unit are seen to have a bearing on the natural parent's ability to contribute to the educational expenses of the children. The school must make a policy decision regarding the extent to which it expects contributions from the natural parents, stepparents, and extended family members.

To help schools gather detailed information from noncustodial parents in order to evaluate these special family circumstances, the SSS program recommends that both the custodial and the noncustodial parents complete a separate PFS for each household. The forms and instructions for completion may be ordered from the SSS program by subscribers at any time during the processing year. Noncustodial parents completing the regular PFS should be instructed to return the completed statement to SSS the same manner as the custodial parent. SSS will calculate each family contribution separately and present RFCs and copies of each PFS submitted so the school administrator can determine the parental contribution from each household separately.

When separated or divorced parents' financial circumstances are being evaluated, the SSS standard methodology may require some adjustments to make it possible to determine the family's ability to contribute toward educational expenses. To derive a fair and equitable expected contribution figure, the financial aid administrator must consider the financial factors unique to families with separated or divorced parents. If financial information is missing on either of the PFSs, the financial aid administrator can make adjustments to the financial data on the forms in accordance with the school's established policy.

1. Custodial Parent

Following are some suggestions to help with the evaluation process for the single custodial parent and the custodial parent and stepparent. Methods of analyzing the financial information that is provided are listed at the end of this section. Direct contact with the family is an important part of this evaluation.

The Parents' Financial Statement should provide complete information about the financial resources of the custodial parent and stepparent (if any).

The first step is to evaluate the custodial parent's PFS. The custodial parent's family may include:

a. The single custodial parent with a child or children from one marriage or from more than one marriage.

   Financial information to check for on the PFS in this situation is given below. If the following data are not found on the PFS, explanations should be requested by the financial aid administrator.

   Salary/Self Employment/Alimony Income
   Some form of taxable or nontaxable income shown.

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Child Support Money

- Child support money received for all children included in the household or an explanation as to why there is none.
- Any money in lieu of child support received for all children included in the household.

Assets

- The custodial parent's net assets shown.
- If there is joint ownership of any asset or joint liability for any debt (such as the principal residence), only the custodial parent's share should be shown.

b. The custodial parent and a stepparent with or without any children from this current marriage and/or with or without any children from the stepparent's previous marriage.

Financial information to check for on the PFS in this situation is given below. If the following data are not found on the PFS, explanations should be requested by the financial aid administrator.

Salary/Self-Employment Income

- Some form of taxable or nontaxable income shown from the natural parent and stepparent.
- While prenuptial agreements should be carefully considered, financial aid administrators should not feel bound by them.

Child Support Money for Children Living in the Household

- Child support money received for the custodial parent's children included in the household or an explanation as to why there is none.
- Any money in lieu of child support received for the custodial parent's children included in the household.
- Child support money received for the custodial stepparent's children included in the household or an explanation as to why there is none.
- Any money in lieu of child support received for the stepparent's children included in the household.

Child Support Money for Children Not Living in the Household

- If a custodial parent and/or stepparent indicates that he or she is paying child support money to a former spouse for any children from a previous marriage, this support money should be included as an allowable unusual expense.
- These children should not be included as living in the present household.
- These children must be included as tax dependents if the custodial parent or stepparent shows he or she claims them.

Assets

- Custodial parent's net assets shown. If there is joint ownership of any asset or joint liability for any debt from a previous marriage, only the custodial parent's share should be included.
- Stepparent's net assets shown. If there is joint ownership of any asset or joint liability for any debt from a previous marriage, only the stepparent's share should be included.

Analyzing the Data: With the above information, the financial aid administrator should be able to determine a reasonable expected contribution for educational expenses from the custodial parent's household.

- Based on the tax filing status indicated on the PFS, apply the standard SSS methodology with the following changes using Comp* Assist Online.
    - Do not calculate an employment allowance when no children are living in the household. (When no children are living in the household, the employment allowance is eliminated as a means of compensating the income protection allowance, which assumes at least <u>one</u> child is living in the family)

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- Three possible ways to treat the child support money received by the custodial parent:

  1. Include the child support money as part of the custodial parent's total income.
  2. Remove the child support money from the custodial parent's total income, and add it to the noncustodial parent's total income.
  3. Remove from the custodial parent's total income a portion of the applicant's child support money that is equivalent to the portion of the year the applicant resides at school. For example, if the custodial parent receives $4,000 in yearly child support for the applicant who resides at school for nine months (or three-quarters of the year), then remove $3,000 (or three-quarters) of the child support from the parent's total income. Then add this portion of the child support money to the custodial parent's contribution for education for the applicant.

2. Noncustodial Parent

A contribution from the noncustodial parent's household should be added to the contribution from the custodial parent's household to derive a total contribution figure from the family for the applicant with parents who are separated or divorced. When the noncustodial parent completes the PFS, the financial information of the noncustodial parent's household should be carefully reviewed in conjunction with the information provided by the custodial parent. Direct contact with the family is an important part of this process. The following describes methods for analyzing the financial information obtained from a single noncustodial parent, a remarried noncustodial parent, and/or a remarried noncustodial parent with dependent children.

a. The single noncustodial parent with or without children living in the household.

Financial information to check for on the form is given below. If the following data are not found on the form, explanations should be requested by the financial aid administrator.

Salary/Self-Employment Income
- Some form of taxable or nontaxable income shown.

Child Support Money
- Child support money (and/or household expenses and any money in lieu of child support) paid to the custodial parent. Check for agreement with the custodial parent's form.

Assets
- The noncustodial parent's net assets shown.
- If there is joint ownership of any asset or joint liability for any debt (such as the debt on the principal residence), only the noncustodial parent's share should be included. Check for agreement with the custodial parent's form.

b. The remarried noncustodial parent with no children living in the household.

Financial information to check for on the form is given below. If the following data are not found on the form, explanations should be requested by the financial aid administrator.

Salary/Self-Employment Income, Child Support Money, Assets
- The same types of financial data as for the single noncustodial parent and, in addition, income and assets of the present spouse.
- While prenuptial agreements should be carefully considered, financial aid administrators should not feel bound by them.

c. The remarried noncustodial parent and present spouse who have dependent children in the household from a previous and/or the current marriage.

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Financial information to check for on the form is given below. If the following data are not found on the form, explanations should be requested by the financial aid administrator.

Salary/Self-Employment Income

- Some form of taxable or nontaxable income shown.
- While prenuptial agreements should be carefully considered, financial aid administrators should not feel bound by them.

Child Support Money for Children Living in the Household

- Child support money received for the present spouse's children (if any) from previous marriage(s) who are included in the household or an explanation as to why there is none.
- Any money in lieu of child support received for the present spouse's children (if any) from previous marriage(s) who are included in the household.
- Child support money, and/or household expenses and any money in lieu of child support, received for the noncustodial parent's children from previous marriage(s) who are living in the household.

Child Support Money for Children Not Living in the Household

- If the noncustodial parent and/or present spouse indicates that he or she is paying child support money to a former spouse (not the custodial parent) for any children from a previous marriage, this support money should be included as an allowable unusual expense.
- These children should not be included as living in the present household.
- These children must be included as tax dependents if the noncustodial parent or present spouse shows he or she claims them.

Assets

- Noncustodial parent's net assets shown. If there is joint ownership of any asset or joint liability for any debt from previous marriage(s), only the noncustodial parent's share should be included.
- Present spouse's net assets shown. If there is joint ownership of any asset or joint liability for any debt from previous marriage(s), only the present spouse's share should be included.

Analyzing the Data: Using the above data, the financial aid administrator should be able to determine the noncustodial parent's contribution for education for the applicant.

- Based on the tax filing status indicated on the form, apply the standard SSS methodology with the following changes by using Comp* Assist Online. When the noncustodial parent indicates single filing status, be sure to compute the federal income tax accordingly.
  - Do not calculate an employment allowance when no children are living in the household. (When no children are living in the household, the employment allowance is eliminated as a means of compensating for using the income protection allowance, which assumes at least <u>one</u> child is living in the family)
- Two possible ways to treat child support money paid by the noncustodial parent follow:
  - Treat the child support money as an unusual expense against the noncustodial parent's total income. Do not include children covered by the child support as members of the noncustodial parent's household.
  - Remove the child support money as an unusual expense, and add it to the noncustodial parent's total income.

3. Joint Custody

When the applicant's parents have joint custody, both parents should provide complete financial information of their households on the PFS.

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Adjustments for Missing Information

Following are some possible adjustments for missing financial information on the PFS.

a. When income data are missing and current employment is indicated, impute income figure(s) based on the occupation/position shown on the form.
b. When income data are missing and current employment is unknown:
   - Impute a standard amount of income to use in the analysis.
   - Impute a supplement to add to the contribution for education for the applicant.

B. Business and Farm Owners

The SSS Business or Farm Statement provides more comprehensive income, asset, and liability information for businesses and farms and can be used by the business or farm owners as a worksheet to guide completion of PFS items about business profit/loss and business assets/debts. By reviewing the business or farm owners' detailed financial data, the financial aid administrator can better evaluate their overall financial strength and discretionary income. The financial aid administrator may also want to review IRS forms, such as Schedule C, Schedule F, Form 1065, and Form 1120.

The Business or Farm Statement allows the financial aid administrator assess whether the business or farm is the family's sole and/or primary source of income or if it is just a minor source of support. Of particular interest to the financial aid administrator are parts detailing business or farm expenses, particularly outlining depreciation and gross versus net income for the business. The financial aid administrator should consider whether these items represent a real reduction of the family's disposable income or if they constitute "noncash losses," which serve primarily to reduce federal tax liability. It is important for the fair and equitable treatment of all families that the financial aid administrator determines the business or farm owner's real disposable income available for educational expenses.

C. Child Care/Day Care

Employment-related child care/day care expenses can be considerable. The PFS asks for the number of children in the family who will be attending full-time child care, tuition-charging preschools, schools, or colleges. Then, in the methodology, the parents' contribution is divided by this number of children to apportion the parents' contribution appropriately. Note that the PFS also allows parents to report total employment-related day care expenses in 2011.This information can be used to determine whether the adjustment by the number of children reported is appropriate or the financial aid administrator should apportion the parents' contributions differently.

D. Housing Allowance

The financial need of families who receive free housing, such as members of the military and the clergy, should be adjusted because these families are able to use all their adjusted effective income for other expenses, whereas other families must devote a significant portion of that income to housing.

E. Cost-of-Living Differences

To determine the income protection allowance described in Section III: G, a national average for cost of living, based on data from the Bureau of Labor Statistics, is used to establish a baseline of household living expenses (food, clothing, shelter, etc). Recognizing that in certain locales, the cost of living may be higher or lower than the national average, a financial aid administrator may decide to make adjustments to the financial need analysis that reflect these

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regional differences. SSS uses the ACCRA Cost of Living Index from The Council for Community and Economic Research in order to provide the financial aid administrator with a way to recalculate a family's contribution for education allowing for cost-of-living differences.

Using Comp* Assist Online, the administrator can make this cost-of-living adjustment (COLA) in the EFC to allow for local cost-of-living factors at either a “global” level (i.e., applying the same COLA for everyone) or on a case-by-case level. A school administrator may choose a COLA value from a list provided by SSS or he/she may choose a school-defined value.

In the SSS methodology, the adjusted effective income reflects the amount of money a family has to meet its living expenses and make discretionary spending decisions. As such, when applying COLA, SSS acknowledges that the family may actually have more or less than the originally calculated amount of adjusted effective income. When a COLA larger than 1.0 is applied, this indicates the cost of living is greater than the national average and when AEI is divided by the COLA factor, AEI goes down, recognizing that in a high-cost area a family will not have as much AEI as the system calculates.

For example, if the RFC shows an Adjusted Effective Income of $64,000 and the family lives in Seattle, Washington, an area where the cost of living index is 1.199, or 19.9 percent higher than the national average, (see the Geographical Cost-of-Living Difference chart, page 44), a financial aid administrator might want to adjust the family's contribution according to the cost-of-living difference. To make this adjustment, the financial aid administrator should divide $64,000 by 1.199 to derive a new Adjusted Effective Income of $53,378, which more nearly reflects the family's real buying power in Seattle, Washington. Because less AEI is available, the parent’s contribution will be lower than the initial SSS assessment.

If the family lived in Omaha, Nebraska, the $64,000 would be divided by the index factor of 0.903, which is 9.7 percent *lower* than the national average, changing the Adjusted Effective Income to $70,875. In this case, more AEI is available to meet household costs and the parent contribution will be higher than the initial SSS assessment. It is reasonable to suggest that applying COLA as appropriate is a more accurate reflection of family expenses and, therefore, leads to a fairer distribution of financial aid funds.

It is important for the financial aid policy on this adjustment to be uniform. If this adjustment is made for one applicant, best practice is to make it made for all families from the same locale.

F. Commercial Property Index Multiplier Table

The Commercial Property Index Multiplier table is provided as a tool to help financial aid administrators determine fairly and equitably the value of commercial property owned by the family. This property, indicated on the PFS regarding real estate and/or business assets, is used to calculate the family's overall net worth, and potentially can affect the final estimated contribution for educational expenses.

COMMERCIAL PROPERTY MULTIPLIER

Year of Purchase	Commercial Property Multiplier	Year of Purchase	Commercial Property Multiplier
1947	14.46	1978	3.67
1948	13.00	1979	3.29
1949	13.04	1980	3.01
1950	12.88	1981	2.64
1951	11.55	1982	2.45
1952	11.25	1983	2.51
1953	11.04	1984	2.49
1954	11.17	1985	2.44
1955	10.95	1986	2.39
1956	10.09	1987	2.35
1957	9.68	1988	2.26
1958	9.83	1989	2.17
1959	9.78	1990	2.10
1960	9.79	1991	2.07
1961	9.85	1992	2.07
1962	9.77	1993	2.01
1963	9.68	1994	1.94
1964	9.54	1995	1.86
1965	9.27	1996	1.81
1966	8.95	1997	1.74
1967	8.68	1998	1.67
1968	8.27	1999	1.62
1969	7.76	2000	1.56
1970	7.28	2001	1.48
1971	6.76	2002	1.42
1972	6.30	2003	1.37
1973	5.85	2004	1.29
1974	5.14	2005	1.15
1975	4.59	2006	1.03
1976	4.38	2007	1.00
1977	4.03		

Note: This table is provided for reference only and has not been updated, since it is not used in the SSS Methodology for 2011-12 processing year. For more recent data, refer to the data source: National Income and Product Accounts of the United States, U.S. Department of Commerce, Bureau of Economic Analysis

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G. Additional Family Financial Information

The PFS contains several questions that are not used in the SSS methodology but are provided to help financial aid administrators determine additional detail about the family, its standard of living, and its obligations for educational expenses. For example, the PFS asks parents to include an amount of tuition that they feel they can pay to cover tuition costs. Parents who are filing a PFS for the first time sometimes include dollar amounts in response that might not be realistic - either overstated or understated. Parents may offer considerably more than the RFC suggests they can afford. On the other hand, some families may believe that financial aid funds are designed to enable them to maintain their standard of living and are unwilling to contribute their fair share toward their children's education.

Also, families should not necessarily expect direct grants to offset such circumstances as parents' sabbatical leaves at reduced income or early retirement without physical cause. (Loans might better be financing options in these circumstances.)

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Geographical Cost-of-Living Adjustment Indices

Source: ACCRA Cost-of-Living Index, 1st Quarter Index, 2011.

The index measures relative price levels for consumer goods and services in participating areas. The average of all participating places equals 100 and each index is read as a percentage of the average for all places. The index does not measure inflation as the price index compares prices at a single point in time and because participating areas may change from one quarter to the next, index data from different quarters cannot be compared. Several cities do not participate. An asterisk (*) indicates COLA value not available for 2011, and the most recently available value is shown.

Alabama	Anniston-Calhoun County AL	0.914
Alabama	Auburn-Opelika AL	0.968
Alabama	Birmingham AL	0.896
Alabama	Decatur-Hartselle AL	0.913
Alabama	Dothan AL	0.901
Alabama	Florence AL	0.901
Alabama	Gadsden AL	0.861*
Alabama	Huntsville AL	0.925
Alabama	Mobile AL	0.917
Alabama	Montgomery AL	0.975
Alabama	Tuscaloosa AL	0.945
Alaska	Anchorage AK	1.307
Alaska	Fairbanks AK	1.381
Alaska	Juneau AK	1.388
Alaska	Kodiak AK	1.261
Arizona	Flagstaff AZ	1.151
Arizona	Lake Havasu City AZ	1.120*
Arizona	Phoenix	0.962
Arizona	Prescott-Prescott Valley AZ	1.075
Arizona	Sierra Vista AZ	0.993
Arizona	Tucson AZ	0.944
Arizona	Yuma AZ	1.005
Arkansas	Conway AR	0.875
Arkansas	Fayetteville AR	0.868
Arkansas	Fort Smith AR	0.851
Arkansas	Hot Springs AR	0.977
Arkansas	Jonesboro AR	0.874
Arkansas	Little Rock-North Little Rock AR	0.941
California	Bakersfield CA	0.983
California	Fresno CA	1.093
California	Los Angeles-Long Beach CA	1.335
California	Oakland CA	1.379
California	Palm Springs CA	1.207
California	Riverside City CA	1.126
California	Sacramento CA	1.163
California	San Diego CA	1.307
California	San Francisco CA	1.636
California	San Jose CA	1.500
California	Orange County CA	1.433
California	Truckee CA	1.452
Colorado	Boulder CO	1.247*
Colorado	Colorado Springs CO	0.920
Colorado	Denver CO	1.064
Colorado	Loveland CO	0.905*
Colorado	Grand Junction CO	1.011
Colorado	Pueblo CO	0.841
Colorado	Glenwood Springs CO	1.196
Colorado	Gunnison CO	1.092
Connecticut	Hartford CT	1.253
Connecticut	New Haven CT	1.209*
Connecticut	New London CT	1.164*
Connecticut	Stamford CT	1.474
Delaware	Dover DE	1.024
Delaware	Wilmington DE	1.073
District of Columbia	Washington-Arlington-Alexandria DC-VA	1.409
Florida	Bradenton FL	0.934
Florida	Cape Coral-Fort Myers FL	0.967
Florida	Fort Lauderdale FL	1.135
Florida	Gainesville FL	0.998
Florida	Jacksonville FL	0.940
Florida	Miami-Dade County FL	1.077
Florida	Orlando FL	0.972
Florida	Palm Coast-Flagler County FL	0.891
Florida	Panama City FL	0.995*
Florida	Punta Gorda-Charlotte Co FL	0.911
Florida	Sarasota FL	1.003
Florida	St. Petersburg-Clearwater FL	0.993*
Florida	Tampa FL	0.921
Florida	Vero Beach-Indian River FL	0.958
Florida	West Palm Beach FL	1.076*

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Georgia	Albany GA	0.924
Georgia	Americus GA	0.898*
Georgia	Atlanta GA	0.952
Georgia	Augusta-Aiken GA-SC	0.937
Georgia	Douglas GA	0.908
Georgia	Marietta GA	0.963
Georgia	Savannah GA	0.917
Georgia	Valdosta GA	0.949
Hawaii	Honolulu HI	1.705
Idaho	Boise ID	0.966
Idaho	Idaho Falls ID	0.895
Idaho	Twin Falls ID	0.944
Illinois	Bloomington-Normal IL	0.973*
Illinois	Champaign-Urbana IL	0.960
Illinois	Chicago IL	1.153
Illinois	Danville IL	0.905
Illinois	Decatur IL	0.892
Illinois	Galesburg IL	0.934
Illinois	Joliet-Will County IL	1.026*
Illinois	Peoria IL	0.925
Illinois	Quincy IL	0.964
Illinois	Rockford IL	0.902
Illinois	Springfield IL	0.861
Indiana	Elkhart-Goshen IN	0.936
Indiana	Evansville IN	0.933
Indiana	Fort Wayne-Allen County IN	0.969
Indiana	Indianapolis IN	0.887*
Indiana	Lafayette IN	0.963
Indiana	Muncie IN	0.906
Indiana	Richmond IN	0.877
Indiana	South Bend IN	0.910
Indiana	Terre Haute IN	0.898*
Iowa	Ames IA	0.959
Iowa	Burlington IA	0.974
Iowa	Cedar Rapids IA	0.929
Iowa	Davenport-Moline-Rock Is IA-IL	0.998
Iowa	Des Moines IA	0.923
Iowa	Dubuque IA	0.970
Iowa	Iowa City IA	0.990
Iowa	Mason City IA	0.910
Iowa	Waterloo-Cedar Falls IA	0.947
Kansas	Dodge City KS	0.909
Kansas	Garden City KS	0.931
Kansas	Hays KS	0.893*
Kansas	Hutchinson KS	0.962
Kansas	Lawrence KS	0.955
Kansas	Manhattan KS	0.941
Kansas	Salina KS	0.888
Kansas	Topeka KS	0.940
Kansas	Wichita KS	0.925
Kentucky	Bowling Green KY	0.929
Kentucky	Covington KY	0.888
Kentucky	Lexington KY	0.891
Kentucky	Louisville KY	0.911
Kentucky	Paducah KY	0.890
Louisiana	Baton Rouge LA	0.937
Louisiana	Hammond LA	0.920
Louisiana	Lafayette LA	0.972
Louisiana	Lake Charles LA	0.943
Louisiana	Monroe LA	0.928
Louisiana	New Orleans LA	1.062*
Louisiana	Shreveport-Bossier City LA	0.962
Louisiana	Slidell-St. Tammany Parish LA	0.970
Maine	Portland ME	1.134
Maryland	Baltimore MD	1.200
Maryland	Bethesda-Gaithersburg-Frederick MD	1.282
Massachusetts	Boston MA	1.376
Massachusetts	Fitchburg-Leominster MA	1.054
Massachusetts	Pittsfield MA	1.074
Michigan	Detroit MI	0.906
Michigan	Grand Rapids MI	0.889
Michigan	Kalamazoo MI	0.887
Minnesota	Mankato MN	0.933
Minnesota	Minneapolis MN	1.121
Minnesota	Rochester MN	1.026
Minnesota	St. Cloud MN	0.961
Minnesota	St. Paul MN	1.106

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Mississippi	Hattiesburg MS	0.926
Mississippi	Jackson MS	0.950
Mississippi	Pascagoula MS	0.921
Mississippi	Tupelo MS	0.901
Missouri	Columbia MO	0.912
Missouri	Jefferson City MO	0.960
Missouri	Joplin MO	0.913
Missouri	Kansas City MO-KS	0.987
Missouri	St. Joseph MO	0.931
Missouri	St. Louis MO-IL	0.913
Missouri	Springfield MO	0.872
Montana	Bozeman MT	1.043
Montana	Kalispell MT	0.963
Montana	Missoula MT	1.002
Nebraska	Hastings NE	0.963
Nebraska	Lincoln NE	0.933
Nebraska	Omaha NE	0.903
Nevada	Las Vegas NV	1.014
Nevada	Reno-Sparks NV	0.961
New Hampshire	Manchester NH	1.205
New Jersey	Bergen-Passaic NJ	1.358
New Jersey	Middlesex-Monmouth NJ	1.279
New Jersey	Newark-Elizabeth NJ	1.328
New Mexico	Carlsbad NM	0.938
New Mexico	Farmington NM	0.991
New Mexico	Las Cruces NM	0.989
New Mexico	Los Alamos NM	1.098
New Mexico	Rio Rancho NM	0.934
New Mexico	Roswell NM	0.979*
New York	Albany NY	1.120
New York	Binghamton NY	1.019
New York	Buffalo NY	0.988
New York	Dutchess County	1.208
New York	Glens Falls NY	1.100*
New York	Ithaca NY	1.010
New York	Nassau County NY	1.400
New York	New York (Brooklyn) NY	1.856
New York	New York (Manhattan) NY	2.183
New York	New York (Queens) NY	1.569
New York	Plattsburgh NY	1.997
New York	Rochester NY	0.992
New York	Syracuse NY	1.016*
North Carolina	Asheville NC	1.036
North Carolina	Burlington NC	0.942
North Carolina	Chapel Hill NC	1.148
North Carolina	Charlotte NC	0.930
North Carolina	Dare County NC	1.083
North Carolina	Durham NC	0.945
North Carolina	Fayetteville NC	0.955*
North Carolina	Gastonia NC	0.927
North Carolina	Greenville NC	0.977
North Carolina	Hickory NC	0.938*
North Carolina	Jacksonville NC	0.973
North Carolina	Kinston NC	0.953
North Carolina	Marion-McDowell County NC	0.909
North Carolina	Raleigh NC	0.951
North Carolina	Thomasville-Lexington NC	0.889
North Carolina	Wilkesboro NC	0.945*
North Carolina	Wilmington NC	0.990
North Carolina	Winston-Salem NC	0.932
North Dakota	Bismarck-Mandan ND	0.940
North Dakota	Fargo-Moorhead ND-MN	0.923
North Dakota	Minot ND	1.020
Ohio	Akron OH	1.009
Ohio	Ashland OH	0.883*
Ohio	Cincinnati OH	0.933
Ohio	Cleveland OH	1.037
Ohio	Columbus OH	0.901
Ohio	Dayton OH	0.928
Ohio	Findlay OH	0.969
Ohio	Lima OH	0.939
Ohio	Troy-Miami County OH	0.938*
Ohio	Wooster OH	0.892
Ohio	Youngstown-Warren OH	0.921
Oklahoma	Ardmore OK	0.885
Oklahoma	Broken Arrow OK	0.855*
Oklahoma	Edmond OK	0.919
Oklahoma	Enid OK	0.914
Oklahoma	Lawton OK	0.989

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Oklahoma	Muskogee OK	0.855
Oklahoma	Oklahoma City OK	0.890
Oklahoma	Ponca City OK	0.914
Oklahoma	Pryor Creek OK	0.878
Oklahoma	Stillwater OK	0.915
Oklahoma	Tulsa OK	0.899
Oregon	Eugene OR	1.079
Oregon	Klamath Falls OR	0.952*
Oregon	Portland OR	1.111
Pennsylvania	Erie PA	0.913
Pennsylvania	Harrisburg PA	1.025
Pennsylvania	Indiana County PA	0.958
Pennsylvania	Johnstown PA	0.927
Pennsylvania	Lancaster PA	1.059
Pennsylvania	Philadelphia PA	1.261
Pennsylvania	Pittsburgh PA	0.942
Pennsylvania	Williamsport-Lycoming Co PA	0.980
Pennsylvania	York County PA	1.038
Rhode Island	Providence RI	1.271
South Carolina	Anderson SC	0.913
South Carolina	Beaufort SC	1.040
South Carolina	Camden SC	0.973
South Carolina	Charleston-N Charleston SC	0.996
South Carolina	Columbia SC	0.969
South Carolina	Florence SC	0.903*
South Carolina	Greenville SC	0.916
South Carolina	Hilton Head Island SC	1.131
South Carolina	Myrtle Beach SC	0.965
South Carolina	Sumter SC	0.936
South Dakota	Pierre SD	1.033
South Dakota	Sioux Falls SD	0.928*
Tennessee	Chattanooga TN	0.932
Tennessee	Clarksville TN	0.976
Tennessee	Cleveland TN	0.931
Tennessee	Cookeville TN	0.845
Tennessee	Dyersburg TN	0.910
Tennessee	Jackson-Madison County TN	0.908
Tennessee	Johnson City TN	0.881
Tennessee	Knoxville TN	0.897
Tennessee	Memphis TN	0.873

Tennessee	Morristown TN	0.929
Tennessee	Murfreesboro-Smyrna TN	0.878
Tennessee	Nashville-Franklin TN	0.907
Texas	Abilene TX	0.868*
Texas	Amarillo TX	0.917
Texas	Athens/Henderson County TX	0.914
Texas	Austin TX	0.934
Texas	Beaumont TX	0.940
Texas	Brazoria County TX	0.877
Texas	Brownsville TX	0.860
Texas	Conroe TX	0.909
Texas	Corpus Christi TX	0.896
Texas	Dallas TX	0.958
Texas	El Paso TX	0.913
Texas	Fort Worth TX	0.921
Texas	Harlingen TX	0.805
Texas	Houston TX	0.905
Texas	Lubbock TX	0.881
Texas	Lufkin TX	0.920
Texas	McAllen TX	0.863
Texas	Midland TX	0.924
Texas	Nacogdoches TX	0.936
Texas	Odessa TX	0.912
Texas	Palestine-Anderson County TX	0.877*
Texas	Paris TX	0.890
Texas	Plano TX	0.979
Texas	Round Rock TX	0.871
Texas	San Angelo TX	0.909
Texas	San Antonio TX	0.924
Texas	San Marcos TX	0.939
Texas	Sherman-Denison TX	0.860
Texas	Temple TX	0.848
Texas	Tyler TX	0.963
Texas	Waco TX	0.862
Texas	Weatherford TX	0.907
Texas	Wichita Falls TX	0.897
Utah	Cedar City UT	0.860
Utah	Logan UT	0.963*
Utah	St. George UT	0.948
Utah	Salt Lake City UT	0.946
Vermont	Burlington-Chittenden Co VT	1.216
Virginia	Arlington-Alexandria VA	1.379*

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Virginia	Blacksburg VA	0.944
Virginia	Charlottesville VA	1.075*
Virginia	Danville City VA	0.905
Virginia	Hampton Roads-SE Virginia VA	1.068
Virginia	Harrisonburg VA	0.974
Virginia	Lexington-Buena Vista-Rockbridge VA	0.929
Virginia	Lynchburg VA	0.936
Virginia	Martinsville-Henry County VA	0.855
Virginia	Richmond VA	1.025
Virginia	Roanoke VA	0.915
Virginia	Staunton-Augusta County VA	0.954
Virginia	Winchester VA-WV	1.043
Washington	Bellingham WA	1.138
Washington	Everett WA	1.106
Washington	Kennewick-Richland-Pasco WA	0.933
Washington	Olympia WA	1.046
Washington	Seattle WA	1.199
Washington	Spokane WA	0.927
Washington	Tacoma WA	1.080
Washington	Vancouver WA	0.939*
Washington	Yakima WA	0.928
W. Virginia	Charleston WV	0.933
W. Virginia	Clarksburg WV	0.951
W. Virginia	Martinsburg-Berkeley County WV	0.893*
W. Virginia	Morgantown WV	1.040
Wisconsin	Appleton WI	0.939
Wisconsin	Eau Claire WI	0.901
Wisconsin	Green Bay WI	0.947
Wisconsin	Janesville WI	0.977
Wisconsin	Madison WI	1.090
Wisconsin	Marshfield WI	0.965
Wisconsin	Milwaukee-Waukesha WI	0.983
Wisconsin	Sheboygan WI	0.991*
Wisconsin	Wausau WI	0.964
Wyoming	Cheyenne WY	0.984
Wyoming	Laramie WY	0.991

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XII. Understanding the Report of Family Contribution School Report

Introduction

Once you have familiarized yourself with the Parents' Financial Statement (PFS) and the Report of Family Contribution (RFC)-School Report, you are ready to begin the actual review of a financial aid case. While SSS strongly encourages schools to require parents to submit the IRS 1040 Form and all schedules as part of the review process, the following discussion will focus on the review of the PFS in conjunction with the School Report. It is important to note, however, that a comparison of the PFS with a family's tax return may yield some differences between the two. These differences may be substantial enough to cause a financial aid administrator to revise a calculation for a case using the figures on the tax return.

As always, professional judgment plays an important role in this process as there may be allowable IRS deductions you may not wish to support with your financial aid budget (depreciation on a rental home, as one example). To assist you in the review of the PFS with the 1040 Form, SSS can collect tax documents on your behalf, scan them for your review, and capture relevant data that corresponds to PFS entries and present additional data from them that are relevant to financial aid review (such as depreciation and some forms of untaxed income). The SSS website (sss.nais.org) also contains resources for financial aid administrators to increase expertise in evaluating tax forms in the aid process.

A. Reviewing the Unusual Condition Codes

In reviewing the RFC and the PFS, SSS recommends that you first take advantage of the work the SSS system has done for you, particularly through its editing process and document data capture/comparison features of Comp* Assist Online. The results of these edits are shown on the RFC in the form of unusual condition codes. Each of these codes is generated as a result of a comparison of information on the PFS, which you should review in accordance with your school's policies. In addition, with these codes the RFC provides a description of what information should be reviewed, and the discussion below gives possible actions you may wish to take. In some cases, you may need to revise a case using more appropriate figures. In other cases, you may find an acceptable explanation for the code provided by the family in the PFS that is in keeping with your school's policies. It is important to note that SSS does not make decisions in these areas because schools should have this responsibility and because schools may wish to handle them differently, which SSS cannot presume to know. There may be a variety of ways to interpret the description/rationale a family provides, and SSS does not want to determine specific decisions for schools on individual cases where professional judgment is required.

Once you have completed the review of these codes, you will be able to determine whether or not a revision of the case is necessary. Please keep in mind, however, that there may be other reasons why a financial aid administrator may want to recalculate a case given that school's particular policies (divorce or separation situations, differences with the tax return, different financial information being shared by the family, etc.). Whatever the case, a helpful hint to keep in mind in this process is that changes to the family's income will have a greater impact upon the parental contribution for education than will changes to the family's assets. Therefore, you may determine that spending the time doing a revision is unnecessary given the dollar amount being changed and the number of cases you have to review.

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B. Possible Actions in Response to an Unusual Condition Code

Listed below are the unusual condition codes and the suggested items that should be reviewed in conjunction with these codes. Also provided are possible actions you may wish to take to resolve any questions raised by these codes. Note: *PFS line item references are based on the order of questions on the paper PFS. The line items on the online form may be different.*

UNUSUAL CONDITIONS

Code	Description	Possible Action
A =	No income tax reported for 2011.	Once you verify the SSS computed federal income tax allowance against the tax return, you may wish to revise the parents' contribution based on actual taxes.
B =	Income tax reported for 2011 is less than 80% of standard tax.	If the tax return is unavailable, the financial aid administrator may wish to use the reported tax figure and recompute the applicant's financial need with that figure (resulting in a higher parents' contribution) until the amount of tax paid can be verified.
C =	Income tax reported for 2011 exceeds standard tax by 20% or more.	If the family appeals the decision before the tax return is available, look at the previous year's reported tax paid and the family's financial circumstances to determine if the higher reported tax figure is reasonable before agreeing to use it. Be sure the family knows that a copy of the actual tax return is required as soon as it is filed and that the parent's contribution could change.
D =	Taxed income is zero.	Review the amount of nontaxable income. Is it sufficient to support the family? Review the family's listed expenses (mortgage, rent, etc.). If the sources of income do not appear sufficient to cover expenses, you may wish to call or write a follow-up letter to the family asking how it has met its basic living expenses. This may also be an indication that the family had other taxable income losses that canceled out the income on the tax return, in which case the complete return, including all schedules, should be reviewed carefully.
E =	Income for 2012 differs by $5,000 or more from 2011 income.	Review both years' incomes. Is there an explanation in the "unusual circumstances" area (Section F) of the PFS? Has one or the other parent changed jobs or become unemployed, or has the parents' marital status changed recently? If no explanation is discernible, you may wish to call or write a follow-up letter to the family asking for an explanation of the difference. The family's response may determine whether financial need should be revised on the basis of the estimated-year information.
F =	Medical expenses exceed 5% of total income.	Ask for Schedule A (itemized deductions) of the family's federal income tax return and review the total medical expenses. If the family does not itemize or has not filed its return yet, ask for an itemization or explanation of the medical expenses if none is given in the "unusual circumstances" area (Section F) of the PFS.
G =	Adjustments to income reduce Estimated Parental Contribution for Education by $300 or more.	This condition indicates that income tax return "adjustments to income" have been listed by the family on the PFS and are high enough to affect the parents' contribution. These adjustments, which should be verified from the tax return, may include employee business expenses, self-employed health insurance, withdrawal penalty on savings, or alimony paid. IRA and Keogh deductions should not be included here because they are listed separately on the PFS and are included (added back) in the need analysis as nontaxable income. If the tax return has not been filed, the family should provide an explanation, or these amounts should be disallowed (added back into the income side of the analysis) until the return is received.
H =	Unusual expenses reduce Estimated Parental Contribution for Education by $300 or more.	Although parents have been given instructions as to what is allowable in the directions to the PFS, there should be an explanation in Section F. If no explanation is given and the amount is significant, ask for an explanation. Some schools disallow indebtedness or unusual expenses if they are not explained Section F. Review the listed expenses carefully and keep in mind what are and are not allowable expenses. Section X in this *Manual* lists the allowable and non-allowable expenses. If some or all of the expenses are non-allowable, recalculate the

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		case by eliminating the appropriate amount from item 25.
I =	Indebtedness reduces Estimated Parental Contribution for Education by $300 or more.	Although parents have been given instructions as to what is allowable in the PFS instructions, there should be an explanation in Section F. If no explanation is given and the amount is significant, ask for an explanation. Keeping in mind what are and what are not generally accepted allowable debts, (see Section X of this Manual), adjustments may need to be made to the amount used on the RFC and a revision done. If the family has recently experienced unemployment or underemployment, however, it may explain why credit cards were used for allowable expenses, not discretionary consumer purchases. If his is the case, the financial aid administrator may choose to allow these as legitimate debts against net worth in the calculation. SSS does not review the items entered here. They should be reviewed and/or adjusted according to the school's policies. For families enrolled over a period of years, this category should be reviewed each year. If a family's indebtedness increases substantially from year to year, that may indicate something about the family's life-style and/or the impact of the school's determination of the family's ability to pay. Conversely, if indebtedness is reduced substantially, that may also indicate something about the family's available funds.
K =	Taxable dividend and/or interest income represents less than a 5% return on the total of bank accounts and investments when this total exceeds $5,000. Or the total of bank accounts and investments represents less than the appropriate amount expected when the taxable dividend and interest income exceed $250 and reflects a 5% return.	If the family has not provided an explanation on the PFS, the financial aid administrator may wish to call or write a follow-up letter asking why the reported interest or dividend income (after checking the tax return) does not reflect a reasonable (5%) rate of return on the total interest-bearing bank accounts and investments listed. Some schools decide to consider a rate of return other than 5%. Even in these cases, the code K will trigger the aid administrator to review the items.
L =	The negative amount in other taxable income reduces Estimated Parental Contribution for Education by$300 or more.	You should review Schedule E of the federal income tax return and may wish to disallow some or all of these amounts based upon the parents' clarification. If the tax return is not yet available, you may wish to disallow the full amount.
M =	Using the Housing Index Multiplier table, $XXXXXX is the home equity.	The dollar figure indicated in this message may help the financial aid administrator decide to accept the adjusted value of the family's home or to follow up with the family for an explanation of the home value reported. It may also serve as an indicator and guideline whether to make other adjustments to the reported home value. Note that the Housing Index Multiplier only assumes increases in home value. Therefore, an understanding of local real estate markets may appropriately suggest other adjustments to the home value used in the analysis.
N =	Review per-student Family Contribution. The contribution may not be appropriate given varying school expenses for each student.	Compare the per-student Family Contribution(s) to each student's school expenses. If the other student's school expenses are lower than his/her per student Family Contribution, consider raising the applicant's Family Contribution by the difference between the other student's Family Contribution(s) and his/her expenses. On the other hand, if the applicant's Family Contribution exceeds the applicant's expenses, consider raising the other student's contribution(s).
P =	Student assets are listed, and no grade has been provided; SSS assumed a grade of 9.	See the table on page 31 of this *Manual* for a table of values to divide into assets based on the student's grade.

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Q =	The home equity used in the computation has been capped at three times the total income. The home equity based upon the market value less the sum of unpaid mortgage principal on first mortgage and unpaid principal on second mortgage/equity loan(s) is $XXXXXX. Using the Housing Index Multiplier table, $XXXXXX is the home equity.	This Unusual Condition indicates two dollar figures. The first amount provides the financial aid administrator with the home equity calculated from the information on the PFS before the home equity is capped. The second amount allows the aid administrator to review the home equity determined by using the indices in the Housing Index Multiplier table. There may be circumstances in which the financial aid administrator may wish to lower the home equity below the capped value when the use of the Housing Index Multiplier indicates a reduction may be appropriate. Conversely, there may be circumstances in which there are significant liquid assets when the aid administrator may wish to increase the home equity above the capped home equity value. Note that the Housing Index Multiplier only measures national change in home value. Therefore, an understanding of local real estate markets may appropriately suggest other adjustments to the home value used in the analysis.
S =	Student assets are listed for at least one of the children in the family; the Estimated Family Contribution for each child may differ as listed below. (This message will also include the names of the children and the corresponding family contribution for each.)	It may be appropriate to apportion the student asset contributions among the children differently depending upon the cost of education at each of the schools to be attended by the children and the level of each child's asset contribution. For example, if the assets of one child are substantially greater than those of the other children and the costs of that child are more than covered by the family contribution, you may decide to apportion any excess student's asset contribution among the other children. To facilitate the comparison of the contributions for the children, SSS provides on the RFC the Estimated Family Contributions for each student applicant when student assets are listed for at least one of the children.
U =	Total unpaid principal on all mortgages and equity loans for the home and/or other real estate is greater than present market value. SSS assumes no equity.	While it is unusual, it is possible for a family to have a mortgage that exceeds the present market value of their home and other real estate. This circumstance may occur as the result of a second mortgage or a lien against the property. You will want to review PFS Section F to determine whether the family has provided sufficient information to explain the relatively high mortgage, or you may wish to call or write the family asking why the mortgage exceeds the value of the property.
V =	Review business or farm income, assets, debts, and percentage of ownership. Information provided by the parents may be incomplete.	Business and farm situations can be extremely complex and can require more information than is provided on the PFS to discern the proper course of action in review. Thus, you may wish to collect additional information in each business or farm case. You may wish to require that all families with business or farm income or assets submit an SSS Business or Farm Statement or the tax return, you may need to ask the family for further clarification of ownership, rental property, farm property used for the family residence, whether a business is the primary or secondary source of income, etc.
Z =	Income reported in foreign currency. SSS recommends individual review.	SSS will provide an Estimated Family Contribution for an applicant living abroad if the information appears to have been provided in U.S. dollars. When the financial information has been provided in foreign currency, no calculation is performed. The financial aid administrator will need to ask for additional information from the family and perform a calculation or determine an appropriate financial aid award.

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