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Hi, I'm Susan Stephenson, Financial Aid Director at Eastern Wyoming College.

You've completed your Free Application for Federal Student Aid (or, FAFSA) and have received an award letter from your school that lists the financial aid for which you are eligible. But how did the Financial Aid Office come up with those numbers? And what is that "EFC" figure that's listed on your FAFSA confirmation page, your Student Aid Report, and your award letter? Sometimes financial aid administrators speak in alphabet soup (FAFSA, SAR, EFC), and it can be confusing to know what we're talking about.

Let's see if we can clear up the confusion about what the EFC is and how that number determines your federal aid.

The philosophy behind calculating each student's federal financial aid has three basic components. First, that it is the *student's* responsibility (along with his or her family) to pay college costs. College is not free, nor is it a right or entitlement. However, federal aid is available to help supplement the family's financial resources, especially in cases where those resources are limited. Because federal aid is available to all students who meet eligibility requirements and who are seeking post-secondary education at Title IV aid-granting schools, there must be a way to evaluate each student's and family circumstances equitably. This evaluation is done via the FAFSA. All students who want federal aid must complete it, therefore, all students' information is being evaluated in the same way. The FAFSA yields a number called the EFC, which is what schools use to determine federal aid eligibility.

So, what is EFC? EFC stands for *Expected Family Contribution*. First and foremost, it is an index number used to determine need-based aid. You may remember from other presentations that the federal need-based programs available at EWC are the Pell Grant, Supplemental Educational Opportunity Grant, Work Study and Subsidized loans. Unsubsidized and PLUS loans are NOT need-based, so eligibility for those programs does not use the EFC, but you still must complete the FAFSA to receive them. It is important to note that the EFC is NOT the amount of money your family owes to the school, nor is it the amount of aid you will receive.

The EFC comes from FAFSA calculations. The FAFSA uses standardized formulas to evaluate the amount a family might *reasonably* be expected to contribute to a student's education for one academic year. Your EFC is the same no matter what school you apply to or what that school costs. But again, just because you have a certain EFC, your family may or may not actually have that amount to contribute and your school does not really "expect" you to pay that amount. It is an *estimated* amount that is based on all the information you enter into your FAFSA: taxed and untaxed income for you and your parents (if you're a dependent student); the number of people in your household and how many of those are in college; assets; even your parents' age is considered in the FAFSA formula. The FAFSA also has built-in allowances for your family's tax liability and living expenses. It is a way to measure your family's financial strength in the same way that other students' families are measured so that aid is distributed equitably.

If you are not actually expected to pay the amount reflected by the EFC, what good is it? It is what the Financial Aid Office uses to determine your aid eligibility. Financial Aid Officers run that number through a basic need calculation. They take your Cost of Attendance (or COA; if you don't know what that is, please watch our video on *Cost of Attendance*) and subtract your EFC. The result is what is considered your "financial need". Simple, right? While your EFC is the same no matter where you are going to school, your costs may vary dramatically; therefore, your need may vary dramatically. Let's look at how this works. If the cost of School X, say it's a private Ivy League School, is \$60,000, School Y, a public four-year university, is \$25,000 and School Z, a community college, is \$13,000, you can see how the cost of attendance is very different. You have already learned that your EFC is the same no matter where you go; let's use \$2,000 in our example, so you can see how your financial need is also quite different depending on the school you choose. When you subtract the EFC from the cost, your resulting need is variable. You will obviously need a lot more funding at the private school than at a community college.

Your Financial Aid Office then tries to meet this need with various forms of aid. This is where the term "need-based" aid comes in. Your "need" can be met with Pell, SEOG, Work Study and Direct subsidized loans. Non-need-based aid like unsubsidized loans can be used to "replace" your EFC if you need more funding to help with your educational costs. Your EFC directly determines your Pell eligibility. In our example, a student with a \$2,000 EFC would have eligibility for \$3,780 in Pell during the 2014-2015 school year based on full-time enrollment. Different EFCs yield different Pell amounts (up to around \$5,000 EFC, when Pell becomes limited). Just as the EFC is constant, so is Pell, and there are annual maximums to the federal aid you can receive, so you can see where Pell will cover more of your need at a community college than at the Ivy League school. Keep in mind, however, that higher-cost schools often have significantly more institutional aid available to help meet your costs.

Hopefully, you now understand how the FAFSA helps us determine your aid eligibility and the EFC isn't so mysterious. A lot of scholarships and other institutional aid have a "need" component to them, so you should complete the FAFSA every year, even if you don't think you'll be eligible for Pell, because as you've seen, "need" is based on your overall college costs, not being Pell eligible. See our *What is Financial Aid?* video for all the types of aid you should apply for. For more information on how your aid is determined, please visit our website at ewc.wy.edu. If you have questions, please contact the Financial Aid Office at 307.532.8224 or e-mail us at financialaid@ewc.wy.edu.