

NASFAA's "Off the Cuff" Podcast – Episode 325 Transcript

OTC AskRegs Experts: NASFAA's 2026-27 FAFSA Comments and Updated R2T4 Decision Trees

Maria Carrasco:

Hello and welcome to another episode of NASFAA's Off the Cuff. I'm Maria Carrasco with our communications team.

Jill Desjean:

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

Sarah Austin:

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

Maria Carrasco:

Thank you, Jill and Sarah, for joining us. Jill, you were literally just on last week, so really glad to have you back.

Jill Desjean:

Thank you.

Maria Carrasco:

And we have an interesting agenda. We got some stuff about the FAFSA and R2T4. Let's kick it off to Jill. NASFAA recently commented on the '26, '27 FAFSA. Could you walk us through what our comments were about?

Jill Desjean:

Yeah, I sure can. So we just submitted these on Monday to the Department of Education. So, check out today's news from Monday for a link to the comments. But this is the first in two rounds of comments that the department does in the FAFSA. This is going back to the normal schedule of things, but it hasn't gone this way, at least not last year. So, there's a 60-day comment period where they say, "Here's the FAFSA, here are the supporting documents. What do you think?" They get all their comments, they review them, and then they issue a subsequent 30-day comment period with updated FAFSA and supporting materials. And people can comment on what they came up with and say, "Hey, you did a great job," or, "You still didn't do what I asked you for." So, that's kind of where we are first round.

So, in this round, we had a lot to say. I don't know if you remember how long the comments were. Like 15, 18 pages. They went on and on. We had thoughts. We urged the department to use FAFSA data for its intended use only. So, not to use FAFSA data for things like immigration enforcement, like we learned recently, that the administration is pursuing with the IRS to use, to collect data on filers with ITINs, individual taxpayer identification numbers. We don't have any information that the administration would be going after FAFSA data for the same purposes, but we just wanted to get ahead of that and just say that we don't think that's an appropriate use of FAFSA data.

We also stressed how important it is to get the FA-DDX working for contributors without a Social Security number. They have been really filling the version of the FAFSA for many years back, not even

being able to take advantage of the DRT. Just manually entering their information the way people had to a long time ago. And that doesn't seem fair. They're not able to benefit from the FAFSA simplification effort. And of course, related to that, making sure that the identity validation process that's involved in getting the FA-DDX working is also as seamless as possible.

And the department has made some improvements on that respect, in terms of expanding the documentation that they'll take to validate identities, but we just reminded them that this is an important population that they shouldn't be forgetting about. We asked the department to also improve the contributor invitation flow. We believe the department does have some changes planned there. But as all of our listeners probably know, the contributor invitation flow is not super intuitive. It doesn't always work for students. They're not always sure that they've done the right thing to get the next step done. And so, like I said, our understanding, I think from the FSA training conference and from conversations with the department, is that they do have plans to improve that, but we haven't seen them yet.

So, we just reminded them that that is something that doesn't work. And hopefully, in the 30-day comment process, we might see what direction they're headed in. And hopefully, it'll be an improvement over what we have now. And we registered our disappointment that the FAFSA demo site will not be functional for '26, '27. This is going to be the third year in a row that we don't have a demo site. I know that college access professionals, guidance counselors and financial aid administrators all rely on this when they're doing high school nights, when they're doing outreach, FAFSA completion events, that kind of thing.

So, I don't think we're getting a demo site, but we wanted the department to know that we don't like that. And TBD on the prototype, just as an aside, because that was the replacement for the past two years. But we haven't heard otherwise, whether they're bringing that or keeping that, I guess, is to say. Speaking of bringing back, we did ask the department to bring back the housing question. We've been asking for that now for three years. We know that financial aid administrators need that to be able to accurately calculate their cost of attendance. So, we just keep reminding the department that we need that information. So, those are the highlights. There's a lot in there. It's very weedy, as I mentioned. It's long.

Maria Carrasco:

So, Jill, this is the first normal comment period we've had for the FAFSA in a while. Could you walk us through what's next, how this process works?

Jill Desjean:

Yeah, absolutely. So, you might all recall last year they had this request for information instead. So, it wasn't a formal notice and comment process. And they were very upfront that sort of, "Hey, you can go ahead and recommend whatever you want, but we're probably not going to do it, because our focus is going to be on making something that just works. And we will work on making something that's better in future years." So, now we're at that, let's make something better for '26, '27. So, we're getting back to normal. The big thing is October 1. The department is on schedule in terms of publishing this federal register notice. This is how things used to be done, so they seem on track to October 1.

They have said publicly that they are planning on an October 1 launch. They're also required by Congress to do that, so there's a little bit of added pressure. And we do still have some things that don't work from '24, '25, but it does feel like we are getting back to the place we used to be where we're tweaking the FAFSA, as opposed to, fingers crossed, will it work? So, a better place than we were for '25, '26, and certainly a better place than we were for '24, '25.

Maria Carrasco:

Awesome. Thanks, Jill. And we'll have our comments in the show notes if people want to give them a read. Let's move it over to Sarah. We have updates on R2T4. Specifically, we have updated three R2T4 decision trees. Sarah, could you walk us through that?

Sarah Austin:

Yeah, absolutely. So, like Maria mentioned, we, not me personally, our TRA team, our training and regulatory assistance team, which is amazing, just recently updated the three R2T4 decision tree flow charts that they have as an AskRegs resource. So, if you're familiar with the AskRegs service, there's, of course, the question and answer section where you can type in your questions, get answers. But there's also this whole section that's resources. So, if you've never checked that out, I suggest doing that. But in that resources section, there are these three R2T4 decision trees that were just updated. And I think we ran something in today's news last week, highlighting this change and also linking directly to those three trees. So, that's an easy way to find them as well.

But basically, there's three trees depending on the type of program. So, standard or non-standard term in modules, standard or non-standard terms not with modules, and then non-term or subscription-based programs. And so, based on the program, you follow this little decision tree to determine if a student is in fact a withdrawal. And if so, then they would need an R2T4 calculation. And so, the reason these were just recently updated. And if you're like, why would we have updated these right now, you're not alone. Because Jill and I, who work in this every day, we were like, "Wait, what was an update? What just happened that would make an update?" Trying to think back what new rules, where did this come from, and it took us a second. So, you're not alone if you're feeling that way, too.

But this is actually from final rules that were published in January. And I thought for sure we've talked about this on Off the Cuff. And then I looked back and I was like, wait a second, from January to now, there's been a lot, and a lot of things that kind of took precedence over R2T4 decision trees. So we actually have not talked about this that I'm aware of. If we have, I couldn't find it. But basically, in early January, so it still with the Biden administration, they pushed out these final rules that were... The published rules were the year before, but the final rules went into effect January 3rd.

Because they did not meet the deadline of November 1st, 2024 to publish final rules, these rules actually cannot be effective until July 1, 2026. So, if it gets in by November 1, it's effective the next July. But because this was after November 1, it wouldn't be until two Julys, if you're following. So, July 1, 2026. However, they did offer some early implementation options for certain provisions in these final rules. And that is where this R2T4 decision tree update comes from. So, one of the provisions that had an early implementation is related to when an R2T4 calculation is required. So, basically, it's optional, but if schools decide to opt into the early implementation, that could be as early as February 3rd, which now is two and a half months ago. So, schools could be early implementing some of these provisions.

To give a bit of background on the new R2T4 rules in general that were in this set of final rules, there were several things proposed that did not make it into the final rules. Things like the requirement for institutions that are required to take attendance for every course offered by distance education. So, they would be required to take attendance for those distance education courses. And in our comments on this, we opposed this. So, I think a lot of schools also felt that same way. And while the department still expressed concerns with that, they did drop that in the final rule. So, that part did not make it to the final rule.

They also had a portion in the proposed rule about students who had received a loan credit balance, but had never began attendance. They would have to repay the loan according to the promissory note, instead of immediately. That also got dropped. So, the old rules of they have to repay immediately, that

is still in effect. That did not make it into the final rules. Those are the things that got dropped. The things that actually made it into the final rules, including what we'll talk about with the decision trees, there's a few things. It codified longstanding guidance that institutions required to take attendance. The date of determination of withdrawal must be documented within 14 days of the student's last day of attendance. So, that guidance always existed, but this is now actually codified.

Then we have the R2T4 freeze date changes. And so, the rules will now consider a module part of the payment period for R2T4 calculation purposes if, and only if the student actually began attendance in the module. So, this changes the R2T4 freeze date calculation like we had before. So, that's another change that did make it in. Also, removing the option for clock hour programs to use the cumulative method, which now they would have to use the payment period option. And if you have clock hour programs, you're probably well aware of this, so I won't go into too much detail there. But those are the things that did go into effect July 1, 2026, or will go into effect July 1, 2026.

The two pieces that have this early implementation option, and again, I'll say it many times, but optional schools can opt into early implement. There's two pieces. The first one is probably the most talked about, is this optional exemption for performing R2T4 calculation for schools that have what we consider very general, very generous tuition refund policies. So, essentially counting the student as if they never attended. They're going to back off all the aid, but they're also going to back off all of the charges. They're going to treat them as if they never started. And we've had schools asking about this long before this rule actually was in place. If we're just going to pretend like the student was never here, we're getting rid of all their charges, do we still have to do an R2T4? And the answer was always yes. If they attend even one day, whether you refund all of their charges, they still are a withdrawal and you still have to do an R2T4.

Now the big change is there's this optional exemption from performing an R2T4 calculation for those students, but there is very specific guidelines on what actually has to occur in order to be treated with this exemption for those students. So, they are not considered to have withdrawn if all four of these things I'm going to tell you are true. So, all four of them have to be true. So, the school's records have to treat the student as having never attended, like I said. For that payment period or period of enrollment, the institution has to return all of the Title IV grant and loan aid, including all of the Title IV credit balances provided to the student or parent, if it was parent loan, for that payment period or a period of enrollment. And the institution must refund all of the institutional charges. So, like I said, kind of pretending like there, never got charged. So, refund all of those institutional charges.

And then they also have to write off or cancel any payment period or period of enrollment balance owed by the student to the institution, because of returning all the funds. So, they can't return all the funds and then say, well, you still owe, because that's not treating them like they never attended. That's like they attended and then had funds returned. So, they have to really clear the whole slate, no balance owed, no aid, no charges. If all of that is true, they can be considered not a withdrawal and therefore not require an R2T4 calculation. And why this is important to these R2T4 decision trees is that there's now this question box at the top of each of the three trees that basically stops you right away.

It says, does it meet all of these little pieces of information, all four points? If so, are you not treating them as a withdrawal? Therefore, no R2T4 calculation is required, so it stops you on that very first box. So, basically, the tree is the same after that first box. But this first box is now on all three of those charts so that you know if you're going to go with this exemption that is optional, you can stop right there. You don't need to do an R2T4. Now, one important piece is that the department clarified in the final rule that you can implement this withdrawal exemption on a case-by-case basis, as long as it's in accordance with your school's policies. So, it does not have to be that every single student has this withdrawal exemption. If they meet those criteria, it can be used on a case-by-case basis, but does need to be

specified in your school's policies. And you do need to, of course, always be following your school's policies.

The other thing that came up with this final rule was that, as you can imagine, if a student actually began attendance, but then we are treating them as if they never begin attendance, how that affects the enrollment reporting piece. And in the final rule, it actually said something along the lines of more guidance to come, on the enrollment reporting piece. And I cannot find any guidance on that, so I don't think we've gotten it yet. I asked our training and regulatory assistance team as well. No one has seen that guidance, so I assume that's still coming. Because, of course, how you are reporting those students in their enrollment is going to be different if you're now treating them as if they never attended.

So, more details to come on that. If somehow we've all missed it, let us know and we will update, because I know we have an AskRegs question, a Q&A out there as well about that. And so, we'll be sure to get that updated if we see that there is guidance. The other piece of the new rules that got published in January, that had an early implementation option, is regarding prison education programs and leave of absences. So, basically, the new rule is that there's a change for students enrolled in prison education programs, to allow them to use a leave of absence, and return at a different point in their program than where they left off in cases where their studies were interrupted for circumstances beyond their control.

So, if there was a facility lockdown or they had an involuntary transfer, something out of their control, if that now impacted, they can do that leave of absence and then return to a different point in their program. That part also had the early implementation option as of February 3rd. So, those are the two new pieces that have the early implementation. Everything else I said will go into effect July 1, 2026, unless, of course, we have any changes to the rules before then. That's long ways away and a new administration, so we'll see. But I did look and see what questions in the AskRegs knowledge base we were getting about these two rules. And it seems the most common were, of course, clarifying, can we actually choose not to do a withdrawal, an R2T4 calculation for these students? And yes, that is true if it meets those four criteria.

And then, also, asking about if it can be on a case-by-case basis. And again, the answer to that is yes as well. So, if you haven't seen those new decision trees, know they're out there, again, in the AskRegs resources section. And we did have a Today's News article go out last week that links directly to them. And we will, of course, link that in our show notes as well.

Maria Carrasco:

Awesome. Thanks so much for walking us through that, Sarah. That was a lot. We really appreciate it. And yeah, thank you, Jill. Thank you, Sarah, for joining us. Kind of a shorter episode today, but thank you for joining us and listening to Off the Cuff. Please remember to subscribe and recommend this to your friends. We'll see you again soon.