

How colleges assess home equity for financial aid

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Plenty of parents worry that their home equity might hurt their child's chances for financial aid.

Luckily, at most state and private colleges and universities, the equity in your primary home is a non-issue.

That's because most schools only require families to complete the **FAFSA** (Free Application for Federal Student Aid) when applying for financial aid, which doesn't even ask about your home equity.

There are just over 200 schools, however, that are quite interested in the value of your house and how these institutions assess home equity varies dramatically.

The schools in this category (nearly all private) include most of the nation's most selective institutions. These colleges use an additional financial aid form called the **CSS Profile**. Depending on how schools treat your home equity, your chances of getting financial aid could blow up while at other institutions you be jeopardized even if you are living in an exclusive zip code.

How Your House Can Impact Financial Aid

Many schools that assess home equity for financial aid purposes do so by linking it to the family's income. For instance, a school might assess home equity at no more than two times the family's income. Let's look at an example of how this would work:

- Family's income: \$60,000
- Home equity: \$400,000

Normally, the schools that use the CSS Profile formula would assess the home equity (as well as other parental assets) at 5% for financial aid purposes.

$$400,000 \times 5\% = \$20,000$$

In this example, the home equity value would have boosted the expected family contribution (EFC) by \$20,000 (a significant hit!) if the school didn't link the home equity to income. Put another way, the home equity would have decreased a student's chances for financial aid by \$20,000.

By the way, if you don't know what an EFC is, read this post:

12 Expected Family Contribution Tips

But now let's look at what happens when the school ties the home equity assessment to no more than two times the family's income of \$60,000.

$$\$60,000 \times 2 = \$120,000$$

In this example, the school would only use \$120,000 of home equity in this family's aid calculation.

$$120,000 \times 5\% = \$6,000$$

So in this example, the parent's EFC would rise \$6,000 rather than \$20,000.

How Individual Schools Treat Home Equity

If you hope to qualify for financial aid — and the more expensive the school the more likely you will — it's important to know how individual schools treat home equity. To help you with this effort, I am sharing with you the following spreadsheet of the home-equity policies of more than 100 colleges:

How individual college treat home equity

The spreadsheet comes courtesy of [Paula Bishop](#), a friend of mine, who is a CPA in Bellevue, WA, and a financial aid expert. She contacted the schools about their home equity policies in 2020, but keep in mind that schools can change how they assess home equity at any time so don't just depend on this list.

Colleges that Ignore Home Equity

As you'll see from the list, some Profile schools don't consider home equity at all, which is obviously the best scenario. Institutions in this smallest category include:

- Bard College
- California Institute of Technology
- Cooper Union
- DePauw University
- Elon University
- George Washington University
- Gettysburg College
- Hamilton College
- Harvard University
- Massachusetts Institute of Technology
- Princeton University
- Stanford University
- University of Chicago
- University of Southern California
- University of Virginia
- Ursinus College
- Whitman College

Colleges That Hit Home Equity Hard

On the other extreme, some schools use the full weight of parents' home equity to help determine financial need, which can seriously hurt aid changes. Here are examples:

- American University
- Babson College
- Bentley College
- Boston College
- Brandeis University
- Brown University
- Bryn Mawr College
- Emory University
- Fordham University
- Holy Cross College
- Lehigh University
- Loyola University Maryland
- Northeastern University

- Northwestern University
- New York University
- Occidental College
- Rensselaer Polytechnic University
- Sarah Lawrence College
- Syracuse University
- Tulane University
- University of Denver
- University of Notre Dame

Some schools that take this draconian approach will consider parent appeals on the home equity hit, but how many families even know this is a possibility? In fact, parents typically won't even know why their aid packages seems so paltry.

It's highly unlikely that parents are going to trace a poor award back to their **home equity**. But now everyone reading this knows this is a possibility and can appeal.

[Schools That Limit Home Equity Hit](#)

Other institutions use a home-equity cap that's tied to the family income so it's less likely that someone who is house rich, but cash poor will be penalized. The home-equity caps below range from 1% to 4%, which is a huge span.

Here are some schools in this category:

- Amherst College (1.2x)
- Barnard College (1.2x)
- Bucknell University (2x)
- Cornell University (1.2x)
- Dartmouth College (1.2x)
- Emerson College (3x)
- Fairfield University (3x)
- Haverford College (1.2x)
- Kenyon College (4x)
- Lewis and Clark College (2x)
- Rice University (2x)
- St. Olaf College (1.5x)
- Tufts University (2x)
- University of Rochester (3x)
- Vanderbilt University (1.2x)
- Wake Forest University (2x)
- Washington University, St. Louis (2.2x)
- Yale University (1.2x)

[A Home Equity Step...](#)

You should email schools to ask how they treat home equity so you have a record of their responses later on if you end up appealing a financial aid award.

Keep in mind that not all schools will be forthcoming with how it treats home equity.

By the way, how schools treat home equity can also depend on how desirable an applicant is. If a university is excited about an applicant it can ignore home equity or be more lenient on how it is assessed.

Home Equity and EFC Calculator...

If you use the [**EFC calculator**](#) on the College Board's website (and I highly recommend you do!), you should know that the calculator for the institutional aid methodology uses 100% of your home equity against you.

If you want to cut costs and find good schools, you are need to educate yourself! The easiest way to do that is to take my online course, [**The College Cost Lab**](#). You can **start the course today** to reduce your stress and save yourself a tremendous amount of time and money.