FAFSA Simplification and Implementation

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How to Participate

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Have a question during the webinar? Type it in the Q&A section.

Click Leave to exit the webinar.
- Policy issues to address
- Impacts of changes on institutional enrollment goals
- Modeling observations
- No right issues
- Trade-offs
- Shared perspective
Most Monumental Change in our Profession

Right opportunity

Right time

Uncertainty – temporary

HEERF was the scrimmage
   Lots was learned

“Continuous improvement is better than delayed perfection.
-Mark Twain”
FAFSA Simplification: Policy Perspective
FAFSA Simplification Act brings:
- Simpler application
- More straightforward Pell eligibility criteria
- Federal Methodology changes
- Miscellaneous provisions
Form changes

- Income questions eliminated from online form
  - No asset questions for more applicants
- Who is the parent in cases of divorce/separation changed
- Family size is based on dependents claimed on tax returns
- Housing choice question removed
- Option to provide parental data for independent students removed
- New questions added on student’s race and sex
● Income protection allowance increase
● State/other tax allowance removed
● Dependent student Available Income allowed to be negative
● Small business/family farm exclusion eliminated
● Expected Family Contribution (EFC) is now Student Aid Index (SAI)
● No SAI split for number in college
● SAI can be as low as -$1,500
● SAI determines eligibility for all Title IV aid except maximum and minimum Pell grant awards.
Three pathways to Pell grant
● Automatic maximum Pell grant
● Pell grant based on SAI
● Automatic minimum Pell grant
Miscellaneous Changes

Other changes included in FAFSA Simplification Act

- PJ changes
- COA changes
- Provisional Independent Student Status
- Pell for Prison Education programs
- Expansion of Pell LEU restoration
- Year-Round Pell changes
- Pell proration changes
Lesser-known and Frequently Misunderstood Provisions

- Number in College question still on FAFSA
- Only FWS earnings are excluded from income
- Only qualified education benefit designed for student counts as parental asset
- Separated students no longer considered independent
- No more alternate months EFC
- \(<\) Full-time Pell grant directly prorated
- EFA excludes emergency aid
● FAFSA release date still set for December, exact date unknown
● Draft SAI Guide released last fall
● Roadmap released this spring
● Out last week:
  ○ EFC to SAI Crosswalk
  ○ SAI Scenarios
  ○ Max/min Pell lookup tables
  ○ Pell formulas and enrollment intensity
• FAFSA Simplification Implementation Working Group

• FAFSA Simplification web center
  • Legislative summaries
  • SAI modeling tool
  • Case studies
  • FM flowchart
  • Implementation checklist
  • NASFAA news coverage
  • So much more!
Impacts of Pell and FM formula changes

How Students' Pell Grant Eligibility Will Be Determined

Most students who receive Pell will obtain the grant through automatic eligibility.

*Share of students who applied for federal financial aid*

- **Automatic maximum Pell**: 41%
- **Maximum Pell (not automatic)**: 10%
- **Other Pell amount**: 5%
- **Minimum Pell**: 11%
- **No Pell**: 32%

*Source: Urban Institute analysis of 2016 National Postsecondary Student Aid Study data.*
Projected Changes to Pell Distribution
Implementing new maximum and minimum Pell rules and sibling adjustment

- Reduce award by more than $500
- Within $500
- Increase award by more than $500
- New Pell award
- No Pell award (before or after changes)

<table>
<thead>
<tr>
<th>Category</th>
<th>Reduce award by more than $500</th>
<th>Within $500</th>
<th>Increase award by more than $500</th>
<th>New Pell award</th>
<th>No Pell award</th>
</tr>
</thead>
<tbody>
<tr>
<td>Dependent, $0–$38K</td>
<td>9%</td>
<td>89%</td>
<td>9%</td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td>Dependent, $38–$75K</td>
<td>13%</td>
<td>45%</td>
<td>17%</td>
<td>12%</td>
<td>13%</td>
</tr>
<tr>
<td>Dependent, $75–$125K</td>
<td>7%</td>
<td>8%</td>
<td>83%</td>
<td></td>
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</tr>
<tr>
<td>Independent, no children</td>
<td>57%</td>
<td>12%</td>
<td>9%</td>
<td>22%</td>
<td></td>
</tr>
<tr>
<td>Independent, children, single</td>
<td>94%</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Independent, children, married</td>
<td>79%</td>
<td></td>
<td></td>
<td></td>
<td>17%</td>
</tr>
</tbody>
</table>

*Share of students who applied for federal financial aid*

*Source:* Urban Institute analysis of 2016 National Postsecondary Student Aid Study data.
Observations in Modeling

Institutional Eligibility
Simple Needs Test = Families Exempt from Asset Reporting

$60,000 AGI, Tax Schedule G, C and loss/gain of less than $10,000

Net Worth of family farm or small business
Sample Large State Scatterplot

EFC & SAI Scatterplot for Dependent students within $50,000

Correlation: 0.9083

EFC in 2022-2023

Simulated SAI

0 10000 20000 30000 40000 50000

0 10000 20000 30000 40000 50000
Summary of Findings

- Increase of students qualifying for Pell
- Negative impact to Pell should be minimal (but there will be some)
- Independent students mostly unaffected
- Some dependent students could be affected
  - Number in College
  - $60,000 AGI and asset exclusion

Most current Pell students should see no changes or an increase
The complication with FAFSA simplification

Simulated Impact of FAFSA Simplification on Eligibility for Financial Aid

Family Income

$90,000

https://www.brookings.edu/research/the-complication-with-fafsa-simplification/
Trade-Offs

Private Institution Landscape
<table>
<thead>
<tr>
<th></th>
<th>EFC</th>
<th>SAI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Pell Grant Eligible*</td>
<td>39%</td>
<td>47%</td>
</tr>
<tr>
<td>Average Pell Grant**</td>
<td>$5,468</td>
<td>$6,330</td>
</tr>
<tr>
<td>No Change to Pell Grant</td>
<td>38.2%</td>
<td>38.2%</td>
</tr>
<tr>
<td>Change within $500</td>
<td>8.4%</td>
<td>8.4%</td>
</tr>
<tr>
<td>Increase over $500</td>
<td>52.2%</td>
<td>52.2%</td>
</tr>
<tr>
<td>Lost Pell Grant Eligibility</td>
<td>3.3%</td>
<td>3.3%</td>
</tr>
</tbody>
</table>

About 95 students are estimated to become grant eligible under the SAI.

* % of Financial Aid Applicants
** Based on 2022-2023 Pell Grant Amounts
Using IM and going lower than FM

Using IM and flooring at FM

Loans to meet need
  Subsidized
  Unsubsidized
  Institutional

State funding
Impact of Awarding to Institutional Need

2021-22 AY
18% of enrolled, FAFSA eligible students were awarded only institutional funds based on a higher institutionally determined financial need

2022-23 AY
47% of enrolled, FAFSA eligible students were awarded only institutional funds based on a higher institutionally determined financial need
Increase in Pell dollars
Public expectation and impact
Balancing eligibility swings
Instability of yield modeling
Documentation of decisions
Collection of longitudinal data
Equity impact of multiple children in college
How to use negative SAI
Small Quantity – Big Impact

- Number in college
- Family farms
- Business owners
- Families Exempt from Reporting Assets (Simple Needs Test)
Simplification
Estimate SAI in advance – simple lookup tables
Limited verification being exercised (can change quickly)
Income Protection Allowance will not be reduced

Equity
Financial strength over time; not merely an annual expense
Horizontal equity
Variables that impact actual expense
World with prevalent merit funding

48% of NASFAA survey respondents stated removal of number in college would place more burden on aid offices
Using appeal funds
Opportunity for new policy
Equity
Preparing for lots of conversation
April 2024
• Ideas that have potential
• Ideas that sound out of this world
• What is waking you up at night?
Questions?