

NASFAA's "Off the Cuff" Podcast – Episode 308 Transcript

OTC Inside the Beltway: Beta Testing Begins for the 2025-26 FAFSA

Beth Maglione:

Hi, everyone. Welcome to another episode of "Off the Cuff". I am Beth Maglione, interim CEO and President of NASFAA.

Karen McCarthy:

I'm Karen McCarthy from NASFAA's Policy Team.

Jonathan Fansmith:

And I'm Jon Fansmith from ACE.

Beth Maglione:

Hello. Hello. Welcome to fall. It's October 3rd when we're recording, the beginning of spooky season in my house. Anybody else?

Jonathan Fansmith:

In my house too, we have all the gourds and decoration. My wife and I have an agreement that she can't decorate before October 1st because I am not pro-decorations and she's very pro-decorations. So, this is the common ground we found, but now there are gourds everywhere. There's light up skeletons. There's all sorts of stuff. It's a real spectacular or spooktacular, whatever you want to say.

Beth Maglione:

It's a spooktacular. Do you decorate, Karen?

Karen McCarthy:

We do a little, but our next door neighbors really go overboard and they fill the front lawn. My husband was actually out there helping them to suspend this giant UFO. They have a UFO and an alien that say spooky things. He's holding up this UFO and the two of them are on the ground. I don't know. He did say that he pointed out to them, "You could just throw up a pumpkin flag like we have and call it done." I mean it lights up and all the kids in the neighborhood come to check it out. Yeah, the lights come into our house at night. Does that bother you at all?

Beth Maglione:

An actual UFO is landing in your yard?

Karen McCarthy:

Yeah. Yeah.

Jonathan Fansmith:

Right. The more you're talking about this, Karen, the less enthusiastic you seem.

Karen McCarthy:

Yeah, I mean we don't have an HOA. You can do whatever you want.

Beth Maglione:

It's a blessing and a curse, right?

Karen McCarthy:

It's great. The kids all love it. My dog, not so much. The dog barks at things when we walk by, but yeah, it's great. I don't mind it at all.

Beth Maglione:

Yeah, I live in a neighborhood that goes all out and I love Halloween. It's probably my favorite holiday of all. I have an ongoing debate with my husband, between my husband and kids and I. My husband is anti-inflatable. I don't know why. I think he thinks it's cheating. I'm not sure, but he's pro-Halloween, but anti-inflatable. The kids and I are like, "We're doing it. We're getting inflatable." So we always go make him look at all the inflatables in Home Depot, and then he expresses his disgust with the yard inflatables and then the cycle repeats itself annually. So, I can't wait. We're going to do it all over again.

Karen McCarthy:

So do you buy new ones every year?

Beth Maglione:

He has not agreed to buy them. One of his objections is it'll kill the grass. I'm like, "Who cares?"

Jonathan Fansmith:

Maybe you need to find a small inflatable, a compromised position that you can grow over time.

Beth Maglione:

That's very politically astute of you, but I'm a go-big-or-go-home Halloweener. So, yeah.

Jonathan Fansmith:

All right. Fair enough. Fair enough.

Beth Maglione:

Well, thank you for being here today. It's been nothing going on at all in the financial aid world, in the higher ed world. We're expecting a really calm, quiet fall, right? Is that right?

Karen McCarthy:

Yeah.

Jonathan Fansmith:

I mean then it were true.

Beth Maglione:

Oh, my gosh. I mean usually this is a wild time in all forms of education, but I think we've got a few extra things that we'll talk about a little bit today on everybody's mind.

Jonathan Fansmith:

With an election hanging over everything too.

Beth Maglione:

Just that, don't forget about that. Well, one of the things I know it's front of mind for everybody is this beta testing that kicked off two days ago on the 2025-2026 FAFSA. I'm wondering, Karen, can you catch us up a little bit on what's the latest?

Karen McCarthy:

Yeah, really briefly. So, for most of our members, this will have no impact because this is a really restricted controlled hands-on beta testing with small numbers. They have said that they will be doing multiple rounds of the beta testing through October and November. They talk about the first one, we'll have hundreds of applicants, and then they'll move to thousands of applicants in the next round, and then after that, tens of thousands. So, we are in the first round. So, really small numbers, and these are in-person FAFSA completion events. The college access folks are there and FSA staff are there in-person around the country at these events that are happening. They were October 1st, 2nd, and 3rd.

So, we are right in the middle of them as we record this. They are real live students completing real live FAFSAs for 2025-2026. The idea is to walk them through the process and observe them filling out the FAFSA and making note of any issues that they encounter, so that then FSA can fix those issues ideally before the next round of testing where they will have bigger populations. Theoretically, the idea is that in these first rounds, they're going to find big issues that would impact a lot of applicants and they'll fix those. Then as they expand the numbers, they'll be hitting more of those edge demographics because you'll have students that have various profiles that perhaps weren't in the earlier rounds.

So, any issues that might affect those edge populations will then come out in later rounds. The idea is that they'll fix things as they go along through this iterative process. Then ideally, fingers crossed, all the issues will be found and fixed before the broad launch to the FAFSA broadly to anybody on December 1st. So, we really have just started this testing process. In the interest of transparency and their commitment to keeping the community informed of their progress and what they're finding and the numbers and all of that, there's a special web page where they have already started to do some updating and we can drop a link to that web page in the resources if you haven't seen it. But they're compiling all the information. There's a Q&A document already posted.

There are narrative updates of how things are going and the numbers that they're seeing, and then they also have this whole separate category for data. They have said that they haven't updated any numbers there yet because they want to wait until they get to a critical mass. But you can see approximately how many people completed on the first night of the FAFSA completion, a little bit of information about some of the issues that they did find that, again, are expected. Nobody expects this is going to be completely error-free testing, that's why we're doing it, but they will be tracking all of the progress and all of that on that beta updates page. They've already got some updates up there as of today.

Beth Maglione:

So obviously, one of the ongoing critiques, well, certainly of the 2024-2025 FAFSA process has been a lack of transparency. We'd like to know what you're finding, when you're finding it, even if you don't have it resolved yet, the feedback that has been coming from the community to FSA. Yeah, I'm looking

at this FAFSA beta central site and there's been five updates since October 1, which tells me... I don't know what it tells me. It tells me maybe they're trying very hard to work in public. Would you agree with that assessment?

Karen McCarthy:

Yeah, I would say that about 2025-2026. I mean some of the information, I'm definitely not complaining in any way, but I was like, "Whoa. I think now they're a little bit over-communicating." I don't need to know the state where the first FAFSA applicant was from, but it's interesting. Some people might be interested.

Beth Maglione:

It's a detail that I really loved. Oh, my God. It says right here the first student to log in is from Virginia and the first to submit is from Florida. I love knowing that.

Karen McCarthy:

The Virginia person was a little slower getting through the process.

Jonathan Fansmith:

Or they encountered an error.

Beth Maglione:

Yeah, I mean clearly, we'd rather err on the side of over-communication than under-communication, so I'm glad to see it and we'll be carefully watching that whole process.

Karen McCarthy:

Also, more broadly, I mentioned that really small numbers that we're talking about in terms of the applicants, but they did let the community know broadly that hey, this is starting. As a reminder, these are real FAFSAs. So, this will produce real ISIRs that will go to many institutions across the country because the students can list any schools that they want to get their FAFSA information. So, those ISIRs will be going to school mailboxes. In their announcement, they let the community know that. Don't panic, we don't expect that you are going to do anything with these ISIRs. You're welcome to look at them if you want. There may be issues depending on what we find during the testing.

Some of you won't be able to access them at all because your software provider's not ready or you're not ready. All of that is totally fine. There are no expectations that schools who are not participating in the testing will do anything with those ISIRs. I think that was really good messaging on the part of FSA because not everybody is quite as on top of everything that's going on. I could see some schools, especially in light of how the past year has gone, seeing that and be like, "What? They're already on 2025-2026 and we're still working on 2024-2025." So I think that was a little preemptive proactive communication, always appreciated, because I think people are a little sensitive to changes and it is hard to keep up on everything that's going on.

Beth Maglione:

All right. Thanks, Karen. There's lots going on here. So, FSA on Friday said that it was aware and working quickly to resolve two issues affecting the 2024-2025 ISIRs concerning conflicting tax information and assets for students. Can you let us know what the latest information here is?

Karen McCarthy:

So we are working on 2025-2026 and getting that ready and there are still some issues with 2024-2025. So, we're not out of the woods on 2024-2025 yet. So, this reprocessing is about 2024-2025. I know we were talking about giving kudos to ED for the proactive communication about the testing and making sure everybody's updated and how that's going. This communication about 2024-2025, I feel like, was not quite as great because they basically told schools we've identified this issue where we need to reprocess. It gave schools options of how to proceed, if you want to proceed, if you decide to wait until we do the reprocessing, but then there was no indication at all as to when that reprocessing will happen.

So, it was a little bit of, I would say, limited usefulness because of course, it's really hard for a school to decide, "Okay, what do we want to do about these when we also don't know the volume that we're talking about, how many reprocessed ISIRs we'll see, who's affected?" We don't know, "Will they be doing this reprocessing next week or in early December?" because that has a big impact in terms of how schools, do we sit and wait for the reprocessed ISIRs or do we move ahead and then have to look at them again when we get the reprocessed ISIR later in the fall? So we have requested for FSA as soon as they know to release that information as far as when they expect to do that reprocessing.

At least there was not a lot of clarity as to the reprocessing for the conflicting information and what the impact will be for that issue. But on the assets issue, what the issue was that there were some applicants who qualified not to have their assets calculated in the formula and their assets still were included in the formula. So, they're going to fix that. So, in those cases, all of those applicants will either have no change at all in their SAI or their SAI will actually go down because we are removing the assets because we weren't supposed to be looking at them.

So, in terms of institutional decision-making, that might have an impact in terms of nobody likes to be the one to tell students we have to take away some aid that we already awarded to you. At least on the asset side of the equation, that will not be happening. If anything, a student may be eligible for additional aid based on the reprocessed ISIR, but again, we're pushing ED to communicate about when they plan to do that reprocessing so schools can make their plans.

Beth Maglione:

Got it. Yeah, 2024-2025 is just the gift that keeps on giving.

Karen McCarthy:

I know.

Beth Maglione:

I know there's another issue going on with the update on corrections functionality for 2024-2025 paper faxes.

Karen McCarthy:

Yeah, there's a lot of hanging threads, I guess, related to paper faxes in that it's not going smoothly. So, there are several updates listed here. One is that they had originally expected for paper corrections that functionality to be available. I believe it was originally August, and then they delayed it until late September. We still don't have it. So, they're now updating that they are testing it and they found some issues. They're still working on it and they will let us all know when that paper corrections functionality will be available. They also mentioned in this announcement that there are some processing issues

related to paper FAFSAs and they are working through those and hope to have those resolved quickly as well. They didn't identify specifically what those issues are.

We did flag several for them that we know that they're working on, but it would've been helpful if they had added those issues to their outstanding issue alert page because otherwise schools and families see things. Is this something new? Are they aware of this? Are they not aware of it? All of the same things that we saw with the online FAFSA where we just don't know what they know and what they don't know. Also, the update also didn't have any updated information, which we will be looking for regarding volume of paper FAFSAs.

It did say that they are slower than they would like on processing the paper FAFSAs that right now it's taking about a month for turnaround for them to process a paper FAFSA and they're trying to add some additional resources to get that sped up. So, that is a much faster processing time. A month is much slower than we've ever seen in the past.

Beth Maglione:

So I know ED has said they are working expeditiously to resolve these issues. So, we will definitely keep members updated as we learn anything more about anything related to 2024-2025 ongoing issues. All right. I think those are the big things happening in the land of FAFSA. Should we turn to an appropriations update, Jon? I'm hoping you can bring us up to speed on some House and Senate action that's been taken place.

Jonathan Fansmith:

Sure. Also, I'm definitely going to steal Karen's, I think, understatement of the year, FAFSA 2024-2025, not going smoothly. That's the headline right there.

Beth Maglione:

We'll have T-shirts made up. Yeah.

Karen McCarthy:

I'm trying to be diplomatic. I talk to these people, you have to be diplomatic.

Jonathan Fansmith:

I love it. I said I'm stealing it. That wasn't a criticism at all. Just appreciate the level setting you're doing there. Yeah, appropriations, speaking of things not going smoothly, I guess maybe it's going more smoothly than the 2024-2025 FAFSA. At least Congress was able to clear the first big hurdle, which was to avoid a government shutdown at the end of September, beginning of October, which is when the federal fiscal year starts. They took their time doing it. There was some disagreements about conservatives in the House especially wanted to bill tying voting registration requirements to passing the bill, ultimately couldn't get that attached.

A version of a CR, continuing resolution, which is just an extension of the time to keep the government open, was passed. That looked a lot like what Senate Democrats wanted. It will move the funding deadline back from October 1st to December 20th. So, Congress buys themselves about three more months to resolve their spending bills. It didn't really do much else. There was some money in there for the Secret Service, which probably not a shock to people, has had a few well-publicized failures of late. Congress felt could use some more resources in a presidential election year. A few other areas, Veterans Affairs got some money, but really nothing on the education side.

One of the things we'd been looking for, the administration has asked repeatedly for additional money for FSA for a variety of reasons, but especially around FAFSA processing. Unfortunately, I think for everybody, that issue has become somewhat partisan. So, it was just unlikely to make it into the short-term bill. There was some hope. Of course, they could certainly use additional resources, but it just wasn't the thing that would make it to the finish line. So, it was not in there. Otherwise, this is a lot like what Congress has done the last decade. They never hit their target of October 1st. It usually gets delayed later into the year. In a normal year, you would say we know what we want to do when the House and the Senate will work out their differences.

When we get to December, members of Congress will want to leave for the holidays. So, they'll take a vote and they'll get this done before the new year starts. Not that much disruption for lots of reasons. This is not a normal year, but the big one really is because the elections are incredibly tight and that's for the House, for the Senate, and for the presidency. Having all of those up for grabs means there's a little bit more uncertainty this year. Both parties going into the elections with a reasonable hope, they might have sole control of the government.

So, a lot of the stuff you might see in terms of leadership on both sides, talking about where they want to set the overall spending levels, agreements down the line about how much should Pell get, how much should FSEOG get? Those things are a little bit more on hold just because people will want to see what the election outcomes means. Does that give leverage to Republicans who might want to reduce spending? Does that give leverage to Democrats who might want to increase spending? Where would those increases or those cuts come from?

And then certainly with a new presidential administration, either way they will have their own thoughts about, "Do they want Congress and this Congress in particular to finalize spending and make those determinations or would they rather punt it into the year where they can say, These are our priorities. We want to weigh in, we want our preferences put forward"? So a little more uncertain than we usually see. If you love this stuff, like I do, it's actually exciting. More variables makes it more interesting. If you work for a federal agency like my wife does, not as appealing. Uncertainty's not a great thing. She doesn't appreciate my wonkish interest in this, but anyway, a little bit less we can predict going forward.

I think if you had to say what you'd see, you'll probably see final numbers that look closer to what the Senate has. Senate's higher than the House. But again, everything's on the table at this point. One final thing, I don't know if I mentioned this last time, it's not something that's getting a lot of attention outside of DC, but the debt ceiling, everybody remember the debt ceiling? The last deal to extend the debt ceiling expires on January 1st of the new year. They won't actually hit the debt ceiling cap probably until the summer for all sorts of reasons that are too boring to go into here, but it will be one of those things that we'll start hearing about, especially as we get closer to that December 20th deadline.

Will Congress be able to do something to further push the deadline out? Is that the thing Republicans have traditionally sought to get concessions in terms of spending or cuts to other programs in exchange for voting to support that? What does that look like? It'll be one more factor around overall funding that again, makes it a little bit more complicated to try and guess what exactly we'll see.

Beth Maglione:

Jon, thank you. I, for one, appreciate your wonkish glee that you take in this whole process. You're not alone out there.

Jonathan Fansmith:

Thank you.

Beth Maglione:

There's a few others.

Jonathan Fansmith:

I'm not sure my wife listens to this podcast, so she probably would appreciate me bringing up our domestic disputes around federal funding. But on the off chance she does, she's very supportive in every other way as it regards to my career.

Beth Maglione:

This is one of those only in DC type interpersonal conflicts, right?

Jonathan Fansmith:

That's right.

Beth Maglione:

So one other thing that's been going on that I'm glad to bring folks up to speed on is an anniversary on September 26. The College Cost Transparency Initiative celebrated its one-year anniversary. Just to catch people up on what we're talking about here, CCT is an initiative managed by NASFAA in cooperation with ACE. So, our great partners at the American Council on Education have been integral in this process since the jump and supported by a grant from Strata. Right now, there are 618 schools signed up. Those schools are reaching over 6.3 million students. It's a commitment that CCT members make to transparent, accessible, and clear aid offers based on some shared principles and standards that are laid out by the initiative.

So, for example, some of those are that CCT members aid offers contain information about cost of attendance and a breakdown of those costs that will be paid to the college, those that will be paid to others, aid types and sources. So, that the aid offer separates aid by type, in other words, grants and scholarships, loans, work study, and clearly indicate whether those need to be repaid. Another factor that we look for in the aid offers of participants in CCT is net price. Net price is calculated by subtracting the students offered grants and scholarships from their total estimated cost of attendance. So, we look to make sure that it's clearly delineated. Then last but not least, one of the key things we look for are renewability requirements.

So, this aid offer should clearly explain whether the financial aid is being offered once or on an ongoing basis, and there are samples that folks can look at when they sign up for CCT. We will do a review of your aid offer to check it against some of the standards that have been laid out. So, that's the what. Our team member, Megan Walter, is front and center as program director for this. She's been fantastic. She's looked at hundreds of eight offers at this point and has had lots of great conversations with institutions. I think it's fair to say that what she's found and what we found overall is not that most of the aid offers that have been submitted need wholesale rewriting, but more tweaks.

It's an educational process largely, and schools are very willing to make these changes to update their language accordingly. So, that's all the what, but the why of this effort is there's been a long history and several different attempts in the community and in Congress to improve financial aid offers and there's been varying levels of success. We know that because there's still examples like most recently in... I think it was 2022 accountability report, GAO report that cited specific examples of pretty bad aid offers that we knew could be much better. What a lot of those prior efforts was missing was this collaborative

agreement across the different players here in the higher ed sphere. This initiative has really brought a large group of us together to agree that these are the standards.

I think that's been the most critical piece thus far. So, we've been on this media tour talking about it. Ted Mitchell, the president of ACE, and I have been doing a lot of interviews with various outlets and just trying to get the word out. I'll also say, we did talk about everything. So, we just spent 36 minutes talking about all the other high level pressures that are happening in the aid office. We did talk about, "Do we want to raise financial aid offers to that level knowing that everything else is going on?"

But I actually think there's a connection here, which is with students crashing and burning in 2024-2025 trying to fill out FAFSAs, with a situation where we already know that there's a national problem with a perception of a decreased value of higher education, more and more people are questioning, "Should I go to college at all? Should I just jump into the gig economy? Do I want to accrue debt?" But aid offers are a very public way that we can get in front of that and help bolster the overall impression of the college going experience from the jump. It doesn't help anybody at all.

It certainly doesn't help financial aid professionals when students come in confused about what's a grant and what's a loan. So, yeah, this is, I think, timely in that way that it connects to the larger issues that we're facing in higher ed.

Jonathan Fansmith:

Yeah, I'll just say, first of all, that was really well said and also just say from the ACE perspective, really just tremendously appreciative of the partners we have at NASFAA. But also to your last point, Beth, this is not an easy time to be a financial aid administrator and even something that's very closely aligned with the reason you do the work you do and core to the mission, the financial aid offices, it's one more thing to ask. We recognize that that can be a challenge, but the fact that in a year, we're impacting the lives of six million plus students and the response from offices and from campuses has been so overwhelming and positive.

It speaks obviously to a lot of the great work that has been done by all the different people at NASFAA, ACE, other organizations who have helped, but also, I think the commitment of the higher ed community to doing the right thing by students and making sure that they understand the options available to them, that they can see a pathway towards college and what that looks like. So, just a tremendous thing and certainly worth highlighting. So, I'm glad you're taking the time to do it here, and I know you're doing in lots of other places too.

Beth Maglione:

Yeah, thanks. This partnership has been critical. Ted Mitchell, again, the ACE's president, has been putting in miles on this topic and a lot of shoe leather. We're grateful for the partnership. All right. Well, Jon and Karen, thank you so much. As always, thanks to all of our listeners for tuning into the latest episode of "Off the Cuff". Be sure to send us your comments and check out the show notes and remember to subscribe to us on your platform of choice and we will be chatting with you really soon. Thank you.