



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF POSTSECONDARY EDUCATION

THE ASSISTANT SECRETARY

December 6, 2011

DCL ID: GEN-11-21

Subject: Expected Family Contributions of 99,999

Summary: The purpose of this letter is to describe the special actions that an institution must take, beginning with the 2012-2013 Award Year, when the Expected Family Contribution (EFC) of a student is reported as 99,999.

Dear Colleague:

Over the past several years, there has been an increasing number of Free Application for Federal Student Aid (FAFSA) filers whose EFC equals or exceeds 100,000. However, the Department's Central Processing System (CPS), the Institutional Student Information Record (ISIR), and the Student Aid Report (SAR) field lengths for EFC are only five digits. This means that a calculated EFC of 100,000 or more results in a CPS stored and ISIR/SAR reported EFC of 99,999.

Expected Family Contribution (EFC) – In most instances, the reported EFC of 99,999 is more than the student's cost of attendance (COA), and there is little likelihood of any inadvertent awarding of subsidized Title IV aid (Direct Subsidized Loans, Federal Work Study (FWS), Perkins Loans, and Federal Supplemental Educational Opportunity Grants (FSEOG)). Since the maximum EFC for the Federal Pell Grant Program is well below 99,999, the ISIR/SAR reporting of 99,999 has no impact on the calculation of any student's Pell Grant award. Nor does it impact a student's eligibility for unsubsidized Title IV aid (Direct Unsubsidized Stafford Loans, PLUS Loans, and TEACH Grants), since EFC is not used to determine eligibility for those programs. However, in those cases where the student's COA is greater than the reported EFC of 99,999 (or the COA is greater than the reported alternate EFC for periods of other than nine months), subsidized Title IV aid could be inadvertently awarded.

AGI and income earned from work – Similar to the EFC issue, the field length for some FAFSA and FAFSA on the Web (FOTW) data elements is limited to six digits. Thus, a student, or a dependent student's parent(s), with an Adjusted Gross Income (AGI) or income earned from work of \$1 million or more is not able to enter the actual amount of his or her income and is instead instructed to enter \$999,999.

Implications - While the number of times these field length limits occur remains very low (less than one-half of one percent of all FAFSA filers), they have increased over the past few years. Because of this and because of higher COAs at some institutions, there is a small but increasing likelihood that the EFC 99,999 reporting limit could result in some students being inadvertently awarded subsidized Title IV aid.

1990 K ST. N.W., WASHINGTON, DC 20006
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As noted, and as more fully explained below, the potential for incorrect subsidized aid awards due to field length limitations occurs only in those few instances where the student's COA exceeds 99,999 (or where the student's COA exceeds the alternate EFC for periods of other than nine months). Thus, for the vast majority of institutions, there is no action to take, and action need only be taken if the student's ISIR or SAR reported EFC is 99,999 and the student's COA exceeds the appropriate EFC.

Interim Guidance:

We are considering what system changes (both at the Department and at schools) would be needed to expand the EFC and income fields; however, no system changes are possible for the upcoming 2012-2013 FAFSA processing year. Therefore, to avoid awarding subsidized aid to ineligible students, beginning with the 2012-2013 award year, when a student's ISIR or SAR includes a reported EFC of 99,999, institutions must follow the interim guidance specified below when evaluating a student's eligibility for a Direct Subsidized Loan or for an award under the FWS, Perkins Loans, and FSEOG programs.

1. Determine if the student's COA for the period of enrollment for which the aid will be awarded is equal to or less than the reported EFC of 99,999 (or less than the reported alternate EFC for periods of other than nine months). If the COA is less than the reported or reported alternate EFC, no further action is necessary because an EFC greater than COA cannot result in eligibility for subsidized Title IV aid. If the student's COA for the period of enrollment is more than the reported EFC of 99,999 (or more than the reported alternate EFC), the institution must proceed to the next step to determine whether the student has eligibility for subsidized Title IV aid.
2. Determine if any of the income or tax fields (e.g., AGI, income earned from work, taxes paid) are reported on the ISIR or SAR as \$999,999. If not, proceed to the next step. If any of those fields are reported as \$999,999, a copy of the relevant IRS tax return(s) must be obtained from the applicant to determine the actual AGI, income earned from work, and/or taxes paid. Upon receipt of that documentation, proceed to the next step using the information from the tax return(s).
3. Using the instructions included in chapter 3 of the 2012-2013 Application and Verification Guide (AVG), calculate the student's EFC using the information included on the student's ISIR (or SAR), and/or the tax returns if necessary. Be sure to use the correct EFC formula – dependent, independent without dependents other than a spouse, or independent with dependents other than a spouse. The institutionally calculated EFC must be used to determine the student's eligibility for any subsidized Title IV aid. Documentation of the institution's EFC calculation must be maintained for audit and other purposes.
4. Even though the EFC that is calculated by the institution under this guidance will be different than the EFC reported on the ISIR, when reporting an award of a Direct Loan or a TEACH Grant to the Common Origination and Disbursement Web site, use the transaction number of the ISIR from which information for the institutional calculation was obtained.

While we regret the increased workload that this issue may impose on some institutions with high COAs, the need for a hand calculation is limited to only those applicants with a reported EFC of 99,999.

Thank you for your cooperation in this very important Title IV program integrity initiative. If you have any questions, please contact Carney McCullough at carney.mccullough@ed.gov or Dan Klock at dan.klock@ed.gov.

Sincerely,

A handwritten signature in black ink, appearing to read 'Eduardo M. Ochoa', with a horizontal line extending from the end of the signature.

Eduardo M. Ochoa