

Important FAFSA Information

Getting started

You can pick up a FAFSA in your guidance office by mid-November or online at www.fafsa.ed.gov; however, you can't file it until January 1 of the year in which you plan to start college (that's January 1, 2013, for those who hope to start college in September, 2013). You should, however, file as soon after that date as possible, since a great deal of financial aid is delivered on a first come, first served basis. Money is awarded until it runs out; late filers get nothing.

Unfortunately, many students miss out on financial aid opportunities because they fail to meet the filing deadlines. The best financial aid awards (those heavy on grants and lighter on loans) are generally given to the earliest applicants.

Gather your papers

To make sure you're one of the early birds who receives the most aid possible, work with your parents to start collecting the necessary financial records over the winter holidays. To get organized, you might try putting your paperwork and information into two folders:

Folder 1: Income and Expense Information

All income and expense data come from the prior year (2012 for the 2013/2014 award year). Here's the financial information you'll need to collect:

- Taxable income for both parents and student, including wages, pensions, capital gains, interest, dividends, annuities, unemployment compensation, alimony received, rent collected, and business income.
- Non-taxable income for both parents and student, including workers' compensation, welfare benefits (excluding food stamps), housing and food allowances, child support received, untaxed Social Security benefits, untaxed income from pensions and annuities, veterans' non-education benefits, tax-exempt interest income, deductible payments made to a retirement plan (such as an IRA or Keogh), and earned income credit.
- Expenses such as U.S. income taxes paid and child support paid.

Folder 2: Asset Information

You must report the net worth of all these assets as of the date you sign the form, so before you record any totals, be sure your family pays off all its bills and pays down any consumer debt, like credit card balances.

- The value of cash, savings, and checking accounts held under the names of parents and the student.

- Net worth of all the parents' and student's investments (except for retirement plans), including stocks, bonds, CDs, money market funds, mutual funds, commodities, trust funds, Education IRAs, state-based college savings plans (except pre-paid tuition plans), and real estate holdings (rental property and second homes). You need not include the equity in your family's primary residence.
- The net worth of any family business and/or farm (excluding farms that are principal residences).

Be accurate

In completing the FAFSA, be as accurate as you can. Mistakes will cause your application to be returned. These errors may include giving monthly amounts instead of yearly amounts, writing in the margins, checking the ovals (rather than filling them in).

If a question or two seems confusing, call the federal student aid hot line at 800-4-FED-AID, or ask a guidance counselor or financial aid administrator. Many colleges now have toll-free numbers for exactly that purpose. If a question still proves troublesome, explain your problem in a letter to the school's financial aid administrator. Note: You're less likely to make mistakes if you apply online. FAFSA on the Web includes worksheets, online help, detailed instructions, and a built-in editing tool that helps prevent errors and reduces rejections. You can also get an idea of what the process entails, plus an estimated aid package, using the FAFSA4caster at www.fafsa4caster.ed.gov.

Once you've gathered all your financial data, the FAFSA is pretty straightforward. Answer each question unless the FAFSA specifically tells you it's a step you can skip. Let's review each section:

1. Student name, rank, and serial number

Questions 1–17 cover the personal basics: the student's name, e-mail address, permanent address, Social Security number, date of birth, permanent phone number, driver's license number, citizenship status, and marital status.

2. Student background

Questions 18–31 deal mostly with:

- The student's educational plans.
- The highest level of education completed by the student's mother and father.
- The student's state of legal residence.
- The types of aid for which he or she wants to be considered (for example, loans and/or work-study). To maximize your chances for receiving aid, you should indicate a willingness to accept loans and work-study. You can always change your mind later.

- Registration for the Selective Service (military). If you're male, age 18–25, you may use this section to register. (In most instances, male students must be registered to receive federal student aid.)
- Drug offenses. If you've never been convicted of a drug offense, simply check the “No” box and move on. If, however, you do have a past drug-related conviction, you may be ineligible for federal student aid.

3. Student income and assets

The first three questions (32–34) ask about your tax filing status—which tax return you will file, and whether you have already completed this tax return. If at all possible, complete your return before you tackle this part of the FAFSA. Much of the information is the same. For example, your adjusted gross income, U.S. income tax paid, and number of exemptions. The FAFSA even gives you the exact 1040 line reference numbers.

Questions 35–47 cover student income and assets. Dependent students may find that some of these income and asset questions do not apply. In this case, enter “0.” An unanswered question can get your FAFSA returned with a “request for additional information.” This will hold up the processing of your form and could jeopardize the amount of funding you will receive.

4. Dependent vs. independent

Questions 48–54 address the student's dependency status. Students who meet one of these criteria may skip Step 4—you're an “independent” student and your eligibility for financial aid will be determined without consideration of your parents' income and assets.

You're independent if you are:

- 24 years old by December 31 of the award year.
- A graduate or professional student during the award year.
- Married (or separated).
- A parent or have other dependents who currently receive more than half their support from you.
- An orphan or a ward of the court.
- A veteran of the U.S. Armed Forces.

As we move further away from the traditional “Ozzie and Harriet” families of the 1950s, schools may determine dependent status based on “unusual” living circumstances—being raised by grandparents or by same-sex parents, unwed parents, or common-law parents. Ask your school if you are unsure of your own “dependency” status.

5. Parents' personal data

In questions 55–69, dependent students must provide information about their parents' marital status, Social Security numbers, number of household members (including the number who will

be enrolled in college at least half time), state of legal residence, and the age of the older parent. Each of these elements affects the calculation for your Expected Family Contribution (EFC), so answer the questions carefully. For example:

- Older parents are expected to contribute less since they are closer to retirement.
- Parental contribution is divided by the number of students in college.
- If the parents are divorced or separated, include only the financial data on the parent with whom the student lives for the greater part of the 12 months preceding the date of the application. For example, if that parent has remarried, the student must include that stepparent's income and asset data as well. Note: Some colleges request information on the "other" natural parent and may expect a contribution from that parent as well.

6. Parents' tax filing status

The next three questions ask you about your parents' tax filing status. Again, try to complete tax returns before you tackle the FAFSA. Most colleges will eventually ask to see a copy of your family's signed tax return, and your FAFSA numbers must come within a \$400 tolerance range. If you are outside this range, the college will ask you to make corrections to your form. Again, this could put you at serious risk for losing valuable funding.

The FAFSA also asks whether you are eligible to file a 1040A or 1040EZ (even if you filed a regular 1040). If you and your parents can answer "yes" to this question and your annual incomes are below \$50,000, your family's assets will be excluded from consideration entirely.

7. Parents' income and assets

Questions 73–83 cover parental income and assets. It is important to indicate whether earned income is from two workers or only one. Where there are two workers, the family receives an additional allowance that helps increase the applicant's eligibility for aid. This allowance also applies to a single parent household when that parent has earnings from work.

The EFC calculation is based primarily on the family's adjusted gross income (AGI), however, it is designed to reflect the financial strength of the household, so it counts untaxed income as well. Worksheets A and B (Questions 78 and 79) are used to collect this data, while Worksheet C (Question 80) covers items that families may exclude from income, for example, child support paid, taxable work-study earnings, scholarship aid that was included with AGI, [Hope Tax Credits](#), and [Lifetime Learning Credits](#).

Remember to be truthful. The FAFSA now collects your parents' Social Security numbers to make it easier for the [Department of Education](#) to verify income reported on the FAFSA with the [Internal Revenue Service \(IRS\)](#).

Many people think the "net worth" of their assets will eliminate them from aid consideration. Parents, however, receive an allowance to shelter some of their assets and even then they must contribute only a small percentage of the balance; less than six percent.

8. Independent students only

Independent students must answer a couple of quick questions about the number of people in their household and the number of household members who will be enrolled as college students during the upcoming academic year. Answers to these questions affect your EFC.

9. List your colleges

Good news: You fill out the FAFSA only once regardless of how many colleges you're considering. Questions 86–97 ask students to list the colleges that are to receive the processed data and indicate their housing plans at each. (Do you intend to live on campus, off campus, or with parent?) This helps aid administrators better determine their cost of attendance.

Determination of Assets for Financial Aid (FAFSA)

Assets for federal student aid purposes are defined as including cash on hand, money in checking and savings accounts, time deposits (certificates of deposit), UTMA and UGMA accounts (must be the owner, not the custodian), money market funds, trusts, stocks, stock options, bonds, other securities, mutual funds, installment and land-sale contracts (including mortgages held), tax shelters and qualified education benefits. (Qualified education benefits include 529 college savings plans, prepaid tuition plans and Coverdell Education Savings Accounts). It also includes the net value of real estate, income-producing property and business and farm assets.

The family's principal place of residence or a family farm on which the family resides are excluded from the definition of assets. Small businesses with at most 100 full-time equivalent employees that are owned and controlled by the family are also excluded from the definition of assets. Qualified retirement plans, like a 401(k), 403(b), SEP, SIMPLE, I.R.A., Roth I.R.A., Keogh or pension plan, are excluded from the definition of assets, as are life insurance plans.

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