

The 2025/2026 FAFSA Changes: What You Need to Know

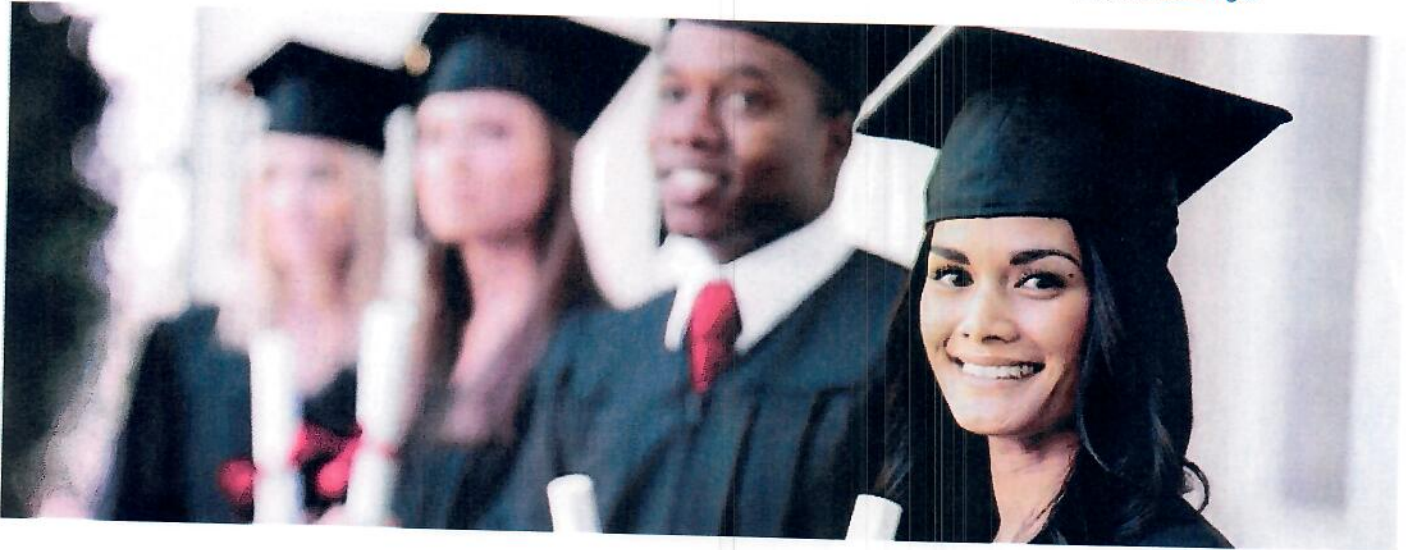


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The Free Application for Federal Student Aid, better known as the FAFSA, underwent some major changes for the 2024-2025 school year which you may have heard led to significant delays. The release date for the 2025-26 FAFSA is also delayed this year, not being available widely until on or before December 1, 2024. In this article, we have recapped some of the significant changes from the previous year. If you will be filing FAFSA for the first time, these may not seem significant to you; however, those who have previously filed a FAFSA may find it helpful to understand the adjustments that have been made.

What is the FAFSA?

The [FAFSA](#), or Free Application for Federal Student Aid, is an application that allows students the opportunity to obtain need-based financial aid at colleges and universities in the United States.

Since 2021, the [FAFSA Simplification Act](#) resulted in phased changes in the federal student aid award process with some of the most significant changes occurring in the 2024-25 award year.

Summary of the FAFSA changes that began in the 2024/25 award year

Here are some summary points highlighting the major 2024/2025 FAFSA changes:

- The FAFSA became available in December of 2023 which is months later than usual
- The number of questions was reduced from 108 to 36
- The questions on the FAFSA now align more with federal income tax returns
- Increased aid eligibility for single parents
- Decreased aid eligibility for middle and high-income families
- Reduced likelihood of verification
- New Federal [Pell Grant](#) formula
- Everyone needs an FSA ID to complete the FAFSA application
- Student can list up to 20 schools on the online FAFSA application

Here are some name changes from the 2024/2025 FAFSA:

- Expected Family Contribution (EFC) is now **Student Aid Index (SAI)**
- **Simplified Needs Test (SNT)** is now Applicants Exempt from Asset Reporting
- Parents/guardians are now referred to as **contributors**

A deeper dive into the 2024/2025 FAFSA changes

Increase in Financial Aid for Single Parents

There are two types of single parents according to the new FAFSA. This includes **dependent** students with just one parent or independent students who are single parents.

There will be a bigger increase in the Income Protection Allowance (IPA):

- **Parents** – Increases by 20%
- **Most students** – Increases by up to \$2,400 (35%)
- **Students who are single parents** – Increases by up to \$6,500 (60%)

There will be a greater eligibility for the maximum Federal Pell Grant:

- **Single parent** – Adjusted Gross Income (AGI) less than or equal to 225% of the poverty line
- **Not single parent** – AGI less than or equal to 175% of the poverty line

Less Aid for Multiple Children in College

With the new FAFSA changes, the number of children in college at one time will no longer be considered for need-based financial aid. The parent contribution will no longer be divided by the number of children in college at the same time. The income protection allowance will no longer be reduced based on the number of children in college at the same time. However, families can still

appeal for more aid based on having multiple family members in college at the same time.

For example, on the 2023/2024 FAFSA, if a family had two members in college and had an expected family contribution of \$10,000, then that total was split in half between the two-college attended individuals. However, under the new FAFSA formula, that contribution would be for each family member in college, making the total \$20,000 rather than \$5,000 per child. This can increase the financial burden for families with more than one member in college.

Student Aid Index (SAI)

The Student Aid Index (formerly known as Estimated Family Contribution) is a number that determines each student's eligibility for certain types of financial aid. A student's SAI is calculated using modified need analysis formulas. These formulas use information that applicants provide on the FAFSA.

The analysis formula has gone through significant changes including:

- Removal of the number of family members in college at the same time
- The possibility for the SAI to be a negative number with a minimum SAI of -1,500 rather than 0
- Elimination of alternate EFCs for enrollment for a period other than 9 months
- Elimination of the Simplified Needs Test (SNT) and Auto-Zero calculations

Changes in Reportable Income

Many types of untaxed income will no longer need to be reported on the FAFSA

- Cash support and other money paid on the student's behalf
- Veterans education benefits
- Workman's Compensation

There will be an elimination of cash supports yields certain benefits

- Gifts to the student will no longer be reported as untaxed income
- Qualified distributions from 529 plans that are owned by a grandparent, aunt, uncle will not affect aid eligibility

Changes in Reportable Assets

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

- Assets now include the annual amount of child support received
- The net worth of a business is no longer limited to those with more than 100 full-time employees. Meaning, applicants will be asked to report the net worth of all business, regardless of the size of the business
- Farm owners will now have to include the value of a family farm, including the fair market value of land, buildings, livestock, unharvested crops, and machinery actively used
- For dependent students, education savings accounts will only be counted as a parental asset if the account is designed for the student

Applicants Exempt from Asset Reporting (previously known as the Simplified Needs Test)

- Changes in income thresholds
- Changes in means-tested federal benefits

Auto-Zero

Auto-zero is no longer a part of the FAFSA. Therefore, replacement for auto-zero EFC includes:

- If a dependent student's parents or an independent student (and spouse) are not required to file a federal income tax return then the SAI (Student Aid Index) will be negative \$1,500
 - Federal financial aid cannot exceed the cost of college, this negative score can be used to distinguish among the neediest students to ensure that states and colleges accurately target students who require the most need-based aid

- The SAI (Student Aid Index) set to zero if the student qualifies for maximum Federal Pell Grant

Asset Reporting Exemption

Applicants Exempt from Asset Reporting

- Income threshold for disregarding assets will be increased from \$50,000 to \$60,000
- If anyone in the applicant's household received certain means-tested federal benefits in the last 2 years, there will no longer be an income threshold
 - Means-tested federal benefits include: SSI, SNAP, TANF, WIC, Medicaid, and Federal Housing Assistance
 - Free and reduced price school lunch has been dropped from the list of means-tested federal benefits

Households with one parent

When parents are divorced, separated, or never married and do not live together, only one parent must complete the FAFSA. This parent should be the one who provides more financial support to the student not based on where the student lives the most.

If this parent has remarried as of the date the FAFSA is filed, the stepparent's income, assets and dependents must be reported on the FAFSA.

Definitions of family size has changed

- Family size is the student, parent, dependents from tax return (qualifying child, qualifying relative)
- Financial aid does not count as student's self-support

IRS Definition of Dependent

Dependents include qualifying children and qualifying relatives.

Qualifying children

- Must live with the parent for more than half of the year
- Must not provide more than half of their own financial support
- Financial aid no longer counts as part of the student's self-support
- Must be under age 19 (24 if full-time student)
- If the child is married, they must not file a joint return with their spouse

Qualifying relative

- Dependents may include other people if they live with the parent and receive more than half their support from the parent

Cons to the FAFSA changes

- The “sibling discount” is ending which makes it more expensive for families with more than one child to send kids to college
- The FAFSA is opening later again this year than it traditionally has in the past. Be sure to check your state and college deadlines which may also be impacted
- The major changes led to a lot of technical glitches, particularly for contributors who are not citizens or permanent residents

Pros to the FAFSA changes

- The application has fewer questions making it clear and more concise to fill out!
- Lower-income families will be eligible for more aid under the new formulas
- Pell Grants are granted automatically based on income and household size
- Family contribution amounts could be as low as -1,500 instead of 0
- Anyone can get an FSA ID so there should be far fewer paper applications

How to prepare for the 2025-26 FAFSA application

All of the new FAFSA changes can be overwhelming especially for those families who have previously completed FAFSA therefore it may be a good idea to take the steps below to help students and parents prepare before the FAFSA opens.

Obtain an FSA ID

Student and parent (contributors), or for students who are married, student and spouse, can obtain FSA IDs before the FAFSA opens, so that can be one less thing to worry about! Once you apply for your FSA ID, it can take up to three days to process – another good reason to secure that early!

Determine your dependency status

Knowing if you are an [independent or dependent student](#) prior to completing the FAFSA can help save you time because you will know which sections of the form to fill out. Additionally, it will allow you time to tell your parents or guardians that they will need to fill out the form as well.

Be aware of the December launch date!

Now that you are well prepared to answer the FAFSA questions, make sure you do not miss the first day that the FAFSA is open! Remember, completing the FAFSA early will allow you to obtain financial aid earlier and ensure your chances are the best for receiving generous financial aid!

