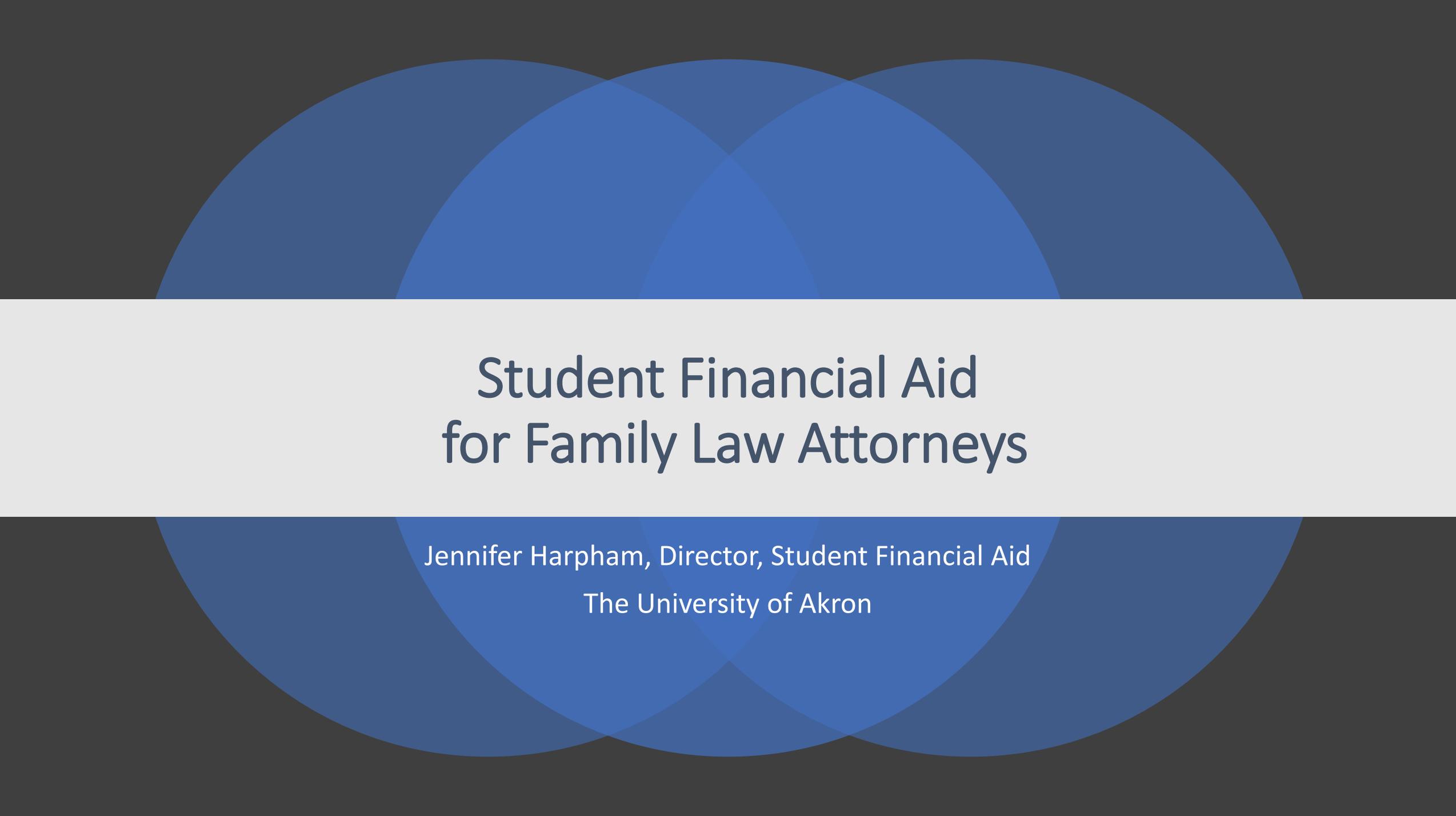




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Student Financial Aid for Family Law Attorneys

Jennifer E. Harpham



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What is financial aid?

Financial aid refers to the resources that students receive to help meet their cost of attending school. Examples include grants, scholarships, student employment, student loans, fee waivers and assistantships.

The most common sources of aid

Grants—gift aid (free money) that students receive based on financial need

Scholarships—also gift aid that students receive based on academic merit and sometimes financial need

Student employment—part-time jobs on or off-campus subsidized by the federal government and school

Student loans—low interest, fixed rate loans that students borrow from the government and repay after graduation

Waivers--Aid programs from state or local sources that pay specific portions of costs.

Assistantships—Students work and are paid while receiving tuition remission or waivers.

Eligibility for need-based financial aid



Students and parents complete the Free Application for Federal Student Aid (FAFSA)



Results go to the schools listed by the student on the FAFSA



Schools use the results as the basis for most aid eligibility



FAFSA information directly impacts eligibility for grants, some scholarships, federal student employment programs, student loans, and parent loans

How is financial need determined?



Federal methodology



School applied formula



Financial Aid professional judgement

Federal Methodology

U.S. Department of Education

The Federal Methodology is the formula used by the federal government in calculating a student's Expected Family Contribution (EFC) which determines their eligibility for all federal financial aid and some state or institutional aid as well.

Components of the EFC

Parents income—family structure, number of dependents, adjusted gross income, state of residence all factor into the calculation of the EFC.

Parents' Assets--non-retirement assets are all included. Small farms, small family businesses, and home equity are excluded as assets. There is an allowance amount based on the tax-filing status and the age of the oldest FAFSA-filing parent. The asset amount that exceeds the allowance amount will be multiplied by 5.64 percent to arrive at the parent asset calculated amount.

Parent Assets—Investments Include

- Real estate (not the home you live in)
- Rental property
- Trust funds
- Money market funds
- Mutual funds
- CD's
- Stocks
- Stock options
- Bonds
- Securities
- Installment and land sale contracts
- Education savings accounts (529 college savings plans)



Components of the EFC

Student Income--for dependent student income, the rules are straightforward. Since dependent students are included on another person's tax return, their income allowances are limited by the state they reside in and the federal income exemption amount. Amounts over the allowances are weighted at 50 percent.

Student Asset--there are no allowances, and assets are weighted at 20 percent. Therefore, many people think it is a good idea to get assets out of the student's name. People compare the student's percentage of 20 percent to the parents' percentage of 5.64 percent and disregard the cost of attendance as part of their decision. This asset moving strategy is a common error.

Income components included on the FAFSA

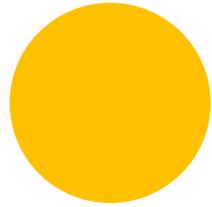
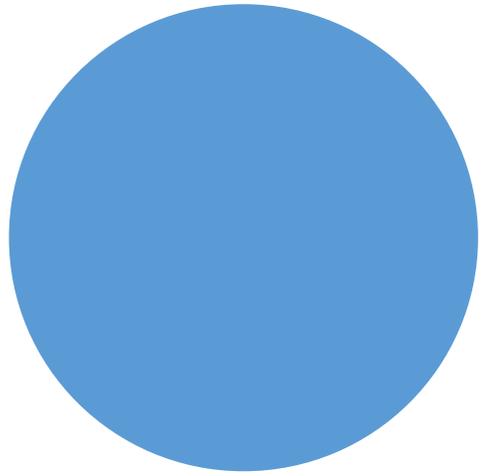
- Adjusted gross income
- Income earned from work
- Balance of cash, savings and checking
- Net worth of investments including real estate
- Net worth of current businesses or investment farms
- Education credits
- Child support paid
- Combat pay

Untaxed income included on the FAFSA

- Payments to tax deferred pension and retirement savings plan
- IRA deductions
- Child support received
- Tax exempt interest income
- Untaxed portions of IRA and pension
- Veterans non-education benefits
- Money received or paid on your behalf

Untaxed income does not include

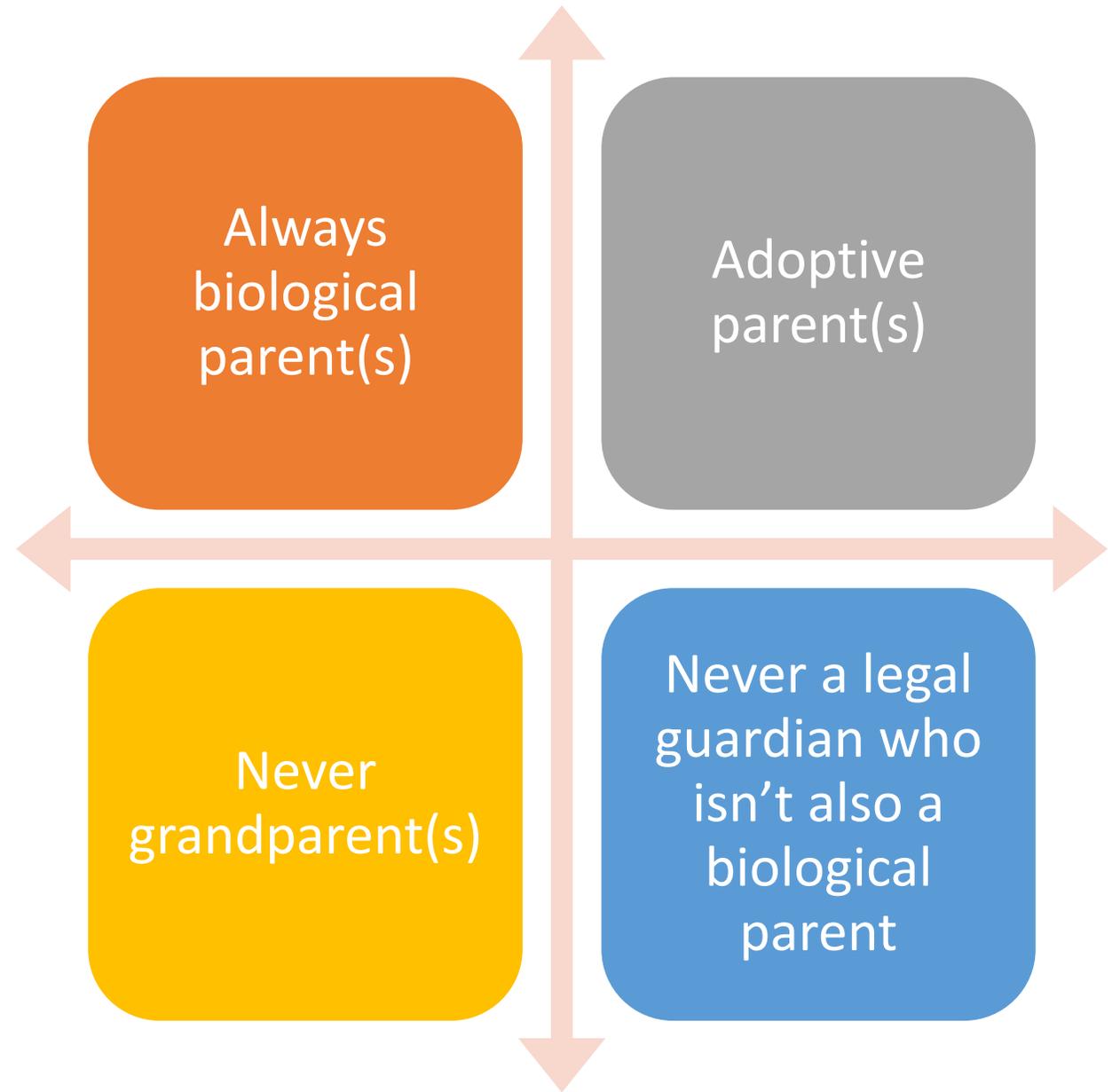
Extended foster care benefits, student aid, earned income credit, additional child tax credit, welfare payments, untaxed Social Security benefits, Supplemental Security Income, Workforce Innovation and Opportunity Act educational benefits, on-base military housing or a military housing allowance, combat pay, benefits from flexible spending arrangements (e.g., cafeteria plans), foreign income exclusion or credit for federal tax on special fuels.



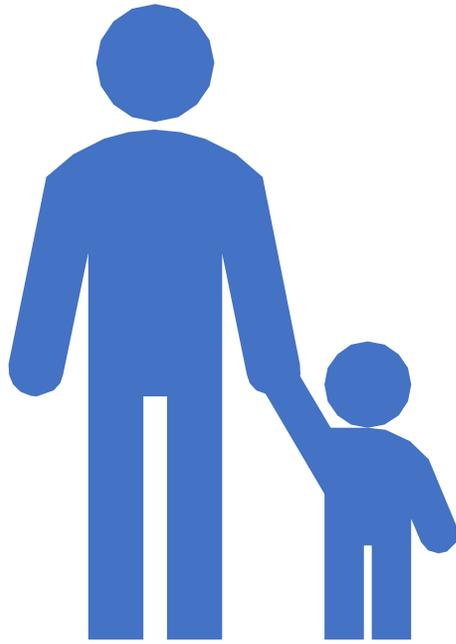
How do I use this information
when helping clients?

Impact of family status
on financial aid eligibility

Who is the
parent on the
FAFSA?



Which parent do I use?



- If parents are married, they are both listed on the FAFSA
- If parent is remarried, use parent and stepparent
- If biological parents are not married but live together in the home, use both parents
- If divorced or separated, use the parent that you will reside with the majority of the time and who provides the most financial support through any means.
- Same sex couples with adopted and/or biological children will list both parents in accordance with the guidance above as long as they are married or reside in the same home.

When parents are separated

- Students will list the parent with whom they reside and who provides the most financial support through any means.

EXAMPLE: Parents are separated. Student lives with mother. Mom pays the household bills with her income AND with money that she receives from the student's father who lives elsewhere.

The student will list the mother as the parent on the FAFSA. The mother will list any income that she receives including the money she receives from her husband as other untaxed income.

When parents
are separated
but live in the
same home

EXAMPLE: Parents live together in the same home. They state that they are separated both emotionally and financially and may have even consulted with an attorney about separation or divorce.

Student will list both parents on the FAFSA. Regardless of their marital status, they are living in the same home with the student and will both provide income on the FAFSA.

When parents are divorced

EXAMPLE: Parents are divorced. Student lives with father. Mother pays child support to the father.

Student will list the father as her parent on the FAFSA. If father is remarried, student will list father and stepmother on the FAFSA.

When parents
are divorced but
the student does
not live with
either parent

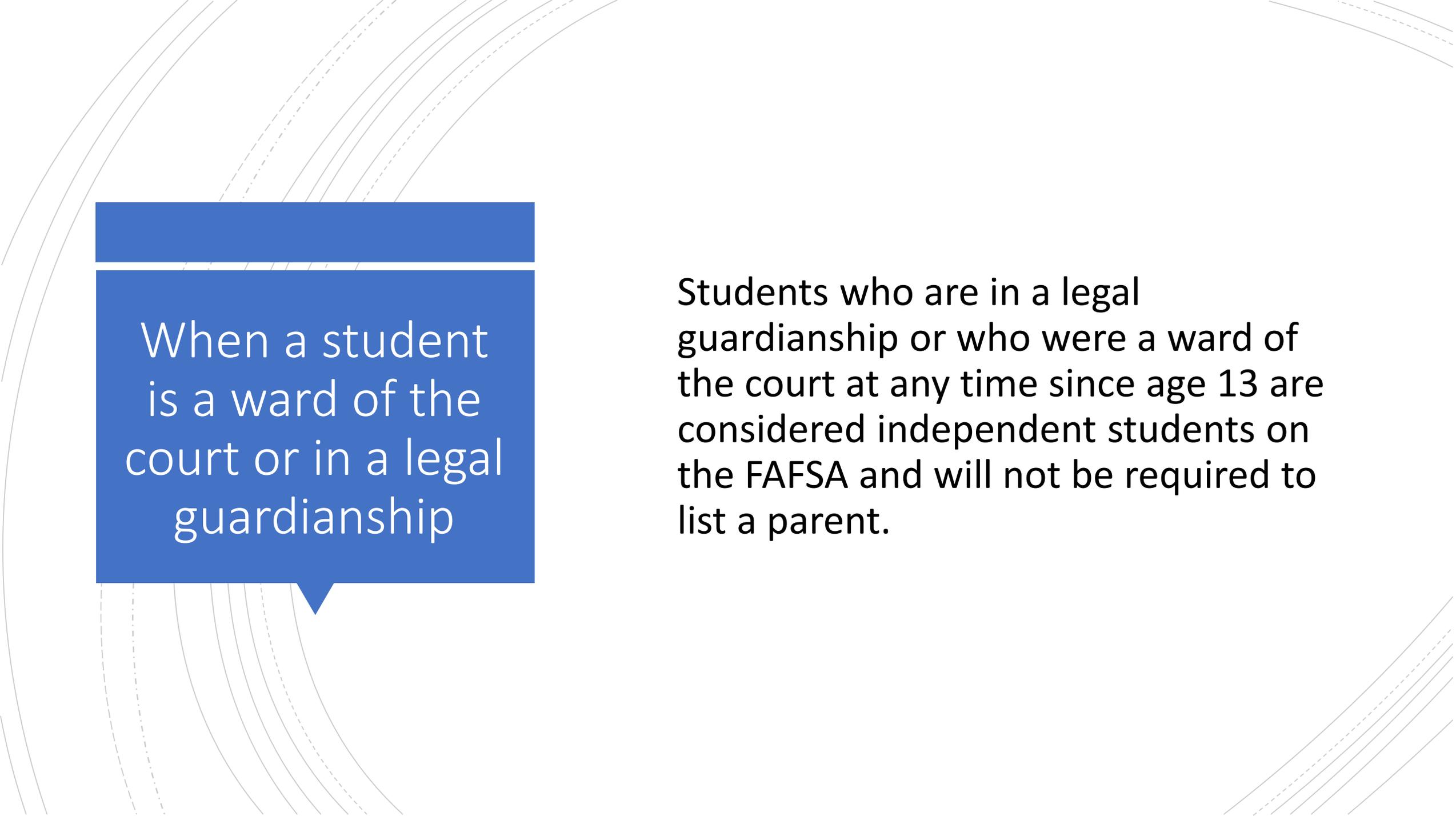
EXAMPLE: Parents are divorced. The student lives with her boyfriend and his parents. She still has contact with her parents and they are part of her life. Parent income is still required on the FAFSA.

This is a little tricky. The student should list the parent with whom she resided the most during the preceding 12 months leading up to filing the FAFSA. If neither, the student lists the parent who provides her with the most financial support. If that too is neither, the financial aid officer at the student's school can help her decide which parent's income to use.

When parents
are divorced and
have shared
parenting

EXAMPLE: Parents are divorced. The student shares his time with both parents. They have shared parenting.

The student would list the parent with whom he resides principally, where he spends the most time. If he truly splits his time equally between both homes, he should list the parent who provides the most financial support to him. If that too is equal, the student can decide which parent to list on the FAFSA.

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When a student is a ward of the court or in a legal guardianship

Students who are in a legal guardianship or who were a ward of the court at any time since age 13 are considered independent students on the FAFSA and will not be required to list a parent.

Other family situations that make a student independent



At any time since you turned age 13, were both your parents deceased, were you in foster care or were you a dependent or ward of the court?



As determined by a court in your state of legal residence, are you or were you an emancipated minor?



Does someone other than your parent or stepparent have legal guardianship of you, as determined by a court in your state of legal residence?



You were/are an unaccompanied youth who was/is homeless or were self-supporting and at risk of being homeless

How does claiming children on taxes impact eligibility for financial aid?

The federal government doesn't mandate that students be claimed on a parent's taxes in order to be counted in the household.

Parents are directed to list the people in their household for whom they provide at least half of the financial support.

Because of this, students don't have to appear on their parent's tax return in order to be claimed as a member of the household on the FAFSA. The same can be said for students with children. They can still claim children as part of their household as long as they provide at least half of their financial support and/or they reside with them.

How does child support impact eligibility?

- Child support received is counted on the FAFSA as income.
- Conversely, child support paid is also reported on the FAFSA.
- Depending on the amount of child support paid, it can sometimes allow students to list children as members of the household in shared custody situations because it may constitute more than 50% of the child's support.



Tips for completing the process



Don't try to outsmart the federal formula



Remember that claiming children on taxes isn't necessary to include them as household members on the FAFSA.



A student whose parents are divorced will include their residential parent on the FAFSA, and a stepparent if the parent has remarried.



Grandparents are never parents for FAFSA purposes.



Contact a financial aid professional at any college or university for help with these questions.



QUESTIONS

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