Student Asset Information Instructions

1. Purpose: The purpose of collecting asset information is to determine whether your family's assets are substantial enough to support a contribution toward your cost of attendance (COA). Only the net asset value is counted in the need analysis.

2. An asset is defined as property that has an exchange value.

3. To determine the net value of any asset, you first determine the market value of the asset and reduce the value by the amount of debt against that asset. The result is the net value of the asset.

market value of the asset - amount of debt against that asset = net value of an asset

4. Ownership of an asset may be divided or contested in several situations:

   a. **Part ownership of asset.**

      - If you (or your spouse) own an asset with others and therefore only own a portion or percentage of the asset, you (or your spouse) should report the net asset value that represents only your share of the asset owned.

      - You would determine the current market value of the asset, reduce the value by any outstanding debt, and then multiply the net asset value by your ownership percentage. This result is then reported on the FAFSA.

   b. **Contested ownership.**

      - An asset should not be reported if its ownership is being legally contested. For instance, if you and your spouse are separated and you may not sell or borrow against jointly owned property that is being contested, the FAFSA information you report would not list any value for the property or any debts against it.

      - If ownership of the asset is resolved after the initial application is filed, you may not update this information.

      - However, if ownership of the property is not being contested, you would report the property as an asset.

   c. **Lien against asset.**

      - If there is a lien or imminent foreclosure against an asset, the asset would still be reported on the FAFSA until the party holding the lien or making the foreclosure completes legal action to take possession of the asset.

      - If the status of the property changes after the application is filed, you may not update the asset information.

Assets that are reported

Below are examples of assets that are reported:

1. **Rental properties.**

- Generally, rental properties must be reported as investment assets rather than as business assets.
- To be reported as a business, a rental property would have to be part of a formally recognized business.
- Usually such a business would provide additional services, such as regular cleaning, linen or maid service.

2. **"Take-back" mortgages.**

In a —take-back mortgage, the seller takes back a portion of the mortgage from the buyer and arranges for the buyer to repay that portion of the mortgage to the seller.

- For IRS purposes, the seller must report the interest portion of any payments received from the buyer on Schedule B of IRS Form 1040.
- If an amount is reported on Schedule B, the family should report the outstanding balance of the remaining mortgage on the FAFSA as an investment asset.

3. **Trust funds.**

a. If trust funds are in your (or your spouse's) name, they should be reported as your (or your spouse's) asset on the application.

b. In the case of divorce or separation, where the trust is owned jointly and ownership is not being contested, the property and the debt are equally divided between the owners for reporting purposes, unless the terms of the trust specify some other method of division.

c. How the trust must be reported varies according to whether you (or your spouse) receive or will receive the interest income, the trust principal or both.

d. If you (or your spouse) receive only interest from the trust, any interest received in the base year must be reported as income.

- Even if interest accumulates in the trust and is not paid out during the year, if you will receive the interest, you must report an asset value for the interest you will receive in the future.
- The trust officer can usually calculate the present value of the interest you will receive while the trust exists. This value represents the amount a third person would be willing to pay to receive the interest income you (or your spouse) will receive from the trust in the future.
- The present value of the principal is the amount a third person would pay at present for the right to receive the principal when the trust ends (basically, the amount you would the accumulated interest). Again, the trust officer can calculate the present value.

e. As a general rule, you must report the present value of the trust as an asset, even if your (the beneficiary's) access to the trust is restricted.

- If the creator of a trust has voluntarily placed restrictions on the use of the trust, then you should report the trust in the same manner as if there were no restrictions.
- However, if a trust has been restricted by court order, you should not report it as an asset. An example of such a restricted trust is one set up by court order to pay for future surgery for the victim of a car accident.

Assets that are not reported

Below are examples of assets that are not reported:

1. **Principal place of residence/family farm.**

    a. Your principal place of residence is not reported as an asset.

    b. Neither is your family farm if the farm is your principal place of residence and your family —materially participated in the farm's operation.‖

2. **A small business with 100 or fewer employees.**

    a. If your family owns and controls more than 50 percent of a small business that has 100 or fewer full-time or full-time equivalent employees, do not report the net value of the business as an asset.

    b. For small business value, your family includes (1) persons directly related to you, such as a parent, sister or cousin, or (2) persons who are or were related to you by marriage, such as a spouse, stepparent or sister-in-law

3. **Personal possessions.**

    a. Do not report possessions such as a car, a stereo, clothes or furniture.

    b. By the same token, personal debts such as credit card debt cannot be reported.

4. **Pensions and Whole Life Insurance.**

    a. The cash value or built-up equity of a life insurance policy (often referred to as a whole-life policy) isn't reported as an asset.

    b. The income distributed to the beneficiary must be reported as income.

5. **Excluded Assets From Native American Students.**

    a. Do not report any property received under the Per Capita Act or the Distribution of Judgment Funds Act (25 United States Code [USC] 1401, et seq.), the Alaska Native Claims Settlement Act (43 USC 1601, et seq.), or the Maine Indian Claims Settlement Act (25 USC 1721, et seq.).