

The Facts on FAFSA and Financial Aid Offers

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Overview

The federal government plays a vital role in providing financial aid, sending out nearly \$130 billion in grants and loans in fiscal year 2024. The Free Application for Federal Student Aid (FAFSA), filled out by over 17 million students each year, starts the financial aid process for many students. Most colleges and states use the FAFSA to decide who is eligible for state and institutional aid. It is required that the FAFSA form [opens](#) on October 1 each year for students planning to attend college the next academic year and remains open through June 30 of the following year.

Key Challenges

- **The Department of Education’s office of Federal Student Aid (FSA) is understaffed and under-resourced.** FSA maintains the FAFSA form and annually updates the formulas that help determine how much aid a student can receive. FSA also communicates with and provides assistance and resources to schools, families, and other partners about the financial aid process. The Education Department launched a [new FAFSA form and process](#) during the 2024-2025 cycle. While the FAFSA form ultimately launched successfully in the fall of 2024 for the 2025-2026 financial aid cycle, the Department experienced a [rocky](#) roll out. Recent, large-scale cuts to the Department of Education’s resources and staff have and will continue to endanger the entire financial aid cycle, could disrupt students’ ability to access aid for college and schools’ ability to serve them, and will make needed changes to future cycles difficult to implement.
- **The federal government does not require institutions to provide information about their costs and financial aid options in a consumer-friendly, standard format** even though, for the majority of families, this is one of the most expensive transactions they will ever undertake. Even with FAFSA simplification, students still have to go through a multi-stage process to apply for and receive financial aid. When students receive their aid offers, they must decide where they want to attend, accept any grants and scholarships they will receive, and choose whether to take out federal student loans. Students usually have to compare multiple offers, none of which use the same language, format, or terminology. For example, [New America research](#), affirmed by a [follow up report](#) from the U.S. Government Accountability Office, found that colleges used over 130 different terms for federal loans in their aid offers, some of which did not even use the word loan. The Department of Education promotes the usage of the [College Finance Plan](#)—a standard financial aid offer template that any college or university could voluntarily adopt to provide

clarity and comparability for students. Since this is a voluntary effort, the take up and impact of the College Finance Plan is unknown.

Policy Goals

- **Students and families need a legislative solution that provides a [universal standardized financial aid offer](#).** Students and families need to be able to understand and compare college costs in order to make informed enrollment and borrowing decisions. Yet the financial aid offers they receive are opaque and don't allow for easy comparison among colleges. Ideally, these standard offer templates would be designed by students, institutions, and the Department of Education and consumer tested among students and families. These standardized offers must include such information as total cost of attendance, grant and scholarship aid clearly separated from loans, a calculation of remaining cost, and next steps the student must take.
- **Congress must adequately fund FSA and ensure that the Education Department has sufficient resources and staff** to continue to build and monitor the FAFSA form and associated systems, administer the financial aid process, and provide assistance and guidance to schools, families, institutions, and community partners.