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

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