NASFAA's "Off the Cuff" Podcast – Episode 213 Transcript

OTC AskRegs Experts: Latest on Annual Student Loan Acknowledgement, Regulatory Takeaways from FSA Conference

Speaker 1:

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Justin Draeger:

Hey everybody. Welcome to another edition of Off the Cuff. I'm Justin Draeger.

Jill Desjean:

I'm Jill Desjean, NASFAA policy team.

David Tolman:

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

Justin Draeger:

Thanks very much. Jill, David, we're glad to have you back and help us work through some of the most pressing regulatory topics and questions that have been coming into the NASFAA office. Glad to have you. Before we get into that, well, this is like in the office work week, we have lots of people flying in from all over, our teleworkers are coming in. David, you're actually recording one room over from me. Jill, did you ever take a meeting in the room that David's recording in right now? It's like-

Jill Desjean:

Yeah.

Justin Draeger:

I think it was like our phone booth room. You've been in there?

Jill Desjean:

Yeah. I used to take a lot of meetings in there.

Justin Draeger:

I never realized till just a few minutes ago when I saw David in this room, how much of an insane asylum that room looks like. It's all white.

Jill Desjean:

I know.

Justin Draeger:

Did it ever make you have a psychotic break?

Jill Desjean:

It didn't, but people would be like, Jill, where are you? Are you okay?

Justin Draeger:

Right. It does. It looks unsettling in there.

Jill Desjean:

It needs [crosstalk 00:01:35]. It needs some art or some color or some [crosstalk 00:01:38].

David Tolman:

I mean, there are a few paintings in here, but there're all sitting on the floor, so that might help if they were hung on the wall.

Jill Desjean:

It's good-

David Tolman:

That feels like a-

Jill Desjean:

To know those are still there.

Justin Draeger:

Psychological thriller, why do you think all the paintings are on the floor?

David Tolman:

Feels like I should just be able to scream and no one else in the office would hear me, but I don't think it would go that way.

Justin Draeger:

I want you to try it. All right. Well, try it after this.

David Tolman:

Okay. After this call.

Justin Draeger:

You can't hear me through this wall, right?

David Tolman:

I can't.

Justin Draeger:

Okay. All right. Well, I'm good. Well, let's again. It feels like it was a very busy week over the last week or so, particularly with the Federal Student Aid Conference, which was once again, virtual. I want to talk about some of your impressions and your takeaways here. Jill, let's start with you. One of the questions we had going into the Federal Student Aid Conference was about the Annual Student Loan Acknowledgment, which has been around a couple years. Is it going to be required? Is it voluntary? What's up? Did we get any answers?

Jill Desjean:

We did not get any answers. We got two answers. At first ED did say that it wouldn't be required. That was a written response to somebody submitted question. But they quickly took that back and said that they had yet to make a decision for whether it would be required for the 2022-23 award year.

Justin Draeger:

Okay. No decision. It's still outstanding-

Jill Desjean:

Exactly.

Justin Draeger:

For the 22-23 award year. Remind me, this is not the first delay we've ever had, right?

Jill Desjean:

No, it is not the first. FSA announced this requirement back at the 2019 FSA Conference, when it was in-person, the last time it was in-person, I guess. That was going to be, they called it the informed borrower tool at point. It was going to be implemented in April of 2020 and effective for the 2020/21 award year. The department renamed it to the ASLA and promptly issued a delay to the '21/'22 award year. And then last year in 2021, they issued the most recent delay where they didn't specify any effective date. They just issued an indefinite delay. That brings us up to now where we're still waiting to see whether ED is going to require it for next year.

Justin Draeger:

Okay. Let me ask you a question here, just about school implementation because it exists. Schools could point borrowers to this tool, but can they require borrowers to use this tool or is it voluntary across the board? Like voluntary for schools to share it, voluntary for borrowers to complete it?

Jill Desjean:

We're actually not sure about that. Voluntary for schools, obviously to use it. But whether they can make it a condition for a first disbursement, we're not a hundred percent certain on that. Schools globally are not allowed to impose additional requirements for students to get disbursements of their loans. But that calls into question the department of education's authority to be able to do that as well, and obviously they see themselves as having that authority because they tried to implement, instituted this requirement. The way they get around that I think is because they consider it a part of the MPN somehow, that's the way they refer to it. But whether that would then apply to schools choosing to use it when it wasn't mandatory, but making it mandatory for their own borrowers, we don't know if that's okay.

Justin Draeger:

We need a little bit of clarification on that. We went out to our rapid response network and conferred with our board of directors on this issue, as we have in previous years, and just said, "How many of you are doing anything with it, and given your druthers, would you prefer it to be required for all schools to use so it's consistent, or would you rather have some leeway in how you implement it?" Seems like most of the feedback we got was people would like the tool, there's value in it, but maybe on a case by case or school by school basis, that's our position. I'm curious, from your perspective, why are schools coming down this way? Why is it useful for some schools, but maybe not others?

Jill Desjean:

Well, some schools might be in states where their state has a statute that already requires an annual debt letter, so they might be concerned that the federal debt letter, depending on how it's presented as compared to the state letter, the information might be contradictory. The information might come at different times. It could add to borrower confusion rather than lighten that, and obviously the goal is to actually educate them, not to confuse them. They might have their own financial literacy programs as well, and their own annual debt counseling that's more robust than what the ASLA offers. For some schools that don't have those things, this might be a great tool, a great start to a financial literacy program, but for schools that already have something in place it doesn't really make sense to add something that doesn't add value.

Justin Draeger:

We set up a letter just today to the department of education. We can include that link in the show notes, and it'll certainly be published in today's news like any letter that we're sending up. Jill, do you want to summarize our position, what we've asked the department here?

Jill Desjean:

Yeah. We've asked them basically to permanently make the ASLA requirement optional for schools to use. Leave it out there, keep updating it, keep making it better, keep making it available to borrowers, but let schools decide whether they want to use it.

Justin Draeger:

And then the schools would decide whether it could be required for their borrowers, for example.

Jill Desjean:

Right. That would be the idea.

Justin Draeger:

You mentioned these annual debt letters. This has been gaining some traction amongst different state legislatures. I remember there was a big push in Indiana for this in particular because university there implemented an annual debt letter. I'm curious, what do we know in terms of the research here? What does it tell us about how successful these annual debt letters are in reducing loan debt or borrowing?

Jill Desjean:

Yeah. These annual debt letters on their own haven't necessarily been successful in reducing student borrowing. Indiana, and I think some other states did show that they found some reductions in borrowing, but the annual debt letter was part of a bigger financial literacy push. Students were getting things in addition to the annual student loan notifications. It would be impossible to be able to parse out whether it is the debt letter or something else that led to the reduced borrowing. There've been a couple of academic studies where they've actually established a control group in a study group where some students get just a debt letter, some students get no debt letter. Those have not revealed differences in borrowing behavior.

Justin Draeger:

Okay. Jury's, it's hard to parse out and it sounds like the jury's still out as to whether this in particular is making a significant difference for-

Jill Desjean:

Yeah. Certainly isn't a slam dunk by any means.

Justin Draeger:

As one final reminder, if I'm at a school who hasn't actually taken a look at ASLA for a while because the student loan acknowledgement has been voluntary, if the department changes and says it is required by all schools, when do I need to start paying attention to this, today, next month?

Jill Desjean:

I'd start preparing today. Presumably effective date would be April. That's what they have stuck with every time that they've delayed it. I would assume that it would become effective April for the 22-23 award year. Some schools have Borrower Based Academic Year, and other unusual calendars that might actually have a first disbursement for 22-23 in April. Those schools should be thinking about this now because they're going to have a really short timeframe to get students to be able to complete that and get their disbursements on time. But I think everyone should be at least thinking out, what will we be doing in April and making sure that they're going to be okay.

Justin Draeger:

Okay. Thanks very much Jill. David, let's turn to you. Thinking about the Federal Student Aid Conference last week, any sessions in particular you'd want to highlight?

David Tolman:

Yeah. One in particular. There are a lot of good sessions, but one that's always a popular session is top audit and program review findings. This session was presented by Effie Barnett. She's a trainer with the US Department of Education. She started with the department as a trainer in spring of 2020, but she actually has 37 years of experience in financial aid, including positions as a financial aid director and as a program reviewer for the department. She was able to provide some unique takes on the topic because she's been involved in both sides.

Justin Draeger:

I assume Effie ran through this list of top compliance issues. I want to put a stake in the ground and say, I would guess that RT24 is one of the things on this list.

David Tolman:

Yes. Return of Title IV Funds appeared on the list. In fact it appeared twice on one of them. This is the third time we've done these regulatory takes on the podcast, and we can't seem to avoid talking about some aspect of RT24 each time. But let me start by describing the two types of lists. The first are findings reported by auditors during the annual compliance audit or A-133. These auditors might come from the state or a contract the school has with an accounting firm and then their findings are reported to the department of education. The second list consists of findings that occur when the department itself sends a team of its own staff, called program reviewers, to a campus to review the administration of Title IV aid.

Justin Draeger:

All right. We've got two lists. One from the auditors. I imagine there's some overlap here. What do you want to share from these lists?

David Tolman:

Well, first it became very clear on these lists that administration of Title IV aid is a campus-wide issue, because many of the findings involve the work of other offices on campus, in addition to that which is done in the financial aid office. For example, the number one issue reported by program reviewers and the number two issue reported by auditors, is inaccurate or untimely reporting of a student's enrollment status to NSLDS.

Justin Draeger:

Yeah. While this is a Title IV requirement, this would probably be done over in the registrar's office, not by the financial aid office.

David Tolman:

Yeah, that's true in most cases. It has serious implications on student direct loan borrowers. The borrower's grace period begins when that student either withdraws or graduates or drops below halftime. This is the period when loan servicers establish that relationship with the borrower to help prepare them for repayment.

Justin Draeger:

Yeah. That reporting's important because for a school that's doing any default management or helping borrowers get back into repayment, everything kicks off with the accurate and timely reporting of the student's enrollment status. I imagine working closely with your registrar's office on this issue or any compliance issue across the campus, it's pretty important to establish a good relationship upfront.

David Tolman:

Yeah. I mean, you can see the impacts on all of these findings are going to have their ripple effects. But for example, if the date is reported late and the student as a result immediately begins the repayment, well, it's a lost opportunity for the servicer and potentially the school, to get the student oriented to review repayment plans and to be prepared to make payments. But there could also be monetary implications to misreporting enrollment status. Remember for subsidized loans, the federal government continues to pay the interest on behalf of the student, and if a graduation or withdrawal occurs and the government continues to pay interest at a time when it should have been the student's responsibility, they aren't going to be too happy with the school.

Justin Draeger:

Yeah. Let's stick with this theme for a second, because I wonder on these two lists, how many of the compliance issues involved other offices other than the financial aid office? Do you have any other examples here?

David Tolman:

Yeah. The list includes deficiencies in handling student credit balances, such as missing timelines or misapplying student or parent authorizations. Also, crime awareness requirements, consumer information requirements, which financial aid has a portion of, but is far reaching beyond that. One is as simple as not mentioning federal funds in the title of the bank account where the school holds Title IV funds and financial aid offices generally are not in charge of those accounts. And then G5 expenditures, and G5 being the system used for drawing down federal funds, those being either untimely or incorrectly reported. But it can happen even in traditional, like Return of Title IV Funds, you would think as a financial aid issue, but Effie described that communicating information about a withdrawal or about nonattendance is some of the reasons that that topic rose into the top 10.

Justin Draeger:

I'm saying, the business office, the security, or law enforcement arm of the university or school, the web team, student services, faculty, academic affairs, all of these offices, I think would tie into some of the topics you just talked about. What about things on the list that are pretty squarely in the financial aid office column or area of responsibility, that might interact with other offices?

David Tolman:

Yeah, that's true. Return of Title IV Funds could interact with other offices. Satisfactory academic progress is an issue that was reported as well that could have some tangents about involving grades or changing of grades, and verification. Verification is pretty much the one on these lists that belongs solely in financial aid, but it could involve other offices.

Justin Draeger:

In terms of partnership with the department of education and given Effie's background in financial aid and with the department of ed, any suggestions from our federal colleagues on how the aid office should be working with other offices on campus to ensure a culture of compliance?

David Tolman:

Yeah. She started with the number one issue on an audit finding list, which wouldn't necessarily be on a program review list. The number one finding is there's a repeat finding. That means that a problem that was identified last year or the last several years appeared on the audit list, but the school has failed to address it. This can happen for a number of reasons. Whenever an auditor has a finding, the school has the opportunity to submit a corrective action plan, to be included in the auditor's report. Sometimes either the plan's not followed, it doesn't adequately address the deficiency, or sometimes the school merely recycles the plan that they submitted last year and obviously it didn't do anything. As unfortunate as an audit or program review finding might be, sometimes they go unaddressed. But what Effie explains is, it presents an opportunity for the financial aid director to gather all the stakeholders.

David Tolman:

And so here are some of the suggestions. You're right, start with the stakeholders, explain that issue of campus-wide responsibility. It's not just a financial aid issue, but it could affect the ability to participate in the Title IV programs, or to be able to function without punitive restrictions. Second, describe the problem. She said quoting the actual regulations that impact the finding such as 668.164J, that adds that era of, wow, this is official. Then third, identify the causes. This is where it's important to get feedback from all the different people on campus that might be involved. Are there adequate controls or are they inadequate? Where exactly is communication not occurring? Then build policies and procedures that will prevent the problem from reoccurring. And then finally follow through. The most important point, provide training throughout the year to the relevant staff, and then monitor the processes and procedures that have been put in place. Conduct self audits. And then celebrate with the offices the following year when that audit or program review finding does not appear again.

Justin Draeger:

David, let me go back to a couple things you said. One is, this gathering the stakeholders. It feels like you need presidential or cabinet level buy-in so that everybody on campus is rowing in the same direction. It reminds me of something one of our past national chairs used to say. She said that she would always tell her president, now she had a long tenure there, but she would always tell her president that if her aid office or other parts of the institution screwed up big enough, that they would shut that university down, largely because they wouldn't have Title IV funds any longer. And so that sort of, it was a bombastic way of getting the president's attention and saying, I need everybody involved when it comes to compliance work.

Justin Draeger:

The way I usually say it to college presidents when I meet with them is, "You can pay now or you can pay more later. It's your choice." But compliance comes with real risks if you don't adequately staff your aid office, give them training and get other people on campus involved. Let's talk about schools that have a clean audit. They're good. What else do they need to do?

David Tolman:

Well, clean audits doesn't mean... I mean, we're in a world that changes all the time in financial aid. Staying on top of new regulations that change or sub regulatory guidance, actually starting through that same process would be the same, would be an important thing to do. Gather the stakeholders, put those policies and procedures in place and then follow through and review them. It's great to start with a clean audit and to keep it that way is much better than starting in the hole, especially when you've had a problem that's exist for a few years.

Justin Draeger:

Now, we've paid a lot of attention to helping schools stay in compliance at NASFAA. David, can you run through some of the resources that schools should be using if they're thinking about creating this culture of compliance?

David Tolman:

Yeah. Well, first I'd recommend if you haven't already, viewing the presentation from the FSA Conference. In there are links to many department of education resources, such as the FSA assessments tool and the FSA training center. And then NASFAA also provides some Compliance Engine modules, such as the Policies & Procedures Builder, and the Self-evaluation Checklist, and even for a thorough review. But without the implications of an audit or a program review, the Standards of Excellence review program is a great way to receive confidential feedback from peer reviewers.

Justin Draeger:

On some of those tools, when you're talking about collaborating with other offices, like the Policies & Procedures Builder, the aid office has the capability to actually assign certain parts of your P&P out to other offices for them to either review or even write new language about what the actual procedure is, to be in compliance with whatever institutional policy exists. Good information, David, and we'll include links to the Department of Education session and NASFAA resources in our show notes. Okay. Thanks guys.

Jill Desjean:

Bye.

Justin Draeger:

David, get out of that room as quickly as possible. All right, Owen, let's bring you into this conversation here. A news roundup here. What do we got? What's cooking this week?

Owen Daugherty:

Yeah, well, right now we're in the middle of one negotiated rule making session and just this week, the department announced the topics that another committee will tackle in January when it gathers for the first of three sessions. That committee is called the Institutional and Programmatic Eligibility Committee. Bit of a mouthful there. But they're going to be tackling some important topics, including the supposed 90/10 loophole, gainful employment, financial responsibility, administrative capability, and a few more. That'll be something that we'll cover and follow along.

Justin Draeger:

Yeah. I think for a lot of our members who've been in financial aid for 10, 12, 15 years or so, they might have just a little bit of PTSD when they think about gainful employment being re-regulated again. But we've been warning folks for a while, this is certainly a priority of the administration. We are trudging down that path again. What else is going on this week?

Owen Daugherty:

Yeah, just a quick update on some stuff we touched on last week with Jon, regarding the continuing resolution. It officially cleared both chambers late last week, actually Thursday after our recording, and President Biden signed that into law on Friday. Meaning the government will officially aver to shutdown and be funded through, I believe February 18th. Along with that, as we discussed, this is actually just kicking the can down the road and could potentially impact the Pell Grant schedule. Something that aid offices will want to be on the lookout for and something that we'll be covering and keeping you all updated on as we know more.

Justin Draeger:

Yeah, this is going to be an interesting decision point for the Department of Education, because they'll need to decide if they're going to publish Pell schedules like [inaudible 00:23:07], based on last year's number on February 1st, which is when they're required to do it by law, or if they're just going to hold those Pell schedules back and publish them after Congress officially wraps up their funding season, which could include a sizable Pell increase for this year. We'll keep our eyes and ears open there.

Justin Draeger:

Owen, thanks very much for the rundown. People can continue to stay plugged into Today's News, where we try to publish everything about financial aid news and what's happening. Other than that, thanks everybody for joining. We appreciate you listening in. Remember to subscribe, remember to tell a friend. Send us your comments, your questions that we can tackle in future episodes. We will talk to you again very, very soon.

Speaker 1:

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