ASSESSMENT • ADVANCEMENT • PLANNING • LEADERSHIP

Catholic School Management

Letter

CSM
A division of Christian Brothers Services

Volume XLIV, No. 5 / July 2023

For many parents, school counselors and agencies helping students seeking post-secondary financial aid, filling out the Free Application for Federal Student Aid (FAFSA) has traditionally been a stressful, *if not a tearful*, experience. Long-awaited changes to the FAFSA have arrived to make completion easier, unlocking aid to more students to help pay for college. The FAFSA simplification effort also expands eligibility for many types of student aid.

These changes were the result of the Consolidated Appropriations Act of 2022, which contained the FAFSA Simplification Act, which was passed by Congress in December 2020. This Act called for streamlining and simplification measures of the FAFSA, by aligning it more closely with the Internal Revenue Service's income tax regulations, which ultimately reduces the number of questions on the application and makes Pell Grants and other federal aid more accessible to more students.

Many who help students with the financial aid process feel these changes are long overdue, as it has been over 40 years since the last time major changes occurred. While the new FAFSA reduces the number of questions and steps, which sounds like a big win, there are some other changes that need to be better understood as the next group of counselors, agencies, students and families navigate this new terrain.

Are these all the changes? Absolutely not. The changes are still underway, so stay alert to updates and use the resources at the end of this article.

The FAFSA Is Changing

What You Need to Know Now

By Dr. Phyllis Cavallone-Jurek

Roll Out Date

The new FAFSA application is scheduled to roll out for the 2024–25 school year on **December 1, 2023**. This shift will likely impact the typical application and financial aid package cycle, which usually begins with the opening of the FAFSA on October 1st. However, the date change will only be for this year. The FAFSA application intends to return to an October 1 start date with the 2025–2026 FAFSA application.

Fewer Questions!

Yes, the new FAFSA will be shorter! The number of questions on the FAFSA will decrease from 108 to somewhere between 30 to 40 questions. The questions are intended to be much simpler and easier to understand. The variability of the number of questions is due to the use of intelligent skip logic and better alignment of the form with federal income tax returns.

The IRS Data Retrieval Tool (DRT) will be replaced with the IRS Direct Data Exchange (DDX), which will be mandatory. By filing the FAFSA, applicants and their spouses/parents will consent to the IRS transferring federal tax information to the FAFSA. Because of this, an **FSA ID** will be required for all applicants, spouses and parents. Unlike the old FAFSA, parents who are not U.S. citizens or permanent residents will be able to get an FSA ID, even though they do not have a Social Security number. There is an added benefit with this change. It is believed that with applicants using the DDX, fewer FAFSA applications will be selected for **verification** (a type of financial aid audit) because more data will be transferred directly from the IRS, which should reduce data entry errors.

More Colleges Can Be Listed

The new FAFSA will allow students to list as many as 20 colleges, up from 10 colleges previously. Students who need to list more than 20 colleges can do so by waiting until they receive the FAFSA Submission Summary (the new name for the Student Aid Report, or SAR) to delete colleges from their FAFSA and replace them with new colleges.

What's Gone?

The Selective Service registration, which required male students under 26 to enroll in the draft, was removed as part of the FAFSA Simplification Act and hasn't been on the form since 2021. Students are no longer required to register for Selective Service to receive federal aid. Males between the ages of 18 and 25 in the U.S. are still required to register, but it's no longer a requirement to receive grants, student loans or other types of federal financial aid.

The FAFSA has already removed questions about **drug-related convictions**. Students with such charges are now eligible to receive Pell Grants.

> Students with an SAI between $0 and -$1,500 will qualify for the **maximum Pell Grant**, which is $7,395 for the 2023–24 school year.

Student Aid Index (SAI) Replaces the Expected Family Contribution (EFC)

Previously, one of the primary purposes of the FAFSA was to determine an Expected Family Contribution (EFC), the estimated amount the student and family could pay per year. The number gave the school and federal aid administrators an idea of how much financial support to offer. But the EFC was not always easily understood by families.

The Student Aid Index (SAI) will serve the same purpose as the EFC but will use a different formula. Unlike the EFC, the SAI will <u>not</u> include the number of family members in college as part of the calculation.

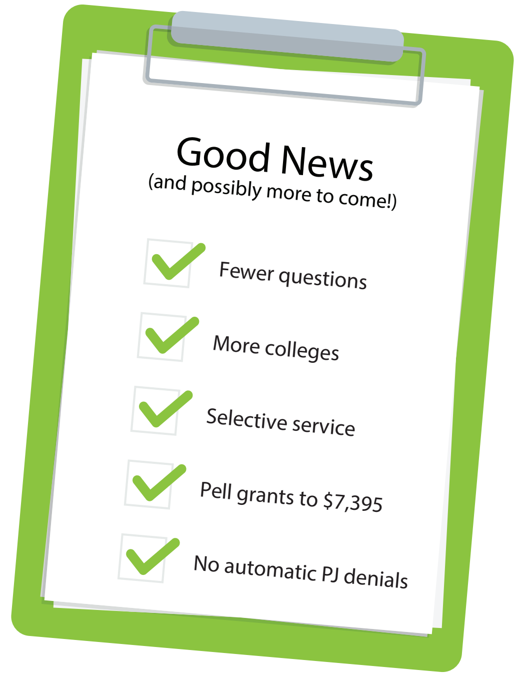
A student's SAI could be negative, down to a minimum of -$1,500. This allows colleges and aid administrators to determine the neediest of students. Rather than a cluster of students, who previously may have all been listed with a $0 EFC, the $0 to negative $1,500 SAI range allows for financial aid administrators to differentiate student need more easily. Students with an SAI between $0 and -$1,500 will qualify for the **maximum Pell Grant**, which is $7,395 for the 2023–24 school year. College financial aid administrators will subtract the student's SAI from their determined cost of attendance in order to assess aid eligibility and amounts.

Number of Children in College

The current FAFSA focuses on cash flow more than wealth, rationalizing that parents who have two children in college at the same time do not have twice as much money available to pay for college. The new FAFSA changes this, however, and no longer provides families with any benefit from having multiple children in college at the same time. Unfortunately, more than half of families will be affected by this change. The Income Protection Allowance (IPA), which shelters a portion of parent income, is currently reduced by a factor based on the number of children in college at the same time. This change in the FAFSA formula will decrease aid eligibility for middle- and high-income students the most when there are multiple children in college. This is something that many families with multiple children need to prepare for in advance.

Changes to Income

Certain types of untaxed income, such as cash support and money paid on the student's behalf, will no longer be reported on the FAFSA. Cash support can occur,



for example, when a grandparent or another family member gives a gift to the student to help them pay for college or when the family takes a qualified distribution from a grandparent-owned 529 plan. The FAFSA overhaul will ignore whether grandparents or other family members have given money to a student to pay for college costs. The new FAFSA will no longer ask this question.

Child support received will be reported as an asset on the FAFSA, instead of as untaxed income. Other types of income that will no longer be reported on the FAFSA include workman's compensation and veterans' education benefits.

Divorced or Separated Parents

There are several changes to the treatment of dependent students whose parents are divorced or separated, to better align the FAFSA with federal income tax returns. The parent responsible for filing the FAFSA will now be based on whichever parent provides **more financial support, not the parent with whom the student resides.** If both parents provide equal financial support to the student, then the parent with the larger income is responsible for completing the FAFSA. Therefore, with the new FAFSA changes, where the student lives will be irrelevant.

Family Size

Family size will include the student and parent. However, children and other people will be counted in family size only if they are dependents according to IRS rules.

- Determining whether a child is counted as a dependent is not just based on financial support; children must live with the parent for more than half the tax year. For example, if the custodial parent has remarried, the stepparent's children from previous marriages will not count, even if the parents provide more than half of their support, unless they live with the stepparent.
- In addition, the children must be under age 19, or age 24 if a full-time student. Age is measured against December 31st of the tax year, not the award year.
- There is no requirement that the financial support or residence continue during the award year.
- Financial aid received by the student will no longer count as part of that student's own support.

Financial Aid Appeals, aka Professional Judgements (PJs)

The FAFSA Simplification Act distinguishes between different categories of appeals, known as professional judgments (PJs):

- **Special Circumstances** refer to the financial situations (loss of a job, recent unemployment, etc.) that justify an aid administrator adjusting data elements in the COA or in the SAI calculation.
- **Unusual Circumstances** refer to the conditions that justify an aid administrator making an adjustment to a student's dependency status based on a unique situation (e.g., human trafficking, refugee or asylee status, parental abandonment, incarceration). This is more commonly referred to as a "dependency override."

A student may have both a special circumstance and an unusual circumstance. Financial aid administrators may make adjustments that are appropriate to each student's situation with relevant documentation. Here are some other significant changes:

- Institutions must now consider all requests and may not maintain a policy of denying all professional judgment requests. Therefore, institutions must develop policies and processes for reviewing those requests. Colleges can no longer have a policy of denying all financial aid appeals. Thus, blanket policies of denial will no longer be tolerated. Every appeal must be considered on a case-by-case basis. This is really good news.
- The Act requires transparency from colleges on its policies and procedures regarding Professional Judgement requests and to post this information on the institution's website for students who wish to pursue an adjustment based on special or unusual circumstances.

About the author ...

Phyllis Cavallone-Jurek, Ed.D.
CSM Adjunct Consultant

Dr. Phyllis Cavallone-Jurek is Executive Director of *Ladder Up*, a nonprofit focused on offering free financial resources through a Tax Assistance Program (TAP), a pro-bono Tax Clinic, and a Financial Capability Program for low-income residents. Previously Phyllis served as chief of academics for the OCS, Archdiocese of Chicago, fostering excellence in teaching and learning through the support of instructional initiatives, curriculum formation/development, school improvement/accreditation, teacher/principal evaluation, student assessment and ongoing professional development. Prior to that, Phyllis was principal at St. Therese Chinese Catholic School and led the school to win two U.S. Department of Education National Blue Ribbons. Phyllis' accolades include 2017 National Distinguished Principal of the Year (NAESP), 2017 Golden Apple Stanley C. Golder Award recipient for Excellence in Leadership, 2017 National Catholic Educational Association – *Lead. Learn. Proclaim.* Award winner. Phyllis earned a doctorate in interdisciplinary leadership from Creighton University, a graduate degree in educational administration and supervision from Roosevelt University, a master's in mathematics education and a bachelor's in elementary education from Saint Xavier University.

- Special circumstances can include unusual business, investment and real estate losses, as well as severe disability of the student, parent or spouse.
- Dependency overrides are assumed to continue for the duration of the student's enrollment unless there is information to the contrary.
- No delaying! Colleges must consider a request for a dependency override no later than 60 days after the start of the student's enrollment.
- Income earned from work can be set to zero if the student or parent receives or applies for unemployment benefits within the last 90 days. Colleges may use older documentation when there is no conflicting information.
- Determinations of homelessness must be made without regard to the reasons why the student is unaccompanied and/or homeless.
- If the parents refuse to complete the FAFSA, the student can get unsubsidized Federal Direct Stafford Loans, even if the parents do not cut off financial support to the student. However, the student will not be eligible for any other federal student aid.

Changes to the Cost of Attendance (COA)

There are several changes to the definition of the Cost of Attendance (COA).

- The U.S. Department of Education will be able to regulate the COA for the first time, except for tuition and fees.
- For the 2023–24 award year, colleges must include more details about the cost of attendance for their institution. In the past, colleges could be very general, but the new changes call for more clarification and these costs must be made public.
- Room and board will now be known as "Housing and Food," and be grouped with living expenses.
- "Living Expenses" now breaks down food and housing into specific scenarios, such as living on campus vs. off campus and having a meal plan vs. grocery shopping and cooking.
- Colleges can no longer set the housing allowance of the cost of attendance to zero if the student lives at home with their parents.
- The food allowance must be based on at least three meals per day, not two.
- Transportation costs must now include travel between home, school and work, not just home and school. Colleges can choose to include other transportation costs, such as conferences, field trips and medical residency reviews, if they are part of the student's program of study.
- The COA must include actual loan fees for federal loans but cannot include loan fees for private student loans.
- The COA may include the cost of the rental or purchase of a personal computer, even if the student is not enrolled on at least a half-time basis.

FAFSA vs. the CSS Profile

Depending on the college, in addition to the FAFSA, some students will be asked to complete a second, more detailed application, called the College Scholarship Service (CSS) Profile. This additional application helps some institutions determine state and institutional financial aid. The CSS Profile is operated by the College Board. About 240 institutions and scholarship programs currently use the CSS Profile to help determine institutional aid eligibility.

The CSS Profile usually wants more information about a family's finances than the FAFSA. For example, the CSS Profile will collect information on a family's annual income as well as medical expenses and anything else that could affect the student's ability to pay. Also, unlike the FAFSA, if parents are divorced, information from both will be needed, and both will need to complete the CSS Profile separately.

Remember, the FAFSA and CSS Profile applications are entirely separate. This means that submitting the CSS Profile does not impact *federal* financial aid. It is important to know that there is also a fee associated with the CSS Profile whereas the FAFSA is free. The CSS Profile costs $25 to submit for one school and $16 per each additional school.

Will the CSS make changes as a response to the FAFSA overhaul? Right now, it seems that the answer is *maybe*. They appear to be closely monitoring the situation and might respond accordingly. Stay tuned!

For more information:

FAFSA changes, please visit: 2024–25 FAFSA Roadmap | Knowledge Center to learn more.
Access the FAFSA FAFSA® Application | Federal Student Aid and the CSS Profile | College Board

CSM
A division of Christian Brothers Services

For more information about Catholic School Management, call 630.378.2454 or visit us at cbservices.org/csm.html.

Sign up to receive the *CSML* at cbservices.org/csml-sign-up.html or send an email to csml@cbservices.org.