

FAFSA Simplification Act

Summary of Provisions

On December 21, Congress released the Coronavirus Response and Relief Supplemental Appropriations Act of 2021, which also contains critical policy measures impacting higher education. (APLU has created a [detailed analysis](#) of the emergency spending provisions, as well as the [FY2021 omnibus spending package](#).) The package includes the FAFSA Simplification Act, which makes key changes to the Free Application for Federal Student Aid (FAFSA), Pell eligibility, and the HBCU Capital Financing Program. The bill provisions generally take effect on July 1, 2023, for award year 2023-24. The 2023-24 FAFSA will be available for completion on Oct. 1, 2022.

First, this bill makes significant changes to the federal need analysis formula. The bill renames the expected family contribution (EFC) to the “Student Aid Index (SAI).” Under the bill, the SAI would be used to calculate need for need-based aid programs, excluding the Federal Pell Grant. Pell Grant award determinations will be made through a separate process, based upon a student’s adjusted gross income and household size. Students will be able to preview their eligibility for the Pell Grant award using Pell Lookup Tables.

Further, the bill simplifies the FAFSA form and reduces the overall number of questions but maintains much of the information collection crucial to state and institutional aid determinations. Applicants who identify as non-filers for tax purposes, as well as recipients of certain means-tested benefits, would only be asked to complete basic demographic and benefit-related questions to complete their FAFSA. All other applicants would be required to answer the same introductory questions, and would then have their needed income information directly transferred from the Internal Revenue Service (IRS) through the data-sharing provisions included in last year’s Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act.

The bill makes a range of other HEA-related changes outlined in the sections below. (A [section-by-section](#) of the bill text is also available—NASFAA has also prepared a “[deep dive](#)” on the policy changes in the bill.)

DIVISION FF—Other Matter

Title VII—FAFSA Simplification Act

Sec. 702. Making it Easier to Apply for Federal Aid and Making That Aid Predictable.

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Cost of Attendance (HEA Sec. 472)

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Congress first defined the Cost of Attendance (COA) over four decades ago in 1972. Federal student aid award amounts are based in part upon a university’s reported COA. The COA definition is statutory and

includes tuition and fees for full-time students; expenses for books, supplies, transportation, and other personal costs; and room and board costs.

The bill updates the COA definition in HEA, including several minor updates as well as new guidelines to determine COA for incarcerated students. The bill also provides ED with the ability to—for the first time—develop regulations on elements of COA, excluding tuition and fees.

For additional perspective on the Federal Cost of Attendance definition, see NASFAA’s Student Aid Perspectives [article](#) on the topic.

Student Aid Index (HEA Sec. 473-477)

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The bill replaces the existing “Estimated Family Contribution” (EFC) with what is called the “Student Aid Index,” defined as “an index that reflects an evaluation of a student’s approximate financial resources to contribute toward the student’s postsecondary education for the academic year, as determined in accordance with this part.” The SAI will be used to calculate need for need-based aid programs, not including the Pell Grant, such as the Federal Direct Subsidized Loan program, Federal Work-Study (FWS) program, the Federal Supplemental Educational Opportunity Grant (SEOG) program, and some state aid and institutional aid.

Unlike the EFC, the SAI allows for negative numbers (starting at -\$1,500), which would allow students with the most financial need to receive aid in excess of the Cost of Attendance (COA) established by their school. The number of household members in college will no longer play a role in the calculation of an applicant’s SAI.

FAFSA (HEA Sec. 483)

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The bill significantly reduces the number of questions that applicants would need to answer on the FAFSA. Applicants who identify as non-filers for tax purposes, as well as recipients of certain means-tested benefits, will only be asked to complete basic demographic and benefit-related questions to complete their FAFSA. All other applicants will be required to answer the same introductory questions, and will then have their needed income information directly transferred from the Internal Revenue Service (IRS) through the data-sharing provisions included in last year’s Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act.

Additionally, if applicable, some applicants will also be required to answer asset-related questions. Questions regarding drug offense convictions are eliminated. The question on Selective Service registration remains, but it no longer impacts financial aid eligibility.

Federal Aid Eligibility for Incarcerated Individuals

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The bill extends federal aid eligibility for incarcerated students enrolled in qualifying prison education programs (excluding programs offered by for-profit institutions). Though the bill does not strike the current exclusion in statute, the bill extends Pell eligibility to all incarcerated individuals who otherwise meet the program eligibility requirements.

One year after the bill's enactment, ED must provide an evaluation that assesses the ability of incarcerated individuals to complete the FAFSA and evaluate in-custody and post-release outcomes of individuals who receive Pell Grants to participate in qualifying prison education programs.

Early Awareness and Outreach of Financial Aid Eligibility (HEA Sec. 485E)

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The bill requires ED to create consumer-tested methods for increasing early awareness of student financial aid eligibility. ED will develop an online estimator for need-based aid, early outreach plans for middle and high school students, and a public awareness campaign, amongst other efforts.

Sec. 703. Federal Pell Grants

Pell Grant Amount and Determinations (HEA Sec. 401)

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The bill changes how Pell Grant award determinations are made, creating a separate process from other forms of federal need-based aid that is based upon a student's adjusted gross income and household size. Students will be able to preview their eligibility for the Pell Grant award using new Pell Lookup Tables, which will be consumer-tested by ED prior to their publication. This means that Pell Grant award amounts no longer rely on the calculation of a student's estimated family contribution (now the "Student Aid Index").

The bill creates different formulas based on the applicant's single-parent or two-parent household status. The number of household members in college also no longer factor into an applicant's Pell Grant eligibility.

The bill expands student eligibility for the maximum Pell Grant award based on their income (or their parent's income), looking at either tax filing status or the national poverty line. Specifically, a student qualifies for the maximum award under the following circumstances:

- If the student, or the student's parent, was not required to file a federal income tax return;
- If the student, or the student's parent, is a single parent and has an adjusted gross income equal to or less than 225 percent of the poverty line;
- If the student, or the student's parent, is not a single parent and has an adjusted gross income equal to or less than 175 percent of the poverty line;
- Students under age 33 whose parent died serving in the armed forces after Sept. 11, 2001; and
- Students under age 33 whose parent died in the line of duty as a public safety officer.

Sec. 705. Repeal of the Subsidized Usage Limit Applies (SULA) Restriction

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The bill repeals the Subsidized Usage Limit Applies (SULA) restriction, which limited need-based subsidies on Federal direct student loans.

Direct Stafford Loans may be subsidized based on financial need, with the federal government paying interest on a student's subsidized loan while they are attending school. The SULA restriction, repealed under this law, created a "maximum eligibility period" for Direct Subsidized Loans set at 150 percent of the published length of a student's program. For example, if a student is enrolled in a four-year bachelor's degree program, the maximum period for receiving Direct Subsidized Loans is six years. The restriction was intended to cap the amount of interest the federal government would subsidize. The restriction applied to students who were considered first-time borrowers on or after July 1, 2013.

While the SULA limitation was statutory, its implementation involved extensive interpretation of the law and resulted in complex regulations that schools found difficult to implement and explain to students. The repeal of the SULA restriction will significantly reduce data collection, reporting requirements, and other implementation challenges on campus.

Sec. 706. Forgiveness of HBCU Capital Financing Loans
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The bill provides \$1.34 billion in federal loan forgiveness for HBCUs that borrowed under the HEA Title III, Part D HBCU Capital Financing Program. Due to the pandemic, many of these institutions have been unable to make loan payments.