



NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS



PROFESSIONAL JUDGMENT

Slide Handout



NASFAA

AUTHORIZED EVENTS

2023-24

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April 2023



NASFAA Authorized Event Professional Judgment

National Association of Student
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Professional Judgment
A NASFAA Authorized Event

2023-24

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Lesson 1

**Overview of Professional
Judgment Authority**

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Professional Judgment

Statutory Authority

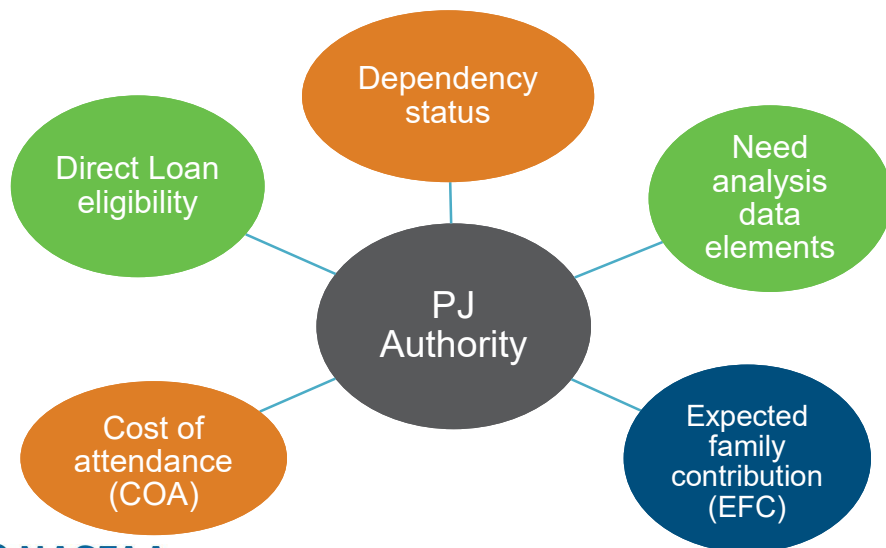
HEA Section 479A establishes authority for the financial aid administrator to exercise professional judgment (PJ) discretion to make adjustments on a case-by-case basis in a number of areas when special or unusual circumstances exist.



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Professional Judgment

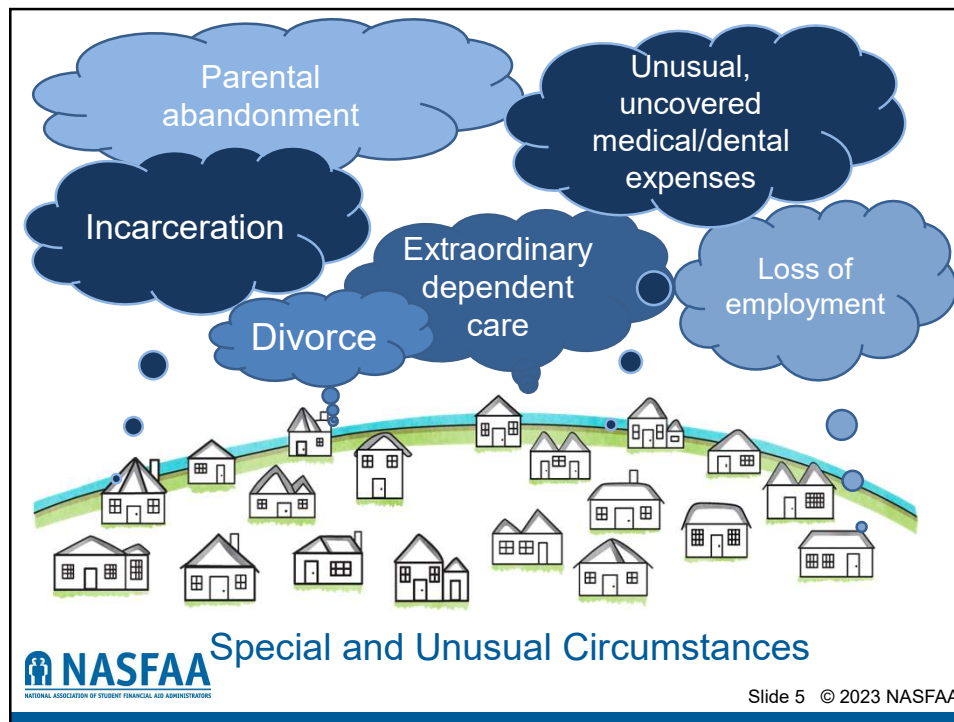


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5

HEROES Act



Affected individuals

- Serving on active duty during war or other military operation or national emergency;
- Performing qualifying National Guard duty during war or other military operation or national emergency;
- Reside or employed in area declared a disaster area by any federal, state, or local official in connection with a national emergency; or
- Suffer economic hardship as a direct result of war or other military operation or national emergency, as determined by ED.

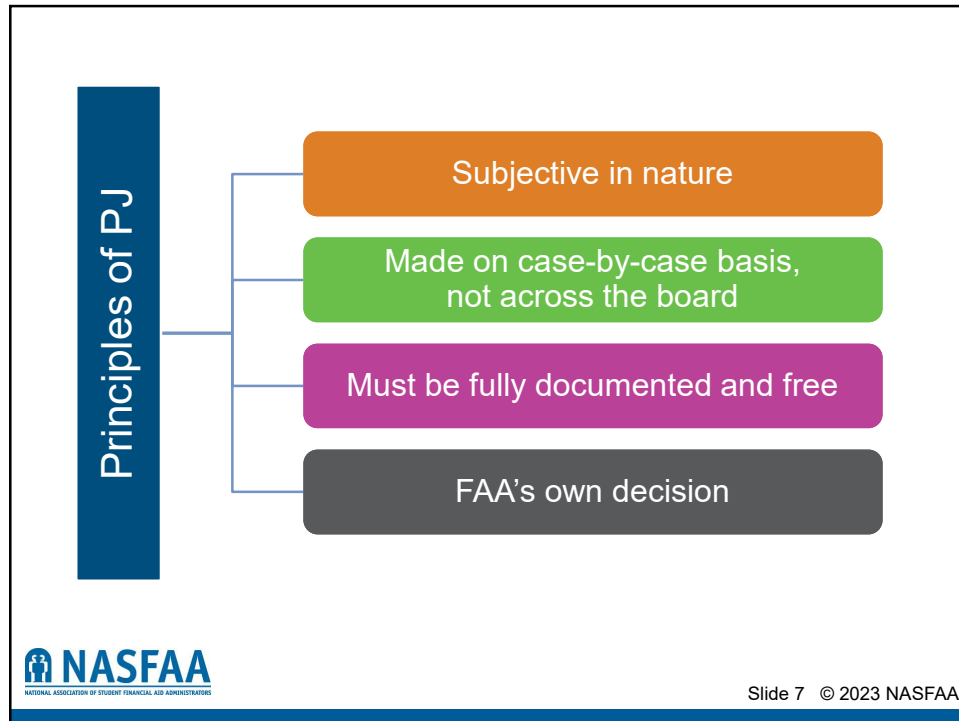


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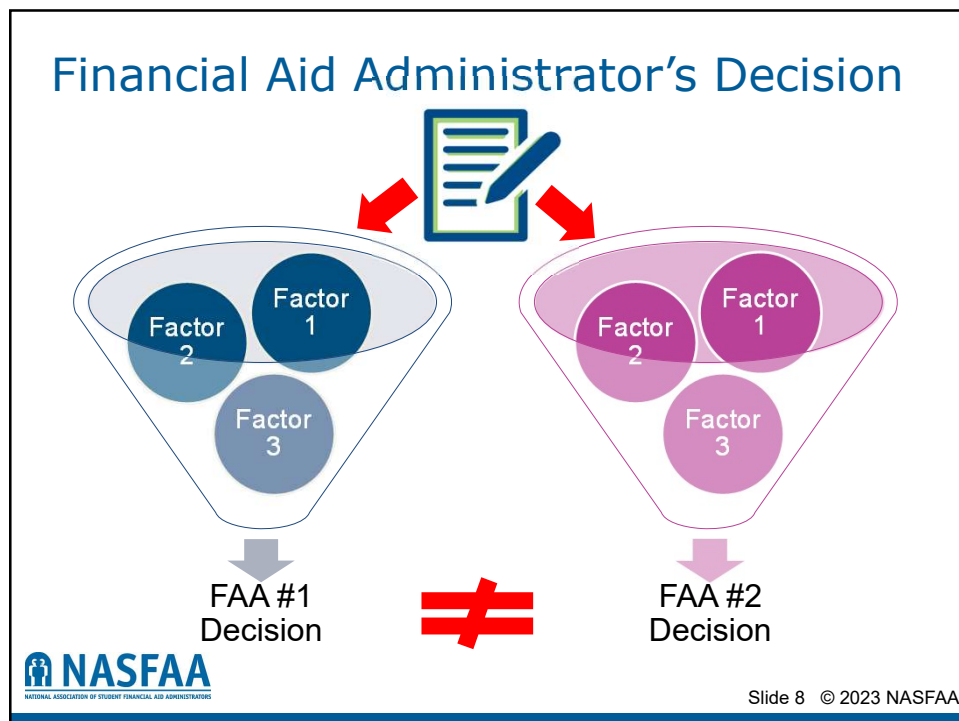
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7



8



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Professional Judgment

All FAAs Should Ask



Is the student or the student's family experiencing unique circumstances not dealt with adequately in the need analysis formula, or by other Title IV provisions for which the use of PJ is permitted?



Does the extenuating situation warrant special treatment because it affects the student's or family's ability to contribute toward the cost of the student's education, or otherwise affects the student's ability to complete his or her program of study?



What should the special treatment be?



What documentation is needed to support this determination?



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PJ Policies and Procedures

- Cannot maintain a policy of denying all professional judgment requests



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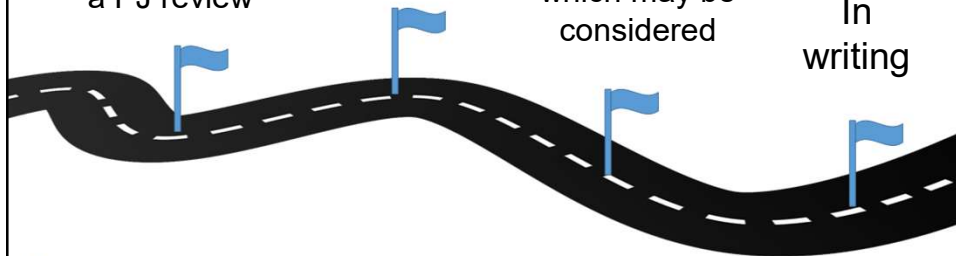
PJ Policies and Procedures

Framework and guidelines for identifying circumstances that may trigger a PJ review

Road map for FAA

Provide examples of circumstances which may be considered

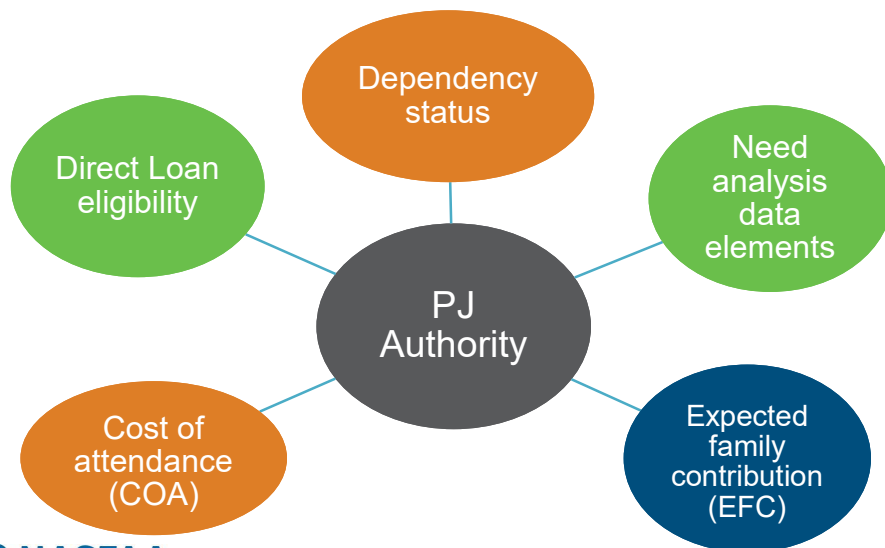
In writing



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Areas of PJ



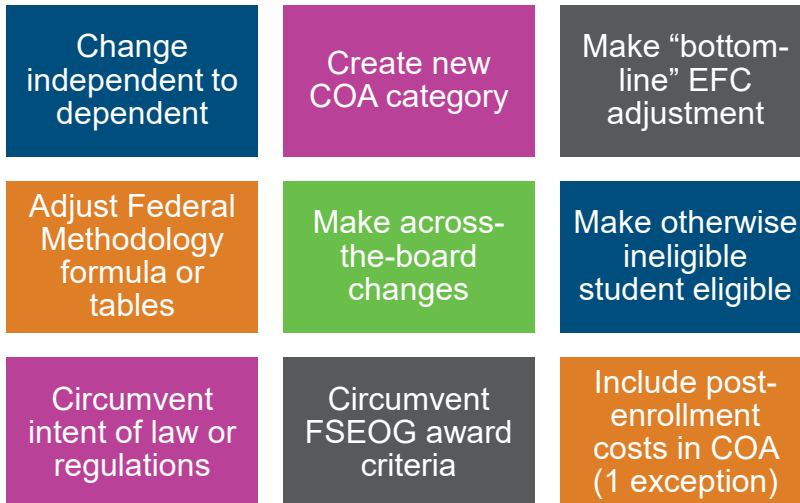
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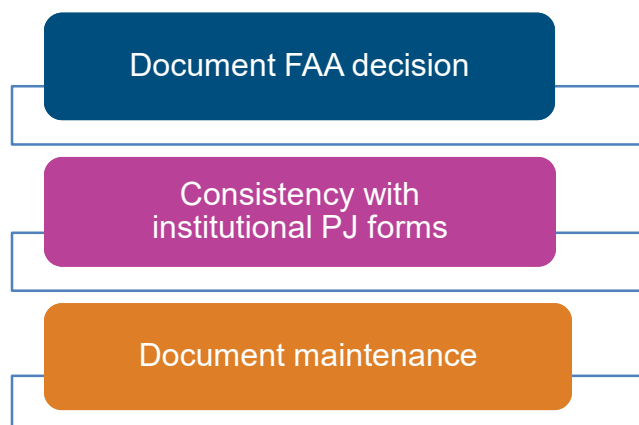
PJ Cannot Be Used



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PJ Documentation



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Professional Judgment

NASFAA Guide to Addressing Special and Unusual Circumstances Using Professional Judgment

This table outlines circumstances that may warrant special review. It presents possible considerations and offers some potential adjustments to consider when making professional judgment (PJ) adjustments. With each circumstance, we include examples of documentation a school might collect and evaluate in making decisions. It is important to note that one type of documentation, alone, might not provide sufficient reason to make a PJ adjustment or deny an appeal. A combination of documentation may be needed to support an adjustment. Depending on the student's unique circumstances, documentation might include, but is not limited to, the suggestions presented below.

DEPENDENCY STATUS			
CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
Request to consider student independent	<ul style="list-style-type: none">Letter from studentInterview with financial aid administrator	<ul style="list-style-type: none">What is the nature of the student's estranged relationship with parents?What are the detailed reasons for the break in the student-parent relationship?Is the break in the student-parent relationship temporary or ongoing in nature?Is the student estranged from both parents?	<ul style="list-style-type: none">Dependency override<ul style="list-style-type: none">Parent income and asset information is excluded in the calculation of the expected family contribution (EFC) and no parental signature is required on the Free Application for Federal Student Aid (FAFSA)
	<ul style="list-style-type: none">Letters from knowledgeable third parties (e.g., counselors, teachers, clergy, older relatives, social workers, prison administrators, etc.)	<ul style="list-style-type: none">What is the third party's relationship to the student?Is the third party unbiased?Does the third-party testimony confirm or support the claim of estrangement, abuse, abandonment, etc.?	
	<ul style="list-style-type: none">Student's tax return or documentation of means-tested public benefits, other resources, or in-kind support	<ul style="list-style-type: none">Does the student's income or other resources justify the claim of living without parental support?Does someone else claim the student as a dependent for tax purposes? If so, who?	
	<ul style="list-style-type: none">Parent tax returnsStatement from parents <p><i>Note: In cases of true estrangement, attempts to collect documentation from parents might be undesirable or impossible.</i></p>	<ul style="list-style-type: none">Did the parent(s) claim the student as a dependent in the current or prior year, or will they claim the student next year?If the parent(s) did claim the student, would this have any bearing on the student's claim of estrangement?	

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15

Professional Judgment Documentation

TABLE 1: SPECIAL MEDICAL AND DENTAL EXPENSES (for independent student/spouse and parents of dependent student)

- How much did you pay for your medical/dental insurance in 2021 (or 2022)? (Do not include employer's contribution) \$ _____
- What were your 2021 (or 2022) medical/dental expenses not paid by insurance? \$ _____
- Please explain if your unreimbursed medical/dental expenses were/will be higher in 2022 (or 2023), and why. _____
- From what sources will you finance these expenses? _____

TABLE 2: EXTENDED FAMILY SUPPORT (for independent student/spouse and parents of dependent student)

- Do you contribute financial support to relatives not counted as a member of your household? ☐ Yes ☐ No
If yes, complete the grid below for each relative indicated.
- Please explain if these expenses were/will be higher in 2022 (or 2023), and why. _____
- From what sources will you finance this support? _____

NAME OF SUPPORTED RELATIVE	AGE	RELATIONSHIP	SUPPORT BEGAN (MONTH/YEAR)	SUPPORT ENDS (MONTH/YEAR)	AMOUNT YOU PAY (MONTH/YEAR)	AMOUNT PAID BY OTHER SOURCES	REASON FOR SUPPORT



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Quick Quiz:

1. Sort each area (by alphabet) according to whether or not a financial aid administrator is allowed to exercise PJ discretion to make an adjustment in that area.

PJ Allowed	PJ Not Allowed

Page 9



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17

Quick Quiz:

2. To whom does the law authorize the exercise of professional judgment authority?
 - ☐ The school's president or chief executive officer
 - ☐ Financial aid administrators
 - ☐ The student's guidance counselor or academic advisor
 - ☐ Any staff member within the school's administration who works directly with the student
3. List the four steps a financial aid administrator should take to help ensure PJ decisions are not questioned in an audit or program review.

Page 10



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Professional Judgment

Quick Quiz:

4. Affected individuals under the HEROES Act include which of the following?
- ☐ Individuals serving on active duty during war or other military operation or national emergency
 - ☐ Individuals enrolled at a U.S. military service academy duty during war or other military operation or national emergency
 - ☐ Individuals residing or employed in an area declared a disaster area by any federal, state, or local official in connection with a national emergency
 - ☐ Individuals suffering economic hardship as a direct result of war or other military operation or national emergency, as determined by ED

Page 10



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19

Quick Quiz:

5. Which of the following are true statements relative to the use of PJ by financial aid administrators?
- ☐ A student may appeal a financial aid administrator's PJ decision to ED.
 - ☐ A fee cannot be charged for collecting documentation required to support a PJ request.
 - ☐ ED is prohibited from issuing regulations related to PJ.
 - ☐ A school can set triggers which allow a financial aid administrator to make PJ adjustments to all students who meet the conditions of a given trigger.
 - ☐ A school can have a policy to deny all professional judgment requests
6. The two primary types of PJ documentation are _____ and _____.

Page 10



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20



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Quick Quiz:

7. Which of the following are true statements relative to the use of PJ by financial aid administrators?
- ☐ A financial aid administrator is required to apply PJ when a student has special circumstances.
 - ☐ PJ can be exercised for a group of affected individuals who meet the same conditions under the HEROES Act.
 - ☐ The financial aid administrator does not need to document a student's file if a request for a PJ adjustment is denied.
 - ☐ A financial aid administrator is allowed to accept a PJ decision made by a financial aid administrator at another school to override a student's dependency status.

Page 11



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21



If you were in charge of setting up your policies and procedures to include triggers that might cause a financial aid administrator to review a student's file to see if a PJ adjustment may be warranted, what conditions would you set to trigger a PJ review? Why?

For each of the triggers you listed above, list the documentation you would require in each of the triggered circumstances.

Page 12



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Learning Activity

Page 13



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Learning Activity: Is PJ Discretion Allowed?

1. Jerald, a dependent student, is a beginning freshman. His mother, Evelyn, was laid off from work and has been unemployed for two years. She has decided to return to school to get a master's degree in Interior Design with a concentration in Visual Merchandising. Evelyn will attend classes full-time. She wants to be added to the number in college on Jerald's FAFSA.

☐ Yes ☐ No

Page 13



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Learning Activity: Is PJ Discretion Allowed?

2. Margot is completing her master's in Secondary Education at your school. She will graduate soon and intends to begin teaching in your state. She already has a teaching job lined up; she must pass a state teachers certification examination before she can receive a teaching license in the state. The fee for taking this exam was included in her COA. She was excited that she passed the exam; however, Margot has decided to seek a teaching position in a different state and must now pass that state's certification examination to receive a teaching license there. She is requesting that you use PJ to adjust her COA so she can pay for this professional credential.

☐ Yes ☐ No

Page 13



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Learning Activity: Is PJ Discretion Allowed?

3. Calvin is a 37-year-old "career student." He has remained continuously enrolled in higher education since completing his first bachelor's degree right out of high school. As a result, he accumulated over \$150,000 in Direct Subsidized Loans, Direct Unsubsidized Loans, and graduate PLUS. He previously defaulted on one of his Direct Loans, but he has since repaid that loan in full. He is enrolled as an eligible graduate student to obtain his third master's degree, and he wants to borrow an additional \$30,000 in graduate PLUS. You are hesitant to approve a new loan when Calvin has such an unusually high student debt already.

☐ Yes ☐ No

Page 14



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Lesson 2

Using Professional Judgment in Special Circumstances



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FAFSA Processing

- FAFSA available on October 1
- “Prior-prior year” data collected
 - 2023-24 FAFSA collects 2021 tax and income information
- May use PJ to adjust income or tax items to reflect any 12-month period



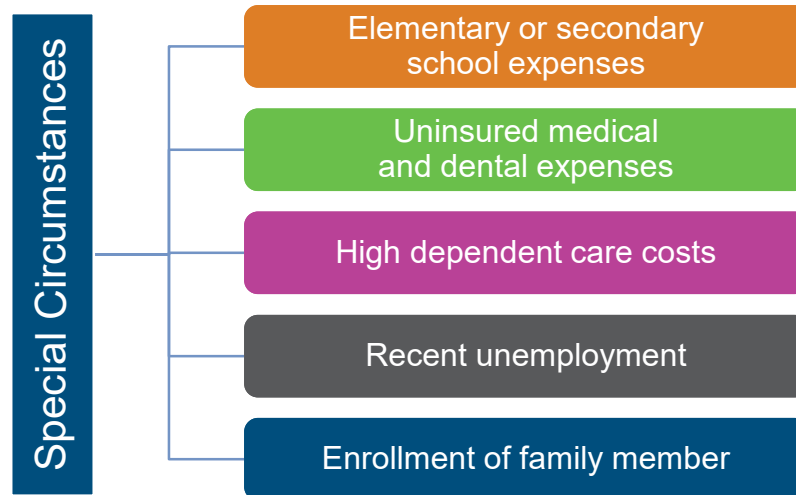
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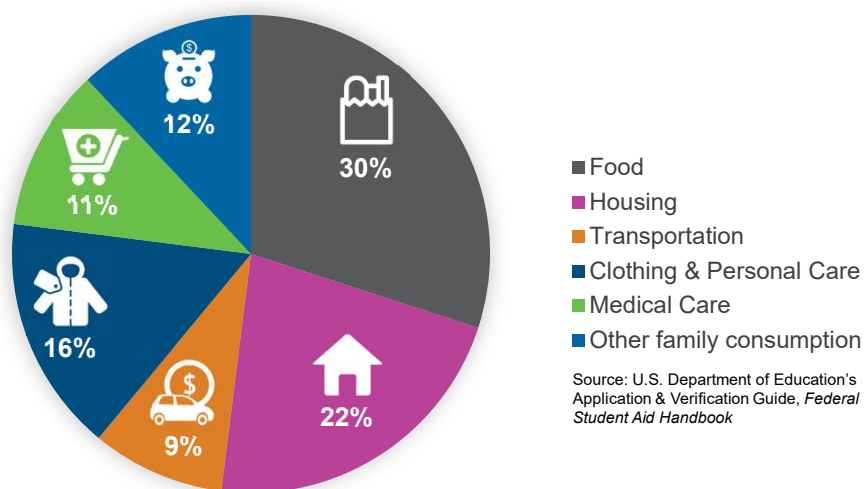
Need Analysis



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Income Protection Allowance



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30



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Alternative-Year Income

- Use actual or estimated income for calendar year, award year, or another reasonable 12-month period
- Under HEROES, schools are encouraged to use PJ to determine need for affected individuals
- Applying PJ during the implementation of prior-prior year is described in GEN-16-03



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Example: Athena

- Returning to college
- Worked full time during 2021
- Leaving her job in August 2023
- Income for 2023 will be significantly less than for 2021



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Example: Athena

Questions:

- Would it be reasonable to use EFC based on 2022 income or on her projected income? Why?
- If projected income, would you use an estimate of 2023 calendar year income or income during 2023-24 award year? Why?



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Example: Noemi

- Has celiac disease and must maintain a gluten-free diet
- Independent student living on-campus
- Food service provider offers few options, so she is not using the school's meal plan
- Purchases groceries and uses the dorm kitchen which provides food storage space for students affected by food allergies



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Example: Noemi

Questions:

- Are her food costs higher than for students who live on-campus with a meal plan?
- What documentation would you request?
- What adjustments would you make?



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Example: Luca

- Third-year student
- Mother gets dialysis treatments and is on the organ transplant list
- Luca's brother, Alberto, is a match and has begun taking necessary medications
- Alberto is a second-year student at the same school
- Medical expenses are a strain on the family



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Example: Luca

Questions:

- Did payment of medical expenses affect the family's ability to contribute?
- Is any portion of debt covered by insurance?
- Is an unpaid balance due during the student's period of enrollment?
- Is the expense long-term?



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Cost of Attendance Adjustments

- Address special circumstances
- Must be made within the COA categories defined in law



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COA Adjustments for Living Expenses

- One approach is to compare expenses to the IPA
 - Adjust for full amount of expenses or only for amounts above the IPA
- Adjust either the COA or data elements that affect the EFC, not both
 - Relevant and allowable COA components only



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Example: Mirabel

- Enrolling in her school's new graphic design program
- All students are required to have specific equipment and peripheral devices, which are very expensive



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Example: Mirabel

Questions:

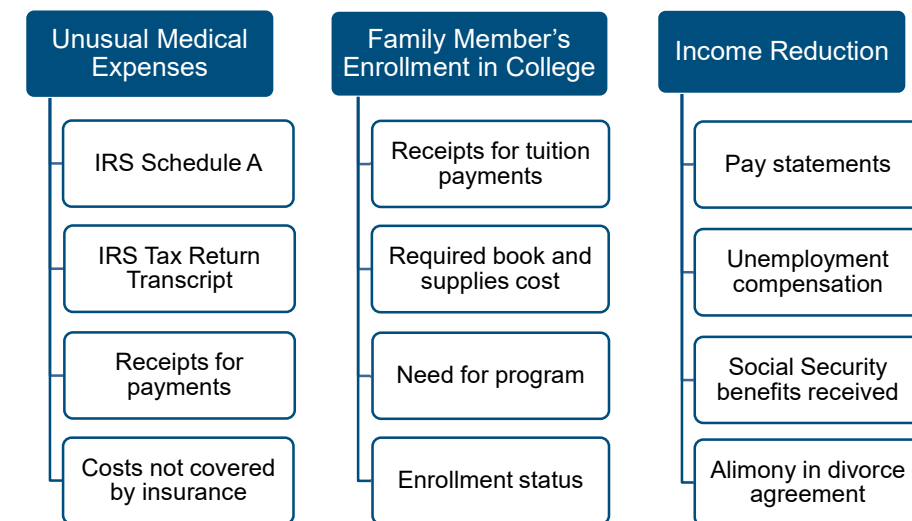
- What constitutes an unusual circumstance?
- Is the student or the student's family experiencing unusual circumstances?
- Does the situation warrant special treatment because it affects their ability to contribute?
- What should the treatment be?
- What documentation should be collected?



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Documentation



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Quick Quiz:

1. What is the IPA?
2. Which is an area for which PJ authority may be exercised?
 - ☐ Changing the FM formula to calculate EFC
 - ☐ Adjusting costs associated with a component of a dependent student's COA to reflect unusually high transportation costs
 - ☐ Creating new cost components to add to a student's COA
 - ☐ Including a roommate to an independent student's household size based on shared residence

Page 49



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43

Quick Quiz:

3. It is appropriate to include in PJ policies and procedures which of the following items?
 - ☐ Awarding FSEOG
 - ☐ Bottom line adjustments to the EFC
 - ☐ Consideration of expenses that exceed the IPA
 - ☐ How to adjust for a student's lifestyle choices
 - ☐ A policy of denying all special circumstances and to only consider unusual circumstances

Page 49



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Quick Quiz:

4. Which one of the following statements is correct?

- ☐ It is permissible to adjust for recurring costs such as vacation expenses, credit card expenses, tithing expenses, and children's allowances.
- ☐ When making adjustments for unusual expenses, the percentages used in the IPA should be considered.
- ☐ When making adjustments for unusual expenses, the base-year income information on the FAFSA should never be replaced with alternative-year income information.
- ☐ After making an adjustment for an unusual expense in the need analysis, it is permissible to use the resulting EFC for only the Federal Pell Grant Program.

Page 49



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45

Quick Quiz:

5. When using PJ to increase the COA for medical expenses, which one of the following is permissible?

- ☐ Decreasing the AGI in the prior year to account for expenses to be paid in the current calendar year
- ☐ Increases that include the full amount of the medical expense, regardless of when the payment occurs
- ☐ Creating a new cost component to account for medical expenses incurred for the year
- ☐ Increases that only include the amount that will be paid during the period consistent with the COA

Page 49



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Learning Activity

Page 50



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47

Learning Activity: Adjustments to COA or EFC?

1. Rayna is 22, and she is completing her senior year. She still lives with her parents and had been commuting to PFU. Her parents recently moved about 50 miles away. Her parents bought her an inexpensive used car to help her out, but now she has the extra expenses of fueling, maintaining, and insuring a car. Her transportation costs have doubled, in her estimation.

PJ?

☐ Yes

☐ No

Adjust?

☐ COA

☐ EFC

Page 50



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48



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Learning Activity: Adjustments to COA or EFC?

2. Patrick is 19, and in his second year at PFU. To maintain their teaching certifications, both of Patrick's parents must successfully complete 12 credit hours in their disciplines this year. His older brother, Chris, is also a full-time student at PFU in his third year. Patrick's parents will be half-time students. The school system will cover tuition for both parents, but not fees or the cost of books.

PJ?

☐ Yes

☐ No

Adjust?

☐ COA

☐ EFC

Page 51



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49

Learning Activity: Adjustments to COA or EFC?

3. Carla is a freshman during the 2023-24 award year. She completed the FAFSA as a dependent student, providing information about her father, Jim, who is a single parent. Jim was laid off in December 2022. His adjusted gross income for 2021 was \$58,375 and for 2022 was \$52,670. He is looking for another job. He began collecting \$1,500 per month in unemployment benefits in January 2023.

PJ?

☐ Yes

☐ No

Adjust?

☐ COA

☐ EFC

Page 51



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50



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Learning Activity: Adjustments to COA or EFC?

4. George will be a first-year law student at PFU in New York City. George incurred considerable moving expenses. He put \$7,000 of these expenses on his credit card. In addition, George quit his job as a paralegal with a Los Angeles law firm. His 2021 income was \$33,000 and his 2022 income was \$35,000. He expects not to work, and to live off of his savings and student loans while in law school.

PJ?

☐ Yes

☐ No

Adjust?

☐ COA

☐ EFC

Page 52



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51

Lesson 3

Using Professional Judgment in Unusual Circumstances



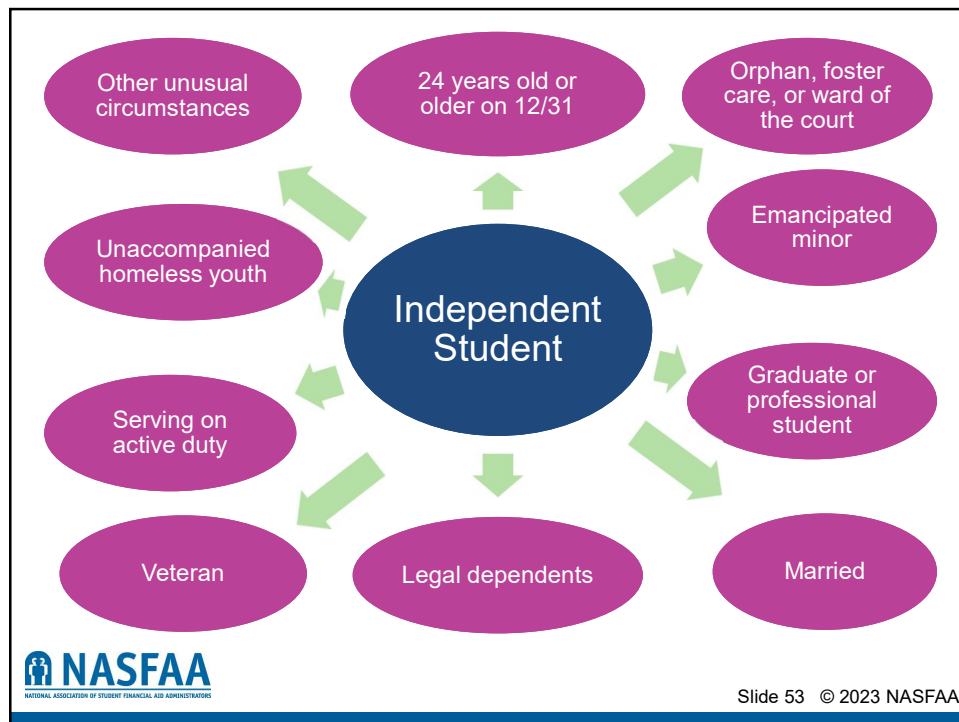
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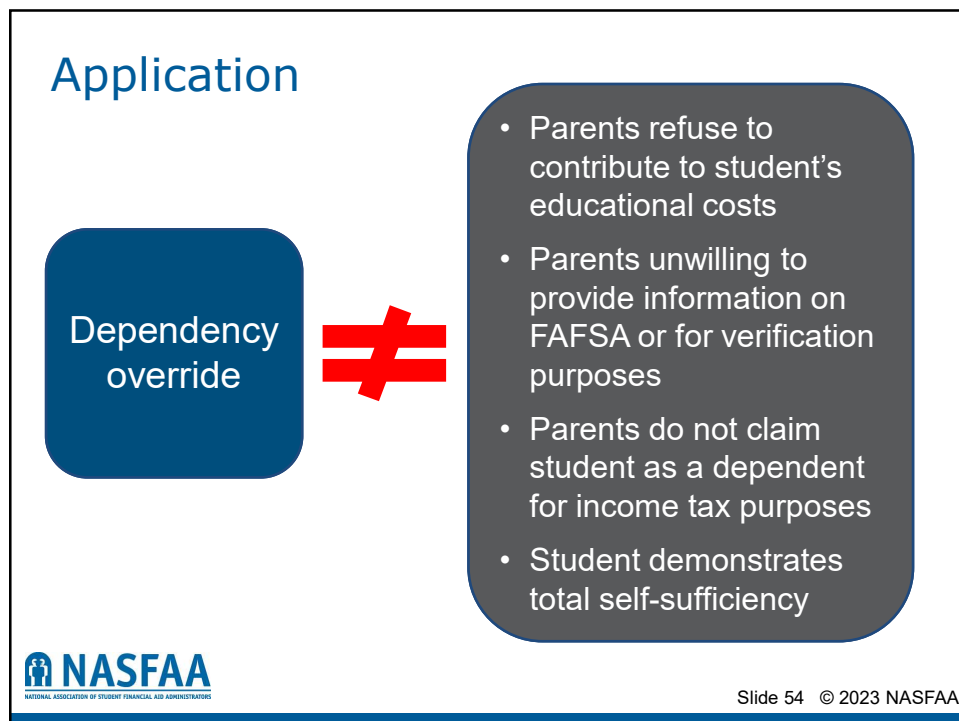


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53








54



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Dependency Status

Documentation	
	Signed statement from student
	Letters from knowledgeable third parties
	Student's IRS tax return or tax transcript
	Documented interview between student and FAA
	Court documents

55

Example: Nadiya



- 18-year-old refugee from Ukraine
- Arrived in the United States without her parents who are in Ukraine
- Lived with her aunt and uncle who are U.S. citizens
- Contact with parents are limited and they do not support her financially

56



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Example: Natasha

Questions:

- Dependent or independent?
- Whose information belongs on her FAFSA?
- How does her parents' location and contact information factor in?
- Is her relationship with her parents a factor?
- What documentation would you request?



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Example: Christian

- 19-year-old student
- Convicted as a juvenile for distribution of drugs
- Earned his GED while incarcerated
- Restraining order prevents contact with parents
- Parents refuse to provide support



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Example: Christian

Questions:

- Dependent or independent?
- Does his situation warrant special consideration?
- How does refusal of parental support affect your decision?



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59

Quick Quiz:

1. Which of the following, by itself, would be a sufficient reason for overriding a student's dependency status to make the student independent?
 - ☐ The student is 22 years old and has been totally self-sufficient since graduating from high school at age 18.
 - ☐ The student's parents do not like the student's choice of schools and have refused to support her.
 - ☐ The student's parents do not claim the student as a tax exemption.
 - ☐ The student's parents will not complete the FAFSA.
 - ☐ The student's new stepfather threatens the student with physical violence when under the influence of alcohol.

Page 67



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Quick Quiz:

2. Why can a dependency override be done for a student selected for verification even before verification is complete?
3. Which of the following should a school consider when reviewing a request for a dependency override?
 - ☐ The dependency status of the student according to statute
 - ☐ Whether the circumstances are short-term or ongoing
 - ☐ The student's grades
 - ☐ The student's COA

Page 67



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61

Quick Quiz:

4. A school may have a policy of denying all professional judgment requests related to unusual circumstances.
 - ☐ True
 - ☐ False
5. A school can document an interview between the student and financial aid administrator.
 - ☐ True
 - ☐ False

Page 67



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Quick Quiz:

6. A student transfers to your school during the award year. At the previous school, the student was granted a dependency override. Which of the following is true?
- ☐ You have the option to accept the dependency override without requiring any additional documentation
 - ☐ You must accept the dependency override, and you must obtain a copy of all documentation used
 - ☐ A dependency override decision must be determined by the school disbursing Title IV funds to the student. The student must submit a new request for a dependency override and supporting documentation

Page 68



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63

Learning Activity

Page 69



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64



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Learning Activity: Dependency Status Overrides

1. Oliver's father died in a car accident when Oliver was 8. In the 10 years since, his relationships with his mother and stepfather have been rocky. On his 18th birthday, Oliver was cut off financially, and thrown out of the house. He has been staying with his uncle, his father's twin brother. He has a trust fund but cannot access it until he has completed a four-year degree, or he turns 25, whichever comes first. Oliver wants to attend your school in the fall but does not have the financial means.

Under Title IV statute, is he independent? ☐ Yes ☐ No

Can a dependency override be done? ☐ Yes ☐ No

Page 69



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Learning Activity: Dependency Status Overrides

2. Cyndi has been in the foster care system for the past 6 years. She's been in some trouble with the law for petty theft, usually for food or clothing items. Cyndi decides she would like to attend community college to get her associate degree in medical coding. She is 17, and recently completed high school through an alternative program, which allowed her to take courses at night.

Under Title IV statute, is she independent? ☐ Yes ☐ No

Can a dependency override be done? ☐ Yes ☐ No

Page 69



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Professional Judgment

Lesson 4

Using Professional Judgment in Originating Direct Loans



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67

Denial or Reduction of Direct Loan Eligibility

- Case-by-case basis
- Document the decision
- Notify borrower, in writing
- Do not discriminate on the basis of race, national origin, religion, sex, marital status, age, disability status, or income



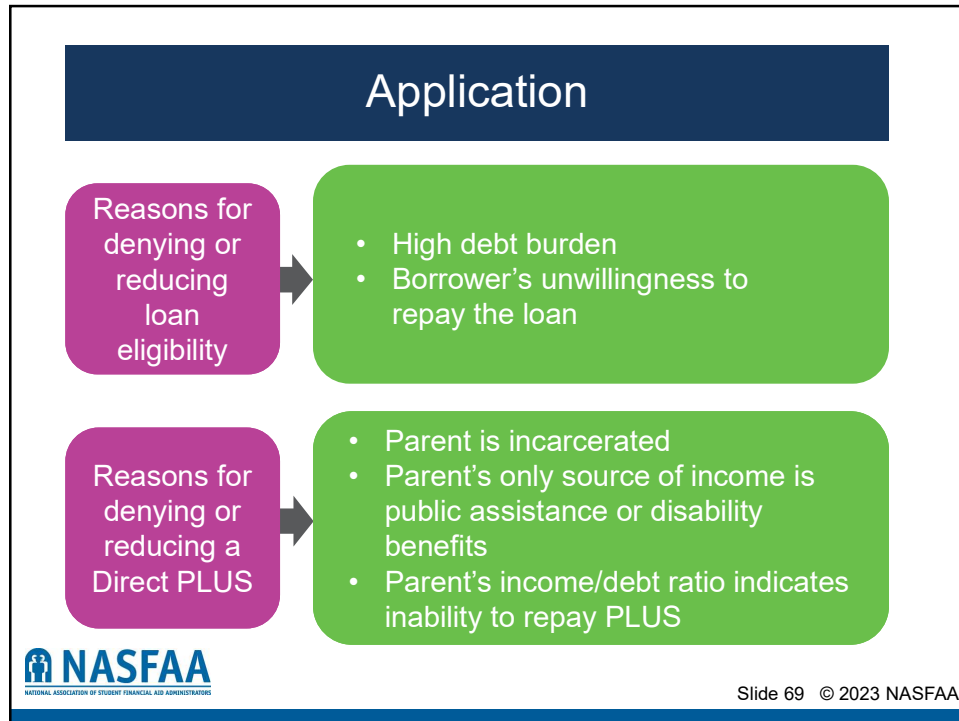
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68



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69

Documentation

Borrower	Third-Party
<p>Conversation with the borrower</p> <p>Signed statement from borrower of unwillingness to repay</p> <p>Documentation of previous history of unwillingness to repay</p>	<p>NSLDS shows high debt burden</p> <p>Documentation from career services office showing average starting salaries in various fields</p>

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Example: Rachel

- Rachel overhears a conversation
- Michael states he is not going to repay his loans
- Michael is Rachel's next counseling appointment



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Example: Rachel

Questions:

- Would you take what you overheard seriously?
- Would you consider denying or reducing Michael's loan based on his comments?
- What documentation would you include in Michael's file?
- Would you ask more questions to find out his true motives in getting financial aid?



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Direct Unsubsidized Loan for Dependent Student without Parental Data

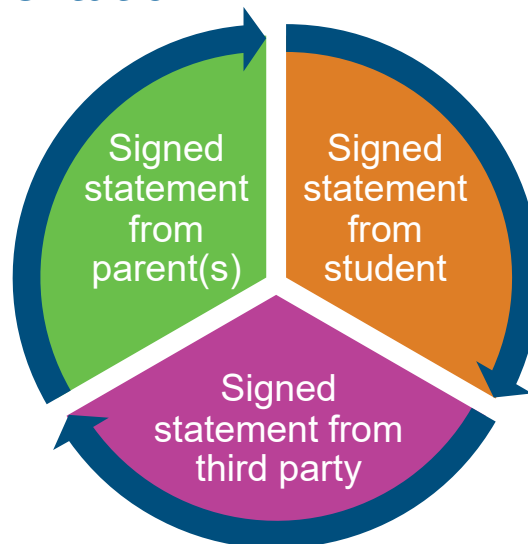
- Option available to students whose parents ended financial support or refuse to file the FAFSA
- Parent refusal to file the FAFSA is not grounds for a dependency override



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Documentation



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Example: Eva

- Eva is a junior
- Applied as dependent for the previous two years
- Recent argument with her parents resulted in their refusal to provide FAFSA information
- Eva is living with a relative
- Tom meets with Eva to discuss her situation



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Example: Eva

Questions:

- Does Eva's situation warrant special consideration?
- Would you ask other questions about Eva's family situation? If so, what?
- What documentation would you request?
- What adjustments would you make?



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Quick Quiz:

1. What are two reasons a financial aid administrator may deny or reduce a Direct Loan for an eligible borrower?
2. A financial aid administrator may base denial or reduction of student loan eligibility on a past or current bankruptcy.
 - ☐ True
 - ☐ False

Page 78



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77

Quick Quiz:

3. Statute and regulation require the financial aid administrator, in denying or reducing loan eligibility, to:
 - ☐ Make a determination for a whole category of students
 - ☐ Do so if the student has recently filed for bankruptcy
 - ☐ Document the student's file and notify the student or parent borrower in writing of the decision and why
 - ☐ Make determinations on a case-by-case basis
 - ☐ Legally discriminate against an applicant in obtaining a loan based on race, national origin, religion, sex, marital status, age, disability status, or income

Page 78



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Quick Quiz:

4. If a student can obtain it, what documentation should be provided to a financial aid administrator if the student's parents refuse to file the FAFSA or have stopped parental support?
5. For a dependent student whose parents refuse to provide FAFSA data, the school may originate an _____ loan at its discretion; the amount originated is limited to the _____ unsubsidized loan annual loan limit, plus _____ in additional unsubsidized loan funds.

Page 78



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Would you consider denying or reducing a student's Direct Loan or Direct PLUS due to an expressed unwillingness to pay? Why?

Page 79



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Marguerite's daughter, Kayleigh, will be a sophomore this year at your institution. Last year, Marguerite was denied the Direct PLUS Loan. Kayleigh borrowed additional unsubsidized loan. This year, Marguerite was approved. Marguerite asks you to deny the parent PLUS.

Would you deny it so Kayleigh could access the additional unsubsidized loan? What documentation would you collect?

Page 79



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Dylan comes to your office stating his parents had cut him off financially. He documents his situation, and you exercise your authority to use PJ. Subsequently, you find out the portion of his tuition bill not covered by his financial aid was paid with his parents' credit card.

What would you do?

Page 79



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What policies and procedures would you have in place related to making a PJ decision based on high debt burden?

What would you include as possible forms of documentation?

Would you provide examples of situations in which an appeal may be considered?

Page 79



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Learning Activity

Page 80



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Learning Activity: What Would You Do?

1. Avery will be a graduate student. After receiving a baccalaureate degree, Avery defaulted on their Direct Loans. Since then, they found a job and fully repaid their defaulted Direct Loan. They want to borrow again.

Would you consider reducing or denying Avery's eligibility for a loan?

Would the amount that Avery wanted to borrow influence your decision?

Page 80



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85

Learning Activity: What Would You Do?

1. Avery will be a graduate student. After receiving a baccalaureate degree, Avery defaulted on their Direct Loans. Since then, they found a job and fully repaid their defaulted Direct Loan. They want to borrow again.

What if Avery had not fully repaid the defaulted loan, but made satisfactory repayment arrangements with her lender?

If you decided to deny or reduce her loan amount, how would you document the reason for your decision?

Page 80



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Learning Activity: What Would You Do?

2. Tyson is a dependent freshman. His parents believe he should be responsible for his college expenses, so they will not provide their information for his FAFSA. Tyson and his parents maintain a good relationship and he continues to live in their home and receive other financial support from them. Does Tyson's situation warrant special consideration?

Would you ask other questions about the family situation? If so, what would you ask?

Page 81



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Learning Activity: What Would You Do?

2. Tyson is a dependent freshman. His parents believe he should be responsible for his college expenses, so they will not provide their information for his FAFSA. Tyson and his parents maintain a good relationship and he continues to live in their home and receive other financial support from them. What documentation would you request?

What adjustments would you make?

Page 81



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Thank you for attending!



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91

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