

**EXHIBIT 1**  
Expected Family Contribution (EFC) Calculation, Federal Methodology

**Income**

Adjusted Gross Income  
+ Tax Deferred and Tax Exempt Income<sup>1</sup>  
– Federal Income and Social Security Taxes  
– Allowance for State and Other Taxes<sup>2</sup>  
– Income Protection Allowance<sup>3</sup>  
– Employment Expense Allowance (Parents only)

EFC Income

**Assets**

Net worth as reflected on FAFSA<sup>4</sup>  
– Asset Protection Allowance<sup>5</sup>

EFC Net Assets

<sup>1</sup>Add back such items as tax-exempt interest, child support, deductible IRA/retirement plan contributions, and workers' compensation which, when combined with adjusted gross income, equals family income (FI).

<sup>2</sup>Based on state of residency and income; for example, in New York, if the family income is greater than \$15,000, multiply FI by 13%.

<sup>3</sup>Calculation is determined by the family size and members in college; for a family of four with one child in college, the allowance would be \$16,180. The minimum student allowance under the FM is \$24,400.

<sup>4</sup>The current balance of checking and savings accounts and cash on hand; the net value of investments and real estate, excluding the value of the personal residence; and the adjusted net worth of a business or farm, computed as follows:

<sup>5</sup>Calculated according to a table, the allowance for a student's assets will depend upon age and marital status [a student age 25 or less (whether single or married) has a zero asset protection allowance].

**Net worth of a business or farm**

Less than \$1  
\$1–\$105,000  
\$105,001–\$320,000  
\$320,001–\$535,000  
\$535,001 or more

**Adjusted net worth**

\$0  
40% of NW  
\$42,000 + 50% of NW over \$105,000  
\$149,000 + 60% of NW over \$320,000  
\$278,000 + 100% of NW over \$535,000

Note: The cash value of life insurance and annuities, along with retirement plans and PTPs, is not included; however, CSPs, ESAs, and UGMAs are included in the owner's net worth (along with home equity under the FM).

**Contribution Percentages**

Parents' EFC Income × AAI% <sup>6</sup>	=	Parents' Income Contribution
+ Student's EFC Income × 50%*	=	Student's Income Contribution
+ Parents' EFC Assets × 5.6%*	=	Parents' Asset Contribution
+ Student's EFC Assets × 20%	=	Student's Asset Contribution

EFC<sup>7</sup>

\* Note that beginning July 1, 2007, the parent and student percentages drop to 3.29% and 20%, respectively.

<sup>6</sup>Contribution from Adjusted Available Income (AAI), an EFC term for gross income, including income earned from assets.

The calculation below is for parents of dependent students and independent students with dependents other than a spouse.

**Adjusted Available Income (AAI)**

Less than –\$3,409 (\$3,409)  
(\$3,409)–\$13,400  
\$13,401–\$16,800  
\$16,801–\$20,200  
\$20,201–\$23,700  
\$23,701–\$27,100  
\$27,101 or more

**Total Contributions from Income**

–\$750  
22% of AI  
\$2,948 + 25% of AI over \$13,400  
\$3,798 + 29% of AI over \$16,800  
\$4,784 + 34% of AI over \$20,200  
\$5,974 + 40% of AI over \$23,700  
\$7,334 + 47% of AI over \$27,100

<sup>7</sup>If more than one child is enrolled at least half time, the figure is divided by the number of students.

Reference: U.S. Code, Annotated: Title 20, Chapter 28, Subchapter IV, Part E, section 1087qq.