

NASFAA's "Off the Cuff" Podcast – Episode 294 Transcript

OTC Inside The Beltway: NASFAA Testifies on 2024-25 FAFSA Rollout

Justin Draeger:

Hey everybody, welcome to another edition of "Off the Cuff". I'm Justin Draeger.

Karen McCarthy:

I'm Karen McCarthy from NASFAA's policy team.

Rachel Rotunda:

I'm Rachel Rotunda, also from NASFAA's policy team.

Tim Maggio:

I'm Tim Maggio, community manager, and that guy from Slack.

Justin Draeger:

All right, sticking with it, Tim. Tim, I love your stick-to-it-iveness. Welcome everybody back to the podcast. Rachel, it's good to see you on the podcast again.

Rachel Rotunda:

Thank you. Glad to be back.

Justin Draeger:

Yep. And Karen, you just came back. Was it a red eye back from WASFAA where you were dazzling everybody with your FAFSA inside knowledge?

Karen McCarthy:

No, I wouldn't say it was those things. No, I tried to avoid the red eye, so it was just a really long day yesterday.

Justin Draeger:

Yeah.

Karen McCarthy:

Yeah, Tim also had the long day. I heard he was in San Francisco for six hours.

Justin Draeger:

Oh.

Tim Maggio:

Yeah.

Justin Draeger:

On purpose? Okay. Not that there's anything wrong with San Francisco, but that seems a roundabout way to get back to Washington, DC when you were in Portland.

Tim Maggio:

Yeah, I guess I didn't think through it enough. I just clicked the cheapest ticket.

Justin Draeger:

On behalf of NASFAA members who are subsidizing NASFAA, Tim, thank you for taking the longest way possible back to-

Karen McCarthy:

Three layovers, yeah. No.

Justin Draeger:

Well, thank you Tim for your fiduciary mindfulness. I appreciate that.

Tim Maggio:

Anytime.

Justin Draeger:

Okay, Tim and Karen, thanks for catching up to the East Coast time zone. Rachel and I, on the other hand were... Karen and Tim, I know you had long days, but Rachel and I were battling it out on Capitol Hill yesterday. Karen, I know you and I were texting late into the night before the hearing and early morning. I don't know how early it was for you, but-

Karen McCarthy:

It was like five. I was like, "He's going to be on the way. I need to tell him this." Yeah.

Justin Draeger:

Yes, yes. I was trying to get last minute details on this, that, and the other thing as we were flagging down Ubers to get over to the House hearing. And Rachel and your team, Rachel, were fantastic doing a lot of prep. Maybe as we get into this, we can give folks just a little bit of a peek behind the scenes, how this all comes together. Because people get to see what actually happens in a House hearing, but maybe they don't fully understand or want to know what goes on behind the scenes. But just to catch everyone else, so Tuesday, there were actually two hearings happening on Capitol Hill. One is-

Karen McCarthy:

Oh, Wednesday, just yesterday, Justin.

Justin Draeger:

Oh, thank you.

Karen McCarthy:

Yeah.

Rachel Rotunda:

What is time?

Justin Draeger:

Yeah, what is time? That is Rachel. Never have truer words been spoken. What is today even? Okay, so thank you. Wednesday we had a hearing, two hearings actually. Secretary of Education Miguel Cardona was on Capitol Hill defending the Biden Administration's budget request. He was in front of House appropriators where, just like our lives, everything turned into FAFSA. So he was asking for... A money ask basically to congressional appropriators, but answering questions about the FAFSA as well. And then in the same building, we were having a hearing in front of the House Education and Workforce actually subcommittee on higher education about the FAFSA rollout.

I think people were asking, Rachel, like, "Why weren't people from the department there?" I think this is a good question. This was actually, as I understand it, the first of what will probably be multiple hearings, at least two, but potentially more I imagine because we have a GAO investigation, a Government Accountability Office investigation into the FAFSA rollout. I think this is the first of several oversight hearings. And yeah, go ahead.

Rachel Rotunda:

Yeah, it seemed to me like lawmakers in this hearing we're really trying to get a sense of what are the current impacts on students and on schools. And there will be a time to ask questions of the department, but yesterday didn't seem like that was their sole focus.

Justin Draeger:

Yeah. And in that vein, we tried to set up for them where we are. We're not going to do a... This hearing went on for about three hours. And Rachel, I don't know about you, but I'm just going to strike a few notes I always hit this time of year, which is I was in full regalia.

Karen McCarthy:

I knew, knew this was going to be about [inaudible 00:04:27].

Justin Draeger:

Karen, did you watch the hearing? I just have to ask, did you watch?

Karen McCarthy:

I did. I was on the treadmill in the hotel gym. I had my little phone propped up. Yeah, I was watching all of you.

Justin Draeger:

Great. Rachel and the team and other, like the policy team showed up, Allie, director of communications was there. It was great that to have so much support. Saw a lot of other of our higher education folks there as well. But Karen, I don't know if you could see this visually, but Rachel, I'm not exaggerating, it was probably 90 degrees [inaudible 00:04:59].

Rachel Rotunda:

It was very hot, very warm.

Karen McCarthy:

You got to keep the jacket on the whole time too, right?

Justin Draeger:

Yes. And also, I just want to... This is logistical behind the scenes stuff, but I haven't testi... The last time I testified, this has probably been my fifth or sixth time testifying on the Hill, but I haven't testified in that room since they decided to-

Karen McCarthy:

Crank up the heat?

Justin Draeger:

Yeah, crank up. We're in that weird time when they haven't switched the HVAC over. So if it's an 80 degree day in DC, which it was yesterday, the AC is not working. And then second, they jacked... Besides jacking up the heat, they also jacked up the tables. So now that, Karen, and all the tables are higher and we're sitting on bar stools. [inaudible 00:05:45], but did you notice that?

Karen McCarthy:

Your chair doesn't have a back? You didn't-

Justin Draeger:

No, it has a back, but you can't reach the floor with your feet.

Karen McCarthy:

Oh, I see.

Rachel Rotunda:

Yes, I noticed this like halfway through the hearing. I was like, "This is such an interesting choice of furniture" and none of your feet were touching the ground. You're literally [inaudible 00:06:07].

Karen McCarthy:

I couldn't tell that. That's very funny though.

Justin Draeger:

I think this is a choice because maybe people in the audience, they don't want to show right behind our shoulders, maybe. I don't know. This is the sort of stuff that I can't stop thinking about because I'm like, "Why did they do this?" And I can at least touch the brace on the chair, but I'm looking at the people on my left like Kim and Rachelle Feldman and I was like, "I don't even know if their feet will reach the braces on the chairs." And to sit with your feet dangling for three hours, I'm like, "That's got to be painful." I just think it's painful at some point. Anyway.

Rachel Rotunda:

So the physical feet is what you're saying in addition to the [inaudible 00:06:51].

Justin Draeger:

Yes, also... I'm just saying it was hot and uncomfortable. Anyway, let's jump into us trying to summarize. We're not going to listen to all three and a half hours of this, but let's summarize some of the opening remarks. [inaudible 00:07:04] let's listen to a clip.

My second point is we are in an awful place today. Schools have all the FAFSA information they need from the Department of Education, but the Department estimates that 20% of the files that schools have are riddled with errors. And another 20% of the files on top of that on average don't have the numbers that the financial aid offices need to actually calculate any awards. That means 40% of the FAFSA files that schools have are not usable to calculate financial aid offers for students. And that's on average, some schools are higher. And here's the hard truth, and I don't take any pleasure in being here to say this today, but when you have a crisis of credibility, schools don't trust that more errors won't be found tomorrow, that the data that they have today is credible, or that guidance won't change tomorrow. And schools are stuck in paralysis, and not because the department is purposefully misleading anyone, but because ed itself may not know where the next errors are to be found.

This is the beginning of our remarks. At the beginning, every witness is given five minutes. And if you don't... They put a clock in front of you and they say, "You have to stay within this timeframe. And if you don't, you get gavelled out." Depending who the chair is, they're pretty regimented with the gaveling. So some chairs are very much like... If you go over the five minutes, they will interrupt you and say, "Okay, your time's up. You had time to prepare and you still are going over." So you stay within the five minutes. What we were trying to summarize here is where we truly are today. And Rachel, from your perspective, you were in the room, did you see any inconsistencies between the witnesses or did you feel like everybody was on point here?

Rachel Rotunda:

No, I felt like everyone was pretty much on point singing from the same songbook. People were certainly coming from different perspectives based on the constituencies they represent. We heard more from Kim about the college access community. We heard from Rachel about what it's been like in an aid office on the campus. But I think maybe a little bit different than some other hearings that are a little more partisan. It really felt like all four witnesses were sending the same message, but just from their specific perspective.

Justin Draeger:

Yeah, good. Yeah, that's right. I feel the same. And not just the witnesses, but I also feel like the chairman, Mr. Owens and the ranking member on the Democratic side, Ms. Wilson, also gave perspectives. And Republicans maybe focused more on the oversight. Democrats though were focused on... They weren't necessarily focused on defending the department or the Biden administration. They were focused maybe a little bit more on where do we go from here turning the page, but I don't think I saw anybody trying to deflect that this wasn't a crisis. To that end-

Rachel Rotunda:

Yeah, I agree.

Justin Draeger:

Yeah. To that end, I think we wanted to try to paint a very stark picture. The reality is it is April. On that day, it was April 10th. And if you're not relying on institutional methodology or you don't have some form at the institution, I can't imagine you have aid offers out or aid offers out to any substantive number of students or unless you don't... Again, if you meet full need maybe, but otherwise there's no way. And that reality, if we had said in December or January that we would be in this place in April, we would have no question of said total disaster, like that this is disastrous. Lawmakers put us on the record on that. Later in the hearing, they asked us all to grade where we were. Let's listen to that clip.

Speaker 5:

Listening to your testimony, there's so many different areas where this seems to have failed. Functionality, the timing, transparency with the Department of Education and their communication, and the accuracy of the back end processing of the actual results. I'd like to ask each one of you, what grade would you give the Department of Education in their rollout of the simplified FAFSA?

Speaker 6:

I would give them an F.

Speaker 5:

F? Please, Mr. Draeger?

Justin Draeger:

F.

Speaker 5:

Yeah, Ms. Cook?

Kim Cook:

C.

Speaker 5:

They didn't turn in their homework and you still give them a C, really?

Kim Cook:

I believe they have turned in their homework on some cases. I am deeply disappointed by the process, don't get me wrong.

Speaker 5:

Well, 40%... There's an enormous number of disadvantaged families that would disagree with you today, tonight as they worry about their child's education future. Ms. Feldman, do you mind?

Rachelle Feldman:

I guess I'll give them a D for disappointing.

Speaker 5:

That's cutting a very fine line there.

Justin Draeger:

I think not great grades. Some of these questions you expect and anticipate. Some of the questions are totally off the cuff. This one was off the cuff. We did not have any inkling that they would put us into a box and say, "Okay, grade the Department of Education." I'll stand by my grade. I think again F. If I were today answering that question, I would still give the Department of Education an F. The only maybe amendment I might make is that it's an F with an opportunity to raise the grade over the next month-

Karen McCarthy:

With extra credit work?

Justin Draeger:

Yeah.

Karen McCarthy:

Yeah.

Justin Draeger:

I did like Rachel's D for disappointment because she was playing on a lot of what lawmakers were saying, which is they were disappointed, so much disappointment, but I'll stand by the F absolutely. There's no way. But with the opportunity to get it up to a D, because I hope we are turning a corner. And Karen, we're going to talk about where we are in the next segment here. Okay.

The other thing I tried to do a little different from the written, because we have written comments, we have then oral comments, is talk about the story from the perspective of the financial aid office. That's why we're there. We're telling a story from our collective memory. Let's listen to that clip.

I want to take us back in time, a couple months to January 30th, 2024. That day will live in the collective trauma of most financial aid offices across the country. That was the day that schools were expecting to receive roughly 3 million FAFSA files from the US Department of Education. To be clear, to the students who had completed the FAFSA up to that point, it was anything but smooth sailing. They had already gone through a form that was only available at certain times of the day and riddled with glitches, to put it mildly. But by January 30th, that was the day the department had told schools that they would start to receive FAFSA files, and schools were already months behind at that point.

They need those files so they can start to put together financial aid packages, things like Pell Grants and supplemental grants and need-based scholarships and state grants and work-study. So you can understand that they were very anxious on this day to get started. At that point in the process, schools had already started sending out early admissions. Schools were in the coming weeks going to start sending regular admissions. By that point, students had already started receiving admissions decisions. What they didn't know and what they still don't know today is how they're going to pay for it.

Karen McCarthy:

Yeah. So Justin, I wonder if you can lay out the different pieces of this. I know that there were some folks who asked, "Why didn't you say this in your oral testimony?" You mentioned you only have five minutes. The written testimony, there's no limit on at all, and that is due earlier. So we as a staff went

through the whole process with this written testimony to get that submitted. That's I think almost 15 pages if anyone is interested in diving into that. And then from that you construct the oral. And you did a lot of that work independently on your own. It was more of a team effort on the written. And then you said, "Okay, I'm good. I'm going to pull from that to do the oral." Can you talk a little bit about how you did that?

Justin Draeger:

Yeah, and let me just say this. I'll answer that, Karen, and like I answer everything. I'm going to do it with like 7,000 words.

Karen McCarthy:

I know. I was going to ask you a quick question and then it turned into, "Yeah, so this, that, and the other thing."

Justin Draeger:

I think that to some extent our members do want to... Some of our members at least always do want to peel back a little bit and see what's going on behind the scenes. So at NASFAA, this really is a team effort. So we began talking to the committee about this hearing a while ago, and they had expressed interest in us being a witness. And at that point we bring in the policy team, and I would say the team, it was a team effort that worked on the written testimony like you and I and Jill for example worked on what the outline would look like. So we sat down, we did an outline. Jill sat down and actually put words on paper. And then a big group of us, you, me, Rachel, Nalia, on the communication side, Allie, we get in there and actually start fiddling with all of it. And then ultimately we're happy with that.

Jill and Megan start working on this timeline piece that was released on Monday. That's the appendix. Our design firm makes it all look pretty. So the appendix backs up what's in there. We add all the citations. And what I'm saying is... Then we work on the press releases. We get everything ready for this launch. Rachel and Nalia are taking lead on the Q&A. Before we get there, we try to anticipate questions from lawmakers, and then even the questions, we try to come up with questions that might be even off-topic. And then I go through several prep sessions with Nalia and Rachel where they're peppering me with questions. And we do all this... I get to be the front man for this incredible symphony or band that is NASFAA, but the amount of work from the team that goes into this is enormous.

But on the oral testimony, I do that alone. You have a couple different options. One is you could just try to distill your written testimony down to something much smaller. That's really hard because our written testimony is so I think comprehensive and compelling. I usually try to take a different tack and you have to do what plays your strengths. For me, I try to tell a story, and the story I'm trying to tell... Because I think a story is compelling with some data points and what can you fit in five minutes?

The story to me was that collective trauma, the January 30th date for us, I think as a profession is like, "This was hard. This was not good." But on January 30th, it was so emblematic of everything that was going wrong. We all had a inkling that we weren't going to receive ISIR data because things were so silent at the Department of Ed. And then on the very day, we're expecting receive those ISIRs, we instead get the notice that we are going to face a two-month delay. And at that point, everybody's heads explodes because you know your entire enrollment cycle, at a four-year school at least, is blown. It's totally blown.

And then trying to figure out at that point like... I wasn't told until the very last second. So the trust starts to just go through the basement, and we heard this over and over again from our members. Like, "Okay, in the middle of March am I going to get another notice that it's delayed again?" And then by the

time we get into April or March and April, then the data errors start surfacing. Then you start having all these reject codes, and then...

So the oral testimony for me is always about telling the story and the story has to be brief. The story isn't in the written. It is, but it's not the story the way I told it in the oral. You want to tell a story in a way that has lawmakers looking at you and not reading, not reading what you've put in front of them. You want them to listen and try to empathize with the group that you're representing. So that was my objective, and I think all the witnesses did a great job. And particularly I call out Rachelle Feldman, who is our NASFAA member, worked on our FAFSA Implementation Group and-

Karen McCarthy:

Did you hear that in her testimony Rachel actually called out our FAFSA Simplification [inaudible 00:20:16]? Yeah, Implementation Working Group, which is a mouthful, and-

Justin Draeger:

Which she said.

Karen McCarthy:

Yes. And she said the whole thing. Thanks, Rachel.

Justin Draeger:

And Rachel, I'll just say for those who don't know, Rachel was given a shortened timeframe to work on all this. I don't know if she would say that, but she was called a lot later than others of us on this witness list. And I talked to her over the weekend and she just did a phenomenal job, and just represented UNC and our members just so fantastically. So a big shout-out to Rachel.

Rachel Rotunda:

I have one observation from the room to add because the camera, I would imagine online you see the witness who's speaking, but you don't see the members. And I was actually, I don't know if I would say I was surprised, but the members are sitting in their rows and they are paying attention. I just want folks to know that. They are not on their phones or looking at their staff or talking. I was really struck by how captivated the members of Congress that were in that room seemed. They show up to hear what the witnesses are saying. It's not just a performative we're having a hearing for the sake of having a hearing. It really felt to me the members in the room were listening to what each of the four witnesses was saying.

Karen McCarthy:

Yeah, I was curious about that, Rachel, and can you also share, since you were there, one thing that we don't get from the video is how many... What the attendance was like from the member side. Because some of these hearings, if you're ever there in person, you see that they come in to say their piece and then they leave. It seemed like on the few times you could see multiple people sitting back there and listening to what was being said. I don't know if you have anything to share on that.

Rachel Rotunda:

Yeah, I felt like for the most part, there were always multiple members on each side. The hearing was in the full Education & Workforce Committee room. So that room is made to hold every member of the

committee, which is larger than just the subcommittee, which was holding this hearing. So if you were looking at the crowd or at the members and saying like, "Oh, every seat isn't full," it's because the subcommittee is just smaller than the full committee.

I didn't go through and cross-reference who's on the subcommittee and who showed up, but it seemed to me like a pretty good number of folks. I think it was pretty good turnout, I think. You all answered a lot of questions. People cycle in and out if they have a other committee hearings or meetings. They have votes. But there were definitely some members. Congressman Courtney, Congressman Scott on the left were there for quite a while. Congresswoman Adams was there I think from the jump. There were several members on the Republican side who sat on that back row for it felt like the majority of the hearing, so [inaudible 00:22:57].

Justin Draeger:

Leadership was there. Bobby Scott, who's ranking member on the full committee. Virginia Foxx, who's chairwoman of the full committee, Elise Stefanik stepped in for a few minutes at the beginning. It's a busy day on Capitol Hill, but the attendance was good. This is a high profile issue at this point, and it was competing against the secretary himself.

Karen McCarthy:

Yeah, I wondered about that.

Justin Draeger:

Yeah. Maria, I want to go to another clip. This one was actually the ranking member was correcting me on one point. Let's listen to Mr. Scott. This was near the end, the end of the committee hearing. Let's listen to that clip.

Bobby Scott :

Mr. Chairman, when we started talking about perhaps a simplification act, I was chairman of the committee, Senator Lamar Alexander from Tennessee was chair of the Senate committee. It was a major priority for his. You could simplify the form, cut the number of questions by two-thirds, and in simplification you could increase the number of students eligible and increase the amount of aid they could get. That was the goal. But regrettably, it hadn't worked out that way. So far, no one on this committee on either side of the aisle is happy with what's going on. Mr. Draeger, you keep talking about there's a six-month delay. Actually, it's a six-month delay after a one-year extension. So it's worse than what you've been explaining.

Justin Draeger:

Okay. Now, I'm certainly not going to quibble with Mr. Scott. He's a good friend of NASFAA and a guest on the podcast. But I want to highlight one thing from this. I was pointing out that a six-month delay in this enrollment cycle, Mr. Scott was pointing out that really the department had already asked for a one-year extension, and now we were delayed even beyond that. But I think what this highlights is that usually in a hearing, particularly in the House. In the Senate, you're sometimes more likely to find a bipartisan hearing. Like when we've been called in the Senate, Republicans and Democrats meet together and they jointly call witnesses. That's more likely, not always, but more likely to happen in the Senate. In the House, whoever's in charge, they get most of the witnesses, and then they give one witness to the minority party.

So for example, in this hearing, Republicans called three witnesses. Democrats called one witness. However, in the press release for this hearing, Republicans and Democrats did a joint press release. That was signal number one that this was a bipartisan issue. Number two is found in this statement from Mr. Scott, which is, "Democrats were not defending the Department of Education, and while they may have been focused more on solutions than blaming the department, there was..." Rachel, I don't think anywhere in that hearing where you found Democrats who were rising to the defense of where we are today. Do you think that's fair?

Rachel Rotunda:

I think that's totally fair. Justin, one thing that I actually thought was noticeably absent that we had prepped you on quite a bit was for Democrats to say, "The reason that this has gone off the rails is because the department doesn't have enough funding." I actually thought that might be something, like a theme that would really come up because we know that funding has been an issue at Ed, the Biden administration requested 2.7 billion for FSA. They've really been funded more around 2 billion. I really thought that would be a theme that might come up more. I was really struck by the fact that that was not a path that Democrats took. They were not allowing that to be an excuse for everything that's happened over the last year.

Justin Draeger:

No, I think the frustrations were across the board. Karen?

Rachel Rotunda:

Yeah, no, I was just going to say that when we were trying to brainstorm what do we think the Democrats might ask him? The funding question was the first thing that everybody on staff thought of. Of course, of course he has to be able to answer questions about funding. I was also surprised that didn't come up.

Justin Draeger:

Yeah. And for our part, we don't walk into partisan fights. We answer the questions as openly and truthfully as we can no matter who's asking the question. The other thing that showed that it was bipartisan is that both sides of the aisle were not reserving their questions solely, and I'll say solely, solely for their own witnesses. So for example, I was a Republican-called witness. The majority of people up there were. But I took plenty of questions from Democrats as well. So this was not like each side pairs off, they only ask questions of their witnesses. And Republicans were occasionally asking questions of the Democratic witness. I just think it was clear from the jump like this was a bipartisan issue.

Rachel Rotunda:

Yeah. There are definitely hearings in the past where if you didn't know which side called which witness, you could tell after their testimony, you could say, "Those three are the majority, that one is the minority" because their messages are so different. But that definitely was not the case here.

Justin Draeger:

All of that said Republicans certainly did jump on debt forgiveness and held it out as a competing priority for the department. They also asked me specifically I think a question that didn't come from Democrats, but about responsibility and accountability. Let's listen to this question. It came from Representative Grothman from the state of Wisconsin.

Glenn Grothman:

First question for Mr. Draeger. We obviously are dealing with a mess here today. Thanks for coming over here. Do you feel like the department has owned its mistakes or taken responsibility, and do you believe any employees of the Department of Education, political or otherwise, should lose their jobs because of the botched rule out?

Justin Draeger:

The department has certainly acknowledged that these have been difficult and challenging times, but I have yet to hear any sort of apologies from the Department of Education. And not even to schools, but to students and families. And I admit that maybe I've missed them, but we are months, six months delayed from where the FAFSA should have been released to students and families. There are a lot of glitches and challenges, and there have been entire swaths of students who have not been able to complete it. So we have not seen that. I think this committee bipartisanly has the responsibility to explore whether there should be ramifications felt as it relates to those sorts of questions, Mr. Grothman. I would add two points to this. One is if there was a financial aid director or even a college president that delayed financial aid on their campus for up to six months, the professional price that would be paid for that would be pretty steep.

We didn't know exactly how this question might come up, but certainly I think we anticipated something around this order. And when we discussed this on staff, Rachel and Karen, accountability. We had a lot of different ways we thought about this issue. It's not NASFAA's role. We're not here... We don't hire or fire people at the federal government. And we acknowledged in our written testimony certainly that career staff over there are giving it their all, sometimes to their own detriment of health and well-being, but there are leadership positions that if this same thing was happening on a college campus, there's no question, people would pay a professional price for that. So that's how we chose to answer this.

Also, delving into the performance-based or PBO performance-based organizational structure of FSA, which is very detailed. We might be one of the few professional associations that care a lot about that. I won't derail this podcast on that today. Yeah, this certainly I think leads us into where the department might be going next. Tim, I want to shoot over to you. Member reaction about the hearing and maybe a sense of community. How are they feeling after Wednesday's hearing?

Tim Maggio:

Yeah, I don't think we could really underplay how pivotal this moment was for our members. I was reading through everything they were writing, and you know that when you go through something really traumatic or you go through something really stressful and then you finally have that moment where your body catches up to you and you start to feel it. I think that hearing was that symbolic moment for our members and we heard it in some of the things that they shared with us. People were saying, "Is this therapeutic for anyone else while we're watching it?" They were saying they felt seen while they were watching it. It was making them emotional. Folks were even saying like, "Is anyone else on the verge of tears right now?"

And not in a way that they were sad about what was being said in the hearing, but in a way that they felt like this hearing was their opportunity for their voice to be heard at such an important level within our government and our society, to be taken seriously. And for all of the... They feel very beat up from their students, from their families who want aid offers, from folks on campus who have been asking them for updates for things that they can't control. And I think this is like now they can point to something, be like, "There was a congressional hearing, you need to go watch this." It was just a really important moment for [inaudible 00:32:57] folks.

Justin Draeger:

NASFAA's advocacy here is obviously to represent NASFAA members. So I'm relieved and glad that they feel that their voices are being heard and [inaudible 00:33:09]. As Rachel pointed out earlier, lawmakers are definitely paying attention and wanting to take corrective action now and into the future. To that end, Karen, I think we are seeing... I don't know, this is how I feel like we end up in every podcast. Are we turning a corner? Are we summiting a mountain? This is the question I have for you every week.

Karen McCarthy:

I know. It is always, "Are you up or are you down today?"

Justin Draeger:

But I want to say the Electronic Announcement that came out on Tuesday night was free of fluff, which is a major critique that we had during the hearing, which was there is an intuitive... There is intuitive radar that schools have. It's a BS detector. Okay, let me just put it straight. When their BS detector is going off, it erodes the trust. And I feel like Tuesday's EA was straight to the point. It was a data point about the number of FAFSAs being filed and it was, "Now let's get into the operational guidance." Is that fair or not?

Karen McCarthy:

Yeah, I felt like the EA, we were looking for that and when that finally came out we're like, "What do we think of this?" I said, "This seems a lot better than..." Than yeah, the tone. It was easier to find the key points in there. I feel like with the previous EAs... I was wondering who wrote this thing and this seemed much more like a more typical EA in terms of, "This is what's happening, these are the steps." It wasn't all good news, but it was clear and more straightforward.

Justin Draeger:

I think schools are saying like, "We can take the bad news. We just need you to give it to us straight from here on out. Just tell us so we can start working the problem." Karen, before we get to the latest news, we did some polling data right before that Electronic Announcement so we could try to gauge where schools are at in terms of getting aid offers out to students before May 1. Let's do a quick summary of that polling data and where schools are at as of Monday and Tuesday of this week, before this latest Electronic Announcement.

Karen McCarthy:

Yeah. And I know I think Tim initially raised this issue that people were kind of chattering about it over in the communities, wondering what each other are going to do in terms of when are you sending out your aid offers? When do you think you might? For which students are you going to do what? And we at the time felt that, "Schools might not have all the info that they need in order to make these decisions." And even knowing that, we decided to do this a quick and dirty poll, we call them Poll the Pros, which is just like one or two questions we push out on our website and you just answer and submit.

And so we decided it might be helpful to know now where people are and reserve the opportunity later once we know more, have made decisions, have they decided in certain ways, or shifted their perspective over time? So we haven't talked about when is a good time to do that, follow-up questioning, but we will eventually get there. So the timing is really important here in that we did this Poll the Pros on Monday. It closed I believe Tuesday morning-

Justin Draeger:
Tuesday at noon-

Karen McCarthy:

Yeah, Tuesday at noon. The Electronic Announcement came out on Tuesday night. So this is key, the responses are pre pre-Electronic Announcement. So what we did not know at the time that we did this polling was any reprocessing dates. We knew that Ed had already announced that they were planning to reprocess, but not a lot of specificity as to when that would happen. We also knew that the Department of Education was going to be sending new lists of affected ISIRs out to schools, which was largely in response to feedback that they had received that the previous lists that they had sent were unwieldy, not really user-friendly, hard to work with. Schools didn't really have an idea yet of what these new lists were going to look like and if they were actually easier to use and helpful to them.

And so at the time that we did the survey, we basically asked, "What are you going to do? We're asking about first year undergraduate students only. For which populations, if any, do you think you will have the bulk of your aid offers out by May 1st?" And we just chose May 1st with the significance of May 1st traditionally being decision day out there. And then we did split it up by sector anticipating that there might be some differences, particularly with the community colleges who tend to have later enrollment cycles, that they might be putting this off a little bit, waiting for more information. We did definitely see a split specifically... Now I'm doing it, Rachel. We did definitely see a split along sector lines specifically with the community colleges.

Justin Draeger:
Of course.

Karen McCarthy:

Yeah. But what we did see was we had about overall... I should also provide all the disclaimers to satisfy Charlotte, our research director, that this was completely unscientific, not a representative sampling of NASFAA members in any way. It's just a quick and dirty poll. But what we did see was that 14% of the respondents were just waiting. They are going to wait for the reprocessed ISIRs. They did not expect any aid offers to be out by May 1st, like zero. None. 21% answered that they are only going to do aid offers for those applicants who are completely unaffected by any of these issues that will need to be reprocessed. The others, they are just going to wait for all the reprocessed ISIRs and then package at that time.

And then we also had a little under I think it was about 15% that were in the I have no idea category. And there were some that had no idea because they were still talking about it, decisions hadn't been made. And then there are also some who said, "I don't know because we're waiting on more information from ED." So that could have been, "We need to know when the reprocessing is going to happen. We need to see the list first." Any of those kinds of reasons.

Justin Draeger:

So the thing that's most surprising to me though, Karen, is that 70%, do I have that right? 70% though do have a plan to do something with these ISIRs before May 1 to try to get aid offers out? Is that about right?

Karen McCarthy:

Let me see where you-

Justin Draeger:

Like 15%, only 15% plus a few more are... Which I'm not casting any [inaudible 00:39:59] on those folks, but 15% and a little bit more are still deciding. Otherwise, schools have made an action plan and a good number, like maybe another 15 to 30% are actually doing something with this list the department has put out. And we know the department is going to be putting out additional iterations of this list that are going to be even more refined and helpful for schools. I find that surprising, but surprising in a good way. Schools are using the tools that the department's putting out to try to get aid offers out as soon as possible.

Karen McCarthy:

Yeah, I was also a little surprised. I thought there would be a lot more in the I don't know category, but it sounds like schools are really staying on top of this and doing what they can to see, "Are there any subgroups that we do feel comfortable pushing forward with aid offers?" Which also circles back around to the point that we have been trying to make to the Department of Ed and that the Department of Ed, clearly you can tell in all their communications that they are encouraging schools to go out now, they are really pushing schools to get the aid offers out the door. And the fact that we saw these types of responses is really an indication that... Hard evidence that schools are trying to do that, that they don't need the Department of Ed encouraging them to send out aid offers. They know. They're working on it.

Justin Draeger:

Yeah. The department's giving them options. The schools will decide on their own whether they can take those options and... All right, Karen, let's catch up on the Electronic Announcements from this last week, including the one that's dropping today on Thursday, April 11th. Where are we at and what is the breaking news for this week?

Karen McCarthy:

Yeah, remember when we talked about Poll the Pros and we said that that happened on Monday, and there were bits of info that people did not have at the time that they were answering the poll the pros. And one of them was, "We didn't know more details about reprocessing. We were waiting for more info about these new lists of affected ISIRS that ED was going to send out." One of the other items is that Ed had not yet said anything at all about any safe harbors, hold harmless provisions in terms of, "If the school makes this choice, will they then end up getting dinged in some future audit because they made that choice based on the circumstances?" So I feel like later after we did the poll of the pros this week, we've seen information come out on all three of those topics in various Electronic Announcements.

Justin Draeger:

Very timely.

Karen McCarthy:

Yes, yes. I'm trying to lay the groundwork here.

Justin Draeger:

Yeah, no-

Karen McCarthy:

Yeah, yeah, yeah. Okay, good. So Tuesday night was the first announcement where they mentioned a bunch of information related to student corrections, which they have said they are doing the final testing on right now. And it will be up and down, no announced schedule, but I think they were really just giving folks a heads-up that it may be possible that when somebody goes in, they will be able to make a correction and sign their FAFSA. But when you go in an hour later, it may not be there. Don't freak out, it doesn't mean the whole thing has crashed. It's not officially a soft launch in any way. I think they've learned from that.

But they did say it will be up and down and they hope to make it available broadly and have the real launch early next week. And we have seen some reports in the communities that some folks have gone out or have had reports from their applicants that they were able to sign their rejected FAFSA. So they were able to do make corrections, student corrections.

Justin Draeger:

Sounds like a little bit of a soft launch here, like opening and closing, right?

Karen McCarthy:

Yes.

Justin Draeger:

Okay.

Karen McCarthy:

But I also want to mention that they said it will be open broadly next week. So if when you go in, you don't see student corrections, it's not necessarily a bad thing or an indicator that the whole thing has crashed. This was all part of the plan.

Justin Draeger:

They're not using the term soft launch?

Karen McCarthy:

They are not using the term soft launch, no.

Justin Draeger:

Okay.

Karen McCarthy:

There notably is not any update though in this announcement about school corrections and the availability of that. I know everybody was skimming through that really fast to see what does it say about school corrections? Nothing.

Justin Draeger:

Unfortunately, we know that's at the end of the timeline. School corrections come last.

Karen McCarthy:

Yes.

Justin Draeger:

Right. Okay.

Karen McCarthy:

Yes. Most of the rest of the Electronic Announcement was about reprocessing. There were a bunch of numbers in there related to how many ISIRS they expect will need to be reprocessed. It's about 30% of all submitted forms overall. They broke them down into two categories, one of which is they say are related to the processing system on ed's side. So that's one bucket. And then the other bucket are the IRS tax discrepancy issues, 10% on the ED side, 10% of the overall FAFSAs, 20% on the IRS side. And the reason we have these two buckets is that the 10% that are only on the ED side can be resolved more quickly and they will be reprocessing those they said next week. It may be later in the week.

Justin Draeger:

Just to be clear, when they start reprocessing those, because they don't have to go through all the database matches and all that stuff, I would imagine that reprocessing would happen pretty quickly?

Karen McCarthy:

Yes, we did clarify with them like, "Once you start doing this reprocessing, how fast can you finish it?" Because there were millions of them. And they said that they expect it to go very quickly because they're not running things through the database matches again.

Justin Draeger:

Right. Okay, good. So that reprocessing, but that's the minority number of-

Karen McCarthy:

Yes, that was the lower number, 10% of overall FAFSAs.

Justin Draeger:

So the other 20%?

Karen McCarthy:

All have discrepancies related to IRS info. So these were the amended tax returns, the education tax credits, those types of issues. It has been fixed going forward, so it's not continuing to be an issue. So everybody who's having a FAFSA, an initial FAFSA process now, this is working for. What they have though are these 20% where they have these issues. The fix is in on the IRS side. But what they have to program right now is to get those FAFSAs who were initially processed with wrong data to ping against the IRS system again, which is not part of the original framework.

Justin Draeger:

When they built this, they didn't build it so an application would pull multiple times from the IRS.

Karen McCarthy:

Right.

Justin Draeger:

Yep. They're building this functionality now?

Karen McCarthy:

Yes. And that is where they said they plan to start doing the reprocessing for that bucket. I don't remember the exact words, but I have May 1st.

Justin Draeger:

The part that's noticeable here is that they're going to start.

Karen McCarthy:

Yes.

Justin Draeger:

That doesn't mean they're going to end.

Karen McCarthy:

Yes.

Justin Draeger:

Now, let's assume that the department's building into their... I suppose maybe they could start a little earlier, but it sounds like starting May 1. And how quickly do we expect reprocessing to go on that? Because they're not necessarily going through database matches again, but they are having to go through the IRS data system again. Is this going to be fast or not?

Karen McCarthy:

That part we haven't checked in with them on to confirm, so I'm not sure if that will also be as quick as the other reprocessing or not-

Justin Draeger:

But in the meantime, the department is refining its list, so schools are getting delivered to their SAIG mailboxes list with PII information telling them which ISIRs are impacted and whether the SDI is going up or down.

Karen McCarthy:

Yeah. That was also all in the same Electronic Announcement that there... And I believe I also saw in communities that people have started to get these lists in their SAIG mailbox. Notably, it is school-specific information. So you are not getting 6 million UUID files like we had with the last list. And I actually saw over in the communities that somebody was able to just open it in Excel. I don't know how many... If it was a smaller school or what the issues are there, but because it was a much smaller list, it was easier to handle. And it does have the PII, social security numbers, which are generally more user-

friendly than UUIDs. And it will flag for all of the ISIRs at that school whether the ISIR was affected by any of the issues or not, which one or more it was affected by, and upon reprocessing, if the SAI will go up or down.

Justin Draeger:

It's not telling them how much it'll go up or down?

Karen McCarthy:

No, no dollar amounts. They did say it would just be an up or down-

Justin Draeger:

But if you wanted to segment your population and decide to go out, you could say, "I'm only going to go out for unaffected. I'm only going to go out for those who are going down or those..." I don't know if you would go out for those who are going to go up though, because you'd be taking aid away from them, presumably.

Karen McCarthy:

Unless... You could go out, excuse me, on those who are going up and then just take the option to stick with this original ISIR, which they gave you.

Justin Draeger:

Okay. So you could stick with the original ISIR, you just make sure you have a paper trail so you could lead it back to auditors or program reviewers that during this time you are allowed to stick with the original ISIR?

Karen McCarthy:

Yes. That's in the audit program review thing [inaudible 00:49:42] the next EA.

Justin Draeger:

Okay, the EA that came out today?

Karen McCarthy:

Yes.

Justin Draeger:

Okay, why don't you hit that one?

Karen McCarthy:

Okay, so we are still diving into it. There's a lot of information in there about all of the options that schools have. Obviously the department of Ed is encouraging schools to go out where they can with aid offers. One of the bits of info that schools wanted some reassurances on was, "If I have different information and I'm taking the option to go with one ISIR that is technically incorrect, and then I get a subsequent ISIR that has different data on it, how will I end up being held responsible, say in the future

during a program review or an audit, how am I going to show that, 'Hey, this was allowed,' all of that?" So that's what...

The big pieces of this EA was to allow some of that flexibility. You do have to read through it because it doesn't allow schools like get-out-of-jail-free card. It does say that, "If you're making this selection, then these are the things that you need to do in terms of documenting in the student's file and all of that so that in the future, if it does come back in terms of your future compliance, you will have that supporting documentation." I already said that this isn't like a get-out-of-jail-free card, but in the compliance section, which is at the end of the EA, it says that, "When considering compliance in the future, the department will make its assessments in light of these instructions and the unique circumstances in which institutions are being asked to make judgments about correct award amounts of Title IV funds." So they say they'll take that into account.

Justin Draeger:

Can you reread that part? Say that again?

Karen McCarthy:

Yeah. All right, "When considering an institution's compliance, blah, blah-blah-blah-blah, the department will make its assessments in light of these instructions." So did you properly document what you were doing and why you were doing that and all of that? And the unique circumstances in which institutions are being asked to make judgments about correct award amounts of Title IV HEA funds.

Justin Draeger:

Okay. So one, they're not using professional judgment anymore. There's a victory. But I do wonder, I do wonder, we live in an environment where I think schools live in a real... Just outside of all of this, just live in a fear of non-compliance. They live in fear of being found in non-compliance audits, program reviews. I wonder what the risk tolerance will be of them packaging on basically, essentially wrong SAIs. Let's leave aside the ethics and the philosophical points for a moment.

Karen McCarthy:

The numbers are wrong, yeah.

Justin Draeger:

Yeah. Let's just talk about the comfortability. And I understand the tension here. The tension is the department is trying to give schools the tools for, one, maximum flexibility, and... Maybe I should have put these in reverse order. But one, maximum flexibility so that, two, they can go out with aid offers as quickly as possible. They wouldn't have done this if they had gotten ISIRs out in January or even February. This is like we are at the end of the line situation here. What do you think the aid community's tolerance is going to be for marching down this road and packaging aid on wrong SAIs?

Karen McCarthy:

Yeah, I don't know. I do think that we didn't have this information earlier in the week when we did the Poll the Pros. I thought that more schools would want these reassurances in writing. We knew that FSA was talking about them and planned to offer some flexibility, but I thought that there would be more schools waiting for this in writing before they were willing to go out on some of the affected-

Justin Draeger:

Was that because of compliance or because it was doubling their workload? Because not only are they doing six months worth of work in three or four weeks, but because if they went out with all these aid offers, they were going to have to repackage a bunch.

Karen McCarthy:

You only have to do the repackaging if it's to the benefit of the student.

Justin Draeger:

Right, but so many schools... But we saw a lot of respondents in that polling say that they were either going to segment. Or a lot said they weren't going to segment, they were just going to go out and repackage.

Karen McCarthy:

Yeah. So they wouldn't have to repackage all of them. But the ones they don't choose to repackage are... Those are your risky ones where you're making awards based on an essentially incorrect ISIR, which it allows you to do, but now you have to document why you did it and-

Justin Draeger:

Tim, do we have any reactions in communities on this?

Tim Maggio:

Yeah, I think that's where folks [inaudible 00:54:49] got into that more ethical space that you were talking about of they don't really want to abort on incorrect data, which has been coming up since the first EA that dove into this topic last week. They're already getting into the details of like, "okay, transaction one, two, what happens at transaction three, four, or five?" And lots of people are saying, "We've seen the EA, but nobody's trusting it still." And they're not sure if they do this, they document... I don't know, there's still that crisis of credibility for the Department of Education and I don't know that that can be separated from this guidance because it doesn't read as a get-out-of-jail-free card.

Justin Draeger:

Every school is going to have their own risk tolerance. And as we've talked about in several of our tracks at Leadership Conference and elsewhere, when you're doing compliance, there's almost, I don't know, a 0% chance you were in compliance 100% with all federal regulations anymore. When you consider the litany related to OSHA, Title IV, Title IX. So you're always doing risk tolerance. And if some federal agency is just going to do a gotcha, I don't know. But I guess this is where the trust comes in. And if trust is low, I don't know where a school is going to say, "Okay, we're going to trust. We're going to trust that we're not going to be found out of compliance if we're going to press forward." I know that the motivations of the department, at least when we talk to their leadership, is, "We want to give schools the tools to go out with aid offers as quickly as possible." I think the challenge is also continuity. Like the promises you have today, you just don't know what will be there tomorrow if it's reinterpreted by another-

Karen McCarthy:

Yeah. And I was also thinking about schools have relationships with auditors or don't. If going through an audit every year is a trial and tribulation, you might be inclined to do one thing. Versus, "We've generally had the same auditor, really great person, understands where we're coming from, reasonable to work with. I feel like as long as we do what we're supposed to do, we won't have any trouble here."

Justin Draeger:

Or my auditor is plugged into Title IV rules or my auditor doesn't do Title IV at all. I'm teaching my auditor when they come in.

Karen McCarthy:

Right. Or, "They're very inflexible, don't give us any wiggle room at all in other areas. So I would expect this is going to be a problem if we did this."

Justin Draeger:

Yeah. Okay. I think we've encapsulated a lot of things here. A lot of EAs. A couple of things I do want to point out. The department, in terms of communicating, they are communicating more frequently now. If our members are, we've all talked about this for several weeks, very worn out, very tired, and very justified in expressing that frustration. In terms of whether they should be leaning towards communicating more frequently or less frequently, I think we'll take more frequently. More information is better because schools on a day-to-day basis are doing calculus on what they know. So if the department knows something, it's better if they get it out.

Second, less political, less, I think as Rachel said, sunshine and rainbows. But as we've said, "Less political fluff." And that's helpful too. And in the last two to three days, we've seen operational guidance that is just operational guidance, more of that. And as they continue to do webinars and show up for trainings, it's helpful is they just give it to us straight. Bad news is digestible. I think this community can take it, obviously, but it's helpful if it's just coming in straight and then we can in partnership with the department, keep moving forward. All right, Karen, anything else we need to know before we jump onto our final topic?

Karen McCarthy:

I've had several people ask about the processing of paper FAFSAs.

Justin Draeger:

Yeah.

Karen McCarthy:

It's not in any of these EAs-

Justin Draeger:

It's not happening yet, right?

Karen McCarthy:

As of Tuesday, they said a no update on when they will start processing that. So we don't have any info to share there.

Justin Draeger:

All right. One final thing. Obviously major announcements continue to come out of the Department of Education on debt forgiveness, and one of the things I think people are getting a little bit lost in is when the president comes out and the administration goes out, including the Secretary of Education, announcing new debt relief measures, Rachel, it's unclear whether this is something entirely new or if you're inside the tent, the higher education tent, whether we are announcing something that we already all know about. So can you help us decipher what exactly was being announced this last Monday, and is this something we already know about?

Rachel Rotunda:

Yeah, absolutely. So we saw President Biden on Monday, I believe he was in Wisconsin. Is that right?

Justin Draeger:

Yep.

Rachel Rotunda:

[inaudible 00:59:58]. I believe he was in Wisconsin, make an announcement related to the administration's latest attempt to implement some form of broad debt cancellation and relief for student loan borrowers. I think a lot of folks were thinking, "Is this completely new? It seems like a big political announcement." This is actually related to the negotiated rulemaking that we saw happening over at the department this past fall. So the student debt negotiated rulemaking panel, we saw them meet three times in the fall. They met one time earlier this year. And we have not yet seen a formal proposed rule come out of that rulemaking. But I think what we really saw on Monday was a sneak peek into what we might see in that proposed rule.

This has been part of really more of a... I think you could say it as a messaging thing for the president, giving some insight into... I think there were like five components of the plan that he highlighted. I think it's fair to assume that these things would be part of the proposed rule that we expect to see in the coming weeks and months, but this is not just a completely new thing. These are topics that the negotiators discussed back in the fall and earlier this year. And so we're really just getting a little bit of an early peek into what might be in that proposed rule that is still yet to come.

Justin Draeger:

Okay. So broader PR, maybe appeal and selling and awareness. But if you've been paying attention inside the higher education tent, talked about a negotiated rulemaking. This is the other pathway to debt forgiveness that he's pursued. We have five states that have filed a lawsuit against this pathway and potentially more states that may join or file a separate lawsuit. So this is far from over and we'll continue to keep everyone updated on that. Okay.

Thank you, Rachel, for that update. Thank you Karen, as always, and Tim for bringing in the community perspective and reaction. Thank you to all of you for hanging in there, all that you're doing for students. A big thank you to all of our listeners. Remember to subscribe, remember to tell a friend until we see you again very soon.