

# FAFSA Simplification-What You Need to Know

# Summary of FAFSA Simplification Changes Previously Implemented

## 2021-22

- Elimination of Selective Service
- Elimination of Drug Conviction
- Elimination of subsidized usage limitations of eligibility for Direct Loans

## 2023-24

- Changes to cost of attendance (COA)
- Professional Judgment (PJ)
- Determination of Independence
- Application process for unaccompanied homeless youth and foster care youth



# Transition from Expected Family Contribution to Student Aid Index

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- Removal of the number in college from the eligibility calculation
- The SAI can be a negative number with a minimum SAI of -1500 instead of zero
- No alternate EFCs for enrollment for a period other than 9 months
- Elimination of the Simplified Needs Test (SNT) and Auto-Zero calculations

The SAI is a number that determines each student's eligibility for certain types of federal student aid. An applicant's SAI is calculated using modified need analysis formulas outlined in the Act.

These formulas use information that applicants provide on the FAFSA® form and, in most cases, federal tax information (FTI) that is retrieved directly from the Internal Revenue Service (IRS).

# Use of Federal Tax Information

Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE Act)

FAFSA data is received from the IRS to calculate SAI and Pell awards

- FUTURE Act Direct Data Exchange (**FA-DDX**)
- Mandated disclosure of Federal Tax Information (**FTI**) directly from the IRS with individual's approval and consent.
- If FTI information is entered manually it will result in a rejected FAFSA and no federal student aid will be awarded
- Consent required for receiving federal student aid
- FTI will only be available to institutions, state higher education agencies, designated scholarship organizations via Institutional Student Information Record (ISIR)

# Income Components (Untaxed Income)

## What's Included

- Deductions and payments to qualified individual retirement accounts excluded from income for federal tax purposes, but excluding payments made to tax-deferred pension and retirement plans, paid directly or withheld from earnings, that are not on the federal tax return
- Tax-exempt interest income
- Untaxed portion of individual retirement account distribution (excluding rollovers)
- Untaxed portion of pensions (excluding rollovers)
- Foreign earned income exclusion (manually entered)

## What's Eliminated

- Housing, food, and living allowances for military and clergy
- Veterans noneducation benefits
- Other taxed income
- Money received by or paid on behalf of the student

# Allowances Against Income

## What's Included

- Federal Work-study
- Institutional grant and scholarship included in the AGI on the tax return
- American Opportunity or Lifetime education tax credit amount claimed on tax return
- Payroll tax allowance-replaces Social Security Tax allowance
- Federal income tax paid, employment expense allowance, and income protection allowance (IPA)

## What's Eliminated

- Coop earnings
- Child support paid
- Combat pay
- State and other tax allowance
- Number in College

# Asset Components

- **CHILD SUPPORT RECEIVED** Annual amount of child support received is considered an asset now (previously included as income in the EFC formula). The recipient of the child support will be asked to report the amount received in the last complete calendar year.
- **NET WORTH OF ALL BUSINESSES** The net worth of a business is no longer limited to those with more than 100 full-time employees. Applicants will be asked to report the net worth of all businesses, regardless of the size of the business.
- **FARMS** Net worth of a farm now includes the value of a family farm. However, the value of a family's primary residence is still excluded. The net worth of a farm may include the fair market value of land, buildings, livestock, unharvested crops, and machinery actively used in investment farms or agricultural or commercial activities, minus any debts held against those assets.
- **EDUCATION SAVINGS ACCOUNTS** For dependent students, education savings accounts will only be counted as a parental asset if the account is designated for the student. Previously, if a parent had education savings accounts for their other children, the value of those was also required to be counted.

# Other Important Changes

- Family size now aligns with the number of dependents reported on the tax return
- Number of family members in college is no longer a factor in the need analysis. Professional judgment may be used to adjust data items related to those expenses.
- Some applicants will qualify for a Maximum Pell Grant based on tax filing status or on AGI compared to poverty threshold for their family size and state of residence.
- Other applicants will have assets excluded from their SAI calculation based on income, tax filing status, and receipt of a benefit from a federal means-tested benefit program.



# Provisional Independent Status

- Beginning with the 2024-25 award year, students who indicate they have **unusual circumstances** that prevent them from providing parent data will no longer receive a rejected application.
- FAFSA will be processed with a provisional independent status.
- Results of FAFSA will provide an SAI and an estimate of federal student aid eligibility.
- Aid administrators will need to make a final determination whether these students should receive a dependency override.
- Financial Aid Office will notify student of our process for Dependency Overrides after FAFSA form is submitted and no later than 60 days after student enrolls
- Unusual circumstances will move from year to year unless circumstances have changed
- Determination is made on a case-by-case basis with supporting documentation
- Dependency overrides for unusual circumstances is considered unique from a determination of independence for homeless youth or at-risk youth

# Other Financial Assistance (OFA)

The new definition of items excluded from consideration as other financial assistance now includes

- Emergency financial assistance provided to the student for unexpected expenses that are a component of the student's COA, and not otherwise considered when determining the student's need
- Helping a student to pay the bill is not considered "emergency" assistance.

The formula for determining a student's need remains the same, except that EFC has been replaced by SAI and EFA has been replaced by OFA. When determining a student's need, an institution will use the following formula:

**Cost of Attendance (COA) minus  
Student Aid Index (SAI) minus  
Other Financial Assistance (OFA)  
equals need.**

$$(COA - SAI - OFA = Need)$$

# Treatment of Negative SAI

Convert any negative SAI to 0 for awarding purposes

Example: Applicant has a \$15000 COA, a -\$500 SAI, and a \$7395 Pell Grant. When calculating remaining need for other need-based programs, the school will change the -\$500 to 0. the student's remaining need will be \$7605 ( $\$15000 - 0 - \$7395 = \$7605$ )

# Calculation of a Pell Grant Scheduled Award

Beginning with the 2024-25 award year, each student's Scheduled Award is one of the following:

- An automatic Maximum Pell Grant Award (Max Pell)
- SAI-calculated Pell Grant, determined by subtracting the student's SAI from the annual published Max Pell
- A Minimum Pell Grant Award (Min Pell)

If a student qualifies for a Maximum Pell Grant, the SAI is not used to determine the amount of that grant.

An SAI-calculated Pell Grant is determined by subtracting the student's calculated SAI from the annual published Max Pell, then rounding to the nearest \$5.

If the SAI-calculated Pell Grant is less than the published Min Pell, the student is ineligible for an SAI-calculated Pell Grant. However, the student may still be eligible for a Min Pell if they meet the minimum Pell Grant eligibility requirements.

# Calculation of Pell Grant Annual Award

The Pell Grant Annual Award is the Pell Grant Scheduled Award adjusted for enrollment intensity.

Beginning with the 2024-25 award year, we will replace enrollment categories of full-time, three-quarter-time, half-time, and less-than-half time with a continuous measure of enrollment intensity.

Students enrolled less than full time must have their Pell Grant Scheduled Award prorated based on their enrollment intensity. (Except for students enrolled in clock-hour or nonterm credit-hour programs)

# Enrollment Intensity Adjustments for Pell Grant Awards

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- Enrollment intensity is the percentage of full-time enrollment at which a student is enrolled, rounded to the nearest whole percent.
- For example, if full-time enrollment is 12 or more credit hours and the student is enrolled in 7 hours, the enrollment intensity would be  $(7 \div 12) \times 100\% = 58\%$ .
- For the 2024-25 award year and thereafter, a student's Scheduled Pell Grant award is multiplied by the student's enrollment intensity percentage to determine the Annual Pell Grant Award.

Pell Proportions	
Credits	% of Full-Time Award
12	100%
11	92%
10	83%
9	75%
8	67%
7	58%
6	50%
5	42%
4	33%
3	25%
2	17%
1	8%

# Changes to Year-Round Pell Grant Awards

The Act made an important change to Year-Round Pell. Previously, a Pell Grant-eligible student must have been enrolled at least half-time in a payment period during which they received more than 100% of their Scheduled Award. **The law removes the half-time enrollment requirement beginning with the 2024-25 award year** but made no other changes to the Year-Round Pell provisions.

**Questions?**



