



# FAFSA Simplification

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# AGENDA



Reason/Need



History



Schedule



Changes



Impact

# DISCLAIMER

The background of the slide features a photograph of two bald eagles perched on a weathered log. The eagles are facing forward, with their white heads and dark brown bodies clearly visible. The background is a soft-focus landscape showing a body of water and distant mountains under a hazy sky.

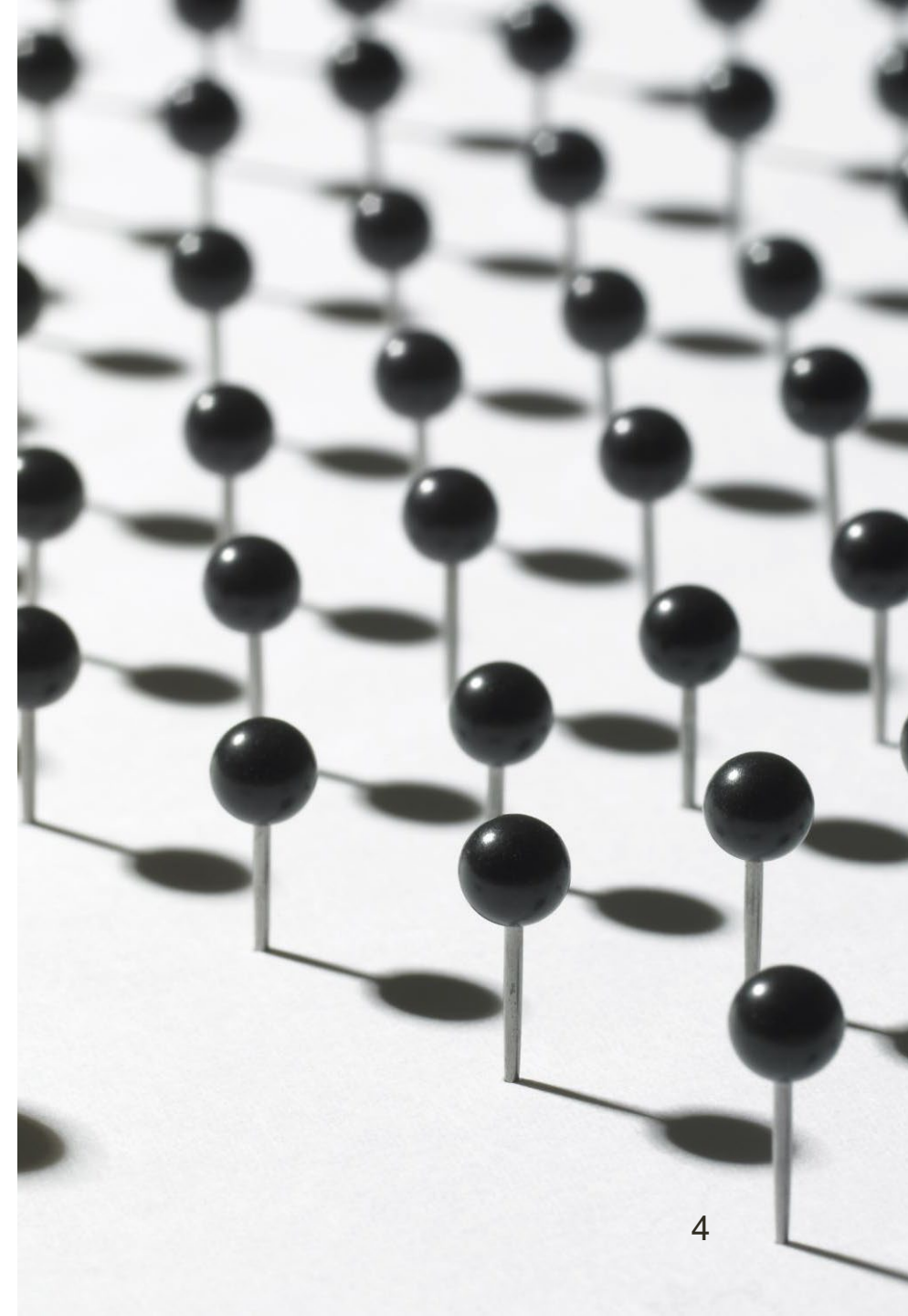
The goal of this presentation is to provide accurate and up-to-date information on FAFSA Simplification. However, it should be noted, that not all guidance has been issued.

This information in this presentation is subject to change and is not legal or financial advice.



# Need for simplification

- Length and complexity of the FAFSA
- Students discouraged from applying for aid and pursuing postsecondary education
  - Importance of FAFSA completion
- Lack of transparency and predictability



# IMPACT

- Biggest change to the FAFSA in decades
- Streamline the application and needs assessment
  - Shorter form
  - Enhanced data sharing with IRS
  - EFC becomes SAI
  - Predictability for Pell Grant eligibility
  - Change in income and assets
- More students eligible for need-based aid
  - Will some no longer be eligible?





# HISTORY

## Legislation

- Consolidated Appropriations Act of 2021
- FAFSA Simplification is dependent on implementation of the Future Act (December 2019)
  - Expands collaboration between IRS and ED
    - Income for FAFSA
    - Calculate and recertify IDR plans
    - Confirm income for TPD discharges
- Implementation pushed to July 2024 with technical corrections legislation – FSATCA (March 2022)



Full implementation with the  
2024-25 FAFSA

SCHEDULE

# FAFSA SIMPLIFICATION CHANGES ALREADY IMPLEMENTED

Selective Service

Drug convictions

Repeal of Subsidized Usage  
Limits Applies (SULA) requirement

Demographic questions 23-24  
FAFSA



# FADDX to replace DRT

- FADDX – Future Act Direct Data Exchange
- Future ACT requires reliance on tax return information
- Specifies what the IRS can disclose
- Changes the income information included on the FAFSA and changes the calculation
- Authorization must be granted
- Department and IRS still making decisions on how the process is going to work.

# FAFSA SIMPLIFICATION CHANGES

FAFSA simplification is changing need analysis

- Homeless and foster youth – removing barriers and annual redetermination not required
- Parent Income
  - Divorced or Separated
- Number in college
- Household size
- Assets

# PARENT INFORMATION

## Dependent students with married parents

- Students will provide information about both parents

## Dependent students with divorced or separated parents

- Student will report information on the parent who provides the greater portion of the student's financial support

## Dependent students with remarried parent

- Students will continue to provide information about parent and stepparent

## Unable to provide parent information

- Students will receive a provisional SAI

## Family size will be determined by the tax return

- ED to establish procedures where household size not accurately reflected



# FINANCIAL FACTORS

- Some untaxed income no longer considered
  - Reduces the amount of information a family must provide
  - No longer considered will be cash support or any money paid on the student's behalf
- Other income categories eliminated
  - Federal education tax benefits only type required to be reported
- Changes to other financial factors:
  - Income Protection Allowance
  - Number in college
  - Assets



# INCOME PROTECTION ALLOWANCE (IPA)

Increased with FAFSA Simplification

- Reduces the amount of income considered in calculating SAI

Streamlined across number of dependents

For parents of dependent students – IPA levels increased about 20% above current levels

For students – IPA levels increased about 35% above current levels

Independent students

- Without dependents – IPA levels increased about 35% above current levels
- With dependents:
  - Married – IPA levels increased about 35% above current levels
  - Single – IPA levels increased about 60% above current levels

The background of the slide is a grayscale photograph of a large, classical-style university building. The central feature is a tall clock tower with a circular clock face. The building has a triangular pediment at the base of the tower and several windows are visible. A thin vertical line is positioned to the left of the list of bullet points.

# NUMBER IN COLLEGE

- Number in college eliminated as a factor
- Parent contribution portion no longer divided when two or more children are in college at the same time.
- Decrease aid eligibility for middle and high-income students



# ASSET REPORTING

Simplified Needs Test (SNT) terminology eliminated

Criteria to exempt some students/families from asset reporting modified:

- AGI threshold increases to 60,000
- No schedules filed or only with certain parameters

Exemption based on federal means-tested benefit to continue

Asset changes

- Child Support
- Net worth of family farms and small businesses

# STUDENT AID INDEX

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- Needs fewer formula factors
  - Requires less information
- More data imported from IRS
- Generally, same procedure for calculations



# STUDENT AID INDEX

- Determining award amounts with SAI
  - Maximum Pell
  - Minimum Pell
  - Based on SAI
- SAI can be a negative number



# STUDENT AID INDEX — MAXIMUM PELL

- Non-tax filers
- *Single-parent filers* whose AGI is  $\leq$  225% of poverty line
- Non-single student or parent filers whose AGI is  $\leq$  175 % of poverty line

Students eligible for maximum Pell Award (based on AGI) qualify for Auto-Zero SAI— unless calculated SAI is negative.

# STUDENT AID INDEX — MINIMUM PELL

- Minimum Pell Award for Dependent Students
  - Parent is a single parent whose AGI is  $\leq 325\%$  of poverty line
  - Parent is a non-single parent whose AGI is  $\leq 275\%$  of poverty line
- Minimum Pell Award for Independent Students
  - Student is a single parent whose AGI is  $\leq 400\%$  of poverty line
  - Student is a non-single parent whose AGI is  $\leq 350\%$  of poverty line
  - Student is a non-parent whose AGI is  $\leq 275\%$  of poverty line

# PELL GRANT BASED ON SAI

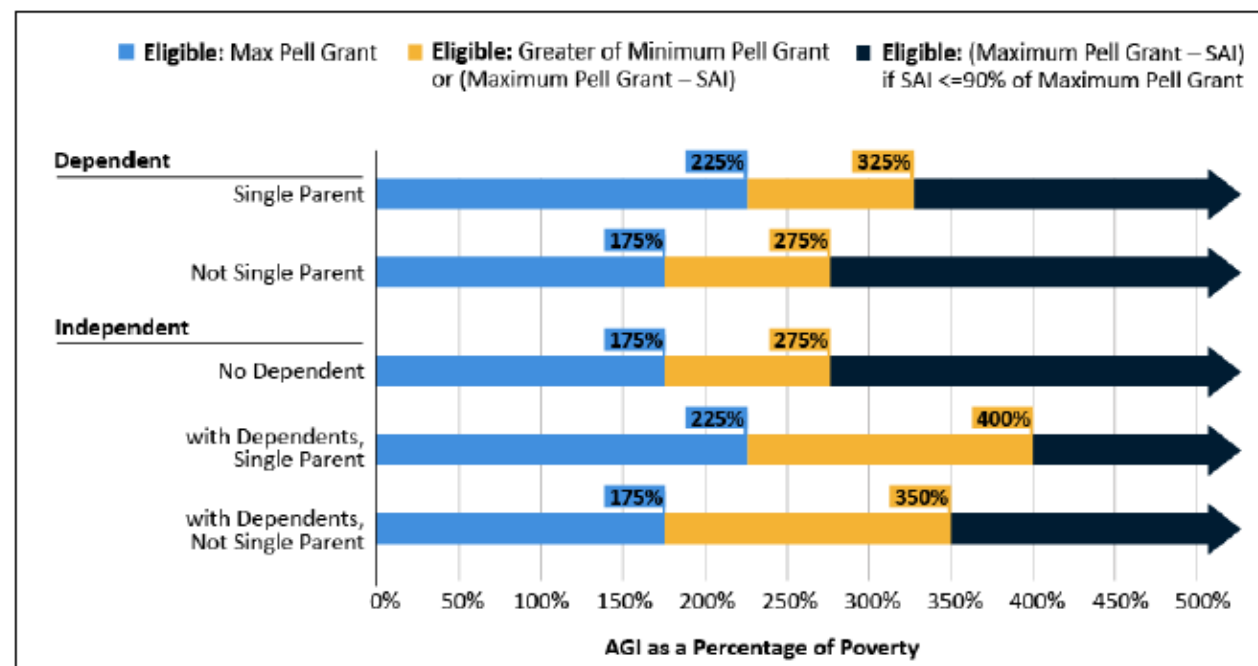
Pell Grant calculation for student ineligible for maximum Pell:

- Pell Grant award = maximum Pell award – SAI (rounded to the nearest \$5)
- Negative SAI counts as zero
- Pell Grant award = \$0 when as result of the calculation the amount is < minimum Pell award – unless the student qualifies for auto-minimum Pell award
- Minimum Pell award = 10% of total maximum Pell amount



# PELL GRANT THRESHOLDS

**Figure 1. Pell Grant Thresholds for Award Amounts Under the FAFSA Simplification Act, by Dependency and Marital Status**  
(AGI as a percentage of federal poverty guidelines)



**Source:** HEA §401(b), as amended by the FSA.

**Notes:** AGI is adjusted gross income. SAI is Student Aid Index. Pell Grant award cannot exceed cost of attendance (COA). Adjusted gross income thresholds, as a percentage of poverty, are established by the FSA amendments. Upper thresholds are inclusive of the lower category. For example, a dependent student who has a single parent who has an AGI that is 225% of poverty may qualify for the maximum Pell Grant award.

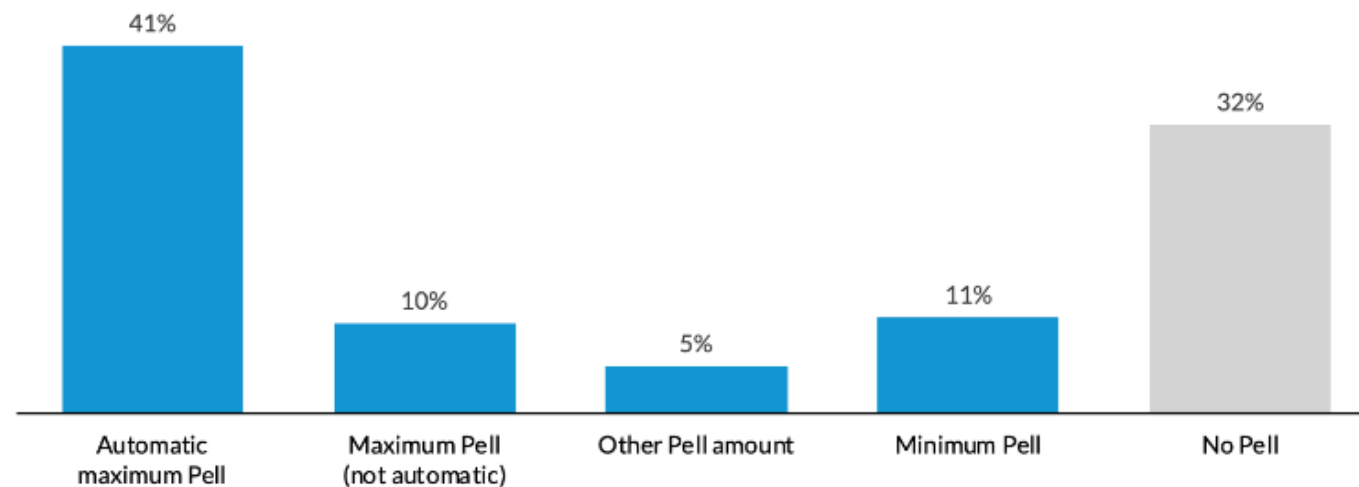
# PELL AWARDS

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## How Students' Pell Grant Eligibility Will Be Determined

Most students who receive Pell will obtain the grant through automatic eligibility

*Share of students who applied for federal financial aid*



Source: Urban Institute analysis of 2016 National Postsecondary Student Aid Study data.

URBAN INSTITUTE

# NEW FORMULA

$$\text{COA} - \text{SAI} - \text{OFA} = \text{Need}$$

New formula of  
 $\text{COA} - \text{SAI} - \text{OFA} = \text{Need}$

(OFA is Other Financial Assistance)

will replace current formula of  
 $\text{COA} - \text{EFC} - \text{EFA} = \text{Need}$





# COST OF ATTENDANCE

## Cost of Attendance

- Some categories to be renamed and there will be some new definitions for some categories
- Expansion to include some expenses
  - 3 meals per day
  - Professional credential
  - Cost of computer for less than 1/2 time student
- Expense not allowed
  - Loan fees can only be included for federal loans
- Must be made publicly available where tuition and fees are described

# PROFESSIONAL JUDGMENT

- Policies will need to be updated under simplification
  - Cannot have a policy of denying all
- Changes to what is adequate documentation
- Examples for adjustments to Pell Grant eligibility
  - Unemployment, dislocated worker, homeless, losses on tax return
- Additional examples of special circumstances
  - Additional family members in college
- Determining independent status based on unusual circumstances
  - Unable to contact a parent
  - Contact with parent poses a risk
- Request for provisional independent student status procedures
  - Notify student making request of process for dependency override

# FSA ID

*Anticipated changes. This is not official and may change depending on final information from ED.*

- New FAFSA/FSA ID will have roles:
  - Student
  - Student Spouse
  - Parent
  - Parent Spouse
  - Preparer
- New consent requirements
  - FSA ID is required to provide that consent
  - Consent is necessary to pull data directly from IRS
  - Spousal consent is needed when parents file MFS but not when MFJ





# SUMMARY - IMPACT ON STUDENTS AND FAMILIES

- More students will be eligible for a Pell Grant
- May be able to predict eligibility for need-based aid
- Student Aid Index replaces Expected Family Contribution
- Verification less likely
- New form
  - Less questions
  - New process for determining which parent's information to include
  - Consent must be given to proceed with the financial aid application
  - Change in financial factors
    - Less untaxed income
    - Change in assets included in calculation
- Cost of attendance rules (used to determine need) are changing
- Professional judgment policies are changing.

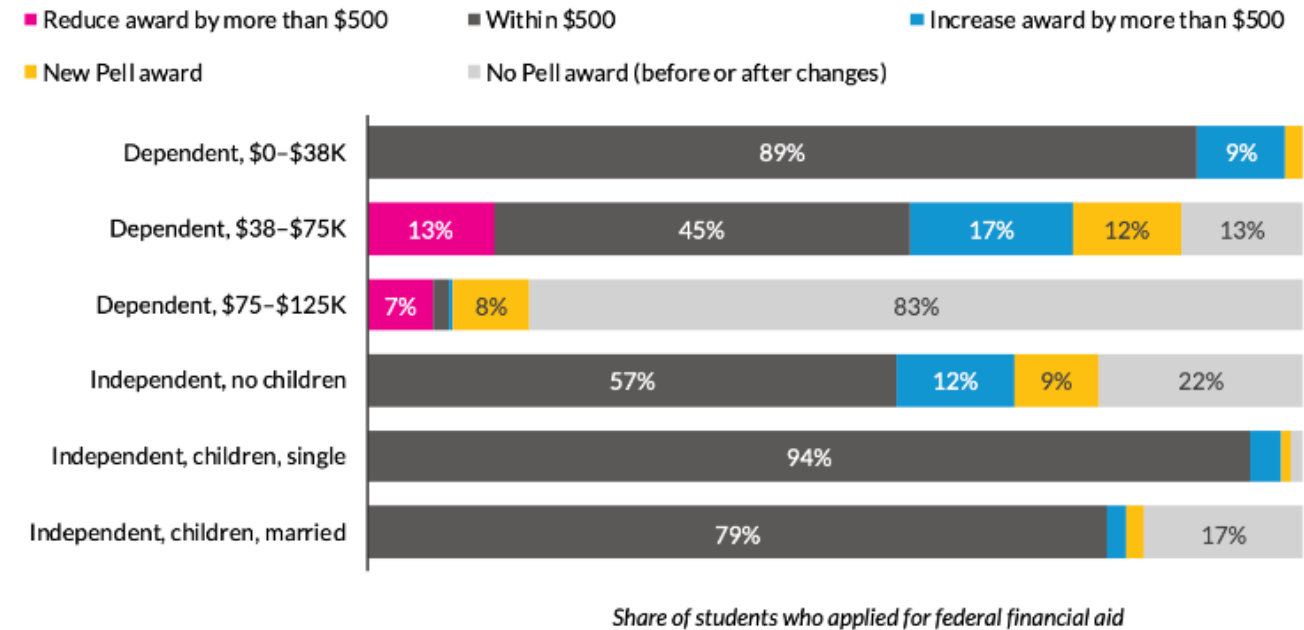




# IMPACT

## Projected Changes to Pell Distribution

Implementing new maximum and minimum Pell rules and sibling adjustment



Source: Urban Institute analysis of 2016 National Postsecondary Student Aid Study data.

URBAN INSTITUTE

# QUESTIONS/ISSUES

- Can the changes be implemented in time for the 2024-25 FAFSA?
- Will there be an option to enter financial information manually?
- How will the addition of family farms and small businesses as assets impact students and families?
- What will be the impact on students who lose Pell eligibility?
- Will postsecondary institutions be able to help those students with institutional funding?
- Will institutions change policies or increase budgets for institutional aid?





DISCUSSION

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## THANK YOU

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