NASFAA's Top 5 Issues in Financial Aid / Inside the Beltway

Fall 2023

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1. Financial Aid Staffing, Turnover, Retention, and Succession Planning

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Majority of Financial Aid Professionals Say They're Likely to Look for Other Employment Within a Year

- 56% of financial aid administrators will be looking for another job within the next year. (1 out of 3 = likely or very likely)
- Top reasons:
  - Pay and salary
  - Working remotely
  - Opportunity for a promotion

- The percentage of employees working additional hours declined between 2022 and 2023 across all higher education departments **except for financial aid**, where the amount of employees working additional hours remained unchanged.

3

Mismatched Working Conditions

- A majority (67.8%) work completely or mostly on site
- But only 23.5% prefer working completely or mostly working in-person

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What's Not There?

- 78.3% said they would look for opportunities at other higher education institutions *(59% said at a non-profit organization outside of higher education, and 54.8% said at a private for-profit company.)*

- 82.8% agreed or strongly agreed that their work has purpose, 74.7% agreed or strongly agreed that they have a good relationship with their supervisor, and 72.9% agreed or strongly agreed that they're satisfied with their work.

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OTC From the Field: Concerningly High Turnover Rates for Financial Aid Employees

This week on a special episode of "Off The Cuff," Justin is joined by Andy Brantley, president and CEO at College & University Professional Association for Human Resources (CUPA-HR), to discuss findings from the latest iteration of their higher education employee retention survey. The results of the survey found concerning trends related to the financial aid profession's retention rates, where a majority of financial aid professionals say they're at least somewhat likely to look for other employment within a year. Justin and Andy go on to discuss factors underlying the retention crisis in the wake of the COVID-19 pandemic, the significant challenges the higher education sector is faced with, and dive into the staying power of remote and hybrid working environments.

Speakers


Justin Draeger
President and CEO, NASFAA


Andy Brantley
President and CEO, CUPA-HR


Hugh Ferguson
Senior Reporter / Podcast Producer

NASFAA'S OFF THE CUFF PODCAST
OTC From the Field: Concerningly High Turnover Rates for Fina...
30 00:00:00 30

Resources

https://www.nasfaa.org/off_the_cuff_ep272

OPINION
GUEST ESSAY

Please Don't Call My Job a Calling

June 5, 2023

Álvaro Bernis

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Upcoming Work

- NASFAA's Research Department is partnering with CUPA-HR to produce an analysis of data on financial aid administrators that will look at FAA turnover, retention, salaries, and more both overall in higher education and by institution size.
- This will be available in early 2024.

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Advancing the Profession Toolkit

The purpose of this toolkit is to provide a resource for financial aid directors to use within their offices to ensure they have a voice in institutional decision-making.

Available at: http://nasfaa.org/atp_toolkit

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Thought Force on Career Path Awareness for Financial Aid Administrators

Clarity and Insights: A comprehensive report detailing the current landscape of the financial aid administrator role, including awareness levels, perception challenges, and potential target demographics.

Strategy and Framework: As part of the comprehensive report, an overall strategy with potential options and plans for raising awareness and changing perceptions about financial aid as a career path, including possible marketing initiatives, collaborations, and targeted campaigns. This strategy will include best practices or considerations suitable for institutional-level initiatives and broader national campaigns.

Stakeholder Engagement: Established dialogue or partnerships with key higher education associations, capturing their feedback and insights on the viability and methodology of proposed strategies.

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2. Student Loan Debt and Borrowers in Crisis

- Entire system is irredeemably broken

- Major reforms are needed, but is fixable.

Protecting Borrowers & Advancing Equity

In a report released in May 2022, NASFAA seeks to fill the gaps in the conversation by providing thoughtful, systemic, and targeted policy solutions to address underlying flaws in the student loan repayment and servicing systems that lead borrowers into financial hardship. In all, the report — which was funded by Arnold Ventures — outlines recommendations to improve student loan servicing practices, rethink the terms and conditions of student loan repayment, increase institutional and program accountability, and reform student loan default.

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Borrowers in Context

- Roughly ½ college students borrow
- 1 in 7 Americans have student loan debt
- Total federal loan borrowing, in terms of dollars, has been declining for the last ten years, largely because of enrollment declines

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Borrowers in Crisis: Parents

- Annual borrowing rates have tripled over the last 25 years.
- Parent PLUS loans used to have borrowing caps
- Parent PLUS loans used to have stricter underwriting standards, but today do not take into account parents' ability to repay the loan
- Parent PLUS loans do **not** have all of the same safety nets as student loans.
- Pre-pandemic, delinquency and default rates on Parent PLUS were rising.

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Borrowers in Crisis: Non-completers

- Low-balance borrowers who do not complete
- Median loan defaulter has a loan balance < $10,000
- 50% of loan defaults did not complete their education
- 10% of bachelor's degree recipients default

Questions about student and program eligibility and grant funding.

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Problem Area: High Balance Graduate Students

- Graduate students do not *generally* fall delinquent or default
- ***Volume:*** 15% of all students but make up 50% of all disbursed loans
- ***Sometimes,*** receive an unintended amount of disproportionate loan benefits, which can boomerang into unintended policy repercussions
- Perception of unlimited borrowing and tuition increases at the graduate level

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Who the Biden Administration Believes is in Crisis:

- Borrowers whose balances are greater than what they originally borrowed;
- Borrowers whose loans first entered repayment decades ago;
- Borrowers who attended programs that did not provide "sufficient financial value;"
- Borrowers who are eligible for relief under programs like income-driven repayment but have not applied;
- Borrowers who have experienced financial hardship and need support "but for whom the current student loan system does not adequately address."

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New IDR Plan: SAVE Plan

Saving on an Valuable Education (SAVE) plan

- Revises the current REPAYE plan
- Other income-driven plans (ICR and PAYE) will be sunsetted as of July 1, 2024
- Was negotiated in rulemaking without reaching consensus

Plan details:

- Auto-Renewal: If a borrower consents to disclose their tax information, their monthly payment will be adjusted and their enrollment in IDR will be automatically recertified every year
- Auto-Enrollment: Borrowers will be automatically enrolled into SAVE if they are currently enrolled in or recently applied to the REPAYE plan (which will be replaced by the SAVE plan)
- Eliminates negative amortization (available summer 2023)
- Income below 225% of the poverty line is protected (available summer 2023)
- Excludes spousal income for borrowers who are married and file separately (available summer 2023)
- Monthly payment 5% of discretionary income for undergraduate debt - 10% for graduate debt
- 20 years to cancellation for undergraduate debt - 25 years for graduate debt
  - Cancellation after 10 years for balances $12k or lower

All provisions will go into effect on **July 1, 2024**

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3. Student Outcomes and Institutional Accountability

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Draft 2020 CDR

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Gainful Employment Final Rules

Answering Two Questions:

1. Have students taken on too much debt in a specific program?
2. Are they better off than they would have been if they had just gone to high school?

Gainful Employment Final Rules

- The rules largely mirror ED's proposed GE regulations that were unveiled in May.
- **Private for-profit institutions** and **all certificate programs** at all types of institutions by using two separate metrics:
  - **a debt-to-earnings (D/E) rate**
    - the annual amount a typical graduate needs to devote to their student loans must be equal to or less than **8% of annual earnings,** or equal to or less than **20% of their discretionary earnings** (i.e., their annual earnings above 150% of the Federal poverty guideline for a single individual).
  - **earnings premium test**
    - would require at least half of program graduates to have higher earnings than a typical high school graduate in their state's labor force who never enrolled in postsecondary education.

GE Consequences

- Programs will be assessed separately on D/E and earnings premium metric.
- If a program fails **either metric in a single year** they will be required to provide warnings to current and prospective students that their program could be at risk of ineligibility for federal funding.
- If a program fails the same metric in two of three consecutive years it will no longer be eligible to participate in federal student aid programs.

Financial Value Transparency

- ED plans to publish an annual list of low-financial-value programs; not limited to GE programs - will include ALL programs
- Prospective students at certificate and graduate programs would be required to acknowledge that a program has a high debt burden
  - Undergraduate programs are excluded from these acknowledgments
- "Will give all students the most detailed information ever available about the cost of postsecondary programs, and the financial outcomes they can expect."
- **The term "low-financial-value program" is being used to describe programs in "which total costs exceed the financial benefits provided to students."**
- Programs wouldn't lose Title IV funding; would just have public "marker" as low-value
- **The reporting provisions are effective July 1, 2024, with the first acknowledgment requirements beginning in 2026.**

Borrower Defense Claims

- Over the Summer schools have been reporting increasing numbers of borrower defense claims from past students
- Expecting communication from ED on the situation in the coming weeks
- Institutions are not required to respond; a nonresponse will not be viewed as automatically favorable for a borrower's claim
- Schools should be aware that per ED's most recent guidance, a school should follow the institutional response requirements in **34 CFR 685.405** and as outlined in the notification from ED.
  - Any questions must be directed to Borrower Defense Customer Support at 1.855.279.6207 (as indicated in the ED notification).

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4. Speed of Legislation & Regulation

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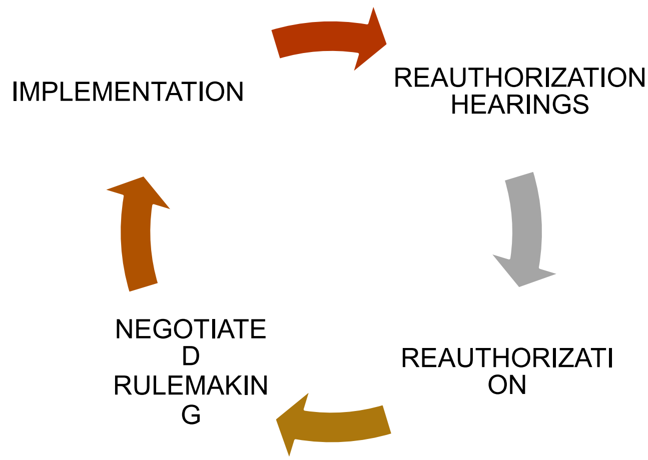
Memories, the Way They Were: Pre-2012 Regulatory Cycle



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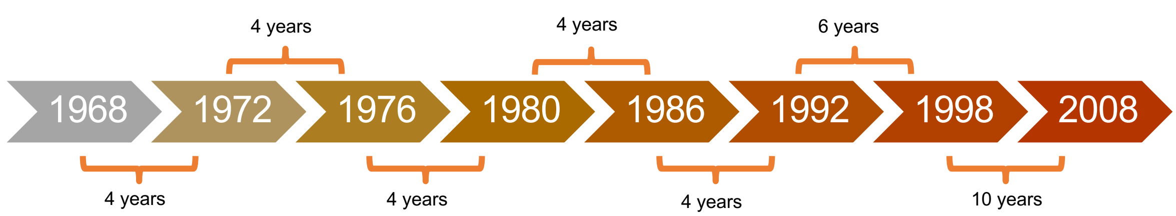
Previous HEA Reauthorizations



Since its creation in 1965, the Higher Education Act is generally scheduled for reauthorization by Congress every five years to encourage growth and change.

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Today's Regulatory Cycle

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Today's Regulatory Cycle

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A History of (Re)Regulating Gainful Employment

2011: OBAMA
GE rules applied to all non degree programs at public and private nonprofit institutions of higher education; and nearly all programs offered by proprietary institutions.

Never implemented due to legal challenges.

2015: OBAMA
Included two metrics to determine whether a GE program remained eligible for Title IV funds—the debt-to-earnings (D/E) rates measure and the program cohort default rate (CDR) measure.

Not implemented until 2019.

2019: TRUMP
Took GE through negotiated rulemaking but ended with no consensus. ED opted to rescind the current regulations in full.

2022: BIDEN
Proposed rules from latest negotiated rulemaking would bring back gainful employment. Accountability measures would apply only to non-degree and for-profit programs. Disclosure requirements would apply to all programs, all institution types.

Implementation not possible until at least July 1, 2025.

2024: ????

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Financial Aid Spending & Neg Reg Stakeholders

Total UG aid disbursed in 2000
$100.2 billion
(in 2021 dollars)

Total UG aid disbursed in 2010
$230 billion
(in 2021 dollars)

Total UG aid disbursed in 2020
$184 billion
(in 2021 dollars)

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Negotiated Rulemaking Stakeholders

Accrediting Agencies
Consumer Advocacy Organizations
Dependent Students
Federal Family Educational Loan Lenders and/or Guaranty Agencies
Financial Aid Administrators at Postsecondary Institutions
Four-year Public Institutions
Independent Students
Individuals with Disabilities or Groups Representing Them
Legal Assistance Organizations that Represent Students and/or Borrowers
Minority-serving Institutions
Private Nonprofit Institutions
Proprietary Institutions
State Attorneys General
State Higher Education Executive Officers, State Authorizing Agencies, and/or State Regulators
Student Loan Borrowers
Two-year Public Institutions
U.S. Military Service Members, Veterans, or Groups Representing Them

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Historical Consensus' in Rulemaking

2010 Rulemaking

Definition of High School Diploma
Ability to Benefit
Misrepresentation of Information to Students and Prospective Students
Incentive Compensation
State Authorization As a Component of Institutional Eligibility
Gainful Employment in a Recognized Occupation
Definition of a Credit Hour
Agreements Between Institutions of Higher Education
Verification of Information Included on Student Aid Applications
Satisfactory Academic Progress
Retaking Coursework
Return of Title IV: Term-Based Programs with Modules or Compressed Courses
Return of Title IV: Taking Attendance
Disbursement of Title IV Funds

2022 Rulemaking

Borrower Defense to Repayment
Pre-dispute Arbitration and Class Action Waivers
Total and Permanent Disability
Closed School Loan Discharge
False Certification Loan Discharge
Student Loan Interest Capitalization
Public Service Loan Forgiveness
Prison Education Programs
90/10 Rule
Change in Ownership
Income Driven Repayment (IDR)
Ability to Benefit
Gainful Employment
Financial Responsibility
Administrative Capability
Certification Procedures

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…But That Can Come With Consequences

Contents

The FAFSA Simplification Act

Cost of Attendance changes was a surprise to NASFAA

Had no input/insight

Bills getting attached to appropriation bills help them move but comes with risk of stakeholders not having input.

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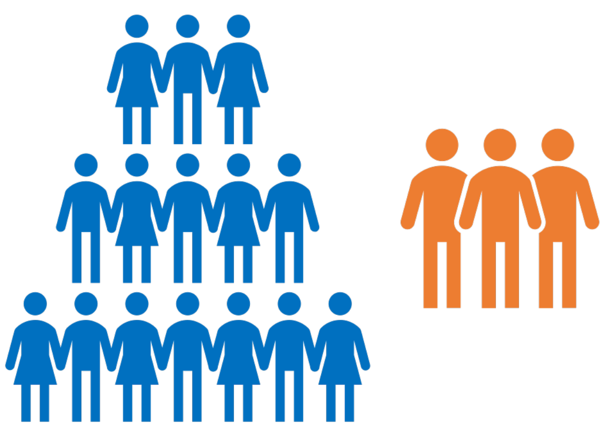
Future-Proofing the Financial Aid Office



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Negotiated Rulemaking: 2021-22

Final rules Issued in 2022 (Effective Date July 1, 2023):

- Borrower Defense to Repayment
- Pre-dispute Arbitration and Class Action Waivers
- Total and Permanent Disability
- Closed School Loan Discharge
- False Certification Loan Discharge
- Student Loan Interest Capitalization
- Public Service Loan Forgiveness
- Prison Education Programs
- 90/10 Rule
- Change in Ownership

Final Rules Issued in 2023

- Gainful Employment
- IDR [SAVE Plan]

Effective July 1, 2024 or earlier if ED chooses to early implement

Notice of Proposed Rulemaking released in 2023:

- Ability to Benefit
- Financial Responsibility
- Administrative Capability
- Certification Procedures

If ED publishes final rules by Nov 1, 2023, they will be effective July 1, 2024

Negotiated Rulemaking 2023-2024

The Department of Education (ED) announced 23-24 topics to be negotiated:

- Federal TRIO Programs
- Accreditation and Related Issues
- State Authorization
- Return of Title IV Funds
- Cash Management
- Third-Party Servicers and Related Issues
- Improving use of Deferments and Forbearances
- Distance Education
- Student Loan Debt Relief (Scheduled to begin 10/10/2023)

As a reminder, according to ED's master calendar final regulations that are published on or before Nov. 1, 2024 will go into effect July 1, 2025.

Chaos Factor: Potential Government Shutdown

- Narrowly avoided a possible October 2023 shutdown with the passage of a 45 day continuing resolution (CR)
  - Mid-November the CR will expire; if another 45 day CR is passed, the next possible shutdown would be the end of the year
- In the past, FSA systems remained up and running
- Servicing of student loan repayment would likely continue but could be disrupted if the shutdown continues for a prolonged period of time
- Agencies (i.e., ED and others) will need to determine who is considered essential personnel
- It is unclear whether and how a shutdown would impact the release of the 2024-2025 FAFSA

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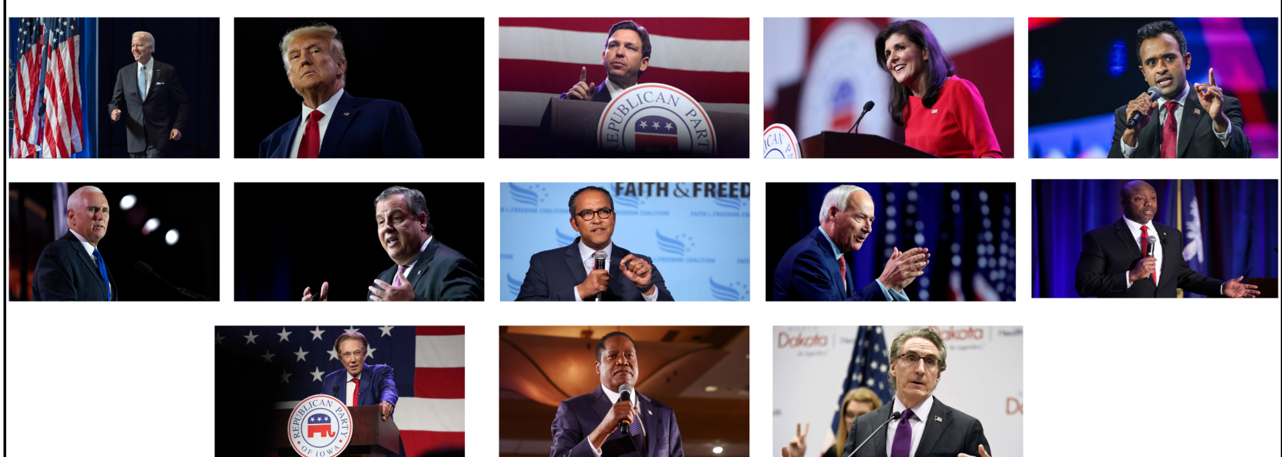
Chaos Factor: 2024 Presidential Election



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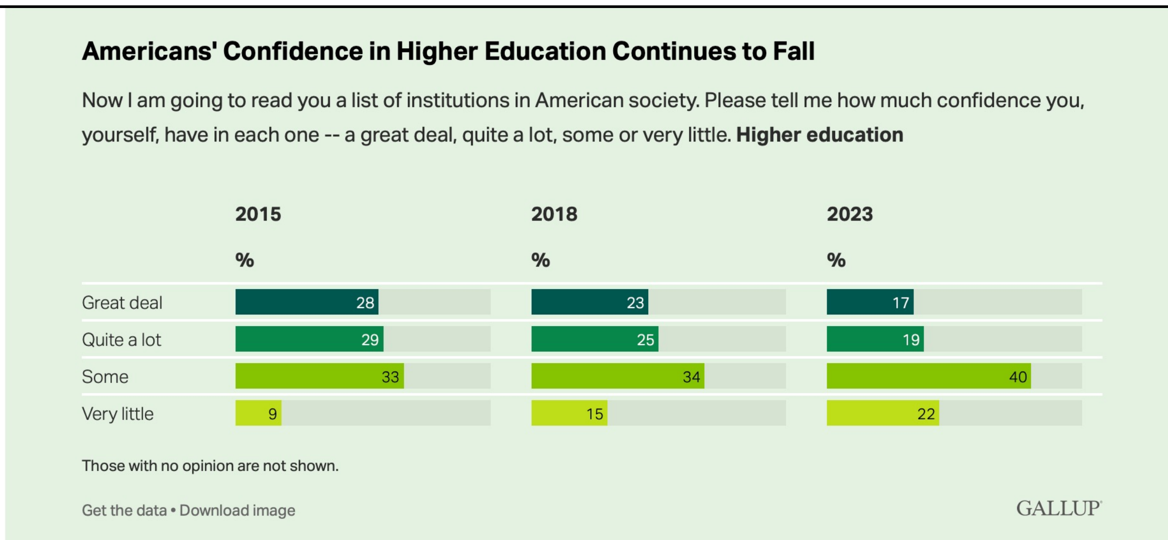
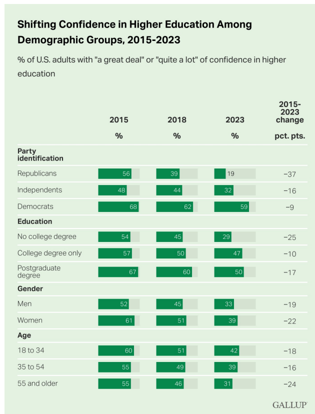
5. Public Confidence in Higher Education

Value

Over the past 20 years, the economic value of a college degree…	Republicans	Independents	Democrats
Increased	34%	25%	45%
Remained the same	18%	14%	23%
Decreased	40%	50%	25%
Don't know	7%	10%	7%



https://news.gallup.com/poll/508352/americans-confidence-higher-education-down-sharply.aspx



Liberal and conservative views are equally respected on campus	Agree	Disagree
Democrat	57%	27%
Republican	31%	54%
Independent	32%	41%

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COLLEGE COST TRANSPARENCY INITIATIVE™

NASFAA — along with 10 higher education associations representing college presidents, financial aid offices, enrollment managers, and admissions counselors — launched a task force with the goal of creating a set of principles and standards about what information should be included in institutional aid offers so the resulting documents are clear, meet high standards of transparency, and contain consumer friendly information, while still allowing for institutional customization.

349	3,091,286	42
PARTNER INSTITUTIONS	STUDENTS SERVED	STATES REPRESENTED

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6. College Affordability & Access

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Race-Conscious Admissions SCOTUS Cases

Two cases challenging the admissions practices at Harvard University and the University of North Carolina. The cases assert that SCOTUS should overturn precedent and rule that institutions of higher education cannot use race as a factor in admissions.

Harvard Case	UNC Case
• Plaintiff argues Harvard is violating federal law by penalizing Asian American applicants, engaging in racial balancing, overemphasizing race, and rejecting workable race-neutral alternatives.	• Plaintiff argues that UNC should not be able to reject a race-neutral alternative because it would change the composition of the student body, without proving that the alternative would cause a dramatic sacrifice in academic quality or the educational benefits of overall student-body diversity.

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SCOTUS Decision

On Thursday, June 29th, SCOTUS ruled in a 6-3 decision that race may not be considered in college or university admissions decisions
May have impact on how institutional financial aid is awarded at some institutions
Ruling still allows institutions to “consider an applicant’s discussion of how race affected their life”, as long as they do so on an individual basis

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SCOTUS and Race-Conscious Admissions

- In June 2023, SCOTUS ruled that race can not be considered in college and university admissions, striking down more than 40 years of precedent
- The two cases at the center of the decision were brought by the group Students for Fair Admissions (SFFA) against Harvard University and the University of North Carolina (UNC).
  - In the case against Harvard, SFFA argued that universities should not be allowed to use race as a factor in college admission, and that Harvard unlawfully discriminated against Asian American applicants.
  - In the case against UNC, SFFA argued that the university’s admissions process violates the equal protection clause of the 14th Amendment by using race as a factor in admissions.
- NASFAA will work with member institutions to ensure they understand the legal ramifications and how they will impact financial aid policies and practices now and in the future.

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The Biden Administration

2020 High Level Priorities

- Double Pell
- Free College
- Debt Relief
- Repayment Simplification
- Accountability

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The Biden Administration Progress So Far

Administrative Priorities	Achieved	In Progress/Partial	Paused/Not Started
Free College			Plan was included in an initial draft of Build Back Better but was removed from the introduced draft. No movement since.
Doubling Pell		Pell increased by an additional $400 for 2022-23 award year. $6,895 maximum. Pell increased by $500 for the 23-24 award year. $7,395 maximum. Budget proposal: Doubling of the maximum Pell Grant by 2029	Budget proposal: Repealing the taxability of Pell Grant aid
Debt Cancellation & Forgiveness		Forgiven/canceled $11.5 billion in student loans through borrower defense; total & permanent disability; PSLF	Created targeted loan cancellation program in which some borrowers will be eligible for either $10,000 or $20,000 (if they received a Pell Grant) in forgiveness; blocked by the Supreme Court in June 2023 After being blocked by the Supreme Court, ED will pursue the targeted loan cancellation program through the negotiated rulemaking process (scheduled to begin October 2023)
Reform PSLF & Repayment Simplification		Instituted limited PSLF waiver to add more eligible payments to current enrollees payment timeline Created a new IDR plan through the negotiated rulemaking process	
DACA Reform	Final DACA regulations released by the Administration in August 2022 aiming to strengthen the DACA program.		

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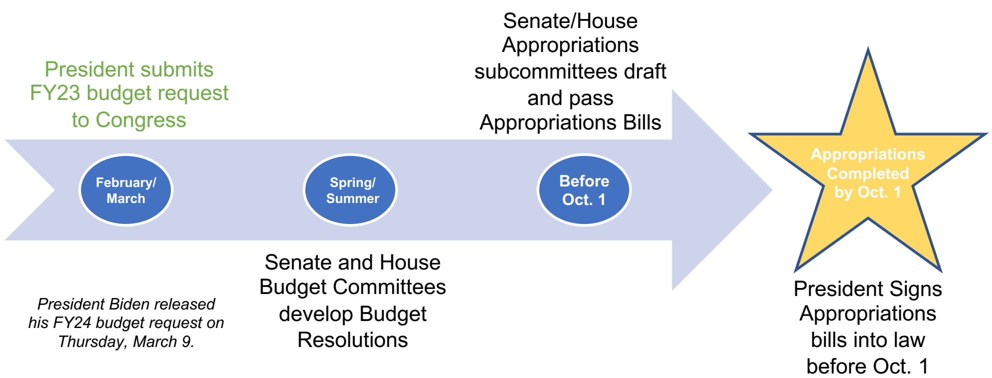
Looking Ahead: FY2024 Funding



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FY 2024 Budget Request

	Biden Administration	House of Representatives	Senate
Pell Grant	**$8,215 Maximum Award** $500 discretionary increase through appropriations process, additional $320 increase in mandatory funding through changes to HEA.	**$7,395 Maximum Award** Flat-funds the maximum Pell Grant, no increase over FY 2023.	**$7,645 Maximum Award** $250 increase, rescinds $200 million from program's reserves.
FWS	**$1.23 billion** No increase over FY 2023.	**Eliminates the FWS program.**	**$1.22 billion** $10 million decrease from FY 2023 enacted level.
FSEOG	**$910 million** No increase over FY 2023.	**Eliminates the FSEOG program.**	**$900 million** $10 million decrease from FY 2023 enacted level.
Student Aid Administration	**$2.7 billion** $620 million increase over FY 2023.	**$1.77 billion** 13% decrease from FY 2023 enacted level.	**$2.2 billion** $150 million increase from FY 2023 enacted level.

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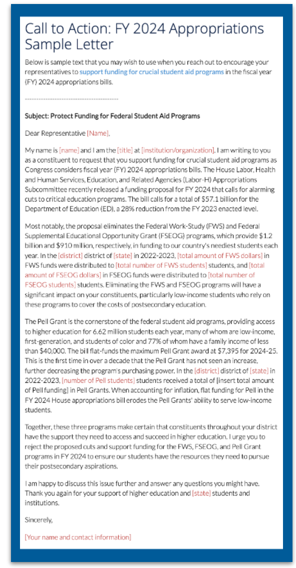
NASFAA's Call to Action

As a result of the House Appropriations FY 2024 budget proposal, NASFAA launched an advocacy campaign to protect student aid funding that includes:

- Instructions on how to contact your representative
- A sample letter that can be customized with your information and used when you reach out to your representative
- Additional talking points that can be used for background as you engage in conversations with lawmakers
- A statement from NASFAA President & CEO Justin Draeger on how these proposed cuts would impact students

Available at:
https://www.nasfaa.org/student_aid_funding



Call to Action: FY 2024 Appropriations Sample Letter

Below is sample text that you may wish to use when you reach out to encourage your representatives to support funding for crucial student aid programs in the fiscal year (FY) 2024 appropriations bills.

Subject: Protect Funding for Federal Student Aid Programs

Dear Representative [Name],

My name is [name] and I am the [title] at [institution/organization]. I am writing to you as a constituent to request that you support funding for crucial student aid programs as Congress considers fiscal year (FY) 2024 appropriations bills. The House Labor, Health and Human Services, Education, and Related Agencies (Labor-H) Appropriations Subcommittee recently released a funding proposal for FY 2024 that calls for alarming cuts to critical education programs. The bill calls for a total of $57.1 billion for the Department of Education (ED), a 28% reduction from the FY 2023 enacted level.

Most notably, the proposal eliminates the Federal Work-Study (FWS) and Federal Supplemental Educational Opportunity Grant (FSEOG) programs, which provide $1.2 billion and $910 million, respectively, in funding to our country's neediest students each year. In the [district] district of [state] in 2022-2023, [total amount of FWS dollars] in FWS funds were distributed to [total number of FWS students] students, and [total amount of FSEOG dollars] in FSEOG funds were distributed to [total number of FSEOG students] students. Eliminating the FWS and FSEOG programs will have a significant impact on your constituents, particularly low-income students who rely on these programs to cover the costs of postsecondary education.

The Pell Grant is the cornerstone of the federal student aid programs, providing access to higher education for 6.62 million students each year, many of whom are low-income, first-generation, and students of color and 77% of whom have a family income of less than $40,000. The bill flat-funds the maximum Pell Grant award at $7,395 for 2024-25. This is the first time in over a decade that the Pell Grant has not seen an increase, further decreasing the program's purchasing power. In the [district] district of [state] in 2022-2023, [number of Pell students] students received a total of [insert total amount of Pell funding] in Pell Grants. When accounting for inflation, flat funding for Pell in the FY 2024 House appropriations bill erodes the Pell Grants' ability to serve low-income students.

Together, these three programs make certain that constituents throughout your district have the support they need to access and succeed in higher education. I urge you to reject the proposed cuts and support funding for the FWS, FSEOG, and Pell Grant programs in FY 2024 to ensure our students have the resources they need to pursue their postsecondary aspirations.

I am happy to discuss this issue further and answer any questions you might have. Thank you again for your support of higher education and [state] students and institutions.

Sincerely,

[Your name and contact information]

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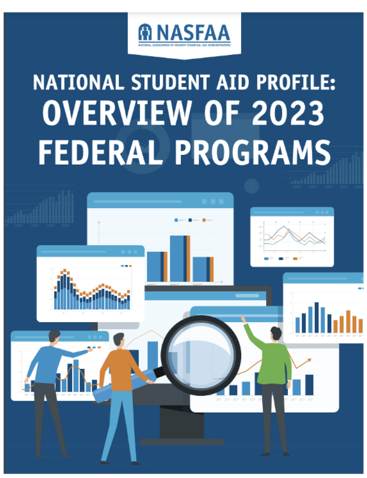
National Student Aid Profile



The National Profile provides detailed information about each of the programs authorized under Title IV of the HEA, including:

- Descriptions of the federal student aid programs;
- Updated data on the number of recipients, total volume of awards, and average aid amount for each program;
- Recent trends in federal appropriations for the Title IV programs;
- Income levels of students and families who receive aid; and
- A description of the federal student aid application process

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