EAB

INSIGHT BRIEF

What You Need to Know: Preparing for the New FAFSA

A Guide for Higher Education Enrollment Leaders

enroll360

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How to Use This Resource

This insight brief contains an overview of the upcoming changes to the FAFSA, as well as a closer look at high-impact areas and special circumstances. Enrollment leaders should use this brief to guide conversations with their teams regarding the coming changes and socialize their potential impact on relevant parties across campus. Finally, they should use the discussion questions on page 7 to consider how their institution might craft policy changes in response to the new FAFSA and its impact on their current and prospective student populations.

To speak with one of our FAFSA experts, email Enroll360Aid@eab.com.

The New FAFSA: An Overview of the Coming Changes

Timeline for Upcoming FAFSA Changes

Late Summer/Early Fall 2023
Better FAFSA tool becomes available; schools should begin communicating about upcoming changes, including Pell eligibility and special circumstances.

Late Fall 2023
FAFSA Demo becomes available; schools should continue typical communication pushes but with above information about updated FAFSA.

Winter 2023
New FAFSA becomes available in December.

Spring 2024
Aid packaging for new and continuing students begins; schools will need to transition from "old" FAFSA to "new" for spring-enrolled new students.

Basic Changes to the FAFSA

- The FAFSA will be considerably shorter, but logging in may be more difficult.
- Expected Family Contribution (EFC) will become the Student Aid Index (SAI).
- It will rely almost exclusively on information from a family's recent tax return.
- Potential for Negative Student Aid Index (SAI) up to 1,500.

10–25%

Typical increase in Pell recipients

EAB Analysis of Pell Grant Expansion

Analysis of EAB partner data projects a major increase in Pell recipients, resulting in a significant increase in grant dollars for college-bound students. Other key changes include expanding thresholds for excluding assets from calculation and basing eligibility on income and household size.

High-Impact Changes to Special Circumstances

Families with **Multiple Students in College**

New SAI methodology will no longer take this circumstance into account, meaning that SAI will be roughly the same for each student regardless of how many family members are in college.

Families with **Farms or Small Businesses**

Families who own a small business or a farm that also serves as their primary residence will now have the assets of that business or farm considered in their SAI calculation.

Pell Grant Expansion

EAB analysis of ~50 schools suggests the new FAFSA will result in a Pell Grant expansion. Sample data suggests that students will generally receive the same or more in Pell grants. While most lower-income students won't be heavily impacted by this change, institutions will need to have a plan in place that accounts for those who are.

Eligibility will be based largely on family income and household size. Recently released lookup tables (shown below) will enable families to determine their eligibility up front–even before filing the FAFSA.

Dependent Student Lookup Tables: 48 Contiguous States and District of Columbia

Note: Numbers will differ for families located in Alaska and Hawaii or for unique circumstances such as students who are parents.

Student's Parent **is** a Single Parent			
Family Size	2022 Poverty Guideline	Max Pell Parent AGI Limit (225% of Poverty Guideline)	Min Pell Parent AGI Limit (325% of Poverty Guideline)
2	$18,310	$41,198	$59,508
3	$23,030	$51,818	$74,848
4	$27,750	$62,438	$90,188
5	$32,470	$73,058	$105,528
6	$37,190	$83,678	$120,868
7	$41,910	$94,298	$136,208
8	$46,630	$104,918	$151,548
9+	Add $4,720 to the poverty guideline for each additional person. Then multiply the AGI by 225% (Max Pell) or 325% (Min Pell) to determine the Parent AGI Limit.		

Student's Parent **is not** a Single Parent			
Family Size	2022 Poverty Guideline	Max Pell Parent AGI Limit (175% of Poverty Guideline)	Min Pell Parent AGI Limit (275% of Poverty Guideline)
2	$18,310	$32,043	$50,353
3	$23,030	$40,303	$63,333
4	$27,750	$48,563	$76,313
5	$32,470	$56,823	$89,293
6	$37,190	$65,083	$102,273
7	$41,910	$73,343	$115,253
8	$46,630	$81,603	$128,233
9+	Add $4,720 to the poverty guideline for each additional person. Then multiply the AGI by 175% (Max Pell) or 275% (Min Pell) to determine the Parent AGI Limit.		

Additional Takeaways from EAB's Data Analysis: Pell Eligibility Changes

- The distribution of students who moved to Pell **was broader than expected**.
- Students who move into Pell come from a wide range of EFCs, **beyond those who historically just missed the cut**.
- Some students with **EFCs of 18K or higher will now gain Pell eligibility**.
- **Open Question:** Will your state grant change with new Pell/SAI information?

Under the new rules, your Pell population will likely include some types of students you may not be used to seeing in it; you may need to **think differently about Pell students** compared to before.

Source: 2024-25 DRAFT SAI Guide Supplement: Eligibility for Max/Min Pell Grant Resource, May 2023.

Families with Multiple Students in College

The new SAI methodology will no longer take multiple students in college into account, meaning that SAI will be the same for each student regardless of how many family members are in college. This change will have a wide-reaching impact, as on average 20–35% of enrolled students come from families with multiple students in college. There are three key considerations that all schools should keep in mind when considering this special circumstance:

1. Using **professional judgment**, a school can still take this information into account when awarding aid.
2. For **low-income families**, other formula changes should mitigate the effects of this shift.
3. For **middle- and high-income families**, this new methodology will likely result in a significantly higher SAI.

The Department of Education has indicated that use of the number in college can be a professional judgment decision; their example approach from the Dear Colleague Letter FAQs is highlighted below:

> *"John and his sister Jane are both enrolled in postsecondary education but at different schools. John lives at home and attends a nearby community college, while Jane lives on campus at an out-of-state university, which required that their parents take out a substantial parent PLUS loan to cover her costs. Because of this and other documented financial changes, the FAA at John's school decides to use PJ to reduce the parents' income to the extent that John's costs will be entirely covered by need-based aid, including a subsidized Direct Loan."*

***Parent's FAFSA AGI* - *Out-of-Pocket Costs at Other Institution* = New SAI**

Additionally, professional judgment does allow options. As shown below, enrollment leaders have a spectrum of possibilities when it comes to managing multiple students in college. Your response will depend largely on your institution's unique qualities (public versus private, available institutional resources, preference for merit scholarships, etc.) and how your specific student population will be impacted. It is important to consider both prospective and returning students when determining your policies on multiple students in college. For prospective students, be sure to consider what your competitors are doing and how you might answer questions from families with concerns. For returning students, the key consideration will be retention.

Considerations:
Easiest to Implement, Less Work
Least Generous
Most Questionable Related to Dept. of Ed Rules

Considerations:
Hardest to Implement, Most Work
Most Generous
Most Cautious Related to Dept. of Ed Rules

1. **Take no additional action***
   This may not be an option given new guidance
2. **Award additional flat award to students with siblings at any college**
   Outstanding Question: Does giving a blanket grant to anyone with another student in college cover your professional judgment responsibility?
3. **Wait for families to ask you to make a change**
4. **Heavily promote the possibility of a change to families/students**

(3 and 4): Reduce parent's AGI by the out-of-pocket costs at the other institution to determine new SAI

Families with Farm and Small Business Ownership

Families who own a small business or farm that also serves as their primary residence will now have the assets of that business or farm considered in their SAI calculation. Impact will vary widely by location and student population; if your institution is in a rural area, this change could have a particularly outsized impact. There are three key considerations that schools should keep in mind when considering this special circumstance:

1. Institutions **can determine how they will use their own aid** and may decide to exclude certain elements from consideration
2. Impact will vary widely by **location and student population**
3. Schools should **survey students/parents** to assess the impact of this policy change

Families with farms and small businesses are the only data point we don't currently have on the "old" FAFSA, so it will be impossible to know the numbers in your population without surveying. Additionally, we won't know the true impact of this change until we see the new FAFSAs come through.

Determining Farm Value and Potential Impact on Families with Small Businesses

Families with modest to low incomes can own farms valued at several million dollars–an asset that could now be counted in their SAI calculation. In a recent "Dear Colleague" letter, the Department of Education clarified:

Farm value excludes the value of the home and land that is not used in commercial activities.

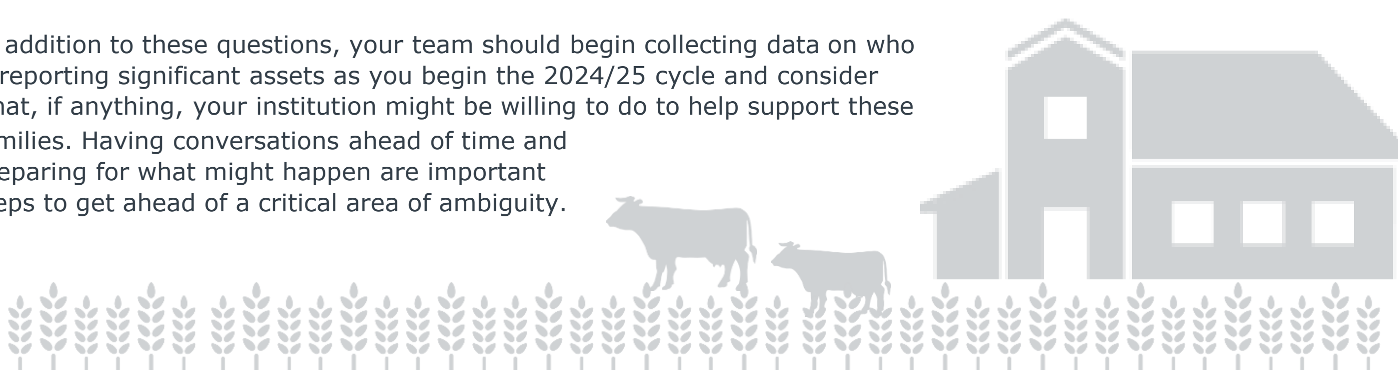
The same challenges will be faced by small business owners, whose business-related assets will now be considered in their calculation. For example, take Steve: Steve is a contractor with a small team. He makes a modest income but owns several trucks, construction tools, and equipment for his business. Under the new FAFSA guidelines, these assets will now be included in his SAI calculation, which may result in significant changes for Steve and his family.

Establishing a Policy and Plan for Institutional Aid

In order to effectively plan for this special circumstance, your team can adjust institutional awarding policy to exclude all or a portion of the assets from consideration for institutional aid. Key questions to ask include:

- Will you require **additional documentation**?
- Will you require additional documentation **in all cases or only in certain circumstances**?

In addition to these questions, your team should begin collecting data on who is reporting significant assets as you begin the 2024/25 cycle and consider what, if anything, your institution might be willing to do to help support these families. Having conversations ahead of time and preparing for what might happen are important steps to get ahead of a critical area of ambiguity.



Additional Financial and Policy Considerations

Expenditures & Net Revenue

While the expansion of Pell Grants may cause some enrollment leaders to anticipate an influx in available resources, EAB's analysis of sample data suggests that will likely not be the case. Without changes to need policy, the increase in Pell grant dollars is often erased due in large part to increasing need in other areas.

Impact on Ability to Pay & Need

EAB's analysis of sample data found that for many schools, SAIs tend to be lower than EFCs. There are two notable exceptions to this rule: families with multiple students in college and schools in high tax states. In most cases, students whose SAIs are higher than EFCs are due to multiple students in college. Additionally, students from high tax states such as California, Illinois, New York, and Massachusetts can have higher SAIs than EFCs due to the removal of state tax allowance.

Overview: Policy Considerations

The chart below outlines four key findings from an EAB analysis of sample data and corresponding policy considerations. From distinct student populations to special circumstances that will affect whole student populations, enrollment leaders will need to get ahead of policy changes to ensure as smooth a transition as possible.

	Policy Consideration
One Size Does Not Fit All In the new SAI formula, students in the same need bands will not fare equally–some will do better, and some will do worse.	A single aid approach may not be effective in addressing all students in a given need range or band.
Number of Students in College For many institutions, the bulk of students who are negatively impacted by FAFSA changes will be a result of number of students in college.	Schools will need to manage a significant increase in aid officer workload, determine what their policy will account for, and how they will promote it, if at all.
Using the Negative SAI Schools must set the negative SAI to zero when considering federal aid but can choose to use it for state or institutional aid.	Schools will need to decide if they benefit from awarding these students additional aid and if the budget will allow it.
Continuing vs. New Students Assessing the impact on continuing students will benefit from near-perfect information, while efforts to anticipate the impact on new students will be harder to do in the moment.	Schools will need to craft a policy that tries to anticipate what EFC would have been, while understanding that they won't know the full picture for new students.

Communication Best Practices for the New FAFSA

Effective communication about upcoming changes will be critical to ensuring students complete the new FAFSA. Plan to be nimble in your communication efforts, and socialize these updates internally with relevant campus stakeholders early and often. That said, be careful not to communicate *too* early with students–today's students will be using the current version of the FAFSA, and you don't want to confuse them with your messaging.

Read on for an overview of key stakeholders and principles for the year ahead, critical messages to communicate with students and families, and a timeline for current and prospective students.

Key Stakeholders and Principles for the Year Ahead

Internal Communication	Enrollment Staff Training, Budget Decisions, IT Department, Other Campus Programs Impacted by EFC/SAI or Financial Aid
External Communication	Website, Net Price Calculator, Marketing Materials, Brochures and Publications

Be Transparent	Reduce Jargon	Be Flexible	Differentiate by Audience	Be Positive

Critical Messages to Communicate

- Details of the new FAFSA application process
- Pell Grant eligibility, including poverty level/family size/income charts
- An outline of your policy responses, if any are available
- Your institution's continued commitment to customer service, value, and affordability

Timeline for Communicating with Students

September

Better FAFSA tool available; start stronger-touch communications with ***current*** *and* ***prospective*** *students on upcoming changes, including Pell eligibility and special circumstances, and update website.*

Late Fall

FAFSA Demo available; continue typical communication with ***current*** *students, including updated FAFSA information; encourage students and parents to apply for their FSA ID so that they will be ready as soon as the FAFSA is available.*

Winter

New FAFSA becomes available in December; prior to the holidays, have communications ready to go and release them as the FAFSA becomes available; consider having a small "triage team" on call for questions in case the FAFSA is released around the holidays.

Spring

Packaging of ***new*** *and* ***continuing*** *students begins; consider adding FAFSA messages to admit days in the spring, and be sure to communicate when exactly students can expect aid packages in their hands.*

Discussion Guide

Laying the Foundation

When determining response to policy changes, each institution must weigh mission, goals, budget, transparency, equity, and ease of communication.

Your approach to the upcoming FAFSA changes will depend largely on your institution's unique priorities, available resources, and existing financial aid efforts. As an institution, you will continue to have the right to award your institutional dollars as you see fit. But you will need to consider both the practical implications and your plan to assess the impact of those decisions. These broader conversations should extend beyond just the financial aid office and should take place within the context of your institutional mission and goals. Use the prompts below to guide these conversations with key stakeholders.

Institutional Awarding vs. Federal SAI

Institutions will need to determine how they will award their own dollars and how they will fit students into federal eligibility. Consider the following questions:

- How will we document new policies and parameters?
- Will we create our own institutional SAI?
- What are the implications for systems and packaging?

Exceptions vs. Everyone

Institutions that decide to award institutional dollars differently than federal dollars will need to decide how they will determine recipients. Consider the following questions:

- Will we do it for everyone or on a case-by-case basis?
- What are the budget implications of doing it for everyone?
- What are the communication implications for doing it on a case-by-case basis?

Internal vs. External Considerations

Institutions will need to ensure they are prepared both internally and externally in the year ahead–from campus infrastructure to student communication. Consider the following questions:

Internal Considerations

- Have we talked with our IT department about mitigating potential impacts?
- Have we established a website plan for necessary, frequent updates?

External Considerations

- Now that the FAFSA will be available in December of this year, what are we planning to communicate to students?
- Who will oversee incoming questions from students and families?

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