PROFESSIONAL JUDGMENT TIP SHEET

Topic: Co-owned Assets

What?
Assets may be jointly held by two or more people. If any of these individuals are not the student or parent(s) reported on the financial aid applications, it may be necessary to determine the student or parental share of ownership and usable equity in those assets. Usable equity is what can reasonably be considered as a resource that is available for higher education and other financial needs; this should be included in the family's net worth.

Why?
In some circumstances, the student or parent may not have ready access to or control of the asset's equity. Common situations for co-owned assets include:

- Land or property with other family members
- Shared bank accounts or trusts with aging parents
- Assets co-owned with a stepparent that the biological parent cannot easily access

How do I…

Collect information?
The CSS Profile and FAFSA clearly instruct that only the family's portion of jointly owned assets and debts should be reported. Documentation could include:

- A letter from the family explaining how the asset was obtained (e.g., purchased, gifted to, or inherited by the family)
- Asset statements with current value and debt
- A listing of each owner's share of the asset
- Associated terms, conditions, or restrictions

Analyze the information?
By collecting this documentation, it should be possible to understand who holds title to the asset and the proportion of ownership.

Corrections to the data may be required if the instructions were not followed on the financial aid applications.

In circumstances where the data has been reported correctly but the family does not have access to utilize the asset, the financial aid administrator may consider excluding all or a portion of the co-owned assets' net worth, since it is not available as a resource to the family.

Treatment in IM and FM

IM Standard Treatment

The IM standard calculation uses the reported asset value less the debt.

In IM, the financial aid administrator could adjust the asset's net worth, according to institutional policy. The asset equity could be moved to the business/farm section to minimize the impact, since the business and farm equity is adjusted to protect a portion of the equity before assessing.

FM Standard Treatment

FM standard treatment is the same as the IM, except home, family farm, and businesses with fewer than 100 FTEs equity are excluded in the FM standard asset treatment.

IM Options

IM provides several options in software to treat assets in a different manner than standard IM:

- An override asset allowance can be provided to reduce the discretionary net worth.
- An asset assessment rate can be provided either for all applicants or just for a particular family. For parents, this rate would replace the graduated asset assessment in standard IM.

Additional Considerations

Co-owned assets may have a change in ownership from year to year. Financial aid administrators should review these situations every year to verify any status changes.

CollegeBoard CSS Profile

PROFESSIONAL JUDGMENT CASE STUDY

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Case Study 1

Alex Bonilla's expected IM family contribution is $10,000. The IM contribution from income is zero, and an examination of the assets reported on the CSS Profile shows that other real estate equity resulted in the asset contribution. The family has appealed this amount since they qualify for a zero EFC in FM with an AGI of $21,000.

The parents explained that the mother and her three siblings had inherited a lake house from their parents two years ago. Each sibling owns 25% of the lake house, which has no debt. One of the siblings does not want to sell the property, but none of the siblings can buy out any of the others. The property cannot be rented for more than 10 days in a calendar year per the homeowner's association. Alex's parents attempted to take out a home equity loan on their share of the property equity, but the other siblings would not give their permission for the loan.

Decision

The financial aid administrator reviewed the deed assigning each sibling an equal share in the property, as well as the property title with all four sibling names listed. Both documents were dated within the past two years. The family also provided a copy of the homeowner association by-laws, which confirmed the property rental restrictions.

The financial aid administrator considered their equity unusable for need analysis purposes, given that the Bonilla family is unable to realize meaningful rental income, sell their share, or borrow against their equity. The school's guidelines are to cap the equity of this asset at two times total income. This reduces, but does not eliminate, the parent contribution from assets. This recognizes that while the family still owns the asset, no usable equity can be derived from it.

Treatments in Methodologies

IM Treatment

The financial aid administrator capped the equity at two times the family's total income by changing the real estate value.

FM Treatment
The financial aid administrator made no changes, since the family's expected contribution is zero. Federal methodology ignores assets since the family qualifies for Auto Zero.

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Case Study 2
Georgia Buchanan's parents reported over $400,000 in cash and investments on the financial aid applications, which resulted in a substantial expected contribution from assets. Ms. Buchanan manages the finances for her mother, Abigail Danzer, who is disabled. Ms. Buchanan has power of attorney to make financial decisions for her mother, and she is a listed owner on all of Ms. Danzer's financial accounts. Ms. Buchanan provided documentation showing that $250,000 was from a life insurance payment for Mr. Danzer, $100,000 in other accounts designated for Ms. Danzer and $50,000 in accounts for the Buchanan family.

The Buchanan family appealed, claiming that the majority of those assets belonged to Ms. Danzer and were not available for Georgia's education. They submitted account activity statements that added Ms. Buchanan as an account owner to Ms. Danzer's accounts. Expense statements listed most cash outflows paying for Ms. Danzer's rent and medical expenses.

Decision
The financial aid administrator reviewed documentation the Buchanan family submitted and verified that the majority of assets indeed belonged to Ms. Danzer and were not being spent by the Buchanans.

Treatments in Methodologies

IM and FM Treatment
The Buchanan family assets were revised to include just the assets in their name.