

NASFAA's "Off the Cuff" Podcast - Episode 198 Transcript

Megan Coval:

Hey everyone, welcome to Off The Cuff. This is Megan Coval from the policy team, and I'm here today to introduce a special edition of Off The Cuff. This week, we're going to hear a conversation that Justin had with new FSA Chief Operating Officer Richard Cordray at the national conference last week.

Megan Coval:

If you saw that session you might recall that Mr. Cordray delivered prepared remarks, but also there was a really nice, robust Q and A at the end. In this session we'll highlight the back and forth that he and Justin had. We'll be back here next week with a regular episode and we hope you all have a safe, healthy, happy long weekend.

Justin Draeger:

Let me do a brief introduction. It's my pleasure to have Mr. Richard Cordray join us. He's the chief operating officer at Federal Student Aid. Many of you will already know Mr. Cordray's name, he served for six years as the very first director of the Consumer Financial Protection Bureau, the CFPB for short. When he was at the CFPB they certainly were involved in student loans, student loan servicing, and ensuring that protections were in place for all sorts of consumers, including the students that we serve.

Justin Draeger:

He served as Ohio's attorney general, where he and his team worked to recover billions for Ohio's retirees, investors, business owners. He's also served as the Ohio treasurer, and being from my home state of Ohio, I have a special affinity for Mr. Cordray.

Justin Draeger:

Thank you very much for joining us, I'll turn it over to you.

Richard Cordray:

Thank you, Justin, and good afternoon everyone. I hope you see as I do that the country is really beginning to pull through what has been a strange and most trying time. Like everything else, higher education has been significantly affected by the pandemic as you well know, and we're working hard right now to figure out how we can best come out of it.

Richard Cordray:

I appreciate the chance to speak with you today about the work ahead. During my short time on the job, I've been immersed in our complicated work to ensure that Americans have the financial tools to pursue higher education and open up new avenues on their future paths. While there is some overlap with the student loan work we did when I led the Consumer Financial Protection Bureau, the depth and scope of this work is obviously much greater here. And the major issues currently facing us clearly make this a pivotal year for federal student aid.

Richard Cordray:

There's nothing abstract about the challenges we face. The students and families we serve are you and your children, they are me and mine. In fact, last month, my wife and I had the distinct pleasure of watching our twins receive their college diplomas. I'm sure you can appreciate the kaleidoscope of emotions that parents feel when they see children that they recall being clad in diapers now striding across the stage in cap and gown.

Richard Cordray:

The education they receive will position them well to deal with the challenges of life, and we want more young people to seize the same opportunities to learn and grow and flourish. If we can do that, we also, not incidentally, will strengthen the capacity of American society to meet the global challenges that we face today and in the years ahead. Those who choose to work within the realm of Title IV programs come from many different places, government, universities, colleges and career schools, the nonprofit sector, and private industry.

Richard Cordray:

Each of us has a duty to deliver the kinds of high quality customer experience that today's students, families, and borrowers need, expect, and deserve. Even beyond conscientiously serving our customers however, we know how important our work really is. Higher education helps pave the way to prosperity in this country, and for this country.

Richard Cordray:

We know that from our own lives and from looking around our communities. We literally help build and augment America's human capital. Part of why it is so important to make higher education accessible and affordable is to give as many people as possible the chance to pursue their goals and make the most of themselves.

Richard Cordray:

As each student succeeds, we all succeed. This idea is ingrained in the missions of both NASFAA and FSA. NASFAA's mission is to enable financial aid administrators to better serve students and families and advocate for policies that increase student access to and success in higher education.

Richard Cordray:

FSAs mission is more simply, and it's very core, to enable the American dream. Our missions are aligned as long as we continue to focus on the success of students, families, and borrowers. And each admonition is may we live in interesting times. Has that ever been more apt than right now?

Richard Cordray:

We face difficult and unprecedented decisions about the shape and future of federal student loan programs. The pandemic has pushed us out of our custom grooves and forced us to rethink many things we'd taken for granted. If we get these choices right in the months ahead, we can secure this crucial cornerstone of American's progress in the world.

Richard Cordray:

Millions of young people who are not even aware of the details of our day-to-day work will benefit enormously as we find ways to execute better. With all that in mind, let me focus for a few moments on

a topic that affects all of us. How we implement and execute recent legislation about accessing federal student aid, including both the FUTURE Act and the FAFSA Simplification Act.

Richard Cordray:

After that, I will touch on two key issues that are on everybody's minds right now, including mine, student loan forgiveness and the upcoming return to repayment on outstanding student loan debt. Then if we have time, and I'm not certain whether we will, I'll be happy to answer a few questions.

Richard Cordray:

The recent legislation concerning the FAFSA form and methods of verifying income represents a complete overhaul of how we deliver federal student aid. Note that the we here is a collective we, as it will truly be a team effort. To pull it off successfully will take an honest, strategic partnership among all of us. In fact, that's one of the reasons why we agreed to do this session today, why you heard from Dr. Cooper from the department before me, and why you will hear from Melanie and David after me.

Richard Cordray:

The provisions of these two laws will make a sea change in the process for approximately 19 million students and families who fill out the FAFSA form each year.

Richard Cordray:

The scope of the changes and the scale of our work mean, as you can imagine, that activating these new laws is complex and involves much more than simply flipping a switch. FSA and the Department of Education must be deliberate and strategic about our planning and implementation here to make sure we get this right the first time around.

Richard Cordray:

Two weeks ago, FSA announced that we will be taking a phased approach to making the specified changes. Redoing the FAFSA form, overhauling the accompanying processes, and reconsidering the slew of policies and procedures that you constantly deal with. All of that will take time in order to do it well.

Richard Cordray:

Of course, nobody wants to hear that, but sometimes we need to face facts and tell the hard truths. To give you a sense of just one of the challenges, this process requires us to replace a computer system that is 45 years old and runs on antiquated processing with the cobalt computer language, which is increasingly unfamiliar to modern computer users.

Richard Cordray:

When I raised that with the secretary of education, he noted that he himself is 45 years old, which tells you that this has been a long time. Our people have nursed the old system along for many years now, but it is simply not up to the task. We're committed to moving as quickly as possible, but not at the expense of successful and thorough implementation.

Richard Cordray:

A top priority of course is to ensure that students and families have reliable and uninterrupted access to the FAFSA form so they can receive the financial aid they need each year to support their higher

education goals. That is why FSA and NASFAA exist, to help students and families fund their futures. By streamlining the application process, heightening the security of FAFSA data, and modernizing our system, we will support the new FAFSA form for decades to come. A phased approach to FAFSA implementation will enable us to segment the extensive work into bite-sized pieces.

Richard Cordray:

As early as next month, we will begin to implement the repeal of the subsidized usage limitation applied calculation, known as SULA, for the 2022-23 award year, which has the effect of expanding access to subsidized loans and relieving some administrative burden on you and your institutions.

Richard Cordray:

Other improvements will follow over time pretty rapidly and we will move them forward as soon as we can. With each step we seek to set you up to succeed in the field. This approach also gives you time to update your systems and processes. We have full support from Secretary Cardona who has made it clear that finishing our work on the FAFSA process as quickly as possible is a priority.

Richard Cordray:

The department has already realigned staffing and resources at FSA to reflect this perspective. Likewise, the department and FSA are committed to working closely with stakeholders to keep the lines of communication open and the wheels of progress moving.

Richard Cordray:

As we proceed, we will provide more information about our schedule as it firms up. For now, I'll leave it at that and let Melanie and David discuss more details of FSA's simplification efforts, such as the transition from the expected family contribution to the student aid index, and what that means for you and our shared customers.

Richard Cordray:

We continue to make progress in updating our technology to serve you better. Many of you have become familiar with the FSA Partner Connect digital portal, which launched in late March. We designed this new website to streamline and modernize your experience so you can focus on what you do best, which is serving American students. We also are enabling your access to actionable dashboards that include tailored information based on your organization type and your role.

Richard Cordray:

We're encouraged by your use of Partner Connect. For example, last month nearly 140,000 users accessed the new site during about 190,000 sessions, and nearly 25,000 authenticated users held more than 43,500 sessions. We're encouraged to see how this develops as you become more familiar with the site and its features.

Richard Cordray:

Finally, let me speak briefly to the important issues of student loan forgiveness and return to repayment. Much has been said about federal student loan forgiveness as various people and groups have staked out different positions. It is not my purpose here today to opine on what may or may not happen, or even what should happen. What I will say is that whatever decisions are made, and they'll be

made at the White House, FSA stands ready to operationalize those decisions and make them work for everyone involved.

Richard Cordray:

It's important to note that FSA has already been involved operationally in targeted federal student loan forgiveness. For example, we've instituted discharges for total and permanent disability, affecting many thousands of students. This is in the new administration. The department also announced borrower defense discharges. We do that from time to time for students who have been victimized by failed for-profit schools, including \$500 million in relief recently to 18,000 students, that was announced just last Wednesday. Targeted loan forgiveness, and discharge actions like these, differ from the prospect of general loan forgiveness that remains under discussion, and it's important to keep in mind that these kinds of targeted actions will continue regardless of what happens with general loan forgiveness.

Richard Cordray:

Also top of mind these days is the return to repayment on existing student loan obligations, that looming task, unprecedented in the history of our country, concerns the disposition of all those who for more than a year now, during the pandemic, have experienced a unique hiatus in student loan repayments.

Richard Cordray:

Four times so far, \$1.5 trillion in pending debt has been suspended as the national emergency unfolded. With our country recovering from the depths of this crisis, we know the end of the repayment pause will follow in turn. As we confront the formidable challenge of restarting these payments for tens of millions of people all over the country, we face a defining moment. In this moment, we share with our loan servicers and school partners the responsibility to communicate effectively and show that we can get it right.

Richard Cordray:

There is no acceptable alternative. So this is an especially challenging time at FSA and for many of you, but let's take a moment finally to step back, broaden our lens, and take stock of what we're all about. Our charge here is to empower students to pursue their dreams. We can change the trajectory of their lives. You do that every day by helping them realize fulfilling and productive careers. We must be diligent in seeing that our work on their behalf helps them reach their goals, rather than stifling them by saddling them with burdens they may carry for years, if not for the rest of their lives.

Richard Cordray:

That is what we will aim to do together.

Richard Cordray:

Thank you, and I'd be happy to take a few questions if we have time, and I think we do have some time.

Justin Draeger:

Yeah, thank you very much. We appreciate your attendance here today, that already speaks volumes about the partnership that you want to have with our community. There are roughly 3,200 people

logged in to this session, so we have a lot of questions and I don't think we'll be able to get to all of them. But I'm going to try to pick out several that are being asked over and over again.

Justin Draeger:

The first is about the operations piece around public service loan forgiveness. So this is something that our schools are engaged in with past students who are now borrowers, and trying to navigate this complicated system. Given the low approval rates for PSLF, could you talk about any of the concerns that you have or ways that FSA might try to address some of the challenges around this program?

Richard Cordray:

Yeah, and let me say, this is one of the issues I'm thrilled to be in this position to do something about, I wrote a book about my time as the director of the CFPB called "Watchdog," and in it I talk about, among many other things, the failures of the public service loan forgiveness program, such that just an infinitesimal number of people who were engaged in public service across the country and had been faithfully making their payments have been able to actually get the relief that was promised by congress more than a decade ago.

Richard Cordray:

One of the things that I intend to do as the head of FSA is to make sure that the barnacles and the impediments that are embedded in that program are pushed aside as much as possible, that we see our way through to seeing to it, that teachers and police officers and firefighters and social workers, and all the many people who work in the public sector and in some of the nonprofits, which are covered as well, get the relief that they're entitled to finally.

Richard Cordray:

There are some strides being made already under the new leadership at the Department of Education, there will be more, and this is something that we will focus on.

Richard Cordray:

We just put out our quarterly data reports that we put out regularly at FSA, with the change of administration there are actually two data reports that came out at once covering the last six months. And what we did in that report was we created a spotlight on public service loan forgiveness in particular to show the emphasis we're putting on it.

Richard Cordray:

So I think you'll be able to see progress. I'm going to be holding myself accountable to show the progress that we're making, and I think it's really important for us to finally deliver on this promise that so many people have been waiting on for many years.

Justin Draeger:

Well that's music to the ears of this community, and I hope that you'll consider us partners as we try to figure out how to make this entire process easier for our students and borrowers. And thank you for the additional transparency in these reports.

Justin Draeger:

We can't solve an issue that we haven't fully quantified, so that's very helpful. Thank you. I'm seeing probably the second most asked question here is about the tens of millions of borrowers that you talked about that have to be onboarded into successful loan repayment, seems like a pretty monumental task, especially since servicers may have downshifted their own staffing during the pandemic.

Justin Draeger:

Could you talk a little bit more about what steps the department is taking to help onboard these students and ways that we might be able to partner with you in reaching out to our former students to get them successfully back into repayment?

Justin Draeger:

And then I'll have to add, the big question that I see over and over again in here is will there be an extension on the amount of time that students have to enter repayment?

Richard Cordray:

Okay, sure. And by the way, I'm not going to be making any news today. So I don't have anything to say about an extension. Although there are ongoing discussions about how to handle the return to repayment, not only within FSA, not only within the Department of Education, but across the administration, including this week.

Richard Cordray:

So I'm hopeful that we'll have decisions fairly soon about this, and we'll have things to announce, but I can't give you even a specific timeframe as I speak to you today. It is frankly a monumental task. We're looking at things like eviction moratoriums on non-payment of rent being lifted, although I see that was just extended to the end of July today.

Richard Cordray:

There are moratorium on foreclosures for failure to pay mortgages, those pale in comparison to the challenge here. I think for mortgages, it's 1.7 million people across the country, and for federal student loans, depending on how you slice it and count it, it's probably in the range of 35 million people. So 20 times as many.

Richard Cordray:

Plus, as you know, a private mortgage is a private transaction between two private parties, it's typically handled by hundreds of different banks and mortgage lenders around the country. So the volume for each of them is relatively speaking lower, whereas we have eight loan servicers for the department, they're private contractors, which complicates a lot of things, but is the way this has been organized. And each of them is handling potentially millions of different borrowers.

Richard Cordray:

You're right to point out one of the challenges is that student loan services over the last year and a half have ramped down their staffs because there've been several open-ended pauses and extensions on this. And there's no point in them having staff to not do work. But what we need, I believe, is to set a final deadline on this and give us enough time to address it and give the servicers the ability to ramp back up, which they're going to need to do.

Richard Cordray:

It's clear that the end of repayment is... end of the pause on repayment is coming, just a question of exactly when that will be determined and when it will be set finally, but we know that's happening. And it is our job at FSA, my job, to prepare for it and make sure that we can have as smooth a return to repayment as possible, and that many people across this country are, as much as we can help it, not confused, not uncertain, not unable to understand what their obligations are and meet them. But it is, I'm not going to sugar coat, it is an immense challenge, and it's one that looms very large for me in taking this job to steer us in a good direction to get back to people repaying their student loans.

Justin Draeger:

Well we want to be partners with FSA on this, we don't want to sit on the sidelines and critique after the fact. We, as a community want to be helpful in this, and so we'd be happy to meet with you and your delegates to talk through ways that schools can also support this effort. We have a vested interest.

Richard Cordray:

There's plenty who will critique before, during, and after the fact, so if you're going to be working constructively with us, I will very much, and so will our team, very much appreciate that.

Justin Draeger:

Another question here, and this I think is coming from our proprietary sector, which is you had talked about for-profit colleges earlier. There are thousands of proprietary schools that are Title IV eligible by statute and wonder you see any difference between those schools and other schools in terms of accountability or institutional quality.

Richard Cordray:

Say that again, please?

Justin Draeger:

Yeah, so the question I think here is from our members who are from proprietary or for-profit schools, I'll read the question exactly as it came in.

Justin Draeger:

Historically, Mr. Cordray's voiced concerned about proprietary institutions. What is his current viewpoint surrounding these schools and accountability for these schools? And I don't know if this person is from a proprietary school or not.

Richard Cordray:

Okay, fair enough. So look, I had my go rounds with some of the for-profit schools, as people are well aware no doubt when I was the head of the CFPB. We were involved with the Department of Education and other partners in the processes that led to the shutdown of Corinthian and ITT.

Richard Cordray:

And by the way, as I noted just the other day, we announced the forgiveness of \$500 million worth of student loans for about 18,000 ITT borrowers, so the saga continues in this regard, and there are still lawsuits over whether Corinthian students should have their loans forgiven and on what basis and so

forth. And I don't want to speak out of turn about matters that are still in litigation, but that's how long some of these things drag on.

Richard Cordray:

In terms of for-profit schools, as a body, as a category, I don't want to paint with too broad a brush, but they have obligations that they need to meet. They're not off the hook compared to all other colleges and universities in the country. And we will be looking at them very closely for their financial performance, for their financial obligations, and for their performance in terms of delivering a quality product to their students.

Richard Cordray:

And to the extent we're hearing from students and their families about their concerns or their dissatisfaction, we will be listening closely. And I'm not going to ever, ever say otherwise. That's exactly what we should be doing and it's what we will be doing.

Richard Cordray:

So it's going to be an era of accountability, but if people are performing well, if they're delivering value to their students at a fair price, then they have nothing to be concerned about. But if they're not, I hope and expect they will have something to be concerned about. So let me be clear on that.

Justin Draeger:

Thank you. We're running out of time, I think we might have time for two final questions. One question here is about the servicing platform announced through next gen in the last administration. Could you comment about this administration's or your plans for next gen, is it being revamped? Where are we in the process? Will it continue as previously planned?

Richard Cordray:

I will just say that there are a lot of ongoing discussions about that, and I think I can say we've been meeting for an hour a day, every single day, until we get those issues sorted out. We're making a lot of progress, but again, I don't have any news to make today on that front specifically.

Justin Draeger:

This final question comes from Anthony, I think it's a good one. He's asking specifically how FSA will continue to improve its partnership with schools, and how can we as schools seek to strengthen our partnership with FSA? And I guess I would just add my own commentary, which is even the best policies, if implemented poorly, sometimes hamstring schools and students.

Justin Draeger:

And so how can we work together to strengthen this partnership and make sure we have smooth implementations on new policy proposals and ideas?

Richard Cordray:

Yeah, it's a very good question and it's an appropriate question it seems to me. We do need to work closely together, there really isn't any alternative. You are the people on the front lines who deliver a lot

of this product and a lot of the performance to students and their families, and we count on you to do that.

Richard Cordray:

We can't do that ourselves. What we can do is put the right policies in place, have the right oversight, and communicate well with you. It's really important that we listen to you and you listen to us, and that we're hearing each other clearly and with minimum interference, and that when we lay down new policies and procedures, that those are understood and followed. And to the extent you have questions or anything's unclear or anything isn't the way you think it should be, we welcome you to tell us what you think could be improved from your operational standpoint.

Richard Cordray:

FSA is considered the operational arm of the Department of Education for Higher Education, and we are in many respects, but a lot of the clues and indicators that we get about how well our policies and procedures are working out there will be you telling us what the pain points are and which things you think we got right, and which things you think we haven't quite gotten right. And make sure, if you're going to point out something that we should improve, that you have with you a recommendation for how you would suggest we improve it. But we will listen closely to that, and I hope that you will see that communication is a two-way street. And that if we do that and do it well, then we'll perform better for the people that matter most, which are the borrowers, the students and their families, who are counting on us to help them navigate the increasingly difficult path to a higher education in this country, the increasingly expensive path, and to make sure that we're delivering that for people and for the country.

Richard Cordray:

So it's a big responsibility but it's one that we share. And if we're working closely together and working well together, we're going to do it better. There's just no question about that.

Justin Draeger:

Well, thank you for that. I know this community well, and I know they won't be shy about keeping that two-way line of communication open. So thank you very much for joining us today, and we look forward to working with you.

Richard Cordray:

Sorry to be the disembodied voice, but hope that you were able to get my remarks and hope that they help you understand some of the challenges we face and that are coming right around the corner here very quickly for us. Thank you.

Justin Draeger:

Thank you.

Megan Coval:

Thanks everybody for tuning in. Remember to subscribe, tell a friend, and send us any feedback. We look forward to seeing you next week.