NASFAA's "Off the Cuff" Podcast – Episode 348 Transcript

OTC AskRegs Experts: Tracking OBBBA's Implementation Timeline

Tim Maggio:

All right. Happy new year and welcome back to another "Off the Cuff". My name is Tim, and I'm with the comms team.

Jill Desjean:

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

Sarah Austin:

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

Tim Maggio:

All right. So Jill and Sarah, I didn't prepare you for this, so I'm not a good colleague today, but I did decide to bring some drama. It's not a game. But the drama that I'm going to bring ... Actually, I did kind of prepare you for this, Jill, but I didn't prepare Sarah for this. And Hugh is in the background, I don't know if he noticed any of this, but last week we had a retreat. Also check out our Instagram. We put a really funny video out there pranking Melanie, our new CEO. So go check that out. But when I was in the NASFAA headquarters last week having a nice conversation with a colleague, Maria, who then says that she has a really nice special guest next to her, when Jill walks in the door. Jill looks over me, unenthusiastic to see me, where I was enthusiastic to see Jill. And I told her I was going to bring this up in front of all of our members.

Jill Desjean:

Can I defend myself, Tim?

Tim Maggio:

You can, but I'm ultimately going to be the winner because my feelings were hurt.

Jill Desjean:

Maria was really like, "Jill, we have a special guest in the office." And so I was just thinking it probably wasn't anybody who worked at NASFAA because I was expecting our NASFAA colleagues to be in the office the week of our retreat. So I told Tim, I was kind of thinking like Santa Claus. I was just like, "Whoa, who's here?" And so yes, I wouldn't say I was disappointed to see you, but I was just like, "Oh, it's Tim. Sure."

Tim Maggio:

Yeah. So what I'm hearing is I'm not as exciting as Santa Claus, so that really kind of demystifies ... I mean, I thought that I was at the same level, but apparently not.

Jill Desjean:

I mean, you're like close, but yeah.

Tim Maggio:

Oh, I appreciate that. I feel like that's pity, but I'll take it. And then Sarah, I have a bone to pick with you as well. So we did some networking at the staff retreat. So we had a person come and do our retreat, have us get to know each other. And one of the things that she had us do is every time we got up to go, she's like, "Go find somebody you don't know." And every single time I bumped into Sarah, Sarah said, "I don't want to talk to you. I already know you." And I was like, "Fine, I don't want to talk to you either." So now I have to do a podcast with two people who don't love and appreciate everything I bring to the world.

Sarah Austin:

No, no, no. I did not say I don't want to talk to you. I said, "I already know you. I'm trying to meet people I've never worked with, never interacted with." I was thinking about this and I feel like I took it seriously. This is me being the rule follower, right? She's like, "Find someone you don't know." And I'm like, "I cannot talk to anyone I've ever talked to before, basically." And there are people, if they've been hired in the last year or two at NASFAA, there's a chance I haven't talked to them in person in real life, or even on Zoom, honestly. And so I did try very hard to find those people. I didn't always find ... Every once in a while I had to talk to someone I had talked to before, but Tim, you were not one of the lucky ones.

Tim Maggio:

I know and it hurt my feelings, too.

Sarah Austin:

I'm so sorry.

Tim Maggio:

So I just wanted to start that podcast off with this.

Sarah Austin:

[inaudible 00:03:35]

Tim Maggio:

I'm just joking. We had a great retreat and I'm joking around for all the listeners out there. It was a really good retreat and I'm joking around with Jill and Sarah. But out of curiosity, how was the retreat? Are you feeling energized, ready to tackle all the challenges that are ahead of us and what we're going to talk about today?

Jill Desjean:

Absolutely. I had a great time at the retreat. I'm sorry that I let you down so much, but I feel like I made some real connections with all the other 50 some odd employees.

Sarah Austin:

Everyone else but you.

Jill Desjean:

Just not with you, Tim Maggio. But yeah, no, it was great. We haven't seen each other in person as a whole staff in I don't know how long. And yeah, it was great to see our team members who we see all the time on Zoom, but never in person, and then the people who aren't on our teams who we never see on Zoom or in person. So yeah, it's great to see who's tall, who's short, that kind of thing. And really great to meet new people and connect with the people we already know.

Tim Maggio:

Yeah. How about you, Sarah? Good retreat?

Sarah Austin:

Yeah. Yeah. I liked it. I was joking that, to me, it was very warm in DC. So I'm in the Pacific Northwest and it was freezing cold when I left. And when I arrived to DC, I got off the metro and I was wearing a T-shirt and [inaudible 00:04:54] and realized that everyone was in winter coats and scarves and gloves. It was like 50 degrees, but I was like, "Oh my gosh, this feels so nice." So I loved that aspect as well. But of course it's great seeing everyone. I mean, I like to be social. I like to talk to people in real life. So it always fills me back up when I get to see everyone.

Tim Maggio:

Yeah. Yeah. It was a really good retreat and I left feeling really energized and I loved joking around with teammates and got to really connect with some people I hadn't seen either. So 10 out of 10, great job to the team if you're listening who did this. And then if you haven't done ... Have both of you done your staff retreat survey yet?

Jill Desjean:

Of course we're rule followers, Tim.

Sarah Austin:

I'm a rule follower, Tim. Come on.

Tim Maggio:

That's good. I have not. So I need to get that done after this podcast recording. Sorry, Melanie, if you're listening. So I know we've got a lot to talk about and unfortunately it's not going to be about the weather storm that's going to be hitting much of us. So, Jill, I think I'm going to be starting with you about some OB3 implementation, talking about the ahead committee and just kind of getting some background and catching everybody up to speed because some of our members might be at different levels of understanding with everything that's going on. So where should we be starting, Jill?

Jill Desjean:

Yeah, I think start at the very beginning is always a good place to start. So a little bit of background. So the Department of Ed needs to draft regulations to implement all of the Title IV HEA provisions in the OBBA, BBA sorry, three Bs, most of which are effective on July 1, 2026. I'll call it OB3 from now on.

Tim Maggio:

Okay.

Jill Desjean:

So to do that, they convene two negotiated rulemaking sessions. The first one was called RISE, and don't ask me to spell out those acronyms because I don't remember what they were, but RISE was focused on student loans, and that took place over two weeks in October and November of 2025. And we are actually already expecting proposed rules for those provisions from the RISE committee any day now before the end of the month, for sure. That committee reached consensus so that proposed language should match what we saw at the end of Neg Reg.

So we're pretty prepared for what we're going to see. And of course, NASFAA will be commenting on that. So I encourage our members to email policy@nasfaa.org if you've got any specific concerns that you want to make sure that we're mentioning in those comments, and of course comment yourselves. Just as a reminder, we always publish a preview of our comments like a week before they're due in Today's News so our members can check them out, make sure we got everything right, and also borrow from them. And if there's something that you hadn't realized was an issue and then you realize that it's important to you, you can draft your own comments and we encourage you to steal from us.

And if you want to brush up on what was covered during RISE, because I'm not going to do that again, we've been through that a lot, check out our on demand webinar, which is at nasfaa.org/ob3 and should also be linked in our show notes from today.

Tim Maggio:

Okay. So, Jill, the one thing that I kind of want to ask about here too is, so public comment is about to start. So that means we're not quite at the end, right? So what do they have to do with these public comments?

Jill Desjean:

Yeah, we are not at the end, sadly. Yeah. So the department has the enviable task of reviewing ... They have to read every public comment that comes in. And so depending on the rule and how controversial it is, they can get thousands and even tens of thousands of comments. So I don't know what they'll get for this, but given that the RISE committee covered that professional student definition, which was definitely very controversial and has gotten a lot of attention, I'm guessing that they're going to get a lot of comments. And so they have to read them all and they have to respond to them all. And then they issue a final rule that needs to be out before June 1st because these rules become effective July 1st of 2026. So yeah, those are the next steps to see this through.

So NASFAA's been giving webinars and putting out resources and everything else, but unlike usual Neg Reg cycles where we know for sure this is the thing, we are basing everything we're doing on not even a proposed rule yet, just kind of on the assumption that things won't change too much between proposed rules and final rules. But everything that we've put out so far is of course subject to change because we're on this shortened timeframe.

Tim Maggio:

Right. So if I'm understanding you correctly, it's because if they have to read through the public comments and respond to them and then issue final rules is, could they theoretically change direction from Neg Reg based on all of these comments?

Jill Desjean:

Yeah. When consensus is reached during Neg Reg, the department is considered bound to that language, but they are allowed to make technical corrections. So if there's something that just didn't get addressed during Neg Reg, just sort of some sort of glaring loophole or really obvious mistake that slipped through consensus, it's not like the department has to, "Oh, too bad. Those are the rules forever now. We didn't get it right during Neg Reg." They are allowed to change things. So if someone makes some compelling argument during proposed rule ... Pardon me. If someone makes some compelling argument during public comments and says, "You have this really wrong. These are the unintended consequences. I'm sure no one meant to do this," they could change.

Tim Maggio:

Okay. Okay. That's good to know. That's insightful. And then I know we had a second Neg Reg session called AHEAD, and I won't ask you to spell out that acronym as well, but can you kind of give us a little bit of background on where we're at with this?

Jill Desjean:

Yeah, sure. Yeah, AHEAD. I think higher education was in there, but truly I can't even remember. It's like it was in and out. But that second Neg Reg session, AHEAD, was focused on Pell Grants and accountability. And the department took a unique approach to this committee. They actually, because it was just these two topics, they actually devoted the first week in December just to the Pell Grant provisions, and then the second week in January just to the accountability provisions. So those rules are actually going to come out separately, even though they were part of the same Neg Reg committee. Very weedy and nerdy, I'm sure most people don't care about that, but just throwing it out there for anyone who cares. And so they had separate consensus votes. They did come to consensus on both the Pell provisions in December and then on the accountability provisions in January. But in terms of AHEAD, I think I'll start backwards with week two, which wrapped up earlier this month, and that'll make sense as we go along while I'm working backwards.

Tim Maggio:

Okay. I'll trust you.

Jill Desjean:

Yeah, just go with it, Tim. Yeah. So week two of AHEAD wrapped up earlier in January, we sort of came back from the holiday break for those of us who are fortunate enough to get some time off and straight into Neg Reg. So that very first week. Poor Megan Walter who went there. I said t's a hard landing from a long time off to get up early and get on the metro in the cold and head on down to the Department of Education. They've got TSA style security. It's a lot.

Tim Maggio:

We appreciate you, Megan.

Jill Desjean:

She really took one for the team there. And so this week too was focused on these institutional accountability provisions from the OB3 based on accountability for program earnings. And so we've had something like this in the reg since 2010, pardon me, right? The gainful employment regulations and then more recently the sort of add-on to gain full employment of financial value transparency. The

Department of Ed on their own has been trying to hold institutions accountable for their program's earning outcomes for some time now, a decade and a half.

Lawsuits and changing administrations have led to many iterations of those rules. This is the fifth, if you're counting, but no rule has ever been in place long enough for any programs to actually be subject to any penalties associated with the rule. But we've never had anything in the law related to holding schools accountable for their program's earnings.

Tim Maggio:

Okay.

Jill Desjean:

So OB3 has changed that. We now have in statute a requirement that a program must leave students better off financially than if they hadn't attended at all. And that program risks losing their eligibility to participate in the direct loan program and potentially all the Title IV programs if they don't meet that standard. So what the Department of Education was faced with in January was weaving this new statutory accountability requirement into their existing GE and FVT regulations that have been revisited again and again and again and again and now again.

It didn't make any sense for them, just kind of slap it on. They really needed to ... The way they refer to as harmonizing, right? They needed to sort of take this new framework from the law and make it somehow mesh with what they already had in the gainful employment and financial value transparency regulations. And so the way they did that was by first scrapping entirely the debt to earnings metric that applied to GE programs only. So there will no longer be any requirement that program completers earn enough to repay the debt they assumed for their program. That's what the debt to earnings ratio is meant to measure, and that is completely taken out of the GE FVT regulations for all programs.

Tim Maggio:

Okay.

Jill Desjean:

They will only have now the earnings premium metrics. So do program completers earn more than they would have if they hadn't attended the program? And that metric has been altered. It was in the GE FVT regulations already, but it's been altered to match what was in OB3 because the earnings premium in the regs and the earnings premium and OB3 were a little bit different from each other. So they basically just took what Congress said the earnings premium should be and threw it into the gainful employment and financial value transparency regs.

And so what we end up with now is that all programs at all institutions are subject to a single accountability metric, which is the earnings premium. And they're all subject to the same penalties if they fail that metric in two out of three years. So that is a very new concept because all along with gainful employment and financial value transparency, there are always these disparate penalties and disparate frameworks that applied to different programs depending on what type of program it was, what institutional control, other things like that. So now it's one metric and it's one accountability standard and everybody is subject to it, everyone faces the same penalties.

Tim Maggio:

Okay.

Jill Desjean:

I'm not going to get into this too much more. We have an upcoming webinar on February 6th, so please join us for all the details of this new accountability metric. You can register from nasfaa.org/ob3, or there is a link to it in the show notes.

Tim Maggio:

Okay. So it sounds like more to learn. But that was just week two, right?

Jill Desjean:

That was just week two. So, yeah. Traveling back in time to week one, again, this first week was focused on Pell, which wrapped up in December, again, with consensus. Much of the time in this committee was actually spent on the eligibility details for the Workforce Pell Grant. A lot of that is not super relevant to financial aid administrators, at least from the day-to-day perspective, because these programs are going to be approved by governors and by the Department of Education. And Workforce Pell is entirely optional, so many financial aid administrators will not be administering it. When you are, it's just regular Pell. So it's really about the program approval process is really the stuff that they were talking about during Neg Reg.

And honestly, I think that given this short runway where proposed rules aren't even out yet, there's still so much to be ironed out at the state level and at the department level in terms of like making the approval process work that it seems pretty unlikely that Workforce Pell programs, that many workforce programs would be eligible starting this July. I think schools that are interested in pursuing that are probably going to spend all of next year going through that approval process and then getting them up and running closer to 2027.

Tim Maggio:

Okay.

Jill Desjean:

But the other Pell piece that was covered in December was about a provision in OB3 that prevents students who receive non-federal grant and scholarship funding in an amount equal to or over their cost of attendance from receiving Pell grants. So if you've got total grant and scholarship aid that equals your cost of attendance or goes over it, you're not eligible for any Pell Grant. This is primarily something that would impact student athletes. Obviously many of them are covered up to COA with scholarships and grants. Not too many other students are fortunate enough to have that kind of a financial aid package, but certainly others could. So this primarily impacts student athletes, but it wasn't just designed for them. It was designed for anyone who happens to have their financial aid structured this way.

And NASFAA just put out a flow chart this week to help financial aid administrators think through this rule. We're going to cover it in our February 6 webinar, but Sarah is going to walk us through that because I know our members are really still trying to wrap their heads around this because it's pretty weird and it's really different from the way Pell has always worked. And so that's why I worked backwards, Tim, to ensure that we would have this nice, smooth transition to Sarah.

Tim Maggio:

That makes a lot of sense. So thanks for walking me through this. And then just one question before we move to Sarah. So this is kind of similar where we're going to be waiting for public comments for this one as well to go through. So with all of these, do we have a general timeline of when folks might hope to kind of see some more concrete answers?

Jill Desjean:

Yeah, that is a great question. So I mentioned that the department is planning for the AHEAD committee. They're actually going to release two separate proposed rules, just the Pell stuff from week one and then just the accountability stuff from week two. And so the Pell part wrapped up in early December. If we sort of think of we're expecting a proposed rule from RISE, which wrapped up in early November, and we're expecting that at the end of January, that's about, let's see, that's about two months, two and a half months. So maybe, possibly, would that be mid-February for potentially the Pell part?

Tim Maggio:

Potentially February, March.

Jill Desjean:

And then maybe mid-March for the proposal from the accountability standards. This is literally me guessing though. I don't know.

Tim Maggio:

We won't hold you to it, but just wanted to kind of get a sense of maybe what to expect.

Jill Desjean:

Yeah. You could also work backward from the fact that they have to have a final rule by June 1. And so they obviously are going to need, I would say at least a month to be able to read through comments and probably a lot more than that. So yeah, I guess spring, to go back to FAFSA simplification when we used to refer to seasons. Definitely spring.

Tim Maggio:

Right, right. Sometime in the first half of the year.

Jill Desjean:

Yeah, yeah.

Tim Maggio:

All right. So, Sarah, I know we're going to talk COA, Pell, flow chart. Can you really help us ... Well, and thank you, Jill, for walking backwards and kind of getting us up to speed. So what's this new provision I'm hearing about?

Sarah Austin:

Yeah. So Jill touched on it, but let's dive in a little bit more. So really under the One Big Beautiful Bill Act, which I will call OB3, because I always forget one of the Bs. Beginning with the '26, '27 award year, students will be ineligible to receive federal Pell grants if they receive grants and scholarships from non-federal sources. So that's institutional, state, private organizations, but non-federal sources in an amount that equals or exceeds that student's cost of attendance. And so this is true if they're otherwise eligible for Pell. So their Pell eligible even say max Pell of right now is 7,395, but they would be ineligible to receive that Pell grant if their non-federal grants and scholarships are at or above COA.

So like Jill said, a lot of times this was athletes and so right now a student athlete could have a full ride scholarship, all of their grants and scholarships added together are at their COA and they still would get Pell on top of that and that was allowable. This is no longer the case starting with '26, '27. So if the non-federal grants and scholarships are at their cost of attendance or exceeding, they would not be eligible for Pell.

So some details about this kind of before we dig into the flow chart NASFAA made, the effective date, like I mentioned, is in the law it's technically July 1, 2026, but they did say in Neg Reg that this would be July 1, 2026 for the '26, '27 award year.

Tim Maggio:

Okay.

Sarah Austin:

It's not in the regulatory text that we had drafted that had the consensus. So I think we'll just want to make sure that that is clarified in the actual proposed rule when that comes out, but for right now, we're just thinking July 1, 2026, and this will apply to the '26, '27 award year and beyond. But one of the other details is that when we say if it's at or exceeding the cost of attendance, all the non-federal aid, the grants and scholarships, that means if it's even $1 below the cost of attendance, the student is eligible for Pell. And I'll get into the details of that when we look at the flow chart. But I just want to make that clear, that if it's even just $1 below the COA, they are eligible for their Pell Grant. It's only if they are at the exact COA or above that they would not be.

Tim Maggio:

Okay.

Sarah Austin:

And then ... Oh, go ahead.

Tim Maggio:

No, no, no. You have more to go over before we go into the flow chart?

Sarah Austin:

A little bit more.

Tim Maggio:

Okay. Yeah, go, go, go.

Sarah Austin:

More details. So also, I know the question that we saw a lot of was if there was now going to be some new proration for Pell Grants, like if they had enough room to fit under the COA, so that grants and scholarships are not at COA or exceeding. Say they have like $1,000 remaining, could we offer a prorated amount of the Pell Grant to fit in the COA? And that is not what this is doing. There's no new proration for Pell Grant to make it fit under the COA. It's simply if their grants and scholarships from non-federal sources are at or above COA, they don't get Pell. They still get the normal amount of Pell as long as that's not the case. And I will also talk about that more in a minute, but there's no new proration for Pell. I just want to make that clear.

And then also kind of the options to resolve if the COA is met fully by grants and scholarships, there's kind of two resolution options. One is to reduce the non-federal aid, whatever that non-federal aid may be, or the student doesn't get Pell. That's kind of the other option. So two options if that is actually meeting the COA. And so one thing that I know came up quite a bit was also just the timing of when a student may get their non-federal aid, like outside scholarship. Sometimes schools don't even know a student's getting an outside scholarship until the school year's already started. So the whole timing of it is a little bit interesting as well, because if the Pell is fully dispersed before they even know about that non-federal aid that would meet or exceed the COA, you don't have to return the Pell.

Tim Maggio:

Interesting.

Sarah Austin:

There is that detail as well, which is in the flow chart. So let's talk about that more, too, as well.

Tim Maggio:

Well, before we get to that, I just have one question though. I know some schools sometimes do appeals to increase a student's cost of attendance. Is that allowable in these circumstances?

Sarah Austin:

So if the ... Let's say that the student had a ... I'll say the appeal can't just be, "We want to increase it so that you get Pell." Because that is not an allowable increase to a COA. But if their school is doing an increase to the COA for special circumstances like following the normal rules and their COA is increased, then potentially that increase is enough to where now the non-federal aid would not be meeting or exceeding the COA, but just-

Tim Maggio:

Right. So what I'm hearing is don't use COA appeals to skirt the rules.

Sarah Austin:

Yes, exactly. Exactly. So yeah, they can't just say, "I want my COA to increase so that I get my Pell." That is not doable.

Tim Maggio:

Understood. That's good to hear and get that clarified. And I know that we're going to be talking about this flow chart, but before we get into it, as long as you're at your desk and not driving and listening to this podcast, open up a new web browser or tab, go to nasfaa.org/ob3 and you can follow along with us while we go over this flow chart. So, Sarah, take it away. We've really been into flow charts lately as an organization. So what's this new one telling us?

Sarah Austin:

We have. We love a flow chart, and especially a color coordinated flow chart. I actually love this flow chart so much that one of the boxes blends two colors. I think that's like next level flow chart design.

Tim Maggio:

It is really pretty.

Sarah Austin:

Whoever came up with that, good job. I also love that you just said that you can pause us, go pull this up, because I'm so used to doing live webinars that I was thinking we would have to actually say like, "Let's kill some time while you go over the chart." And then I'm like, "Oh wait, no, they can just pause us." That's great.

Tim Maggio:

Yeah, that's why we never get feedback about me. They just fast-forward when I'm talking.

Sarah Austin:

Okay. So back to the flow chart. So really we put this together to help guide you to see if you actually do, if the student is eligible for the Pell or not based on this new rule. So this is kind of helping you guide to know if the student can receive Pell or if they are ineligible. And so couple of examples, and I am going to give a shout-out to David Futrell and our AskRegs team. There's an AskRegs article, which we'll link in the show notes. I think it's one of the best AskRegs articles that's ever been. And I think our members probably agree because there's like so many views on it and it's fairly new. This is a new thing, new AskRegs article and it already had like 5,000 views or something. And in the time I was looking at it, just to refresh for this webinar, I like refreshed my page and 20 more views had already hit. So people are looking at it.

Tim Maggio:

Oh wow. Nice.

Sarah Austin:

So shout out to David Futrell on the AskRegs team.

Tim Maggio:

Go David.

Sarah Austin:

Look at that AskRegs article if you're confused after this podcast. But to give an example, let's start on the flow chart where it says you determine the student's cost of attendance. Let's say we're going to have really round numbers for this, and I know that's not always the case, but all of the rules apply.

Tim Maggio:

For simplicity's sake.

Sarah Austin:

Yes, yes. We don't need to get too math oriented right now. So COA is $20,000 and all of the students non-federal aid, grants, scholarships from institution, from state, from outside scholarships, whatever, say that that is 18,000. So that's kind of the first two boxes. You get their COA, you figure out what their non-federal grant and scholarship aid is. So we're saying 20,000 COA, $18,000 in non-federal aid. Does that exceed the COA alone? There's where you have to do a tiny bit of math, and the answer is no. Of course, there's $2,000 left. It does not.

So we keep walking through the little no flow chart. The student is eligible for the full amount of Pell that they would otherwise be eligible for. So let's say the student's a max Pell, so it's 7,395 this year. So there was only $2,000 in between the non-federal aid and the COA. The student is eligible for the full 7,395. So that's why it's taking the full amount of their Pell. The next box does ask, was additional non-federal grant or scholarship aid later added. So even after that initial check, was it later added? And let's assume for our example, it's still no, then we reached the little blended color box that I love and it says end. This is the end. That's it. The student gets their Pell.

Tim Maggio:

Okay.

Sarah Austin:

And I know that that feels weird to some people because there's only $2,000 between the COA and the non-federal aid and they're getting 7,395 in Pell, but that is true. And if you think about it's more similar to our current rule where they could get Pell on top of their non-federal aid, like student athletes right now.

Tim Maggio:

Right. So they're still able to go over cost of attendance as long as they're under the full cost of attendance.

Sarah Austin:

Yes.

Tim Maggio:

Got it.

Sarah Austin:

And they're allowed to go over the COA with that Pell because they're eligible for the Pell, but it's not considered an overaward. So this is just an allowable, they are eligible for the Pell. They're also allowed to keep all that non-federal aid. For our sake, if the private scholarship or if the state or whatever the other aid is, if they have a rule that that needs to be reduced, that is separate. We're just talking about for our federal requirements, there's no requirement to reduce the COA or reduce the Pell, but keep in mind there may be other requirements from the state or the scholarship organization, whatever it may be.

Tim Maggio:

Good to flag. Okay. And you got a couple more examples to walk us through?

Sarah Austin:

Yes. So my next example is going to be very similar. So same COA, $20,000, same non-federal aid, 18,000 in grants and scholarships from non-federal aid sources. But so we follow the little flow chart along the way. When we get to that box where it says, was additional non-federal grant or scholarship aid added later? Let's say that this is yes. So like the school didn't know the student was going to get another outside scholarship, but say that comes in later, partway through the year, they get a $2,000 outside scholarship. So now that 18,000 plus the 2,000 is 20,000. So now we are at the COA. So when we get to that box where it says, was it later added to equal or exceed COA, we would now answer yes. So instead of going to the no, where we end, we would go yes.

And it would now say, was the additional non-federal grant or scholarship aid identified after Pell was fully dispersed? This is where the timing piece comes in that I talked about earlier. If it's midyear, say two months into the school year, the student's like a traditional fall/spring student and this is let's say December, they get this outside scholarship. The Pell is not fully dispersed for the award year, so the student is now ineligible for Pell Grant.

Tim Maggio:

Okay.

Sarah Austin:

So that's where you would follow the box that says no. And you go up and this is where you now kind of have your two options that I was talking about earlier. So it asks, can the non-federal grant or scholarship aid be reduced to be less than the COA? Now, if it can be reduced or not, that's going to obviously depend on the source of the aid and if the school has control over it, that sort of thing. So this will either be yes or no depending on the situation.

But for our example, let's say no. Outside scholarship, there's nothing the school can do, can't reduce it, the student is now ineligible for the Pell and it has to be returned because it was not fully dispersed when they learned of this extra aid. So you'd follow the box to see no, the student is ineligible. However, if this was, say, an institutional scholarship and the school could reduce the aid to be below the COA, you'd follow the yes box and it says, okay, then adjust it. Adjust the non-federal aid to be below the COA. And going back to something I had said earlier, it just has to be reduced to be $1 below the COA.

Tim Maggio:

Oh, I'm reading between the lines. Okay.

Sarah Austin:

Yes. Good job. And this you'll see in the flow chart, I think this might be where some people got kind of hung up on the flow chart, is it kind of brings you back to the beginning where now it's saying, okay, now you've adjusted the non-federal aid to be below the COA. So now it's asking you again, does the total non-federal grants and scholarship aid equal or exceed COA? Now you would answer no, because now it's below the COA, right? And so then you follow the path of no, and it's like, okay, student is now eligible for their full Pell Grant. There is still another little double check in the flow chart. Was any other aid added later? So if they get another outside scholarship later in the year, obviously you'd have to then look again. But if it's no, you get back to that little blended color box that says, okay, you're good to go. Student gets their full Pell.

Tim Maggio:

Okay. So, Sarah, I know we've got one more example to go through and then we're going to get through some questions that members have been sending us about this topic. So what's our last example?

Sarah Austin:

Yeah. So this one's like a really simple, easy numbers thing, which probably would never actually happen, but whatever. Let's say the cost of attendance, again, is 20,000, our nice, easy whole numbers, and the student has a full ride scholarship, institutional scholarship for $20,000. They're also max Pell eligible, otherwise 7,395. So following the flow chart, we know their cost of attendance is 20,000. We know their non-federal grant and scholarship aid is 20,000. The first question, does the grant or scholarship equal or exceed COA? We would instantly say yes this time. So it's not following down the other path on the last example. We instantly say yes.

Can it be reduced to be less than the total COA? And if this, in our example is an institutional scholarship? So yes, it can. So then you adjust it to be $19,999. Then if you follow the flow chart, you're back to that same question. Now, does the total non-federal grant scholarship aid equal or exceed COA? You would say no, because it's $1 less. And then you'd be eligible for that full max Pell of 7,395. And again, that would not be an overaward and you do not need to prorate the Pell. They get the full Pell amount because of [inaudible 00:35:41]

Tim Maggio:

Very interesting. So what I'm hearing is schools have options, and having worked at a school, you tend to know who these students are who are getting aid that is kind of up to the cost of attendance or really close to it. So theoretically, these should be populations that schools should be able to pull and kind of identify. And if applying your logic, Sarah should be able to kind of apply some of these rules and this workflow. But moving to some questions from members, let's see what we've got. The first thing we have is, "Is the school required to reduce aid to be under COA?"

Sarah Austin:

Good question. So if you remember back, I said there's kind of two options for resolution if in fact the non-federal aid equals or exceeds the COA. Option one is to adjust that non-federal aid. If it is institutional aid or even some part of it is institutional aid, the school can choose to reduce that aid, to be under the COA, but they're not required to. So whether the non-federal aid is reduced is really at the discretion of the source of that aid, the institution, the state, the outside organization, of course, your own packaging policies, but they're not required to adjust the aid. It is one of the options, but if they do not, the student does not get the Pell.

Tim Maggio:

Right. So kind of this is as long as they have some discretion, the school can make that choice or they're going to have to figure out how to partner with some outside agencies to figure out if they have the flexibility. Okay. And the next question we have is, "If based on the COA, the student has room for 1,000 but is eligible for more Pell, do they get 1K Pell to bring them up to the full COA, or do they get the full Pell if they're a max Pell student and eligible for that?"

Sarah Austin:

Yeah. I think I've said this many times, but I'm going to say it again, they get full Pell.

Tim Maggio:

Yeah. Worth repeating.

Sarah Austin:

Yes. So they would not only get that 1,000 that's the gap between the two numbers. They get their full Pell like normal. And this is where I'm going to also brag about that AskRegs article that our AskRegs team has out there is there's a statement in there that I'm going to quote you. And it says, "In short, it is best to think of this more as a Pell Grant eligibility issue and less of a packaging math issue." So you're not having to do math to figure out the difference to know how much Pell the student can get. You're still following all your normal Pell rules. The student is eligible for a certain Pell amount with the Pell grant determination, their SAI, whatever max/min Pell, whatever it is. The normal Pell eligibility rules apply, how much they're eligible for is from that, not from this new rule. This new rule is only determining if they're in fact eligible for Pell at all, not a prorated amount, a math equation, anything like that. So keep in mind, no new proration, like I said earlier, it's just if they're going to be eligible for Pell or not.

Tim Maggio:

Yeah. That makes total sense when you explain. And I could definitely understand why our members are confused because I think when you read this rule, you can kind of understand the intention of why a rule like this would exist, but then when you really go down into the weeds and see how you're able to make students still eligible for it with being under the COA, it kind of feels like it would be against the rules, but it isn't. And I think that's going to be a big learning curve for people. I mean, and I think that's good that you've explained it the same thing multiple times throughout this conversation, so it can really solidify. I think we have just one other question that we've been getting around this and it's around Pell enrollment intensity. How does that factor in?

Sarah Austin:

Yeah. So this is really basically the same answer as the last one is that your normal Pell rules apply. So normal Pell enrollment intensity rules still apply. So if this student is not full-time, the Pell amount that they may or may not be eligible for is going to be based on that Pell enrollment intensity. This new rule is just determining do they get that full amount that you have now determined? I guess I shouldn't say full amount. Do they get the eligible amount of Pell that they could get, yes or no. So you still do your normal Pell calculations, your Pell enrollment intensity to even know the potential Pell Grant that they could get and then check to see if their non-federal aid is at or exceeding COA. If it's not, then you know they get whatever amount they would have gotten otherwise.

Tim Maggio:

Right.

Sarah Austin:

So this normal Pell intensity rules still are in place. This isn't adding a different layer of proration or adjusting.

Tim Maggio:

Okay. So it sounds like really take this at face value, follow the rules and don't add extra layers of complication that don't need to be there. Got it. At least that's how I'm hearing it for me, myself. But anyways, I think that was the last of the questions we've been getting from members. I know Jill was kind of keeping us up to speed on where we're kind of looking at in the future in terms of what's next. But anything else you want to make sure that our members are aware of and what's kind of coming down the pipeline?

Sarah Austin:

Yeah. So like Jill had mentioned, this was part of the consensus from negotiated rulemaking. So I don't anticipate major changes to this provision. I just want to say as a little disclaimer, and you'll see it on the flow chart as well, that this is as of right now, what we know after negotiated rulemaking, but we don't even have the proposed rules yet, let alone the final rules. So subject to change, if we get something different in the actual final rules, and we will of course update the flow chart if needed, but just know that as of right now, this is how it's working.

Tim Maggio:

Okay.

Sarah Austin:

I do want to mention that we've talked about it a couple times, that OB3 Web Center that NASFAA has, it's nasfaa.org/ob3. I know we'll link it in the show notes. But we do have this flow chart. It's the top, kind of the first item on there right now, since it's brand new, but we actually have several resources we've already put out related to OB3 implementation. So especially with the RISE negotiated rulemaking committee that wrapped up earlier, we had some loan related resources out there. So like we have a checklist, we have a one pager that you could give to your campus leadership. We have some other flow charts. Like Tim said, we love our flow charts.

So we do have several resources out there. If you have not seen them, I would definitely check those out. And also we have several more coming your way. So now that we have wrapped up both negotiated rulemaking sessions, we do have quite a bit that we are putting together in terms of resources for our members that will be coming your way soon. So keep an eye on Today's News. We'll always announce them there, but also just check that OB3 Web Center if you want to see what's all out there.

Tim Maggio:

Yep. And just a reminder, we've got some webinars coming up, too, so really check those out. I think we like to think of ourselves as an extension of your team in a lot of ways because we know that you at your institutions don't always have the time to be able to keep up with all of these things. So let us do that. The policy team, I know you've given credit to a lot of people today, but that OB3 Web Center is great. The flow charts are so amazing. So thank you to you all for putting those together, and please continue to use those and check that out. They're going to be updating that throughout this process and making sure that you have the answers necessary as your teams, your leadership are asking you questions.

And we're a partner with you on this. Like Jill kind of mentioned at the beginning, if you have questions or if you have things that you need to highlight for us, you're boots on the ground, send those over to us and make sure we're getting that perspective in. So thanks for all you're doing. Right now while also having to navigate these large changes.

So I think that's all we've got, Jill and Sarah. So I mean, I think Hugh and I have to probably run off to the grocery store soon and go prepare for this winter storm. Jill, I'm assuming you're already prepared for it, but with that being said, I hope you all have a good time and see you next time on "Off the Cuff".