Session #10

Professional Judgment (PJ)

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Abbreviations

- Adjusted Gross Income (AGI)
- Code of Federal Regulations (CFR)
- Cost of Attendance (COA)
- Expected Family Contribution (EFC)
- Financial Aid Administrator (FAA)
- Free Application for Federal Student Aid (FAFSA)

- Higher Education Act (HEA)
- Income Protection Allowance (IPA)
- Institutional Student Information Record (ISIR)
- Professional Judgment (PJ)

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- PJ Resources
- PJ Overview
- Adjustments: COA & EFC Data Elements
- Dependency Override
- Parent Refusal to Complete FAFSA and Provide Support
- Denying/Reducing Direct Loans

PJ in the Law:

HEA Sec. 479A: Special circumstance authority
HEA Sec. 480(d)(7): Dependency Override

PJ Regulations:
generally none, but…34 CFR 685.301(a)(8) Denying/Reducing Direct Loans

PJ Guidance: *FSA Handbook* Application and Verification Guide, Ch. 5

Dear Colleague Letters – all are "GEN"

03-07 & 11-15 - Dependency Overrides

08-12 - Refusal to Provide FAFSA Data & Support

09-04 - PJ & Family Financial Circumstances

09-05 - PJ for Unemployment Benefits

11-04 - Extends 09-04 & 09-05

11-07 - Denying/Reducing a Direct Loan

16-03 - Prior-Prior Year and PJ

Key Concepts:
- cannot limit the FAA's authority
- adequate documentation
- case-by-case adjustment
- COA or EFC data items elements
- treatment of special circumstances

DO:

- Make award-year specific decisions

- Collect "adequate documentation"

- Use third-party documentation when possible…but remain flexible

DO NOT:

- directly change an EFC or the EFC formula
- establish categories of special circumstances and apply PJ to the group

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DO NOT:

- circumvent regulations or the law
- use PJ to waive eligibility requirements
- use PJ to make an independent student dependent

- Institutional Policy
  - Using PJ is optional
  - Establish an institutional policy if using
    - Who has the authority?
    - Internal appeals permitted?
    - Circumstances you will (or won't consider)

Documentation **Examples** (one or more...)

-Tax Document

-Earnings Statement

-Bank Statement

-Credit Card Statement

-Receipt

-Insurance Document

-Agency Document

-Court Document

-Letter

-Signed Statement

-Birth Certificate

-Death Certificate

-Police Report

-Contract

-Provider Statement

-Other appropriate item

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- **PJ & Verification**
  - Do: complete verification before PJ **if** a student is selected for verification

  - Don't: submit verification & PJ on the same day
  - After receiving the verified ISIR, use the resulting ISIR transaction to do PJ

- COA elements [p. 1 of 2]
  - Tuition and Fees
  - Books and Supplies
  - Transportation
  - Miscellaneous Personal Expenses

- COA - other elements [p. 2 of 2]
  - As applicable:
    - Dependent Care
    - 1st time Professional Licensure Costs
    - Study Abroad Costs
    - Disability-related expenses

IPA:

- Understanding IPA helps when deciding whether to adjust an EFC data element

- IPA is an allowance value in the EFC formula that reduces AGI

- Determine IPA by reviewing the student's ISIR under Intermediate Values (labeled IPA)

IPA:

- Before PJ, consider the amount allotted to the expense
- Income & Asset Protection
- Allowances for state and other taxes, employment expenses, etc.

IPA Values:
- 30% for food
- 22% for housing
- 9% for transportation
- 16% for clothing and personal care
- 11% for medical expenses
- 12% for other family consumption

IPA Example 1 – PJ or not?

- Student IPA = $30,000
- The formula allots 11% ($3,300) for medical expenses
- Student documentation shows $2,500 for medical expenses not covered by insurance
- Would you use PJ?

IPA Example 2 – PJ or not?

- Student IPA = $30,000
- The formula allots 9% ($2,700) for transportation
- Documentation shows $3,600 for monthly train passes to get to and from school
- Would you use PJ?

IPA Example 3 – PJ or not?

- Student IPA = $30,000
- The formula allots 11% ($3,300) for medical expenses
- Student documentation shows $10,300 for medical expenses not covered by insurance
- Would you use PJ?

HEA Sec. 480(d)(7)

- may consider a student to be independent when the student does not otherwise qualify in one or more of the FAFSA categories
- the FAA determines independence based on other unusual circumstances

- Independent Student – FAFSA items
  - age 24 or older
  - married (or separated but not divorced)
  - working on master's/doctorate program
  - active duty in the U.S. armed forces
  - veteran

- Independent Student – FAFSA items
  - child(ren) for whom you provide more than 50% the support
  - other dependents who live with you and you provide more than 50% of the support

- Independent Student – FAFSA items
  - both parents deceased/foster care/ward of the court
  - emancipated minor/guardianship
  - unaccompanied youth who was homeless or self-supporting and at risk of being homeless

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- Option for dependent students to receive Direct Unsubsidized Loan when parents ended financial support and refuse to file the FAFSA
  - Annual loan eligibility limited to base unsubsidized annual loan limit + $2,000 of additional unsubsidized loan funds.

- Must obtain documentation/statement that:
  - Parents refuse to complete the FAFSA and do not and will not provide any financial support, including the date the support ended
  - Consider family auto and/or health insurance coverage, tuition payments, tax status, etc.

- May accept third-party documentation if parents refuse to provide documentation

- Student must complete the FAFSA

- Refusal to provide support and complete the FAFSA does not justify a dependency override unless other documented circumstances exist

Denying/Reducing Direct Loans

- Statute: HEA Section 479A(c)

- Requirements [p. 1 of 2]

  - case-by-case basis

    - May refuse to certify a Direct Loan

    - May certify a loan amount less than the student's determined of need

- Statute: HEA Section 479A(c)
- Requirements [p. 2 of 2]
  - Must document the reason and provide it in writing to the student
  - May not discriminate (protected classes - race, national origin, religion, sex, marital status, age, or disability status)

- ## Regulations - 34 CFR 685.301(a)(8) [p. 1 of 2]
  - May, on a case-by-case basis:
    - refuse to originate a Direct Loan
    - reduce the amount of the loan
  - Must document the action and provide to the borrower in writing

- Regulations - 34 CFR 685.301(a)(8) [p. 2 of 2]
  - Retain documentation supporting the decision in the student's file
  - May not engage in any "pattern or practice" that denies access to a Direct Loan due to race, gender, color, religion, national origin, age, disability status, or income

- Reminders:
  - Consult with your institution's legal counsel, risk manager, and/or senior leaders
  - Ensure coverage for COA elements when limiting the amount of loans borrowing
  - The amount of debt does not correlate with an increased likelihood of default

Questions and Answers