

GENERAL SESSION #B013

FAFSA® Simplification: Application and Need Analysis

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AGENDA

1. Changes to Application Process
2. Changes to Need Analysis
3. Submitted Questions
4. Resources

BACKGROUND INFORMATION

Why are we making these changes?

FUTURE ACT

Enhances the FAFSA experience by allowing the U.S. Department of Education to automatically obtain federal tax information from the IRS for students, parents, or other contributors (such as a spouse or stepparent) who provide consent and approval.

FAFSA SIMPLIFICATION ACT

Expands access to federal student aid and introduces significant changes to the FAFSA process, including changes to the FAFSA form, how students and families will complete it, and the eligibility calculation.

CHANGES TO APPLICATION PROCESS

KEY CHANGES

Streamlined application process

- The law restricts what questions may be asked on the FAFSA form.
- Restricts ED from asking for information more than once or asking for additional information except as specifically required under the law.
- Institutions may not condition the packaging or disbursement of federal student aid on the completion of additional requests for information beyond the FAFSA form, unless the information is required for verification, a determination of independence, or professional judgment.
- Review the major changes to both the user-facing and back-end procedures in *General Session #5: FAFSA Update*.

KEY CHANGES

Contributors

- "Contributor" is a new term being introduced on the 2024–25 form.
- A contributor is anyone who is required to provide a signature on the FAFSA form as well as provide consent and approval to have their federal tax information transferred from the IRS directly into the form via direct data exchange.
- This includes the student, and may include the student's spouse, a biological or adoptive parent, or the parent's spouse (stepparent).
- Contributor participation does not indicate financial responsibility.

KEY CHANGES

A contributor IS...

Anyone who is required to provide information on a student's FAFSA form, including the student, the student's spouse, a biological or adoptive parent, or the parent's spouse (stepparent).

VS

A contributor ISN'T...

Non-adoptive grandparents, foster parents, legal guardians, brothers or sisters, and aunts or uncles, even if they helped provide for or raise the student.

KEY CHANGES

Financial Aid Direct Data Exchange

All students and contributors must provide consent and approval to:

- disclose their personally identifiable information (PII) provided on the FAFSA form to the IRS for matching purposes;
- obtain their federal tax information directly from the IRS via the direct data exchange;
- allow the U.S. Department of Education (ED) to use their federal tax information to determine the student's eligibility and amount of federal student aid;
- allow ED to share their federal tax information with postsecondary institutions and state higher education agencies for use in awarding and administering financial aid; and
- allow ED to reuse their federal tax information on another FAFSA applicant's form that they are invited to contribute to.

WHAT YOU NEED TO KNOW

Financial Aid Direct Data Exchange Consent and Approval

- If a student or required contributor doesn't provide consent and approval, the student will not be eligible for federal student aid—even if they manually enter tax information into the FAFSA form.
- Information about how federal tax information will be used and the consequences of not providing consent and approval will be included on the FAFSA form.
- Even if a student or contributor doesn't have a Social Security number, didn't file taxes, or filed taxes outside of the U.S., they still need to provide consent and approval.

SPECIFIC FTI DATA ITEMS

DATA RECEIVED FROM THE FA-DDX:

- Tax year
- Tax filing status
- Adjust Gross Income (AGI)
- Number of exemptions and dependents
- Income earned from work
- Taxes paid
- Educational credits
- Untaxed IRA distributions
- IRA deductibles and payments
- Tax exempt interest
- Untaxed pension amounts
- Schedule C net profit/loss
- Indicators for tax schedules
- IRS response code

FTI & FAMILY SIZE

- Beginning with the 2024-25 award year, the student's family size will be aligned with the persons who are eligible to be claimed on the prior-prior year federal tax return.
- FPS will use the following data to calculate the family size:
 - When FTI **is** received: Student's exemptions + Parent's exemptions (if student is dependent) as received from the IRS
 - When FTI **is not** received: Self-reported family size
- When family size has changed or is different from the number of individuals claimed on the prior-prior year federal tax return, there will be a question to report updated family size.

KEY CHANGES

Provisionally Independent Status for Students With Unusual Circumstances

- Unusual circumstances are when a student is unable to contact a parent or where contact with the parent poses a risk to the student.
- Starting with the 2024–25 award year, applicants who indicate on their FAFSA form that they have unusual circumstances will be granted provisionally independent status.
- Examples of unusual circumstances include human trafficking, legally granted refugee or asylum status, parent abandonment or estrangement, and student or parent incarceration.
- If the student indicates they are homeless but has not and will not receive a homeless youth determination, they will also be granted provisionally independent status.

WHAT YOU NEED TO KNOW

Unusual Circumstances (Cont.)

- A financial aid administrator will make the final determination of a student's unusual circumstances based on the documentation that the student submits to the school; or the financial aid administrator may perform their own personal assessment.
- If a school approves a student's unusual circumstances, their independent status will remain as long as the student stays at the same school and their circumstances don't change.

KEY CHANGES

Unusual Circumstances Documentation

- After submitting the FAFSA form, the student will need to provide supporting documentation of their unusual circumstances directly to the school they will attend.
- Acceptable documentation could include interviews, documented phone calls and statements from various officials, court documents, utility bills, and any other documentation deemed appropriate by the school.
- The student should contact their school's financial aid office if they have questions about their circumstances.

WHAT YOU NEED TO KNOW

Unaccompanied Homeless Youth Determinations

A homeless youth determination refers to a determination of eligibility for services under the *McKinney-Vento Homeless Assistance Act*.

McKinney-Vento establishes the definitions for homelessness that are referenced on the FAFSA form. This determination is different from a dependency override for unusual circumstances.

KEY CHANGES

Documentation for Homeless Determinations

On the 2024–25 FAFSA® form, a student will self-identify if they are an unaccompanied and homeless youth, unaccompanied, at risk of homelessness, and self-supporting. They will also indicate if they have been determined to be homeless or at risk of homelessness by one of the following sources:

- homeless liaison for local education agency
- financial aid administrator from a different school that documented student circumstance for same or prior award year
- director or designee of a
 - transitional or emergency shelter
 - street outreach program
 - homeless youth drop-in center
 - program serving individuals experiencing homelessness
 - program supported by federal TRIO or GEAR UP grant

KEY CHANGES

Homeless Determinations and Documentation – Key Points

- The financial aid office at the student's college or career school must consider a determination by one of the previously listed entities to be sufficient.
- A student may be asked to provide documentation of their determination.
- If the student indicates they are homeless but has not and will not receive a determination, they will be considered provisionally independent on the 2024–25 FAFSA® form.

KEY CHANGES

Homeless Determinations and Documentation – Key Points (cont'd)

- For students without a determination, a financial aid administrator must make a case-by-case determination based on a written statement or documented interview where the student confirms that they are an unaccompanied homeless youth or unaccompanied, at risk of homelessness, and self-supporting.
- All determinations must be made without factoring in the reasons why the student is unaccompanied and/or homeless.

KEY CHANGES

Special Circumstances

- Special circumstances are when a student or contributor experiences significant changes to their financial situation.
- Examples of special circumstances include loss of employment or financial assets, reduction in income, tuition expenses at an elementary or secondary school, or unusual medical or dental expenses not covered by insurance.
- A student must provide documentation of their special circumstances directly to the school they will attend, and a financial aid administrator will make a professional judgment determination.

KEY CHANGES

Unusual Circumstances

A student is unable to provide parent information due to the following unusual circumstances:

- human trafficking
- legally granted refugee or asylum status
- parental abandonment or estrangement
- student or parental incarceration



Special Circumstances

A student or contributor experiences the following significant changes to their financial situation:

- loss of employment or financial assets
- reduction in income
- tuition expenses at an elementary or secondary school
- unusual medical or dental expenses not covered by insurance

KEY CHANGES

Updates to Application Process for Specific Populations

- Married not Separated—Applicants that are only independent due to their marital status will no longer be considered independent if they are now separated.
- A student who is less than 33 years-old will be eligible for the Maximum Pell Grant award if either their parent or guardian:
 - 1) died in the line of duty while serving on active duty as a member of the armed forces on or after September 11, 2001; or
 - 2) died while performing official duties as a public safety officer,

CHANGES TO NEED ANALYSIS

STUDENT AID INDEX (SAI)

- The SAI is a number that's used to determine eligibility for need-based aid. It is calculated using information that the student (and contributors, if required) provides on the FAFSA form.
- The SAI will replace the Expected Family Contribution (EFC) starting in the 2024–25 award year.
- A student's SAI can be a negative number down to -1500.

STUDENT AID INDEX (SAI)

- A dependent student whose parents aren't required to file a 2022 federal income tax return will be assigned an SAI of -1500. An independent student (and their spouse, if applicable) who isn't required to file a 2022 federal income tax return will also be assigned an SAI of -1500.
- The SAI may contribute to the formula to determine a student's Pell Grant eligibility but is not the sole determining factor.

Financial need = Cost of Attendance (COA) – Student Aid Index (SAI) – Other Financial Assistance (OFA)

STUDENT AID INDEX

Applicants exempt from asset reporting

- The Simplified Needs Test (SNT) and Auto-Zero EFC are eliminated, though some applicants will still be exempt from asset reporting based on similar criteria:
 - An applicant who qualifies for an automatic Maximum Pell Grant;
 - An applicant who received (or whose parent or spouse received) a federal means-tested benefit program in prior two calendar years;
 - A dependent applicant with parents whose AGI is $< \$60,000$, do not file a Schedule A, B, D, E, F, or H, and do not file a Schedule C or have $\leq \$10,000$ of net business gains or losses; or
 - An independent applicant (and spouse, if applicable) whose AGI is $< \$60,000$, does not file a Schedule A, B, D, E, F, or H, and does not file a Schedule C or has $\leq \$10,000$ of net business gains or losses.

STUDENT AID INDEX

Changes to calculation process

- Financial information on the FAFSA form will now mostly be provided by the FUTURE Act Direct Data Exchange (FA-DDX).
- Most of the formula tables remain (income protection allowances) with adjustments to data points.
- The number of family members in college is no longer considered in the needs analysis formula, but it is still a required question on the FAFSA form.

STUDENT AID INDEX

Changes to calculation process (cont'd)

- Dependent students with divorced or separated parents will include information on their FAFSA form only for the parent that provides the greater portion of the student's financial support.
- "Family Size" replaces the term "Household Size" and aligns with the number of individuals reported on the federal tax return.
- Child support received will now count as an asset.
- Family farms and small businesses will now count as assets, less the family's primary residence if it is also located on the farm.

STUDENT AID INDEX

Changes to calculation process (cont'd)

- "Other Financial Assistance" replaces the term "Estimated Financial Assistance", but still includes scholarships, grants, loans, or other assistance known to the institution.
- The prorated or alternative EFC no longer exists. Schools must instead use the 9-month SAI.
- A negative SAI is converted to 0 for packaging purposes.
- An FAA must determine if the parent's AGI should be adjusted if they self-reported foreign income exempt from taxation and the student is eligible for the Maximum Pell Grant award.

FEDERAL PELL GRANT ELIGIBILITY

Eligibility Will Be Determined in 3 Steps

1

Maximum Pell Grant

A student may qualify for a maximum Pell Grant based on family size, adjusted gross income, poverty guidelines, and tax filing status. A student qualifying for a maximum Pell Grant will have a Student Aid Index (SAI) between -1500 and 0.

2

Calculated Pell

A student who doesn't qualify for a maximum Pell Grant may still be eligible if their calculated SAI is less than the maximum Pell Grant award for the award year. The student's Pell Grant award will be equal to the maximum Pell Grant for the award year minus their SAI.

3

Minimum Pell Grant

A student whose SAI is greater than the maximum Pell Grant award for the award year may still be eligible for a Pell Grant, based on family size, adjusted gross income, and poverty guidelines.

FEDERAL PELL GRANT ELIGIBILITY

Criteria for Maximum Scheduled Pell Grant

- Student's parent not required to file federal income tax return; **or**
- Student's parent is single parent with AGI > 0 and $\leq 225\%$ of poverty guideline for family size and state of residence; **or**
- Student's parent is NOT a single parent and has AGI > 0 and $\leq 175\%$ of poverty guideline for family size and state of residence; **or**
- Student (and spouse if applicable) not required to file a federal income tax return; **or**
- Student is single parent with AGI > 0 and $\leq 225\%$ of poverty guideline for family size and state of residence; **or**
- Student is NOT a single parent and has AGI > 0 and $\leq 175\%$ of poverty guideline for family size and state of residence

FEDERAL PELL GRANT ELIGIBILITY

Criteria for Minimum Scheduled Pell Grant

- Student's parent is a single parent with an AGI \leq 325% of poverty guideline for family size and state of residence; **or**
- Student's parent is NOT a single parent and has AGI \leq 275% of poverty guideline for family size and state of residence; **or**
- Student is a single parent with an AGI \leq 400% of poverty guideline for family size and state of residence; **or**
- Student is a parent and NOT a single parent and has AGI \leq 350% of poverty guideline for family size and state of residence; **or**
- Student is not a parent, and the student's (and spouse's if applicable) AGI is \leq 275% of poverty guideline for family size and state of residence.

PACKAGING WITH 9-MONTH SAI

- Packaging for one-term, two-terms, or three-terms

FALL ONLY ENROLLMENT	FALL AND SPRING ENROLLMENT	FALL, SPRING, AND ADDITIONAL SUMMER ENROLLMENT
COA = 20,000 SAI = 23,000 Need = 0	COA = 40,000 SAI = 23,000 Need = 17,000	COA = 60,000 SAI = 23,000 Need = 37,000

PACKAGING WITH 9-MONTH SAI

- Packaging changes from UGRD-> GRAD in same AY

UG FALL TERM	GRAD SPRING TERM	CUMULATIVE TOTAL
COA = 20,000 SAI = 23,000 Need = 0	COA = 30,000 SAI = 3,000 Need = 27,000	COA = 50,000 SAI = 26,000 Need = 27,000

- The 23,000 SAI is based on the dependent student SAI formula.
- The 3,000 SAI based on the independent student SAI formula.
- COA also likely changes.
- Do not prorate the SAI.

SUBMITTED QUESTIONS



WHICH PARENT IS A CONTRIBUTOR

Scenario: A student's parents are divorced. Per the divorce decree, the parents have joint custody, but the student primarily lives with Parent 2, and Parent 1 pays child support to Parent 2.

- **Q: When determining which parent provides more financial support, does the child support count as support from Parent 1 or Parent 2?**
- **A:** To determine who is the parent for the FAFSA, child support is considered financial support provided by the parent who pays the support. In this scenario, the child support would be "counted" as the financial support provided by Parent 1, but the child support paid does not default the Parent 1 as the FAFSA parent. If it is determined that Parent 1 provides more financial support, child support paid is NOT reported on the FAFSA as its own data item. If it is determined that Parent 2 provides more financial support than the child support they *received*, is reported on the FAFSA as an asset of that parent.

FOREIGN INCOME

- **Q: Can you clarify under what conditions it would be appropriate to use PJ and include foreign earned income excluded from taxation in the AGI? Can the school have a policy to not include the foreign earned income exclusion as AGI via PJ?**
- **A:** The law notes that the FAA must evaluate the student's FAFSA and make a determination regarding whether it is appropriate to make an adjustment to account for such foreign income when determining the student's eligibility for the maximum Federal Pell Grant. The evaluation must still take place even if the school chooses to implement a policy not to make the actual adjustment to return the foreign income to the AGI.



VERIFICATION

- **Q: Can the Department provide an example of how to verify income earned from work for a parent who is not required to file taxes but has W-2 earnings of \$7,000? Since this \$7,000 will not be recorded on the FAFSA, what documentation must be collected to complete Verification?**
- A: Per the [Federal Register Notice](#) posted on September 19, 2023, income earned from work is one of the data elements that may be retrieved as FTI directly from the IRS. If FTI is successfully received for the parent contributor, is it considered sufficient and does not need to be verified further. If FTI is not successfully transferred from the IRS, an IRS tax transcript (or similar document, as outlined in the FRN) or a copy of the IRS Form W-2 may be used to verify income earned from work. Also, as noted in the Federal Register Notice, for non-tax filers, there is no data field on the ISIR to enter income earned from work that does not appear on a tax return. However, the collection of documentation to verify income earned from work for non-filers is also used to determine if the applicant (and the applicable spouse or parent) was required to file a U.S. income tax return for the 2022 tax year.
- **Q: With the new FA-DDX that will import federal tax information directly from the IRS into the FAFSA form, will independent students who did not file taxes continue to need to submit a Verification of Non filing?**
- A: No.



INDEPENDENT STUDENT DEFINITIONS

- **Q: Can you please explain the distinction between a student in foster care versus a student who is a ward of the court and how a student determines which of these options to select? Will there be help language on the new FAFSA form that explains this?**
- **A:** For federal student aid purposes, a student is a foster youth, if at any time since the age of 13, they were in foster care and eligible to receive specific services as a foster youth. A student is a ward of the court if a court—in the student's state of residence—has assumed legal custody of the student (this does not include juvenile detention or incarceration). Because both situations are complex and vary from state to state, typically an FAA will request supporting documentation to evaluate the student's status. Additional guidance on this topic is available in the *FSA Handbook, Application and Verification Guide*.

RESOURCES

- [Knowledge Center – FAFSA Simplification Information](#)
- [FAFSA Simplification Questions and Answers](#)
- [FSA Training Website](#)
- [2024-25 Draft Student Aid Index and Pell Grant Eligibility Guide](#)

