

# NASFAA's "Off the Cuff" Podcast – Episode 231 Transcript

OTC Ask Regs Experts: Making Sense of the Latest Verification Waivers and Potential Administrative Hurdles to Loan Cancellation

Allie Arcese:

Hey, everyone, welcome to another episode of Off the Cuff. I'm Allie Arcese with our communications team filling in for Justin this week.

Jill Desjean:

I'm Jill Desjean. I'm on NASFAA's policy team.

David Tolman:

And I'm David Tolman with training and regulatory assistance.

Allie Arcese:

Welcome everyone. Thanks for being here. We're halfway through May, which means it's basically summer. It's basically the 4th of July. We're skipping Memorial Day, going straight to the 4th of July. Anyone have any fun summer plans? David, I hear you have a new family member. You're going to be spending a lot of time with.

David Tolman:

Yeah, we had some great summer plans. And then three months ago, we adopted a dog from a shelter. Not much was known about her. Really calm until a couple days after we brought her home and she wanted to attack my son. And after a long discussion, we decided, okay, we're going to try it and work this. So for the last three months, we've had a behaviorist helping us with the dog. And last week, my son was actually able to just sit down and pet the dog with no problems.

Allie Arcese:

That's progress.

David Tolman:

That's huge. We were really kind of hoping that would've happened on day one, but we'll take the 90.

Allie Arcese:

Right.

David Tolman:

But kennels won't take her right now.

Allie Arcese:

Yeah, that's an issue. Yeah. I am an equal opportunity animal lover. However, I've always had cats. And that's one thing I will say falls in the pro column for cats is you don't really need to train them.

David Tolman:

That's true.

Allie Arcese:

If they're going to be jerks, they're going to be jerks either way.

David Tolman:

Can you train?

Allie Arcese:

Cats cannot be trained.

David Tolman:

Yeah, you can't.

Allie Arcese:

You can. I'm using air quotes, but I don't know. I've never even tried. My cat Lucy, she's she's a wild cannon.

David Tolman:

Yeah. Well, we named her Tilly, it's short for Attila the Hun.

Allie Arcese:

That sounds fitting. That's like, yeah, okay.

David Tolman:

Hopefully, she'll chill into a more Tillamook, which is a place we like to go in Oregon.

Allie Arcese:

They have great ice cream.

David Tolman:

They do. And it's near the coast, so she'll be more that way.

Allie Arcese:

Yeah, more of that kind of Tilly.

David Tolman:

Yeah.

Allie Arcese:

Okay. Yeah. What about you, Jill?

Jill Desjean:

Yeah, just some vacations with friends. We're mixing up an annual trip to Maine. We always go with this one other couple and their daughter. And this other couple was a little jealous, so we had to invite them

this year. We're all sort of nervous. We're like, "We had a really good thing going." And now we're like, "Is this third couple, who we love," but we're like, "Are they going to screw up the vibe? Are things going to get weird?"

Allie Arcese:

Switching up the vacation dynamic.

Jill Desjean:

Yeah. So I was talking to my friend last night. We're both and a little nervous, so we'll see what happens.

Allie Arcese:

Where are you going?

Jill Desjean:

To Bar Harbor in Maine, Arcadia National Park.

Allie Arcese:

Bar Harbor, Maine. Okay. Ooh, ooh, that should be nice.

Jill Desjean:

Yeah. It's maybe my favorite place in the world. It's just amazing there.

Allie Arcese:

And it's not scalding hot up there in the summer.

Jill Desjean:

Oh, no. Tend to have the opposite problem.

Allie Arcese:

Oh, wow.

Jill Desjean:

Yeah. No, it's lovely. It's usually really nice.

Allie Arcese:

Very nice.

Jill Desjean:

But not at all like DC.

Allie Arcese:

Yeah. I am signing Katie up for swim lessons, so that should be interesting.

Jill Desjean:

Oh.

Allie Arcese:

Yeah, she's going to be one year old in almost exactly one month. So I figured it was time to get her used to the water.

Jill Desjean:

Absolutely.

Allie Arcese:

Little water baby. Pascal and I are both from beach towns, so she's going to be in the water a lot.

Jill Desjean:

Yeah.

Allie Arcese:

Did you guys do swimming lessons with your kids?

Jill Desjean:

Totally. Yeah. It's not even necessarily like for fun or so that you can be on the swim team. I'm like that's a life skill. You have to know how to swim. So 100% behind it for them.

Allie Arcese:

I'm looking forward to it. I feel like she likes bath time.

Jill Desjean:

Oh, she'll love it.

Allie Arcese:

So hopefully she's lessons. Who knows? Well, anyway, back here in DC, lots has been going on. Big news this week that should be very exciting for our members is on Wednesday, the Department of Education broke some major news about verification waivers. So David, can you tell us a little bit more about that?

David Tolman:

Yeah. On, on Wednesday, the department released Dear Colleague Letter, Gen 2206, which waives verification in most instances for the remainder of the '22/'23 award year. And obviously there was a lot of excitement in the financial aid community about this. And I saw a lot of posts on social media with my financial aid friends. And of course, NASFAA sent out an email and covered it in Today's News.

Allie Arcese:

Yeah. And so obviously this was getting shared a lot and people have questions. Let's start with something you mentioned the waiver applies in most instances. Can you expand on that a little bit?

David Tolman:

Yeah. So most importantly, the verification has to be completed for identity and statement of educational purpose for students in tracking groups V4 and V5. Otherwise, verification is waived for all other students. There's no requirement to complete verification for income items, household size, number in college, whether the student's in verification tracking group V1 or V5.

David Tolman:

This is probably a good time to remind people that verification of high school completion, which used to be included in V4 and V5, it's no longer included. And that was actually the case before this waiver was issued.

Allie Arcese:

Okay. So the Dear Colleague Letter was issued on Wednesday, May 18th. What would happen if a student was selected for verification before May 18th? Are schools still required to complete verification for those students?

David Tolman:

Well, the simple answer's, no. It does not matter when the student was selected for verification, the waiver applies. But of course, schools are going to have different ways of handling this in practice. If a student was selected prior to May 18th and has not submitted the documents, the school can just notify the student and their family that the documents are no longer needed. But if the student was selected prior to May 18th, comes in to submit documents, the school can thank the student for their effort, provide the good news that the documents are no longer needed and send them on their way.

David Tolman:

But if a student has already submitted verification documents and the school has not yet completed verification on that student, the waiver still applies. But, and this is a big but, resolving conflicting information still applies.

Allie Arcese:

That kind of sounds like a catch. So if a school has verification documents, the department is saying the school can ignore those documents as far as verification is concerned, but they do need to look for conflicting information.

David Tolman:

Yes. And this will probably be the hardest one for schools. Verification documents are in hand, the waiver is applied and now they need to decide what to look for. And this is when schools have to go back to verification 101 and remember the difference between corrections, updates and adjustments. And the key here is to look for things that need correcting and not updating.

David Tolman:

Okay. So for example, let's look at household size and number in college, those items cannot be updated if the information was correct when the FAFSA was filed, even when circumstances change and that alters the family's household size and number in college. But during verification, those circumstances are taken into consideration. And the household size number in college figures are updated.

David Tolman:

So now a school has a verification form with different figures than what was reported on the FAFSA. Now, if the school is waiving verification, it has no reason to believe that household size and number in college information on the FAFSA was incorrect. They have no reason to believe that was incorrect at the time of submission, they can ignore the updated figures.

Allie Arcese:

Okay. That makes sense. So what about income items? If the documentation the family submits for income doesn't match what was reported on the FAFSA, can the office simply ignore that also?

David Tolman:

Yeah. Income information is different. It needs to be correct. And it's not subject to changes throughout the year, like household size. So for example, either the AGI reported on the FAFSA accurately reflex 2020 income, or it doesn't. So a school might want to review documents submitted to look for any income or tax discrepancies and resolve those. But note, if a school does that, it is resolving conflicting information and not completing verification.

Allie Arcese:

Okay. And then the school has the option to say, "We're going to finish verification for the students that have submitted their documents, but not accept it from any other students"?

David Tolman:

Yeah. The school has options NASFAA and the department encourage schools to waive verification requirements in light of the Dear Colleague Letter. But the question of whether to verify information on remaining files that are kind of working their way through the pipeline, or to only look for conflicting information, that's going to be up to the schools.

Allie Arcese:

Okay. And so the school must look for conflicting information for the rest of the 2022, '23 award year, right? That doesn't go away.

David Tolman:

Yeah, that's right. We are unlikely to see a waiver of conflicting information requirements in our lifetime.

Allie Arcese:

Are there any hints as to why this waiver was issued and why it's coming now?

David Tolman:

Well, in the letter, the department references the national emergency related to COVID. And as we all know, COVID is never static. The national emergency was originally set to expire on March 1st, 2022 of this year. So back last year when 2022, '23 verification requirements were released by the department, the expectation and hope we all had was that by now COVID would be under control and things would be completely back to normal, but that didn't happen.

David Tolman:

On February 18th of this year, President Biden extended the national emergency that was originally declared in March 2020. And then once that extended, that kicked off all the mechanisms in all government agencies to update accordingly. And all that to say, we received the Dear Colleague Letter on Wednesday,

Allie Arcese:

Right. Yeah. It seems like that's the case for many, many things tied to the national emergency declaration. Anything else to wrap up on the verification news?

David Tolman:

Well, while we're talking about COVID and verification, flexibilities still apply. Nothing changed there. Students will be verifying the statement of educational purpose and identity. But if either the school is unable to receive documents in person or by mail, or the student is unable to provide the documents in person or by mail or provide those notarized documents by mail, then those items can be submitted electronically.

Allie Arcese:

Great. Thanks, David. And we have posted some links to the Dear Colleague Letter, and to Ask Regs articles in the show notes. The other topic that seems to be ever present in the news is student loan forgiveness. And this seems to have taken more of a front seat lately, Jill.

Jill Desjean:

Yeah, indeed. Ever present for sure. It's not that no one's talked about this at all over the past several years.

Allie Arcese:

Right.

Jill Desjean:

But it has sort of moved toward the forefront of the public policy discussion over the past couple of weeks, for sure.

Allie Arcese:

Yeah. Why now?

Jill Desjean:

That's a great question. As we know, the president campaigned on \$10,000 of debt forgiveness. He didn't have a lot of details at the time, but that was something that he was promising. He's kind of had the luxury of not having to think too much on it while these COVID19 emergency provisions have been in place where students haven't had to make payments on their loans. But he's still been facing some pressure, especially from progressive Democrats who have wanted to see some action there.

Jill Desjean:

We saw the issue of forgiveness kind of bubbling up again in the spring when the pause was due to expire in May. Lawmakers and advocacy groups were pressuring the president to forgive the debt before the payments resumed. But of course we know then the pause was extended yet again, now to August. But that pressure is still on because we're in May and repayment starting in August is not too far away.

Allie Arcese:

Yeah. It sort of seems like the focus on loan forgiveness kind of goes in a circle every couple months as you get closer and closer to that payment resumption date. And then it's gets extended and kind of dies down a little bit. But where do things stand right now?

Jill Desjean:

Yeah, that's a great point. Obviously, when there's a deadline looming, all of a sudden whenever there's anything relevant to that deadline, people are saying like, "We've got a deadline, you've got to do something." So what we've been hearing to date has been that the president's thinking about it. We know that the White House commissioned an opinion from the Department of Education about the president's legal authority to forgive debt. Because that is not necessarily clear cut at all. There was a publicly released version of that memo, but it was basically entirely redacted. So nobody knows what it ... Well, some people know what it says, but we don't know what it said.

Allie Arcese:

Right. Right.

Jill Desjean:

However, the fact that the president has been starting to, it seems to iron out some of the specifics of loan forgiveness, would tell us that the White House appears to think that loan forgiveness does not require action by Congress. That the president can actually wipe out student loan debt with the so-called flick of a pen by using an executive order instead of requiring Congress to do that.

Jill Desjean:

Interestingly, House Republicans recently sent a letter to the White House saying that the White House's refusal to release that ED memo is actually an indication that the administration does not think they have legal authority. They're like, "If you thought you had legal authority, you would just go ahead and release that memo to the public. The fact that you're sitting on it and hiding it makes us realize that you think it's illegal."

Jill Desjean:

So they of course are also opposed to forgiveness on principle. They don't like the idea that people who have already paid out their loans or people who didn't go to college or worked and saved and didn't have to borrow, will now be essentially via the tax system having to pay off other people's debt.

Allie Arcese:

Yeah. I imagine there's some element of timing here. Not to say they think they have the authority or they don't. But just when they announce whatever they're going to do or not do in terms of where things are in the political cycle with elections and all that, that has to play in somewhat.

Jill Desjean:

Yeah. You'd like to think that wouldn't be a factor at all. But of course, yes, there's little doubt that they're thinking about the political ramifications and the timing with midterms looming in on November.

Allie Arcese:

Yeah. What are some of the details of the forgiveness that you mentioned, getting more into the nitty gritty?

Jill Desjean:

Yeah. So it seems like President Biden is sticking to that \$10,000. There were certainly much more generous campaign proposals from other candidates. \$50,000, or even all of it were out there. And there's pressure from progressive Democrats to go up to \$50,000. But he seems to be sticking to his \$10,000 per borrower. But one detail that we really hadn't heard about before that we're hearing about now is the possibility of a means testing element. And that's what has people really fired up right now.

Allie Arcese:

Yeah. So who would be eligible for forgiveness with these parameters?

Jill Desjean:

The word in the street is that there'd be an income cap of \$125,000. So people earning less than 125 K would get forgiveness and people making more than that would not.

Allie Arcese:

And there was a cap for couples as well, right? Or is it just the 125?

Jill Desjean:

Yeah, I think usually the way these things are is 125 if you're single, 250 if you're married.

Allie Arcese:

Okay, just double. Yeah.

Jill Desjean:

Mm-hm.

Allie Arcese:

Okay. And so what are folks saying about the income cap?

Jill Desjean:

So some people think it's a great idea. They don't like the idea of someone who could completely afford to pay back their student loans getting sort of a free ride. They're especially concerned about people with advanced degrees who may have borrowed a lot, but who are also benefiting from the higher earnings that generally go to people with advanced degrees. Basically they see it as wasteful spending to forgive debt for people who are willing and able to otherwise pay it back.

Jill Desjean:

On the other hand, opponents of the income cap say that it adds complexity to loan forgiveness. And will inadvertently cut some eligible borrowers out of receiving forgiveness. And this is because there's no automatic way to just give forgiveness to everybody who makes below \$125,000 or whatever cap we set. The Department of Education just doesn't have people's earnings data. That's not available to them. The access that they have to tax information now is either self reported ... It's always self reported either via the data retrieval tool or via the actual FAFSA itself.

Jill Desjean:

The IRS of course has earnings data, but they can't share that with the Department of Education. They don't have the authority to directly share that.

Allie Arcese:

Yet.

Jill Desjean:

Yet.

Allie Arcese:

Right.

Jill Desjean:

Exactly, right. And even then with the Future Act, it requires consent. And so there still would have to be a step. The IRS doesn't even have income information about non filers. And so those are presumably your lowest income people who you would assume would need the most help and could benefit the most from loan forgiveness. And there'd be no way to automatically catch them. So automation is pretty much off the table.

Allie Arcese:

That's a pretty big, yeah, oversight.

Jill Desjean:

Yeah. Yeah. So basically you're looking at some sort of an application process, if you're imposing means testing. Someone's going to have to somehow affirm what their income is. And that means it'll be underutilized. The benefit will be under underutilized. Adding some kind of affirmation process will also take time. Someone's got to process all those applications. It's going to cost money.

Jill Desjean:

The other problem with needing to request forgiveness by an application versus making it automatic is this looming deadline of August 31st. When people go into repayment after the pause ends, assuming there's not another pause, which there probably will be. Why should borrowers with less than \$10,000 in a loan balance, start repaying their loans at the end of August when all of that could be wiped out?

Jill Desjean:

So either for those people, which would be very difficult to even identify, could just their payments be shut off until their debt could be forgiven. There's something like 12-

Allie Arcese:

It's like-

Jill Desjean:

Oh, go ahead.

Allie Arcese:

I was just going to say this is, it seems like the administration's way of trying to come to a compromise. Not making it too widespread for, like you said people who feel like some people would be getting a free ride. But it would make it more difficult for the people who really need it.

Jill Desjean:

Yeah, you make it very clunky. Automatic for everyone is just easier. And it does mean that some people get it who don't necessarily need it. But it ensures that the people who do really need it all get it.

Allie Arcese:

And it kind of makes me think of like the borrower defense close school applications. Do you just forgive the loans for the people that were in a certain group? Or do you make them go through and file their claim and all that?

Jill Desjean:

Right. Making that assumption that everybody knows the process, everybody's aware that this exists is pretty bold assumption. And especially lower income people might be the people who might have the least access to that kind of information.

Allie Arcese:

Yeah, it'd take a lot of outreach.

Jill Desjean:

A lot.

Allie Arcese:

So basically this would be giving everyone \$10,000 of forgiveness to keep things simple. But risk someone getting forgiveness who doesn't need it. Or on the other hand, you would means test the forgiveness to better target the benefit to people who do need it. But add a lot of complexity to the process as a result of that.

Jill Desjean:

Yeah, that about sums it up. One really interesting data point to consider is that 95% of student loan borrowers earn less than \$125,000. So the question is really is that complexity and expense of means testing loan forgiveness an acceptable trade off to ensure that just that 5% of higher income borrowers

don't get \$10,000 of forgiveness. And that's really the decision that needs to get made as far as means testing.

Allie Arcese:

Yeah. And it's interesting too, because also just this week, a few Republican senators introduced a bill to prevent the administration from forgiving any amount of student loan debt. And one of their main arguments was that it would benefit wealthier individuals who don't really need the relief.

Jill Desjean:

Yeah. And it looks like it's kind of more like some.

Allie Arcese:

Some.

Jill Desjean:

But is it keeping those 5% from getting forgiveness? Is that worth denying it to, not all 95%, but some portion of them?

Allie Arcese:

Mm-hmm. Cool. Well, anything else to add there, Jill? I think we'll keep tabs.

Jill Desjean:

Yeah, more to come I'm sure. Something's got to get announced soon, at least as far as the repayment pause. Of course, there's always moving parts, right? You probably don't want to announce another extension without also making some kind of announcement about where we are in forgiveness. So I'm sure the administration's thinking also about just kind of like, "Oh, do we do this first? Do we do this first? Do we do it all at once? What's the easiest way to go about it?"

Allie Arcese:

Yeah. It's quite a web now.

Jill Desjean:

It is, it's a web.

Allie Arcese:

Yeah. Hugh pointed out recently all the things that the department has said that they're going to do before repayments resume. And it's quite a list between getting people back into good standing and doing things with servicers and forgiveness, and I don't know.

Jill Desjean:

And PSLF with the temporary waivers.

Allie Arcese:

Either a lot is going to happen or not a lot is going to happen.

Jill Desjean:

Well said.

Allie Arcese:

All right. Well, turning to Hugh, you want to give us a little recap of other big news this week?

Hugh Ferguson:

Yeah. So this week has been all about the launch of NASFAA's comprehensive recommendations, examining the shortcomings of the student loan system.

Allie Arcese:

Relevant.

Hugh Ferguson:

Yeah, very much ties right in. But yeah, the paper offers more than 30 recommendations to improve the system. And details targeted solutions to address the underlying systems within the current system that you and Jill just detailed.

Allie Arcese:

Yeah. And this is a grant that we've been working on for about a year. Is that right, Jill? We got awarded the grant last summer, so this was through Arnold Ventures. So yeah, it dives all into servicing repayment default. We just released this on Monday. What else can members look out for, Hugh?

Hugh Ferguson:

Yeah. So this week we also ran an article detailing the servicing portion of the paper. And members should stay tuned for more coverage where we'll be sorting through other recommendations and providing some highlights. And folks should be sure to check out our In the News section, which I'll link in the show notes to see more coverage of this issue paper.

Allie Arcese:

Yeah. And each Monday we run a section in the newsletter where we do a roundup of articles in the news that have mentioned NASFAA. And we've had quite a few writing about this white paper that we released. So be sure to keep an eye out for that. Thanks everyone for joining us for another episode of Off the Cuff. Be sure to subscribe, tell a friend, send us your questions. And we will talk to you again soon.