

Assessing Financial Need: How to Examine the Negative Expected Family Contribution

Targeting support to students with the greatest need is a common practice, but without enough information it is difficult to do well. Consider that about half of all Pell Grant recipients have a zero Expected Family Contribution (EFC), but that zero EFC can be obtained many different ways, implying that students may come from very different backgrounds. A student with a negative EFC has more need than the current formula reveals and as a result, the financial aid you provide may seem like it achieves less than intended. Seeing the negative EFC helps you target those students for other supports and/or additional aid if it is available.

This short guide describes how to compute negative EFC (with an accompanying Excel spreadsheet to help), and offers ideas for how to use the resulting information.

How to Calculate the Negative EFC

First, take a look at the [elements](#) of the EFC formula that can have a value of zero:

- Adjusted gross income (FAFSA/SAR #85 for parents, #36 for student)
- Net worth of investments (FAFSA/SAR #91 for parents, #42 for student)
- Net worth of business and/or investment farm (FAFSA/SAR #92 for parents, #43 for student)
- Total contribution from assets (from parents' and students' contribution from assets sections of the EFC formula guide)
- Total contribution from adjusted available income (from parents' and students' overall contribution sections of the EFC formula guide)
- Total contribution (from parents' and students' overall contribution sections of the EFC formula guide)¹

In the current formula, the value of each of these items is truncated to zero. In order to compute the negative EFC, use the raw value for each of these items, rather than the truncated value. In addition, change the cap on the "adjusted available income" (Table A6 of the EFC formula guide for dependent students and Table C6 for independent students with their own dependents). Currently, parents or students are expected to contribute 22% of their adjusted available income (AAI) toward college expenses. However, if the AAI is less than -\$3,409, the parent or student contribution is trimmed to -\$750 (22% of -\$3,409). To allow for the full distribution of negative EFCs, use the current 22% assessment rate for AAIs less than -\$3,409 without using the -\$750 cap. The value is supposed to be 22% of adjusted available income, but is currently not allowed to be less than (-\$750) and should be changed to 22% for values less than -\$3,409.

¹ This excludes two elements (income taxes paid and state and local tax allowance) that should be truncated at zero. If income is negative, the tax allowance would also be negative (increasing the EFC when families may not be receiving tax refunds).

Attached is an Excel file that includes the formulas needed to conduct your own negative EFC calculations. There are three different sheets: (1) dependent students; (2) independent students without dependents; and (3) independent students with dependents.

Enter the intermediate values from the student's ISIR on each sheet. In several places negative values should be used if they are present. The sheet will then generate two values.

1. An EFC based on current rules. This allows for verification of the calculation by matching against the EFC imported from CPS.
2. A negative EFC. While this cannot be used for federal aid purposes, it may be more representative of a student's true financial need and can help inform the targeting of additional supports or resources to students.

How to Use the Negative EFC

Now that the full range of EFC values is visible, how can you use this information? Here are five initial ideas.

1. Learn more about your students: Look at the full range of EFCs. What percentage of all students have negative EFCs? What percentage of all Pell recipients have negative EFCs? What percentage of all students who officially have zero EFCs, actually have negative EFCs?
 - a. Do you notice any key differences between students with negative EFCs and other Pell Grant recipients? Do they differ based on age or demographic characteristics?
 - b. Is this a lot of people? A few?
2. Re-examine "unmet financial need": Using the negative EFCs, compute the amount of unmet need your students possess? How much does it increase when the negative EFC is accounted for?
3. Consider whether it is feasible to provide any additional dollars to students with negative EFCs, using FSEOG or FWS funds.
4. Think about whether students with negative EFCs might be referred to other supports, including public benefits programs and/or emergency aid. Could they be flagged for additional support in your campus's early warning system?
5. Discuss your findings with college advancement and/or the foundation. How might this information be used to support additional fundraising?