Several major federal financial aid reforms made their way into Congress' 2021 appropriations bill, signed by President Trump and made law late last year.

Most of these changes won't go into effect until the FAFSA for the 2023-24 school year becomes available on Oct. 1, 2021. Here's how the bill affects financial aid for students.

1. The FAFSA Will Be Shorter

All students must fill out the FAFSA in order to qualify for federal, state and institutional financial aid, including federal student loans, grants and work-study. The form currently includes 108 questions. While the specific questions a family must answer depends on its individual financial situation, the maximum number of questions required will now be 36.

Some of the biggest changes? Families' income information will be imported directly to the FAFSA from their tax returns (currently, families must access the data themselves using the IRS Data Retrieval Tool). That reduces the number of questions required for families to self-report income.

2. 'Expected Family Contribution' Renamed the 'Student Aid Index'

The expected family contribution (EFC) is the amount of money the government determines a family can likely pay toward a year of college costs, based on income and asset information in the FAFSA. But in practice, depending on a school's cost, a family could end up paying much more than the EFC calculated for them.

Additionally, as some advocates have argued, low-income families' expected "contributions" should be below $0 to identify that they are in particular need of assistance to pay for college. In these cases, they could get aid that exceeds a school's cost of attendance, which is calculated by the school itself.

The appropriations bill renames EFC to "student aid index" (SAI) to make clear the number a family sees after filing the FAFSA isn't the amount of money they're required to pay for college. Instead, it's an indicator of their financial need. The bill now also makes it possible for a student's SAI to be negative, making it easier for a college to identify the students with the most financial need.

3. Pell Grant Eligibility Expanded

In a major victory for students, the bill extends eligibility for the federal Pell Grant to a wider range of grantees. The Pell Grant is a type of financial aid that does not need to be repaid, and it's accessible to undergraduate students with the most need.

Pell Grant eligibility in general will be simplified, making it possible for students to know sooner whether they qualify and how much Pell funding they'll receive. Under the new rules, student family size and adjusted gross income compared to federal poverty guidelines will determine Pell eligibility.

4. Unemployment During a National Emergency Can Change Eligibility

Many students and families are experiencing a prolonged period of unemployment due to the Covid-19 crisis. The new bill provides a way for colleges to take this into account when determining student financial aid eligibility.

During periods of a national emergency, the legislation allows financial aid administrators to use their professional judgment to adjust a student's, parent's or spouse's income when determining the student's eligibility for aid. A student can show evidence of receiving unemployment benefits to get their income adjusted to zero. This can help an unemployed student get a Pell Grant, for instance.

Source: Kenosha News article

https://www.kenoshanews.com/business/investment/personal-finance/5-big-fafsa-changes-are-coming/article_6117b240-f8b4-53a9-922f-a288b3708de1.html