Allie Arcese:

Hey everyone. Welcome to another episode of "Off the Cuff." I'm Allie Arcese, NASFAA's director of communications filling in for Justin this week.

Jill Desjean:

I'm Jill Desjean, the NASFAA policy team.

David Tolman:

And I'm David Tolman with Training and Regulatory Assistance.

Allie Arcese:

We've had a busy week, busy day today. The president is releasing his budget, so we will have more information on that later. But as of right now, while we're recording, the budget information has not dropped yet. But other topics for us to discuss and we've got a lot on our agenda, so we'll go ahead and get right into it.

Jill, you've been working with our FAFSA simplification implementation working group, which is a mouthful, and they've been working for quite some time now. You guys recently did some surveying of our members. Can you fill us in on that?

Jill Desjean:

Yeah, Allie, I'm glad that you struggle with that long name for our working group because I jumbled it all the time. It's just a lot of syllables. But yes, as far as the work that we're doing, we recently completed a large FAFSA simplification pre-implementation survey, and we'll also be wrapping up a Today's News Poll the Pros question this week.

Allie Arcese:

All right, well let's start with the pre-implementation survey. That was really interesting. What were we trying to learn there?

Jill Desjean:

Yeah, so we were trying to get a sense of how our members are feeling about the implementation of all of the provisions of the FAFSA Simplification Act as we get closer to the start of the 24/25 application cycle. So we asked things like what resources schools we're using to help them to prepare their campuses for full implementation, the quality of those resources, how much they were liking the quality of them, what our members felt they need for a successful implementation as far as other resources, what areas of FAFSA simplification they feel they have a handle on versus which areas they feel like they have less of a handle on. And we also ask them how engaged they felt their senior administration was with all of these upcoming changes.

Allie Arcese:

Because we're really getting into crunch time here. So definitely interested to hear how everyone is doing that. What were some of the highlights? What did we learn?

Jill Desjean:

So we'll start with the good news. People are happy with NASFAA's Today's News coverage, so props to you, Allie, and your team, Hugh, and everyone else.

Allie Arcese:

Not getting fired today.

Jill Desjean:

Not today, Allie. So that's great news. They were also really happy with our AskRegs service - yay, David and the TRA team - and the resources that we have on our FAFSA simplification center. So hats off to all the NASFAA members on our simplification implementation working group as well as to the various teams at NASFAA who have been working hard to keep our members well-informed.

It was also really encouraging to see how well-informed our membership is about these upcoming changes. We literally, on this survey, listed out every single provision of the law, and there are a lot of them, and very few people said they weren't familiar with individual provisions.

Some were a little more weedy and more people weren't familiar, but broadly speaking, people were aware of everything that's in there. So our members have really been doing their homework and they know what's coming. So that was great news.

Allie Arcese:

Yeah, and if I recall, some of the ones where the familiarity was lower were provisions that didn't necessarily impact financial aid directly. They applied more to the department.

Jill Desjean:

Right, there were some requirements that are placed on the department and people weren't familiar with them, but we really, it's all-

Allie Arcese:

They don't really need to be.

Jill Desjean:

... on the department side, so it's like just sit back and relax and let them do their job on this one. You don't have to worry.

Allie Arcese:

Yeah, so that's the good news. What about the bad news?

Jill Desjean:

Yeah, so there's some not as good news as well. While our members are well-informed, they don't feel incredibly well-prepared. So overall, less than a third of our respondents said that they felt they were on track or mostly on track for implementing FAFSA simplification on their campuses.

Common barriers they cited included lack of time, unshockingly, staffing shortages, which is something that we have seen come up again and again in terms of how financial aid administrators are able to do their jobs given difficulties staffing up their offices. Lack of guidance from the Department of Education was another barrier that was pretty commonly cited, and members indicated a lack of confidence that their student information systems providers might be prepared to implement all of these upcoming changes.

Allie Arcese:

Anything else stand out in the survey results?

Jill Desjean:

Yeah, just broadly, and again, not surprisingly, people are concerned about the two biggest formula changes that are coming. So the change in treatment to families that have multiple individuals enrolled in college at the same time, and the addition of small businesses and family farms to the asset calculation in the student in index.

They're also concerned about provisions that become effective for 23-24. So again, not surprising, those things are happening sooner. So schools are thinking about them more and more concerned about them. So things like the cost of attendance changes that are becoming effective for next year, professional judgment changes, and provisional independent student status.

And we also heard concerns about negative SAI and the reporting requirement for work study earnings that the department announced not too long ago. So all those areas where we saw respondents worried about burden and/or wanting more guidance from ED kind of fall into those categories.

Allie Arcese:

Okay. Well thanks for that, Jill. What are the next steps here?

Jill Desjean:

Yeah, so NASFAA's FAFSA simplification implementation working group has been providing feedback to the Department of Education and also creating resources for NASFAA's members for over a year and a half. They have been working really hard. We've had people have built their families, people have taken on new jobs all over the course of this working group. So it's been going on and on and it will continue to go on and on.

They're just going to keep working with our policy team to get information that our members need for successful implementation into their hands as quickly as possible. So they're going to use what they learned from this survey to identify the areas where our members need some more help and either advocate for that help from the department or produce resources on their own to help our members.

So this group is going to be in place through full implementation and they'll continue to be a great resource to our members.

Allie Arcese:

Yeah, they're not stopping anytime soon. Now what about the Poll the Pros question that deals with housing question on the FAFSA?

Jill Desjean:

Yeah, we've been hearing recently from schools with concerns that the housing question on the FAFSA won't be a question starting in 24/25 on the FAFSA

So this question is in the section on the form where students list the schools they want to receive their information with each school they select. They currently indicate whether they plan to live on campus, off campus, or with their parents. And just for a little bit of background, the FAFSA Simplification Act provides a list of FAFSA data elements and includes a provision that the department may not require applicants to provide additional information.

So this is a change from the way the AGA's written now in terms of the FAFSA that Congress actually specifies which questions can be there and has this prohibition on the department from just adding any other questions.

The housing question isn't on that list. So the department has determined they can't ask this question because they don't have the authority. And we are just hearing now from schools that they rely on this information to construct their cost of attendance and for other purposes as well. And so they're worried about how they're going to get this information or what they need to do to change gears a little bit to be able to have access to this information for the purposes they use it for.

Allie Arcese:

Yeah, that sounds like a really sticky issue. What did our members have to say about this?

Jill Desjean:

So about 80% of our respondents said they actually didn't have a plan yet for how they would address the removal of this question.

So they didn't know if they were going to try to pull this data from some existing source, maybe if they collected it on some other form, like an admission's application, or if they would say, need to add a question to an existing form like an admissions application or to something else that all students have to complete.

If they could make a decision that they could actually just go without this information altogether and just sort of find some different way to construct their cost of attendance, they haven't yet made that decision.

And of those 80% who said that they don't know what they're going to do, more than half of them actually weren't aware the question was going away. So for our listeners, this is something that should be on your radar if it's not already, members should be aware that we're in ongoing conversations with the department, but we're not really sure how successful those efforts are going to be since the department is actually pretty far along in the process of developing the 24-25 FAFSA.

So we're just not sure if they could actually make changes at this point.

Allie Arcese:

Yeah, well more to come on that. Thanks Jill.

Jill Desjean:

Sure.

Allie Arcese:

We're going to switch gears now and turn things over to David Tolman, who's going to talk about late disbursements and retroactive payments. So does payment period mean the same thing at all types of schools?

David Tolman:

No, it doesn't. And in this topic, I know we're switching from FAFSA simplification, but this is just to help maybe those who are newer at schools or to just refresh some areas that cause some confusion and just make sure that you got all these things taken care of before FAFSA simplification happens.

So back to payment period, it doesn't mean the same thing at all types of schools, but it is important for those schools to know what their payment periods are. So this podcast goes to all different types. So I'm going to quickly go through the different types of payment periods.

For programs offered in a standard term format such as semester, quarter or trimester. The payment period is the term.

It starts to get a little bit tricky for programs that are offered in a non-standard term format. And these are those programs that might offer semester credit, but the number of weeks of instruction is outside of the range that the department has approved.

But there's two different types of non-standard term programs. Those that have terms that are substantially equal in length, meaning no term exceeds more than two weeks difference from any other term. And if that's the case, the payment period is a term for Pell and other Title IV programs.

But for direct loans for schools where they're not substantially equal in length, the payment period is whenever the student has completed both one half of the weeks of instruction and one half of the credits in the academic year definition for the first payment period, or they've completed all of the credits and weeks in the academic year definition for the second payment period. When they are substantially equal in length, then it's always the term for non-standard term programs.

Then finally, it's programs that are in non-term or clock-hour format. The first payment period is similar to the non-standard, not substantially equal. The first payment period consists of one half of the weeks of instruction and credit hours in the academic year definition, and the second payment period ends when the student completes all the weeks and credit or clock hours in the academic year definition.

So everybody fell asleep through two of those three because they don't apply to them, but everyone was awake for at least one of those, I hope.

Allie Arcese:

Let's hope.

David Tolman:

Yeah.

Allie Arcese:

Thanks for reviewing that, David. So is it correct that no matter the format of the program, a late disbursement occurs when a school pays a student for a completed payment period?

David Tolman:

Yeah, that is correct.

Allie Arcese:

And what's the difference then between a late disbursement and a retroactive payment?

David Tolman:

Well, there is a difference, and the difference depends on whether the student is still enrolled in that program in the same award year, or, for direct loans they're still enrolled in the same loan period.

Allie Arcese:

Can you give us an example of the difference?

David Tolman:

Okay, so for simplification, let's use an example at a semester school and the student, let's call them Justin, was enrolled in the fall semester. So Justin completed the fall semester, but something prevented aid that was intended for the fall from dispersing in the fall. So it could have been late verification or late FAFSA, any number of things. But the fall semester has now ended, whatever prevented that aid from dispersing has been resolved and now the school wants to disperse that fall aid.

So if Justin is enrolled in the spring semester at all or at least half-time, if a direct loan is involved, it's a retroactive payment situation. If Justin is not enrolled in the spring semester, when we want to go back to the fall, it's late disbursement rules that apply.

Allie Arcese:

Okay, that makes sense. And then if the student is still enrolled, the disbursement is retroactive. If not, it's late. So why is there that distinction?

David Tolman:

Well, first the regulations treat each situation differently. So for those who like to get into the regs, 668.164J addresses late disbursement and 668.164K addresses retroactive payments. And although the criteria are similar, there are additional requirements in late disbursements.

Allie Arcese:

Okay. Let's talk a little bit about the similarities.

David Tolman:

Okay, so both situations require that the student completed that payment period that you want to go back and make a disbursement for. If it wasn't completed, then the student most likely withdrew. And then we're talking about post-withdrawal disbursements, which is a topic for another podcast.

So in Justin's example, let's say in the fall, he was making satisfactory academic progress, or SAP, and met other Title IV eligibility requirements.

Once the payment period has ended, enrollment status is based on the credits the student completed. Okay, so anything that you captured or a school captured on the Pell recalculation date, that gets ignored once the payment period ends, and that is an area of confusion.

So once the payment period ends, I'll repeat it, ignore what you captured on Pell recalculation date. A retroactive or late disbursement is based on the completed credits. And completed credits include failing grades. If, it doesn't say successfully, but if the student failed a class but completed it, bombed the final or something that is considered a completed credit, but if the student failed because they stopped attending, that student would not be eligible, gets into another area of grading.

How do you know? A lot of schools have different grades to determine or to distinguish between those two. And then another similarity between the two. Direct loans require the student to have completed at least halftime status, although if the student finished with some enrollment, but less than halftime, the school can determine cost the student incurred while enrolled part-time and disperse the direct loan based on that revision.

Allie Arcese:

Okay. Now what are the additional criteria for late disbursements?

David Tolman:

Okay, so for late disbursements, the students, while the student was still enrolled, the student's ICER was processed with an official EFC and official EFC just means non rejected. So if an EFC was calculated, the student was selected for verification but doesn't complete it, that's still an official EFC. It's not verified. So that would count. For a direct loan, the loan was originated while the student was still enrolled and saying for origination of a teach grant. And then for FSCOG, the school offered that FSCOG to the student while the student was still enrolled.

Allie Arcese:

Got it. Can you give us an example maybe of a student who is eligible under one rule, but maybe not the other?

David Tolman:

Yeah, let's go back to the Justin example. He was enrolled in the fall.

Allie Arcese:

Good old Justin.

David Tolman:

Yeah, good old Justin. We can use Justin today, Allie, because you're here. Next time we'll use Allie as an example. Okay. So Justin's enrolled in, he was enrolled in the fall, he completed the fall semester, but is now completing a FAFSA during the spring semester.

So if Justin is still enrolled in spring, once the school receives the FAFSA results, it can offer aid to Justin for both the fall and the spring semesters and then make those disbursements. So all the money for fall can be paid retroactively.

But if Justin is not enrolled in the spring semester, then we're looking at late disbursement criteria and the school can't offer him, in that case, any aid for the fall semester because he completed the FAFSA after the semester had ended. He would not meet the criteria of having that official EFC calculated by the CPS while still enrolled.

So he submitted a FAFSA after the fall semester ended, he would not be eligible. So that's one case where the student can get everything that was under a retroactive payment for the fall or nothing in late disbursement. That's usually how it goes. If there's a difference, it's usually all or nothing.

Allie Arcese:

Gotcha. Thanks David. It seems like there's a lot of different directions that a financial aid administrator could go from here. What resources do we have available if someone still has questions?

David Tolman:

Yeah, there's a lot of directions we could still go with this, including timeframes to make a disbursement after the payment period ends. Incomplete grades, specific eligibility requirements, opening up COD once the award year ends. These all were covered really well in a webinar that NASFAA did last fall. And my colleagues Lissa Powell and Jackie Cottom did it on this topic exactly. Late disbursements and retroactive payments. Over an hour and a half, they were able to get into a lot more detail than what we can do in the podcast. So if a school has access to that, that would be the best resource for more information. You can also do an AskRegs search, type in "late disbursement" and do a search or "retroactive payment," lots of good articles. And then also the Student Aid Reference Desk if you get to the section on disbursement, you can find some information there.

Allie Arcese:

Great. Thanks David. All right. So we did have some breaking news come in while we were recording. President Biden released his fiscal year 2024 budget proposal. Now again, when the president releases his budget proposal, it's sort of like a wishlist. This just kind of kicks off the budgeting process for the fiscal year. Still have to go through a lot with Congress. The House and the Senate will release some budget proposals, lots of negotiations. So we're just really getting started here.

But this does give an indication of the administration's priorities when it comes to higher education, financial aid. So Hugh is going to walk us through some of the top line numbers that we're seeing. Again, this just came out about 10 minutes ago while we were recording. So we've got some initial findings here that Politico is reporting. Hugh?

Hugh Ferguson:

Yeah, thanks Allie. So as you mentioned, these numbers have just come out, so we're just getting a first look at them. But at the outset, Politico is reporting that as a part of President Biden's budget, there is a 13.6% increase to federal education spending. $90 billion in discretionary spending for the Department of Education, which represents a $10.8 billion increase from its current level.

The proposal doubles down on Biden's big ticket proposals to boost education spending by hundreds of billions of dollars in the next decade. This includes the entire education spectrum, ranging from expanding access to free pre-k, making community college free and subsidizing tuition at four-year historically Black colleges and universities and other minority serving institutions.

Allie Arcese:

So yeah, those are a lot of initiatives that we've seen several times over the years and in previous budget proposals from the Biden administration. Now, big thing for our members is the Pell Grant. Biden has previously signaled he wants to work toward doubling the maximum Pell Grant Award. So what are we seeing in this budget?

Hugh Ferguson:

So this time around, we're seeing the president's budget propose a $500 boost to the maximum award, which is currently at $7,395 for the upcoming academic year. Congress has increased the award by, I believe it was an increase of $500 and $400, so for a total of $900 over the past two years. So yeah, we have seen movement in that direction.

Allie Arcese:

And the goal there is to double it by 2029. And then a couple other highlights from the budget so far related to student loans. What do we have there, Hugh?

Hugh Ferguson:

Yeah, so here we see President Biden's budget seeking to permanently eliminate the tax bill for student loan borrowers who have their debts forgiven, including debt is discharged under the income driven repayment program. And as our members might remember, Democrats' previous bill that was a part of a COVID relief saw a temporary elimination of federal income tax on forgiven student loans. But that provision is set to expire in 2025. And this issue came up during oral arguments at the Supreme Court where in arguing that the administration was operating within the scope of what Congress wanted, that because Congress approved this tax exemption, that they were giving the go ahead for more action from the executive branch on student loan forgiveness.

Allie Arcese:

That's an interesting tie in there. And what about funding for the Office of Federal Student Aid?

Hugh Ferguson:

The budget is also seeking a major increase for funding for student aid. The administration is proposing increasing the Student Aid administration's budget by $620 million to $2.7 billion. And this request comes after major spending agreement from December where FSA had their budget flat funded for the fiscal year and was in response to the ongoing saga that is debt cancellation.

Allie Arcese:

Yeah, everything seems to come back to that these days, but this is just a starting point for sort of discussions on the next fiscal year budget. Be sure to check out Today's News on Friday, we'll have more in an article there from our team. We'll be sure to link that in the show notes here as well. What else do we have for our news roundup for this week, Hugh?

Hugh Ferguson:

Yeah, so this week we have some more news coverage. A personal financing company called SoFi has sued the Department of Education to immediately end the ongoing freeze on federal student loan repayment and interest accrual.

SoFi is arguing that the administration's most recent extensions of the payment pause are no longer relying on the administration's authority to continue the policy through the Hero's Act of 2003. And instead of citing the impact of the pandemic for the continuation of the pause, the administration is instead relying on the uncertainty that's stemming from the legal challenges that are seeking to stop their student loan debt relief program.

And so SoFi has also argued that the payment pause is hurting their business since the payment pause has eliminated the benefits of loan refinancing since interest accrual is at 0% and payments are not required for federal student loans at this time. And we'll have more details in Today's News, but this is the very beginning of this lawsuit and we will be tracking it.

Allie Arcese:

Thanks everyone for joining us for another episode of "Off the Cuff." Be sure to subscribe, send in your questions, tell a friend, and we will see you next week.