

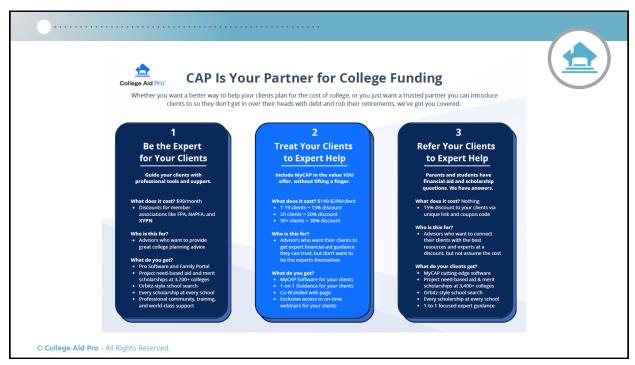
OUR MISSION

TO END THE STUDENT LOAN CRISIS BY EMPOWERING FAMILIES TO SHOP SMARTER FOR COLLEGE

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Discussion Agenda

- Timing of FAFSA Changes
- The Good, The Bad, and The Ugly Changes
- Impacts & Why We Should Care
- Challenges/Planning Opportunities for Clients
- Updates to the CAP Software
- Q&A

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Timing of FAFSA Changes



2024 - 2025 School Year

High School Class of 2024

Based on 2022 Tax Returns December 2023 is new FAFSA release date

Current College Students NOT grandfathered in under "old" FAFSA rules (CSS Profile colleges have discretion)

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The Good



- 1. Pell Grants increased and more families will qualify
- 2. FAFSA filing will be easier
- 3. Negative SAI = more aid for low-income families
- 4. Most untaxed income will no longer be considered
- 5. Child support will count as an asset, NOT untaxed income
- 6. More transparency
- 7. Money paid on student's behalf

Big Terminology Change



"Bye Bye!" EFC, Hello SAI

Expected Family
Contribution (EFC) =
Student Aid Index (SAI)

SAI can be a negative number (-\$1,500)

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Why Do We Care? Hint: We Don't BUT......

Allowances for students living at home or with family

The Name: "FAFSA Simplification Act"
They did simplify / shorten the form

Questions

Questions

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Untaxed Income

Sources of income that are not taxed by the Federal government but are added into the income calculation for the purposes of calculating financial aid.

Will Include:

Deductions & payments to retirement plans that are delineated on the federal tax return

Tax-exempt interest income

Untaxed portion of pension and IRA distributions

Deductions & Payments to Self-Employed Plans (SEP, SIMPLE, Keogh)

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Untaxed Income & Benefits Will NO Longer Include:



- 401k/403b contributions not delineated on the tax return
- Veteran's education benefits
- Workman's compensation
- Allowances for clergy and military (housing, etc.)
- "Cash support and/or money paid on the student's behalf"
- Child support

Exact Language from the Bill



(b) UNTAXED INCOME AND BENEFITS.—The term 'untaxed income and benefits' means—(1) deductions and payments to self-employed SEP, SIMPLE, Keogh, and other qualified individual retirement accounts excluded from income for Federal tax purposes, except such term shall not include payments made to tax-deferred pension and retirement plans, paid directly or withheld from earnings, that are not delineated on the Federal tax return; (2) tax-exempt interest income; (3) untaxed portion of individual retirement account distributions; (4) untaxed portion of pensions; and (5) foreign income of permanent residents of the United States or United States citizens exempt from Federal taxation, or the foreign income for which such a permanent resident or citizen receives a foreign tax credit.

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"Cash Support and/or money paid on the student's behalf"



What does this description include?

- Non-custodial parent assistance
- Grandparent help
 - o 529 with grandparent as the owner, or
 - Just helping while the child is in college
- Any outside assistance from someone not included on the FAFSA

No longer considered part of student income!

NOT assessed at 50%

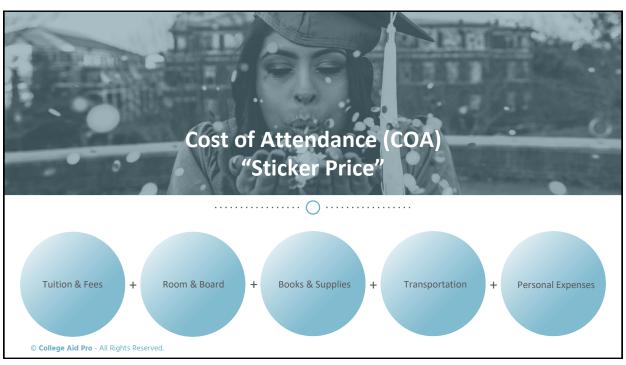
Child Support



- Current Formula:
 - o Considered income to the recipient and assessed up to 47%
- New Formula:
 - o Considered an asset of the recipient and assessed up to 5.64%
- Example: Annual Child Support = \$60,000
 - Current Calculation: could increase EFC/SAI up to \$28,200
 - o New Calculation: could increase EFC/SAI up to \$3,384

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Colleges are required to disclose all the elements of the Cost of Attendance on their websites.

More Transparency!

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Income Protection Allowance (IPA)



IPA is the amount of income shielded or removed from the income EFC/SAI calculation.

- For Parents:
 - o Not reduced by number in college
 - o 2023-2024 IPA is set at 20% higher level than the 2021-2022 IPA
 - o SAI portion from income
- For Dependent Students:
 - o The 2023-2024 IPA: \$9,410 (2021-2022 IPA: \$6,970)
 - o Upshot: students can make more money that will not be included in the financial aid eligibility calculation
 - o Big deal...?

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Asset Protection Allowance (APA)



The amount of non-retirement assets shielded or removed from the asset EFC/SAI calculation.

- Has been declining annually over recent years
- If married, calculation is based on the age of the older parent
- Calculation will remain unchanged:
 - Maximum APA in 2023-2024: \$10,500 for age 65 and older (same as 2021-2022)
 - o If parent is 50: APA is \$7,000 (married) or \$2,700 (one parent)
- Congress did not address this piece of the financial aid formula

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Which parent fills out the FAFSA?



- Biological/Adoptive Parents Married Both Parents
- Biological/Adoptive Parents Divorced or Separated Custodial Parent
- Custodial Parent Remarried:
 - o Include stepparent's information
 - Stepparent did not adopt student
 - o Prenup

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Current Definition of Custodial Parent



- Where the child has spent the most time
- Time Period one year look back from date of submission of financial aid form
- 50/50 Custody
- Divorce Decree
- Separated

Which parent submits the FAFSA beginning in the 2024-25 school year?



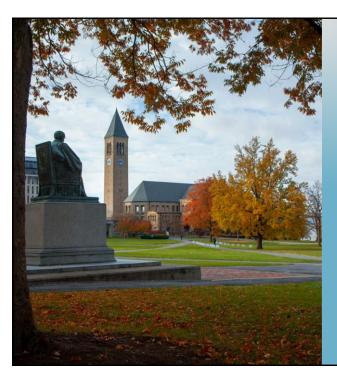
Parent who provides greater financial support

- If both parents provide equal support, then the parent with greater income is considered the custodial parent
- This change closed a major loophole, but there is room for interpretation



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Multiple Students Enrolled

Current Scenario

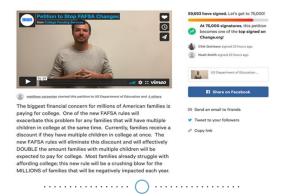
FAFSA EFC cut by ~50%

So

- \$65,000 EFC with one kid in school
- 2nd child starts school, EFC drops to ~\$32,500







Petition to Overturn Change

Please Sign & Share (link)

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FAFSA Simplification Act – Other Changes



- Colleges cannot have a policy that they deny all appeals
- Simplified Needs Test will be called "Applicants Exempt from Asset Reporting"
 - Income limit will increase to AGI < \$60,000 with no tax schedules filed except Schedule C provided gain/loss < \$10,000
- Small family business / farm exclusion will be eliminated
- Will include question about the applicant's race or ethnicity
- Males will not need to register for Selective Service (aka "the draft)

FAFSA Simplification Act – Pell Grant



- · Expansion of eligibility for Pell Grant
 - o Based on family size AND adjusted gross income (AGI)
 - Minimum Pell: some students may be eligible even if SAI is above Pell grant. It is based on AGI relative to % of the poverty line (different for dependent students with 1 or 2 parents & independent students)
 - o Incarcerated students are eligible if enrolled in a prison education program

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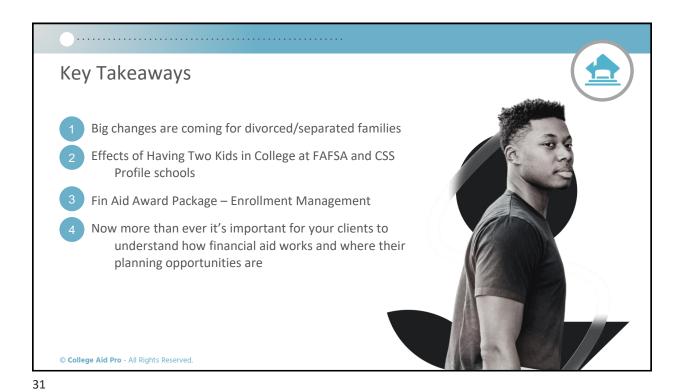
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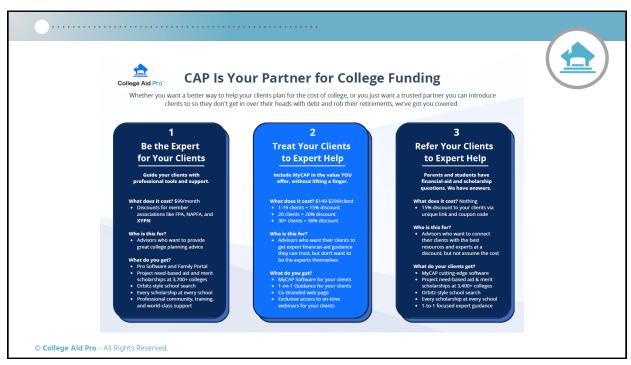


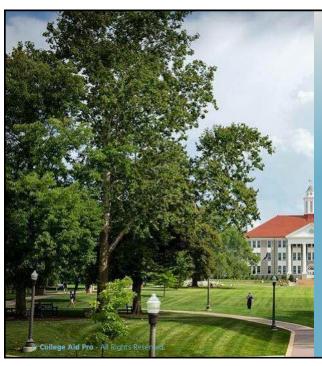
What About the CSS Profile??

\$40,000 \$41,231 Shannon \$57,000 \$35,000 **FACTS** REPORTS BUDGET **Projections** SCHOOLS First Year All Four Years Borrowing Analysis Outcomes How to Pay APPLICATIONS College COA EFC V Need Scholarship Net Cost AWARDS \$40,000 F \$42,548 \$17,815 \$18,000 \$64,548 Chapman University HOW TO PAY \$87,750 \$59,000 C¹ \$28,750 \$28,172 \$59,578 Northwestern University DOCUMENTS \$26,000 *1*² Stanford University \$54,740 \$52,546 © College Aid Pro - All Rights Reserved.

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NEXT STEPS

Talk with us about how you

can partner with CAP

Book an Intro Call with Bill Rabbitt

HERE



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Resources



- FSA Announcement: https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-03-21/implementing-2024-25-fafsa-process
- 2024-2025 Roadmap: <a href="https://fsapartners.ed.gov/knowledge-center/topics/fafsa-simplification-information/2024-25-fafsa-roadmapIncome limit will increase to AGI < \$60,000 with
- FSA Knowledge Center Home Page: https://fsapartners.ed.gov/knowledge-center/topics/fafsa-simplification-information



We are here to help

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