

NASFAA's "Off the Cuff" Podcast – Episode 336 Transcript

OTC Inside the Beltway: Verification, Countdown to FAFSA Launch, and a NegReg Roadmap

Speaker 1:

Want to fly higher in higher ed? Take the next step with a master's in higher education administration from Georgetown. Explore our values-based curriculum, flexible course schedules, and professional advancement opportunities at scs.georgetown.edu/fly.

Melanie Storey:

Hello, hello and welcome back to NASFAA's "Off the Cuff". We are back from our summer hiatus. I will say it was not much of a hiatus for activities here in Washington, but a bit of a hiatus for "Off the Cuff". Happy to be back here with you. I am joined today by Karen McCarthy. Hey, Karen.

Karen McCarthy:

Hey, good to be here. It has been quite a while.

Melanie Storey:

It has. It has. Yeah. But that means we've got a lot to talk about today. Lots of topics to cover, so let's get into it. So Karen, let's start with some issues near and dear to our members' hearts. What's going on in verification? We've been seeing a lot of chatter in our communities and elsewhere around some sort of volume and concerns on verification. What can you tell us?

Karen McCarthy:

Yeah, I would say volume and concerns and timing is a big issue here. So we, in the summer, heard from the department of ed that they were planning a new initiative around identity verification, which was mostly result of the rise in identity fraud. Really, I mean, not only in the financial aid world, this is kind a consumer thing across lots of different areas. And there were many schools that had reached out to the department of ed with their concerns and said, "Hey, we are seeing this an awful lot. Can you provide any assistance?" All the responsibility of finding this identity fraud was placed at the institution, and this is not their business. They are financial aid administrators.

And in general, it doesn't make sense to have 3000 institutions come up with 3000 plans for trying to find identity fraud when there might be something more that the federal government, FSA could do in this space. So FSA does have plans ultimately to get to a place where they will have some type of identity fraud flagging verification, something like that, which they have identified their timing goal for that as early 2026. They were going through, at the time of their announcement, they were going through the procurement process, so they didn't have a lot of details on what that would look like.

So we are anxious to hear what they come up with and what their overall plan will be because we're very supportive of FSA taking on more of that responsibility because that will get aid offices out of the business of trying to detect identity fraud. But where we are right now is in, I would call a little bit of, I don't know if it would be growing pains or a little bit of a transition zone.

Melanie Storey:

I think we're in some transition challenges.

Karen McCarthy:

Yes, yeah.

Melanie Storey:

We know it is a real and growing problem, and one, like you said, that we have reported. We all want to be good stewards of these programs, and identity fraud really puts that at risk. We appreciate the department's focus on it, but this transition has been challenging, right?

Karen McCarthy:

Yeah.

Melanie Storey:

As you say, asking thousands of institutions to weed out and try to work through identity fraud, which isn't just a financially aid problem, as you said. This is a fundamental problem of our new age, right? Identity fraud is more sophisticated and we're seeing more sophisticated approaches. But right now, our options for combating it are really falling on the shoulders of the aid offices, and that has been a real challenge.

Karen McCarthy:

Yeah, because what we are seeing now, kind of in the interim period, while the FSA is getting their ducks in a row and establishing their new system, that they are identifying applicants that, this summer they identified an additional 300,000 applications that are setting off some flags. So they are not random selections that they are selecting for the V4, V5 groups, which are identity related verification groups.

And so we're still kind of operating under the existing system of verifying those, in that FSA flags them, they get pushed out to the school, the school is responsible for doing the identity verification. So they did expand and provide a little bit of a variety of different ways, new ways that institutions can do that identity verification. But the volume is particularly high. And the timing was a challenge in that institutions started to receive all of these in August, which if you are a financial aid person, is-

Melanie Storey:

Not ideal timing. It's not ideal.

Karen McCarthy:

Yes. Yeah, so not ideal timing for '25, '26, and some of these '25, '26 applicants also had a '24, '25 FAFSA on file. So if they had that on file, then the institutions are having to verify for both years and by August, schools are looking forward and are just about dealing with '24, '25. Want to be done with the processing of '24, '25. So the timing is particularly challenging here because as we know, anybody who has outstanding verification, the school has to hold disbursements until it's resolved. And so there were institutions who were about to make that big fall disbursement and now they have selected [inaudible 00:05:54]. Yeah, definitely a challenging transition time, as you said.

Melanie Storey:

Yeah. One other nuance to it that I think it is just worth mentioning, and we have been talking with the department on that, is how they were selecting students. The department uses a machine learning model to try to identify potential fraudulent applications. And this is a model that has to learn and has

to learn how to identify that fraud. And I think it's worth acknowledging that we have had some conversations where students who have been selected, that it's unclear what, they are on campus, and some cases graduate students have been enrolled. Some things that seemed counter to what we were hearing about how they were selecting.

And so the department is aware of that, but this is part of both the transition pains, but also how they will start refining as they go through whatever their new system will be for combating this to make sure that they're identifying the right folks. So it is a complicated process, I know, and it's important to acknowledge the frustration, but also the importance of this work. Because we have been aware for some time of an increase in identity fraud, and we really want to partner and work together with the department to try to address that.

Karen McCarthy:

Yeah. And when you mentioned the machine learning part of it, kind of a related thing that also just recently became available is that for the first time, the portal where institutions will report the results of the identity verification is now up and running, with a few small glitches that they're working out. But in this way, the institutions will report back to ed what they saw when they actually verify these people who are selected. So again, I feel like we're in a little bit of a growing pain stage with that, but ultimately that information that schools are sending back to ed will allow them to see how good a job they're doing in selecting these applicants.

Melanie Storey:

Yeah, it's a growth and learning, and I understand that again, it can be frustrating, but it's really important for us to improve the systems going forward. So kind of tangential to this, Karen, but I think another important thing that we have been seeing in communities and concerns from folks is some delays and issues around general system access. So not just the verification, and again, you mentioned the availability of the reporting portal, which is great. But we've been working closely with the folks at FSA and the department.

The department undertook a Partner Connect upgrade recently. Partner Connect, of course, the e-app and a number of other systems, how institutions access it. As part of that upgrade, there have been some challenges. We're that a number of institutions, their primary DPA has lost access or other folks are losing access on campus. Folks are not able to update their e-app or having issues with their SAIG access. This is frustrating. As you said, August, September, this is prime time and institutions want to make sure that A, they're fully compliant and they've been trying to update their data, but also they need access to all of these systems in order to make sure that they can do their due diligence in processing aid.

And so we have been sharing these issues with the department across the various systems. We've seen some issues with COD, as I mentioned, e-app updates, SAIG and others. We know that the department is working closely with their contractors and their vendors to work on it. There has been some lag and some time elapsing to address issues. So to the extent that we can share those issues with the department, we have been doing that to help them identify where there may be broader system access issues.

This is, again, it's a tough time for transitions, but it is kind of in service to hopefully better Partner Connect product and a more stable and refined system going forward. But we do encourage folks to continue. We know you're making calls, we know you're escalating issues, but just I think we'd be remiss if we didn't just sort of acknowledge that that is happening for a number of folks and it is frustrating and hopefully being addressed at the department.

So lots happening behind the scenes there trying to improve their systems. That's great news, but it is also resulting in some real transition challenges on campus. And so we'll continue to talk with them to the extent that folks may be out of compliance with updating certain records are doing things, we will talk to the department about potential [inaudible 00:11:10] or waivers or any issues there if that becomes an important issue. So just wanted to acknowledge broadly that we are aware that there's a number of things happening there. So other important news, FAFSA beta, the department has had a very successful launch of the FAFSA beta this year. What's the news on that, Karen?

Karen McCarthy:

Yeah, the department of ed has a FAFSA central page, which perhaps we can drop for folks to check out, where they have been updating how their progress is going with the beta and what they have found and the fixes that they have made. They did just wrap up beta number two, and our understanding is that they will very shortly be opening the beta testing to anybody who would like to participate.

So up until now, they were selecting institutions in small groups of students, and then they allowed students to apply individually and then they created a sample from those applications. Very shortly, they will be opening that up, which is a little bit, some people have asked is, is that like a soft launch of the FAFSA? And I know that everybody has a little PTSD with the term soft launch, but it is a little bit like a soft launch, in that the FAFSA, it will be on the site and anybody is able to go in and complete a '26, '27 FAFSA as of whenever the Department of Ed makes that announcement, which we do expect to be pretty shortly. So that is great news.

I have had several... I know that our aid community understands this, but several reporters have asked, "Do people who fill out the beta FAFSA get an aid offer any sooner? Will they get more aid?" And no, they will not. I think of the primary advantage being for the eager beavers who are really anxious about making sure that they get their FAFSA on file, that they can do that a little bit earlier. But the big launch of the FAFSA is still scheduled for October 1, and there will be lots of media coverage and announcements that it's up and available and running. They call that, I believe the general access date is October 1.

And so we are back to that October 1 date, which is a big deal. It's been several years since we've been at an October 1 launch date. If everybody remembers that when Congress recently passed the FAFSA Deadline Act, that requires the secretary to make the FAFSA available October 1, which was not previously in the law at all, which we learned during the FAFSA rollout. As part of that legislation, the Secretary of Education has to certify to Congress every year by September 1 if they expect that the FAFSA will launch by October 1.

It definitely is meaningful in that it is a public statement from the Secretary to Congress and rather than media reports and us trying to find out, "Are you on track?" "Well, sort of on track, we think we're going to make it." So this is a little bit more of an official announcement of their plans. But Secretary McMahon did make that certification a few days early, prior to September 1, that they are on track for October one. So that is very exciting. Fingers crossed that all goes well there.

Melanie Storey:

Yeah, it's great news. It's great for schools, it's great for students. It's great for the department that we'll have an October 1 launch, or a general access or general availability, whatever you want to call it, but also get on the beta test. Like you said, we always encourage folks to apply as early as they wish or can. The beta test is a really important process to help identify any bugs. They were able to also implement the changes as a result of the One Big Beautiful Bill Act, or OBBB, that impacted the FAFSA form, so that

was great. For those who applied during the beta, there may be a handful that require some reprocessing because of some things that-

Karen McCarthy:

Yeah, I heard there [inaudible 00:15:34].

Melanie Storey:

Yeah, they did learn, and they did see some things in advance. And so that beta is really important. It also allowed them to include those changes and then for it to be fully ready and hopefully not require those kinds of reprocessing once they have general availability.

Karen McCarthy:

Yeah, I'm glad that you mentioned the One Big Beautiful Bill Act changes. There weren't a ton that they needed to implement, but as we know, so much of the One Big Beautiful Bill changes will be effective July 1st, 2026, which in FAFSA world means that that's the October 1 FAFSA that's rolling out. So they did have to get a move on to get those back end changes. Because if they were not able to get that in for that October 1 date, then they were going to have to open it up on October 1 and then do reprocessing, and nobody wants that. So that is a big win as well, that they were able to get those back end changes in place, so everybody who's filling out the FAFSA will not have to have any reprocessing done for that reason.

Melanie Storey:

Yep. That's right. It's great. It's important. I think we've had enough reprocessing for a generation.

Karen McCarthy:

Yes.

Melanie Storey:

So speaking of the OBBB or One Big Beautiful Bill Act, we are, I don't know, just maybe a couple of weeks, a few weeks away from the opening of negotiated rulemaking or, NegReg. Do you want to talk a little bit about what's happened over the summer and what's on the horizon here?

Karen McCarthy:

Yeah, so over the summer, I'm trying to remember the last time and what we covered in the last "Off the Cuff". They had hearings, we submitted written comments, appeared at the virtual hearing, virtually, you presented there.

Melanie Storey:

I did. Yeah.

Karen McCarthy:

And we nominated some financial aid administrators and we could talk a little bit about how we do not have a dedicated seat and how that will all shake out. So the next thing that we expect to hear will be the committee, who's selected for the committee. The issue papers that they will normally post

historically a few days before the session start. And the first committee will be the RISE committee, which in my head, that's the loans committee.

Melanie Storey:

Yes.

Karen McCarthy:

The RISE committee is the loans committee, and they'll be kicking off September 29th. So they have their three sessions. And then the non-loans, which is the AHEAD committee, starts in December, so they go December, January. So we will be having in-person, and you can watch virtually, NegReg starting at the end of September every month through the fall. So yeah, it will be a very busy fall.

Melanie Storey:

Get your popcorn ready, popcorn ready. Lots to happen.

Karen McCarthy:

Yes.

Melanie Storey:

It'll be exciting. So a couple of things just to kind of piggyback on that. So you're right, September 29th is the kicking off of the RISE or the loan? I will say, the non-loan or the AHEAD committee is largely Pell-related, workforce Pell, accountability-

Karen McCarthy:

Accountability. Yeah.

Melanie Storey:

So that's how we think about them, sort of loan and non-loan, but what will be in that AHEAD committee. As you mentioned, we did nominate a number of folks to hopefully be selected for negotiated rulemaking. I mean, shout out. We've had a number of other organizations support our nominees, hoping that we can get a financial aid administrator at the table, even if not in a dedicated seat. Just so much of this impacts our work, and we are the primary implementers of this. I just think and hope that we will be able to have someone at the table to help inform that.

But importantly, we will see, you mentioned the issue papers that come out just before negotiated rulemaking. Those are really important documents. They'll signal the direction the department is taking. We've also had questions around the implementation timelines. So July 1st of 2026, we have students who are applying for graduate programs and taking actions now that could potentially be significantly impacted by some of the changes coming out of NegReg. People often hear us talking about the master calendar. Master calendar requires that regulations be published by November 1 for a July 1 implementation. Clearly that's not happening here.

The department can do an accelerated implementation, pluses and minuses and challenges to that. But hopefully we'll see in those early papers and in the early conversations at negotiated rulemaking, how they are thinking about this implementation. There's an awful lot for the department to do by July 1. I am sure they are working through their prioritization of that work. And so I personally am hopeful that we'll see some signaling of that prioritization as we start seeing those papers come out.

Karen McCarthy:

On the effective date, because I think we do have these two pieces of law. One is the effective date that Congress passed when they passed the One Big Beautiful Bill of July 1, 2026. But then we are required to do negotiated rulemaking, and then we have the master calendar. And I feel a little bit, I don't know, it's not phony, but I've been with our members for so long, emphasizing the master calendar, and this is the timeline, because everybody is always asking questions about effective date and when things will happen. I was like, "This is the master calendar. And we always follow the master calendar." And apparently now you need to add, except when we don't-

Melanie Storey:

Except when we don't.

Karen McCarthy:

Except when we don't.

Melanie Storey:

To be fair, there have been other instances where implementation dates or effective dates have been accelerated.

Karen McCarthy:

This is just, it seems so much bigger.

Melanie Storey:

It is.

Karen McCarthy:

And there's early implementation where they're small things. They usually do it where, it would benefit the student or it's not extra work on the school and they can get it done earlier. And this is just such a massive thing for them to do by July 1.

Melanie Storey:

Exactly. And it has huge impacts on students' decisions in real time. As they're making their borrowing decisions, what will their repayment options look like? I mean, who will be grandfathered into current borrowing limits and not? And new borrowing... So there is a lot. You're right. But this is something we're talking with the department about. We've asked the sooner they can share with us their prioritization and their intentions in terms of effective dates. They also have to talk to the committees in Congress because Congress put other dates in the law, and that's their expectation. So it's a challenge for the department, but those challenges trickle right down to our members, and so we're hopeful to get as much clarity as we can about their intentions on the effective dates.

Karen McCarthy:

And one other thing, you kind of alluded, and I think we talked about this the last time, the fact that the financial aid administrator seat is no longer present as part of NegReg. We did nominate folks. There are still sector-based seats during NegReg. We did get some support from other associations who

mentioned in their comments that they think the aid administrators need to be at the table. I'm a big believer in what you see depends on where you sit.

And yeah, as you mentioned, the financial aid administrators are the ones who are actually implementing, so they have this unique perspective. But we will be covering NegReg in the room and covering for Today's News, working with the school-based negotiators, regardless of whether they are aid administrators or not, to offer support, answer any questions. To try to, depending on what happens, make the best of it and make sure that the aid administrator voice is represented, however it can be, depending on who's at the table.

Melanie Storey:

Yeah. Yes, absolutely. And just to be super clear, we will be covering it every day. There's four weeks, four weeks of negotiated rulemaking.

Karen McCarthy:

They're long.

Melanie Storey:

They're long. That's because, as you said, these are big provisions. There's a lot of detail here, but we will have someone in the room, someone who can help the school-based negotiators if they have questions. That is our commitment to make sure that we could be there in whatever way, whatever way. So thanks to your team for that.

Karen McCarthy:

Well, and Hugh's team's [inaudible 00:24:43].

Melanie Storey:

And Hugh's team, yes.

Karen McCarthy:

Yes.

Melanie Storey:

Yeah, it's a big lift, but really just a really critical lift for us. Let me just toss in one other quick thing that folks may have seen. There was a little bit of coverage about additional regulatory actions that the department may be taking. This is something called the Unified Agenda. The Unified Agenda is something that every agency has to report out to OMB twice a year about what their regulatory intentions are for the next year. This is a very annual process. It's a little bit of like, okay. But it was unusual to get a little bit of coverage, I think this year, or this fall.

What the fall reporting of the Unified Agenda does is the agency puts out sort of their regulatory plan. This is basically the agency saying the kinds of things they are prioritizing and considering for additional regulatory action. But let me be clear, this is their intention. They already have, as we've just discussed, a very, very full plate of regulatory action. But the department has a requirement to put this out, and they did mention that they would like to potentially undertake some additional regulatory action, particularly under accreditation, foreign influence, a number of issues.

This may or may not happen, right? Just because it's in the Unified Agenda does not guarantee or mean that there will be another NegReg or additional action. They would like to, I think is what that signal means. But as we said, PSLF was also on the Unified Agenda, obviously they've already started on that. So really the Unified Agenda is just something that they're like, "These are the other things we'd like to address." They may or may not get to it.

So we'll continue to follow that, but right now we are squarely focused on the RISE committee and the AHEAD committee, which we know will be meeting, refining. We'll see papers between now and early in 2026, so a lot of action there. So, great. So as you can see, lots of action over the summer, a whole lot more to come this fall. Anything else, Karen, that we should chat about before we take leave this morning?

Karen McCarthy:

Yeah, I think we covered a lot today. We will have one more episode of "Off the Cuff" before the end of the month, which as we all know, we are coming up on a new fiscal year, October 1, so we should have some updates to share with you all. I feel like every year around this time, it's like deja vu all over again. The whole, will they do it? Will they not do it? So we'll have all the latest updates on that in the next episode.

Melanie Storey:

The DC parlor game of will we have a continuing resolution, a budget, something come October 1?

Karen McCarthy:

Yes.

Melanie Storey:

I have removed myself from that parlor game because I am uniquely terrible at it. My predictions are always wrong. So I have ceased trying to-

Karen McCarthy:

Yeah, well you should predict, and then we'll just assume the opposite.

Melanie Storey:

Yeah, right. Melanie's always wrong, therefore, we're definitely having a shut down. Oh, goodness. Yeah. It does seem like the more things change, the more they stay the same. There's no doubt about that. Well, great. So as you mentioned, we have one more "Off the Cuff" before the end of the month and see where we are with appropriations and other activities.

Thanks again, everyone for joining. A quick note that our call for proposals for the 60th anniversary, NASFAA annual conference to be held near Washington, DC in June 29th of next year is open. So please consider submitting a proposal. We always love to hear from our members and for you to share with each other. The call for proposals is open and proposals are due by October 17th.

Speaker 1:

Want to fly higher in higher ed? Take the next step with a master's in higher education administration from Georgetown. Explore our values-based curriculum, flexible course schedules, and professional advancement opportunities at scs.georgetown.edu/fly.