PROFESSIONAL JUDGMENT

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U.S. Department of Education
2023 PacFAA Annual Conference
AGENDA

1. Professional Judgment (PJ) Overview
2. Types of Professional Judgment
4. Professional Judgment in Practice
5. Scenarios
6. Resources
PROFESSIONAL JUDGMENT (PJ) OVERVIEW
WHAT IS PROFESSIONAL JUDGMENT?

HEA SEC. 479A: DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS (20 USC §1087tt)

Financial aid administrators have the authority, based on adequate documentation, to adjust on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected family contribution to allow for treatment of an individual eligible applicant with special circumstances.
(a) SPECIAL CIRCUMSTANCES

HEA SEC. 479A: DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS (20 USC §1087tt)

Special circumstances are conditions that differentiate an individual student from a class of students.

Special circumstances are not conditions that exist across a class of students.

Aid administrators may not deviate from expected contributions if there are no special circumstances.
(a) SPECIAL CIRCUMSTANCES

HEA Sec. 479A: Discretion of student financial aid administrators (20 USC §1087tt)

EXPENSES

• Tuition at elementary or secondary school
• Medical, dental, or nursing home (not covered by insurance)
• Unusually high child or dependent care costs

INCOME

• Recent unemployment of family member or independent student
• Dislocated worker (as defined in Section 3102 of Title 29)
(a) SPECIAL CIRCUMSTANCES

HEA Sec. 479A: Discretion of student financial aid administrators (20 USC §1087tt)

OTHER

• Number of parents enrolled at least half-time in credentialed program at eligible institution
• Change in housing status resulting in homelessness
• Other changes in family’s income or assets, or student’s status
(b) ADJUSTMENTS TO ASSETS

HEA Sec. 479A: Discretion of student financial aid administrators (20 USC §1087tt)

FARM OR BUSINESS

• Exclude from family income any proceeds of sale of family farm or business assets if sale results from
  • Voluntary or involuntary foreclosure
  • Forfeiture
  • Bankruptcy/involuntary liquidation
(b) ADJUSTMENTS TO ASSETS

HEA Sec. 479A: Discretion of student financial aid administrators (20 USC §1087tt)

STUDENT DISABILITY

• Adjust award level of student with disability to take into consideration additional costs such student incurs as result of such disability
(c) REFUSAL OR ADJUSTMENT OF LOAN CERTIFICATIONS

HEA Sec. 479A: Discretion of student financial aid administrators (20 USC §1087tt)

INDIVIDUAL STUDENT DECISION

- Refuse to certify Federal Direct Loans
  - or
- Certify loan amount or make loan less than student’s determination of need
  - Must document reason for action and notify student in writing
  - Must not discriminate on basis of race, national origin, religion, sex, marital status, age, or disability status
2023-24 FAFSA SIMPLIFICATION ACT CHANGES (1 OF 4)

HEA SEC. 479A — PROFESSIONAL JUDGMENT

• Prohibits IHE and FAA from denying all PJ or DO requests
• Requires IHE publicly disclose option to pursue adjustments due to circumstances
• Requires IHE develop policies and procedures for reviewing PJ requests
2023-24 FAFSA SIMPLIFICATION ACT CHANGES (2 OF 4)

HEA SEC. 479A — PROFESSIONAL JUDGMENT

• Defines special vs. unusual circumstances
  • Special circumstances ➔ Adjustments to COA or data elements affecting EFC
  • Unusual circumstances ➔ Dependency overrides Defines adequate documentation
HEA SEC. 479A — PROFESSIONAL JUDGMENT

• Codifies PJ during disaster, emergency, or economic downturn
• Moves dependency override (DO) with other Professional Judgment adjustments
• Provides improved help text on FAFSA for unusual circumstances
HEA SEC. 479D — SPECIAL RULES FOR INDEPENDENT STUDENTS

• Determination process for unaccompanied homeless youth
• Documentation process for foster care youth
• Timing of making independence determinations
• Use of earlier determinations
TYPES OF PROFESSIONAL JUDGMENT
ADJUSTMENTS TO COST OF ATTENDANCE (COA)
CATEGORIES FOR MOST STUDENTS

• Tuition and Fees
• Books and Supplies
• Room and Board
• Transportation
• Miscellaneous Personal Expenses
• Loan fees
COA ALLOWABLE COSTS (2 OF 2)

CATEGORIES AS APPLICABLE

- Dependent care
- Disability-related expenses
- Study abroad
- Cooperative education
- First professional licensure or certificate
PJ AND COST OF ATTENDANCE

Use PJ to adjust COA categories for special circumstances on case-by-case basis.

Do not use PJ to create new COA categories for special circumstances.

Costs must be incurred during period of enrollment.
ADJUSTMENTS TO DATA ELEMENTS AFFECTING EFC
DATA ELEMENT ADJUSTMENTS

USE PJ TO CHANGE FAFSA FORM DATA ELEMENTS

- Income
- Taxes paid
- Assets
- Household size
- Number in college
INCOME PROTECTION ALLOWANCE (IPA)

- Intermediate value of EFC calculation
- Allowance against total income for basic living expenses
- Published annually in the Federal Register
- IPA amount varies by dependency status, household size, number in college
IPA ALLOCATIONS

- Food: 30%
- Housing: 11%
- Clothing/Personal Care: 12%
- Other Family Consumption: 16%
- Medical: 22%
- Transportation: 9%
The Income Protection Allowance (IPA) is found on the ISIR, under FAA Information. Review the IPA when considering a PJ adjustment to the FAFSA data elements.
**Intermediate Values**

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**Verification Selection Flag**
- EFC Change Flag
- EFC increase
- Special Circumstance Flag
- Auto Zero EFC Flag
- SNT Flag: No

**Dependent Override Indicator**: V1
IPA ALLOCATION

Example

IPA = $26,830

- 30% Food Allowance = $8,049
- 22% Housing Allowance = $5,902
- 16% Clothing/Personal = $4,293
- 12% Other Family Consumption = $3,220
- 11% Medical = $2,951
- 9% Transportation = $2,415
DEPENDENCY OVERRIDES
AUTHORITY TO MAKE DEPENDENCY ADJUSTMENT

HEA SEC. 480(d)(1)(I) DEFINITIONS (20 U.S.C. §1087vv)

(d)(1) Definition of an independent student

The term “independent”, when used with respect to a student means any individual who–

...(I) is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.
DEPENDENCY STATUS CHANGES

DEPENDENCY OVERRIDE

• Only change dependent student to independent
• Student must have unusual circumstances
• FAA must make determination using adequate supporting documentation
PARENTS REFUSAL TO SUPPORT STUDENT
PARENTS REFUSAL TO SUPPORT STUDENT

Question
Can I complete a dependency override if the student’s parents refuse to provide support and refuse to complete the FAFSA form, but the student does not otherwise have unusual circumstances?

Answer
This situation does not justify a dependency override. But with proper documentation, an institution may award only Direct Unsubsidized Loan funds to the dependent student—up to the applicable annual loan limit for a dependent undergraduate. This is a professional judgment decision.
AWARDING UNSUBSIDIZED LOAN (1 OF 2)

STUDENT’S ACTIONS

- Student must complete FAFSA form to confirm eligibility through database matches
- Student self-certification of non-support—not sufficient documentation
AWARDING UNSUBSIDIZED LOAN (2 OF 2)

DOCUMENTATION REQUIRED

• Obtain signed and dated statement from one parent
  • Parent(s) stopped providing financial support
  • Parent(s) will not provide future financial support
  • Date financial support ceased
  • Parents refuse to complete FAFSA form

• Third-party statement acceptable if parents refuse to provide statement
DOCUMENT, DOCUMENT, DOCUMENT
HEA SEC. 479A: DISCRETION OF STUDENT FINANCIAL AID ADMINISTRATORS (20 USC §1087tt)

Financial aid administrators have the authority to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the award amounts when exercising professional judgment.
DOCUMENTATION RESPONSIBILITIES

STUDENT

• Provide adequate documentation

• Provide documents requested by institution

INSTITUTIONAL

• Document PJ process

• Document PJ decision

• Retain documents
STUDENT DOCUMENTATION
SUPPORTING DOCUMENTATION OF SPECIAL CIRCUMSTANCE

• Information not captured on FAFSA form or supplemental application
• Varies by circumstance
• Institutional PJ/DO form (optional)
EXAMPLES OF DOCUMENTATION

EXTERNAL DOCUMENTATION

• Statements from student, parent, spouse
• Statement from third parties
• Court/legal documents
• Contracts/leases
• Utility bills
EXAMPLES OF DOCUMENTATION

EXTERNAL DOCUMENTATION

• Tax returns and schedules/W-2s/paycheck stubs
• Notice of unemployment benefits
• Asset information
• Payment receipts/statements/cancelled checks
EXAMPLES OF DOCUMENTATION

INTERNAL DOCUMENTATION

- Documented conversations with FAA
- Statements from institutional faculty or staff
- Housing contracts
- Student account ledger/statement
- Loan debt information
INSTITUTIONAL DOCUMENTATION
POLICIES AND PROCEDURES

- Outline process (include appealing decision, if applicable)
- Identify decision-making team
- Document special circumstances to consider
DOCUMENT DECISION

INSTITUTIONAL DOCUMENTATION OF PJ DECISION

- Documentation requested/received
- Committee’s decision (outcome)
- Justification for decision (audit trail)
- Name(s) and title(s) of decision-making team
- Decision date
DOCUMENT RETENTION

34 CFR 668.24(c), (d), and (e)

• Retain all supporting documents from student
• Retain all institutional records
• Follow record maintenance and record retention period requirements
PROFESSIONAL JUDGMENT IN PRACTICE
PJ IN PRACTICE

NEED ANALYSIS
• Change data items and recalculate EFC
• Adjust COA elements

NO PARENTAL SUPPORT
• Complete dependency override
• Award Direct Unsubsidized Loan to dependent student without parental FAFSA data

OTHER
• Deny or reduce Direct Loan eligibility
PJ PROCESS

1. Initiate request/receive documentation
2. Convene PJ committee
3. Evaluate each case individually
4. Follow set policies and procedures
5. Ask questions
6. Follow up as necessary
7. Document decision
STUDENT INITIATES PJ REQUEST

- FAFSA® form instructions/help page
- Meeting with financial aid advisor
- Institution’s student consumer information disclosures
  - Explanation of PJ and Dependency Override
  - Examples of special or unusual circumstances
  - Examples of circumstances that do not merit consideration
  - Examples of required documentation
  - Instructions on how to submit request
INSTITUTION RECOMMENDS PJ PROCESS

- Request for assistance from student or parent(s)
- Meeting with student
- Reviewing financial aid application(s) or notes in student’s record
ASK QUESTIONS DURING EVALUATION (1 OF 2)

- Is the situation a special or unusual circumstance?
- Did the student submit all requested documentation?
- Does the documentation substantiate the circumstance?
ASK QUESTIONS DURING EVALUATION (2 OF 2)

Are there additional questions to ask the student or family?

Is additional documentation required?

What reasonable adjustments can we make?
PJ IS NOT TO... (1 OF 2)

- Circumvent Title IV law or regulations
- Waive general student eligibility requirements
- Automatically provide identical treatment to all students with similar circumstances
- Circumvent FSEOG selection criteria
PJ IS NOT TO... (2 OF 2)

• Change EFC number directly
• Alter EFC Formulas or table values
• Change student from independent to dependent
• Include post-enrollment expenses in COA (one exception)
Question

Can I make a professional judgment adjustment after the student ceases enrollment? We found out that a student withdrew because their parents lost their jobs due to the national emergency.

Answer

An institution is not permitted to exercise professional judgment after the student ceases to be eligible. The law states that the FAA’s authority to completed PJ extends to “an individual **eligible** applicant with special circumstances”. And a student no longer is an eligible applicant at the point they no longer are enrolled.
VERIFYATION AND PROFESSIONAL JUDGMENT

- Verify selected students first
- Exercise professional judgment second

- May complete both verification and PJ on same transaction
- No need to verify information PJ entirely removed
- No need to verify non-selected application prior to exercising PJ
SCENARIOS
Joshua is enrolled in the Chemical Engineering program and has documented textbook expenses of $2,100. The institution uses an average of $700 for books and supplies in the COA.

How would you manage this request?
ADJUSTMENTS TO COA #2

DEPENDENT CARE

Olivia has $19,000 in documented dependent care expenses for her autistic child. The institution typically allots an average of $7,500 for dependent care expenses.

How would you manage this request?
Laura is a dependent student. Her parents submitted an appeal for additional financial aid funds. Her father, an attorney, lost his job at the law firm. His prior-prior year AGI was $700,000. In the appeal, Laura’s father states that he is looking for a new job and expects his income to be anywhere from $89,000 to $500,000.

How would you manage this request?
MEDICAL EXPENSES AND IPA

Max is a dependent student. His parents submit a request to consider $10,000 in documented out-of-pocket medical expenses for a recent surgery. The IPA on Max’s ISIR is $26,830. The portion of the IPA that covers medical care is $2,951 (11% of $26,830).

How would you manage this request?
HOUSING AND IPA

Jackie is a dependent student. Her parents submit a request to consider $20,000 in expenses for a second household because Jackie’s mother received an out-of-state job transfer. The IPA on Jackie’s ISIR is $50,090. The portion of the IPA that covers housing is $11,020 (22% of $50,090).

How would you manage this request?
SPECIAL CIRCUMSTANCES AND COVID-19

• ED encourages FAAs to use professional judgment for students/families affected by COVID-19 or unemployment

• Increased use of PJ not negatively viewed through 2022-23

• Dear Colleague Letter Updated April 29, 2022 (GEN-21-02)
REFERENCES (1 OF 2)

- Higher Education Act, Sections 479A, 479D, and 480
- U.S. Code, Sections 1087tt and 1087vv
- Consolidated Appropriations Act, 2021
- 34 CFR 685.301(a)(8) – Refuse or reduce loan
REFERENCES (2 OF 2)

• Federal Register Notice: FAFSA Simplification Act Implementation 2023-2024

• DCL ID: GEN-22-15 PJ & Independent Student Status Sections

• Federal Student Aid Handbook
  • AVG, Chapter 5: Special Cases
  • Volume 3, Chapter 2: Cost of Attendance (Budget)
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