

NASFAA's "Off The Cuff" – Episode 93 Transcript

- Justin Draeger: Hey, everybody. Welcome to another edition of "Off The Cuff," I'm Justin Draeger.
- Allie Bidwell: I'm Allie Bidwell, one of our Today's News reporters.
- Megan Coval: I'm Megan Coval, with NASFAA's policy team.
- Justin Draeger: And Stephen is negotiating on behalf of the entire financial aid community on TEACH Grants right now.
- Megan Coval: Right now.
- Allie Bidwell: He got himself on the committee.
- Justin Draeger: Yeah. I-
- Allie Bidwell: On the sub-committee.
- Justin Draeger: Have you been sending him any messages? Have you watched any of the livestream?
- Megan Coval: Yeah. I watched it for about 45 minutes this morning. He's doing well.
- Justin Draeger: I think you know this about me. I've been in meetings for the last couple days, and was at the College Board Colloquium earlier in the week, so wasn't able to actually, physically attend the negotiated rulemaking, but we have Karen McCarthy who's negotiating, and Stephen's negotiating. We talked about this before, but we have negotiators at the table.
- Megan Coval: Yep.
- Justin Draeger: It's not enough for me to be able to read. I have to know who's in the room. I always need more to meetings than just what happened. I got to know the stuff you pick up.
- Megan Coval: Yeah. I got a friendly vibe this morning.
- Justin Draeger: It was a friendly vibe.
- Megan Coval: Yeah. I did.
- Justin Draeger: I feel like teach is a little ... I don't want to say not as high-stakes, but it's just-

Allie Bidwell: I think the changes they're proposing, also, for that one are not ... They're not as controversial.

Justin Draeger: Right. Well, we're going to catch up on neg reg in just a minute. Allie's going to catch us up on everything. One question, Megan. I want you to imagine a scenario, okay? Imagine I walk into your office and I shut the door and I say, "Hey, we need to talk." What is your feeling there?

Megan Coval: Probably not good.

Justin Draeger: So is it a little stressed? Is it a-

Megan Coval: I would think that I did something wrong and you were going to let me go.

Allie Bidwell: Yeah. Not good.

Justin Draeger: That you were going to be fired. That's your thought. "I'm going to be fired"?

Megan Coval: Well, here's what I would think.

Justin Draeger: After eight years here you think I would just walk in one day and be like, "You're fired"?

Megan Coval: Maybe not fired, but I did something wrong, or you were going to tell me-

Justin Draeger: You really screwed up.

Megan Coval: ... that you were ... Something about you.

Justin Draeger: That I was fired?

Megan Coval: Like maybe you were leaving-

Justin Draeger: Something.

Megan Coval: ... or, I don't know.

Justin Draeger: Or my dog died. Something terrible.

Megan Coval: Or you're sick or something.

Justin Draeger: Or I hit the lottery and I'm leaving?

Megan Coval: Yeah. Yeah. Taking us all with you.

Justin Draeger: Okay. So, last Friday Allie came into my office. Let me ask you, how much did you have to gear yourself up for this conversation?

Allie Bidwell: I thought about what I was going to say so it sounded right before I went in.

Justin Draeger: I feel like it was so ... Allie walked in and did that exact thing where she was like ... She didn't shut the door. And she just-

Allie Bidwell: I said, "Hey," can I-

Megan Coval: She didn't even email before?

Justin Draeger: No.

Megan Coval: You just came right in.

Justin Draeger: She just popped in. She was like-

Allie Bidwell: "Can I talk to you about something?"

Justin Draeger: She was like, "I need to talk to you about something." And I felt a flash of stress. You know?

Megan Coval: Yeah. Yeah.

Allie Bidwell: I think you're remembering this a little bit differently.

Justin Draeger: For a minute I was like that sort of-

Megan Coval: "She's leaving." That's what you think.

Justin Draeger: ... Neanderthal part of my, lizard part of my brain was like, "Oh, my God, I'm about to be fired by Allie." So anyway, I'm wearing headphones today because Allie was like, "I need to talk to you about something," and I was like, "Oh, my God, what does she want to talk about?" And she said that my volume levels on the podcast are all over the place, and I need to control myself better. Which was a fine conversation. It's just the way you approached that was like-

Allie Bidwell: We hear you guys, the people who comment about it. We hear you and we're trying to-

Justin Draeger: Allie is a defender of the people. She's speaking up for the people, and she really came into my office to have a sit down with me. And anyway, I took it to heart. So, I'm wearing headphones today. You are not. But it's so I can hear the levels-

Megan Coval: Okay. Yeah. I was wondering.

Justin Draeger: ... of my voice. Because I'm an animated person when I'm-

Allie Bidwell: And it's hard, when we're talking to each other, we try to look at each other, but still be...

Megan Coval: In front of the mic.

Justin Draeger: Like right now. You've turned your head so your mic levels are a little off. But right, yeah. I can hear everything now.

Allie Bidwell: So, yeah.

Justin Draeger: As we talked, Allie was like, "I need you to talk more level."

Allie Bidwell: No, I said, "If you know that you're going to get loud, back up."

Justin Draeger: But I ... I mean, I'm not a trained singer, so that's hard for me to do.

Allie Bidwell: Yeah. Right.

Justin Draeger: So, we came up with this idea of the headphones so I can hear my levels.

Megan Coval: I feel like I want to take a picture of you right now so we can post this.

Allie Bidwell: Well, these aren't just any headphones.

Justin Draeger: No. These are-

Allie Bidwell: Any ordinary headphones.

Justin Draeger: ... Allie's rose gold, which would not be the color I would probably pick, but rose gold headphones, are a little small for my big head. But I can hear better so I can be more level.

Megan Coval: Okay.

Justin Draeger: So, we'll see how it goes.

Megan Coval: It does make you look more official.

Justin Draeger: Does it, really?

Megan Coval: Yeah. Because I feel like radio DJs and hosts have-

Justin Draeger: Yeah.

Allie Bidwell: You could have it where you have one on and one off.

Justin Draeger: Right.

Megan Coval: And then you're spinning. You've got your iPad in front of you.

Justin Draeger: But this is what they do, actually, in radio. They actually wear the headphones so they can hear themselves.

Megan Coval: Yeah.

Justin Draeger: Anyway. All right. It seems like every week we're like, "Wow, what do we have for the podcast?" And then within the space of 24 or 48 hours, we have way too much.

Allie Bidwell: Yeah. Everything.

Justin Draeger: So, yeah. Let's just dive right in, and Allie, let's start with negotiated rulemaking.

Allie Bidwell: Sure. So, the first session of negotiated rulemaking where they're going to tackle a bunch of issues like accreditation, distance learning, teach grants, faith-based institutions, that kicked off this week. It actually, they had to cancel the first day on Monday due to a snowstorm in the area, and then start it late yesterday, or, on Tuesday, rather.

Justin Draeger: So, already compressed.

Allie Bidwell: Yeah. They had a day and a half.

Justin Draeger: I was like, to Karen, I just suggested she talk really fast. Say the same amount of things, but just really double time.

Allie Bidwell: They do have a transcriber person. So I don't know how that would work out. Anyway, the first half day that they had, they actually didn't really get into any of the substantive issues. They were talking about procedural things like the fact that the Department is coming in this time right away with draft regulator language, whereas that usually doesn't happen until the second session, about a month later.

Allie Bidwell: They also talked about a new rule or protocol, whatever you want to call it, where the alternate negotiator would not be allowed to speak unless the primary negotiator was physically not present. Normally, they can swap out however they want.

Justin Draeger: Yeah. That's how it's been for the last decade. It's like a wrestling match. If the other person taps you from behind, or almost like improv, where the person gets right behind the primary and then they tap them and then they...

Allie Bidwell: Like, "I'm out, you're in."

Justin Draeger: Right.

Allie Bidwell: Yeah.

Justin Draeger: But only the primary has had a vote. That's not changed. But it's just the speaking part. They were trying to restrict the speaking of the alternate.

Allie Bidwell: Right. They were trying to streamline the process. I think what they landed on was that the alternate can speak if the primary negotiator is not there, or if something being discussed is out of their range of expertise.

Megan Coval: Wasn't there also discussion, too, about a length of time that the primary wasn't there? Questions about what happens if the primary just gets up for a second to use the restroom? I heard there was ... Just to give an insight, I heard there was a considerable amount of debate on what does absent mean?

Allie Bidwell: What does it mean to not be there?

Megan Coval: Yeah.

Justin Draeger: This is what I love and hate about neg reg. What I want to say about the protocols, so, maybe more people are watching because it's livestream. Two things. One is, so, the Department, I will say, "Hats off for the livestream."

Megan Coval: Yeah.

Allie Bidwell: Yeah. That's been-

Justin Draeger: Now, maybe they felt a little cornered-

Allie Bidwell: ... a little overdue.

Justin Draeger: ... because, yeah, in the past people have shown up and done live Facebook feeds. And now they're just doing it. So bravo. I think open and transparent always good. Second I'll say is during the protocol conversation, I want to give another hats off to the Department, because I think people came in with a lot of questions that they already had language drafted, and that made it feel as if it was a ... It feels like maybe a bit less of a sincere negotiation, if you can't even explore the issues upfront. If they already have proposals.

Justin Draeger: What I think the idea of, and the protocols they said, instead of doing an all-or-nothing vote, they would do groups where they would try to lump together items, and they would try to reach consensus on groups of items. This does address one of the things we've raised in the past, over and over again, which is the Department takes too many things and lumps them into one negotiation. And if it's an all-or-nothing proposition, meaning if you get consensus on everything then the Department is bound by the consensus, and if you don't, they can do whatever they want with any regulations.

Justin Draeger: By grouping them, the Department self-limited what it would be bound to, and that, again, I think that works in favor of the non-federal negotiators, and signals a good faith effort. So I would say those two things were positive in the protocols, leaving aside the policy discussions that followed. So, where are we on policy? What things have they jumped into?

Allie Bidwell: The second full day they got into some issues with changes to accreditation. One of the big things that came up was a proposal from the Department to limit the number of states that regional accreditors can credit to no less than three contiguous states or territories, but no more than nine. So, for regional accredits schools in more than nine states, the thinking from the Department would be that they would petition to become a national accreditor.

Megan Coval: Okay.

Justin Draeger: What was the reason behind that? Were they able to provide?

Allie Bidwell: The Department said it was to avoid accreditation monopolies and to streamline credit transfers.

Megan Coval: Okay, so presuming ... Yeah.

Justin Draeger: This was met with a lot of opposition from around the table.

Allie Bidwell: Yeah. And I actually saw online that it would only end up impacting two regional accreditors-

Megan Coval: Right now.

Allie Bidwell: Yeah.

Justin Draeger: Also, how would you do that with Hawaii and Alaska, since they're not contiguous?

Allie Bidwell: Yeah. I don't know.

Justin Draeger: Okay. Unless we're ... We're not taking part of Canada, right? That hasn't broke in the last week? I just want to make sure. Because contiguous means touching. Right?

Allie Bidwell: Yeah. Yeah.

Justin Draeger: All right. I mean, I haven't checked the news in the last hour, but-

Allie Bidwell: Yeah. So, none of the regional accreditors really seemed to be okay with that proposal.

Justin Draeger: Nor the schools.

Allie Bidwell: Yeah. Right. Not a popular idea.

Justin Draeger: Okay. Other policy issues?

Allie Bidwell: Ed also proposed to eliminate a requirement that an accreditation agency has to show that it has been conducting accreditation activities for two years before it applies for federal recognition. They were proposing, instead, that the agency just has to demonstrate that it has policies in place to meet accreditation criteria before applying.

Justin Draeger: I imagine that was met with a lot of opposition as well?

Allie Bidwell: Yeah. People were saying that that sets the bar too low, and Michael [McComas 00:11:12] who was one of the negotiators representing national accrediting agencies said maybe somewhere in the middle, where an accreditation agency would just show that they've been conducting accreditation activity successfully, and then removing that two-year window.

Justin Draeger: So, I imagine what the Department's trying to accomplish here is something along the lines of innovation. Like, if you set the bar too high that you're not allowing competition, and innovative practices, or new accreditors, and on the other hand schools are all saying that you set ... And probably students and consumer groups, right, are all saying if you set the bar too low-

Allie Bidwell: It's not good for students.

Justin Draeger: Right, because you'll have fly-by-night accreditation.

Allie Bidwell: Yeah.

Justin Draeger: What other big-ticket issues have they discussed?

Allie Bidwell: Something else was Ed was looking for feedback on when and how accreditation agencies should be allowed to waive certain criteria for institutions in order to promote innovation. So, things like distance education or competency-based education.

Justin Draeger: So, this is fast-tracking non-traditional programs.

Allie Bidwell: Yeah.

Justin Draeger: Yeah. This is a hard balance, because on the one hand, higher ed is constantly accused of being slow to adapt, and part of that might be because of the regulatory and accreditation standards, and then on the other, you just don't want student aid, in particular ... I mean, accreditation leads to student aid

approval. Taxpayer dollars flying out the door for programs that aren't actually effective.

Megan Coval:

Yeah.

Allie Bidwell:

Yeah. So, they were looking for feedback on that, and Terry Hartle from the American Council on Education was saying that it would help if the Department would take some of the responsibility, if whenever they're trying to implement these new ideas went badly. Not sure how that would look exactly.

Justin Draeger:

But more of a risk-share with the Department of Education.

Allie Bidwell:

Yeah. Yeah.

Megan Coval:

Yeah. I think that makes sense.

Allie Bidwell:

Because I think what he was getting at is that that's why they're hesitant to get on-board with these sorts of things.

Megan Coval:

Because that would be all on them, versus-

Allie Bidwell:

Yeah.

Justin Draeger:

So, Allie, we have our own little center for negotiated rulemaking articles where people can log on and get summaries of the day-by-day, and then the Department also has a website. Maybe we can put all this in the show notes. And they are live streaming not only the main committee but all the sub-committees as well.

Allie Bidwell:

Yeah. So, if you go to NASFAA.org/negotiated_rulemaking, that's where all of our articles related to neg reg live.

Justin Draeger:

All right.

Allie Bidwell:

So you can find them in one spot.

Justin Draeger:

We will continue to monitor this, solicit member feedback, and provide updates as we move forward. When's the next round scheduled?

Allie Bidwell:

Mid-February.

Justin Draeger:

Okay. Government is still shut down. So, this is now officially the ... Well, partial government shutdown. This is the longest-

Allie Bidwell:

Ever.

Justin Draeger:

... federal shutdown ever.

Megan Coval: Day 26.

Justin Draeger: Yep. So do milestones. And doesn't seem like much progress is being made.

Allie Bidwell: Yeah.

Justin Draeger: What do you see from your angle, Megan?

Megan Coval: Yeah. Nothing really to report this week. No successful negotiation meetings. I think we're still really at an impasse. The White House is really digging their heels in on the wall, and of course, Democrats on the Hill are digging their heels in on not funding a wall. We didn't really see anything this week except it's been the longest. It's Day 26. We have seen that first pay period go by where furloughed workers are receiving a paycheck that says \$0.00.

Justin Draeger: Yeah. We got some of the IRS stuff resolved, because the system appeared to come back online, but I noticed some people are still in proms. But the Department released its verification of term of documentation guidance that's allowing students to move forward in that process. The latest casualty looks like it's the federal regulation website that allows people to submit comments on proposed rules. Sexual assault is out there right now and people cannot submit rules on-

Megan Coval: Title IX.

Justin Draeger: ... Title IX. And it sounds like that's not coming back online until the government opens back up.

Megan Coval: Yep. Yep.

Justin Draeger: The other thing is, you mentioned the federal workers who aren't getting a paycheck. First, I guess, Congress Democrats in the House, 70 of them, submitted a letter to Secretary DeVos this week, basically saying that federal workers needed help and assistance with their student loan pay. They said the average take-home pay for federal employees is \$500 a week. The average monthly student loan payment is \$393 per month. And these employees need help with their student loan obligations. And to that end, the Department had put out a blog post this week, as well, basically geared towards federal employees who may be having trouble paying their student loans, because they ... You know, from a-

Megan Coval: Which was, I should just say, more helpful, than, I think, what the Coastguard put out last week. Did you guys see that?

Justin Draeger: No. What was ... I mean, I know that they're, because they're part of Homeland Security, they're not getting paid, where the other branches of the military are. What was the-

Megan Coval: They put out a memo, a serious memo, that suggested to their employees that they hold a garage sale or try to babysit.

Justin Draeger: Oh, geez.

Megan Coval: Or turn their hobbies into money. And it obviously was-

Justin Draeger: Not well-received?

Megan Coval: It was a very serious document, I think the intent of it was, but that was not well-received at all.

Justin Draeger: No. They have jobs.

Megan Coval: Yeah. Yeah. Yeah. So, that, I think, is a very honest and well-meaning effort here, hopefully.

Justin Draeger: Another senator, just related to federal employees, and people, there's a lot being written about this. We don't need to spend a ton of time on it. But one senator suggested that if all the TSA agents stopped coming to work and basically shut down the airports that this would get resolved sooner rather than later. And I just felt like, that is a really terrible thing for a senator to say. The onus to resolve the shutdown is on the administration and Congress. It's not on employees to burn their own sick time so that they can force Congress's hand. And President Trump. In fact, to heighten it, Speaker Pelosi-

Allie Bidwell: Oh, yes.

Justin Draeger: ... basically postponed, if not rescinded, the invitation to President Trump to come to the State of the Union, until the government reopens. It's a new day in Washington, for sure. We have a Democratic house, which this administration is not used to, clearly, and it doesn't seem like we're inching any closer. Latest polling data I also saw, that people who identified as Democrats, record low support for a wall. People who register or identify as Republican, record support for the wall. So if they're paying attention to the electorate and the polling numbers, they're getting further and further apart, which doesn't help them resolve the issue.

Megan Coval: Yeah. Doesn't feel good. I don't think any of us can have a good prediction of when it will end. I feel like usually, when this stuff happens, you can surmise a few different plays, or how things would go. And I really feel like this is just completely up in the air, and could really go on for a while.

Allie Bidwell: I think, too, no one actually expected it to go on longer than a day or two, maybe, just because the last government shutdown...

Megan Coval: Yeah. Yeah.

Justin Draeger: I thought it would get resolved as soon as they came back in January.

Allie Bidwell: Yeah. That's what they usually do. The government is, "shut down," and then they just fix it almost immediately.

Justin Draeger: Yeah. And then, when you consider the federal contractors, and not just the 800,000 employees, but the federal contractors who aren't getting paid, this will definitely reverberate throughout the country.

Megan Coval: Yeah.

Justin Draeger: I flew this week. To imagine TSA agents who aren't getting paid, I ... Really. I just-

Allie Bidwell: Have you read, too, I saw an article online of people sharing their experiences in airports with TSA, now, during the shutdown, and-

Justin Draeger: Yeah. I did.

Allie Bidwell: Yeah.

Justin Draeger: I don't know. I'm of two minds of it. I saw one person who was like, "I locked eyes with a TSA agent and said, "Thank you.""

Allie Bidwell: There's those, but there's other people saying, you know, they just were waving people through, and not really-

Justin Draeger: Oh.

Allie Bidwell: Yeah. That's what it was saying.

Justin Draeger: Well, I didn't see that part, but I did-

Allie Bidwell: Not checking their luggage.

Justin Draeger: I actually did take a moment to say thank you to them, and just said, "I appreciate you working."

Allie Bidwell: Yeah. Totally.

Megan Coval: Yeah.

Allie Bidwell: But on the other hand, if these accounts are true-

Justin Draeger: If they care enough to show up to work, I have to believe they're not going to ... They're still going to want to protect us. That's my core belief. Because we all support them. I'd rather they get paid. I think they should get paid. This is crazy.

Megan Coval: Yeah, it's just of all professions where you do not want people to be demoralized, TSA, air traffic control-

Justin Draeger: Right. Coast Guard.

Megan Coval: Coast Guard. Yeah. It's really sad.

Justin Draeger: Okay. Also happening this week, the Department released an updated Shopping Sheet. Do you want to catch us up on this or do you want me to?

Allie Bidwell: Yeah. That's fine.

Justin Draeger: Megan, do you want to catch us up on this?

Megan Coval: Yeah. So, the updated Shopping Sheet came out this week, just yesterday, and the main difference is that it is called the College Financing Plan. So a change of name to, according to the Department, better focus on financial aid packages that really have a heavy balance of loans. Right? So, talking about financing.

Justin Draeger: This harkens back to what the Secretary talked about at Federal Student Aid.

Megan Coval: Yeah.

Justin Draeger: She was like, "We need better ..." She laid out several points, and one of them was better consumer disclosure that focuses more on loans.

Megan Coval: Yeah. Yeah. So you think about it, financing a car, financing a house, this is just fitting paying for college into that model. So it is out right now. It's a beta version for 2019-20.

Justin Draeger: Which means what? What's beta?

Megan Coval: Early test.

Justin Draeger: Okay. So schools aren't required to use it?

Megan Coval: Not required. It's voluntary to use it. And the Department is asking for feedback, so they're saying, "You don't have to use it, but we would like you to use it, and if you do please tell us what your students think about it." And they are asking for feedback by April. So, a little bit of a-

Justin Draeger: That's going to be a little tough.

Megan Coval: ... tight frame, there, when you think about the fact that we'll need to get updates with software providers, and many schools are already thinking about packaging, or packaging, right now.

Justin Draeger: So, we do have some outstanding questions. Like, it might not be that difficult to implement if literally the only change is financing sheet. Because right now it's a little confusing on the website.

Megan Coval: Yeah. We're pretty sure that's the only change, is the name on it.

Justin Draeger: Unless they have to update something else.

Megan Coval: Yeah.

Justin Draeger: They did say, "Additional data elements in 2020-21," but they didn't list what those data elements were just yet.

Megan Coval: Yeah. But I do think it's good. I mean, they were very clear about their intent to put a new one out in 2020-21, that, as you said, will include additional data elements, and also be more customizable. So, I think a very clear message from Ed here is that they want to hear feedback and they're willing to make updates and changes.

Justin Draeger: Right. So, the previous Shopping Sheets, one of the complaints we've had is you have to list the same aid for every student, even if they're not qualifying for that aid.

Megan Coval: Yeah.

Justin Draeger: If you decided as part of a ... With the Department of Defense, their MOU, that you were going to use the Shopping Sheet, you're going to be telling students about programs they don't qualify for.

Megan Coval: Yes.

Justin Draeger: It's also very federal student aid focused. Not state or institutional.

Megan Coval: Yeah.

Justin Draeger: They've signaled they want to build inflexibility.

Megan Coval: Yeah. Yeah. And if you want to put you're the only personal name of a scholarship, that type of thing, or not have Pell, if you're at grad school. I mean, we're hoping those are all things that will be addressed.

Justin Draeger: Yeah.

Megan Coval: And would be really, honestly, good points of feedback for folks to share, even if you don't necessarily use the name of this new College Financing Plan, I think even feedback on the current Shopping Sheet, because much of it is the same.

Justin Draeger: We didn't have Financing Plan in our consumer testing results, but the Department did cite our report specifically as one they looked at when they were putting together the new financing sheet. So we do plan on doing some consumer testing, when we get a better idea of all the changes the Department's proposing in the ...

Megan Coval: Yes.

Justin Draeger: Okay. Also out this week, news from the Wall Street Journal, it looks like, a new report that is talking about how student loan debt is dragging down the economy, specifically in the housing sector. Do you have that update, Megan?

Megan Coval: Yeah. So, this came out actually just this morning. The Federal Reserve put out a paper saying that student loan debt is leading to fewer people being able to buy homes. The big statistic that they shared is that home ownership among people ages 24 to 32 fell 9% to 36%, from 45%, between 2005 and 2014. And they did admit that many different factors could lead to this number, so it's not just one thing, but they did say that about two of those percentage points was directly tied to student debt.

Justin Draeger: So, there's been a lot of debate about this amongst economists, because the problem with a lot of collecting information on this is that if you ask somebody why they can't afford to buy a house, they can point to one thing, but we all know, in economics, what people say they do and what they actually do aren't always the same thing. But the Federal Reserve is coming down squarely on the side of this is definitely affecting the housing market.

Megan Coval: Yes. They're not putting all the blame on it, but they're saying they can quantify that part of it, or a certain percentage of it, is because of that.

Justin Draeger: Right.

Megan Coval: Yeah.

Justin Draeger: So, more bad news. This, actually, again reaffirms the people that are talking about the student loan crisis, and it's starting to become a major drag on the economy. I mean, at a trillion and a half dollars more and more, what I would say, independent organizations are pointing to this as a major issue.

Megan Coval: Mm-hmm. It also just, you know, you don't know the interaction of ... It would be interesting to see, of the people that were ... It wasn't that this was a study, I mean, these are overall numbers, but how many of these people were in income-based repayment? Or some form of income-driven repayment? Which really is supposed to get at this issue, right? That your monthly payment won't hamstring your ability to be able to do other things, like buy a car, buy a house. I mean, those are things that we don't know. And we also know that those payments can be high for people as well. But-

Justin Draeger: Well, the other part of this study, I think there was another part that looked at, not only is it dragging down the mortgage industry but more college graduates are moving out of rural areas to urban areas. I also just wonder-

Megan Coval: Cost. Yeah.

Justin Draeger: Yeah, cost, because urban areas are just more expensive-

Megan Coval: More expensive. Yeah.

Justin Draeger: ... to buy a house. All right. So, we'll keep our eye on that. Second chance Pell sounds like had a recurrence in the press this week with a report that just came out, Allie.

Allie Bidwell: Yeah. So, a new report came out this week from the Vera Institute of Justice, and Georgetown Law's Center on Poverty and Inequality, and it was looking at what would happen if the ban on allowing incarcerated individuals to have access to a Pell Grant was lifted. So they say that right now there are more than 460,000 people in state and federal prisons who otherwise would be eligible for a Pell Grant, and by doing that, it could help make them more employable when they reenter society. It could help expand the pool of potential employees for businesses looking for different types of workers, and it could help states save money on incarceration costs by helping reduce recidivism.

Allie Bidwell: So, typically they said that nearly half of people released from prison will be back within three years, and on average, formerly incarcerated individuals are 48% less likely to return if they take part in a post-secondary education program. So, if there was a 50% take up, not even if all of these people participated, but if half of them did, it could save ... The 48 states that they studied, it could save them, together, \$365.8 million each year in incarceration costs.

Justin Draeger: Which, for state budgets that have to be balanced, this is a big deal, because when you have to pay for more healthcare, or incarceration, that's money that they can't appropriate at the state level to institutions or support college.

Megan Coval: Yeah.

Allie Bidwell: And for some states it was on the lower side, like Wyoming. It would save them about \$300,000. But those are states that-

Justin Draeger: Smaller states.

Allie Bidwell: Yeah, have fewer people in prison. But for a larger state like California, they could save as much as \$66.6 million.

Justin Draeger: And the overall costs, I think, were pretty low in comparison to the full Pell Grant.

Allie Bidwell: Yeah. You wouldn't have to significantly increase funding for the program.

Justin Draeger: It was just by a couple hundred million dollars, I think.

Megan Coval: Yeah. It was like \$400 million or something like that.

Justin Draeger: Yeah. I mean, we're talking about ... I mean, it's not nothing, but when you're talking about a \$25, \$27.8 billion dollar program, that's a cost that could be absorbed.

Megan Coval: Yeah.

Allie Bidwell: It would be less than 10% increase.

Megan Coval: And we have a experimental site that's doing this, right now. There's 65 colleges in, I think, 26 or 27 states-

Allie Bidwell: Yeah. They're currently serving 12,000 people.

Justin Draeger: If you are looking for a place of bipartisanship, criminal justice reform is one of them. This obviously fits into that bucket.

Megan Coval: Yeah. And I saw, I think it was in the Post's coverage, they had a quote from Senator Alexander. I don't know if you guys saw this, but he was basically acknowledging, yeah, it's a real problem when people are done serving their time and go out and don't have anything to do. So kind of referencing that upcoming reauthorization, and that maybe something like this would play a role. So that's promising.

Justin Draeger: Yeah. All right. So, we'll be looking for more there. Also, this last week, this probably goes unnoticed in the day-to-day lives of financial aid folks just because it's not directly tied to disbursement, but one thing that everybody ought to be paying attention to, FSA just released its latest solicitation on student loan servicing.

Justin Draeger: I think it's really easy to get lost in the timeline here, so let me just briefly recap where we've come from. So if people remember, once we, in 2008 when we moved away from FFEL to direct lending, the Department had a five-year contract for basically 17 large, and then five smaller, debt collection companies and servicers. And then that continued for that five years. And then in 2014 we had additional companies. It whittled down just a little bit.

Justin Draeger: And then in 2016, it was whittled down even further. The problem is that when the Department did its solicitation in 2016, and then following, the next year in

2017, is when they announced the NextGen processing and servicing, the idea there was to put all the federal loan servicers in one common technology platform and have one backend and have one face. These are things that we supported, and vocally talked about that we supported, with the Department of Education.

Justin Draeger: The problem was that some folks that could have bid on Phase Two did not because they were not part of Phase One, and they went to federal claims court and basically said that the Department didn't fully disclose that they would have had to have been on Phase One in order to bid on Phase Two. And so they didn't expect Phase Two to include a lot of the things that it ultimately did.

Justin Draeger: So, goes to court, judge basically says that the Department ... You know, enjoins the Department to basically finish out their solicitation, and ultimately then it stays in court for a while, and then on December 14th, just this last year, which was the date the judge basically told the Department it had to correct its solicitation, on that date the Department actually announced that they were just going to cancel the procurement and redo the entire solicitation.

Justin Draeger: So, we knew that they were canceling, and that had to happen by January 15th, and on January 15th, the Department did two things simultaneously. One, they canceled the current procurement, and two, they reissued a procurement. It's a 62-page document with lots of attachments, so I have not read all of them, but ultimately they're now ... So, we're starting from scratch. People are going to have to bid, and there's three parts.

Justin Draeger: The first is an enhanced servicing solution platform for existing customers, and that's a couple million borrowers. Then, you have Number Two which is an optimal, I'm putting this in quotes, but optimal processing solution platform for new customers, so you have to have something for the existing, and then something for the new, and then once you get those two things settled, Part Three is a business process operation solution for both existing and new customers, and that won't be awarded until the enhanced servicing solution platform has already been awarded.

Justin Draeger: So, it's going to be iterative, and there are different timelines and steps. I mean, it's a pretty rapid schedule for the Department, I think. But I also think that 2020 is right around the corner, and it's just so unpredictable what's going to happen, with the next presidential election, and what could happen at the Department, and with contracting in particular. This is something that Congress keeps getting their hands into, into a level that normally they would not get into with contracts.

Megan Coval: Yeah. Yeah.

Justin Draeger: So, I think there's politically a lot at stake in the entire servicing realm.

Megan Coval: Yeah. This has been a long process. And I ... Justin, we were talking yesterday, but the part that caught me was saying they want to migrate over, they say, nearly 200 million loan accounts, and they want that migration to start no later than six months after the-

Justin Draeger: The award.

Megan Coval: The award is issued. So that's a pretty rapid-

Justin Draeger: Yeah. It tells me that you're going to have to have a solution, or a platform, already built.

Megan Coval: Already in place. Yeah.

Justin Draeger: And listen, I'm not a data guy, this is not my area of expertise, but I do know what's at stake when you're talking about a trillion and a half of existing volume, and 200 million borrowers, not to mention the \$220 billion ... Well, less than that. I guess we're talking about just under \$100 billion in loan being issued every year.

Justin Draeger: So, folks that are interested, keep your eyes and ears open, and we'll publish things in Today's News as we become aware of them. But we're back at Square One on the NextGen servicing platform. Right. Thanks, everybody, for joining us. Remember to submit your comments and questions. Remember to subscribe. Tell a friend. We will be back again next week.