

# CHANGES TO FINANCIAL AID RULES: WHAT YOUR CLIENTS NEED TO KNOW

As part of the FY'21 omnibus spending/COVID stimulus bill, Congress enacted changes that directly impact higher education, specifically the Free Application for Federal Student Aid (FAFSA), changes/updates to data elements driving federal methodology and other student aid changes. The new provisions won't take effect until the fall of 2022, but here are some major elements to help you with your clients' college planning.



## SHORTER FAFSA

While the exact number is unknown (we have heard as little as 36 total questions down from 108), the major takeaway is the form will be shorter. For example, several questions that less than 1% of applicants answer will be eliminated entirely.



## STREAMLINED DATA REPORTING

More applicants will be eligible to have their taxed and untaxed income automatically transferred from their tax return directly to the FAFSA. This will eliminate user errors and make it simpler for families to complete the process.



## STUDENT AID INDEX (SAI) REPLACES EXPECTED FAMILY CONTRIBUTION (EFC)

Current FAFSA filers are presented with an EFC, or "Expected Family Contribution", after completing the questionnaire. As part of this legislation SAI, or StudentAid Index, will replace the EFC and determine the ability of the family to pay in a more nuanced way than the EFC. Even with the change to SAI, it is not radically different from EFC.



## INCOME PROTECTION ALLOWANCE

As part of the financial aid formula, a certain amount of reported income is protected (or excluded) from the formula. Changes to the Income Protection Allowance, or IPA, will increase this protection by roughly 35%.

Among other things, this will help offset another change to the FAFSA of no longer considering the number of family members in college.



## CHILD SUPPORT

Currently, child support received is treated as untaxed income in the financial aid formula. This will soon be treated as an asset, which will lower the overall impact on the financial aid formula (assets are counted as a smaller percentage than income).



## PROFESSIONAL JUDGEMENT

Professional judgment (PJ) is a process by which student aid administrators on college campuses have the authority to adjust certain data elements on the FAFSA to gain a more accurate picture of a family's ability to pay for college. The new legislation imposes some changes around professional judgment, including a new rule that would prohibit institutions from keeping a policy of denying all PJ requests, the ability of financial aid administrators, under certain conditions, to offer a dependent student an unsubsidized Direct loan without requiring parents to complete the FAFSA and the ability of a financial aid administrator, during a time of qualifying emergency and with appropriate unemployment documentation, to zero out income earned from work.

## SOURCES

- 1.National College Access Network (NCAN), *Bipartisan Support for FAFSA Simplification Eases Path to Accessing Financial Aid*. <https://www.ncan.org/news/543813/Bipartisan-Support-for-FAFSA-Simplification-Eases-Path-to-Accessing-Financial-Aid.htm>
- 2.The Chronicle of Higher Education, *Big Changes in the Federal Student Aid System Are Coming. Here's Why They Matter*. <https://www.chronicle.com/article/big-changes-in-the-federal-student-aid-system-are-coming-heres-why-they-matter>
- 3.College Aid Pro. *New FAFSA Changes: What does it mean for your family?* [https://collegeaidpro.com/new-fafsa-changes-what-does-it-mean-for-your-family/?vgo\\_ee=F1%2FUlxwmatACK3Rw6EZIPA%3D%3D](https://collegeaidpro.com/new-fafsa-changes-what-does-it-mean-for-your-family/?vgo_ee=F1%2FUlxwmatACK3Rw6EZIPA%3D%3D)
- 4.National Association of Student Financial Aid Administrators (NASFAA). *NASFAA Deep Dive: Changes to Federal Methodology, Other Student Aid Changes From Spending Bill*. January 7th, 2021. [https://www.nasfaa.org/news-item/24269/NASFAA\\_Deep\\_Dive\\_Changes\\_to\\_Federal\\_Methodology\\_Other\\_Student\\_Aid\\_Changes\\_From\\_Spending\\_Bill](https://www.nasfaa.org/news-item/24269/NASFAA_Deep_Dive_Changes_to_Federal_Methodology_Other_Student_Aid_Changes_From_Spending_Bill)
- 5.StudentAid.gov. *What is professional judgment?* <https://studentaid.gov/help-center/answers/article/what-is-professional-judgment>

Contact your attorney or other advisor regarding your specific legal, investment or tax situation. Private College 529 Plan (the Plan) is established and maintained by Tuition Plan Consortium, LLC (TPC). Intuition College Savings Solutions, LLC (Intuition) is the Plan Administrator. Participation in the Plan does not guarantee admission to any college or university. Tuition Certificates are neither insured nor guaranteed by the FDIC, TPC, any government agency, Intuition or their respective subcontractors and affiliates. However, Tuition Certificates are guaranteed by colleges and universities solely for tuition and mandatory fee credits. Please read the Disclosure Statement and Enrollment Agreement carefully and consider your financial objectives and risks before purchasing a Tuition Certificate. TPC, Intuition and their respective subcontractors and affiliates do not provide financial, legal or tax advice. See [www.privatecollege529.com](http://www.privatecollege529.com) for more information. This material is provided for general and educational purposes only, and is not intended to provide legal, tax, or investment advice, or for use to avoid penalties that may be imposed under U.S. federal tax laws. ©2020 Tuition Plan Consortium, LLC. All rights reserved. 2106-NLD-1/27/2021

