NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

10/23/2020

General Mark Brown
Chief Operating Officer of Federal Student Aid
830 First St NE
Washington, DC 20002

Dear General Brown,

On behalf of the National Association of Student Financial Aid Administrators (NASFAA), I respectfully submit the compilation of our comments on the Federal Student Aid Strategic Plan for fiscal years 2020-24. As the association that represents student aid administrators working at institutions, we have a vested interest in ensuring that FSA is a strong, accountable, and transparent organization that provides the most benefit to the millions of students and borrowers across the country who utilize and rely on the organization's services each year.

I commend you for the lengths FSA has gone through to solicit feedback. I cannot recall a time in recent memory when FSA made such a significant effort to publicize and publicly explain the underpinnings of its strategic plans. We support many of the directions outlined in the draft strategic plan, most especially as they relate to furthering the ease of doing business with the agency for students, borrowers, and partners.

We are pleased to see FSA's openness to a governance restructuring, something NASFAA has called for over many years. Unlike other federal performance-based organizations, FSA lacks some of the basic oversight and governance elements that help ensure accountability, as well as validation and recognition for achieving ambitious objectives.

Inherent in the organization is a tough balancing act that asks the organization to be a partner with institutions, while also providing oversight. Over the years, scales have tipped steadily toward the latter, eroding the needed trust between institutions and FSA. While we are pleased to see efforts to strengthen these partnerships, we've outlined areas within the strategic plan where this partnership should be more explicit.

We submitted our comments through the portal, as requested by FSA, and have also provided a copy through this communication for your ease. We commend FSA on the development of this draft strategic plan, support the organizational resources that will be needed to achieve it, and look forward to continuing to work together with you in order to ensure the access and success of America's students in postsecondary education.

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Regards,

Justin Draeger, President & CEO

cc: Diane Jones, Principal Deputy Under Secretary, U.S. Department of Education
cc: Secretary Betsy DeVos, United States Secretary of Education

NASFAA COMMENTS ON FSA STRATEGIC PLAN FY 2020-24

About NASFAA: The National Association of Student Financial Aid Administrators (NASFAA) supports the training, diversity, and professional development of financial aid administrators; advocates for public policies and programs that increase student access to and success in postsecondary education; and serves as a forum for communication and collaboration on student financial aid issues.

We have organized our comments to match the three sections of the report: Trends in the Federal Student Aid Environment, Strategic Goals and Objectives, and Performance Measures for Strategic Goals.

Trends in the Federal Student Aid Environment

Trend 1: The size and performance of FSA's portfolio of loans has direct implications for taxpayers.
Within this trend, FSA points out the "rise in postsecondary tuition and related expenses, including increases in living expenses, have contributed significantly to the increase in student debt." The paragraph goes on to talk about the percent increases in tuition, fees, and room and board by sector.

The increase in cost of attendance is indisputable and must be accounted for in a responsible long-range plan. However, NASFAA believes that the discussion of this issue must also feature relevant information that places the growth of college costs within the context of its contributing factors. The report, as it stands, fails to acknowledge the many factors that contribute to increases in cost of attendance, leaving an appearance that institutions are entirely responsible for this growth. Additionally, while we don't think "sticker price" should be ignored, it's important to mention that while posted tuition prices may look high, net price is a more important measurement of actual cost. For example, in 2019 the average published tuition and fees, room and board at public four-year institutions was nearly $22,000, while the average net price for the same sector and year was just over $15,000.[1]

The five-year strategic plan would be better served to include — and address — the contextual "sub-trends" that have led to increased costs of attendance, including:

- Decreased state and local funding for higher education
  - In 2017-18, state and local funding per student was 9% lower (after adjusting for inflation) than a decade earlier ($7,850 vs. $8,610) and 10% lower than in 1987-

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[1] Ma, Jennifer, Sandy Baum, Matea Pender, and CJ Libassi (2019), Trends in College Pricing 2019, New York: College Board.

88 (down from $8,700).[2] With the onset of the COVID-19 pandemic, the resultant recession, and subsequent state budget deficits, it is likely that this will be exacerbated into the future.

- Increased regulation and cost of compliance
    - The American Action Forum (AAF) found that in 2014, the Department of Education imposed 85 million hours of paperwork, including 120 federal education forms for postsecondary education institutions, at a cost of more than $2.7 billion annually — double the amount from the previous 10 years. Additionally, they found that from 2004-14 there was a 32.8% growth in "compliance officers" in secondary education, with 18% of that growth just from 2010 to 2012.[3]
- Growth in enrollment and subsequent need for infrastructure development
    - The overall college enrollment rate has increased since 2000 and with it comes the need for improved infrastructure, as well as increased hiring of faculty and staff, which requires budget increases by institutions.
- Increases in the overall cost of living resulting in higher non-tuition expenses
    - From 2014-18 the Cost of Living in the United States rose 14%, according to the Bureau of Labor Statistics' Consumer Price Index. College students — and the institutions they attend — are not immune to these changes, as they drive the cost of attendance up at institutions through increasing food, housing, medical care, and transportation costs.

To the extent that strategic plans should identify both backward- and forward-looking trends, placing increasing college costs into the correct context is vital. NASFAA is concerned about rising college costs as a barrier to access and success, particularly for low-income students. In order to make the best effort at addressing this multifaceted issue, we believe that a healthy five-year strategic plan must provide for and address not just the issue of college costs, but also address, through context, why costs are increasing. These contextual complexities better highlight the challenges students, FSA, and institutions will face in the future and more accurately describe the current environment.

Trend 2: Students are making high-impact financial decisions without the benefit of adequate financial knowledge.

FSA acknowledges that even though there have been improvements to the financial literacy tools offered to students, there has been no direct correlation that resulted in reduced delinquency and default. In the report, FSA mentions that it has improved the College Scorecard and has made the FAFSA more easily accessible, which are valuable assets for student literacy and access, but there is no mention of plans to explore how FSA will measure how the current financial literacy

[2] Ma, Jennifer, Sandy Baum, Matea Pender, and CJ Libassi (2019), Trends in College Pricing 2019, New York: College Board.

[3] Batkins, S. et al (2014, April 30). Rising Tide of Education Rules Increase Costs. Retrieved from https://www.americanactionforum.org/research/rising-tide-of-education-rules-increase-costs/

tools impact and influence student decision-making. To the extent that the addition of new tools also means new requirements for students and schools (e.g., the Annual Student Loan Acknowledgement) we are increasingly concerned that tools that are created without a rigorous evaluation metric will undermine their effectiveness and the effectiveness of future initiatives.

In addition, NASFAA believes this issue makes the case for extensive consumer testing of not only expected users, but of all stakeholders, as well as working with partners as early in the development phase as possible. The partnership that FSA and NASFAA engaged in for the Shopping Sheet consumer testing in 2019 is a strong example of effective, meaningful collaboration with stakeholders, and something we would like to see continued into the future.

Additionally, when discussing solutions to curb student indebtedness, the strategic plan should support:

- Giving schools the assurances they need to exercise their professional judgment authority to decrease loan debt as appropriate, without fear of unwarranted scrutiny from FSA, and;
- Schools' request to Congress to give schools broader authority to limit borrowing.

Trend 4: Increased volume of student data has created new opportunities, obligations, and risks.
NASFAA appreciates FSA's understanding that increased cybersecurity compliance requirements placed on institutions translate into increased costs, which ultimately must be absorbed by students. New security measures will also increase the burden on financial aid administrators, as a security infraction can have serious consequences for the institution. We understand that cybersecurity and the protection of student data is paramount. We encourage FSA to be conscious of these costs and consequences as it works with schools to ensure that cybersecurity remains a top priority.

Strategic Goals and Objectives

Strategic Goal 1: Empower a High-Performing Organization
NASFAA applauds the value placed on a supported, well-trained workforce at FSA. FSA employees that feel valued, appreciated, and continuously pushed to develop their skills are good for the students, families, institutions, financial aid administrators, and other stakeholders that they serve.

Strategic Goal 3: Increase Partner Engagement and Oversight Effectiveness
NASFAA is pleased to see that the plan includes an emphasis on the relationship-building between FSA and institutions, and the mention of the NextGen products having a focus on improving resources for financial aid administrators. For example, FSA has reached out to NASFAA specifically to involve financial aid administrators in testing and providing feedback

for some of the NextGen platform updates, and we hope to see that continue as new products and training services are created.

The financial aid community stands wholly ready to increase its engagement and partnership with FSA. We are concerned, however, that the ideas outlined to build partnerships in Strategic Goal 3 indicate a one-way form of communication, i.e., FSA handing down information to institutions, instead of a true, two-way partnership. For example, on page 64 the report explicitly describes FSA's goals with regard to partners as being about oversight and accountability, and on page 51 FSA says it will provide targeted technical support and training using a data-centric approach. While we support the use of data to improve services, this strategic goal seems unbalanced, weighing heavily on a data-centric approach, and missing the personal interaction piece.

FSA is tasked with a tough objective: providing sufficient oversight while working in concert with the very institutions that it must oversee. Ideally, some of this could be tackled in an examination of FSA governance, exploring whether FSA should retain an official oversight role as it also seeks to partner with institutions in distributing more than $100 billion in aid each year. If FSA seeks to adjust and rebalance its relationship with institutions, FSA must focus on creating additional formal and informal opportunities to learn and hear from schools (aside from the Ease of Doing Business survey).

Some of NASFAA's most popular sessions at our annual conference are our "Ask a Fed" sessions where members can discuss Title IV-related questions, such as policy guidance, administrative procedures, and operational requirements, with an experienced ED staff member. The Department of Education Federal Update is also very well received. NASFAA member institutions are genuinely interested in being a part of the conversation around financial aid policy, and we believe their perspective should be treated as invaluable by FSA.

NASFAA appreciates FSA's plan to continue to conduct a survey of postsecondary institutions to gauge the "ease of doing business" with FSA. However, we hope in an effort to improve transparency of the NextGen process that FSA will consider releasing these results to the public, as well as how FSA plans to handle any areas that are found to be weak.

Strategic Goal 4: Strengthen Data Protection and Cybersecurity Safeguards
NASFAA is happy to see that FSA's goal to "improve the protection of Title IV data" includes a plan for increased collaboration with all Title IV participating institutions and third-party servicers, and to aid institutions in reacting and responding appropriately when and if a cyber-attack occurs. Additionally, we ask that the plan acknowledges that even when schools are following the required security protocols, it's nearly impossible to plan for every possible form of cyber-attack, and any punitive actions against institutions should reflect that reality. If ED wants schools to report cyber-attacks, there need to be incentives to encourage schools to do so, without fear of reprisal.

Strategic Goal 5: Enhance the Management and Transparency of the Portfolio
While this strategic goal mentions transparency of the student aid portfolio, we're concerned that there are no goals related to FSA transparency, an item that has repeatedly come under scrutiny from Congress and stakeholders. In NASFAA's 2017 report, "Improving Oversight and Transparency at the U.S. Department of Education's Office of Federal Student Aid," NASFAA recommended that FSA make a plan to streamline and consolidate all required reports on its website by storing strategic plans, performance plans, reports, and priority goals on the same FSA webpage. We are pleased to see this has occurred, however, we would still like to see two of our remaining recommendations incorporated: a summary on an ED webpage outlining FSA's reporting requirements and their due dates, and more of an effort from FSA to publicize when these reports or plans are published.

Additionally, the timely release of these reports and plans are an absolute necessity — something that has historically been a struggle for FSA. Currently, the most recent FAFSA Data by Demographic Characteristics report is for 2017-18, and many required FSA reports are not released on any predictable schedule. Data that only FSA can provide is invaluable to our members. NASFAA regularly convenes task forces and working groups to tackle student aid-related legislative and policy proposals and runs into issues with having to use old data, not being able to access data, or being unsuccessful in obtaining data from FSA. Access to data allows policymakers to estimate the future impact and effectiveness of programs and make recommendations for improvements where needed.

We were pleased to see that our recommendation in the report to "collaborate with stakeholders to develop performance metrics for strategic goals" has been undertaken by widely publicizing the comment period for this strategic plan, and allowing comment not just on the trends and goals, but the strategic metrics FSA plans to follow as well.

In an effort to improve transparency, NASFAA recommends adding verification data to the FSA data center as well. Verification statistics are too few and far between and the addition of the annual selection rates, broken out by tracking groups, as well as results of verification would help to lift some of the fog around verification for institutions and policymakers. For example, 2014-15 was the last year that the Department of Education published verification selection data.[4] In order to proactively advocate for improvements to the verification process and support ED, these data points are necessary to receive annually. In the recent past, the community and public only became aware that verification selection rates were dramatically increasing due to institutional outcry. Publicly available dashboards focusing on key metrics for schools and students help keep everyone on the same page.

While we are pleased to see that FSA has fulfilled its statutorily required responsibility to consult with students, institutions of higher education, Congress, lenders, the Advisory Committee on

[4] U.S. Department of Education, FAFSA Application Processing and Verification Update (Presentation), https://fsaconferences.ed.gov/conferences/library/2015/2015FSAConfSessionGS2.ppt

Student Financial Assistance, and other interested parties prior to the implementation of the strategic plan, we are still concerned that this plan was created, shared and will be implemented *nearly a year* into its five-year plan, similar to what we saw with the two previous five-year strategic plans.

Performance Measures for Strategic Goals

Performance Measures for Goal 2:
2.4.C) Percentage of Public Service Loan Forgiveness (PSLF) applicants who had used the tool and who met the requirements for PSLF.
While the baseline for this measurement will be set by the end of this year, we hope that FSA will do everything in its power to better educate and explain the PSLF requirements to those already enrolled, as well as future enrollees, to make sure borrowers aren't making unnecessary payments, or aren't working for something they ultimately won't be able to receive.

Performance Measures for Goal 3:
3.1.B) Number of Borrower Defense (BD) applications adjudicated (subject to existing BD regulations).
NASFAA is pleased to see FSA's plan to adjudicate borrower defense claims as part of its goals for the next five years. As students' livelihoods hang in the balance of these decisions, we hope that FSA will make every effort to adjudicate these claims as quickly as possible.

3.2.A) FSA will provide comprehensive training and/or specialized technical assistance to its participating schools that receive Title IV aid on behalf of students.
We're glad to see a continued mandate for the training of FAAs by FSA, as well as creating platforms and products that will hopefully ease in the delivery of financial aid for FAAs. For this goal, NASFAA would suggest collecting feedback from participants on their training to ensure that the efforts of FSA are not wasted, and that the institutions are getting the training they need in a way that works best for them.

Performance Measures for Goal 5:
5.1.B) Timeliness of FSA's ability to respond to both legislative and directed reports (as mandated).
NASFAA is glad to see that FSA is making a concerted effort to respond to congressional reports in a timelier manner, as members of Congress rely on FSA for information about the performance of the Title IV aid programs when making policy. We also encourage an additional goal to ensure timely responses to data requests from stakeholders. For example, NASFAA requested FAFSA data from FSA in 2014 to support our FAFSA simplification work but didn't receive the requested data until 2020.

5.2. B) Implementation timeline for FUTURE Act.
The FUTURE Act will be an important step in improving access to higher education, and we are

glad to see that the implementation timetable is included in the strategic goals and has a reasonable completion date.

5.4 Percentage of quality assurance reviews for the external workforce (servicers) reviewed annually.
We are very happy to see that FSA aims to hold vendors accountable for their role in enabling FSA to deliver on its goals and fulfill the obligations of a performance-based organization. The FSA audit completed by the Office of Inspector General in 2019 found that, among other concerns, FSA did not track all identified instances of noncompliance and rarely held servicers accountable for noncompliance with requirements. Borrowers rely on their servicers to give them the best information and advice possible as it relates to their loans, and we would like to see FSA hold vendors accountable for their role in the misguidance about deferment and repayments plans that have cost many borrowers.

Additional Comments

The format that FSA chose for the method in which to submit comments did not allow for discussion around topics or issues that weren't mentioned within these specific sections. NASFAA's additional comments are as follows:

On page 13, the graphic of the ecosystem describes schools' role as: "Determining students' aid packages and disbursing funds." This omits the vital role that schools play in counseling students. Schools have much more direct contact with students than FSA, and we think FSA should strive to provide tools and information both directly to students and to institutions for their use in counseling students.

On page 34, as part of the "Updating the FSA Mission: Keeping the Promise" section, we were very pleased to see the inclusion of language that FSA is considering an organizational or governance structure change, something NASFAA had recommended in our 2017 report, "Improving Oversight and Transparency at the U.S. Department of Education's Office of Federal Student Aid" *(https://bit.ly/3mcmTyT)*. In the report, NASFAA concluded that creating an FSA oversight board that reports directly to the public, the Secretary, and Congress would ensure accountability for taxpayers, transparency for policymakers, and collaboration for stakeholders. As a PBO, FSA is given significant flexibility, but is unique in that it lacks structured oversight that exists in other federal PBOs. The reporting structure of the PBO does not appear to be increasing accountability or leading to improvements as it was designed to do, and issues of accountability become apparent when examining FSA's strategic planning and reporting, as FSA is unable to consistently meet statutory planning and reporting obligations.

NASFAA believes an oversight board could do much to tout FSA's successes, assess and advocate for adequate operational funding, and drive the organization toward continued improvement.

Additionally, while we appreciate FSA's efforts to tighten up controls and think big picture about its role in the financial lives of students, we urge FSA to remember that ultimately, it is not a corporation, but an entity within the U.S. Department of Education. As such, it has a responsibility to care for and err on the side of helping students, particularly as it relates to aggressive collection activity and developing policies and procedures and enforcement on schools that ultimately benefit students.

Lastly, NASFAA would like to thank FSA for the opportunity to provide comments on the five-year strategic plan. We appreciate having a voice in this process, given our strong and close relationship with FSA. The financial aid community looks forward to working with FSA to help make the plan successful.