

Jason Altmire ([00:04](#)):

Hello and welcome to another edition of Career Education Report. I'm Jason Altmire and we hope everyone is enjoying the glorious fall weather across the country. Today, we have Justin Draeger as our guest. He is the leader of the National Association of Student Financial Aid Administrators, one of the most prominent associations across all of higher education. Justin, thank you so much for being with us.

Justin Drager ([00:31](#)):

Yeah, thanks for inviting me, Jason. Good to talk to you.

Jason Altmire ([00:34](#)):

Maybe tell us a little bit about NASFA, your acronym. Who are your members? I know you're one of the largest associations in higher education by membership, and what issues do you focus on?

Justin Drager ([00:47](#)):

Thanks very much, and I should also just say it's a pleasure to talk to you, Jason. You're known in DC as a person who really tries to collaborate with folks. I think you're a reasonable person, and you've been great to work with since you've been in this role; that's where I've really gotten to know you. You and your team have, I think, always been really levelheaded about some really complicated issues, so I'm really glad to talk to you.

([01:11](#)):

So NASFA, we represent financial aid offices that are roughly 3000 colleges, universities, career schools across the country. We represent specifically the financial aid administrators and there are about 29,000 of them at those 3000 colleges and universities, career schools. Our members serve nine out of every 10 roughly students in the United States, so a very broad membership. We're located in Washington DC. We have just over 50 individuals that work for NASFA. Most of the work that we do is helping schools stay on the right side of compliance issues. We also do policy and advocacy work, and we serve as sort of a forum, a collaborative space for financial aid folks to stay in touch with each other and disseminate best practices.

Jason Altmire ([02:02](#)):

Few issues in public policy over the past several decades, maybe century or have been more impactful and more meaningful than public policy related to higher education. When you think about different pockets of time and the evolution of public policy that drove America's rise from the founding to where we are today and our global impact, you can find pockets of time where public policy has been the driver of that ascension. The turn of the 20th century, you look at labor laws, corporations, and the disputes that were happening around that; public policy was able to resolve those issues. You look at, of course, World War I, World War II; military, trade, taxes, all of those issues were coming into focus. Post-World War II, higher education became the focus and in the 1960s, of course, the Higher Education Act, the Title IV programs were created.

([03:05](#)):

So Justin, how do you look at the debate today as it relates to higher education, as related to what the mission was in the 1960s and how important those issues have been in driving the success of America?

Justin Drager ([03:21](#)):

The Higher Education Act of 1965 is sort of where those were the beginnings of all of what we call now the Title IV programs. It started with a loan program that was really started around the same time that we were competing with Russia, who seemed to be at the time winning the space race. We wanted to catch up, so we created a national defense student loan program. Shortly thereafter, we started a basic educational opportunity grant, which morphed into the Pell Grant program.

[\(03:51\)](#):

As you mentioned, Jason, it was about giving students access to a post-secondary education, and all of that was built on the GI Bill. So today we have over a hundred billion dollars spread across multiple student aid programs and tax incentive programs that provide access. Now, NASFA is focused squarely on access and success for students. And it doesn't just have to be in traditional college programs; it's traditional college programs, it's liberal arts programs, it's career training programs. We talk about certificate programs. It's really post-secondary education in its broadest sense, but it's that access and success piece that I know that we're both committed to.

Jason Altmire [\(04:39\)](#):

We are right at the start of loans needing to be repaid. After three years, there was pause. Of course, now students who've taken loans are going to have to start repaying. What do your members think about that, and what impact does that have on their operations in the workplace?

Justin Drager [\(04:57\)](#):

On September 1, interest began accruing on student loans again, and that was after a more than three year pause on all student loan payments and interest were paused because of COVID. Repayments will then start in the month of October for all federal student loan borrowers. Now, they can seek relief through many of the relief programs that exist, so they can seek deferments or forbearances or relief through income driven repayment plans.

[\(05:27\)](#):

But we are restarting the student loan repayment machine for roughly 40 million borrowers, and this is a gigantic never before done initiative in the history of federal student aid. So this is a gigantic lift.

[\(05:44\)](#):

And for financial aid offices, these are students that have left school. So they are doing outreach, and the interest is partly altruistic. This is the right thing to do. But for schools, this is the one accountability metric that every school that participates in Title IV programs, this is the one metric that they are held accountable for, that is how many borrowers default on their student loans. And so they also have it an accountability metric that they pay attention to, and they watch how many students are delinquent and ultimately default on their loans.

Jason Altmire [\(06:21\)](#):

The Supreme Court of course, ultimately struck down President Biden's attempt to allow many students loans to be forgiven, and that of course has a huge impact on your membership. What was your role as an organization representing your members throughout that debate, and where do you turn now that the Supreme Court has ruled?

Justin Drager [\(06:44\)](#):

Debt forgiveness is a pretty polarizing issue inside the beltways, as you well know, and it really had a chilling effect on Republicans and Democrats trying to work together on student aid issues, college access issues, even on funding issues for federal student aid, who has this Herculean task of funding the agency that's supposed to be doing FAFSA simplification, returning students to repayment. This is a little known agency except outside our world that is underfunded, and because there's so much polarization around the President Biden's forgiveness plans, NASFA's role has been really to say forgiveness is great for the students who would qualify for it today, but it doesn't do anything to provide systemic long-term reforms to the loan programs, which is what we need. We have to reform federal student loans, so relief cannot come without reform. NASFA's focus with some generous funding from folks like Arnold Ventures really helped us take to the administration and Congress this message that relief must come with reform. Our focus has really been on reforming student loans from origination of the loans through repayment servicing and default.

Jason Altmire ([08:06](#)):

On that note, one of the criticisms that we hear of that, like few people would be against giving people a leg up and being able to move forward with their lives in a way that they're able to sustain their finances and feed their families and professionally and all the rest, but there's a fairness and equity issue. I think you're in a unique position as financial aid administrators, because many people, as you know, struggle, work two jobs to put themselves through school so they don't have to take out loans. If you look at the parental role in that, many parents will pay for the schooling for their children in some way and struggle to do so.

([08:49](#)):

So I have heard in traveling around and speaking about issues when this comes up, a lot of anxiety and anger, frustration from people with that point-of-view. That, "Look, I worked hard to put myself through school," or parents that did that for their kids, and then now you're going to just do away with the loans of people who made a different choice to fund it with the assistance of taxpayers. How do you respond to that?

Justin Drager ([09:16](#)):

I think those are absolutely valid concerns that people raise, and I think it's a mistake to just dismiss folks who feel that it's unfair or that there's inequity issue here. The way that the Biden administration did it was, they tried to do it with some progressiveness built in. So they tried to say, "If you were a Pell Grant recipient, you'd get more in forgiveness." So they tried to build in some progressivity into it, and I appreciate that. The fact that they pursued it unilaterally that I don't know that there was a good faith effort at doing something with Republicans along with reform, but I do think it's a mistake to solely just wave your hand and dismiss the fairness arguments that people would brought up. Some people tried to start a business and didn't get any forgiveness for any of their business loans. I think those are valid concerns.

([10:07](#)):

This is why I think it's such a polarizing issue. For NASFA. We certainly don't oppose forgiveness. In a perfect world, I think you can hammer out a forgiveness provision, but it has to come with reform. And so for us, it really came down to whatever was going to happen with forgiveness would happen, but it's really just a short-term solution. If we don't actually make any reforms to the program that put us right back into a \$1.6 trillion debt in another decade, which is where we would be if we did 10 to \$20,000 in debt forgiveness, we would be right back where we were today within about a decade.

Jason Altmire ([10:47](#)):

In leading an association, especially a large nationwide association, you do many things. You do the public policy aspect, you try to influence public policy, you weigh in on it, you give your members a voice. There's the member service capacity, where you are providing things to your members to show value for their membership in the association. There's a communications aspect with the public, giving information about the work that you're doing and the importance of the issues that you're following.

([11:18](#)):

But you've been pretty innovative in leading the association, because you've created a subsidiary called Blue Icon that is used to provide an additional service to your membership. Some associations have moved in this direction, but it's pretty unique and innovative what you've done. Can you talk about what that subsidiary does?

Justin Drager ([11:38](#)):

Yeah, we have a subsidiary that is a for-profit entity. That's the sort of a taxability status of it. It's a for-profit entity that to me is sort of like, and this might resonate a little bit, the taxability status is almost secondary to us, because it really is in a way, it's a standalone that has to exist on its own. It can't be subsidized by the nonprofit side of the house or by membership association dues. So for us, it needed to be able to exist on its own.

([12:11](#)):

But I look at it like this: NASFA as an entity, our association has a one-to-many relationship with all of our members. We produce materials that are used by all our members. We create a knowledge base of Q&As that help all of our members. We create a newsletter that's supposed to be a resource for all of our members. But often, our members come to us and want individualized help. We don't have the staff, capacity, or resources to be a one-to-one relationship with our members. We have 29,008 administrators and we have 52 staff people. It just doesn't work.

([12:48](#)):

So we created a subsidiary that operates under a different financial model that can offer one-to-one help. And that model is very cut and dry in that they have to then create a sustainable financial model that says, "We can come in and offer you one-to-one help and this is how much it's going to cost. It's not part of your membership dues. It's not part of what NASFA is providing you." And in that way, they can come in and help a school with a program review; they can help a school with their policies and procedures manual; they can offer them assistance on optimizing their financial aid office operations. But that's not something NAFA can provide. That's not our relationship with schools.

Jason Altmire ([13:33](#)):

How do you draw that line? Because when you think about membership in an association, I think some would come to you with that list of items that you mentioned and say, "I'm a member. Why can't you do this for me?"

Justin Drager ([13:47](#)):

Well, they do and they've done it for a long time. It's not always a clear and bright line, as you know, Jason, as an association leader. Because we want to help. We do. We're a mission-driven organization. We want to help all our members. Part of being an association leader is saying not just what we will do, but what we won't do; and it's really easy to get drawn into a lot of things that then divert your

attention from really what your bread and butter is mission-wise about who you are as an organization. Especially for financial aid offices, they are experiencing staffing issues. They are under-resourced, and so they need help. But NASFA is just as an association without us really dramatically increasing dues, we are just not resourced to provide that individualized help to individual campuses. That's why we created a separate entity that has to operate under a different financial model to offer that individualized help, and it can't be done with an ongoing subsidy from NASFA.

Jason Altmire ([14:51](#)):

Wanted to ask you about one public policy issue that's pending. There's a regulation called Borrower Defense to Repayment. Very controversial to some, it is an existing regulation. The change that has been proposed, of course is tied up in court in Texas in a federal court. But the Borrower Defense to Repayment process has been around for a while and continues while that court case plays out. A lot of schools across the country, not just in the for-profit sector, but all types of schools, are now starting to receive increased borrower defense claims from students because there are many consumer groups out there that are portraying the borrower defense process as a way to achieve loan forgiveness, get your loans repaid while the Supreme Court issue was playing itself out. Now, it's resolved. So there's been really a huge influx. Some would say schools have been inundated with new borrower defense claims, many of them very frivolous and unjustifiable. Have you seen that as an organization and how are you responding?

Justin Drager ([16:02](#)):

Yeah, we have seen it and it's across all sectors. We're seeing it most recently in the last couple months, so it seemed like we saw a pretty big uptick starting in early August of schools reporting that they were getting borrowed defense claims.

[\(16:19\)](#):

This is not a representative sample, so my researchers would always want me to say that, but we did sort of just some rapid response surveys with some of our members to try to understand what was going on. What we saw was some increases in claims that were just in batches almost. So they would all come in over a weekend or over a couple days, and we didn't see increases in false certifications. So this would be like false IDs or ID theft or accusations that schools were signing loan documents for students without their permission. We didn't see increases in that. What we saw was really borrower defense claims, which are supposed to be accusations of fraud or misconduct like schools misrepresenting graduation rates or placement rates or deceptive recruitment or marketing practices.

[\(17:12\)](#):

But then when we looked, the schools looked closer, they did appear to be rather specious. Some of them were borrower defense claims. But one, literally that a school sent us with redacted information on it was that, just as an example, was a student had said that they found their loan to be distressing. Which the aid office said, very empathetic to a person who's finding their loan debt to be distressing to them, but that is not a borrower defense claim.

[\(17:41\)](#):

So we had a lot of questions for the department that we did reach out and made them aware of. So we sent them a list of questions like, why did all of these start landing in schools, basically inboxes through common origination and disbursement? Why did these start landing in August? Why did they start appearing in batches? How far back did they go? Which side of the rules, Jason, that you alluded to, like which side of the rules did these apply to, the new rules or the old rules? What happens if a school

doesn't respond? Is a non-response admission of guilt? Is the department doing any sort of sorting upfront? Because it's our understanding that the department should be doing some sort of sorting to filter some of these out, but maybe we're misunderstanding the old rules. Is the process separate? Which we think it is. When a school is notified of a borrowed defense claim, is that separate from a determination of recoupment or assessment, of trying to recoup funds? We think that's a separate process.

[\(18:38\)](#):

But there's not a lot forward-facing to schools as you know from the department on this. And so we've urged the department to put together some communication, because I think a lot of schools are scratching their head trying to figure out what they're supposed to do and what it means if they do nothing. But this would take a lot of time for schools to individually respond to all of these borrower defense claims, many of which don't appear to be actually valid claims.

Jason Altmire [\(19:04\)](#):

The lack of sorting at the department, I think, of all of the issues, and there are many about, this is the most frustrating to us; because as you mentioned, the student files the claim with the department, not the school, and then the department sends that to the school asking for a response. So there is supposed to be some sort of mechanism to screen these, and we have seen several, for example, you mentioned some examples as well, of students saying, "I received a letter that said my loan was going to be forgiven. I'm going to use this as my way to get it forgiven and I'm not going to pay." That was what it said, and they sent that off to the department. Now, you would think somebody at the department would look at that and say, "This is clearly not a valid Borrower Defense to Repayment claim," and not then forward that onto the school, but that does not seem to be happening.

Justin Drager [\(19:57\)](#):

I think from a school standpoint, I just think there's a lot of concern. One, about what is this mean for a school's liability? So for example, we've got a lot of institutions... Again, we represent financial aid offices at all types of sectors and schools. But we had several community colleges reach out who, again, we are in the midst of peak processing for schools that are adhering to a traditional academic year. So they're saying, we've gotten several tranches of borrower defense claims. They are going through them and looking at them whether they should respond, and most of them are sort of like, you wouldn't even respond to. There's no accusation of misconduct even in these. So the school's saying, "What is incumbent on me to respond to this? There's not a response that's required of me. There's not even an accusation here." And they're not understanding whether there'll be a liability assessed to the school in some way if they don't respond. So I think there's a lot of confusion.

Jason Altmire [\(20:54\)](#):

Our guest today has been Justin Draeger. He is the president and CEO of the National Association of Student Financial Aid Administrators, and I will say that Association has one of the best communications departments around.

[\(21:09\)](#):

Justin has his own podcast. So Justin, if somebody wanted to learn more about the work that you do, maybe find your podcast and sign up for your newsletters, how would they do so?

Justin Drager [\(21:19\)](#):

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Yeah, they can go to NASFA.org, and there they'll be able to navigate around and find Off the Cuff, which is our podcast, or sign up for the NASFA newsletter, which they can do by creating an account @NASFA.org.

Jason Altmire ([21:33](#)):

Justin Draeger, thank you for being with us.

Justin Drager ([21:35](#)):

Thanks, Jason. Always nice to talk to you.

Jason Altmire ([21:43](#)):

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