

FAFSA[®] Changes Overview

FAFSA Simplification Act

On Dec. 27, 2020, Congress passed the *Consolidated Appropriations Act*. The law contains provisions that amend the *FUTURE Act* and includes the *FAFSA Simplification Act*—a sweeping redesign of the processes and systems used to award federal student aid. The law updates the *Free Application for Federal Student Aid* (FAFSA[®]) process to expand access to federal student aid and provide a new FAFSA experience for students and families.

Benefits for Students and Families

Updated Need Analysis Formula

Beginning in the 2024–25 award year, the Student Aid Index (SAI) will replace the Expected Family Contribution (EFC) on the FAFSA form. The SAI is an evaluation of the financial resources that may be available to contribute toward a student’s education expenses.

Among the many changes, the need analysis formula removes the number of family members in college from the calculation, allows a minimum SAI of –1500, and implements separate eligibility determination criteria for Federal Pell Grants.

Expanded Access to Federal Student Aid

The *FAFSA Simplification Act* extends Federal Pell Grants to more students and links eligibility to family size and the federal poverty level. This builds on changes implemented in the 2023–24 award year, including incarcerated students regaining the ability to receive a Federal Pell Grant and the restoration of Federal Pell Grant lifetime eligibility to students who received an eligible federal student loan discharge. The law also repeals the lifetime limit on the period for which a borrower can receive subsidized loans of up to 150% of program length (often referred to as Subsidized Usage Limit Applies).

Streamlined FAFSA[®] Form

The *FAFSA Simplification Act* mandates that where possible, the U.S. Department of Education (ED) use federal tax information received directly from the IRS to calculate a student’s Pell Grant eligibility and SAI. This data exchange was made possible by the *FUTURE Act*, which ED will implement alongside the *FAFSA Simplification Act*. The law also removes questions about Selective Service registration and drug convictions from the FAFSA form and adds questions about the applicant’s gender, race, and ethnicity. Additionally, students who are homeless, orphans, former foster youth, or have unusual circumstances that prevent them from providing parent information on the FAFSA form, will benefit from simplified questions and processes that more efficiently determine their independent status.

New Requirements for Higher Education Institutions

New Definition of Cost of Attendance (COA)

COA refers to the total cost for a student to attend a specific college or career/trade school during a school year.

The *FAFSA Simplification Act* continues to make COA the starting point for calculating financial need. The formula is: **Cost of Attendance – Student Aid Index – Other Financial Assistance = Financial Need.**

The law specifies that COA includes tuition and fees, food and housing, books and supplies (including renting or purchasing a personal computer), miscellaneous expenses, and transportation. The law also provides allowances for loan fees, dependent-care costs, and expenses for disabled students.

Expanded Rules for Financial Aid Professionals

Professional Judgment

Financial aid professionals at postsecondary institutions will have some flexibility in adjusting a student's eligibility for federal student aid due to special or unusual circumstances. This flexibility is known as professional judgment. The expansion of professional judgment will help students who have unique family situations.

Schools will have the ability to address a student's special or unusual circumstances by adjusting their COA, their dependency status on the FAFSA form, components that determine the SAI and Pell Grant eligibility, or all of the above. Schools must make their policies and procedures for reviewing professional judgments publicly available.

Beginning in the 2024–25 award year, a student who indicates unusual circumstances on the FAFSA form will be granted provisionally independent status and can complete the FAFSA form without providing parent information.

A financial aid administrator is required to assess situations on a case-by-case basis and then make a final determination based on documentation that the student submits to the school. If a student is unable to provide documentation of their unusual circumstances, a financial aid administrator may perform their own assessment based on a documented interview with the student.

Determination of Independence Due to Homelessness

The law also provides additional flexibility for financial aid professionals to assist students who are unaccompanied and homeless or unaccompanied, at risk of homelessness, and self-supporting.

A student who indicates that they have received a homeless youth determination will be considered independent on the FAFSA form and can complete the form without providing parent information.

However, if a student doesn't have a homeless youth determination, a financial aid administrator at their school must make a case-by-case determination based on a written statement or documented interview. The student must confirm that they are an unaccompanied homeless youth or unaccompanied, at risk of homelessness, and self-supporting.

All homeless youth determinations must be made without factoring in the reasons that the student is unaccompanied and/or homeless.

Changes for Students and Contributors Starting in the 2024–25 Award Year

“Contributor” is a new term being introduced on the 2024–25 FAFSA form. A contributor refers to anyone who is required to provide their information and signature on the FAFSA form, as well as consent and approval to have their federal tax information transferred directly into the form via direct data exchange with the IRS. A contributor may include the student, the student's spouse, a biological or adoptive parent, and/or the parent's spouse (stepparent).

Requirement for StudentAid.gov Account

Everyone contributing to the FAFSA form online must have their own StudentAid.gov account. Each contributor, including the student, will access their account with their own FSA ID (account username and password).

Financial Aid Direct Data Exchange

All students and contributors must provide consent and approval to have their federal tax information transferred directly into the FAFSA form via direct data exchange with the IRS. This federal tax information will be used to determine the student's eligibility for federal student aid. If a student or required contributor doesn't provide consent and approval, the student will not be eligible for federal student aid.

Additional Resources



Federal Student Aid Partner Emails – Subscribe to receive email communications from Federal Student Aid: outreach.fsapartners.ed.gov



Federal Student Aid Outreach YouTube Channel – Watch webinar recordings and other videos for college access professionals: youtube.com/@FSAOutreach