

NASFAA's "Off the Cuff" Podcast – Episode 321 Transcript

OTC AskRegs Experts: Federal Tax Information and More FAFSA Guidance

Hugh Ferguson:

Hey everyone. Welcome to another episode of Off The Cuff. I'm Hugh Ferguson with our communications team.

Jill Desjean:

I'm Jill. Jill Desjean with NASA's policy team.

Sarah Austin:

And I'm Sarah Austin, also with the policy team.

Hugh Ferguson:

Thanks for joining us today, Jill and Sarah. It's been a very busy day. Our Slack channels have been very active and I feel like we're running out of emojis to use in our chats, but here we are. It's Thursday, March 6th that we're recording this episode. I feel like we need to add timestamps based on the breaking news that's always popping up at random times or sometimes not popping up and-

Jill Desjean:

Yeah, depending on the day.

Hugh Ferguson:

Yeah, exactly. We were waiting for some possible news out of the White House today impacting the Department of Education, but that is no longer coming up. So we will continue to monitor things there and we'll have updates in today's news, but instead we had some FAFSA news we wanted to go over today, which is always topical and things seem to constantly be changing on that end. Yeah, so Jill, I think you're going to catch us up on some updates concerning federal tax information.

Jill Desjean:

Yeah. So as everyone knows, FAFSAs include federal tax information for the first time for '24 '25 and moving forward, that's data transferred from the IRS via the Future Act Direct Data Exchange or FADDX system. And so that's not news and we thought we sort of knew what was FTI and what was considered sort of plain old FAFSA data in the sense that we used to consider everything that came through on an ISIR. We now have this distinction. Some data is still FAFSA data and subject to FAFSA data sharing rules. Other stuff is FTI and generally speaking, stricter data use and data sharing rules. We thought we knew and then the Department of Ed put out a new piece of guidance. I want to say this was last week, might've been late the week before. This was recently. The department delineated a good number of items from the ISIR that we thought were FAFSA data that had been previously classified as such and are now calling them FTI and they comprise intermediate and derived values.

So obviously adjusted gross income, we already knew that one, right? That one was easy. If it comes from the IRS, it's FTI. If it comes from manual entry, it's not. There's a lot of things that happen behind the scenes at FPS that make their way onto the FAFSA based on the data that is actually entered there by the user or by the IRS. Things like adjusted available income, all those little intermediate calculations

to ultimately get to the student aid index. And those intermediate and or derived values are now being classified by the Department of Ed as FTI, whereas before they either hadn't spoken to them or in some cases, the case I'm thinking of is total income, actually had indicated verbally in webinars that they did not consider that item to be FTI. They urge caution using the total income field because it could be pretty easy to figure out what someone's FTI was from their total income, but they never went so far as to say total income is FTI until now in this most recent EA addressing FTI data.

So there are implications here for schools' data use and data sharing policies with this new classification, especially with respect to total income I think. Because this total income field was not considered FTI, a school might've said, well, I used to say use adjusted gross income for this purpose or share adjusted gross income with another campus office for some purpose, and now that it's FTI, it's more locked down, but total income is an acceptable proxy and is only FAFSA data so I might be able to use and share that data in place of adjusted gross income. You wouldn't be able to do that anymore because they are considered now both FTI, so subject to the same data use and data sharing rules as other FTI.

So for schools that might have decided to rely on that total income field, they might need to go back and revise their data use and data sharing policies to no longer use and share total income as a proxy for adjusted gross income, if you will. There are also implications for the labeling requirements. FTI has to be labeled in school systems as controlled unclassified information or CUI, but presumably these derived and intermediate values would not be FTI if they were calculated off manually entered data. And that was not addressed in the electronic announcement that came out recently. They just said total income is FTI. But if you think about it, if someone manually entered all of their income information, the derived total income field should also be considered manually entered information, not FTI. The EA did not address that. And so we would like the Department of Ed to at minimum affirm that any of these values that came from manually entered information are not considered FTI.

We have right now some sort of soft confirmation and acknowledgement that yeah, we see where you're coming from. So more to come. Our understanding is the department might be addressing some future guidance that could address that in a more official way. So really just pointing it out for financial aid administrators at this point. Definitely take a second look at your data use and data sharing policies. Make sure that they now classify all of those derived and intermediate values as FTI for now. We also do know that the '26 '27 ISIR layout has already been released in the FAFSA specifications guide, and it has moved all of those derived and intermediate values, which used to be in the manual entry block from the ISIR into the FTIM entry block. But unlike things like adjusted gross income or taxes paid where there are two fields on the ISIR, one if it's manually entered and one if it's from the FADDX, there's only one field for things like total income, adjusted available income. So they're all going to be labeled as FTI on your ISIRs.

And at this point, I mean, that's been published. I know that coding takes place. I don't know that the department would even have an opportunity to be able to create separate fields for all of that. I don't know that financial aid management systems would be able to accommodate that. So we don't know yet, but I would assume that there would be maybe what you might call it over labeling as FTI on ISIRs at least for the near future and for the next award year, and then maybe it's something the department could revisit at a later date. This is all speculation on my part, but just kind of going off how typical aid cycles work and how early the department starts working on the FAFSA, ISIR record layouts, all these things for the next year. They may just not have time to have the record layouts catch up to this newest guidance and this newest reclassification of FTI.

So a lot of fun there. Just kind of another one of those nothing ever stays the same, but I sort of had a nice segue there to what Sarah's going to cover here by talking about the '26 '27 FAFSA specifications

guide, because that did come out recently and Sarah has some updates from what we've seen so far. It's not all out yet, but what have you seen so far, Sarah?

Sarah Austin:

Yeah, when you say came out recently, I was looking and it was actually just last week, the last week of February, and I was like, oh, that was like a month ago. No, that was last week. Time-

Jill Desjean:

[inaudible 00:08:16] mean anything anymore.

Sarah Austin:

What is time? I don't know. So yes, last week of February we had several things that were either updated or gotten new information on. So one of them was the '26 '27 FAFSA specifications guide. Don't go looking for the actual guide. It's not really out, it's just that the page is built, the descriptions of all the volumes are there, and then the ISIR record layout, which Jill just talked about is now there. So that's kind of the only piece that's actually available, but they do have all of the volumes listed with descriptions of each of those. And that's actually where we saw in the description of volume nine, that there is going to be no demo site for the '26 '27 FAFSA, which was news to us. I don't know if that was announced somewhere and somehow all of us missed it, but we stumbled upon it. I think Jill, you stumbled upon it.

Jill Desjean:

Or if that was the announcement. It was announced.

Sarah Austin:

Yes. Yes. So we were under the impression that we would be eventually returning back to having a FAFSA demo site just based on prior conversations when we knew there wasn't one for '24 '25 or '25 '26, but thought it would be returning and it is appearing that it will not. I know we already have gotten questions of does that mean the prototype is just now kind of the permanent demo site? I think presumably the prototype sticks around. I don't know that we've had any sort of confirmation of that. One of the pieces that I was trying to find in my notes from last year was the thought that the prototype would exist but be continually updated to actually match the live FAFSA because of course that will be more helpful if you know what the actual live FAFSA looks like by using the prototype. And I swear at some point that they said that was going to happen. That's what I was trying to find in my notes. But I looked and it definitely has not been updated, at least not everything.

Maybe there have been updates along the way, but I looked back and kind of compared it to the '25 '26 live FAFSA and there's definitely things that were updated in the live version that never got updated in the prototype. So more to come on if we continue to use that for '26 '27 and if it will actually be updated as things change since we know things change throughout the year.

Jill Desjean:

Yeah. And Sarah, I'll just add to that, we are working on our '26 '27 FAFSA comments, and we always take opportunities from public comment very broadly. When they ask for feedback on one thing, we will talk about any and all things that relate in any way to that thing. And so we will address the lack of a demo site because that is FAFSA relevant, FAFSA adjacent because we know how important that is for

financial aid administrators, for college access professionals. Right? When you're trying to walk a student through filling out the FAFSA, especially if they're on the phone and they're telling you, I'm looking at this, whatever, it is so hard to do that if you're not looking at the same thing and especially if it's by an email or something else where it's already kind of not synchronous. And so yeah, we definitely plan on pointing out that this is our third straight year that we haven't had a demo site and how critical it is to have the demo site available so that we can help students fill out their FAFSAs.

Sarah Austin:

Agreed. That comment about us making public comments made me chuckle because I was at a conference recently and someone said, "Is NASFA going to comment on the FAFSA that's open for comment?" One thing I learned, I think my first day of working on the policy team is if there's a chance to comment, we're commenting. Whatever it is, we're going to comment. So you will see that coming.

Jill Desjean:

NASFAA has thoughts.

Sarah Austin:

NASFAA] has thoughts for sure. Okay. So the next update that also came out that last week of February is really just the NSLDS post screening process, which we've had several updates about this. I think we've even talked about it on the podcast before. But basically we know there's been this sort of interim solution because the post screening process, the normal post screening process has not been functional. And so we've had this interim process where the departments has been providing these files and reports in order to help catch the students that typically would get this post screening subsequent ISIR that would then alert the schools that there's been a change to their financial aid history. And so the reports and the files became available end of January. There was an update already mid-February about an issue identified that has already since been fixed. But then the most recent update is that they are aware of two issues concerning the financial aid history reports.

And so that update basically said that they know that these issues are out there and they are working on a solution, but as of right now, there is no solution. So apparently there is still an issue, an outstanding issue, and we're hoping for that to be resolved quickly because we know that schools need to have the correct information when they are doing this interim solution for the post screening process. And then as far as I know, and Jill, correct me if I'm wrong, the functionality, the actual functionality of the normal post screening process is still expected spring, but no more specific date than that? Correct?

Jill Desjean:

Yeah. Yeah. And just to further refine I guess, post screening has always been taking place. It's the appearance of the post screening results on the ISIR. So that's how they're able to provide these reports to us is because they've been running post screening behind the scenes since they opened the FAFSA. And so identifying which comment codes should be showing up on the FAFSA to tell you that your students are close to or over annual aggregate limits and defaults, all that other good stuff, it's just that it's not feeding from NSLVS into the ISIR. And so that's what we're hoping to see, obviously. And yeah, spring is the date that we have.

Sarah Austin:

Which if I'm remembering right, I want to say it was way back in summer that we first were told, here's the interim solution. You can be finding all the information yourself. Here's how to find it, some

guidance related to that. And I think at that time they had said it would be out by the end of 2024 and now it's now pushed. So I don't think we've seen anything more recent than spring. But spring is almost here. I don't know [inaudible 00:14:53] the legal definition of spring, but it's almost here.

Jill Desjean:

It was warm in DC yesterday. Spring is almost here.

Sarah Austin:

I've stopped wearing a coat, so we're close. Okay, so perfect. So kind of along the same lines of where there's been an interim solution or workaround manual process, and now we've had an update is the identity verification process. So the most recent update to this... Or I guess let's back up. The interim process. So the students that you typically would be doing V4 V5 verification on related to the identity verification, instead of also getting that flagged on the ISIR, the interim solution was that schools were getting lists of students provided to their SAG mailbox with those individuals that they then needed to review for the identity fraud. And these have been going out... Gosh, this has been a long time too. I mean the whole cycle. So you've been getting these lists to your mailboxes and that's how you would know the students that need to have this. The most recent update, which again was I think the last week of February, is that the department has resumed flagging applicants that meet the defined criteria for potentially fraudulent activity.

And I think they specify that includes people assuming someone else's identity when submitting a FAFSA. So these newly generated ISIRs will have the applicable verification tracking flags, so either the V4 or V5 tracking flags. And now schools of course need to verify the students before determining their eligibility for Title IV funds. So this is consistent with the manual process, it's just now the ISIRs are actually going to be flagged. And they went on to say that in spring, again spring, sometime in spring, they will also start to generate ISIR flags for other issues that may require verification, and those will have the appropriate comment codes and verification flags and all of that. So I think the piece here is that you should be seeing these ISIRs now with the applicable verification flags. But the piece that I wanted to highlight is that when a student's selected for V4 V5 verification and you complete verification, there is also this kind of additional step of V4 V5 of reporting the outcomes of if a student actually completes the verification or if you have selected them, but they do not complete.

And it used to be in the FAA access, now it would be in the FPP, but that functionality, the reporting of the outcomes is not functional still. So even though these ISIRs are going to show up with the V4 V5 flags, you can complete verification, that's fine, but the actual reporting of the outcomes is still not functional. And this actually will not be functional either if you're doing it batch or manually. The process is not functional and will not be until after the release of the '26 '27 FAFSA. So presumably sometime after October 1st, assuming that launches October 1st, like it should. So the actual reporting of it is still not functional and will not be anytime soon. I think that was the last update from me. Jill, did you have anything to add to that last piece?

Jill Desjean:

I was just thinking, I'm thinking out loud now, FAFSA Simplification Act was signed in 2020 and we were talking about the '26 '27 8 year and how we're hoping things will work in that year, but we don't yet know and that we still won't have at least one thing. We won't have a demo site. We could be working at sort of a decade long implementation.

Sarah Austin:

It's feeling like that.

Jill Desjean:

A little overwhelming. Yeah.

Hugh Ferguson:

Yeah. We've seen some quite significant shifts in timelines from all things related to the FAFSA.

Jill Desjean:

Time doesn't matter anymore.

Hugh Ferguson:

No, it doesn't.

Jill Desjean:

Let me sit at the start.

Hugh Ferguson:

Right. And the definition of seasons that the department has used would be interesting to look back at to see which springs we were in at previous cycles.

Sarah Austin:

Is spring March, or is spring June before summer starts? Who knows?

Hugh Ferguson:

It's a surprising debate, but it is one that's being had. So yeah, we'll keep monitoring updates here. And yeah, I've been doing a lot of refreshes on some of the federal sites that are still operating, and we'll be sure to share those updates with members once we have more information. But for now, we'll have some links in our resources section that folks can navigate to to get caught up on all this stuff that really just came out a week ago, but feels like a while now. And yeah, if members have any comments or questions, feel free to send those in. And we will continue to send updates your way once we know more. Thanks for tuning into Off The Cuff.