

CHANGES TO FAFSA® AND STUDENT AID

What 529 Administrators and Savers Need to Know



COLLEGE SAVINGS
PLANS NETWORK

A Network of the National Association of State Treasurers

Today's Panelists



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MEFA

Why Simplify?

- Shorter application
- Common language changes
- Federal methodology changes
- Process changes to improve student experience
- Pell Grant eligibility increases and visibility
- Student Aid Index (SAI)
- IRS Direct Data Exchange (FA-DDX)



Important Messages

Next Steps: Schools receiving data

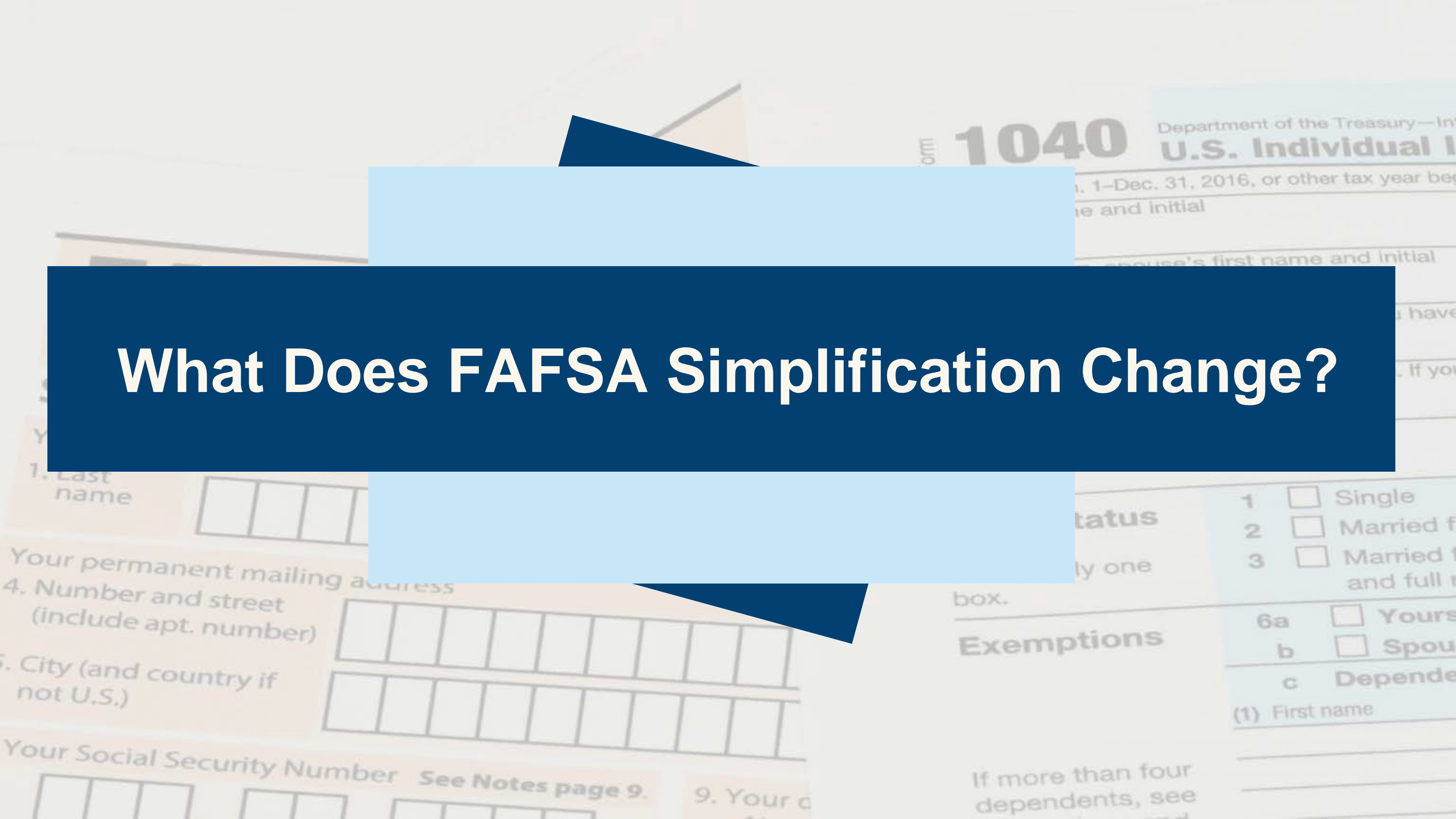
- Initial processing
- Corrections/Updates
- Secondary review process
- Staffing priorities and pressures
- System stability
- Paper FAFSA: processing begins in February (not encouraged)

Short-term pain for long-term gain

- Increased awareness
- Intentional communication plans
- Condensed user experience
- Data share with states



What Does FAFSA Simplification Change?



What Has Changed?

Form

- Shorter, simpler FAFSA
- Higher reliance on tax return data
- More people able to complete online form
- Parent of record
 - 529 implications

Formula

- SAI vs EFC
- More generous formula for most
- Sibling discount
- 529 asset treatment
- Simpler Pell eligibility determination



What Hasn't Changed?

- Structure of formula
- Income-driven nature of formula
- Dependency criteria

What's Next?



- ED is still resolving bugs in the FAFSA
- Schools still don't have ISIRs
- Inflation adjustments to SAI tables

Who I'm Saving For







MyinTuition

Quick College Cost Estimator



1

2

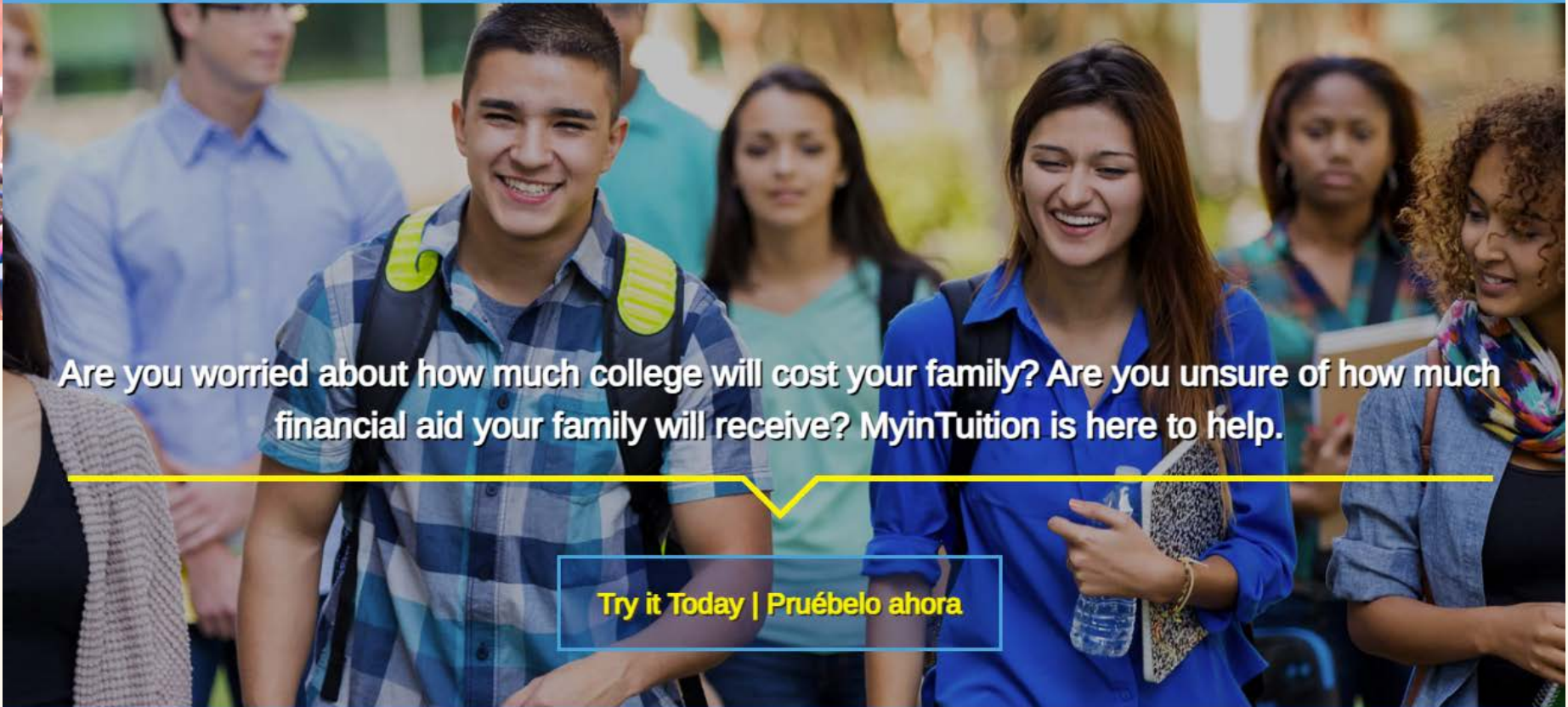
3

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5

6

- Home
- Schools
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- Use the Tool
- Resources
- Counselors
- About



Are you worried about how much college will cost your family? Are you unsure of how much financial aid your family will receive? MyinTuition is here to help.

Try it Today | Pruébalo ahora

MyinTuition, a revolutionary online tool, ensures that students and their families have quick and easy access to the information they need to make decisions about college affordability. MyinTuition shows the projected cost of college once financial aid is factored in, helping students understand and plan for what college will actually cost.

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3 Reasons Not to Save for Your Child's College Fund

By Xin Lu

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Photo: jdg32373

1. A Large College Fund Can Lower Financial Aid

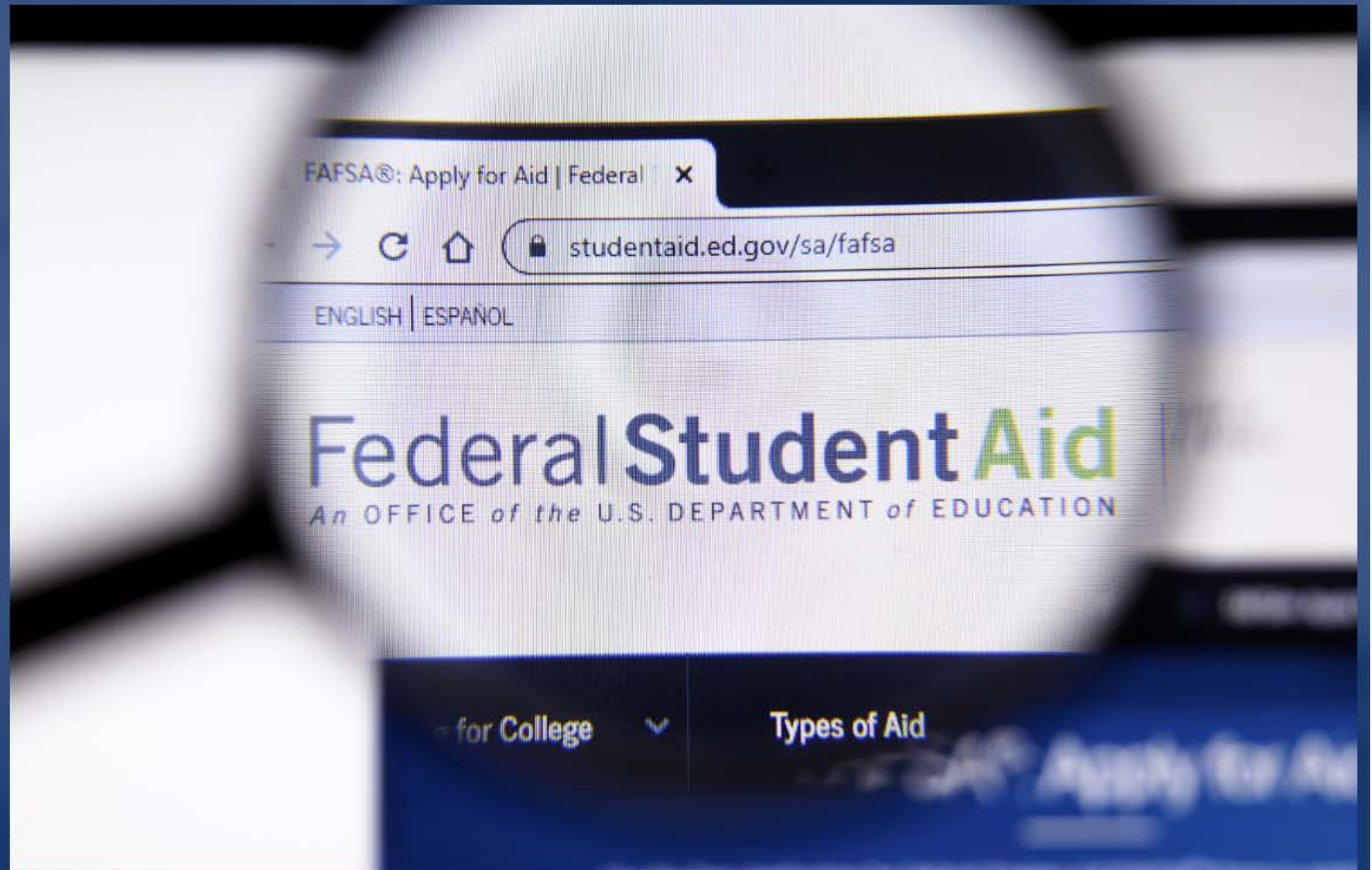
This is mostly due to how financial aid offices calculate need. Most public schools use the FAFSA, and many private schools use a combination of the CSS/PROFILE and their own formula. Regardless of the method used, generally parents and students have to list their assets, and more savings means less need. So it is actually possible for two families with equal incomes to receive different amounts of financial aid, and the family with less savings would receive more. Retirement accounts are usually excluded from these calculations, so it is to the parents' advantage to sock away more for retirement rather than a child's college fund. The calculations also usually count a student's assets fully, so if you put a college fund under your child's name, then that would hurt your financial aid numbers as well.



RESEARCH

The complication with FAFSA simplification

Phillip Levine and Jill Desjean
April 17, 2023



Financial Aid Methodology

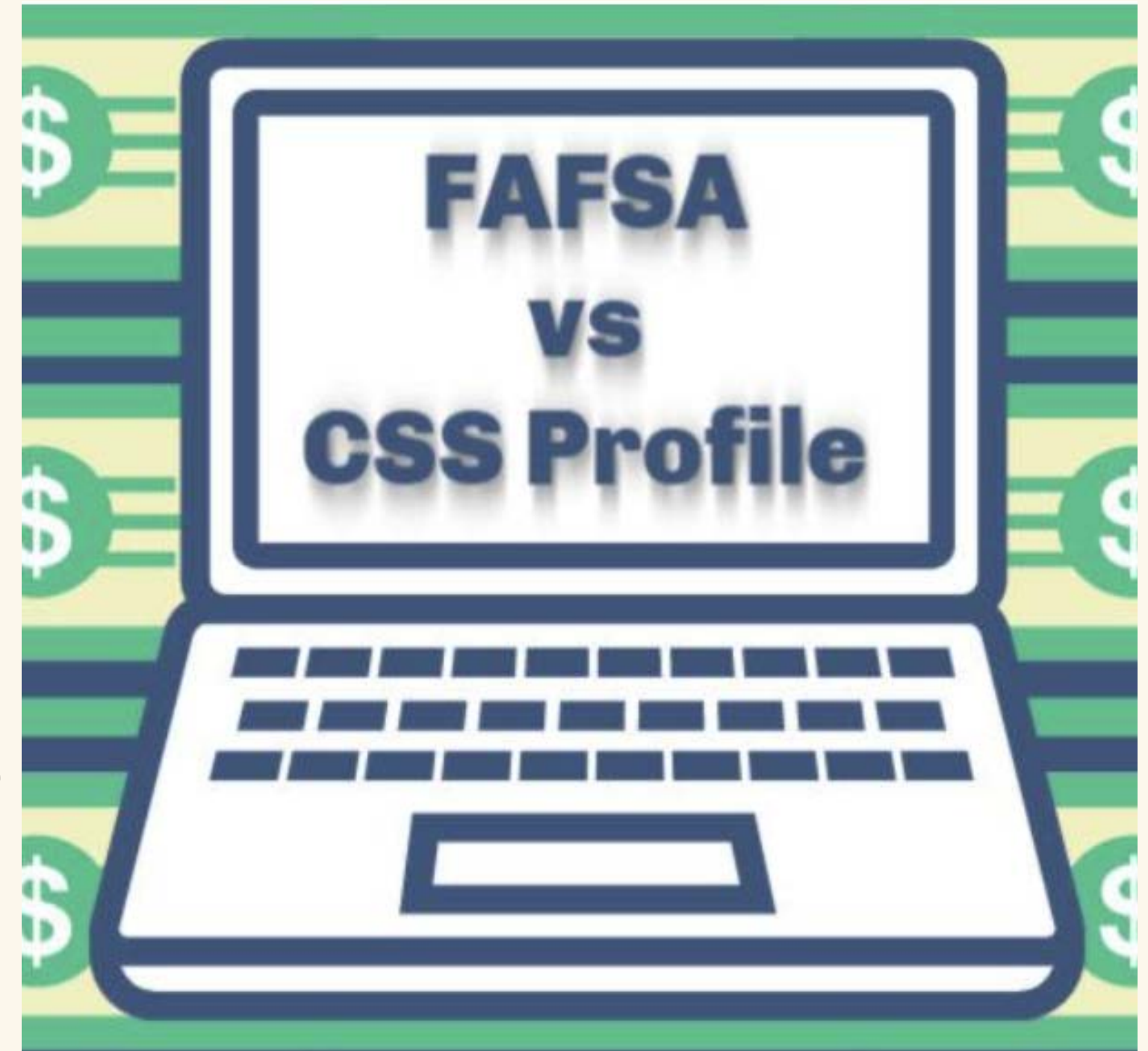
Starting point:

- Aid eligibility = COA – “affordable” payment
- Before: “affordable” = EFC
- Now: “affordable” = SAI
- Same concept, new name, new formula

How does SAI compare to EFC?

Changes in generosity of formula

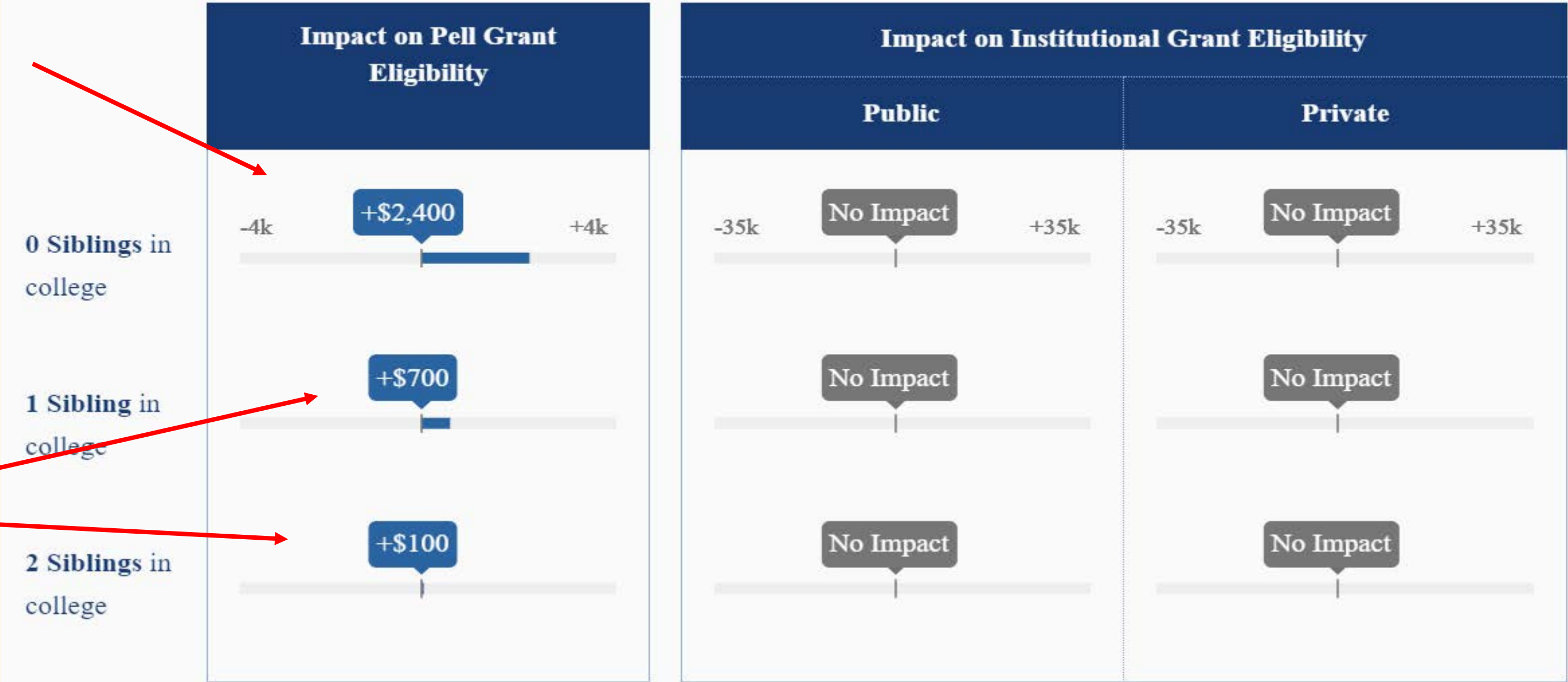
- “Sibling discount” eliminated (less generous)
- Many other changes (more generous)



FAMILY INCOME
\$50,000

More generous
formula

Loss of
sibling
discount
lowers
benefit



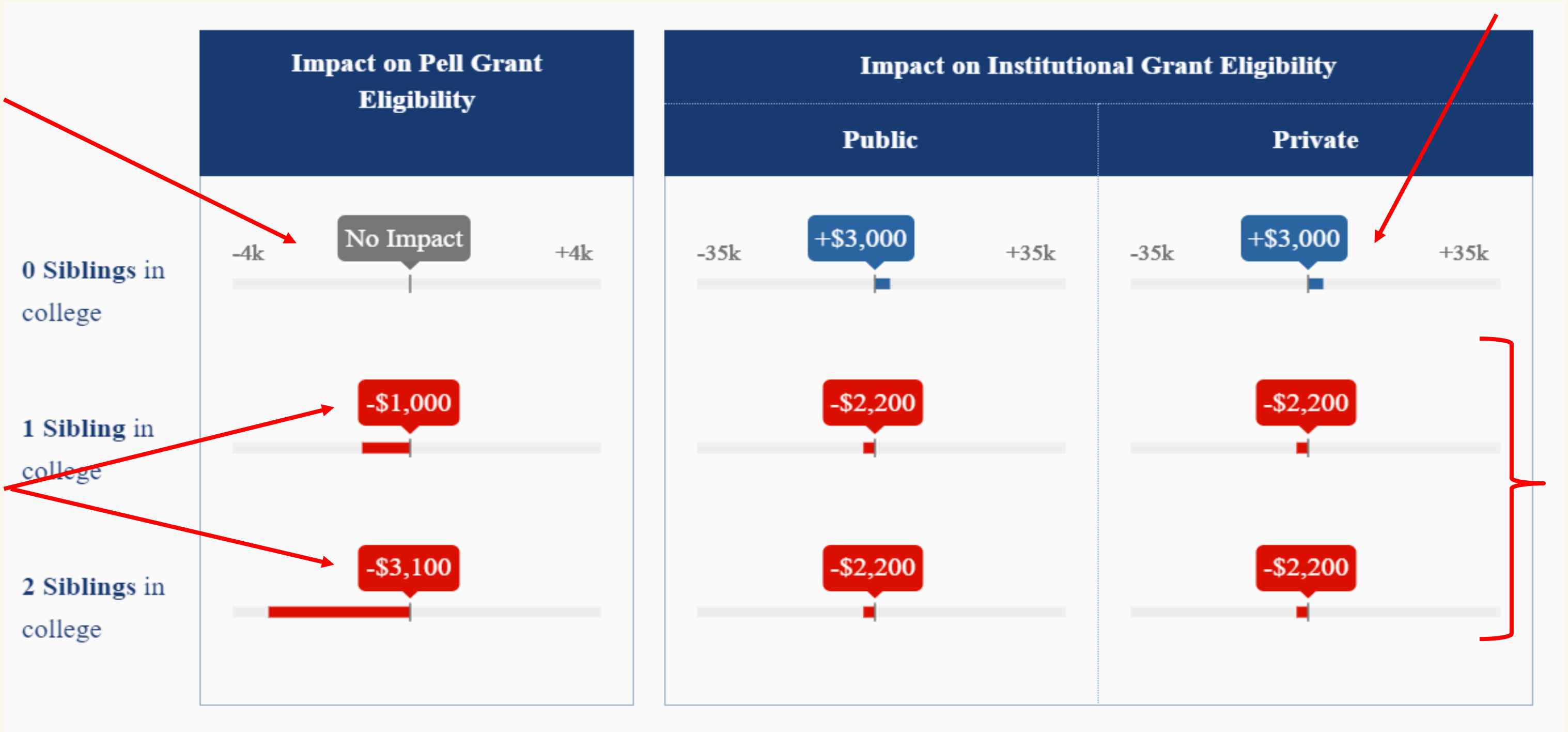
Simulated Impact of FAFSA Simplification
on Eligibility for Financial Aid

FAMILY INCOME
\$80,000

More generous
formula

No longer
Pell-eligible

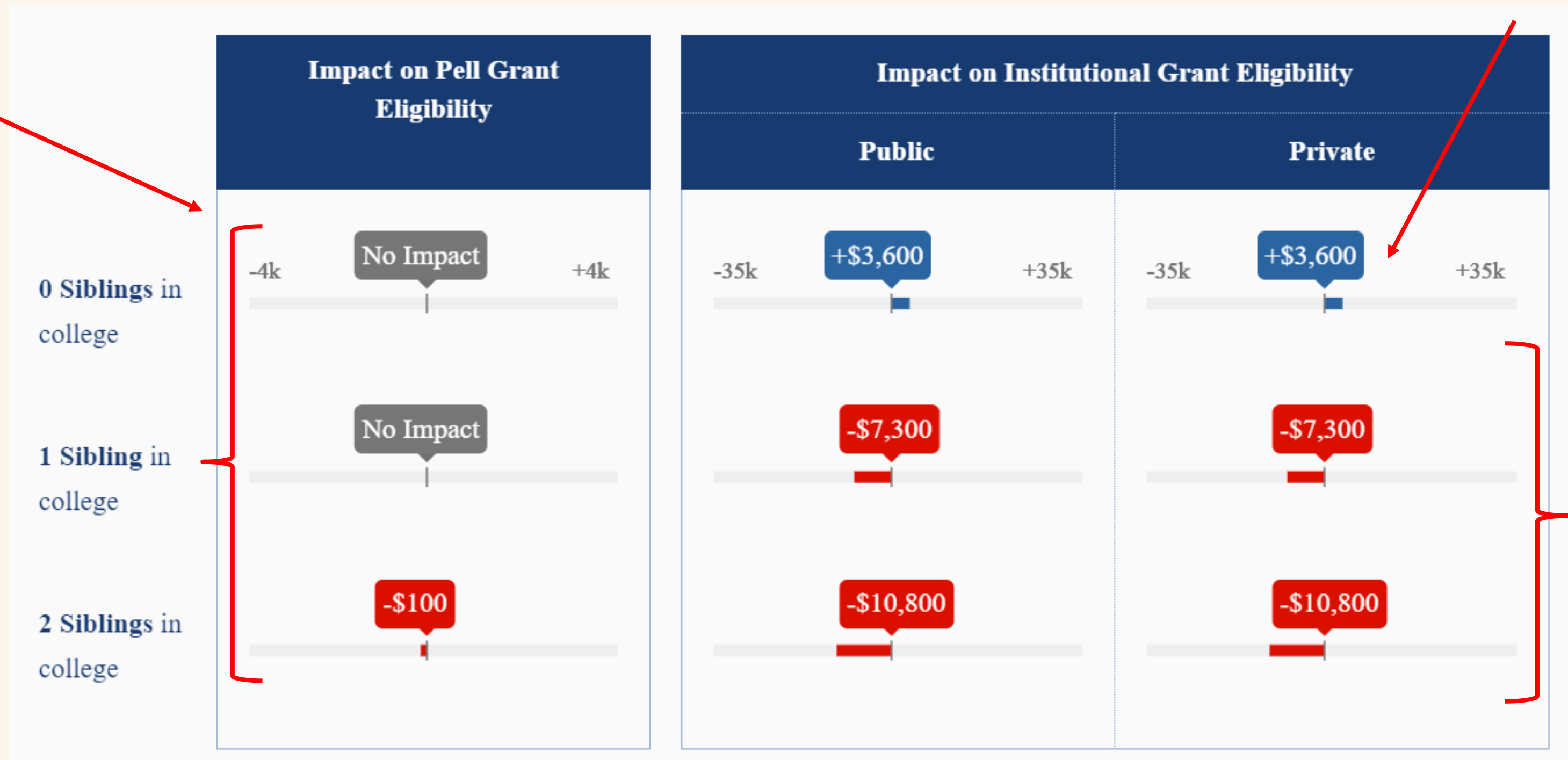
Used to be
Pell-eligible
with sibling
discount



FAMILY INCOME
\$110,000

More generous
formula

No longer
Pell-eligible



Loss of
sibling
discount

FAMILY INCOME
\$150,000

More generous
formula

No longer
eligible for
aid



Loss of
sibling
discount

If Anything, Actual Changes May be More Favorable/Less Costly

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Federal Student Aid Estimator

Our *Federal Student Aid Estimator* provides an estimate of how much federal student aid the student may be eligible to receive. These estimates are based on the Student Aid Index (SAI), an index to determine federal student aid eligibility.

Begin Estimate of Federal Student Aid



The student may want to use the *Federal Student Aid Estimator* before filling out the FAFSA® form to help them understand their options for paying for college or career school by providing them an early estimate of how much federal student aid they may be eligible for.

[Start Estimate](#)

Summary of Impact



- **Everybody wins with greater ease of use**
- **Many are eligible for more aid**
 - All lower-middle income students
 - Most aid-eligible students with no siblings in college



- **Some are eligible for less aid**
 - Middle and upper-middle income students with siblings in college
 - Loss of aid eligibility may be large



- **Analysis based on aid eligibility, but what will schools do?**
 - Could fill in gaps using own funds, but can they afford it?
 - Greater revenue from students with siblings needed to cover greater aid eligibility for those without siblings

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Thank You

QUESTIONS?

Call (800) 449-MEFA (6332)
or email collegeplanning@mefa.org

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