

NASFAA's "Off the Cuff" Podcast – Episode 299 Transcript

OTC AskRegs Experts: The Good, the Bad, and the Choose-Your-Own-Adventure of School Corrections

Allie Arcese:

Hey everyone, welcome to another episode of "Off the Cuff." I'm Allie Arcese with NASFAA's Communications Team.

Jill Desjean:

I'm Jill Desjean with NASFAA's Policy Team.

David Tolman:

I'm David Tolman with Training and Regulatory Assistance.

Allie Arcese:

Welcome back, everyone. We were just saying it's been a minute since the three of us were together for some fun. What's been going on?

Jill Desjean:

Any potato-related news, David?

David Tolman:

No. Any walking through cemetery news?

Jill Desjean:

I haven't walked through a cemetery in forever, David, and yeah, I thank you for bringing that up. I'm probably going to have to get on that. We don't really have cemeteries in Maryland. I don't know what they do here, but I grew up in Massachusetts and there's cemeteries everywhere. I can't say I've ever seen...

Allie Arcese:

You know what? This past weekend, we were in St. Louis for a wedding, and I noticed on the plane as we were flying in, there were a lot of cemeteries in the St. Louis area. I was counting them as we were descending into the city.

Jill Desjean:

Yeah, they're everywhere in Massachusetts. It's like you can't walk a mile without bumping into a cemetery, but I can't think of a one that I've ever seen around here.

Allie Arcese:

That's a great segue to our announcement that we will be starting a cemetery-focused podcast this summer.

David Tolman:

How to avoid them. Fewer hauntings in Maryland, right?

Allie Arcese:

Speaking of... My family and I were in St. Louis for a wedding. We got there Friday morning. I got my daughter settled at the hotel with my mom, and then my husband and I went out to get some lunch. I got approximately a block and a half before running into a NASFAA member. Yeah. We walked into this barbecue place and I see Alex Delonis from St. Louis University, which is funny because we were downtown and the campus for SLU... The main campus is not in that part of town, so it was even crazier. He was visiting the law school, but I had a minute where I saw him and I was like, wait, why am I here? I was like, am I here for something for NASFAA? Why am I looking at this person? But yeah, it's always fun to run into people, out in the wild. Yeah.

David Tolman:

That's great.

Allie Arcese:

Well, things have been busy, but we've had... As I'm about to say this, things will probably change. It seems like we've had a slower week recently, so we're going to catch up on some other things that have been going on, some news on school corrections, and then David will walk us through crossover payment periods. So to kick things off with Jill, we have some updates regarding the school ICER corrections process and paper FAFSA processing. Can you fill us in?

Jill Desjean:

Yeah. Yeah. So last week, the Department of Ed put out an electronic announcement, and I kind of feel like this is a repeat of the last time I was on the podcast. There's good news, there's bad news, and then there's kind of uncategorized, you decide, choose your own adventure kind of news.

Allie Arcese:

Let's start with the good news.

Jill Desjean:

The good news. We now know when schools will be able to start processing corrections and when paper FAFSAs will get processed. Sometimes you just celebrate the little wins. We didn't know before, now we know.

Allie Arcese:

Yay.

Jill Desjean:

The department has said that both... They'll both open the school corrections process and they will begin processing paper FAFSAs by the end of June.

Allie Arcese:

That is pretty late, not pretty... Super late. Is that the bad news?

Jill Desjean:

That's the bad news, yeah. The fact that we're in mid-May, and so we're still six weeks away from those things happening. It's great to have a timeline, but that was not the timeline that we were hoping to see. For students on the paper FAFSA thing, students who are already filed on paper are now faced with either waiting another six weeks before they can get a financial aid offer, not even making decisions or getting a disbursement or anything like that. Just simply getting a financial aid offer.

The alternative is go and fill it out online, which hopefully everyone can do that at this point. I know there are still some isolated issues, but the problem is that many of the students who filled it out on paper did it to comply with a deadline for state or institutional aid at a point when the electronic FAFSA wasn't an option for them, because there were so many glitches. so now if they go and fill out the electronic FAFSA, sure it'll get to the school, they can get a financial aid offer, but-

Allie Arcese:

They lose their place.

Jill Desjean:

Lose their place in line. Right, because the department has been clear that the electronics supersedes the paper.

Allie Arcese:

Wow.

Jill Desjean:

So that is just a... It's an impossible decision to make. I really don't know what I would do if I were...

Allie Arcese:

That's so rough. Did they give any indication as to why it's taking so long with the paper FAFSAs?

Jill Desjean:

I truly don't understand. I don't know what it is that has delayed that by so much. On school corrections, just to... Since we're talking bad news, the six-week piece is only manual corrections in the FAFSA partner portal, that will be open by the end of June. But batch corrections, which is the way that schools typically send their corrections, won't be open for... They just kind of said in the weeks following that, so that could be end of July. We don't really know.

Allie Arcese:

Sometimes we get this news and I just sit here and I'm like, what else can we say? How bad is this?

Jill Desjean:

I know, I know. Yeah, I remember I was at a conference probably in February and somebody asked, "Oh, could all these FAFSA delays actually cause delays in disbursements?" Whoever I answered this question

to, I was almost dismissive. I was like, oh, come on. Let's not be hyperbolic here. We're just going to work hard. We're going to get it done and disbursements are going to happen on time. I regret that I said that and I apologize to the person that I kind of dismissively answered that. I couldn't imagine in February or March that we'd be here, where school still can't make corrections and students' paper FAFSAs are just kind of hanging out, but this is where we are.

Allie Arcese:

So taking all of that together, how bad are things right now?

Jill Desjean:

Yeah, so it is bad, in that it's interfering with schools' ability to actually disburse aid at this point. Summer terms are starting or have started, and even some fall terms maybe... Certainly will have started before the end of July, in some cases. Schools have to have a valid ICER with an official SAI in order to submit a disbursement record to COD. So any students who need corrections made by the school, some corrections can be initiated by the student. That process has been open for a little while. But on the school side, dependency overrides, professional judgment verification. Lots of reasons why a correction would have to be made by the school and the school only. They have to wait for the school's process to open for a new ICER transaction to get to them before they can disburse aid.

Allie Arcese:

So FSA also touched on that in the announcement last week, right?

Jill Desjean:

They did. So to their credit, they're doing a few things to help students get their aid disbursed during this time where we're still waiting for school corrections to open. For one thing, they're making funding available to schools, so they're going to make an initial current funding level for summer Pell Grants. So schools will actually have some dollars to disburse to students and the department's going to base that funding level on the school's prior year summer disbursements. But the CFL is not available for all schools. It's available just for schools who get their money via either the advanced payment funding status... Advanced funded status, I guess is what it's called. So if you're on heightened cash management or the reimbursement method, you can't get the CFL. Schools will keep getting... There is a direct loan current funding level that happens every year, and that will continue as it has in the past.

The department's also giving schools extra time to report their disbursement records to COD. So this would be ones that don't need corrections. If you're ready to disburse right now, the rules say that schools have to report their disbursements to COD within 15 days of making a disbursement. They actually are going to allow schools to report those disbursements up to 30 days after the school corrections process opens. We got some clarification from the EA. The EA just said days after school corrections open and there are two sets of school corrections opening, right? There's one by the end of June and then there's one a couple weeks after. So they did confirm at the ISFA conference that took place earlier this week that they mean the later date. 30 days after the school batch corrections process opens is how long schools will have to report their COD disbursements.

Allie Arcese:

What else?

Jill Desjean:

They are also allowing schools to make interim disbursements based on an estimated SAI and to allow work-study payments to be made for the first 60 days after a student enrolls. So this would be in a case where a school's got a financial aid management system where they can go and make corrections in there and recalculate an estimated SAI for a student. Usually that is not good enough to disburse it. You have to submit the correction record, get a valid ICER back with an official SAI, and then disburse. This would allow schools to actually use their own internal systems generated SAI to make an interim disbursement, and you'd have to follow all of the regular interim disbursement rules that are already in place, but it would allow schools to disburse aid based on this estimated SAI. Everything except for subsidized loans. Then they'd have to reconcile that, once they were able to submit their correction records, get it back.

So there's some risk involved here. For one thing, they were clear in the EA, schools take full responsibility for ensuring that those dispersed amounts are correct. So if they made an interim disbursement based on an estimated SAI, and then what they got back after they sent their correction record was different, if it impacted the student's eligibility, the school would have to fix that. They have to notify the student when they make that interim disbursement that it is subject to change and it's not available... Oh, if there are overpayments also, the school is obviously responsible to recover any overpayments and it's not available to all schools. So if you're on HCM-II or reimbursement, you can't make these interim disbursements at all.

Allie Arcese:

That seems really confusing for the students.

Jill Desjean:

I know. Yeah, that's been the story all this year. You can fill out your FAFSA, unless your parents don't have a social security number or... Oh, and here's this workaround, or here's your estimated financial aid offer. Now we're making essentially estimated disbursements.

Allie Arcese:

Asking schools to do these convoluted workarounds that might end up changing things for the student anyway. Which in some ways is worse than waiting, getting aid and then having it changed.

Jill Desjean:

Yeah, and it's just one of those things that it seems kind of clear cut. Well, you just tell them it might change. It's a very complicated process, even...

Allie Arcese:

That's banking on... Assuming that the students read every word within...

Jill Desjean:

From the student's perspective, yeah, sure, you told me it might change, but I thought you got it right. They're not expecting it to change, so yeah, it's not ideal.

Allie Arcese:

I know. So workable solution?

Jill Desjean:

Yeah, workable, yes. Ideal? No. The funding and the COD reporting flexibility at least allows students to be able to access some financial aid. So certainly better than nothing, but it creates a lot of extra work for schools who've already taken on so much extra work this year and this interim disbursement thing, it can include subsidized loans. Loans are typically the part of the financial aid that students rely on for their living expenses or their books, not all the time, sometimes that goes to billable charges, but other times that might be their book money or their rent money. So those [inaudible 00:12:39] are still stuck. The other big thing is anyone who was eligible to get a disbursement before July 1, but for whom the school can't actually report a disbursement until after, they'll be subject to the new higher direct loan interest rates. Those rates go up by about 1% this year, and they're based on the date the loan is disbursed. So potentially every student who needs a correction could be subject to a higher interest rate.

Allie Arcese:

Yeah, those were noticeably higher. That just came out this past week, I think.

Jill Desjean:

Yeah, almost exactly a full percent.

Allie Arcese:

Yeah, oh. So one other thing that was talked about, seems like it would be a lot of work. Could schools just manually enter all of their corrections as soon as the FPS process opens and get in all of those disbursement records before July 1st?

Jill Desjean:

Maybe? It certainly wouldn't be simple. For one, the department has said that that process will open by the end of June. What we've typically seen when we've heard a deadline like that, is that end of June means June 30. June 30 happens to be a Sunday this year. So they probably wouldn't... They have been working weekends, so they could definitely open it on June 30th, which would not give schools a chance at all to do anything. But even if they opened it like the Monday before, like June 24th, a school will still have to manually enter all those corrections, get them back as a new ICER transaction with a valid SAI, submit an origination record, get that back, and then submit the disbursement record all before July 1st. That would be sort of an all hands-on deck and everything works perfectly scenario, and I have a lot of faith in the all hands-on deck piece. That's what financial aid administrators have been doing all year, but the everything works perfectly piece of it, I don't have a lot of confidence in that anymore.

The other big thing is that schools have been making corrections all along in their own systems, with the assumption that when the corrections process opens up, they can go ahead and submit them in batch. We've never had this corrections opening one way and then a couple of weeks them opening later, and we didn't get any warning of this either. We didn't know in March when ICERs came that schools wouldn't be able to make corrections in batch, as soon as the corrections process was open.

So there's not a simple way in their systems to be like, just give me a report of everybody who's had a data element changed in their SAI calculation and which data element it was. Or which elements they were, because in many cases, schools were adjusting many things, and even then you'd be working off a report and going in student by student and making these manual changes. It's not practical and it might not even be possible. So this manual corrections process being open is, again, it's better than nothing,

and some schools will take advantage of it. Some schools only make corrections that way and that's fine. But for schools that are used to having a batch process, I don't see how helpful this would be for them.

Allie Arcese:

But that's kind of always what we're told, right? Whether it's from the department or students and families, it seems like a classic case of underestimating the complexity of financial aid, just, oh, well, why can't you just do this? You have to be like, oh, well, it's a little bit more nuanced than that. So yeah. Yikes. Anything else on the school corrections news, Jill?

Jill Desjean:

I think that's it.

Allie Arcese:

All right. Well, I'm sure we'll have something else before too long. We're going to switch over to David here to talk about crossover payment periods, the latest installment of Fun with FAFSA, which I think Justin stole for some of our other episodes. How do you feel about your moniker being taken over?

David Tolman:

I'm all for open source, so go for it.

Allie Arcese:

Cool. Cool.

David Tolman:

Yeah.

Allie Arcese:

Great. So is this another installment of Fun with FAFSA?

David Tolman:

No. Well, not directly. Listening to all the things that Jill's just been talking about, there might be reasons that schools want to extend 23-24 as far as they can, and so that's why we're talking about crossover payment period. Some things to consider in being able to do that.

Allie Arcese:

Yeah, schools often assign summer to be a header or a trailer to the award year, but there might be other reasons that they would want to change that this year. What are some of the reasons?

David Tolman:

Well, a school might not be ready or the student might be caught in the corrections process. Anyway, any number of reasons with the changes related to FAFSA simplification, it would just be simpler to continue processing under 2023-24 as long as possible. Or maybe to go the other direction, a student's received 100% of their Pell during 2023-24, but is enrolled less than half-time in the summer and they won't qualify for year round Pell in 23-24, because the student's not enrolled at least half-time.

But if the student's 24-25 FAFSA is ready, they've got a Pell eligible Student Aid Index, the student can receive Pell for summer, because remember the FAFSA Simplification Act removed the half-time enrollment requirement, but that doesn't begin until the 24-25 award year. So that might be one reason they'd want to start early for a particular student. It's not really year round Pell for summer in 24-25, yet. It's actually going to be the first term of the 24-25 award year, but it's still... Next summer would be, or maybe even spring would be where year round would start. But it's helpful to remember that that requirement will go away. Then there's many other reasons why one award year might be preferred over another.

Allie Arcese:

Right. It's totally understandable, schools might want some more flexibility right now. Can you walk us through what some of those flexibilities are?

David Tolman:

Yeah, so we're looking at two areas where there is flexibility that's under crossover payment periods, but also some flexibility with borrower based academic years. There's all these definitions that would be important to brush up on if you really wanted to study this, like what's an award year versus an academic year? What's a payment period? What's a loan period in modules? All of those we'll touch on, but let's start with award year, and that's the simplest probably calendar definition to define in financial aid. It's just a period of July 1 from one year to June 30th of the other. So we're in May right now, maybe May 17th. So we're currently in the 2023-24 award year. So there's been no question for most of the year, which FAFSA do we use?

But summer is a payment period that's going to usually cross over two award years. Up until June 30th, it's going to be part of 2023-24 and then starting on July 1st, it's part of 24-25, but the whole payment period belongs to one or the other. You don't switch midway through a payment period. You need to decide up front, but it could be any length of time. It could be something that runs from April 1st to July 3rd as a payment period, or even June 28th to October 31st. That's another example of a crossover payment period.

Allie Arcese:

So a crossover has to be a payment period that overlaps two award years.

David Tolman:

Yeah, that's correct. Just a reminder of what a payment period is, and it's going to depend on the academic program structure, but the simplest payment period is the term. A semester, quarter, trimester or for Pell, a non-standard term in all cases, but another type of payment period is when the term can't be used, such as a clock hour school or a non-term credit hour school, some non-standard term programs. We're not going to go into detail, but those schools know who they are, they're defined a little differently, but they can be crossover and the same rules will apply to them as well.

Allie Arcese:

Then is a loan period the same as a payment period?

David Tolman:

Not necessarily. The loan period is length in time for which the full loan is originated. So it usually includes multiple payment periods. So if you did a fall and a spring semester loan, that's two payment periods, but the loan period would've been fall and spring.

Allie Arcese:

Okay, so a payment period and a loan period can each be considered a crossover?

David Tolman:

Yeah, that's something that schools might not have thought about a lot, but if the payment period or the loan period begins on or before June 30th, 2024, and it ends on or after July 1st of 2024, it's a crossover period. Either the loan period or the payment period or both.

Allie Arcese:

What are some of the issues that schools should be aware of, for crossover payment periods?

David Tolman:

Well, again, to describe it, if it crosses over, the school can choose which award year to assign the crossover payment period to. So we'll start there. The school can decide.

Allie Arcese:

So can the school then assign a summer to be either a header or a trailer and be all set?

David Tolman:

A lot of schools do that, but the decision actually can be made on a student-by-student basis. It doesn't have to be for all students and if the school's packaging policy allows for that for their summer, but even for an individual student, it can vary by Title IV program. So need analysis and crossover payment period is assigned to one award year for most Title IV programs, meaning the direct loans, FSO, federal work study, whatever award year it's going to be assigned to, they all have to be assigned to the same one. Then the cost of attendance and EFC, if it's for 23-24, or the Student Aid Index cost of attendance the school will use will be based on either award year A or award year B. Then that award year is used for all three programs, but the Federal Pell Grant and the TEACH Grant, they can be assigned to a different award year than what was used for direct loans or campus-based aid for the same student.

Allie Arcese:

This is when I'm really...

David Tolman:

Yeah, it gets confusing.

Allie Arcese:

This is when I'm thankful a little bit that I didn't work in an aid office, because this is confusing stuff. Why might... Kudos to our members because geez. Why might a school choose to use different award years then for direct loans than for the Pell Grant?

David Tolman:

Well, year-round Pell again requires at least half-time enrollment in 23-24, so the last summer. So they might want to reach over to 24-25 to help that student grab some Pell eligibility for the summer. You're using a scheduled academic year or a borrower based academic year for direct loans, and you've already attached summer to be part of that academic year definition, and you're stuck with 2023-24 for the direct loan, or maybe there's wide differences in EFCs and SAIs within award years. Maybe the student actually has more Pell eligibility with their SAI than they do with their EFC.

Allie Arcese:

Can you give us an example of how that might work?

David Tolman:

Yeah, and I realize it is confusing, because there's so much... There really is a lot of flexibility, so it's hard to keep those options straight. But let's look at a summer term that runs from June 1st to August 15th, at a school that has regularly fall and spring semesters, so a standard term school. The student has some remaining Pell eligibility from 23-24, and that student is enrolled at least half-time, but they've used their annual loan limit during the fall and the spring semesters. So the school could award that student Pell from the 23-24 award year, with... Under year round Pell students at least half-time and direct loan for the 24-25 award year. In that example, the school would use the 23-24 EFC to determine the student's Pell eligibility, but they would use the 24-25 Student Aid Index and cost of attendance to determine the student's eligibility for the direct loan. So it's a trailer for the Pell. It's a header for the direct loan.

Allie Arcese:

Cool. Makes total sense.

David Tolman:

Yeah.

Allie Arcese:

Would it make a difference if the school originated the loan only for the summer or for summer plus the following fall and spring semesters?

David Tolman:

It will make a difference, especially under the new SAI rules. So when the school is awarding the direct loan for 24-25, it uses the Student Aid Index and the Student Aid Index is never prorated. So whether they're doing this loan for summer only or for summer, fall and spring, the SAI is going to be the same. So the student's likely going to have more financial need resulting in more subsidized loan eligibility by combining the summer, fall, and spring into one loan period, rather than two separate loan periods, one for summer and one for fall and spring within the award year.

Allie Arcese:

Could the school originate the loan under the 23-24 award year?

David Tolman:

Well, the school is limited, because in the example, the student received their annual loan limit during the preceding fall and spring. But if the school processes loans under borrower based academic year, the student would have a new annual loan limit starting in the summer, and the school could originate a new loan for the summer and for the fall. Or if they didn't define their academic year for the fall and spring loans to include summer, then on that student basis, they could start a new academic year under a BBAY situation for the summer. Since the summer and the fall loan period is a crossover, even though fall is purely in 24-25, but for the loan period, if it's attached to summer, that loan is a crossover payment period. So they would have the option to originate that loan for summer and for the fall, either using the 2023-24 EFC and cost of attendance or the 24-25 SAI and the 24-25 cost of attendance.

Allie Arcese:

So it sounds like that would be for... In the case of an existing student. What if the student was new and starting in the summer term?

David Tolman:

Yeah, if they're starting this summer, the school could originate a summer, fall and spring loan. Student... That's their first loan or they were absent for last year.

So in doing so, the school can decide, do we want to use the 2023-24 and EFC? Maybe it's all done. It's all set. 23-24 was a breeze or do the 24-25 cost of attendance and SAI if everything's in place for that, and it doesn't have to use a borrower based or BBAY in this instance. The loan's a crossover period starting on, what did we say June 1st and then ending sometime in the spring 2025. It doesn't matter what year they award Pell from for the summer, but if they did already award federal work study, and FSEOG to the student for the summer, then the same award year would need to be assigned to the direct loan for the summer.

Allie Arcese:

Okay. That is a lot of flexibility. How do modules fit into the summer? What if that same summer runs from June 1st to August 15th, like we said, but the student enrolls only in a module that starts after July 1st? In that example, is the school required to use 24-25?

David Tolman:

Well, the crossover period is going to be based on the full payment period and the full payment period for the summer, in our example, runs from June 1st to August 15th. So even though the student is enrolling in a module that begins after July 1st and they don't have any enrollment before then, the payment period that module belongs to is a crossover. So all those flexibilities to choose which award year to assign the Pell to exist, even if the student's enrolled in a module that starts after July 1st.

Allie Arcese:

Okay. Is there anything else that schools should be aware of with all of this?

David Tolman:

Well, I acknowledge with all these flexibilities comes a lot of confusion, because there's so many different things, but draw-downs, we don't really have time to cover in detail. But draw-downs is if you're going to take advantage of these and you haven't before, you'll want to study draw-downs under cash management. Pell's easy, you always draw down funds according to the award year that you've

assigned Pell to, either 23-24 or 24-25. On direct loans, you draw down funds based on when the disbursement occur. So if the first disbursement for summer is dispersed after July 1, then you would draw down from the 24-25 year. If it happened before July one, you'd draw down from 23-24. On FSEOG, the school has the option, and on federal work study, it's hours that are worked prior to July 1st are drawn down from award year A and then hours worked July 1st or after are drawn down from award year B.

Allie Arcese:

Okay. Yeah, that makes sense. For federal work study, you mentioned that it's based on when the hours are worked, so what if some hours are worked in June but not paid until July? Then does the school have a choice about which award you're to use?

David Tolman:

No. It is always based on when the hours are worked and not when the wages are paid.

Allie Arcese:

Gotcha. How do schools keep all of this straight?

David Tolman:

Oh, that depends on the strength of the system. Some schools will stop their federal work study students from working for pay periods that overlap July 1st, so maybe... Whether it's a two-week period or whatever, they stop them or they can work through June 30th and then pause until the next payment period starts. That way, the whole paycheck can be assigned to one award year and not split across two award years, depending on how much of that paycheck was earned prior to July 1st. So it's really going to depend on the strength of the system and probably the human resources system in that case.

Allie Arcese:

But that does make it more straightforward. Where can we go for more information?

David Tolman:

Well, AskRegs. If you just type in crossover, you'll get a lot of articles written about crossover payment periods where you can delve deeper. In addition to AskRegs, schools could go to the student aid reference desk from NASFAA, and there's a lot of good links to other resources to delve deeper into any of these topics regarding crossover payment periods.

Allie Arcese:

Great. We'll include links to both of those resources in the show notes. That is all we have for you today, folks. Thanks for joining us for another episode of "Off the Cuff." Be sure to subscribe, tell a friend and send us your comments, questions, feedback, and we will see you again soon.