



## **What's New With the FAFSA?**

It's been a multi-year process, but the FAFSA Simplification Act (FSA) passed back in 2021 is finally showing results, and the new FAFSA has been rolled out online starting December 31, 2023.

The new FAFSA will hopefully make the process easier, and it's hoped that it will encourage those families who avoid submitting a FAFSA to do so now as part of their plan to pay for college. There are changes to the number of questions, and the tech has been upgraded a bit. There are also some changes to the way eligibility is calculated, how much income is sheltered, and who fills out the form.

Even if your family has a high enough income that you think won't qualify for aid, it makes sense for every family to include the FAFSA in college funding plans.

### **Why the FAFSA Should be Part of Almost Every College Funding Plan**

Income is only one of many factors used to determine how much the family will be expected to contribute to the child's education. There is no income limit, so even high-earning families should go through the process and submit the FAFSA. Many schools and private universities make the FAFSA part of the admissions process, and for many schools, the FAFSA is part of the scholarship application.

College usually takes at least four years, and even if financial aid isn't needed right now, it's a good idea to be prepared. If unexpected changes occur to the parents' work situation or other events reduce income, having a FAFSA on file can help keep things on track for your college student if you need aid in the future.

Filing a FAFSA is also required for eligibility for Federal Direct Student Loans. Besides benefits and protections that are not available with private loans, these fixed-rate government loans are forgivable through the Public Service Loan Forgiveness program after 120 qualifying payments have been made. The range of jobs that qualify for PSLF is large, and filing the FAFSA keeps the door open for this benefit.

## **Changes to the FAFSA – Fewer Questions, More Colleges**

Instead of a potential 108 questions, the new FAFSA will be much shorter and ask only 46 questions. The form also uses intelligent skip logic to eliminate questions based on answers to prior questions and tax information. For some applicants, only 18 questions will need to be answered.

Students will now be able to list as many as 20 colleges, up from 10 in the prior form.

## **The Estimated Family Contribution (EFC) Is Now the Student Aid Index (SAI)**

It's more than a name change. The EFC was confusing because it seemed to imply this was the number that families would have to pay or the amount of aid they would receive. The new name clarifies that it is an index that is used to assess financial need relative to other applicants.

The SAI calculation does not allow for increased benefits if more than one child is in college at the same time. This was a major benefit of the EFC for some families, and removing it may increase costs to families.

However, it may be somewhat offset by an increase in the parent income protection allowance of 20% and a 35% increase in the student income protection allowance.

The income required to be reported has also changed. Cash support and money paid on the student's behalf will not be required to be reported on the FAFSA. This covers things like a grandparent giving a gift to help with college, or a family taking a qualified distribution from a grandparent-owned 529 college savings plan.

## **Pell Grants Are Expanded**

The Federal Pell Grant program has been expanded to more students and eligibility is linked to family size and the federal poverty level. Adjusted gross income (AGI) will be used, along with the SAI, to determine eligibility.

## **Who Fills Out the FAFSA Has Changed**

Currently, either parent can fill out the FAFSA in a two-parent household. If parents are divorced or separated, the custodial parent fills out the FAFSA.

The amended FAFSA requires the parent who provided the most financial support in the "prior-year" to fill out the form. This means that parents must submit tax returns from two years

prior. For example, students from the class of 2024 would submit 2022 tax returns. Submitting tax returns will no longer be done manually. Instead, the IRS Direct Data Exchange must be used. This reduces the number of questions asked and makes the form easier to fill out.

### **The Bottom Line**

Filling out the FAFSA is getting easier, and several long-standing problems have been fixed. Including the submission as part of a college funding plan makes sense.

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