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Student Aid Index and Free Application for Federal Student Aid: Frequently Asked Questions

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Student Aid Index and Free Application for Federal Student Aid: Frequently Asked Questions

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Benjamin Collins
Specialist in Labor Policy

The Student Aid Index (SAI) is a student-level indicator that estimates the capacity of a student's family to contribute to postsecondary education expenses. The SAI is calculated on the basis of information provided by postsecondary students and applicable family members on the Free Application for Federal Student Aid (FAFSA), utilizing formulas established in the Higher Education Act (HEA). The SAI is part of the need analysis system that is used to determine eligibility for need-based student aid. A student with an SAI of zero or less typically qualifies for the maximum amount of need-based federal aid, including a maximum Pell Grant. The FAFSA, SAI calculations, and many associated federal student aid programs are authorized by Title IV of the HEA and administered at the federal level by the Department of Education.

This report answers frequently asked questions about the SAI and associated FAFSA process. It includes, as applicable, discussion of amendments to the HEA by the FAFSA Simplification Act (Title VII, Division FF of P.L. 116-260), which became fully effective with the 2024-2025 award year. The questions are divided into five categories:

- **Background and Terminology.** These questions relate to broad concepts, including background on the FAFSA and how the SAI is used by the federal government and other education stakeholders.
- **Dependency Status.** There are separate FAFSA requirements and SAI formulas for independent and dependent students. The answers to these questions cover how dependency status is determined, policies associated with each dependency status, and the dependency override process.
- **Completing the FAFSA.** These questions relate to what information is collected on the FAFSA and how it is provided.
- **Calculating the SAI.** These questions relate to the mechanics of the SAI formulas. The responses to the questions cover circumstances in which SAI is determined on a simplified set of factors as well as how the full SAI formula works for students who do not qualify for a simplified calculation. This section describes the roles of income and assets in the SAI calculation.
- **Other Issues.** These questions address the “professional judgement” process, the relationship between FAFSA data and other means-tested benefit programs (e.g., SNAP), and recent changes made by the FY2025 budget reconciliation law.

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This report answers frequently asked questions about the Student Aid Index (SAI), which is used in determining postsecondary students' eligibility for need-based federal aid. The calculation process for the SAI is established in the Higher Education Act (HEA).¹

The SAI for each individual student is derived from information provided on the Free Application for Federal Student Aid (FAFSA). The FAFSA, like other components of federal student aid under Title IV of the HEA, is administered by the U.S. Department of Education (ED).

This report aims to address common inquiries and general concepts related to the SAI and FAFSA. It does not intend to be a comprehensive description of the SAI formula.²

Background and Terminology

What is the Student Aid Index?

The SAI is a numerical indicator that “reflects an evaluation of a student’s approximate financial resources to contribute toward the student’s postsecondary education for the academic year.”³ The SAI is calculated based on information provided by a postsecondary student and applicable family members on the FAFSA. Information provided on the FAFSA that informs the SAI includes personal characteristics, family composition, and financial information related to income and assets.

The SAI is calculated for each award year (AY) that a student files a FAFSA. The AY runs from July 1 through June 30. For example, the current AY (AY2025-2026) began July 1, 2025, and runs through June 30, 2026.

This report refers to the SAI as a dollar amount.⁴

How is the SAI used?

The SAI is part of the need analysis system that is used to determine eligibility for need-based federal student aid. Lower SAI numbers indicate a lower ability to contribute to postsecondary expenses and potentially greater eligibility for need-based student aid. A student with a zero or negative SAI is eligible for the maximum amount of need-based federal aid.⁵

¹ Part F, Title IV of the Higher Education Act (§471-§480) establishes the need analysis system that is used in federal student aid. Sections 475, 476, and 477 establish the actual SAI formulas.

² ED publishes a detailed SAI formula guide each year. These guides operationalize the statutory formulas. The guide for the current award year is available at <https://fsapartners.ed.gov/sites/default/files/2024-08/20252026StudentAidIndexSAIandPellGrantEligibilityGuide.pdf>.

³ HEA §473(a).

⁴ The HEA refers to SAI levels in dollar terms. For example, HEA Section 473 establishes a policy that “the Secretary shall for the purposes of this title consider the student aid index as equal to – \$1,500 for the applicant” who does not file a tax return in the reference year. However, some documents from ED do not provide the SAI as a dollar amount. For example, see <https://studentaid.gov/help-center/answers/article/what-is-sai>. The SAI is operationalized and applied the same way whether or not it is conveyed as a dollar amount.

⁵ In some instances, Pell Grant eligibility and SAI level can be determined simultaneously. See the question, “When is eligibility for a maximum Pell Grant determined prior to calculating the SAI, and how do these determinations affect the SAI?” in this report.

Pell Grants are the largest form of need-based federal grant aid for undergraduate students.⁶ A student's Pell Grant eligibility may be determined by subtracting the student's SAI from the maximum Pell Grant amount (\$7,395 in AY2025-2026).⁷ For example, in AY2025-2026 a student with an SAI of \$2,000 would be eligible for a scheduled Pell Grant of \$5,395, and a student with an SAI of zero would be eligible for the maximum scheduled Pell Grant of \$7,395.⁸

Beyond Pell Grants, the SAI is used as part of the process to determine eligibility for other forms of need-based federal aid such as Subsidized Direct Loans and Work Study awards.⁹ Generally, a student is considered to have need if the institution's "cost of attendance" is greater than the sum of the (1) the student's SAI and (2) "other financial assistance" as defined by the HEA.¹⁰

The minimum SAI is -\$1,500. A student with a zero SAI and a student with a negative SAI are generally eligible for the same Pell Grant and other need-based federal aid.¹¹ An SAI below zero is primarily an informational indicator that states and institutions may use in awarding aid. For example, a state or institution may consider a student with a negative SAI to be more needy than a student with a zero SAI and award more need-based aid to the student with the negative SAI.

What is the FAFSA?

The FAFSA is the form that collects information from a student and applicable family members to calculate the student's SAI. The FAFSA typically collects information electronically, but it is also available as a paper form.

A new FAFSA is released for each award year. The HEA requires ED to release the FAFSA by October 1 prior to the beginning of the award year.¹² For example, the FAFSA for AY2026-2027 was required to be released by October 1, 2025. The form was released in late September 2025.¹³

⁶ For more information on Pell Grants, see CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*.

⁷ See "Award Amounts" at <https://studentaid.gov/understand-aid/types/grants/pell>.

⁸ Actual award levels for students may be lower than scheduled grant levels. Actual grants can be limited by the student's enrollment intensity, a school's cost of attendance, and other factors. For more information on how actual Pell Grant levels are determined, see CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*.

⁹ An overview of different forms of federal student aid is provided in CRS In Focus IF12780, *Federal Student Aid Authorized by Title IV of the Higher Education Act*.

¹⁰ The need calculation is established in HEA Section 471. "Other financial assistance" is defined in Section 480(i) and refers to financial aid not received under Title IV of the HEA (e.g., state or institutional aid).

¹¹ Institutions have discretion in awarding federal campus-based aid like Work Study funding. An institution may use a negative SAI to target such aid. For more information on campus-based programs, see CRS Report RL31618, *Campus-Based Student Financial Aid Programs Under the Higher Education Act*.

¹² Historically, the FAFSA was required to be released by January 1 prior to the award year, but ED had the authority to release the form earlier, "on or around October 1." Starting with the FAFSA for AY2017-2018, ED typically released the form around October 1. The FAFSA for AY2024-2025 (the first year in which the FAFSA Simplification Act [Title VII, Division FF of P.L. 116-260] was fully implemented) was released around January 1, 2024. In December 2024, the FAFSA Deadline Act (P.L. 118-145) amended HEA Section 483 to specify that the FAFSA shall be available "not later than October 1 prior to the applicant's planned year of enrollment."

¹³ See ED, "U.S. Department of Education Announces Earliest FAFSA Form Launch in Program History," September 24, 2025, <https://www.ed.gov/about/news/press-release/us-department-of-education-announces-earliest-fafsa-form-launch-program-history>. ED also posted a video announcing the release at <https://www.youtube.com/watch?v=TbPcCyBK9kE>.

What entities other than ED receive information from the FAFSA, and how do they use it?

The HEA authorizes ED to share information from the FAFSA with states and institutions of higher education specified by the student.¹⁴ States and institutions can use this information in awarding state and institutional aid. Information is also shared with designated scholarship organizations.¹⁵

In addition to the SAI, states and institutions receive other information from the FAFSA, including individual response items. States or institutions may use the SAI for awarding their own aid or they may utilize this more granular information to inform their own need analysis formulas.

Some information collected on the FAFSA does not affect student eligibility for federal student aid but is collected for statistical purposes or because states and institutions may consider such information in awarding state and institutional aid.¹⁶

What is the FAFSA Simplification Act?

The FAFSA Simplification Act (FSA; Title VII, Division FF of P.L. 116-260) amended numerous provisions of the HEA, particularly provisions related to need analysis. The amendments under the FSA fully took effect in AY2024-2025. (A full description of the FSA amendments to the HEA is provided in CRS Report R46909, *The FAFSA Simplification Act*).

The FSA established the term “student aid index.” The SAI replaced the functionally similar “expected family contribution” (EFC) indicator that was used in award years prior to AY2024-2025.

Dependency Status

The HEA has three SAI formulas: one for dependent students and one each for independent students with and without dependents. For dependent students, the student’s parent(s) are required to report parental information, which is considered in the calculation of the student’s SAI. Independent students do not report parental information.

How is dependency status determined?

The HEA establishes a series of criteria for independent students.¹⁷ If a student meets any of these criteria, the student is considered independent.¹⁸ If the student does not meet any of these criteria, the student is considered dependent and must report parental information.

¹⁴ The specific institutions that receive a student’s FAFSA information are specified by the student. HEA Section 483(a)(3) establishes what information shall be supplied to states and institutions and the limitations on the usage of that information.

¹⁵ HEA §483(a)(2)(D)

¹⁶ For example, the FAFSA asks about the educational level of the student’s parents. This information does not affect eligibility for federal student aid but could be used by states or institutions that seek to target aid to first-generation college students.

¹⁷ HEA §480(d).

¹⁸ Once a student is determined to be independent, other information from the FAFSA is used to determine if the student is subject to the SAI formula for independent students without dependents in HEA Section 476 or the formula for independent students with dependents in Section 477.

The independent student criteria for the current 2025-2026 award year are presented in **Table 1**. The criteria reflect statute and are generally the same each year except for adjustments in reference years (e.g., year of birth that qualified for independent student status).

An individual student's dependency status is determined based on information provided on the FAFSA. For some independent criteria (e.g., age, marital status), determinations can be made based on personal information provided on the FAFSA. Other criteria (e.g., military status, if the student was in foster care) are addressed through direct questions.¹⁹ The FAFSA form provides additional details on these criteria (e.g., specific conditions to qualify as a veteran).²⁰

Table 1. Independent Student Criteria for AY2025-2026

- The student was born before January 1, 2002.^a
- The student is married or remarried (but not separated or divorced) as of the date of the application.
- At the beginning of the 2025-26 school year, the student will be enrolled in a master's or doctoral degree program (e.g., MA, MBA, MD, JD, PhD, EdD, graduate certificate).
- The student is currently serving on active duty in the U.S. Armed Forces or is a National Guard or Reserves enlistee called into federal active duty for purposes other than training.
- The student is a veteran of the U.S. Armed Forces.
- The student has or will have one or more children or other people who live with and receive more than half of their support from the student, now and through the last day of the award year.
- At any time since the student turned age 13, both student's parents were deceased, or the student was in foster care or was a dependent or ward of the court.
- As determined by a court in the student's state of legal residence, the student is now, or was upon reaching the age of majority, an emancipated minor (i.e., released from control by his or her parent or guardian).
- As determined by a court in the student's state of legal residence, the student is now, or was upon reaching the age of majority, in legal guardianship.
- On or after July 1, 2024, the student was determined homeless or at risk of becoming homeless by a qualified authority.

Source: ED, Student Aid Index (SAI) and Pell Grant Eligibility Guide for Award Year 2025-2026, Appendix B, <https://fsapartners.ed.gov/sites/default/files/2024-08/20252026StudentAidIndexSAIandPellGrantEligibilityGuide.pdf>.

Notes: Criteria are based on "independent student" definition established in Section 480(d) of the HEA. Students are classified as independent if they meet any of the statutory criteria.

- a. This question aligns with Section 480(d)(1) of the HEA, which establishes that a student can qualify as independent if the student is "24 years of age or older by December 31 of the award year."

Under what circumstances can a dependent student qualify for a dependency override?

Students who do not meet any of the independent student criteria but have certain "unusual circumstances" may apply to their institution for a "dependency override." Determinations are based on documentation provided by the student. If the override is granted, the student is considered independent and their FAFSA can be fully processed and their SAI can be calculated

¹⁹ For example, see Section 5, "Student Personal Circumstances," of the AY2025-2026 FAFSA form at <https://studentaid.gov/sites/default/files/2025-26-fafsa.pdf>.

²⁰ For example, see notes related to Personal Circumstances on page 21 of the AY2025-2026 paper FAFSA form, <https://studentaid.gov/sites/default/files/2025-26-fafsa.pdf>.

without parental information. Dependency override determinations made by institutions are final and cannot be appealed to ED.

Statute specifies that unusual circumstances qualifying for a dependency override include (but are not limited to) the following:²¹

- human trafficking, as described in the Trafficking Victims Protection Act of 2000;
- legally granted refugee or asylum status;
- parental abandonment or estrangement; or
- student or parental incarceration.

ED has issued guidance and example scenarios for qualifying for a dependency override.²² This guidance also elucidates scenarios that do not qualify for a dependency override (as listed in the text box below).

Circumstances That Do Not Qualify for a Dependency Override

ED has clarified circumstances that “singly or in combination, [do not qualify] as unusual circumstances meriting a dependency override”:²³

- parents refuse to contribute to the student’s education;
- parents will not provide information on the FAFSA;
- parents do not claim the student as a dependent for income tax purposes; and
- a student demonstrates total self-sufficiency.

In cases where a dependent student is not able to provide parental information, the student will be ineligible for need-based federal aid but may borrow Unsubsidized Direct Loans.²⁴

For dependent students, who is a parent?

For purposes of determining which parent(s) must provide information on the FAFSA, the parent(s) of a dependent student are determined by their marital status and living situation.²⁵

- In cases where a student’s legal parents are either (1) married or (2) unmarried and living together, both parents provide information on the FAFSA.
- In cases where parents are divorced, separated, or never married and living apart, only the parent that provided more financial support in the prior 12 months must

²¹ This description paraphrases examples in Chapter 5 of ED’s 2025-2026 *Student Aid Handbook*, which is based on a definition in Section 480(d)(9) of the HEA. For the full *Student Aid Handbook* chapter, see <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/application-and-verification-guide/ch5-special-cases>.

²² ED, *Student Aid Handbook for Award Year 2025-2026*, Application and Verification Guide, “Chapter 5: Special Cases,” <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/application-and-verification-guide/ch5-special-cases>.

²³ ED, *Student Aid Handbook for Award Year 2025-2026*, Application and Verification Guide, “Chapter 5: Special Cases,” <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/application-and-verification-guide/ch5-special-cases>.

²⁴ HEA §479A(a)(4).

²⁵ The description below is a synthesis of Section 475(f) of the HEA and ED guidance, including <https://studentaid.gov/help/who-is-parent>.

report information.²⁶ In cases where this parent has remarried, the stepparent must also provide information.²⁷

Completing the FAFSA

The FAFSA collects information from a student and applicable family members to calculate the student's SAI. As noted previously, the SAI and other FAFSA information are shared with states and institutions to facilitate the awarding of state and institutional aid.²⁸ The FAFSA typically collects information electronically, but it is also available as a paper form.

Who is required to provide information on the FAFSA?

Students always provide information on the FAFSA. If they are dependent students, their parent(s) must also provide information. If they are independent students, their parents are not required to provide information. If the student is married, their spouse must provide information.²⁹

Parents or spouses who are required to provide information on the FAFSA ("contributors") must create their own login credentials to complete the form electronically. Each contributor must provide consent and approval for ED to access their tax information and share such information for specified student aid purposes.³⁰

What information do FAFSA contributors provide?

Students and applicable family members complete the FAFSA by providing personal and financial information.³¹ Personal information includes identifying information such as name and Social Security number as well as contact information.³² Financial information includes information on various forms of income and assets.³³ As part of the process, the student and applicable family members are required to grant authorization to the Internal Revenue Service (IRS) to share relevant tax return information with ED for the purposes of completing the FAFSA and calculating the SAI.³⁴

With the exception of tax return data that is shared by the IRS, all information, including asset information, is self-reported based on instructions provided on the FAFSA. As discussed in a

²⁶ If both parents provided equal support in the prior 12 months, the parent with greater income and assets reports information on the FAFSA.

²⁷ HEA §475(f)(4).

²⁸ A small number of items on the FAFSA do not impact the SAI but are collected for data purposes or because of their potential relevance to the states and institutions that also receive FAFSA data. The items include the education level of the student's parents and the number of family members in college during the award year.

²⁹ Married students are categorically considered independent.

³⁰ For more details on the process for students and contributors, see <https://studentaid.gov/apply-for-aid/fafsa/filling-out>.

³¹ The information collected on the FAFSA is specified in Section 483 of the HEA.

³² Some personal information on demographics and certain details related educational status are only collected from students, not other contributors like a spouse or parent.

³³ Applicable financial information is discussed in more detail in "What income does the SAI formula consider?" and "What assets does the SAI formula consider?"

³⁴ HEA §494(a)(1).

subsequent question, not all applicants are required to provide asset information. Students also specify the institutions with which they wish ED to share FAFSA information.

Which year's tax information is used to calculate the SAI?

The SAI formulas consider the income of the student and applicable family members in the second preceding tax year prior to the award year (sometimes referred to as the *prior prior year*). For example, the FAFSA for AY2025-2026 (which began July 1, 2025) is completed using income information from tax year 2023.³⁵ Personal information and asset information are reported as of the time of completing the form.

Are all applicants required to report assets on the FAFSA?

Applicants below certain income levels who meet other criteria are not required to report asset information. Asset information is not required of two types of applicants:

- those who qualify for a maximum Pell Grant on the basis of their non-filer status or qualifying adjusted gross income (AGI) on a tax return (see the “Applicable SAI Policies and Formulas” text box), and
- those exempt from reporting assets by a secondary process for certain applicants with an AGI below \$60,000; to qualify for this exemption, the AGI-eligible applicant (the student or, in the case of a dependent student, their parents) must not file certain tax schedules or must have filed certain schedules with gains or losses below specified thresholds.³⁶

Calculating the SAI

In some circumstances, income-eligible applicants can have their Pell Grant eligibility and SAI determined by a simplified process (see the first question below). In a case where a student does not qualify for a simplified determination, the SAI is calculated under a more sophisticated formula. Most questions in this section relate to the more sophisticated SAI formula.

When is eligibility for a maximum Pell Grant determined prior to calculating the SAI, and how do these determinations affect the SAI?

The FSA amended the HEA to establish a simplified process by which applicants with an eligible AGI in the second preceding tax year may automatically qualify for a maximum Pell Grant. Applicants who qualify for a maximum Pell Grant under these policies are assigned an SAI of zero or less.

Specifically, Section 401 of the HEA establishes that FAFSA applicants automatically qualify for a maximum Pell Grant if they and their spouse (for independent students) or their parents (for dependent students) either (1) are not required to file a tax return or (2) file a tax return with an

³⁵ In cases where an applicant's financial situation has changed from the second preceding tax year, they may apply to their school for an adjustment using a process called “professional judgement.” See the question, “How can FAFSA information be adjusted to reflect recent job loss or other special circumstances?” for more details.

³⁶ HEA §479. The policy is also articulated in ED’s annual SAI and Pell Grant Eligibility Guide.

AGI below specified levels (175% or 225% of the poverty level, depending on circumstances).³⁷ Among these students, non-filers automatically qualify for a minimum SAI of -\$1,500. For parent(s) or independent students who filed a tax return with an AGI below the specified poverty thresholds, the SAI is calculated based on information provided on the FAFSA and then either maintained (if the calculated SAI is below zero) or adjusted to zero (if the calculated SAI is above zero).³⁸

Applicable SAI Policies and Formulas

- If a student or their parent(s) are not required to file a tax return, they qualify for the maximum Pell Grant and the SAI is -\$1,500.
- If a student or their parent(s) file a tax return but the AGI is below the maximum Pell Grant threshold (175% or 225% of the poverty level, based on dependency and family structure), they qualify for the maximum Pell Grant, and the SAI is equal to the lower of \$0 or a negative calculated SAI.
- If a student or their parent(s) file a tax return and the AGI is above the maximum Pell Grant threshold (175% or 225% of the poverty level), the SAI is calculated based on the applicable statutory formula.

How many SAI formulas are there, and how do they vary?

The HEA has three SAI formulas: one for dependent students and one each for independent students with and without dependents. In all three formulas, the SAI is generally calculated as a percentage of “available income” and “available assets” (income and assets in excess of specified allowances). As noted in the prior question and text box, students who qualify for a maximum Pell Grant based their AGI or non-filing status also qualify for specified SAI levels that can override their calculated SAI.

A major difference between the dependent student formula and the two independent student formulas is that the former considers the financial resources of the student’s parent(s). The dependent student formula calculates separate contributions for the student’s parent(s) and the student themselves. These contributions are combined to calculate the SAI for the dependent student.³⁹

The independent student formulas calculate a single contribution based on the financial resources of the student and, if applicable, their spouse. The formula procedures for independent students with and without dependents are generally similar, though the calculation procedures are such that independent students without dependents will typically have a higher SAI than financially similar independent students with dependents.

What income does the SAI formula consider?

The full SAI formula considers “total income,” which is defined as the sum of AGI (determined when filing a tax return) and “untaxed income,” minus certain education-related “excludable income.”⁴⁰

³⁷ For dependent students, the AGI threshold applies to the student’s parents. For more information on income thresholds, see CRS Report R45418, *Federal Pell Grant Program of the Higher Education Act: Primer*.

³⁸ HEA §473

³⁹ The dependent student formula is established in HEA Section 475. It is included as Formula A in the “Student Aid Index (SAI) and Pell Eligibility Guide, 2025-2026,” available at <https://fsapartners.ed.gov/sites/default/files/2024-08/20252026StudentAidIndexSAIandPellGrantEligibilityGuide.pdf>.

⁴⁰ Excludable income includes education tax credits claimed, taxable portions of certain education grants, and work-study earnings. See HEA §480(e).

Untaxed income includes forms of income that are not considered in the calculation of AGI for tax purposes but are considered in the calculation of the SAI. Untaxed income in the SAI formula includes certain tax-deferred retirement contributions, tax-exempt interest, untaxed portions of pensions and retirement distributions, and untaxed foreign income.⁴¹

What assets does the SAI formula consider?

For applicants who are required to report them, the definition of “assets” is established in statute. The definition includes “the amount in checking and savings accounts, time deposits, money market funds, investments, trusts, stocks, bonds, derivatives, securities, mutual funds, tax shelters, qualified education benefits, … the annual amount of child support received and the net value of real estate, vacation homes, income producing property, and business and farm assets.”⁴² Recent amendments to the HEA limit the scope of countable business and farm assets.⁴³

The HEA explicitly excludes from assets “the net value of the family’s principal place of residence.” Guidance has clarified that assets such as retirement account balances and personal possessions are not reportable.⁴⁴

How are assets considered in the SAI formula?

For applicants required to report assets, the HEA defines “available assets” as those in excess of an asset protection allowance. This allowance is calculated based on a formula in the HEA.⁴⁵ Since AY2023-2024, this formula has yielded an asset protection allowance of zero for all applicants.⁴⁶ As such, total assets and available assets have been functionally the same.

Because the asset protection allowance is zero, assets effectively contribute to the SAI from the “first dollar.” A given level of assets will have less effect on the SAI than a comparable amount of available income (as described in **Table 2**).

How do college savings accounts affect the SAI?

With one exception, college savings accounts (such as those commonly known as 529 accounts) are considered an asset of the owner and affect the SAI in the same manner as any other asset (see **Table 2** for the effect of additional assets on the SAI). The exception is that the HEA specifies that a college savings account owned by a dependent student is considered an asset of the student’s parent(s). This treatment typically results in a lower SAI than if the college savings account were considered to be an asset of the student.⁴⁷

⁴¹ See HEA Section 480(b) for a full definition of “untaxed income.”

⁴² HEA §480(f).

⁴³ See “How did the FY2025 budget reconciliation law affect need analysis and related policies?” for more information on these recent changes.

⁴⁴ ED’s *Student Aid Handbook* clarifies that “possessions such as a car for personal use, a sound system, clothes, or furniture” are “excluded assets and should not be reported on the FAFSA form.” See Chapter 2 of the *Student Aid Handbook for 2025-2026*, https://fsapartners.ed.gov/sites/default/files/2025-2026/2025-2026_Federal_Student_Aid_Handbook/_knowledge-center_fsa-handbook_2025-2026_application-and-verification-guide_ch2-filling-out-fafsa-form.pdf.

⁴⁵ HEA Section 478(d) specifies that the asset protection allowance shall be calculated each year based on the present value cost of an annuity, with specified parameters.

⁴⁶ For example, see Table A4 of the 2025-2026 Student Aid Index and Pell Grant Eligibility Guide, <https://fsapartners.ed.gov/sites/default/files/2024-08/20252026StudentAidIndexSAIandPellGrantEligibilityGuide.pdf>.

⁴⁷ This is because assets of parents are typically assessed at a lower rate than assets of students (see **Table 2**).

College savings accounts that are not owned by a student or a dependent student's parents (such as accounts owned by a grandparent) are not reported on the FAFSA and are therefore not considered by the SAI formula.

How much do additional income or additional assets increase the SAI?

The SAI formula uses an assessment process by which the SAI is calculated as a percentage of statutorily defined “available income” and “available assets.” In some cases, the assessment rate is progressive (i.e., a higher percentage of income at higher levels contributes to the SAI), and in other cases there is a single flat rate.

Table 2 presents the effect of an additional \$100 in available income or available assets on the SAI by dependency status. A key principle is that a given amount of additional available income will contribute more to the SAI than a comparable amount of additional available assets.

As noted previously, available income is not equivalent to total income. For example, if earnings increase by \$100, federal income taxes and federal payroll taxes on the additional earnings may increase the formula’s allowance against income. In this case, \$100 in additional earnings would increase available income considered by the SAI formula by less than \$100. Conversely, a \$100 increase in total assets would typically increase available assets by \$100.

Table 2. Example of the Effect on the SAI of Additional Available Income or Available Assets

Dependency Status	Effect of \$100 in Additional Available Income	Effect of \$100 in Additional Available Assets ^a
Dependent student		
Parent(s) of dependent student ^b	Increases SAI by \$22 to \$47	Increases SAI by \$2.64 to \$5.64
Dependent student	Increases SAI by \$50	Increases SAI by \$20
Independent student without dependents	Increases SAI by \$50	Increases SAI by \$20
Independent student with dependents ^b	Increases SAI by \$22 to \$47	Increases SAI by \$1.54 to \$3.29

Source: CRS analysis of Title IV, Part F of the Higher Education Act and ED, *FAFSA Pell Eligibility and SAI Guide*, 2025-2026.

Notes: Calculations assume an SAI above zero prior to consideration of additional available income or additional available assets.

- a. Not all applicants report assets.
- b. The contributions to the SAI for parent(s) of dependent students and independent students with dependents is technically calculated on the basis of “adjusted available income” (AAI). The AAI for parents of dependent students is the sum of 100% of available income and 12% of available assets, and the AAI for independent students with dependents is the sum of 100% of available income and 7% of available assets. The assessment rate for AAI ranges from 22% to 47%, with higher AAI levels assessed at higher rates. The

effect of \$100 in additional assets for each of these groups is based on the product of the assessment rate and the percentage of available assets that are considered in AAI.

Does the SAI formula consider the number of family members in college?

Under current law, the SAI formula does not consider if a family has multiple members in college. The SAI for each student from a family with multiple members in college will be the same as the SAI for a student from an otherwise-identical family with one member in college. The number of family members enrolled in college is collected on the FAFSA and may be considered by states and institutions in determining eligibility for state and institutional aid.

Prior to the effective date of the FSA amendments to the HEA, the formula for dependent students divided the parental contribution by “the number of the family members, excluding the student’s parents, who are enrolled or accepted for enrollment, on at least a half-time basis, in a degree, certificate, or other program leading to a recognized educational credential at an institution of higher education.”⁴⁸ Similar procedures existed for independent students and were likewise removed by the FSA.

How much of the SAI formula is established in statute, and what elements of the formula are subject to agency discretion?

The SAI formula is established in statute, primarily in Part F, Title IV of the HEA (§§471-480). Section 480 establishes applicable definitions for “income,” “assets,” and other terms.

Sections 475, 476, and 477 operationalize the definitions through specific formulas for students of each dependency status: dependent, independent without dependents other than a spouse, and independent with dependents other than a spouse. The applicable sections of the HEA include tables that establish specific levels for formula elements.

Section 478 prohibits ED from issuing regulations related to the SAI formula except to prescribe updated tables as specified by the law and with respect to certain procedures associated with establishing particular elements of schools’ cost of attendance. Section 478 further establishes specific procedures for updating formula elements annually to reflect inflation.

While ED may not regulate on most elements of need analysis, it does offer policy clarifications through subregulatory guidance. For example, ED issues an annual *Federal Student Aid Handbook* that provides institutions with guidance on Federal Student Aid programs, including the need analysis process.⁴⁹

⁴⁸ See HEA Section 475(b)(3) prior to the effective date of the FSA. See also, for example, item #27 on page 9 of the *EFC Formula Guide for Award Year 2023-2024*, <https://fsapartners.ed.gov/sites/default/files/2022-08/2324EFCFormulaGuide.pdf>.

⁴⁹ For current and past handbooks, see <https://fsapartners.ed.gov/knowledge-center/fsa-handbook>.

Other Issues

How can FAFSA information be adjusted to reflect recent job loss or other special circumstances?

As noted previously, the FAFSA is completed using tax information from the second preceding year from the year of enrollment. For example, the FAFSA for AY2025-2026 is completed using tax information from tax year 2023.

HEA Section 479A authorizes financial aid administrators at individual institutions to make adjustments to individual FAFSA items for students with special circumstances “on the basis of adequate documentation.” The process is known as “professional judgement” or PJ.⁵⁰

The HEA provides examples of “special circumstances” that may qualify for PJ, such as the recent unemployment of a family member or student.⁵¹ In cases where an institution makes adjustments under the professional judgement authority, adjustments are made to FAFSA items (such as adjusted gross income). These changes will typically impact the resulting SAI.

Requests for PJ due to special circumstances are made by the student to their institution after the institution has received the student’s FAFSA information. This means that even an applicant who intends to pursue PJ must first complete the FAFSA through the standard method and subsequently follow up with their institution.⁵² ED has issued guidance to institutions on how to implement PJ authority, including examples of qualifying circumstances and adequate documentation.⁵³

Can information from the FAFSA be shared for the purposes of determining eligibility for other federal means-tested benefit programs?

The information provided on the FAFSA is generally not aligned with the information required to make eligibility determinations for most federal means-tested benefit programs like nutrition assistance or housing assistance. As such, eligibility determinations for most means-tested benefit programs cannot be made on the basis of FAFSA information. For example, the traditional path to eligibility for the Supplemental Nutrition Assistance Program (SNAP) considers current gross

⁵⁰ This section discusses professional judgement in the context of adjustments of financial information for students with special circumstances. Dependency overrides on the basis of unusual circumstances are also considered professional judgement. The dependency override process is described in the “Dependency Status” section of this report.

⁵¹ Section 479A establishes procedures in which special circumstances can be used as the basis for adjustments to the financial components of the FAFSA. The section also establishes procedures for “unusual circumstances” that can be used as the basis for adjustments to dependency status.

⁵² In cases where a student anticipates requesting a dependency override due to unusual circumstances through the PJ process, the student may identify as a “provisional independent student” when completing the FAFSA. This will allow the FAFSA to be processed without parental information. These students must still subsequently contact their institution and apply for a dependency override through the PJ process.

⁵³ ED, *Student Aid Handbook for Award Year 2025-2026*, “Application and Verification Guide,” “Chapter 5: Special Cases,” <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/application-and-verification-guide/ch5-special-cases>.

monthly income, while the FAFSA collects income information on the basis of tax information from the second preceding tax year.⁵⁴

The FSA included a provision that allows (but does not require) applicants to authorize ED to release certain information to agencies that handle applications for means-tested benefits. These agencies may use this information “to assist in identification, outreach, and application efforts for the application, award, and administration of such means-tested Federal benefits.”⁵⁵ The FSA amendments to the HEA also require ED, after processing an application and calculating an SAI, to provide a notification to students with a zero or negative SAI “of the Federal means-tested benefits that they have not already indicated they receive, but for which they may be eligible, and relevant links and information on how to apply for such benefits.”⁵⁶

In July 2024, ED issued guidance on the usage of data from the FAFSA for outreach related to means-tested benefits.⁵⁷ In March 2025, the Government Accountability Office (GAO) released a report on college students and SNAP, including a discussion of how some of the provisions of the FSA are being implemented.⁵⁸ The GAO report included recommendations for both ED and the Food and Nutrition Service at the U.S. Department of Agriculture.⁵⁹

What is “verification”?

“Verification” is process by which selected students confirm information provided on the FAFSA. ED-selected verification may be triggered by random selection or because an element of an application was flagged. Schools must also verify any FAFSA information that they have reason to believe is incorrect.⁶⁰ Verification is typically only required of students who received subsidized federal aid.⁶¹

Verification is carried out by individual institutions in compliance with ED procedures. For each award year, ED publishes a notice the specifies the FAFSA information it may require applicants

⁵⁴ For more information on SNAP eligibility, see CRS Report R42505, *Supplemental Nutrition Assistance Program (SNAP): A Primer on Eligibility and Benefits*.

⁵⁵ HEA Section 483(a)(2)(D)(ii). The information disclosed to these agencies may include the SAI and scheduled Pell Grant award but may not include federal tax information.

⁵⁶ HEA Section 483(a)(3)(A)(iv).

⁵⁷ U.S. Department of Education Electronic Announcement, “GENERAL-24-93: Guidance on Means-Tested Benefits Outreach for Institutions and State Grant Agencies,” <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-07-29/guidance-means-tested-benefits-outreach-institutions-and-state-grant-agencies>. Subsequent guidance provided minor clarifications; see U.S. Department of Education Electronic Announcement, “GEN-25-08: Guidance on the Use of Federal Tax Information (FTI), Free Application for Federal Student Aid (FAFSA) Data, and Non-FAFSA Data,” September 30, 2025, <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2025-09-30/guidance-use-federal-tax-information-fti-free-application-federal-student-aid-fafsa-data-and-non-fafsa-data>.

⁵⁸ GAO, “Supplemental Nutrition Assistance Program: Federal Actions Needed to Help Connect College Students with Benefits,” GAO-25-106000, March 2025, <https://www.gao.gov/products/gao-25-106000>.

⁵⁹ GAO, “Supplemental Nutrition Assistance Program: Federal Actions Needed to Help Connect College Students with Benefits,” GAO-25-106000, March 2025, p. 34, <https://www.gao.gov/products/gao-25-106000>.

⁶⁰ For more information on verification selection, see ED, *Student Aid Handbook for Award Year 2025-2026, Application and Verification Guide*, “Chapter 4: Verification, Updates, and Corrections,” <https://fsapartners.ed.gov/knowledge-center/fsa-handbook/2025-2026/application-and-verification-guide/ch4-verification-updates-and-corrections>.

⁶¹ Subsidized federal aid programs are defined in regulations at 34 C.F.R. §668.52. These programs include, but are not limited to, Pell Grants, Federal Work-Study, and subsidized student loans.

to verify. The notice includes acceptable documentation to confirm each FAFSA item that requires verification.⁶²

How did the FY2025 budget reconciliation law affect need analysis and related policies?

In July 2025, President Trump signed into law P.L. 119-21 (also referred to as the FY2025 budget reconciliation law). The law addresses a broad array of federal laws and programs, and Title VIII specifically amends several aspects of HEA Title IV.⁶³

Within the HEA amendments were several targeted changes to the need analysis system. Many (but not all) of the changes limit Pell Grant eligibility for students who have an AGI that qualifies for a Pell Grant but have other indicators of financial resources. New or revised policies in the law include the following:

- **Treatment of foreign income in Pell Grant eligibility.** The law amends Section 401 of the HEA to expand the definition of “adjusted gross income” used in Pell Grant eligibility determinations to include foreign income that is not included in the “regular” AGI that is utilized for tax purposes. Thus, foreign income will be considered in the initial Pell Grant eligibility determination.
- **Pell Grant ineligibility due to a high SAI.** The law modifies the Pell Grant determination policy so that applicants with an SAI of twice the total maximum Pell Grant or higher are ineligible for a Pell Grant, even if their AGI is within the grant eligibility range. Generally, this policy will apply to applicants with an AGI that is eligible for a minimum grant but report levels of assets that are high enough to result in an SAI at a now-ineligible level.⁶⁴
- **Pell Grant ineligibility due to other grant aid.** The law amends the HEA to specify that a student shall not be eligible for a Pell Grant “during any period for which the student receives grant aid from non-Federal sources, including States, institutions of higher education, or private sources, in an amount that equals or exceeds the student’s cost of attendance for such period.”⁶⁵
- **Exemption of certain assets in the SAI calculation.** The law amends the definition of “assets” to exclude from consideration a family farm on which the family resides, a small business with not more than 100 full-time employees that is owned and controlled by the family, or a commercial fishing business and related expenses. Unlike the prior three provisions, this change will potentially expand eligibility for need-based aid to affected students.

⁶² For example, see U.S. Department of Education Electronic Announcement, “GEN24-10, 2025-2026 Award Year: FAFSA Information to be Verified and Acceptable Document (Updated July 22, 2025),” <https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2024-09-04/2025-2026-award-year-fafsa-information-be-verified-and-acceptable-documentation-updated-july-22-2025>.

⁶³ For a description of the broader, higher education provisions of the law, see CRS Report R48727, *Amendments to the Higher Education Act Made by P.L. 119-21, the FY2025 Budget Reconciliation Law*.

⁶⁴ HEA Section 473(b) specifies that applicants with an AGI that qualifies them for a maximum Pell Grant automatically qualify for an SAI of zero. These students cannot have an SAI that is more than double the Pell Grant and therefore are not affected by the new policy.

⁶⁵ P.L. 119-21, §83004.

Author Information

Benjamin Collins
Specialist in Labor Policy

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