

YOUR MONEY ADVISER

Changes in FAFSA May Reduce College Aid for Some Families

A new formula will no longer offer a break to many parents who have multiple children in college at the same time, experts say.

By Ann Carrns

Jan. 29, 2021

A new, shorter version of the federal student aid form is aimed at encouraging more families to complete it and qualify for financial help. But tweaks to its underlying formula could reduce aid for some families, particularly more affluent ones with more than one child in college.

The huge legislative package passed in a hurry by Congress in late December included changes aimed at simplifying the Free Application for Federal Student Aid, known as the FAFSA. A main gateway to grants, loans and other financial help for higher education, the FAFSA uses details of parent and student finances to compute eligibility for need-based financial aid. But in recent months, fewer students — especially those from low-income families — have submitted the notoriously complex form for the 2021-22 academic year, meaning they are less likely to get aid and attend college.

In a bid to make the form less daunting, legislators trimmed it to two pages with three dozen questions, from eight pages and more than 100 questions. The streamlining was championed by Senator Lamar Alexander, Republican of Tennessee, who retired from the Senate this month.

Student aid advocates cheered the renaming of the form's dreaded "expected family contribution" to the supposedly less confusing "student aid index," as a guideline for the level of help a student might receive. The lower the index amount, the less you are asked to pay and the more aid you qualify for.

But while the form is leaner, the calculations behind it remain complex. The revised formula still considers overall family size in computing potential aid and, among other changes, increases the income sheltered from the calculations. But it no longer offers a break for having multiple students in college at the same time, said Mark Kantrowitz, publisher of Savingforcollege.com and an expert on college financing.

The result? A slight increase in aid eligibility for lower-income families with multiple siblings in college, and a significant drop in eligibility for middle- and upper-income families with two or more students on campus, Mr. Kantrowitz said.

The shift won't occur for nearly two years, but has already prompted some opposition. One college financial aid consultant has started an online petition to repeal the change. (Financial aid experts say that would require more legislative action.)

To illustrate the general impact of the change, Mr. Kantrowitz prepared an example featuring a hypothetical family of four, with two working parents and twins. The parents' annual income is \$100,000, and they have assets of \$50,000, while their two children had income of \$3,000 and assets of \$7,500.

Under the old formula that is still in effect, the family’s “income protection allowance” — the amount of income shielded from the aid calculation, taken from a table published by the Department of Education that factors in the number of children in college — is \$26,570. Then, federal, state and employment taxes are deducted, as are employment expenses, eventually boiling down to a parent contribution of just under \$14,000. That amount is then divided by the number of children in college — in this case two — which cuts the contribution to about \$7,000 for each child.

By comparison, a family with identical finances but two children separated in age by four years would have just one child in college at a time and a parent contribution of just over \$12,000, Mr. Kantrowitz calculated.

BOOKS: *Reviews, news and features from The New York Times*
Book Review.

[Sign Up](#)

The change to the formula, however, means each family would end up with a parent contribution of just over \$12,000 per child. (Other, separate tweaks to the formula may further increase the parent contribution for both families.)

The elimination of the sibling break has a smaller impact on families with lower incomes, Mr. Kantrowitz said. Under the current formula, the family with twins but \$50,000 in income and \$25,000 in assets would have a parent contribution of \$855; the second family, with children spaced apart, \$980. Under the new formula, both families would have parent contributions of \$435 per child.

So while there are “crosscurrents,” Mr. Kantrowitz said, the fact that the parent contribution is no longer divided by the number of children in college “has the biggest impact for middle- and high-income families with multiple children in college at the same time.”

Sandy Baum, a nonresident senior fellow at the Urban Institute, said she understood the financial strain that families might feel when multiple children were in college. But given that college costs are now paid by saving and borrowing over a decade or more, she said, it doesn’t make sense to give, essentially, a bonus to families just because they have two children attending college simultaneously.

“There’s no reason why a family with twins should get more money,” she said. “It’s not fair to families with different spacing” of children.

In the big picture, the changes to the formula increases access to college aid for low-income students who sorely need the help, said Justin Draeger, president and chief executive of the National Association of Student Financial Aid Administrators. For instance, he said, the updated formula greatly expands eligibility for federal Pell grants for low-income students, making them newly available to about half a million more people and giving more access to the maximum grant.

That may be “small consolation” to families affected by the elimination of the sibling break, Mr. Draeger acknowledged. “I don’t want to be callous,” he said, yet the result of the policy change is a formula that “treats families in similar circumstances more equitably.”

Eliminating the sibling bump also makes it possible to create a simple chart that families can check to see if they qualify for Pell grants, according to a statement from the association. Factoring in the number of students in college would have made it “unworkable,” it said.

The Education Department had no immediate comment.

Here are some questions and answers about the new FAFSA:

When do the changes to the FAFSA take effect?

The changes affect the form for the 2023-24 academic year, which means students and families will see the changes reflected in the FAFSA available on Oct. 1, 2022.

What if having multiple children in college strains my budget?

The FAFSA will still ask how many children in the family are in college, even though the information won't be factored into the aid formula, according to an online summary provided by the office of Senator Patty Murray, Democrat of Washington and a co-sponsor of the simplification bill.

Families can use the information to appeal to college financial aid officers for extra aid, although it's unclear how that will occur, Mr. Kantrowitz said.

What about colleges that use a different form, the CSS Profile, to dole out financial aid?

In addition to the FAFSA, many private, higher-cost colleges require students to submit the CSS Profile, short for the College Scholarship Service Profile, which is administered by the College Board. It is a more detailed form used to allocate financial aid from colleges. The CSS Profile may offer more aid to families with multiple children in college, and it's unclear if it will change its approach to stay in step with the FAFSA.

Jaslee Carayol, a spokeswoman for College Board, said it was “closely monitoring” the legislation's impact on the financial aid application process and awaiting guidance from the Education Department.

“The CSS Profile will continue to allow families to share their entire financial story so that schools can equitably award their institutional aid using sound economic principles,” she said.