

Written Testimony of Mark Kantrowitz before the House Committee on Education and the Workforce, Higher Education and Workforce Development Subcommittee hearing titled “FAFSA Fail: Examining the Impact on Students, Families and Schools.”

Mr. Chairman, I thank you for convening this hearing on *FAFSA Fail: Examining the Impact on Students, Families and Schools*, and for inviting me to testify before the U.S. House Subcommittee on Higher Education and Workforce Development this morning.

My name is Mark Kantrowitz.

In 1996, I developed a prototype of an online FAFSA that led to the FAFSA being made available on the web for the first time in 1997. Since then, I have provided public comments on the draft FAFSA each year for decades. I wrote the bestselling books, *Filing the FAFSA* and *How to Appeal for More College Financial Aid*. I have served as publisher of several consumer-facing websites about financial aid and college admissions, including FinAid, Fastweb, Cappex, Savingforcollege.com and PrivateStudentLoans.guru. My mission is to deliver practical information, advice and tools to students and their families so they can make smarter, more informed decisions about planning and paying for college.

I am pleased to have the opportunity to share my insights with the Committee today.

The rollout of the 2024-2025 FAFSA has been plagued by delays, errors and communication failures. This has been a frustrating, impossible process for students, their families, the colleges and scholarship providers. There have been numerous missed implementation deadlines, long delays, broken promises, clogged federal call centers and implementation errors. There has been a lack of transparency, with the challenges and delays being portrayed in an overly optimistic fashion.

The goal of FAFSA Simplification was to make it easier for families to file the form, thereby eliminating the FAFSA as a barrier to college access and success by low- and moderate-income students, first-generation college students, underrepresented students and other at-risk students. The launch of the new form has been a disaster in this regard.

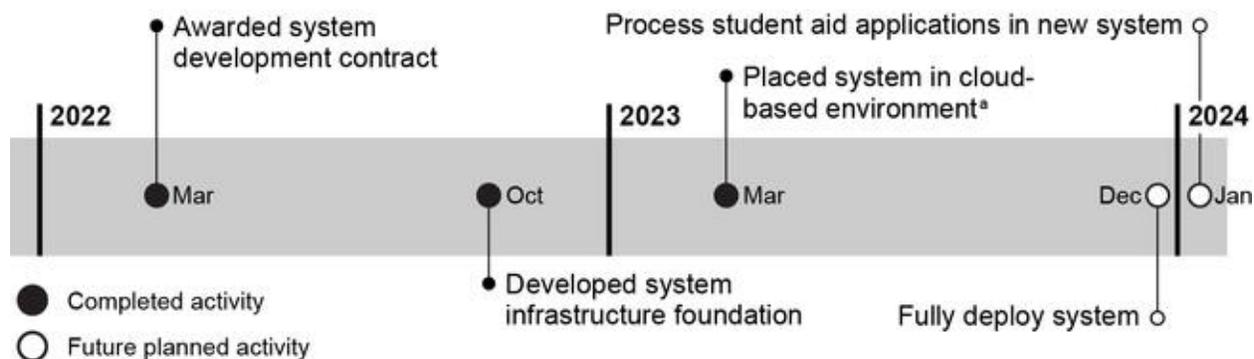
Timeline

Congress passed the FAFSA Simplification Act as part of the Consolidated Appropriations Act, 2021 (P.L. 116-260) on December 27, 2020. This legislation specified that the simplified FAFSA would become available during the 2023-2024 award year.

When the U.S. Department of Education said that they would be unable to implement the simplified FAFSA as scheduled, Congress passed the FAFSA Simplification Act Technical Corrections Act (FSATCA) as part of the Consolidated Appropriations Act, 2022 (P.L. 117-103) on March 15, 2022 to delay implementation by a year, to the 2024-2025 award year.

Rather than just remove questions from the FAFSA, the U.S. Department of Education decided to change everything everywhere all at once, including an overhaul of the underlying processing infrastructure.¹ The Central Processing System (CPS) was more than 30 years old and implemented in COBOL, an antiquated programming language. (I last implemented code in COBOL more than 40 years ago.)

According to a timeline published by the U.S. Government Accountability Office (GAO) in June 2023, the contract for the simplified FAFSA wasn't awarded until March 2022, 15 months after passage of the FAFSA Simplification Act.² Given the previous experience in implementing HealthCare.gov in 2010-2013, more time and funding should have been directed for implementing the simplified FAFSA.



Source: GAO analysis of AED project documentation. | GAO-23-106376

But, the simplified FAFSA wasn't just delayed by a year. The *launch* was delayed by an additional three months, and the *processing* of submitted FAFSAs took an additional three and a half months.

Starting with the 2017-2018 FAFSA, each year's new FAFSA became available on October 1 of the prior calendar year. The 2023-2024 FAFSA, for example, became available on October 1, 2022.

However, even with extra time to implement the 2024-2025 FAFSA, the U.S. Department of Education missed the October 1 start date. Instead, the 2024-2025 FAFSA became available on December 30, 2023, three months late. It was available for just half an hour on that day. It wasn't until the second week of January that families could file the FAFSA 24 hours a day.

But, these FAFSAs weren't processed. During this "soft launch" period, some FAFSAs could be submitted, but none of the FAFSAs were processed. In previous years, FAFSA data typically became available to colleges three days after the FAFSA was submitted.

In effect, the U.S. Department of Education was building the airplane while flying it to the destination, crashing a few times along the way. The pilot repeatedly assured the passengers that everything is fine.

Even during the soft launch period, many students and their families could not file the FAFSA and needed to call the Federal Student Aid Information Center (FSAIC) to resolve the problems they

¹ Last year, use of IRS data and the Federal Student Aid ID (FSA ID) was optional. Applicants who did not have an FSA ID could print, sign and mail a signature page. This year, IRS security requirements required stricter standards for verifying the identity of people who obtain an FSA ID to sign the FAFSA.

² Department of Education: Federal Student Aid System Modernization Project Should Better Estimate Cost and Schedule, GAO-23-106376, Jun 21, 2023. <https://www.gao.gov/products/gao-23-106376>

encountered. But, the FSAIC was overwhelmed with calls. Students and families were unable to get through and spent hours on hold, only to have their calls disconnected or reaching a message that told them to call back later. Weekend and evening call center hours were initially unavailable. Parents had to take time off from work and students needed to miss classes to try to reach someone at the FSAIC, since self-service options were not available. They had to call the FSAIC if they did not receive any knowledge-based identity verification questions, or if they answered one of them incorrectly. Then, they needed to receive and include their case number on an Attestation & Validation of Identity form.³ They also needed to provide a copy of a utility bill and an unexpired government-issued photo ID, which some contributors did not have.

When families sent email messages through the secure portal on the U.S. Department of Education's website, the messages went unanswered.⁴

While all of this was happening, the U.S. Department of Education also faced the restart of repayment for federal student loans, work on proposals for broad student loan forgiveness, and the rollout of the new SAVE income-driven repayment plan, all without adequate staff and funding. The FAFSA contractor has apparently missed deadlines and had bugs in its code. Oversight was inadequate, in part because members of the U.S. Department of Education staff have been working 12-hour days to try to get everything done.

On January 30, the day colleges were supposed to start receiving FAFSA data, the U.S. Department of Education announced that the processing of FAFSAs and the delivery of this data would be delayed for another six weeks, until the first half of March.

The U.S. Department of Education sent FAFSA data to a few dozen colleges on March 10, 2024, as a test. Most colleges did not start receiving FAFSA data until March 15, 2024, and then just a trickle of ISIRs.

When the U.S. Department of Education processes a student's FAFSA, the student should receive a FAFSA Submission Summary. However, the ability to make corrections to the FAFSA and add more colleges to the FAFSA was delayed until sometime in April 2024.

But, this was not the end of the FAFSA problems.

An error in the calculation of dependent student assets (omitting cash, savings, checking accounts and investments from the total) will require about 200,000 to 400,000 applicants whose FAFSAs were processed before March 21, 2024 to be reprocessed and their FAFSA Submission Summary to be updated.⁵ In the meantime, the U.S. Department of Education is recommending that colleges calculate the Student Aid Index (SAI) *manually* for these students. Most colleges don't have the time to do this.

This problem is a sign of inadequate testing of the 2024-2025 FAFSA before launch. A proper testing regimen should have included several hundred test FAFSAs with hand-calculated SAI figures for comparison. The test FAFSAs could have been hand-crafted, or even randomly generated based on

³ <https://studentaid.gov/sites/default/files/attestation-and-validation-of-identity.pdf>

⁴ Erica L. Green and Zach Montague, *Inside the Blunders That Plunged the College Admission Season Into Disarray*, New York Times, March 13, 2024. <https://www.nytimes.com/2024/03/13/us/politics/fafsa-college-admissions.html>

⁵ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-03-22/update-2024-25-fafsa-institutional-student-information-record-isir-delivery>

2023-2024 FAFSA data. Either approach would have been sufficient to catch the error in asset calculation and other errors. This is what I do when I test the implementation of new tools.

Likewise, the initial lack of end-to-end testing of ISIR delivery also suggest that testing may have been an afterthought and not part of the original development plan.

In addition, there was another problem with the treatment of assets. The exclusion of assets was not implemented correctly for families who enter income information manually. The assets were not incorporated into the calculation of the SAI even when income is greater than \$60,000.

There were also problems with tax data transferred from the IRS and manually entered by families. After colleges started receiving ISIRs, they reported errors in tax data and other information on the FAFSA, and encountered problems processing the ISIRs.

The tax data problem, which is actually three problems, was acknowledged by the U.S. Department of Education on March 29, 2024.⁶ These problems include errors in education tax credit data, discrepancies in the instructions for manually entered data, and blending of data from updated and original tax returns.⁷ More than 1.2 million ISIRS sent to the colleges will need to be reprocessed.

The U.S. Department of Education initially said, “that it only intends to reprocess FAFSAs when the corrected data and calculations would reduce students’ Student Aid Index (SAI), increasing their eligibility for financial aid.” Whether to correct the remaining ISIRs was left to the colleges’ discretion. “Institutions may use their professional judgment to decide, on a case by case basis, whether to proceed with the current ISIRs for FAFSAs when reprocessing is expected to increase students’ SAI and reduce aid eligibility, or to request that the Department generate an updated ISIR transaction for one or more of those FAFSAs.” But, the U.S. Department of Education subsequently decided to reprocess all affected ISIRs, in part because failing to do so would cause an increase in improper payments.⁸

Altogether, a quarter of ISIRs have been affected by IRS and U.S. Department of Education errors.

In addition, colleges have noticed higher error rates in submitted FAFSAs than in previous years, possibly because families have not been able to make corrections to their FAFSAs. Applicants have not been able to make corrections (including adding schools) and won’t be able to make corrections until sometime in the first half of April 2024.⁹ Reprocessing of ISIRs won’t happen until after students are able to make corrections and the U.S. Department of Education clears the current backlog of unprocessed FAFSAs, which is expected by April 5, 2024. The reprocessing of ISIRs is expected to occur in the first half of April 2024.

⁶ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-03-29/potential-issue-alert-reports-concerning-tax-data-and-2024-25-fafsa-form-updated-april-1-2024>

⁷ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-04-01/update-tax-data-received-fa-ddx-and-manually-entered-information>

⁸ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-04-04/reprocessing-isirs-known-data-issues-and-resolution-access-issues-students-who-have-required-contributors-without-social-security-numbers-updated-april-4-2024>

⁹ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2024-03-25/update-2024-25-fafsa-processing>

Missing Inflation Adjustments

The FAFSA Simplification Act requires the U.S. Department of Education to make inflation adjustments to the financial aid formulas based on the aggregate inflation rate from April 2020.

When the U.S. Department of Education published the draft FAFSA formula guide in May 2023, I and several others pointed out that the FAFSA tables had not been adjusted for inflation.

In early December 2023, the U.S. Department of Education announced that they would not be making the inflation adjustments on the 2024-2025 FAFSA, but instead would delay them until the 2025-2026 FAFSA.

I offered to provide the U.S. Department of Education with the updated tables, including detailed documentation of the calculation steps, to make it easy to validate the accuracy of my tables. I was told that it was not as simple as swapping out the tables.

This suggests that the FAFSA processing was not modular in design, so it would still be difficult for the U.S. Department of Education to implement annual updates to the financial aid formula.

After I published an article¹⁰ showing how the failure to update the FAFSA for inflation would cause millions of students to qualify for less financial aid,¹¹ the U.S. Department of Education said that they would implement the inflation adjustments after all, but would need six more weeks to do so.¹²

At the time, 15 of the 21 known 2024-2025 FAFSA issues had still not been resolved, so the U.S. Department of Education also needed this extra time to fix bugs in the FAFSA implementation, several of which have still not been fixed.

Many More Glitches

As of April 3, 2024, the U.S. Department of Education has identified 32 issues, of which 15 remain open.^{13 14} The most significant issues prevent the FAFSA from being submitted. These issues include:

- Disappearing signatures when applicant or contributors return to complete the FAFSA before it is submitted.
- Missing contributor invitation page.
- Parent unable to re-access FAFSA despite starting the application.
- Invited contributors without an SSN encountering an error message.
- Problems with foreign addresses and telephone numbers.
- StudentAid.gov dashboard is missing some information for some commonly-used web browsers, such as Apple Safari and Microsoft Edge.

¹⁰ <https://thecollegeinvestor.com/44927/2024-25-fafsa-will-cause-millions-to-receive-less-financial-aid/>

¹¹ An average of \$1,600 less for middle-income students and an average of \$4,600 less for high-income students.

¹² <https://www.ed.gov/news/press-releases/us-department-education-announces-more-31-million-fafsa-forms-successfully-submitted-and-update-student-aid-index-calculation>

¹³ <https://fsapartners.ed.gov/knowledge-center/topics/fafsa-simplification-information/2024-25-fafsa-issue-alerts>

¹⁴ <https://fsapartners.ed.gov/sites/default/files/2024-03/TechnicalFAQandKnownIssues.pdf>

- Contributors who have an ITIN but not an SSN are unable to use the IRS Direct Data Exchange and must enter income and tax information manually.
- Parents who do not have an SSN have been unable to create an FSA ID. (Not included on the FAFSA Issues page, but appears to have been resolved. A previous complicated workaround from the U.S. Department of Education did not actually work, but the problem has since been fixed.)

Several additional serious issues have been resolved.

- Students born in the year 2000 were stuck in an infinite loop. (Resolved)
- U.S. permanent residents unable to save or submit the FAFSA when their A-Number ends in zero. (Resolved)
- In mixed-status families, where one parent is a U.S. citizen and the other isn't, the other parent has been unable to specify that they don't have a Social Security Number (SSN) or to create an FSA ID.¹⁵ (Resolved)
- In mixed-status families, where one parent is a U.S. citizen and the other isn't, the other parent was required to have an FSA ID even when their federal income tax return was filed as married filing jointly and the FAFSA was signed by the U.S. citizen contributor. (Resolved)
- Parents with no SSN unable to start a FAFSA or to contribute to an existing FAFSA. (Resolved)
- Contributors unable to create an FSA ID when the SSA data match is still pending. (Resolved)
- FAFSA submission blocked when income tax paid is greater than adjusted gross income (AGI). (Resolved)

Some of these problems have workarounds, which require the family to delete the FAFSA and resubmit it in a different way, or to temporarily leave address information blank. Other workarounds are to wait until the problem is fixed.

Previously, students in seven states¹⁶ were able to have their FAFSA data transferred directly into the state financial aid application. This application programming interface (API) will not be available until the 2025-2026 FAFSA.

Impact on Financial Aid Offers and College Deadlines

Colleges normally release financial aid offers at the same time as college admissions. Typically, that's in January for early action and early decision, and in early March for regular decision. They are able to do this because they receive the ISIRs about 3 days after the FAFSA is submitted. The students then have at least a month to make the most momentous decision of their lives. The normal timeline also provides them with time to appeal for more financial aid if the family finances are affected by special circumstances or to make corrections to errors on the originally submitted FAFSA.

¹⁵ Students who are U.S. citizens are eligible for federal student financial aid regardless of the citizenship status of their parents. By designing a process that prevents these students from filing the FAFSA, the U.S. Department of Education is in violation of the equal protection clause of the U.S. constitution.

¹⁶ Iowa, Minnesota, Mississippi, New Jersey, New York, Pennsylvania and Vermont.

This year, colleges are overwhelmed by a compressed and delayed schedule for preparing financial aid awards. The delays in processing the FAFSA have led to delays to college financial aid and admissions calendars and disruption to colleges' financial planning.

About 187 of the most selective colleges use the CSS Profile form for awarding their own financial aid funds, and are able to use the CSS Profile data to prepare estimates of federal and state aid eligibility. Most of these colleges have provided students with estimated financial aid offers and are retaining the May 1 Decision Day. Students admitted to these colleges have to choose whether to accept the offer of admission and pay a deposit before they have received financial aid offers from the other colleges that admitted them.

Other colleges are affected by the delays in receiving FAFSA data. It typically takes a college at least two weeks to prepare financial aid offers after receiving the ISIRs. So, financial aid offers may not be sent to families until mid-to-late April, leaving students with just a week or two before the May 1 deadline.

The U.S. Department of Education has urged colleges to delay their financial aid and admissions deadlines.¹⁷ Many colleges have already delayed their deadlines for accepting an offer of admission to May 15, June 1 or June 15.

Impact on the Number of Financial Aid Applications

Based on my analysis of U.S. Department of Education data, there are more than 2 million fewer FAFSAs filed now as compared with the same time last year, a 15% decline in the number of FAFSAs *overall*.¹⁸ This drop in the number of FAFSAs seems likely to persist through the fall.

The National College Attainment Network (NCAN) reports a 30% decline in the number of FAFSAs filed by *high school seniors*, a drop of about 600,000 applicants.

This shortfall in the number of FAFSAs may represent a severe decline in college enrollment that is greater than what happened during the pandemic. It affects college revenue from tuition, fees, room and board, not just a decrease in financial aid funding. If the students aren't just taking a gap year or shifting enrollment to community colleges, but instead opting out of college entirely due to the uncertainty surrounding college affordability, the impact may last for four years. It is severe enough that it may cause some 4-year colleges to close permanently.

Conclusion

There is no backup plan. The only solution at this point is to push forward and fix all of the remaining and yet-to-be-discovered problems.

Hopefully, all of the problems will be fixed by the October 1, 2024 start date for the 2025-2026 FAFSA, which is just six months from now.

Mr. Chairman, I once again thank you and the committee for taking an interest in the development of the simplified FAFSA, and for inviting me to share my thoughts on the matter. I would be happy to answer any questions you may have on this or other topics.

¹⁷ <https://www2.ed.gov/policy/gen/guid/secletter/240326.html>

¹⁸ <https://thecollegeinvestor.com/45762/bungled-fafsa-launch/>