

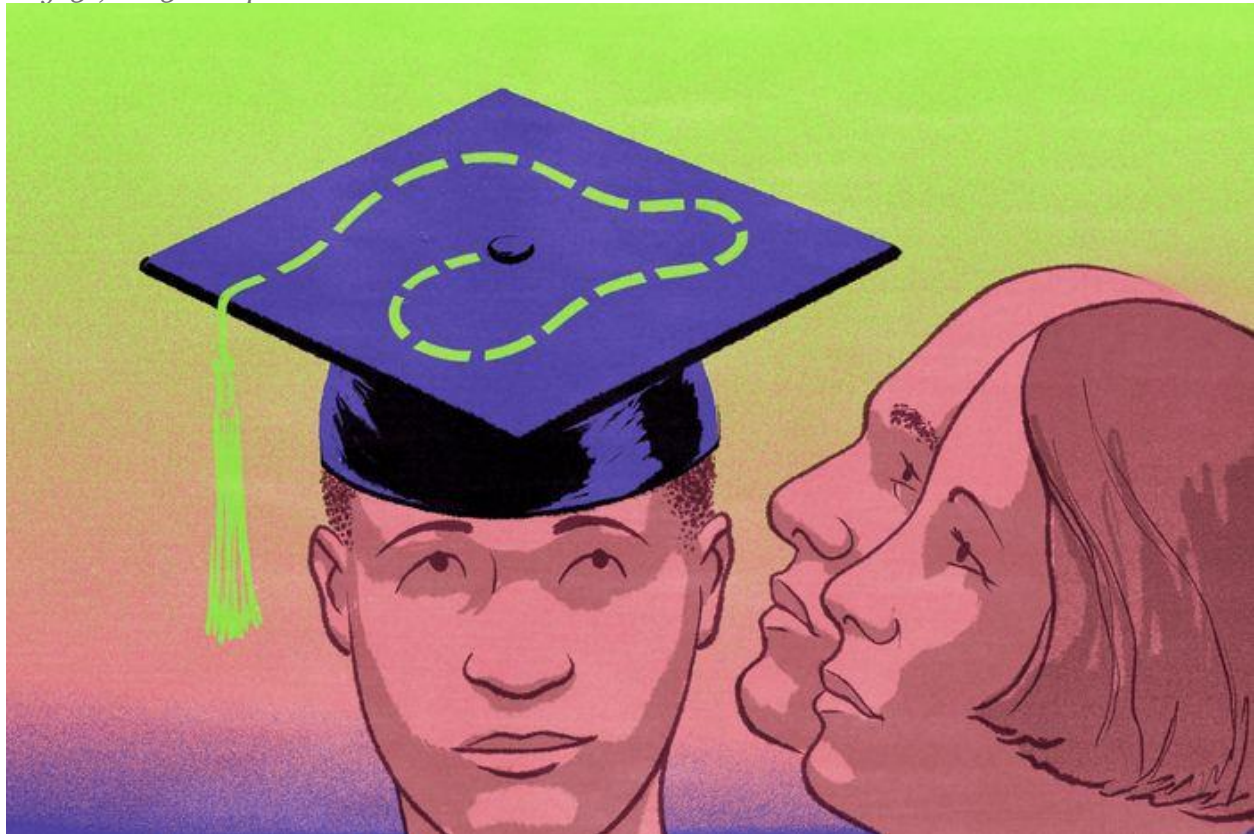
Fafsa Changes Are Coming. Here's What You Should Know.

The goal is to make the college financial-aid form easier to understand and fill out, and more generous to families in need

By

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College parents and their students will find more changes to the Fafsa financial-aid form this year. ILLUSTRATION: ALEX NABAUM

Significant changes are coming to the Fafsa—the Free Application for Federal Student Aid—for the 2024-25 academic year.

There has been a continuing effort to make the Fafsa—the filing that college parents or students must make each year to be eligible for federal aid—easier to understand, less onerous to fill out and more generous to families in need of help. These changes, many of which have been legislatively mandated, should be evident in the new Fafsa expected to be available later this year.

Here's what families should know:

Later opening

In recent history, the Fafsa that families filed for the following academic year became available Oct. 1. Because of the extensive changes, however, the Education Department has said it needs more time to prepare and is predicting a December launch of the new Fafsa. Going forward, after this year, the process is expected to return to the normal Oct. 1 cycle.

Even though the Fafsa will become available later, families can still get an estimate of their aid eligibility by using a college's net price calculator generally available on the school's website, says financial-aid specialist Mark Kantrowitz.

What's more, the separate CSS Profile, an online application used by more than 250 private colleges and scholarship programs to award nonfederal institutional aid, will continue its normal cycle, opening on Oct.1 for the coming academic year.

Simplified process

The new Fafsa will have fewer questions, and it will allow for a much larger percentage of families to have their financial information transferred directly from the Internal Revenue Service, says Kim Cook, chief executive of the National College Attainment Network, a nonprofit advocacy group.

In the past, eligible students and parents could use the IRS Data Retrieval Tool to input their tax return information, rather than type in tax-return numbers, line by line, themselves. But the new Fafsa makes this process more seamless, asking student and parent filers for consent to retrieve and disclose their federal tax information. The important thing to note is that now students won't be eligible for federal financial aid without this consent. (They should provide this consent even if they didn't file a U.S. tax return or any tax return at all.)

"The direct data exchange will make it easier and more accurate and should vastly reduce or eliminate the need for income verification, which can cause major delays in a student receiving aid," Cook says.

End of 'Expected Family Contribution'

The term Expected Family Contribution, or EFC, confused many families, who thought it referred to how much aid the student would receive or how much the family would have to pay. It will be replaced by the Student Aid Index—a new analysis formula which schools will rely on for determining aid.

More aid opportunities for low-income families

More families should be eligible for the federal Pell Grant since eligibility will be linked to family size and the federal poverty level. This means that an estimated 555,000 students who weren't previously eligible now will be, with 1.7 million more students receiving the maximum Pell Grant award under the new formula, according to the Education Department.

The maximum award for the academic year 2023-24 was \$7,395. The new Pell Grant levels are subject to a final federal appropriations bill, Cook says.

In another measure aimed at helping lower-income applicants, families with adjusted gross income below \$60,000 won't be asked to report their assets for the purposes of determining aid. The previous threshold was \$50,000.

Other formulaic differences

The new Fafsa will still ask about how many students a family has in college, but because of legislative changes, a family's ability to pay isn't divided per child. This means that each student might be responsible for more tuition, depending on the family's income. The disappearing sibling discount for federal aid has caused some angst, especially for middle- and higher-income families with more than one child in college at the same time. However, institutions will receive the data and may choose to use it for their own aid purposes, says Karen McCarthy, vice president for public policy and federal relations at the National Association of Student Financial Aid Administrators, a professional association for aid administrators.

There are also several significant changes to the asset-contribution components of the aid formula. One of these changes could mean potential ramifications for families who own a business or family farm, Kantrowitz says.

Students and parents will each be asked to report the net worth of all businesses, regardless of the size of the business. And net worth of a farm now includes the value of a family farm, though the value of a family's primary residence is still excluded, according to the Education Department.

Changes affecting some parents

In the past, when parents were unmarried, divorced or separated, Fafsa duties fell to the parent the student lived with more during the previous 12 months. That is been changed so the filing responsibility falls on the parent who provided the most financial support in that time period.

If both parents provided equal support, the filing parent should be the one with the greater income or assets. The online Fafsa will help walk students through the process of determining the appropriate parent.

Other tweaks

When students log in to fill out the Fafsa, they will only be able to see questions that they are expected to answer; parent filers will log in separately to see the questions related to them. Also, students will be able to list up to 20 colleges on the Fafsa, instead of 10.

Even though the Fafsa won't be available for a few months, families who are new to the financial-aid process should get a jump-start by going to Studentaid.gov to create an email and password combination known as an FSA ID. This will allow them to file for financial aid as soon as the Fafsa becomes available. The student and the parent filer should each obtain a unique FSA ID, which is also used for other future financial aid-related tasks such as loan counseling and applying for loan repayment plans.

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