NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

September 7, 2022

The Honorable James Kvaal
Under Secretary of Education
U.S. Department of Education
400 Maryland Ave., SW
Room 7E307
Washington, DC 20202

Mr. Richard Cordray
Chief Operating Officer
Federal Student Aid
U.S. Department of Education
830 First St., NE
Washington, DC 20002

Dear Under Secretary Kvaal and Mr. Cordray,

On behalf of the National Association of Student Financial Aid Administrators (NASFAA) and our 3,000 member institutions, we are writing today to share concerns over recent Departmental actions and decisions that have moved significant work from the U.S. Department of Education onto postsecondary schools, impacting their ability to serve students. In such challenging times it is more important than ever that FSA make good on its promise to be a partner[1,2,3] to institutions, working together to ensure that a postsecondary education is within reach of every student. We offer this letter in the spirit of cooperation and in hopes that we can collectively work more closely together on operational changes that negatively impact schools and students. To that end, we would like to invite you to meet with NASFAA leadership to discuss these issues and how we can work together on policy implementation.

NASFAA represents nearly 20,000 financial aid professionals who serve 16 million students each year at colleges and universities in all sectors throughout the country. NASFAA member institutions serve nine out of every ten undergraduates in the U.S.

Federal Student Aid (FSA) has much to be proud of in recent years. From allowing non Title IV eligible students to receive Higher Education Emergency Relief (HEERF) emergency grants, to the extension of the student loan payment and interest accrual pause, to the Public Service Loan Forgiveness (PSLF) temporary waivers, the administration has demonstrated its commitment to students and borrowers.

However, a series of decisions by FSA, especially over the past several months, has resulted in significant confusion for students and increased burden on postsecondary institutions. Worse,

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[1] https://www.nasfaa.org/off_the_cuff_ep233
[2] https://www.youtube.com/watch?v=1zwD5sLHng4&t=20s
[3] https://www.youtube.com/watch?v=LZY3yQLLwBc

these major changes often came with little to no advance notice, leaving financial aid administrators and other campus officials scrambling to meet their students' needs. While in better times these may have represented a frustrating inconvenience, severe staffing shortages[4] in financial aid offices have transformed these events into a crisis. We offer the following examples for your consideration.

Selective Service Match Errors Passed on to Institutions

Financial aid administrators—particularly at open-access institutions—have been left to manually sort and process Selective Service database match errors because of technological shortcomings at the Department. Schools have been inundated by SAR comment code 390, which appears on SARs and ISIRs when a database match to confirm student eligibility is not conducted. This comment code has been appearing on more SARs and ISIRs recently due to FSA having lost authority to conduct the Selective Service System database match due to changes resulting from the FAFSA Simplification Act. Because this single comment code is used when any of the database matches fail, institutions have been forced to manually confirm for each ISIR with code 390 whether the code results from the failed Selective Service match or some other database match.

Ideally, FSA would have stopped a failed Selective Service match from triggering a 390 code, eliminating the need for the manual review at the institution. At the very least, FSA had a responsibility to communicate the implications of these changes to schools well in advance of when they become effective on July 1, 2022 instead of two weeks *after* that authority expired, and only in response to a NASFAA-initiated inquiry. To date FSA has, in fact, never issued an official announcement.

The burden on institutions is not limited to processing federal student aid. Many states continue to require Selective Service System registration for state student aid programs for 2022-23, relying on information FSA provided in Electronic Announcement (EA) GEN-21-04[5] that the question would remain on the FAFSA and—implied from FSA's confirmation that the error codes associated with the match would continue to appear—that the match would continue to run through the 2022-23 award year. Several states are now following FSA's lead and passing the burden to institutions, requiring them to manually verify Selective Service registration before disbursing state aid.

[4]https://www.nasfaa.org/uploads/documents/Financial_Aid_Offices_Face_Intensifying_Staffing_Challenges_Amid_Pandemic.pdf
[5]https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2021-06-11/early-implementation-fafsa-simplification-acts-removal-selective-service-and-drug-conviction-requirements-title-iv-eligibility

Making matters worse, FSA refuses to implement a programming change for the remainder of the 2022-23 award year to disable code 390 when the only match failure is the Selective Service match, arguing that it would be too difficult to do so. Understanding this fix may be complex and expensive for the Department, passing that burden onto institutions—all without a burden calculation—is not an acceptable solution.

We are especially concerned because, although this issue will not appear on the 2023-24 FAFSA which will be released on October 1, the 2022-23 FAFSA can be completed until June 30, 2023, leaving schools with nearly a year of continuing to manually process ISIRs with comment code 390. Open access institutions like community colleges are particularly burdened by this issue since their students file FAFSAs later in the application cycle than students attending other institutions. FSA has repeatedly expressed its commitment to meeting the needs of community colleges[6,7], yet in this instance it has directly and negatively impacted the workload of some of the lowest resourced institutions in all of postsecondary education, diverting their attention from meeting student needs to cleaning up processing errors created by the federal government.

False Start on Operation Fresh Start

In April,[8] the administration announced a "fresh start" for borrowers with loans in default status, which would allow those borrowers whose loans qualified for the Covid-19 related payment pause to resume repayment upon expiration of the pause with their loans in good standing. NASFAA is supportive of this initiative.

Despite requests[9] from NASFAA for more information, the Department made no announcement and issued no guidance on how it would implement these changes. Instead, it began sending emails to students and borrowers in early August that they were now eligible for student financial aid because of the launch of Fresh Start. Schools were understandably confused by these messages since they received no advance notice or guidance.

It was not until August 17, over a week after sending those emails, that FSA released Dear Colleague Letter GEN-22-13 with guidance on what schools should do with them. As is becoming the pattern, the process is largely manual and burdensome, requiring schools to print NSLDS screenshots documenting that defaults occurred prior to March 13, 2020 and collecting an acknowledgment from the student. This process is especially frustrating because FSA has the

[6] https://www.ed.gov/news/press-releases/us-department-education-awards-final-198-million-american-rescue-plan-higher-education-funds-support-students-community-colleges-rural-and-minority-serving-institutions

[7] https://www.insidehighered.com/news/2022/08/12/secretary-cardona-calls-change-higher-ed

[8] https://www.ed.gov/news/press-releases/biden-harris-administration-extends-student-loan-pause-through-august-31

[9] https://www.nasfaa.org/off_the_cuff_ep233

ability to create a SAR/ISIR comment code based on NSLDS data and could flag Fresh Start borrowers on the SAR/ISIR and spare institutions the recordkeeping burden—and students the confusion—of seeing incorrect comment codes on their SARs. As with comment code 390 mentioned earlier, when ED deems it too difficult to update their systems, schools must take on the burden themselves.

Ideally, FSA would have provided a briefing to NASFAA and Title IV schools *before* letters and emails began going out to students. Even without specific details, the knowledge that FSA planned to have the fresh start in place by August would have allowed financial aid administrators to carve out space in an otherwise very busy month to engage with students with defaulted loans.

Financial aid administrators are in a position to champion FSA's policy initiatives, but only when they know the details of those initiatives. Keeping financial aid administrators out of the loop turned what should have been a win for both the administration and students into bureaucratic confusion.

Rollout of NSLDS Modernization

We appreciate FSA's efforts at modernizing NSLDS to improve the user experience. FSA is also to be commended for its communications announcing the launch of the new site and for providing timely updates.

However, the rollout itself was far from smooth. Users reported log in issues immediately upon launch on July 25, which continued through August 3 despite several assurances that they had been resolved. NSLDS enrollment reports, which were originally slated to be available on July 25 with the new site's launch, were still unavailable ten days later, when FSA announced yet another issue, this time with access by loan servers and guaranty agencies. While resolved before ED announced the problem, the resolution required impacted users to re-enter transactions completed between August 4 and August 6, presumably meaning that NSLDS data was incorrect while those users re-enter transactions.

NSLDS is a critical tool for financial aid administrators to ensure student eligibility for federal student aid. When a student's financial aid history is unavailable due to preventable issues like the ones described here, they face delays in receiving information about their student aid eligibility as well as disbursements. And when that information is inaccurate, financial aid administrators risk incorrectly disbursing or denying students' financial aid. FSA must do a better job of testing major changes like the modernized NSLDS to avoid issues like the ones experienced this summer.

Broad Scale Debt Cancellation and Payment Pause Extension

NASFAA members are relieved to finally have answers on broad scale loan cancellation and the latest extension of the student loan payment pause. Financial aid administrators have been fielding questions about this for months and are now in a better position to provide information to students and families.

However, despite the major benefits for students and families, we must acknowledge the fact that these announcements come at a time when financial aid offices are already at full capacity enrolling students and disbursing aid. Again, with proper advance notice and adequate guidance, financial aid administrators could have found a way to "do it all" during this busy time, as they always do. Instead, they are forced to passively react, fielding questions they can't answer and leaving students frustrated and confused.

Education Secretary Cardona declared in June[10] that FSA was already busy preparing for broad scale forgiveness and, yet, at the time of the announcement FSA had no answers to even simple implementation questions such as which loans would qualify for cancellation based on origination or disbursement date. On this critical question, NASFAA reached out immediately after the announcement for confirmation and received conflicting answers from Department and White House officials.

FSA missed an opportunity to partner with NASFAA to anticipate the implementation questions that would arise upon announcement of the debt cancellation initiative. While official guidance has been promised, to date—nearly two weeks since the announcement—we are still waiting for answers. Knowing that despite FSA's preparations the debt cancellation application will not be available until October, we fear we could be waiting much longer for guidance.

These are not signs of a functioning partnership.

Other areas of concern

Verification

[10] https://www.businessinsider.com/student-loan-forgiveness-education-dept-working-nonstop-cardona-biden-2022-6

We are pleased that FSA has continued to extend[11] the pandemic-related verification waivers for the 2022-23 award year in May. However, NASFAA and NCAN stressed the need for these waivers last September[12], before the processing cycle began. As of March 31, 2022—six weeks prior to the waiver announcement—19.2 million students had completed their 2022-23 FAFSAs, as compared to 29.2 million total FAFSA filers in the entire 2021-22 award year. Assuming similar totals from year to year, at least two-thirds of applicants had presumably completed their 2022-23 FAFSAs and could have already gone through the verification process by the time FSA announced the waivers.

NASFAA is also hearing reports of increases in the V4/V5 verification categories, which are not included in the waivers. We ask FSA to ensure that its algorithm is accurately identifying applications with potential identity discrepancies without casting too broad a net and burdening students and institutions unnecessarily.

FAFSA Simplification

Financial aid administrators are eager for updates from FSA on its progress toward implementing the provisions of the FAFSA Simplification Act. While NASFAA is aware of FSA's ongoing efforts and appreciates that FSA is seeking feedback from NASFAA during implementation, institutions need to hear directly from FSA with regular, timely updates about what they have done, what they plan to do and when, and what issues they have identified. Some questions need to be answered sooner than others, like how a negative SAI will be used in a school's packaging policy.

Achieving a True Partnership

We understand your work is challenging. We also understand that in many key positions—like federal training—FSA faces the same staffing shortages as financial aid offices. The financial aid profession is fully invested in being partners with FSA. However, FSA's failure to adequately communicate both major events that continue to have significant impact on financial aid offices as well as FSA's ongoing efforts is eroding that partnership. Clear and timely communications are crucial to restoring and maintaining trust in that partnership.

We understand, as Under Secretary Kvaal noted at NASFAA's annual conference, that, "the arc of student aid policy is long."[13] We don't expect—and would not wish for—quick action at the

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[11] https://fsapartners.ed.gov/knowledge-center/library/dear-colleague-letters/2022-05-18/changes-2022-2023-verification-requirements

[12] https://www.nasfaa.org/uploads/documents/Verification_Letter_to_ED_Sept_2021.pdf

[13] https://www.nasfaa.org/off_the_cuff_ep233

expense of well-thought out policy. But providing regular status updates will go a long way toward demonstrating FSA's commitment to its ongoing partnership with financial aid administrators.

Our partnership is vital to student access to and success in postsecondary education. We look forward to strengthening this partnership in the interests of the administration, financial aid administrators and, most importantly, past, current and future postsecondary students. We request a meeting with NASFAA's board of directors as soon as possible to discuss steps we can take together to rebuild a productive and mutually beneficial partnership.

Best Regards,

Justin Draeger, President & CEO