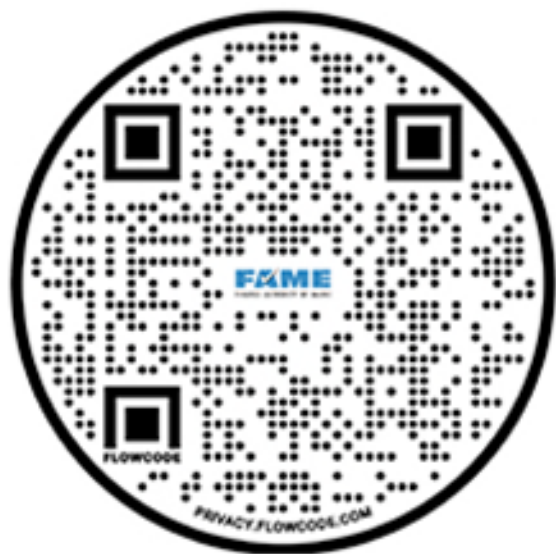


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# FAFSA Simplification

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PRESENTED BY

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## Today's Agenda

- Today's FAFSA
- FAFSA Simplification
  - Changes to the 2023-2024 FAFSA
  - Changes to the 2024-2025 FAFSA



## Today's FAFSA

- The **FSA ID** allows individuals to access all **Federal Student Aid** web sites, including the **FAFSA**.
- The FSA ID is also the best way for students and parents to **sign the FAFSA**.
- An FSA ID is a username and password which are created at **StudentAid.gov**.
- It is recommended that students and parents **obtain FSA IDs ahead of time**.
- **Critical** that information being entered is correct (especially name, social security number, and date of birth)!
- Write down the information used when creating the FSA ID -use FAME's **Creating Your Federal Student Aid Account (FSA ID)** sheet.

The screenshot shows the FAFSA.gov website interface. At the top, it identifies itself as an official website of the United States government, with links for 'Help Center' and 'Feedback & Ombudsman'. The main navigation bar includes 'FederalStudentAid' (with a sub-label 'AN OFFICE OF THE U.S. DEPARTMENT OF EDUCATION') and four menu items: 'UNDERSTAND AID', 'APPLY FOR AID', 'COMPLETE AID PROCESS', and 'MANAGE LOANS'. The main content area features a large dark blue banner with the heading 'Complete the FAFSA® Form' and a sub-heading 'Use the Free Application for Federal Student Aid (FAFSA®) form to apply for financial aid for college or graduate school.' To the right, there are two sections: 'New to the FAFSA® Process?' with a 'Start Here' button, and 'Returning User?' with options for 'Correct info | Add a school' and 'View your Student Aid Report (SAR)', along with a 'Log In' button. An illustration of three people walking is positioned at the bottom of the banner.

- You can also access the FAFSA through StudentAid.gov
- The FAFSA opens the door to federal grants, work study, and federal loans as well as the **Maine State Grant** and the **Free College Scholarship**
- Used by most colleges also use the FAFSA to determine eligibility for institutional aid

The screenshot shows a horizontal navigation bar with seven steps, each represented by a circled number and a text label below it. Step 1, 'Student Demographics', is highlighted with a blue underline. Steps 2 through 7 are in a light gray background. The labels are: 1 Student Demographics, 2 School Selection, 3 Dependency Status, 4 Parent Demographics, 5 Parent Financials, 6 Student Financials, and 7 Sign & Submit.

- The currently FAFSA has seven sections
- Dependent students will need to provide parent information

**A student is independent if they are:**

- 24 years or older
- Married
- Graduate student
- Currently on Active Duty
- Veteran
- Emancipated
- Providing 50% support for child or others
- Ward of the court or orphan at anytime since turning age 13
- In legal guardianship (or was at the age of 18)
- In foster care at anytime since turning age 13
- Homeless



# FAFSA Simplification



### Legislative Background

#### **Future Act** (December 19, 2019)

Expands access to federal student aid, and mandates Federal Student Aid to use data directly from the IRS.

#### **FAFSA Simplification Act** (December 27, 2020)

Introduces significant changes to the FAFSA application process including changes to the FAFSA form, how students and families will complete the application, and the eligibility calculation.



# **FAFSA Simplification**

## **Changes to the 2023-2024 FAFSA**

## Changes to the FAFSA form

- Fully **removes Selective Service** and **drug conviction questions**
- Collects race/ethnicity and sex/gender questions via voluntary, post-application survey
  - This information is not being shared

### Easier process for homeless youth

- **Carries forward** answers to three existing **homeless youth questions**, which are now renewal eligible
- Guidance as of **11/3/22** expands the list of individuals who can document homelessness:
  - **New guidance** includes the director of a **TRIO program** or their designee
  - Prior to this guidance, only the high school or school district liaison or the director of a U.S. Department of Housing and Urban Development program or director of a runaway or homeless youth center or transitional living program could provide acceptable documentation.
    - The current FAFSA **does not reflect** this updated guidance.

## **Revisions to Cost of Attendance (COA)**

- COA information must be made **publicly available** and appear on any portion of the website that describes tuition and fees.
- “Room and board” are now known as “**food and housing**,” although the meaning remains the same.
  - Food and housing are grouped as “living expenses.”
  - COA has always included living expenses for off campus students, but this language makes this more clear.

## Professional Judgment

- Defines categories of professional judgment:
  - **Special Circumstances** refer to the financial situations (loss of a job, etc.) that justify an aid administrator adjusting data elements.
  - **Unusual Circumstances** refer to the conditions that justify an aid administrator making a dependency override based on a unique situation (e.g., parental abandonment, abuse, parent incarceration).
- Provides additional flexibility and requirements for making dependency overrides and **updates acceptable documentation**

For additional information see Dear Colleague Letter (Gen-22-15):

<https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-11-03/fafsar-simplification-act-changes-implementation-2023-24>



# **FAFSA Simplification**

## **Changes to the 2024-2025 FAFSA**

## Goodbye EFC!

The Expected Family Contribution (**EFC**) becomes the Student Aid Index (**SAI**)

- The term “EFC” can be misleading
- Many families incorrectly believe that the EFC is all they pay when the amount may really be more or less



## 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 federal financial aid funds except maximum and minimum Pell grant awards.

## Two Pathways to Federal Pell Grant Eligibility

- Formula **similar to current formula** that uses the SAI.
- Second formula overlays the standard formula and is **based on the poverty line table** and is used to determine maximum and minimum Pell eligibility.
  - Depending on dependency status, # of parents in the household and AGI:
    - Maximum Pell available to those whose AGI is  $\leq 175 - 225\%$  of poverty line
    - Minimum Pell available to those whose AGI is  $\leq 275 - 400\%$  of poverty line

## Here's how it works:

1. Student is considered for **maximum Pell first**
2. If student doesn't qualify for maximum Pell, eligibility will be **determined based on SAI**:
  - [Maximum Pell amount - SAI = Pell amount]
3. If student doesn't qualify for the maximum Pell and no Pell awarded from the SAI calculation, student is considered for **minimum Pell**.
  - Minimum Pell Grant = 10% of Maximum Pell Grant

## **Which Parent(s) Must Complete the FAFSA?**

- Currently, if a dependent student’s parents are divorced or separated, the parent the student lived the most during the 12 months before filing the FAFSA is responsible for completing the FAFSA.
- Starting with the **2024-2025 FAFSA, the parent who provides the greater portion of the student’s financial support** will be responsible for completing the FAFSA.
- If this parent has remarried as of the date the FAFSA is filed, the stepparent’s information is required as well.

## **Multiple Children in College**

The **parent SAI will no longer be divided by number of children in college** at the same time (question will remain on the FAFSA)

- Small impact on low-income families with multiple children in college
- Bigger impact on middle- and high-income families with two or more children in college at the same time

## **Direct Data Exchange (DDX)**

- Say **goodbye** to the **IRS Data Retrieval Tool** (DRT)!
- The IRS DRT will be replaced with the **Direct Data Exchange** (DDX).
- The changes in the transfer of data process is triggering **more stringent** confidentiality requirements.

# Federal Tax Information (FTI) and Related Questions

## Currently

### IRS DATA RETRIEVAL TOOL (DRT)

- Under the DRT, IRS does not directly provide FTI to FSA; rather, the DRT allows the taxpayer to transfer their data from the IRS to FSA.
- Once tax return data is transferred into the FAFSA by the taxpayer, it is then considered “FAFSA data” for purposes of data use restrictions under the HEA.

## Coming 2024-25 FAFSA

### FUTURE ACT & DIRECT DATA EXCHANGE (DDX)

- The FUTURE Act amends the Internal Revenue Code to authorize FSA to receive individuals’ FTI directly from the IRS.
- Because the FUTURE Act enables a Direct Data Exchange between IRS and FSA going forward, such information will come directly from IRS rather than from students and families, and will therefore constitute IRS data, protected by the more stringent confidentiality and nondisclosure provisions of the IRC.



## Direct Data Exchange

- **EVERYONE\*** (students and parents) will need to **consent** (checkbox) to have their Federal Tax Information (FTI) imported into the FTI module.
  - To provide consent, the individual will need to access the FAFSA with an FSA ID that has been matched with the SSA.
- Federal tax filers will have their tax information imported into the FTI module
  - The Student Aid Index (SAI) will be **calculated in the FTI module**
  - **No tax income will transfer** into the FAFSA but tax data will be sent to the colleges listed on the FAFSA

\*Married parents who filed a joint tax return may only need one parent to consent – still awaiting further clarification



## Direct Data Exchange

- **Non-tax filers** must also check the box to consent.
  - When IRS Data is accessed, the process will also **verify non-filing status.**
  - **This should reduce verification**



## Changes to Income Reporting

- Several types of untaxed income will no longer be reported on the FAFSA
  - Untaxed contributions to retirement
  - Worker's Compensation
  - **Cash support and other money paid on the student's behalf**
    - This change means that:
      - Gifts to the student will no longer be reported as untaxed income
      - Qualified distributions from 529 plans that are owned by a grandparent, aunt, uncle, etc. will no longer affect aid eligibility
- **Child support received** (annual) will be reported as an asset instead of income

## **Applicants Exempt from Asset Reporting**

- The Simplified Needs Test (SNT) is now known as **“Applicants Exempt from Asset Reporting”**
- No asset questions for:
  - **Means Tested Benefits recipients**
    - ✓ Federal Housing Assistance and Earned Income Tax Credit added
    - ✓ No additional income threshold
  - **AGI < \$60K** and **no lettered tax schedules**
  - **AGI < \$60K** and **only Schedule C**, provided Schedule C gain/loss < \$10K

## **Changes in Reportable Assets**

Certain **exclusions from assets** have been **dropped**

- The small business exclusion
- Exclusion for a family farm

## **Changes to the 2024-2025 FAFSA Process**

The FAFSA will become a **roles-based** form

- Each individual (student/parent) providing information on the FAFSA will see only questions **related to their role**.
  - When a student logs in, they will only have access to student questions.
  - When a parent of a dependent student logs in, they will only have access to parent questions - no student questions

## Changes to the 2024-2025 FAFSA Process

- An FSA ID will be required for anyone trying **to access** the FAFSA
  - No option to access FAFSA using the student's demographics
  - **Married filing joint tax filers** will only need **one of the tax filers** to have an FSA ID.
  - When parents are married and **filing separately** or biological parents are **not married but living together**, **both parents** will need to have FSA ID.
- FSA ID's will **need to be matched with SSA** (approximately 3 days) before it can be used

## Changes to the 2024-2025 FAFSA Process

- **Every time** an FSA ID is used, two-step verification will be required.
  - Currently only students are subject to two-step verification when using their FSA ID to access the FAFSA.
- Individuals **without an SSN** will be able to create an FSA ID
  - The process has yet to be defined – stay tuned!

## Correction and Verification Process

- We don't know what these processes will look like.
- Good news! Students will be able to list up to **20 schools** on the FAFSA.
- Verification will **truly** be random.
- The Student Aid Report (SAR) will become the **FAFSA Submission Summary**.



## Timing Challenges

- Federal Student Aid recently announced that the **FAFSA will be available in December.**
- We're planning accordingly
- For example, given the requirement that FSA IDs need to be matched before FAFSA can be accessed, **fall sessions will incorporate FSA ID creation.**
- **June's Wednesday Webinar** will be on FAFSA Simplification implementation.
- Watch your email and our website for updates!



Questions?



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