

FAFSA SIMPLIFICATION FACT SHEET

A Better FAFSA

The FAFSA Simplification Act was ratified in August 2022, with the intent to streamline the Free Application for Federal Student Aid (FAFSA) application process. It specified three goals: 1) expanded eligibility for federal financial aid, 2) reduced barriers for certain student populations and, 3) a better user experience for the FAFSA form. This PDF outlines changes that accomplish these goals

OLD	NEW
TERMINOLOGY	
EFC (expected family contribution)	SAI (Student Aid Index)
Household Size	Family Size
Parent(s)	Contributors
Student Aid Report	FAFSA Submission Summary
Dependency Status	Student Personal Circumstances
IRS Data Retrieval Tool	Direct Data Exchange
PROCESS	
Contributor could access the FAFSA without creating FSA ID first	Contributor will NOT be able to access the FAFSA without an FSA ID set up and verified by SSA prior to starting the form
Parent without social security number could not create FSA ID. Signature page required	Parent (s) without SSN will be required to create an FSA ID – process TBD
Using IRS Data Retrieval Tool was optional	Everyone has to click a permission box allowing their financial information to be transferred from the IRS, including non tax-filers
Parent Info provided was determined by “whom the student lived with more out of the year”	New definition of parent is “parent which provides the greater portion of the student’s financial support”
Student could enter up to 10 colleges	Student will be able to add up to 20 colleges
FORMULA CHANGES	
Household size reported by student applicant	Family size based on number of people claimed as exemptions on tax forms
Businesses and farms with fewer than 100 employees not counted as an asset	Net value of businesses and farms of any size counted as an asset
Number in college included in EFC calculation	Number in college NO LONGER included in SAI calculation. Question will still appear for institutional purposes
Families with Adjusted Gross Income (AGI) greater than \$50,000 required to report asset information	Families with AGI greater than \$60,000 will be required to report asset information
Lowest EFC is 0	Lowest SAI is - 1500

FAFSA TIPS



CONTRIBUTORS

A contributor is anyone who is required to provide information on the FAFSA; that means the student, parent(s), and spouse might all be referred to as "contributors" in the FAFSA form.

FSA ID

EVERY contributor will need an FSA ID to access the FAFSA. Undocumented parents will now be able to create an FSA ID.

Tip: Ensure every contributor creates an FSA ID before the FAFSA becomes available.

MULTI-FACTOR AUTHENTICATION

All contributors will need to set up at least one form of multi-factor authentication. It could be a phone (device), email address, or via an authentication app. **Tip:** Set up ALL forms of multi-factor authentication.

FAMILY SIZE

For tax-filers, family size will be automatically calculated based on the number of individuals claimed on the tax return. If the family size is different from the tax return, there will be an option to enter it manually. **Tip:** Have a copy of the tax return or tax transcript on hand to check who was claimed.

NUMBER IN COLLEGE

The number of dependents in college will no longer impact the federal formula for aid distribution. However, questions about the number of dependents in the household attending college may still appear for institutional purposes.

FEDERAL TAX INFORMATION

Direct Data Exchange (DDX) will replace the IRS Data Retrieval Tool (DRT) as the process for transferring tax information from the IRS. This will reduce the number of

financial questions that most families will see on the FAFSA. All contributors must consent to having their tax information transferred, even if they did not file taxes for the required year. There will be few exceptions for manual entry.

If consent is not granted...

- the FAFSA will be considered incomplete
- the FAFSA will be ineligible for federal financial aid

REPORTING ASSETS

Families with an Adjusted Gross Income (AGI) greater than \$60k will be required to report asset information. The net worth of businesses and farms of any size will now be included.

POTENTIAL IMPACT ON STUDENTS

The new formula allows a minimum SAI of negative \$1,500 to give financial aid administrators more insight when making determinations for students with especially challenging situations. Some applicants will be able to determine Pell Grant eligibility prior to enrolling in college based on their family size, household income, and state's poverty standards.



8% will have a higher SAI than EFC



13% will see no change



78% will have a lower SAI than EFC

Source: State Higher Education Executive Officers Association (SHEEO)

EFC

EFC VS. SAI

- Household size reported by student application
- Number in college impacts EFC
- Businesses and farms with fewer than 100 employees not counted as an asset
- Lowest EFC is 0

SAI

- Family size automatically calculated based on tax forms
- Number in college no longer considered in SAI
- Businesses and farms of any size counted as an asset
- Lowest SAI is -1500

Source: studentaid.gov

