FAFSA® Changes for 2017–18

Summary

On Sept. 14, 2015, President Obama announced significant changes to the *Free Application for Federal Student Aid* (FAFSA®) process that will impact millions of students. Starting next year, students will be able to:

- **Submit a FAFSA® Earlier:** Students will be able to file a 2017–18 FAFSA as early as Oct. 1, 2016, rather than beginning on Jan. 1, 2017. The earlier submission date will be a permanent change, enabling students to complete and submit a FAFSA as early as October 1 every year.
- **Use Earlier Income Information:** Beginning with the 2017–18 FAFSA, students will report income information from an earlier tax year. For example, on the 2017–18 FAFSA, students (and parents, as appropriate) will report their 2015 income information, rather than their 2016 income information.

Background

The FAFSA is the application that college or career school students must complete to apply for federal student aid, which includes Pell Grants, federal student loans, and work-study opportunities. In addition to determining eligibility for federal student aid, FAFSA information is used by many states, colleges, career schools, and private organizations to determine eligibility for nonfederal student aid. Completing the FAFSA is the gateway to accessing funds for college for approximately 20 million students each year.

The FAFSA is currently available for applicants to complete on January 1 for the upcoming application cycle. However, many deadlines for state aid are as early as March. For some students, the current FAFSA application cycle is not aligned with college admissions application deadlines, which typically occur in the fall prior to the FAFSA launch. As a result, time is a critical factor for applicants qualifying for aid. Finally, in addition to the timing of the launch of the FAFSA, the availability of an applicant's income and tax information may lead students—and, where applicable, their parents—to mistakenly think they are not able to file a FAFSA until they file their tax return. This may cause students to miss out on some federal, state and/or institutional financial aid.

FAFSA® Process Changes

The 2016–17 FAFSA will be the final FAFSA to launch on January 1. Students who need to complete the 2016–17 FAFSA will be able to access and submit the form anytime between Jan. 1, 2016, and June 30, 2017. Beginning with the 2017–18 FAFSA, the start date will move from January 1 to October 1 of the previous year. This means that students who complete the 2017–18 FAFSA will be able to submit the form anytime between Oct. 1, 2016, and June 30, 2018.

In addition to changing the FAFSA launch date, we are also changing the requirements for reporting income information. Currently, FAFSA applicants provide income information from the "prior tax year." For example, 2016–17 applicants must report 2015 income information. Beginning with the 2017–18 FAFSA, applicants will provide income information from one tax year earlier—the "prior-prior" year. This means that the 2017–18 FAFSA will collect 2015 income information. As a result of this change, more students and families will be able to complete their FAFSA using income information imported electronically from the IRS, using our IRS Data Retrieval Tool (DRT), rather than submitting applications with income estimates that may need correcting, or worse, waiting until the previous year's tax return has been filed.

The following table provides a summary of key dates as we transition to using the early FAFSA submission timeframe and earlier tax information.

When a Student Is Attending College (School Year)	When a Student Can Submit a FAFSA	Which Year's Income Information Is Required
July 1, 2015–June 30, 2016	January 1, 2015–June 30, 2016	2014
July 1, 2016–June 30, 2017	January 1, 2016–June 30, 2017	2015
* **July 1, 2017–June 30, 2018**	**October 1, 2016–June 30, 2018**	**2015**
July 1, 2018–June 30, 2019	October 1, 2017–June 30, 2019	2016

FAFSA® Changes Impact

Recent research and the Department of Education's own data suggest that implementing an earlier start date and using earlier income information will benefit students. Benefits include

(a) alignment— the financial aid application process may be more aligned with the college admission process,

(b) certainty—applicants will not need to estimate income or taxes paid, and

(c) less pressure—more time for students and parents to explore and understand financial aid options and apply for aid before state deadlines.

How to budget

The key to budgeting is figuring out how to prioritize. The best way to decide where your money should go is to create a monthly budget. First, calculate how much money you have coming in. Next, identify your needs: What areas require funds (i.e., car insurance and utility bills)? Tally those up and subtract the total from your monthly income. You'll probably want to save a percentage of your income, so deduct that amount as well. After that, you'll know how much money you have left over for discretionary spending.

The time value of money

Saving a small amount each day can do wonders for your portfolio in the long term. For example, "Not spending $1.50 a day on a soda can have a big impact on a person's financial future," says David Bruzzese, coauthor of *The Teen's Guide to Personal Finance*. This concept is particularly valuable for younger people, who can accumulate a lot of money over the years by taking simple steps to cut daily expenses.

Savings account vs. checking account

A savings account is an account in which you deposit money and watch it grow as it accumulates interest. Banks will likely require you to maintain a minimum balance. A savings account is not intended for daily use, so you won't be writing checks from it to pay for daily transactions—that's where a checking account comes in. Ideally, you'll store enough money in the checking account—which offers zero or little interest—so you can write checks to pay bills, as well as get a debit card linked to the account to purchase items and withdraw money from an ATM.

The implications of too much debt

Accumulating excessive amounts of debt—whether they come from student loans, auto loans, or credit cards—can wreak havoc on your personal finances. The average American household with at least one credit card has approximately $16,000 in credit-card debt, according to CreditCards.com. If you miss payments on your credit cards, you could tarnish your credit score, and it may be hard to recover from that.

How credit works

A high credit score makes businesses like auto lenders, banks, and insurance agencies view you as trustworthy. But when you're just starting out, opening a checking account and a savings account enables you to show lenders that you can manage money. Once you're able to qualify for a credit card, make your payments in full each month so that you earn good credit.

How to write a check

Start by writing the date on the line in the upper right and the recipient on the "pay to the order of" line. Then write the amount in numeric form in the box to the right of the recipient line. On the line below, write the dollar amount using words and the cents using a fraction. For example, if you're paying $10.25, you'd write "10 and 25/100" and then draw a line to the end (that makes it harder for someone to change the amount.) The memo line is optional, but you can use it to write what you're paying for. Last, sign your name as it appears on the top of the check on the line to the right of the memo