

National Association of Student
Financial Aid Administrators

Coming in 2024-25: The New FAFSA

Fall 2022

FAFSA Simplification Act

- Included in the FY 2021 omnibus, passed on December 21, 2020
 - FY 2021 appropriations
 - COVID relief - HEERF III
 - FAFSA simplification and other student aid provisions, i.e. "Mini HEA"
- Student aid changes
 - FAFSA Simplification
 - Need Analysis/Pell Grant Eligibility
 - Drug Convictions & Selective Service Registration
 - SULA
 - Pell for Incarcerated Students
 - Professional Judgment
 - Cost of Attendance
- Builds on FUTURE Act passed in 2019.



Technical Amendments

- Consolidated Appropriations Act of 2022
- Moved implementation from AY 2023-24 to 2024-25
- Some provisions permitted for on-time implementation

Progress on FAFSA Simplification: FUTURE Act

- In December 2019, Congress passed, and President Trump signed into law the FUTURE Act, which contained text from the FAFSA Act previously supported by NASFAA.
- The bill allows for direct cross-agency data sharing between IRS and ED, and will:
 - Transfer all items currently brought over from the DRT and applicants' filing status.
 - Allow students currently unable to use the DRT, including both non-tax-filers and tax filers of all filing statuses, to experience a simpler FAFSA process.
 - Address verification burden
 - Permit sharing of taxpayer information between ED and IRS for the purpose of determining eligibility for income-driven repayment plans.

FAFSA Simplification Act

- FAFSA Simplification
- Need Analysis/Pell Grant Eligibility
- Drug Convictions & Selective Service Registration
- SULA
- Pell for Incarcerated Students
- Professional Judgment
- Cost of Attendance

Implementation Timeline

Changes	Implementation Status
Drug Convictions	Implemented as of 21-22 award year.
Selective Service Registration	Implemented as of 21-22 award year.
SULA	Implemented June 2021
Pell for Incarcerated Students	Authorized for 23-24 award year implementation.
Professional Judgment	Authorized for 23-24 award year implementation.
Cost of Attendance	Authorized for 23-24 award year implementation.
FAFSA Simplification	Delayed to 24-25 award year implementation.
Need Analysis/Pell Grant Eligibility	Delayed to 24-25 award year implementation.
Future Act	Implementation planned for 24-25 award year.

FAFSA Simplification

- Fewer untaxed income items factored into FM formula
 - Child support received now reported with assets
- Change to who is reported as parent in cases of divorce/separation
- State/other tax allowance removed, income protection allowance increase
- Small business/family farm exclusion eliminated
- No SAI split for number in college
- No asset questions for:
 - Those eligible for maximum Pell
 - Means-tested benefits recipients
 - AGI < \$60K and no lettered tax schedules
 - AGI < \$60K and only Schedule C, provided Schedule C gain/loss < \$10K

Need Analysis & Pell Grant Eligibility

- Expected Family Contribution (EFC) is now Student Aid Index (SAI)
- SAI can be as low as -\$1,500
- SAI determines eligibility for all Title IV aid except maximum and minimum Pell grant awards.
 - Student is considered for max Pell first
 - Based on # of parents in household and AGI vs. poverty
 - If no qualification for maximum Pell:
 - [Maximum Pell amount - SAI = Pell amount]
 - If no max Pell and no Pell award from the SAI calculation, student is considered for minimum Pell
 - Based on # of parents in household and AGI vs. poverty

Maximum Pell Grant Eligibility

- **Nonfilers**

- Independent student (and spouse, if applicable) tax nonfilers
- Dependent children of nonfiling parent(s)

- **Children of certain deceased veterans and public safety officers**

- Students under age 33 whose parent died serving in the armed forces after Sept. 11, 2001
- Students under age 33 whose parent died in the line of duty as a public safety officer

- **Low-income students:**

- **Independent students** who are **single parents** and whose student AGI is below 225% of the poverty level
- **Dependent children** of a **single parent** whose parent AGI is below 225% of the poverty level
- **Independent students** who are **not single parents** whose student AGI is below 175% of the poverty level
- **Dependent students** with parents who are **not single parents** whose parent AGI is below 175% of the poverty level

Health and Human Services Poverty Levels

Federal Poverty Levels – 2020, 48 contiguous states

Family Size	175% (max Pell, not single parent)	225% (max Pell, single parent)	275% (min Pell, not single parent, dep)
1	\$22,330	n/a	35,090
2	30,170	38,790	47,410
3	38,010	48,870	59,730
4	45,850	58,950	72,050

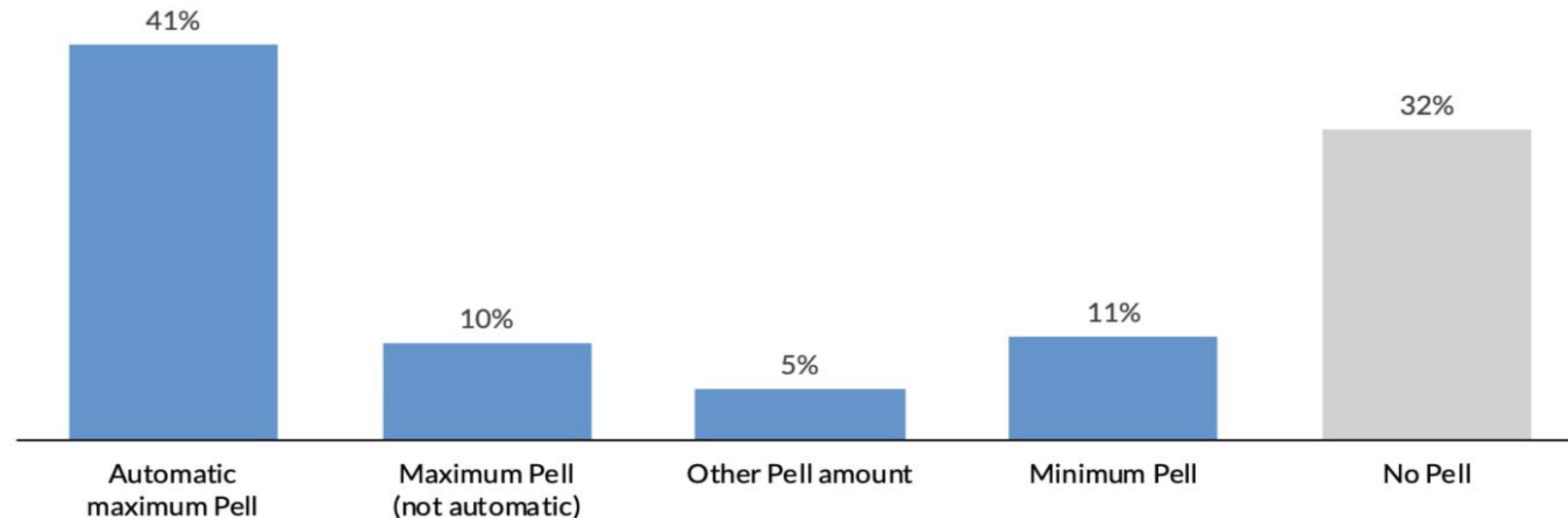
Why?

How Will the New Pell Grant Formula Affect Students?

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.

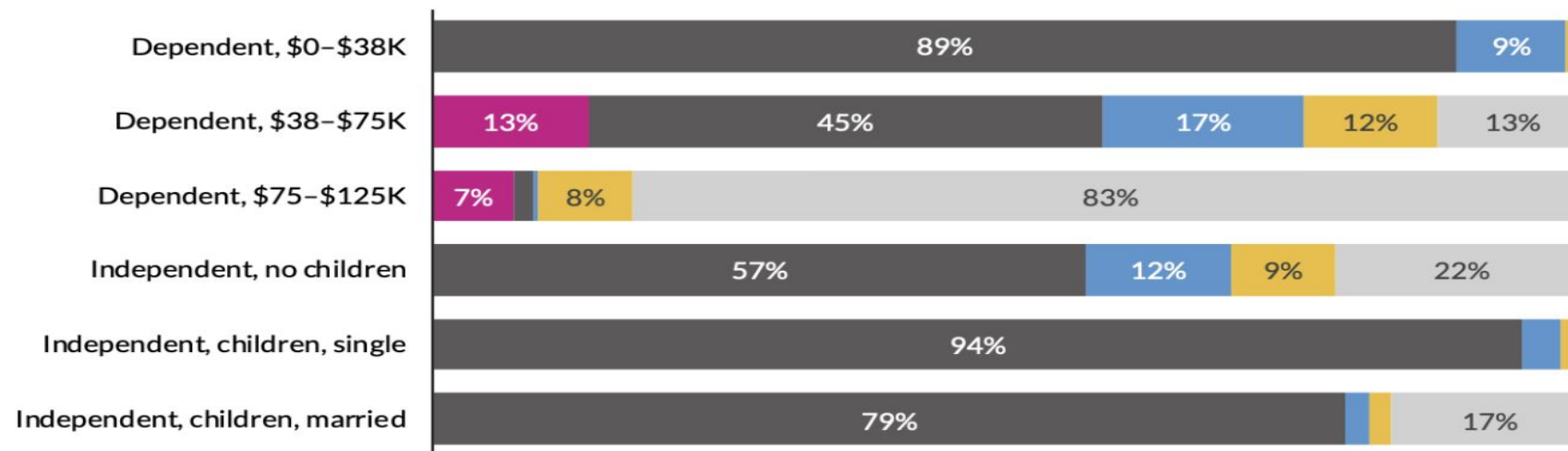
URBAN INSTITUTE

How Will the New Pell Grant Formula Affect Students?

Projected Changes to Pell Distribution

Implementing new maximum and minimum Pell rules and sibling adjustment

- Reduce award by more than \$500
- Within \$500
- Increase award by more than \$500
- New Pell award
- No Pell award (before or after changes)



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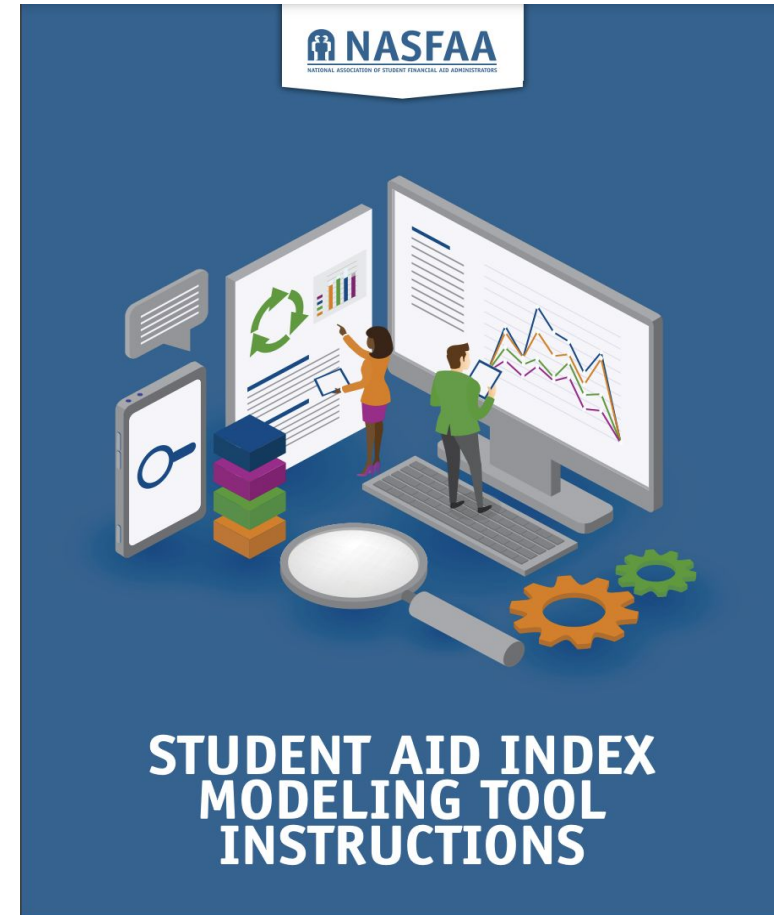
NASFAA's FAFSA Simplification Web Center

- SAI formula/Pell eligibility flowchart
- Charts summarizing changes
- Implementation Timeline
- SAI Case Studies
- FAFSA Simplification Implementation checklist for institutions

www.nasfaa.org/fafsa_simplification

NASFAA's SAI Modeling Tool

- This tool allows institutions to model how the recent changes to the FM EFC formula — which has been renamed the Student Aid Index (SAI) and is expected to be fully implemented for the 2024-25 award year — will impact student need and institutional financial aid budgets
- The model will also estimate the student's Pell Grant award under the provisions of the FAFSA Simplification Act.



Available to NASFAA members:
www.nasfaa.org/sai_modeling_tool

Student Eligibility Provisions

Drug Convictions & Selective Service

- Eliminates the suspension of federal student aid eligibility for applicants with drug-related convictions
- Removes Selective Service registration eligibility requirement
- Questions on drug convictions and Selective Service eligibility will be removed from the 23-24 FAFSA.
- Implemented as of 21-22 award year*

Subsidized Usage Limit Applies (SULA)

- Repeals the SULA requirement, which barred students from receiving subsidized Direct Loans for more than 150% of the published length of their program.
- Repealed for any borrower who receives a Direct Loan disbursed on or after July 1, 2021

Pell for Incarcerated Students

- Restores Pell Grant eligibility for incarcerated individuals who are currently prohibited from accessing Pell Grants
- Proprietary institutions will not be eligible to award or receive Pell Grants on behalf of incarcerated students
- Will be implemented with the start of the 2023-24 award year

**The questions will remain on the FAFSA until the 2023-24 FAFSA but will not cause packaging issues.*

Professional Judgment; Authorized for 23-24 Implementation

- At ED's discretion, would have to announce in Federal Register
- Prohibits institutions from maintaining a policy of denying all PJ requests
- Allows FAAs to offer a dependent student an unsubsidized loan without requiring the parents to fill out the FAFSA if the student does not qualify for, or does not choose to have a professional judgment review
 - FAA would have to determine that the parent(s) of the student ended support **or** would not fill out the FAFSA
- Allows FAAs during a qualifying emergency to use PJ to zero out income earned from work if the applicant can provide proof of receipt of unemployment benefits or a submitted application

Provisional Independent Status; Authorized for 23-24 Implementation

- At ED's discretion, would have to announce in *Federal Register*
- Allows otherwise dependent students to complete the FAFSA as a "provisional" independent student if they believe they may qualify for a dependency override
- The student would receive an EFC/SAI, an estimate of their federal Pell Grant award and other information based on an independent status
- FAAs would be required to notify these students of the institution's process, requirements, and timeline for dependency overrides

Cost of Attendance

- Gives ED the authority to regulate all COA components except tuition and fees (not effective until 24-25)
- Authorized for 23-24 implementation at ED's discretion:
 - The COA food allowance for on-campus plans or off-campus meals must provide the equivalent of at least three meals per day
 - COA must include the one-time cost of obtaining the student's first professional licensure
 - Institutions will be required to make publicly available a list of all the elements of the COA and disclose those figures on any portion of the website describing tuition and fees

Cost of Attendance: Living Allowances

- Authorized for 23-24 implementation at ED's discretion (continued):
 - If schools offer housing to students with dependents, they have to calculate those students' average or median cost for COA separately from the average or median cost for students without dependents
 - For students living in on-campus housing without dependents, the housing portion of the COA will be calculated by taking the higher of the average or median for the majority of its residents.

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FAFSA Simplification Implementation School Checklist

GAIN FAMILIARITY WITH FAFSA SIMPLIFICATION ACT

Resource(s)	Task	Completed?	Recommended Timeline
Legislative text	Read FAFSA Simplification Act and Technical Amendments to FAFSA Simplification Act	<input type="checkbox"/>	ASAP
NASFAA FAFSA Simplification web center	Read/review NASFAA summaries of legislative changes	<input type="checkbox"/>	ASAP
Not yet published	Read Department of Education guidance on implementing FAFSA Simplification Act provisions	<input type="checkbox"/>	ASAP when issued
Not yet published	Read Student Aid Index Formula Guide	<input type="checkbox"/>	ASAP when issued

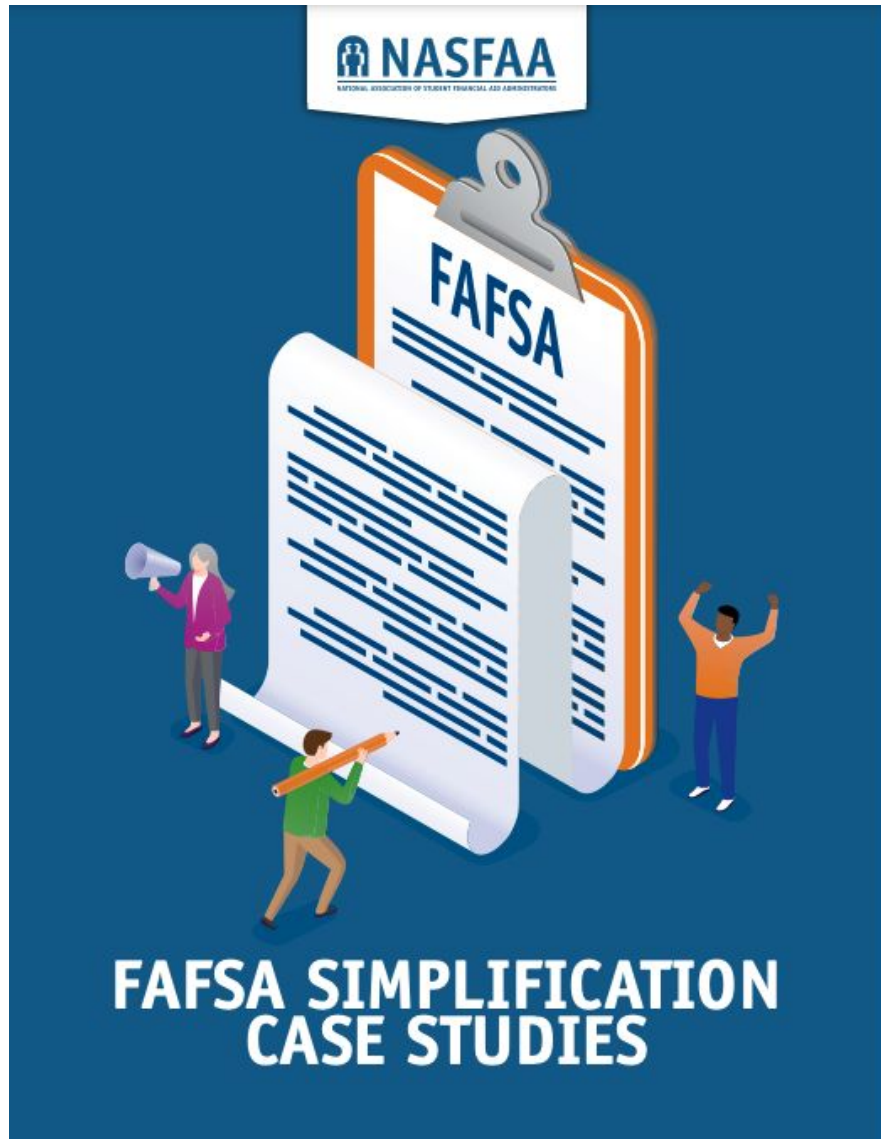
Institutional notes:

ESTIMATE INSTITUTIONAL BUDGET IMPACT OF PELL GRANT AND EFC (SAI) CHANGES

Resource(s)	Task	Completed?	Recommended Timeline
SAI Modeling Tool	Use SAI modeling tool to estimate institutional budget impacts from:	<input type="checkbox"/>	At least 2 months before 2024-25 financial aid budget decisions are made
	• Changes to Pell grant recipients	<input type="checkbox"/>	
	• Changes to Pell grant amounts	<input type="checkbox"/>	
	• Changes to SAI vs EFC	<input type="checkbox"/>	
SAI Modeling Tool	Use SAI modeling tool to estimate impacts of FAFSA Simplification on state grants and how that may impact your students' need/institutional budget	<input type="checkbox"/>	At least 2 months before 2024-25 financial aid budget decisions are made
SAI Modeling Tool	Use SAI modeling tool to inform institutional packaging decisions to hold harmless* certain populations impacted by formula changes:	<input type="checkbox"/>	At least 2 months before 2024-25 financial aid budget decisions are made
	• Treatment of more than one student enrolled in college	<input type="checkbox"/>	
	• Treatment of small businesses/farms	<input type="checkbox"/>	
	• Treatment of untaxed income	<input type="checkbox"/>	
	• Treatment of significant differences between SAI and EFC	<input type="checkbox"/>	

*note that use of the new formula will be mandatory for 2024-25 for federal student aid, but that institutions might opt to use a different methodology for institutional funds to mitigate the impact of changes on continuing students.

FAFSA Simplification Case Studies



Example 3: Applicant Gains Pell Grant Eligibility Due to FM Formula Changes

Addison is a dependent student with married parents who have four children. Addison is the only child in college. Addison's parents earn \$73,500 and have \$13,200 in assets. Addison does not work, but has \$3,300 in assets.

	EFC formula	SAI formula
Applicant Dependency status		Dependent
Parent marital status		Married
Parent Household/Family Size/# in College		6 in household/1 in college
Parent Total Income		\$73,500
Parent Assets		\$13,200
Student Total Income		\$0
Student Assets		\$3,300
EFC/SAI: calculated	6,750	240
Pell Grant	\$0	\$6,095

Addison goes from receiving no Pell Grant under current eligibility rules to receiving close to the maximum Pell Grant under the new eligibility rules.

