



College Aid Pro™

BIG FAFSA Changes

Get Ready!

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College Aid Pro™

OUR MISSION

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

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Your Presenters

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When Does This Take Effect?

2024 – 2025 School Year

December 2023
One Time Change

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Timing of FAFSA Changes



2024 - 2025 School Year

**High School Class of
2024**

**December 2023 is
new FAFSA release
date**

**Based on 2022 Tax
Returns**

**Current College Students NOT
grandfathered in under "old" FAFSA
rules (private 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

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Big Terminology Change



"Bye Bye!" EFC - Hello SAI

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

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

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

**Allowances for students
living at home or with
family**

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The Name: "FAFSA Simplification Act"

They did simplify / shorten the form

Questions

108 → 36

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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

Foreign income that is exempt from US federal income tax or receives a foreign tax credit

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Untaxed Income & Benefits Will NO Longer Include:



- 401k/403b pre-tax 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

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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
 - 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%

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Child Support



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

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

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Asset Protection Allowance (APA)



The amount of non-retirement assets shielded or removed from the Asset 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)
 - 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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FAFSA & Divorce

FAFSA ignores income and assets from the non-custodial parent

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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:
 - Include stepparent's information
 - Stepparent did not adopt student
 - Prenup

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PAST Definition of Custodial Parent

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

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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 *Past Scenario*

FAFSA EFC cut by about ~50%

So...

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



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Multiple Students Enrolled

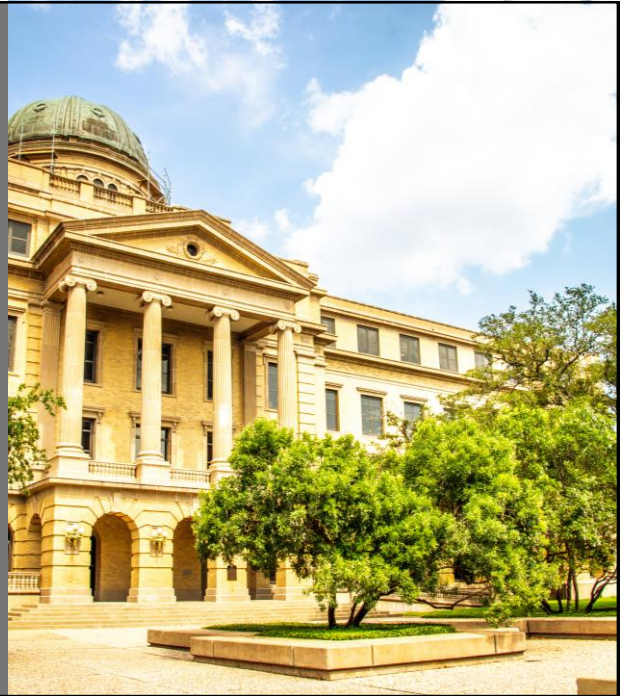
New Scenario

FAFSA SAI dollar amount will be exactly the same for Multiple Students

So...

\$65,000 SAI for a family

- Federal SAI = \$65,000 PER CHILD



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Multiple Students Enrolled at CSS Profile School

CSS Profile EFC could be
cut by 30 to 40%

So...

\$65,000 EFC with one child in school

- Institutional EFC = \$39,000 to \$45,500 per child with a second child in college

This assumes that the CSS Profile school does not change their treatment of multiple students in school.



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Help American families afford college by opposing FAFSA change



matthew.scarpetta started this petition to US Department of Education and 6 others

The biggest financial concern for millions of American families is paying for college. One of the new FAFSA rules will exacerbate this problem for any families that will have multiple children in college at the same time. Currently, families receive a discount if they have multiple children in college at once. The new FAFSA rules will eliminate this discount and will effectively DOUBLE the amount families with multiple children will be expected to pay for college. Most families already struggle with affording college; this new rule will be a crushing blow for the MILLIONS of families that will be negatively impacted each year.

59,693 have signed. Let's get to 75,000!

At 75,000 signatures, this petition becomes one of the top signed on Change.org!

Chik Quintana signed 23 hours ago

Nash Smith signed 23 hours ago

US Department of Education ...

Share on Facebook

Send an email to friends

Tweet to your followers

Copy link

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”)

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Bad News For Small Business Owners



- **No exemptions** for businesses with less than 100 employees anymore
- All business assets/investments will be included in the SAI Calculation
- How should clients value their business if they are not sure?
 - Err on the side of pessimism
 - What is your business worth if you walk away tomorrow?
 - Don't forget to include liabilities...report the NET

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FAFSA Simplification Act – Pell Grant



- Expansion of eligibility for Pell Grant
 - 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 and independent students)
 - Incarcerated students are eligible if enrolled in a prison education program

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Which families will be most impacted?



- 1 Two-household families - divorced/separated
- 2 Families who will have kids starting college together (multiples)
- 3 Families who already had one child in college starting in the 2023-2024 school year or earlier
- 4 Parents who are business owners
- 5 Low-income families

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NEXT STEPS

Book a call with Matt to discuss
how we can support you.

Click [HERE](#) to schedule

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