<u>Changes to FAFSA: Reference Guide for Counselors</u>

WHEN: <u>**<UPDATE>**</u> Financial Aid Year 2024-25 (Application opening on October 1, 2023)

WHY: Focus on simplification to increase student application rate and provide more Federal money to lower-income students. Total questions reduced from 108 to about 36.

WHAT: Expected Family Contribution (EFC) to be renamed Student Aid Index (SAI)

SAI still used to determine Demonstrated Need:

Cost of Attendance – SAI = Demonstrated Need

GUIDE TO CHANGES BY FAMILY

LOWER INCOME

CHANGE: Pell eligibility is increased and determined by parent income as a multiple of the poverty line (2020 poverty line = $ 17,420 for family of 2, $26,500 for a family of 4).

Full Pell Grant: Single Parent AGI <225% of poverty line, Married Couple AGI <175% of poverty line

IMPACT (+):   Projected to make 1.7 million more students Pell eligible.

CHANGE: Full Pell eligibility results in a student receiving an automatic SAI = $0. SAI can go as low as **-**$1,500.

IMPACT (+):   Increase number of students that have full Demonstrated Need.

WITH MULTIPLE CHILDREN

CHANGE: Increase in the parent income deduction based on family size (Income Protection Allowance) by 20%.

IMPACT (+):   Reduces the parent income available to pay for college, in some cases decreasing SAI.

CHANGE: "*Family*" SAI will not be divided by the number of children in college.

IMPACT (–):   Large increase in an individual student's SAI for middle- and upper-income families with multiple college students. This will reduce that student's Demonstrated Need at each college.

LIVING IN HIGHER-TAXED STATES

CHANGE: Elimination of the parent income deduction based on state tax burden (State Tax Allowance).

IMPACT (–):   No income adjustment for different state tax burdens. Increases the SAI for students in higher-tax states.

SMALL BUSINESS OWNERS

CHANGE: Elimination of exemption from reporting the value of a family business with less than 100 full-time employees as a parent asset.

IMPACT (–):   A family business of any size that is fully or partially owned by parents will need to be reported as a parent asset for the FAFSA formula, increasing SAI.

DIVORCED/SEPARATED

CHANGE: Definition of custodial parent is the parent that provides the most financial support, regardless of who the student lives with, for the prior tax year. If financial support is 50/50, the parent with higher income (AGI) is deemed the custodial parent.

IMPACT (–): Divorced and separated parents can no longer plan for custody by having the student live with the parent earning less income or with less assets in order to improve financial aid eligibility.

CHANGE: Parents must be legally separated or divorced to allow only one custodial parent to report finances.

IMPACT (–): Parents who are informally separated are required to report both parents' finances regardless of living situation. Informally separated parents will have to plan for legal action prior to application.

CHANGE: Child support received will be counted as a parent asset instead of parent income.

IMPACT (+): Reduction in SAI for students with custodial parents receiving child support.

CHANGE: Student support received directly from a non-custodial parent will no longer be reported as student income, since the direct support can be considered a gift.

IMPACT (+): Reduction in SAI for students receiving direct support from their non-custodial parents.

ALL STUDENTS

CHANGE: Increase in student income deduction (Income Protection Allowance) by 35% so that the first $9,410 of income earned will not be available to pay for college.

IMPACT (+): Working students keep more earnings without expectation of contribution to college expenses.

CHANGE: Gifts received by the student will no longer be reported as student income.

IMPACT (+): Relatives and other supporters can provide cash or in-kind gifts to students without increasing SAI.

CHANGE: Males are no longer required to register for the Selective Service to be eligible for Federal Student Aid.

IMPACT (+): Increased access to Federal Student Aid for all male students.