

## **A summary of changes which can impact students for the 2024-2025 award year.**

The FAFSA Simplification Act represents a significant overhaul of the processes and systems used to award federal student aid starting with the 2024–25 award year. This includes the Free Application for Federal Student Aid (FAFSA®) form, need analysis, and many policies and procedures for schools that participate in federal student aid programs.

Starting with the 2024-2025 school year (Fall 2024, Spring 2025, & Summer 2024), students and families will see a different measure of how their financial aid eligibility is calculated. The Student Aid Index (SAI) is a new formula that considers some new factors:

1. Removes the number of family members in college from the SAI calculation
2. Allows a negative SAI which increases likelihood of more Federal/State funding.
3. Overhauls the criteria for Federal Pell Grant eligibility so that more students may qualify for it. The Pell grant is based on the Enrollment Intensity calculation rather than enrollment status when determining Federal Pell Grant eligibility.

### **Pell Grant**

The FAFSA Simplification Act is anticipating that there will be more Federal Pell Grants given to more students and will link eligibility to family size and the Federal poverty level (Starting with the 2024–25 school year)

Pell Grant lifetime eligibility will be restored to students whose schools closed while they were enrolled or if the school is found to have misled the student (Starting with the 2023–24 award year).

### **Maximum and Minimum Federal Pell Grant Award**

The maximum Federal Pell Grant award will remain at a maximum of \$7,395 for the 2024-2025 award year. However, a student may be eligible to receive Pell Grant funds for up to 150 percent of the student's Pell Grant Scheduled Award for an award year. The FAFSA Simplification Act removed the requirement for a student to be enrolled at least half-time to receive Pell Grant funds of more than 100 percent of the student's Scheduled Award. Therefore, to be eligible for the additional Pell Grant funds, the student must only be otherwise eligible to receive Pell Grant funds for the payment period to receive funds more than 100 percent of the student's Scheduled Award. The Minimum Federal Pell Grant is \$740.

### **FAFSA Filing**

Federal law mandates that data received directly from the Internal Revenue Service (IRS) be used to calculate Pell Grant eligibility and the SAI. This data exchange has been made possible by the Fostering Undergraduate Talent by Unlocking Resources for Education Act (FUTURE Act), which will be implemented alongside FAFSA simplification starting with the 2024–25 school year.

Furthermore, the FAFSA Simplification Act also removed several questions including those about:

1. Selective Service Registration
2. Drug convictions

It also adds questions about applicants' sex, race, and ethnicity, which have NO effect on federal student aid eligibility (Starting with the 2023–24 award year)

### **Direct Loans Interest Subsidy during Six Month Grace Period**

Subsidized Direct loans disbursed as of July 1, 2014 are eligible for the interest subsidy during the six-month grace period. Effective July 1, 2021, The FAFSA Simplification Act, part of the Consolidated Appropriations Act, 2021, provides for a repeal of the 150% Subsidized Usage Limit Applies (SULA) requirements. Please contact your Financial Services department for details.

### New Interest Rates and Origination Fees

The interest rates for loans disbursed on or after July 1 of each year, will be calculated based on the Treasury bill rate as of June 1 (plus an additional add-on rate). Since interest rates will be calculated every year, it is very likely you will have different interest rates on subsequent loans as well as any prior federal loans disbursed before July 1, 2013. Once calculated, the interest rate for that loan will not change. Please see the chart below for the current interest rate specifics.

**Interest Rates for Direct Subsidized Loans,  
Direct Unsubsidized Loans, and Direct PLUS Loans  
First disbursed on or after July 1, 2024 and before July 1, 2025**

Loan Type	10-Year Treasury Note High Yield	Add-On	Fixed Interest Rate
Direct Subsidized Loans and Direct Unsubsidized Loans for Undergraduate Students	4.483%	2.05%	6.53%
Direct Unsubsidized Loans for Graduate and Professional Students	4.483%	3.60%	8.08%
Direct PLUS Loans for Parents of Dependent Undergraduate Students and for Graduate or Professional Students	4.483%	4.60%	9

The following chart shows the sequester-required loan fees for FY 2024 and FY 2025

Direct Loan Fees for FY 24 and FY 25			
Loan Type	First Disbursed	Loan Fee Percent	Fee Example
Direct Subsidized Loans and Direct Unsubsidized Loans	FY 24 On or after October 1, 2022 and before October 1, 2023	1.057	\$58.13 on a \$5,500 loan
	FY 25 On or after October 1, 2023 and before October 1, 2024	1.057	\$58.13 on a \$5,500 loan
Direct PLUS Loans (Parent and Grad/Prof Student)	FY 24 On or after October 1, 2022 and before October 1, 2023	4.228	\$422.80 on a \$10,000 loan
	FY 25 On or after October 1, 2023 and before October 1, 2024	4.228	\$422.80 on a \$10,000 loan
Loan fee calculations that result in more than two decimal places must be <u>truncated</u> to two digits after the decimal point (cents).			

PLUS Loans (continued from 2015-2016)

PLUS borrowers must not have adverse credit prior to borrowing a PLUS loan. Adverse credit is defined as having one or more debts that:

- are 90 days or more delinquent;
- are in collections or have been charged off during the two years preceding the date of the applicant's credit report; and
- The total combined outstanding balance of those debts is greater than \$2,085.

All PLUS loan borrowers must complete PLUS loan entrance counseling.

The Department of Education provides the opportunity for borrowers with adverse credit to be reconsidered for the PLUS loan under the "extenuating circumstance" provision of the Higher Education Act 685.200(c) (vii).

Extenuating Circumstances are reviewed by ED and a case by case determination is made based on the specific factors related to the borrower. Some of the factors are; borrower has made efforts to pay the delinquent debt, cumulative past due debt, or if the family has a prior PLUS loan.

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