There are general eligibility criteria that apply to most federal student loan programs. In some cases, students must show financial need. The expected family contribution (EFC) is a measure of the borrower’s family’s financial situation and indicates how much of the borrower’s (and family’s, if the borrower is a dependent) resources should be available to help pay for education.

The EFC formula is calculated according to a statutory formula. This figure is adjusted annually for inflation. There is some flexibility to consider special circumstances. In addition, financial aid administrators have the discretion to use their professional judgment to make adjustments on a case-by-case basis to the data items that are used in determining a student’s eligibility. They may also refuse to certify a student to receive a loan, or reduce the amount of the loan, as long as the reasons are documented and not due to discrimination on the basis of race, national origin, religion, sex, marital status, age, or disability status. In some cases, the use of professional judgment allows a student to borrow more funds than would otherwise be permissible. For example, the Department of Education (the Department) has stated that it is appropriate for schools to take into account a changed circumstance that affects a student serving in the Reserves or National Guard if that student returns to college or is deployed.

Individuals who wish to apply online for aid must first create an FSA ID. The FSA ID system replaced the personal identification number (PIN) system in May of 2015. An FSA ID is a login name and password that students and parents can create in order to access federal student aid websites. They must then complete the Free Application for Federal Student Aid (FAFSA) form. The Department encourages all FAFSA applicants to use the IRS data retrieval tool to transfer official IRS tax return information into the FAFSA application. In March 2017, the IRS suspended the use of its data retrieval tool due to concerns relating to privacy and security. To complete the 2016–2017 and 2017–2018 FAFSA forms, students were required to enter 2015 tax information (manually) from the tax return that had been filed in 2016. The data retrieval tool was slated to return on October 1, 2017 for students completing the FAFSA, and is now available at studentaid.ed.gov.

As a result of the information provided on the FAFSA, a student aid report (SAR) is generated. The SAR includes the expected family contribution, the number used to determine federal student aid eligibility. Previously, when completing a FAFSA, applicants provided income information from the prior tax year (for example, 2015 income information for the upcoming 2016–2017 FAFSA). Beginning with the 2017–2018 FAFSA, applicants are able to provide income information from one tax year earlier—the so-called “prior-prior year.” This means that the 2017–2018 FAFSA form collected 2015 tax year income information, not 2016 information, and the 2018–2019 FAFSA form requires 2016 tax year income information. This change is intended to allow students to apply for financial aid earlier and not to have to wait to determine student aid eligibility.

The Supreme Court’s decision to strike down the Defense of Marriage Act (DOMA) in summer 2013 followed an announcement by the Department earlier in the year that it would better accommodate same-sex couples and unmarried couples on the FAFSA. The Department had announced in April 2013 that, beginning with the 2014–2015 federal student aid form, the Department would for the first time collect income and other information from a dependent student’s legal parents regardless of the parents’ marital status or gender, if those parents live together.

Starting in 2014–2015, the FAFSA added an option for dependent applicants to describe their parents’ marital status as “unmarried and both legal parents living together.” Additionally, where appropriate, the FAFSA form now uses non-gender-specific terms. These changes give the Department a more accurate picture of students’ ability to pay for college. The result is more financial aid for some and less for others.

Footnotes


Additional flexibility is given in cases involving “affected individuals,” defined to include those serving on active duty during a war or other military operation or national emergency, performing qualifying National Guard duty during a war or other military operation or during a national emergency, residing or employed in an area that is declared a disaster area, or suffering direct economic hardship as a result of a war or other military operation or national emergency. 68 Fed. Reg. 69,312 (Dec. 12, 2003).


179 20 U.S.C. § 1087tt(c).


184 Press Release, U.S. Dep’t of Educ., Data Retrieval Tool Available for Income-Driven Repayment Plan Application (June 2, 2017) (stating that new encryption protections have been added to protect taxpayer information).

185 U.S. Dep’t of Educ., President’s Announcement of FAFSA Filing Changes (Sept. 14, 2015).


187 Id.