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AUGUST 2023 NEWSLETTER

IMPORTANT DATES:

August 7th
G6 Launch

August 14th
FWS Reallocation Form
Due

September 6th
11:00 a.m. CST
DJA Webinar
Cash Management

October 1st
Annual Security Report
due

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In this edition of the DJA Monthly Newsletter, we focus largely on the upcoming changes to be implemented for the 24/25 Award Year. Federal Student Aid (FSA) has released several valuable resources over this past month to assist your institution in the preparation of the overhaul of the FAFSA, as well as the changes in how aid will be calculated and awarded. We review the extensive Dear Colleague released in early August summarizing the FAFSA Simplification Act changes that will be implemented for the 24/25 Award Year. In our Compliance Corner, we further breakdown how the Pell calculation will be effective by the changes.

In addition to the Dear Colleague, FSA also released an Electronic Announcement providing valuable key terms and definitions that will be utilized in the 24/25 Award Year. With so many acronym changes and processing updates, I encourage you to save this resource as you navigate the months ahead as we prepare for the release of the completely overhauled 24/25 FAFSA in December. For a sneak peak at the 24/25 FAFSA, FSA also released the FAFSA Form Preview Presentation. We have linked the PowerPoint and PDF in the article outlining what you can expect from the presentation.

While this edition largely focuses on the 24/25 Award Year, we can't forget we have just started the 23/24 AY! The most recent release for the EdExpress software was released last month as well. For your reference, we have linked the Technical Reference Guide in our article below.

As we review the calendar of impending deadlines, please note that next week the FWS Reallocation Form is due. Secondly, the Annual Security Report is due on October 1st of each year. Noncompliance with the Annual Security Report regulations continue to be a frequent finding in program reviews. Last month as part of our Monthly Webinar Series, we covered each of the compliance standards that must be a part of this comprehensive report. If you'd like a copy of our session handouts or recorded webinar, please reach out to Renee Ford at rford@gotodja.com.

*Thank you and until next time, stay safe!
Deborah John, President*



IN THE NEWS: BORROWER DEFENSE TO REPAYMENT AND CLOSED SCHOOL LOAN DISCHARGE REGULATIONS ON HOLD

Just this week, the U.S. Court of Appeals for the Fifth Circuit issued an order postponing the July 1, 2023 regulations on borrower defense to repayment and closed school loan discharge. The regulations were initially released in a Federal Register last November 2022, with an implementation date of July 1, 2023. In addition to providing regulatory updates to borrower defense to repayment and closed school loan discharges, the Department also amended several other student relief programs under the HEA, including prohibiting pre-dispute arbitration, eliminating interest capitalization not required by statute, expanding public service loan forgiveness, providing additional opportunities for total and permanent disability, and streamlining the process for false certification claims. It is important to note that the injunction **ONLY** applies to the regulatory updates made to the borrower defense to repayment and the closed school loan discharge. All other regulations remain effective with the implementation date of July 1, 2023.

The injunction does not block the Department's implementation of these NEW final regulations on borrower defense to repayment and closed school loan discharge, but rather places them in a hold status until the appeal can be heard. The order notes that the case shall be heard during the next sitting commencing on November 6, 2023. Given the court schedule, it is anticipated this order will remain in effect for several months. In the interim, until a further decision is issued by the courts, the prior/existing BDR and Closed-School Discharge regulations remain in effect.

While this recent order addresses a postponement of these final regulations to all institutions of higher education, the case was originally presented by the Career Colleges and School of Texas (CCST) in May of 2023 where the group argued the Department lacked authority to carry out the regulations and provided a lack of due process for schools. On June 30, 2023, the U.S. Fifth Circuit Court of Appeals issued an order pausing the July 1, 2023 regulations for BDR and Closed-School Discharge until July 21st, but only for educational institutions that were members of CCST. That pause was later extended to July 28th. As we mentioned, the most recent order opens up the hold on the implementation of these two regulations to all institutions of higher education.

Though the ruling provides a brief hold on the implementation of the regulations and an opportunity to argue future changes to these regulatory updates set to largely impact our industry, there still seems to be unanswered questions. We anticipate the Department to provide future clarification and guidance soon.

Sources:

Court order: [Injunction Blocking Borrower Defense Rule](#)

Final Regulations Federal Register November 2022: [Final Regulations: Student Loan Relief Programs](#)
[Appeals Court Halts Biden Rules on Debt Relief for Defrauded Students](#)



NEW DEAR COLLEAGUE RELEASED ON FAFSA SIMPLIFICATION ACT CHANGES FOR IMPLEMENTATION IN 24/25

On August 4, 2023 a Dear Colleague was published summarizing the changes to requirements under Title IV of the Higher Education Act (HEA) resulting from the FAFSA Simplification Act that will become effective for the next award year 2024-25. The last Dear Colleague released on the FAFSA Simplification was published in November 2022 and highlighted the changes to be implemented in the 2022-23 award year. We summarized these changes in the *Compliance Corner* of last month's newsletter (July 2023). If you attended the FSA Webinar Series, "Better FAFSA, Better Future", offered throughout June and July, you are aware that the changes slated for 24/25 provide significant modifications to the need analysis formulas and the calculation of Federal Pell Grants.

The Department will make significant and extensive changes to the FAFSA form and process for the 2024-25 Award Year to implement these statutory changes. The DCL recently released provides a thorough summary of those extensive changes. We have provided a brief outline below but encourage you to read the publication in its entirety as it also provides links to a variety of helpful resources as your institution examines how best to implement updates to your own procedures to accommodate the overhaul expected for the upcoming award year. If you have not already established a committee or point person to oversee all these changes, we highly recommend doing so now.

Transition from EFC to SAI

The Act requires that schools transition from the Expected Family Contribution (EFC) to the Student Aid Index (SAI) beginning in the 2024-25 Award Year. The SAI is a number that determines each student's eligibility for certain types of federal student aid (which can also be negative). An applicant's SAI is calculated using modified need analysis formulas outlined in the Act. These formulas use information that applicants provide on the FAFSA form and, in most cases, federal tax information (FTI) that is retrieved directly from the Internal Revenue Service (IRS).

The most significant changes to the need analysis formulas include:

- Removal of the number of family members in college from the eligibility calculation
- The possibility for an SAI to be a negative number, with a minimum SAI of -1,500 instead of zero
- Elimination of alternate EFCs for enrollment for a period other than 9 months
- Elimination of the Simplified Needs Test (SNT) and Auto-Zero calculations, which have been replaced with similar calculations described below

Use of FTI

As mentioned above, the SAI formula's will utilize federal tax information (FTI) retrieved directly from the IRS. The Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act) requires the Department of Education to access tax information held by the IRS pertaining to FAFSA applicants—and, where applicable, their parents and spouses—through a secure method: the FUTURE Act Direct Data Exchange (FA-DDX). The FUTURE Act amended the Internal Revenue Code (IRC) to mandate the disclosure of FTI directly



from the IRS to the Department with an individual's approval and consent. The FUTURE Act also made providing consent for the exchange of FTI a requirement for receiving federal student aid. This means if a student, or any contributor to the FAFSA, does not consent to the exchange of their FTI they will not be eligible for any Title IV funds. DJA covered in depth FTI and the requirements for accessing and using it in the June Newsletter publication in the *Compliance Corner*. For additional information, you can also read this Electronic Announcement: <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2023-05-12/access-and-use-federal-tax-information-fti-federal-student-aid-programs-beginning-2024-25-fafsa-processing-cycle>.

Changes to the Need Analysis Formula

Similar to the EFC, the SAI is determined by a needs analysis formula. There are three formulas utilized in the calculation:

- Formula A – Dependent students
- Formula B – Independent students without dependents other than a spouse
- Formula C – Independent students with dependents other than a spouse

The Act did not substantially change the structure of these formulas but did change the data elements used in each formula. It also eliminated the simplified versions of each formula and instead established new rules for exempting certain applicants from providing asset information based on criteria that are similar to those used for the simplified EFC formulas.

Each formula is described in detail in the [2024-25 Draft SAI and Pell Grant Eligibility Guide](#), published in Federal Student Aid's [Knowledge Center](#) and updated as additional guidance becomes available.

Income Components

Most income items for the 2024-25 Award Year can be found on a U.S. income tax return and will be imported to the application via the FA-DDX, eliminating the need for the applicant to self-report most income. A significant change will be the reduction of untaxed income items included in the need analysis, which will include only the following:

1. Deductions and payments to self-employed SEP, SIMPLE, Keogh, and other qualified individual retirement accounts excluded from income for federal tax purposes, but excluding payments made to tax-deferred pension and retirement plans, paid directly or withheld from earnings, that are not on the federal tax return
2. Tax-exempt interest income
3. The untaxed portion of individual retirement account distributions (excluding rollovers)
4. The untaxed portion of pensions (excluding rollovers)
5. The foreign earned income exclusion

Other types of untaxed income have been eliminated from the need analysis, including housing, food, and living allowances paid to members of the military and clergy; veterans noneducation benefits; and the general categories of "other untaxed income" and "money received by or paid on behalf of the student."



Allowances against income

Some of the allowances against income have changed, and some are the same or similar. For the 2024-25 award year, allowances against income will include:

- Federal Work-Study (FWS) Program income, rather than the broader allowance against income for taxable earnings from need-based employment that appears in the EFC formula;
- Any institutional grant and scholarship aid included in adjusted gross income (AGI) on a federal tax return, including amounts attributable to grant and scholarship portions of fellowships and assistantships, as well as AmeriCorps benefits (including awards, living allowances, and interest accrual payments);
- American Opportunity or Lifetime Learning education tax credit amounts claimed on the federal tax return;
- The payroll tax allowance, which replaces the Social Security Tax allowance in the EFC formula; and
- Federal income tax paid, the employment expense allowance, and the income protection allowance (IPA).

Cooperative education employment earnings, child support paid, combat pay, and the state and other tax allowance are no longer treated as allowances against income in the SAI formula and will no longer be reported on the FAFSA. Additionally, the IPA will no longer account for the number of family members in college. However, the IPA has been increased, which helps to offset the removal of these allowances.

Asset components

There are significant changes to the asset contribution components in the SAI formula.

- Assets now include the annual amount of child support received (previously included as income in the EFC formula). The recipient of the child support will be asked to report the amount received in the last complete calendar year.
- The net worth of a business is no longer limited to those with more than 100 full-time employees. Applicants will be asked to report the net worth of all businesses, regardless of the size of the business.
- Net worth of a farm now includes the value of a family farm. However, the value of a family's primary residence is still excluded. The net worth of a farm may include the fair market value of land, buildings, livestock, unharvested crops, and machinery actively used in investment farms or agricultural or commercial activities, minus any debts held against those assets.
- For dependent students, education savings accounts will only be counted as a parental asset if the account is designated for the student. Previously, if a parent had education savings accounts for their other children, the value of those was also required to be counted.

The law specifically highlights certain changes to assets or income as items that the financial aid administrator can adjust using professional judgment. These include:

- Excluding from family income or assets any proceeds or losses from a sale of farm or business assets of a family resulting from a foreclosure, forfeiture, bankruptcy, or liquidation; or
- Adjusting assets to consider additional costs incurred by the student because of a disability of the student, their dependent or spouse, or their parent or guardian.



Other notable changes

- The definition of family size has changed to align with the number of individuals reported as dependents on the applicant's (if independent) or applicant's parents' (if dependent) U.S. tax return. Applicants may update family size if it changes after filing the tax return.
- As mentioned earlier, the number of family members in college is no longer a factor in the need analysis. Schools may use professional judgment to adjust other data items related to COA or SAI that reflect costs associated with additional family members enrolled in college.
- The Simplified Needs Test (SNT) and Auto-Zero were eliminated. Some applicants will still qualify for an automatic Maximum Pell Grant or be exempt from asset reporting based on similar criteria.
- Some applicants will qualify for a Maximum Pell Grant based on tax filing status or on AGI compared to poverty threshold for their family size and state of residence. Those who qualify for a Maximum Pell Grant and are not required to file a federal income tax return (if independent) or whose parents are not required to file a federal income tax return (if dependent) will be assigned an SAI equal to -1,500. Other students eligible for a Maximum Pell Grant will receive an SAI no greater than 0.
- Other applicants will have assets excluded from their SAI calculation based on income, tax filing status, and receipt of a benefit from a federal means-tested benefit program. This asset exclusion effectively replaces the SNT from the EFC formulas. The following applicants are eligible for the asset exclusion provision:
 - An applicant who qualifies for an automatic Maximum Pell Grant award (as described below under "Calculation of a Federal Pell Grant")
 - An applicant who received a benefit under a federal means-tested benefit program in the prior two completed calendar years (i.e., 2022 or 2023 for the 2024-25 award year) or whose parent or spouse received such a benefit during the same period
 - A dependent applicant whose parents (1) have a total AGI of less than \$60,000; (2) do not file a Schedule A, B, D, E, F, or H (or equivalent successor schedules) on their federal tax return; and (3) either do not file a Schedule C or file that form with a net business gain or loss of \$10,000 or less
 - An independent applicant who (1) has a total AGI (including the student's spouse, if any) of less than \$60,000; (2) does not file a Schedule A, B, D, E, F, or H (or equivalent successor schedules) on the federal tax return; and (3) either does not file a Schedule C or files that form with net business gain or loss of \$10,000 or less
- Dependent applicants will not qualify for an exemption from asset reporting if their parents do not reside in and do not file taxes in the U.S. or a U.S. territory unless they are not required to file due to having income below the filing threshold.

Dependency Status

The criteria used to determine dependency status for receiving federal student aid remain largely the same but with some differences.



- Beginning with the 2024-25 award year, students who are separated will no longer be considered married and should not indicate they are married on the FAFSA. Unless independent by a criterion other than marriage, they will be considered dependent students.
- The Act adds to the dependency override (DO) provision by noting that a DO may be warranted when a student is unable to contact their parents or when contact poses a risk to the student. Circumstances where contact is not possible or risky can include human trafficking (as described in the Trafficking Victims Protection Act); legally granted refugee or asylum status; parental abandonment; estrangement; or student or parent incarceration. However, incarceration by itself is not sufficient to make a student automatically independent. The financial aid administrator would need to determine that the student is unable to contact their parent(s) or that contact would pose a risk to the student.

Changes to Definition of “Veteran” for Purposes of Determining Independence

The Act changes the statutory basis for determining who is a veteran. It cites Title 38 (about veterans’ benefits) of the [U.S. Code](#), section 101(2), which has similar language to the HEA and states that a veteran is one who served in the active military, naval, air, or space service and who was discharged or released under conditions other than dishonorable. The Act further provides that “veteran” includes any person who falls under 38 U.S.C. 101(21)-(23). Those paragraphs define “active duty,” “active duty for training,” and “inactive duty training.” FAAs should rely on Sec. 101 definitions to determine whether an applicant is a veteran.

Provisional Independent Status

Beginning with the 2024-25 award year, otherwise dependent students who indicate that they have unusual circumstances that prevent them from providing parent data will no longer receive a rejected application but will instead have their application processed with a provisional independent status. This will generate output documents with a provisional SAI and an estimate of federal student aid eligibility. Aid administrators will need to make a final determination whether these students should receive a dependency override.

The guidance in [DCL GEN-22-15](#), in the section “Additional Flexibility for Assisting Students with Unusual Circumstances,” established the communication timeline and processing procedure that schools must follow beginning in the 2023-24 Award Year when handling cases where students indicate they might be independent due to unusual circumstances. The communication timeline and processing procedure laid out in that DCL will continue in Award Year 2024-2025 and beyond.

The Dear Colleague also covers the changes to awarding aid using the Student Aid Index (SAI). As our *Compliance Corner* aims to review all of the changes under the FAFSA Simplification Act, we are covering the changes to the process of awarding aid in that section of this newsletter publication.

Sources:

Dear Colleague: [DCL GEN-23-11](#)



KEY TERMS, DEFINITIONS AND SYSTEMS RELATED TO FAFSA SIMPLIFICATION AND FUTURE ACTS

With the expansive changes being made to both the FAFSA and financial aid processing for the 24/25 award year, there is also the introduction of many new terms, acronyms and processing systems that will replace older, more well-known terms. To assist with this transition, the Department has released an Electronic Announcement outlining these new terms and providing definitions to better understand their application. While extensive, this will be an important reference list as we get closer to processing the 24/25 award year.

FAFSA Processing

- *Account Username and Password (FSA ID)*: username and password used to log in to all Federal Student Aid products and tools on StudentAid.gov.
- *Contributor*: any individual required to provide signature and consent on the FAFSA® form, including the student; the student's spouse; a biological or adoptive parent; or the parent's spouse (stepparent).
- *Controlled Unclassified Information/Specified Tax (CUI//SP-TAX)*: the U.S. National Archives and Records Administration (NARA) classification for federal tax information (FTI) related to returns and return information submitted, gathered, or generated by taxpayers. In accordance with the confidentiality protections of Section 6103(l)(13) of the Internal Revenue Code (IRC) and in accordance with all applicable privacy laws, regulations, and policies, the Department will label FTI fields on the Institutional Student Information Record (ISIR) and the FTI must be labelled as CUI//SP-TAX by our partners. These labels must follow FTI wherever it is accessed, stored, or redisclosed with express written consent. *For more information, see federal tax information (FTI) definition below and [NARA CUI Category: Federal Taxpayer Information](#).*
- *FAFSA FTI Consent*: formal approval granted by an applicant and any applicable contributors for a given FAFSA cycle (e.g., December 2023 to September 2025 for the 2024-25 FAFSA form) to retrieve and use FTI to determine an applicant's federal financial aid eligibility as well as permit the redisclosure of FTI by the Department to an eligible institution, state higher education agency, or a designated scholarship organization for the application, award, and administration of student aid programs. An applicant and contributor (if applicable) must provide consent once each year. If FAFSA FTI consent is not provided, the student will not be eligible for any *Title IV* aid until the appropriate consent is provided.
- *FAFSA Submission Summary*: replaces the Student Aid Report (SAR) as the student's output document providing a summary of data input on the FAFSA form.
- *Family Size*: replaces the term "household size" on the FAFSA form. It captures the appropriate number of family members and dependents in the applicant's household, within the meaning of section 152 of the Internal Revenue Code of 1986 or an eligible individual for purposes of the credit under section 24 of the Internal Revenue Code of 1986.
- *Federal Tax Information (FTI)*: is the data and information related to federal tax paying. It includes a return or return information received directly from the IRS or obtained through an authorized secondary source such as the U.S. Department of Education pursuant to 26 U.S.C. 6103(l)(13). FTI also includes any information created by the recipient that is derived from a federal return or return information received from the IRS or obtained through an authorized secondary source. Other return information considered FTI includes the taxpayer's name; mailing address; identification numbers including Social Security number or employer identification number; any information extracted from a return, including names of dependents or



the location of a business; information on whether a return was, is being, or will be examined or subject to other investigation or processing; information contained on transcripts of accounts; the fact that a return was filed or examined; investigation or collection history; or tax balance due information.

- *FPS C Flag*: the new name for the SAR C flag. *For more information, see FAFSA Processing System FPS definition below.*
- *Manually Provided Taxpayer Information*: information from a tax return or the return itself that is provided and entered by a taxpayer, applicant, or contributor on the FAFSA, either because the tax information was not received from the IRS, or because the contributor filed a foreign tax return.
- *Negative Student Aid Index (Negative SAI)*: the Student Aid Index (SAI) can be a negative number (down to -1500) which can be used by institutions in determining students who have the most financial need. Note that when packaging a student for *Title IV* need-based aid, a negative SAI is converted to a 0 SAI in the packaging formula. *For more information, see Student Aid Index (SAI) definition below.*
- *Primary or Custodial Parent*: for a dependent student whose parents are divorced or separated, the primary or custodial parent is the parent who provides the greater portion of the student's financial support and is required to provide their information (and if applicable their spouse's information) on the FAFSA form.
- *Provisionally Independent Student*: if a student indicates they have unusual circumstances or indicates for the first time they are unaccompanied and homeless, or at risk of being homeless (without a designation from a specified entity), the FPS will consider the student to be provisionally independent and will allow them to fill out the FAFSA form as an independent student. The SAI will remain provisional and not official until the student's college or career school makes a final determination. The ISIR will have a specific reject code that will require the financial aid administrator (FAA) to review, and if applicable, confirm the student's independent status. The FAA will determine if the student's circumstances make them eligible to apply independently and, if so, make any necessary updates to formally make the student independent.
- *Student Aid Index (SAI)*: replaces the Expected Family Contribution (EFC) as a formal evaluation of a student's approximate financial resources to contribute toward their postsecondary education for a specific award year.

Packaging Aid

- *Food and Housing*: replaces the terms "room and board" as a component within a student's Cost of Attendance (COA).
- *Other Financial Assistance (OFA)*: term used in lieu of Estimated Financial Assistance (EFA) when factoring in other aid to determine the amount of a student's need- and non-need-based financial aid.
- *Packaging Formulas*: need-based formula includes the following new terms (COA minus SAI minus OFA = Need); while the non-need-based formula now includes the following (COA minus OFA = Non-Need Eligibility).

Federal Pell Grant Program Eligibility

- *Enrollment Intensity*: the percentage of full-time enrollment at which a student is enrolled, rounded to the nearest whole percent used to determine a student's annual Pell Grant award. For example, if full-time enrollment is 12 or more credit hours and the student is enrolled in 7 hours, the enrollment intensity would be $(7 \div 12) \times 100\% = 58\%$.
- *Maximum Pell Grant Eligibility*: ability of a student to receive a maximum Pell Grant (amount determined annually by Congress) which depends on annually published federal poverty guidelines; the U.S. tax return



adjusted gross income (or the equivalent for foreign tax filers); state of legal residence; family size; and tax filing status.

- *Minimum Pell Grant Eligibility*: ability of a student to receive a minimum Pell Grant depending on annual published federal poverty guidelines, Adjusted Gross Income (or the equivalent for foreign tax filers), state of legal residence, and family size.
- *Restoration for Discharge*: Pell Grant eligibility restored in the Common Origination and Disbursement (COD) system due to an eligible borrower defense or other qualifying loan discharge. Eligibility is restored by the Department through an adjustment to the Lifetime Eligibility Used (LEU) percentage.
- *Special Rule for Pell Grants*: replaces Iraq and Afghanistan Service Grant (IASG) and Children of Fallen Heroes (CFH) Awards with new or modified eligibility criteria for students whose parent or guardian died in the line of duty while serving on active duty as a member of the Armed Forces on or after September 11, 2001 or actively serving as and performing the duties of a public safety officer and is less than 33 years old as of the first January 1 of the processing year. Eligible students will receive a maximum Pell Grant regardless of their SAI.
- *Student Aid Index Calculated Pell Grant Eligibility*: maximum Pell Grant minus the Student Aid Index rounded to the nearest \$5 (not to exceed COA). For applicants with a calculated SAI that is greater than the corresponding award year's maximum Pell Grant award or the calculated Pell Grant amount is less than the award year's minimum Pell Grant, the applicant is not eligible for a Pell Grant unless they qualify for a minimum Pell Grant award.

Professional Judgement (PJ)

- *Special Circumstances*: special or extenuating situations (such as the loss of a job) that impact a student's financial condition and support a financial aid administrator adjusting data elements in the COA or in the SAI calculation on a case-by-case basis.
- *Unusual Circumstances*: conditions that justify a financial aid administrator making an adjustment to a student's dependency status, commonly referred to as a dependency override, based on an unusual situation (e.g., human trafficking or parental abandonment).

Prison Education Program (PEP) Program Eligibility

- *Advisory Committee*: a group established by the oversight entity that provides nonbinding feedback to the oversight entity regarding the approval and operation of a PEP within the oversight entity's jurisdiction.
- *Oversight Entity*: the appropriate state department of corrections, other entity that responsible for overseeing correctional facilities, or the Federal Bureau of Prisons.
- *Prison Education Program (PEP)*: the educational program in which an individual incarcerated in a federal, state, or local correctional institution must be enrolled in order to qualify for Pell Grant funds. An eligible PEP must be offered by an eligible public or nonprofit institution. The PEP also must meet a variety of requirements including oversight entity approval, credit transferability, meeting the best interest of the students, and having no recent institutional compliance issues. Some exceptions to this definition exist for programs which are part of the Second Chance Pell Experiment.
- *Prison Education Program Application (PEP Application)*: The purpose of the PEP Application form is to provide a streamlined process for institutions of higher education or postsecondary vocational institutions applying to the Department for approval of a PEP. The application must be completed by schools wishing to



apply for eligibility of a PEP and must be submitted as supporting documentation to the Electronic Application for Approval to Participate in the Federal Student Financial Aid Programs (E-App).

Department of Education Systems

- *FAFSA Partner Portal (FPP)*: a student-centered system that replaces FAA Access to CPS Online. It will allow FAAs to enter corrections, view processed records, compare multiple transactions, and provide identity verification results.
- *FAFSA Processing System (FPS)*: replaces the Central Processing System (CPS) to become an integral part of the entire FAFSA process and experience.
- *Federal Tax Information Module (FTIM)*: a system that receives, stores, uses, and controls individual FTI received from the IRS for federal financial aid eligibility determination.
- *FTI SAIG Mailbox*: the new Student Aid Internet Gateway (SAIG) mailbox specifically designed to securely exchange batch data with Federal Student Aid Application Systems, which includes, among other things, FAFSA data and FTI that are provided to our partners via an ISIR. FTI provided via the SAIG mailbox will be labeled as CUI//SP-TAX. *For more information see Controlled Unclassified Information/Specified Tax (CUI//SP-TAX) definition above.*
- *FUTURE Act Direct Data Exchange (FA-DDX)*: the system replacing the IRS Data Retrieval Tool (DRT) to transfer an individual's FTI to the Department. FA-DDX allows the Department to request, and the IRS to transfer, FTI to the FTIM system for use in determining a student's federal financial aid eligibility. *For more information see Federal Tax Information Module (FTIM) definition above.*

For access to more information regarding this list, including the original communications sharing the key terms and definitions, you can access the complete Electronic Announcement [here](#).

24/25 FAFSA FORM PREVIEW PRESENTATION

This issue of the newsletter is rich with information to prepare for the 24/25 award year! In addition to providing a Dear Colleague sharing a summary of changes and providing the key terms that will be utilized, FSA also has provided resources offering information and screenshots of the 24/25 online FAFSA form. The release was made to assist the higher education community with the preparation and implementation of changes being made as the 24/25 FAFSA form receives a complete overhaul. Delivered in a Microsoft PowerPoint presentation, as well as a PDF file, this is the first of two phases to be released. This first phase demonstrates the following in the presentation:

- four flows which illustrate both dependent and independent student scenarios;
- one flow for a dependent student who has unusual circumstances;
- one flow for a provisionally independent student; and
- the FAFSA Submission Summary (formerly SAR)

Keep in mind that the screenshots provided in this first phase are taken from the draft text release and at the time of release there were some screenshots not yet available. Where screenshots are not available, placeholder text has been provided and notated as such. The second phase isn't scheduled until later this year and will include any

updates to material from the first phase as well as new screenshots of the My Activity and Corrections sections. These updates may include any text changes resulting from the FAFSA public comment period and replacement of placeholder screenshots. Federal Student Aid will continue to inform the community each time an updated presentation is released. The presentation available in the announcement is rather large and may take time to open and/or download to your computer. This presentation will be an excellent resource for financial aid administrators, mentors, and counselors to utilize in staff trainings and when conducting financial aid nights.

Sources:

Electronic Announcement: [2024-25 FAFSA Form Preview Presentation](#)

[2024-2025 FAFSA Form Preview Presentation in PPT Format](#)

[2024-2025 FAFSA Form Preview Presentation in PDF Format](#)

EDEXPRESS RELEASE 3.0 FOR THE 23/24 AY

While the primary focus of this newsletter has been educating you on upcoming changes to the 24/25 award year, we are still at the very beginning of the 23/24 award year and have a ways to go before we feel the changes expected ahead. As we have completed our first month within the current award year, FSA announced the availability of the most recent update to EDEXpress for Windows 2023-24. This release 3.0 adds new functionality that enables schools to exchange FWS data with the COD System using the new Campus-Based schema (version 1.0a) implemented in July 2023.

New Campus-Based features in EDEXpress include the ability to define Campus-Based school profiles, add new FWS records manually or via import from an external system, export Campus- Based Common Record documents for transmission to the COD System, and import processed results. FSA implemented related enhancements to Browse, Query, and Print functionality.

For access to the release, applicable desk reference and installation notes, visit the Electronic Announcement [Availability of EDEXpress for Windows 2023–2024, Release 3.0](#).

COMPLIANCE CORNER**FAFSA SIMPLIFICATION ACT: AWARDING AID USING THE STUDENT AID INDEX**

Under the Consolidated Appropriations Act of 2021, the FAFSA Simplification Act (the “Act”) introduced significant changes to the FAFSA Application process through its comprehensive overhaul of federal student aid. Our last two *Compliance Corner* publications have focused on the phased implementation that has already occurred for the 23/24 Award Year, as well as the steps your school needs to take to secure and handle the Federal Tax Information (FTI) that will be disclosed directly from the IRS through the FUTURE Act Direct Data Exchange (FA-DDX). In this edition of our *Compliance Corner*, we will continue what has been covered in the recent DL



GEN-23-11 summarizing the changes forthcoming in 24/25 and review how aid will be awarded using the Student Aid Index (SAI). While the formula for determining need remains the same, the elements within that formula have been replaced, notably the Expected Family Contribution (EFC) has been replaced with SAI and then Estimated Financial Assistance (EFA) has been replaced with Other Financial Assistance (OFA).

Other Financial Assistance

OFA still refers to all scholarships, grants, loans, or other assistance known to the institution at the time the determination of the student's need is made. FSA will begin using the term “other financial assistance” throughout various publications and websites. As mentioned above, the formula for determining need remains the same. When determining a student’s need, an institution will use the following formula: Cost of Attendance (COA) minus Student Aid Index (SAI) minus Other Financial Assistance (OFA) equals need. ($COA - SAI - OFA = \text{Need}$).

The new definition of items excluded from consideration as OFA now includes the following two forms of assistance:

- Foster care benefits received under Title IV, Part E, of the Social Security Act, including education and training vouchers and room and board that youth are receiving as extended foster care benefits under Section 477 of that act
- Emergency financial assistance provided to the student for unexpected expenses that are a component of the student's COA, and not otherwise considered when determining the student's need

Treatment of Negative Student Aid Index (SAI)

As notated earlier in our discussion on the Dear Colleague, in contrast to the EFC, the SAI can be negative. An applicant may receive a negative SAI as low as -1,500. When packaging students for need-based Title IV aid (Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Direct Subsidized Loan programs), convert any negative SAIs to a 0 SAI for awarding purposes. For example, consider an applicant with a \$15,000 COA, a -500 SAI, and a \$7,395 Federal Pell Grant. When calculating remaining need for other need-based programs, the school will change the -500 to 0 in the need-based calculation referenced above. The student’s remaining need will be \$7,605 ($\$15,000 - 0 - \$7,395 = \$7,605$).

Note that a negative SAI converted to 0 will also not increase a student’s eligibility for non-need-based aid.

Removal of Alternate Expected Family Contributions

In amending HEA section 475, Congress removed the provisions that allowed schools to use alternate EFCs when packaging students for periods other than 9 months. Therefore, when packaging for any period that is not 9 months, schools will use the calculated SAI (9-month) in the awarding formula for need-based aid ($COA - SAI - OFA = \text{Need}$). For example, if a student is attending a summer term only, the COA used to determine subsidized Direct Loan eligibility will be based on the actual period of enrollment (3 months), but the SAI used in the formula will be the 9-month calculated SAI. As a result, students enrolled for periods shorter than 9 months will have less need than when using an alternate EFC. This change will be significant to those institutions routinely offering programs less

than an academic year and 9 months in length. Several industry groups (CECU, AACCS) have indicated they have questioned this change and are hoping the Department will provide additional insight and/or guidance.

Veterans' Education Benefits Excluded from Consideration as OFA

In addition to the two exclusions no longer considered part of OFA, the HEA also lists veterans' education benefit programs that are excluded from consideration as OFA. While the Act did not change the veterans' education benefit programs listed in the HEA, Congress removed the phrasing "including but not limited to" when describing what constitutes veterans' education benefits. Therefore, veterans' education benefits not considered OFA when awarding federal financial aid are those benefits expressly listed in HEA section 480(c). This does mean financial assistance under programs such as the Veterans Retraining Assistance Program (VRAP) and the Veterans Rapid Retraining Assistance Program (VRRAP) will no longer be excluded from OFA.

Prohibition on Requiring Additional Financial Information

The Act affirms that institutions may not require additional information beyond the FAFSA to award or disburse federal financial aid to applicants. The exceptions to this rule are if additional information is required to complete the verification process, document a determination of independence, or exercise professional judgment. Additional information may be requested for the separate awarding of state, tribal, and institutional financial aid to assist in your 90/10 calculation. FSA encourages institutions, state higher education agencies, and others to rely solely on the Student Aid Index and other FAFSA data elements whenever possible.

Several changes to the 2024-25 FAFSA may impact a school's ability to complete the institutional awarding and packaging process. Examples include removal of the housing question, removal of the ability for independent students to elect to provide parent information (including financial information), and removal of the question asking the student whether they are interested in work study. An institution may separately ask students to indicate a choice (e.g., clarify their housing plans to produce a more accurate COA), but **may not require** this information as a condition of awarding or disbursing federal student aid.

Calculation of a Federal Pell Grant

The Act makes several significant changes to the process for determining the amount of a student's Scheduled Award and disbursement amounts.

Pell Grant Formulas 1-5 used to determine a student's Pell Grant payment amount were not changed. However, as described below, the enrollment status step within the Pell Grant Formulas will now use an enrollment intensity formula where appropriate. The law changed the Scheduled and Annual Pell Grant Award calculations, which are described later in the Dear Colleague and we've included below. For additional details, including examples of payment schedule calculations for each Pell Formula, utilize the following resource: [2024-25 Draft Student Aid Index \(SAI\) and Pell Grant Eligibility Guide](#).



Note that the Department's regulations for the Pell Grant program currently make reference to enrollment status. Until the Pell regulations are corrected, schools should interpret any reference to enrollment status in those regulations to mean enrollment intensity.

Steps to Determine a Student's Eligibility for Pell Grant Funds

In the 2024-25 award year and thereafter, the Department will no longer publish a Pell Grant Payment and Disbursement Schedule for use in determining a student's Pell Grant eligibility. Instead, Pell Grant eligibility will be determined using the following steps:

1. Determine the student's Pell Grant Scheduled Award
2. Determine the student's Pell Grant Annual Award using Pell Formulas 1 through 5 and the student's **expected** enrollment intensity
3. Apply the appropriate Pell Formula to divide the Annual Award among the payment periods in which the student plans to enroll
4. Change the student's disbursement amount for a payment period based on the student's **actual** enrollment intensity for that period
5. Reduce the disbursement amount for the payment period if the student has reached their annual or lifetime maximum

FSA breaks down these steps for a better understanding of each element.

Calculation of Pell Grant Scheduled Award

The Pell Grant Scheduled Award is the maximum amount a student can receive during the award year if the student attends full-time for a full academic year. This definition remains unchanged, but the Act significantly changed the calculation of a Scheduled Award.

Beginning with the 2024-25 award year, each student's Scheduled Award is one of the following:

- An automatic Maximum Pell Grant Award (Max Pell)
- SAI-calculated Pell Grant, determined by subtracting the student's SAI from the annual published Max Pell
- A Minimum Pell Grant Award (Min Pell)

Maximum and Minimum Pell Grant eligibility are determined based on tax filing requirements, family size and composition (i.e., single parent or non-single parent), poverty guidelines, and state of residence. If a student qualifies for a Maximum Pell Grant, the SAI is not used to determine the amount of that grant. An SAI-calculated Pell Grant is determined by subtracting the student's calculated SAI from the annual published Max Pell, then rounding to the nearest \$5. If the SAI-calculated Pell Grant is less than the published Min Pell, the student is ineligible for an SAI-calculated Pell Grant. However, the student may still be eligible for a Min Pell if they meet the minimum Pell Grant eligibility requirements.



Calculation of Pell Grant Annual Award

The Pell Grant Annual Award is the Pell Grant Scheduled Award adjusted for enrollment intensity. This represents a change in the way a Scheduled Pell Grant gets reduced for students enrolled less than full-time. Beginning with the 2024-25 award year, the enrollment categories of full-time, three-quarter-time, half-time, and less-than-half time will be replaced with a continuous measure of enrollment intensity. Except for students enrolled in clock-hour or nonterm credit-hour programs, students enrolled less than full time must have their Pell Grant Scheduled Award prorated based on their enrollment intensity.

Enrollment Intensity Adjustments for Pell Grant Awards

Enrollment intensity is the percentage of full-time enrollment at which a student is enrolled, rounded to the nearest whole percent. For example, if full-time enrollment is 12 or more credit hours and the student is enrolled in 7 hours, the enrollment intensity would be $(7 \div 12) \times 100\% = 58\%$. For the 2024-25 award year and thereafter, a student's Scheduled Pell Grant award is multiplied by the student's enrollment intensity percentage to determine the Annual Pell Grant Award. Though a student's enrollment may exceed full-time enrollment, as defined by the school, enrollment intensity cannot exceed 100% for Pell Grant adjustment purposes. Please note that students enrolled in clock-hour or nonterm credit-hour programs are still always considered to be enrolled full-time for Pell Grant awarding purposes and, therefore, will always have an enrollment intensity of 100% when calculating Pell Grant amounts within Formula 4.

Please note that if an institution awards credits in decimals (e.g., 7.5 credits, 10.5 credits) the institution must incorporate the partial credits that it awards into the enrollment intensity formula (e.g., $(7.5 \div 12) \times 100\% = 63\%$).

Changes to Year-Round Pell Grant Awards

The Act made an important change to Year-Round Pell. Previously, a Pell Grant-eligible student must have been enrolled at least half-time in a payment period during which they received more than 100% of their Scheduled Award. The law removes the half-time enrollment requirement beginning with the 2024-25 award year but made no other changes to the Year-Round Pell provisions.

Changes to Iraq and Afghanistan Service Grants and Children of Fallen Heroes Award Eligibility

The Act changes eligibility for what were formerly called Iraq and Afghanistan Service Grants (IASG) and Children of Fallen Heroes (CFH) Awards as well as the resulting award amount. Beginning with the 2024-25 award year, students who meet the eligibility requirements for Pell Grants under the Special Rule in HEA Section 401(c) will receive Max Pell, regardless of their calculated SAI. To receive a Pell Grant based on eligibility under the Special Rule, a student must be--

- The child of a parent or guardian who died in the line of duty while (a) serving on active duty as a member of the Armed Forces on or after September 11, 2001; or (b) actively serving as and performing the duties of a public safety officer; and



- Less than 33 years old as of the January 1 prior to the award year for which the applicant is applying (e.g., for the 2024-25 award year, a student must be less than 33 years old as of January 1, 2024, to be eligible).

The Department of Defense is no longer able to provide confirmation that a service member killed in the line of duty meets the revised special eligibility criteria after the 2023-24 award year. Further, no comprehensive database exists to identify public safety officers killed in the line of duty. Therefore, students will self-identify potential eligibility on the FAFSA, and the school will be required to verify eligibility by collecting supporting documentation from the student. Schools will report Special Rule eligibility to the Department using the new FAFSA Partner Portal (formerly FAA Access to CPS Online) to generate an ISIR transaction reflecting the student's eligibility. Schools will award eligible students Max Pell, regardless of SAI. Other aid for these students will be based on their calculated SAI.

Schools will be able to continue awarding funds to students who meet the current IASG or CFH criteria in the new FAFSA Partner Portal. For more information and resources regarding the IASG and CFH process, please review OPE's Q&As about FAFSA Simplification on the [OPE website](#).

As you can see the changes are extensive, thus the importance of starting to appoint a team to review and implement now to ensure you are adequately prepared for the future. The 24/25 FAFSA is scheduled to be released in December 2023 and while that is still four months away, it will be here before we know it! FSA has created an excellent page for access to all resources concerning the FAFSA Simplification Act. You can visit the page by clicking here [FAFSA Simplification Information](#) and/or accessing it through the Knowledge Center. DJA will also be offering a webinar next month covering all the changes and offering guidance for implementation. Be looking in our September newsletter for that announcement.

CALENDAR and RESOURCES

DJA MONTHLY WEBINARS

Cash Management- Wednesday, September 6, 2023 11 a.m. CST

NOTE: There may be a difference between DJA local time and your time zone. To determine your time zone equivalent, click on this link to view a time zone map: <http://www.worldtimezone.com/time-usa12.php>

Webinars are free to clients, as well as our newsletter recipients. Invitations are automatically sent to all clients, however if you do not receive an invitation, email Lynessa Roberts at lroberts@gotodja.com. After registering, you will receive the log-in information. If you would like to attend a webinar and are not a DJA client, please email Lynessa and she will ensure you receive an invite to register. Questions can be directed to Lynessa by email or by calling toll free at 1-800-242-0977.



2023 DJA WEBINAR SCHEDULE

SEPT 6	Cash Management
OCT 4	Enrollment Reporting Using NSLDS
NOV 1	Program Integrity (Audits, Program Review)
DEC 6	1098-T Reporting

FSA FALL WEBINAR SERIES

FSA has announced the extension of their Wednesday Webinar Series beginning next month and continuing through November. You do not need to register for these webinars. Participation will be available on a first come, first-served basis and FSA can accommodate up to 10,000 attendees in each session.

Refer to the [Dear Colleague](#) for more information about each webinar, including instructions to add reminders to your calendar for the sessions that you would like to attend. These webinars will be scheduled Wednesdays from 1-3 pm ET.

SEPT 13	Federal Update
OCT 4	Cash Management and Reconciliation Essentials
NOV 8	Topic to Be Announced

Disclaimer: The information presented in this Newsletter is provided as a service and represents our best efforts to assist institutions with federal student aid regulations. We have collected information we believe to be important in finding and obtaining the resources for administering federal student aid; however, we assume no liability for the use of this information. The information in this newsletter does not constitute, and should not be construed as, legal advice.

