

Advisor Solutions

Applying for a FAFSA Just Got Easier

Planning to apply for FAFSA to supplement your child's college tuition? Recent legislative changes greatly simplify the process and let students benefit more significantly from 529 donations, though there are a few drawbacks for students with higher-earning parents. The changes go into effect in October 2022 for the 2023-2024 academic year.

	Current Process	New 2022 Process
Program Name	Expected Family Contribution (EFC)	Student Aid Index (SAI)
Length of Application	22 pages and 100 questions	6 pages and 36 questions
Which Parent Completes the Application in the Case of Divorced or Separated Parents	The custodial parent is required to complete the application.	The parent who provides the most financial support is required to complete the application, potentially resulting in less eligibility if there is a significant difference in income between parents.
Elimination of the Discount for Multiple Children in College	If more than one child is enrolled in college, the eligibility for financial aid increases.	The multiple child discount has been eliminated.
Pell Grant Eligibility Expanded	Pell Grant eligibility is determined based on the expected family contribution received after filing the FAFSA.	Pell Grant eligibility is simplified to ensure that families making less than 175% of the federal poverty level will receive the maximum award, which is \$6,345 for the 2021-22 school year and \$6,495 after that.
Lifetime Federal Direct Subsidized Loan Term Limits Eliminated	Students can only get subsidized loans for 150% of the length of their education. So, if the student attends a four-year program, they can only receive direct subsidized loans for six years in total.	Students can get subsidized loans for as long as it takes to complete the education program.
Grandparent 529 Plans	Distributions from a grandparent 529 must be reported as untaxed student income, which can reduce aid eligibility by as much as 50% of the cash support (distribution).	Students no longer have to report cash donations as income. Instead, only income from the student's federal income tax return will be required. (Please note: Grandparent 529 plans are still considered on the CSS Profile used by about 200 private colleges to award institutional aid.)

Sources:

<https://www.savingforcollege.com/article/new-fafsa-removes-roadblocks-for-grandparent-529-plans>
<https://www.kiplinger.com/personal-finance/credit-debt/loans/student-loans/602186/fafsa-application-changes-are-coming>
<https://www.forbes.com/advisor/student-loans/fafsa-changes/>

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