



# Professional Judgment

2017 SASFAA Annual Conference  
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February 2017



# 2017 SASFAA Annual Conference

## Professional Judgment

### Table of Contents

Slides .....	1
NASFAA Guide to Addressing Special Circumstances Using Professional Judgment .....	33
Professional Judgment .....	49
Definition of Professional Judgment.....	49
Unusual Circumstances.....	50
Purpose and Principles of Professional Judgment.....	50
Triggers for Use of Professional Judgment .....	51
Areas of Professional Judgment.....	52
Dependency Status .....	52
Current Statute.....	52
Dependency Status Applications.....	52
Need Analysis.....	53
Current Statute.....	53
Expected Family Contribution .....	53
Projected-Year Income .....	53
Cost of Attendance .....	54
Current Statute.....	54
Denial or Reduction of Direct Loan or Direct PLUS Eligibility .....	55
Current Statute.....	56
Direct Loan Program Regulations—CFR 685.301(a)(8) .....	56
Direct Unsubsidized Loan Eligibility for a Dependent Student Without Parental FAFSA Data .....	56
Current Statute.....	56
Satisfactory Academic Progress .....	57
Current Statute.....	57
Administrative Capability—34 CFR 668.16(e) .....	58
Student Eligibility – General—34 CFR 668.32(f) .....	58
Student Eligibility – Satisfactory Academic Progress—34 CFR 668.34 .....	58
Student Consumer Information Regulations—34 CFR 668.42(c) .....	61
Some Areas Where Professional Judgment Does Not Apply .....	61

Professional Judgment Documentation ..... 61

- Types of Professional Judgment Documentation ..... 61
- Institutional Professional Judgment Forms..... 62
- Documentation Maintenance ..... 62
- Professional Judgment Policies and Procedures ..... 62

DCL GEN-16-03 – February 11, 2016 – Use of Professional Judgment When Prior-Prior Year  
Income is Used to Complete the Free Application for Federal Student Aid (FAFSA) ..... 63

Q & A From ED’s Early FAFSA FAQ ..... 65

# Professional Judgment



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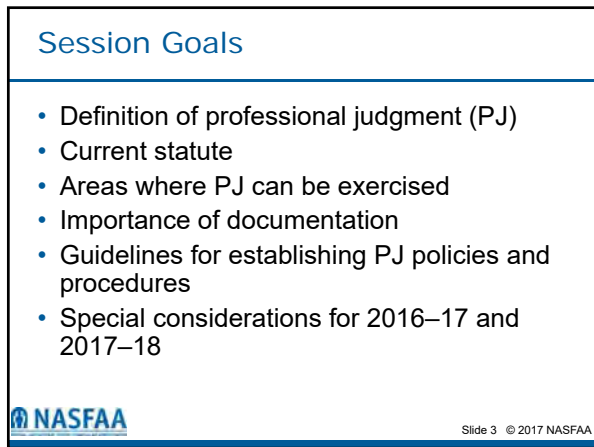
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# Professional Judgment

## HEA Section 479A

- Authority
  - Established in Section 479A of the Higher Education Act of 1965, as amended (HEA)
- Financial aid administrator (FAA) may exercise discretion in a number of areas when an applicant has special or unusual circumstances



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## Definition of Professional Judgment

PJ is the discretion granted to financial aid administrators by law to override dependency status and make adjustments to need analysis, including data elements used to calculate the expected family contribution (EFC) and costs within the cost of attendance (COA) components



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### Professional Judgment Current Statute: HEA Section 479A

#### (a) In general

Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution for both to allow for treatment of an individual eligible applicant with special circumstances.

#### (a) In general

Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution for both to allow for treatment of an individual eligible applicant with special circumstances.

#### (B) Adjustments to assets taken into account

A financial aid administrator shall not be considered to be making a necessary adjustment in accordance with subsection (a) of this section if:

- (1) the administrator makes adjustments involving family assets in any category of a case of loss or business assets of a family if such loss results from a voluntary or involuntary foreclosure, forfeiture, or liquidation of an investment obligation; or
- (2) the administrator makes adjustments in the asset level of a student with a disability on an individual basis.

#### (C) Refusal or adjustment of loan certifications

On a case-by-case basis, an eligible institution may refuse to certify a borrower that permits a student to receive a loan under part (B) or (C) of this subsection, or may certify a loan amount or make a loan that is less than the student's determination of need on different terms than this part, if the reason for the action to discontinue or provide it on different terms is the student. No eligible institution shall discriminate against any borrower of approval of financing a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.



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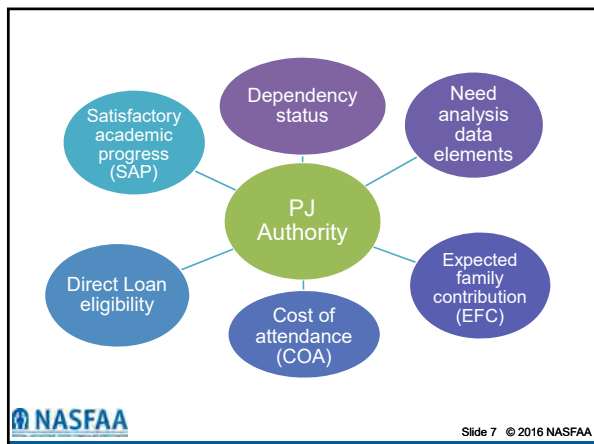
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# Professional Judgment



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### Examples of Unusual Circumstances

- Loss of employment
- Unusual uncovered medical/dental expenses
- Elementary or secondary school tuition for student's siblings or dependents
- Extraordinary dependent care expenses
- Divorce
- Death of dependent student's parent or independent student's spouse

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### Definition of Professional Judgment

- The U.S. Department of Education (ED) encourages the use of PJ for affected individuals under the Higher Education Relief Opportunities for Students (HEROES) Act of 2003
  - Active military duty during war or other military operation or employed in a declared disaster area
  - *Federal Register*, 9/30/17, pp. 59311-59318
- PJ is not regulated by ED

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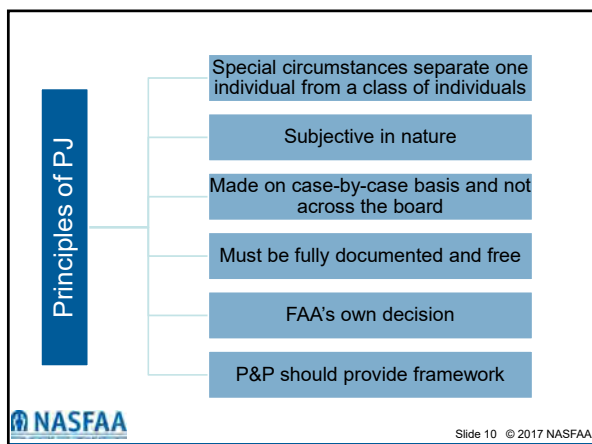
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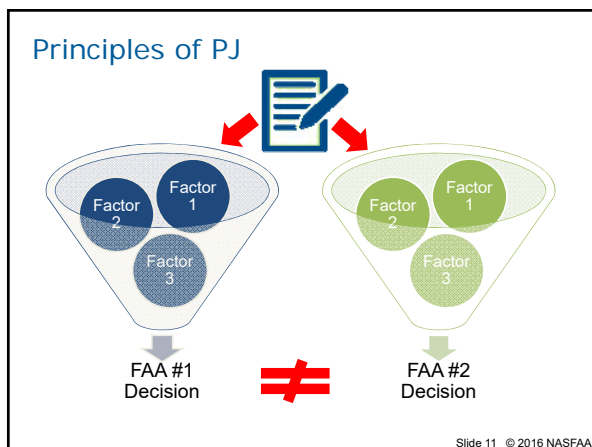
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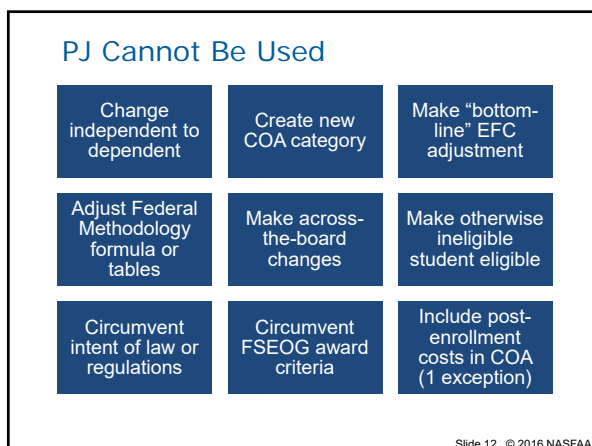
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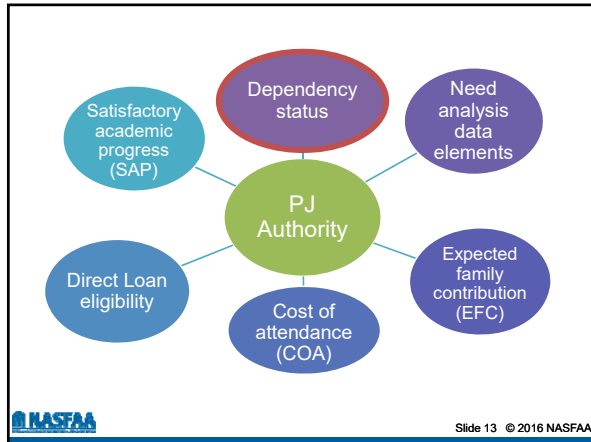
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# Professional Judgment




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**Professional Judgment**  
Current Statute: **HEA Section 479A**

**(a) In general**  
Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances.

**(b) Adjustments to assets taken into account**  
A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) of this section if—  
(1) the administrative action, adjustments, including from family income and property of a user of fees for tuition, results of a family if such user results from a voluntary or involuntary foreclosure, bankruptcy, liquidation, or an involuntary liquidation; or  
(2) the administrator makes adjustments in the parent level of a student with a disability so as to take into consideration the additional costs such student incurs as a result of such student's disability.

**(c) Refusal or adjustment of loan certifications**  
On a case-by-case basis, an eligible institution may refuse to certify a statement that permits a student to receive a loan under part (b) or (c) of this subsection, or may certify it less generous in order to ensure that it meets the student's determination of need (as determined under this part), if the reason for the action is documented and proposed in writing to the student. No eligible institution shall discriminate against the borrower of applicant in offering a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.

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*HEA 480(d)(1)(I)*

**(d) Independent student**  
**(1) Definition**  
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.

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# Professional Judgment

### Dependency Status Adjustments

- FAA has PJ authority and responsibility
- PJ decisions are made only in response to student's unusual circumstances
- Decisions must be based on adequate documentation
- May only override dependency status from dependent to independent (not vice versa)

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### Dependency Status Adjustments

PJ policies regarding adjustments to state and institutional aid may vary by state and institution

- Important to establish and document policies and procedures for these types of adjustments
- Allows for consistent treatment across all financial aid programs

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### Dependency Status

Documentation	
	Signed statement from student
	Letters from knowledgeable third parties
	Student's IRS tax return or tax transcript
	Signed statement from parents
	Court documents

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# Professional Judgment

**NASFAA Guide to Addressing Special Circumstances Using Professional Judgment**

This table outlines circumstances that may warrant special review. It presents possible considerations and offers some potential adjustments you might consider when making your professional judgment (PJ) decision. With each circumstance, you will find examples of documentation you might collect and evaluate in making your decision. 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 your PJ decision. 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"> <li>Letter from student</li> <li>Letters from knowledgeable third parties (e.g., counselors, teachers, clergy, other relatives, social workers, prison administrators, etc.)</li> <li>Student's tax return or other documentation of resources or in-kind support</li> <li>Parent tax returns</li> <li>Statement from parents</li> </ul> <p><i>Note:</i> In cases of true estrangement, attempts to collect documentation from parents might be undesirable or impossible.</p>	<ul style="list-style-type: none"> <li>What is the nature of the student's estranged relationship with parents?</li> <li>What are the detailed reasons for the break in the student-parent relationship?</li> <li>Is the break in the student-parent relationship temporary or ongoing in nature?</li> <li>Is the student estranged from both parents?</li> <li>What is the third party's relationship to the student?</li> <li>Is the third party unbiased?</li> <li>Does the third-party testimony confirm or support the claim of estrangement, abuse, abandonment, etc.?</li> <li>Does the student's income or other resources justify the claim of living without parental support?</li> <li>Could the student reasonably survive on the resources listed?</li> <li>Does someone else claim the student as a dependent for tax purposes? If so, who?</li> <li>Did the parent(s) claim the student as a dependent in the current or prior year, or will they claim the student next year?</li> <li>If the parent(s) did claim the student, would that have any bearing on the student's claim of estrangement?</li> </ul>	<ul style="list-style-type: none"> <li>Dependency override</li> <li>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).</li> </ul>

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## Example—Ariel Arkin

- 17-year-old, unmarried freshman
- Lives with grandparents who provide all her financial support
- Parents are divorced and unable to care for her
- Grandparents are not adoptive parents or legal guardians
- Parents both live in other states; sporadic communications
- Parents send occasional gifts but not regular financial support



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## Example—Ariel Arkin

**Mother:**

- Single; low-paying job; another daughter
- Willing to complete FAFSA
- Cannot afford to support Ariel

**Father:**

- Remarried; well-paying job; 3 other children
- Provides no support to Ariel
- Refuses to complete FAFSA or other forms



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# Professional Judgment

## Questions to Ask

- Dependent or independent by statutory definition?
- If dependent, whose data should be on FAFSA?
- Does mother's situation make it unreasonable to expect contribution from her?
- What about father's unwillingness and historical lack of support?
- How would you characterize parent relationships?
- What documentation would you collect?



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## Dependency Override: Initial Application

- Student
  - respond to dependency questions correctly
  - complete only student sections of paper FAFSA
- FAA
  - Complete "College Use Only" area on paper FAFSA; or
  - Use FAA Access to CPS Online
    - Dependency Override code "1"



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## Dependency Override: Processed Application

- FAA
  - Use FAA Access to CPS Online to authorize or cancel and override
  - To use another school's dependency override, student must
    - Add your school to the transaction
    - Provide you with the data release number (DRN) allowing you to access the record



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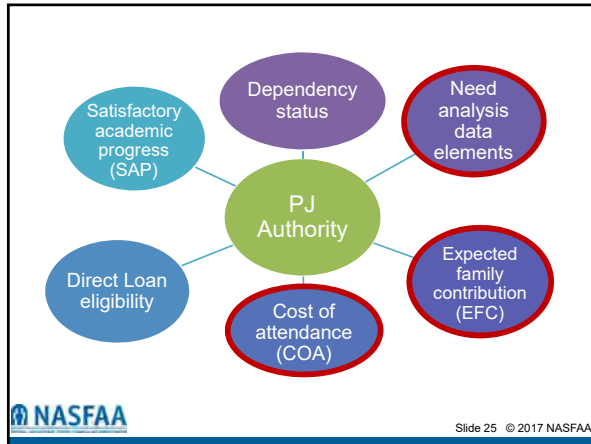
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# Professional Judgment




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**Professional Judgment**  
Current Statute: HEA Section 479A

**(a) In general**  
Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution for both to allow for treatment of an individual eligible applicant with special circumstances. However, the authority shall not be construed to permit aid administrators to deviate from the contributions specified in the substance of special circumstances. Special circumstances that include tuition payment of an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, Unusually High Child Care or Dependent Care Credit, special circumstances that include tuition payment of an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, Unusually High Child Care or Dependent Care Credit, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 1044 of this title, a change in housing status that results in an increased family income as defined in section 11822 of title 42, or other changes in a family's income, a family's assets, or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students, rather than a class of students.

**(a) In general**  
Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution for both to allow for treatment of an individual eligible applicant with special circumstances.

**(b) Adjustments to assets taken into account**  
A student's financial aid administrator shall not be required to use making a discretionary adjustment in accordance with subsection (a) of this section if—  
(1) the administrator makes adjustments resulting from family income and property of a size of item to determine assets of a family if such item results from a voluntary or involuntary bankruptcy, hardship, or disability; or  
(2) the administrator makes adjustments on the asset level of a student with a disability to do so that the administrator the additional costs such student incurs as a result of such student's disability.

**(c) Method for adjustment of loan certifications**  
On a case-by-case basis, an eligible institution may choose to verify a statement that permits a student to receive a loan under part B or C of this subchapter, or may verify a loan amount or make a loan that is less than the student's demonstrated financial need, or determine a loan that is less than the amount for the student to be received and proceed in either item to the student. An eligible institution shall disclose to the student any portion of adjustment of financial aid based on the basis of the student's status, income, size, market value, age, or disability status.

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**Need Analysis Adjustments**

- PJ adjustments can be made to:
  - EFC data elements; and
  - COA components
- Verification, *if selected*, and/or resolution of conflicting information must be completed before exercising PJ

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# Professional Judgment

## Need Analysis Adjustments

The law does not:

- Require you to apply PJ when you encounter special circumstances;
- Restrict your authority to exercise PJ in just those situations; or
- Permit you to make across-the-board adjustments



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## EFC Data Element Adjustments

- Federal Methodology (FM) uses prior-prior-year (specified-year) income effective 2017–18
- Only adjust individual EFC data elements
- No “bottom-line” EFC adjustments or changes to FM formula permitted
- All adjustments must be reprocessed by Central Processing System (CPS)



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## EFC Data Element Adjustment

- Karen, a independent student, will be an entering freshman in Fall 2017
- Reported \$15,000 in her savings on the 2017–18 FAFSA
- The funds were received from an insurance settlement resulting from a car accident
- Karen has since used those funds to pay medical expenses incurred as a result of the car accident
- Karen has asked for an adjustment to exclude the \$15,000



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# Professional Judgment

## EFC Data Element Adjustment

- What documentation would you ask for from Karen?
- What factors would you take into consideration before making an adjustment?
- If an adjustment is made, what data element would you adjust?
- Are there any other considerations?



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## EFC Data Element Adjustment

- William, a dependent student, will be a junior in the upcoming fall semester
- He and his family have come to you to request consideration of special circumstances based on high medical expenses
- William's younger sister had medical costs in the amount of \$8,000 in the previous year



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## EFC Data Element Adjustment

- What documentation would you ask for from William and his family?
- What factors would you take into consideration before making an adjustment?
- If an adjustment is made, what data element would you adjust?
- Are there any other considerations?



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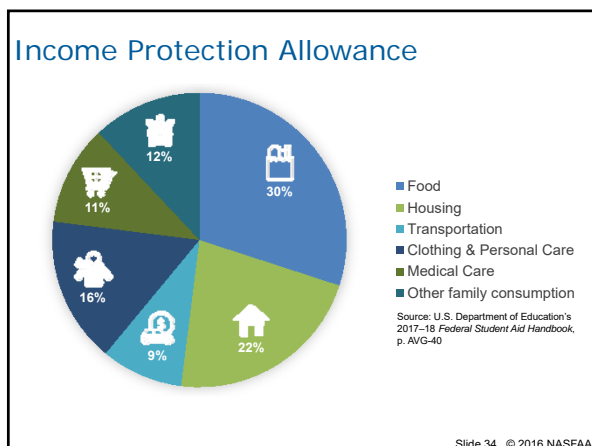
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# Professional Judgment



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### EFC Data Element Adjustments – Projected-Year Income

- May be appropriate to use projected-year income information
- Estimate of income that realistically reflects student's and/or family's current and near-term economic situation
  - calendar year
  - award year
  - other 12-month period



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### PPY Implementation Year

- GEN-16-03 Subject: Use of Professional Judgment When Prior-Prior Year Income is Used to Complete the Free Application for Federal Student Aid (FAFSA)
  - "With the transition from prior year income to prior-prior year income, financial aid administrators (FAAs) may see an increase in requests from students to consider making adjustments to their income to more accurately reflect the students' and families' current financial circumstances. Any action taken by FAAs in this regard is commonly known as the use of professional judgment."
  - "The Department encourages FAAs to use their professional judgment when appropriate to adjust income and other financial information used to determine the EFC"

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# Professional Judgment

## Need Analysis – Francesca Franz

- 2015:
  - Her father's annual salary was \$55,000; received a \$10,000 bonus
  - Her mother won \$5,000 on a slot machine
  - Winnings used to pay off a car loan.
  - Both were reported on the 2015 IRS Form 1040
- Father
  - Laid off April 1, 2016; received \$500/month in unemployment compensation
  - New job November 1, 2016; \$40,000 annual salary
- Mother does not work outside the home
- 2015 AGI: \$70,000
- 2016 AGI: \$23,915



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## Need Analysis – Francesca Franz

- Does Francesca's situation warrant special consideration?
- Would you adjust the data elements to reduce the EFC?
  - If so, what approach would you use to make the adjustment?
- What documentation would you collect?
- Would the fact the family used the winnings to pay off a car affect your decision? Why?
- What other factors would you consider?



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## Projected-Year Income – James Jones

- Returning to college for 2017–18 award year after taking time off from studies
- 2015: earned \$25,000 working full-time
- 2016: earned \$32,000 working full-time
- 2017: still employed in same position/salary
- Plans to quit his job in August 2017 to attend college full time



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# Professional Judgment

**Projected-Year Income – James Jones**

- Would it be reasonable to use an EFC based on James' 2015 income or his projected income? Why?
- If projected income were used, would you use:
  - An estimate of his income for the 2017 calendar year? (January 1 – Dec 31, 2017)
  - Estimate of income for the award year? (July 1, 2017 – June 30, 2018)
  - Another 12-month period?
- Why?

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**AskRegs Knowledgebase**

Question:

For the 2017–18 award year, when calculating need based on special consideration/professional judgement, which year's income is to be used?

For 2015–16, we have students who filed special consideration due to reduced income in 2016 compared to 2015. Now that 2015 information is being used again, families are concerned that students' aid will be based on the higher 2015 income.

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**AskRegs Knowledgebase**

Question:

What is the procedure for processing special consideration for 2017–18 and are we to require income amounts from 2016 or estimates for 2017?

If it is 2016, can the documentation collected for re-evaluation this academic year be used to process their request for 2017–18?

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# Professional Judgment

## AskRegs Knowledgebase

- For the 2016–17 award year, a student who requested special consideration due to reduced income in 2016 compared to 2015.
- School exercised PJ and used 2016 projected-year income for 2016–17.
- 2015 income information is being used again for 2017–18.
- Family is concerned that the student's aid will be based on the higher 2015 income.
- School is debating whether it should require income amounts from 2016 or estimates for 2017.
- If using 2016 income again, can they use the same documentation collected for the 2016–17 award year.



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## Projected-Year Income

- The use of PJ does not change due to the use of prior-prior year (PPY) income.
- You can exercise PJ to use projected-year income for any 12-month period that you deem appropriate to adequately address the family's financial circumstances.
- If you feel that 2016 or 2017 income more appropriately reflects the family's circumstances, then you may exercise PJ to use 2016 income again (instead of 2015 income) or 2017 projected-year income for the 2017–18 award year.



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## Projected-Year Income

- Document your determination in the student's file and indicate that PJ was used when submitting Institutional Student Information Record (ISIR) adjustments to the Central Processing System (CPS).
- If the circumstances persist from one year to the next, you can use the same documentation again only if it fully supports the continued use of PJ based on the same 2016 projected-year income.



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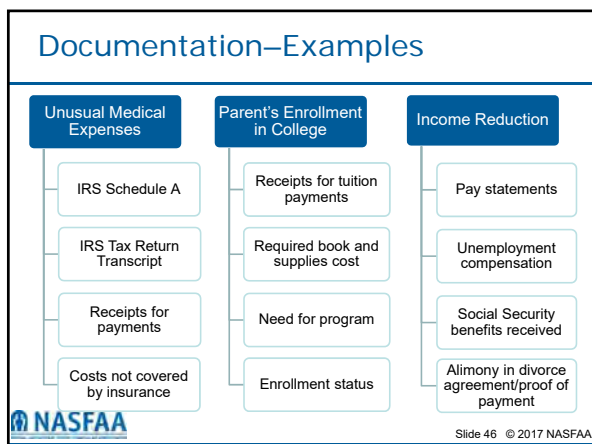
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# Professional Judgment



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### Cost of Attendance Adjustments

- COA components may be adjusted to reflect an individual's unusual circumstances
- Adjustments to COA must be made under categories defined in statute
  - Financial aid administrator may not create new cost categories using PJ

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### Cost of Attendance Adjustments

Costs must be those incurred by the student, for the student, for the period of enrollment, *except*:

- One-time post-enrollment cost of obtaining the first professional credential for a student in a program requiring professional licensure or certification if cost is incurred while still enrolled
- Food and shelter costs for dependent care when family income falls below IPA

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# Professional Judgment

## Cost of Attendance Components

-  Tuition and Fees
-  Room and board
-  Books and supplies
-  Transportation
-  Miscellaneous personal expenses

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## Basic COA Components

### Personal Computer Allowance

**HEA 472**

(2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, for a student attending the institution on at least a half-time basis, as determined by the institution;

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## Additional COA Allowances

### Dependent Care

**HEA 472**

(8) for a student with one or more dependents, an allowance based on the estimated actual expenses incurred for such dependent care, based on the number and age of such dependents, except that –

- (A) such allowance shall not exceed the reasonable cost in the community in which such student resides for the kind of care provided; and
- (B) the period for which dependent care is required includes, but is not limited to, class-time, study-time, field work, internships, and commuting time;

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# Professional Judgment

## Additional COA Allowances



### Disability-related Expenses

#### HEA 472

(9) for a student with a disability, an allowance (as determined by the institution) for those expenses related to the student's disability, including special services, personal assistance, transportation, equipment, and supplies that are **reasonably incurred and not provided for by other assisting agencies**;



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## Additional COA Allowances



### Cooperative Education

#### HEA 472

(11) for a student engaged in a work experience under a cooperative education program, **an allowance for reasonable costs associated with such employment** (as determined by the institution);



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## Additional COA Allowances



### Study Abroad

#### HEA 472

(7) for a student enrolled in an academic program in a program of study abroad **approved for credit** by the student's home institution, **reasonable costs associated with such study** (as determined by the institution at which such student is enrolled);



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# Professional Judgment

## Additional COA Allowances



### First Professional Credential

#### HEA 472

(13) at the option of the institution, for a student in a program requiring professional licensure or certification, the one-time cost of obtaining the first professional credentials (as determined by the institution).



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## Questions to Ask

PJ decision-making questions for need analysis include:

- What constitutes unusual circumstances?
- Is the student and/or family actually experiencing unusual circumstances?
- Is special treatment warranted?
- What should the special treatment be?
- What documentation is needed?



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## PJ or Not PJ? That is the Question!

- Unusually high expenses incurred by a student for enrollment in a study abroad program approved for credit by the student's home institution.



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# Professional Judgment

PJ or Not PJ? That is the Question!

- Unusually high expenses incurred by a student for enrollment in a study abroad program approved for credit by the student's home institution.

**PJ!**

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PJ or Not PJ? That is the Question!

- Reasonable expenses incurred by a student for enrollment in a study abroad program approved for credit by the student's home institution.

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PJ or Not PJ? That is the Question!

- Reasonable expenses incurred by a student for enrollment in a study abroad program approved for credit by the student's home institution.

**Not PJ!**

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# Professional Judgment

PJ or Not PJ? That is the Question!

- Documented dependent care expenses based on the number and age of dependents. Expenses fall within allowances provided for in the institution's policies and procedures.

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PJ or Not PJ? That is the Question!

- Documented dependent care expenses based on the number and age of dependents. Expenses fall within allowances provided for in the institution's policies and procedures.

**Not PJ!**

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PJ or Not PJ? That is the Question!

- Documented dependent care expenses based on the number and age of dependents. Expenses fall outside allowances provided for in the institution's policies and procedures.

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# Professional Judgment

PJ or Not PJ? That is the Question!

- Documented dependent care expenses based on the number and age of dependents. Expenses fall outside allowances provided for in the institution's policies and procedures.

**PJ!**

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PJ or Not PJ? That is the Question!

- The cost of a musical instrument incurred by a student majoring in music. The instrument is highly specialized and exceeds the allowance provided in the institution's policies and procedures.

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PJ or Not PJ? That is the Question!

- The cost of a musical instrument incurred by a student majoring in music. The instrument is highly specialized and exceeds the allowance provided in the institution's policies and procedures.

**PJ!**

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# Professional Judgment

PJ or Not PJ? That is the Question!

- The cost of a musical instrument incurred by a student majoring in music. The institution's policies and procedures allow for the addition of such expenses.

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PJ or Not PJ? That is the Question!

- The cost of a musical instrument incurred by a student majoring in music. The institution's policies and procedures allow for the addition of such expenses.

**Not PJ!**

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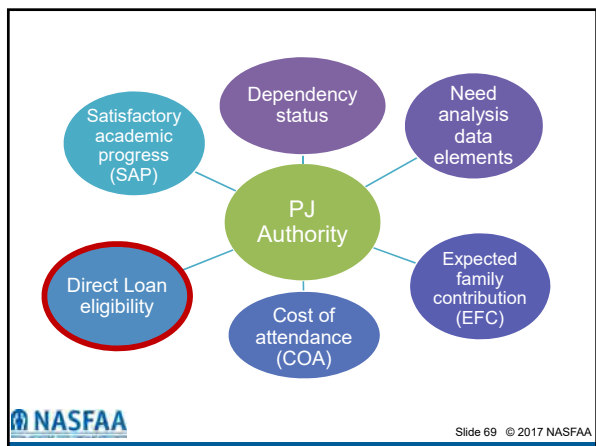
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# Professional Judgment


**Professional Judgment**  
Current Statute: HEA Section 479A

**(b) In general**  
Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, or the faculty or administrative representative, to make adjustments on a case-by-case basis to the limit of certification for the amount of the state funds required to maintain the required enrollment or payment certification, or limit, to allow for treatment of an individual eligible applicant with special circumstances. However, the authority shall not be construed to permit an administrator to deviate from the certification required in the absence of special circumstances. Special circumstances may include failure to receive all an applicant's or secondary school applicant, parent, or guarantor's income and resources by financial institution; (b) all loans or disbursement rates result in a net amount of a family member or an independent student, a student or family member who is a dependent under the federal or state Title IV of the DFC, the expense of parents resident of least half time in a degree, certificate, or other program leading to a recognized educational credential as an institution with a program participation agreement under section 1304 of the HEA, a change of housing status that results in an individual being homeless as defined in section 17.022 of

**(c) Refusal or adjustment of loan certifications**  
On a case-by-case basis, an eligible institution may refuse to certify a statement that permits a student to receive a loan under part B or C of this subchapter, or may certify a loan amount or make a loan that is less than the student's determination of need (as determined under this part), if the reason for the action is documented and provided in written form to the student. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.

**(d) Adjustments to awards when an accident**  
A student financial aid administrator shall not be considered to be making a necessary adjustment in accordance with subsection (b) of this section if:  
(1) The administrator makes adjustments including from family income and resources of a case of loss or business assets of a family if such loss results from a voluntary or involuntary foreclosure, forfeiture of real estate or an involuntary liquidation, or  
(2) The administrator makes adjustments in the award level of a student with a disability as set by 18A 08B, notwithstanding the additional costs such student incurs as a result of such student's disability.

**(e) Refusal or adjustment of loan certifications**  
On a case-by-case basis, an eligible institution may refuse to certify a statement that permits a student to receive a loan under part B or C of this subchapter, or may certify a loan amount or make a loan that is less than the student's determination of need (as determined under this part), if the reason for the action is documented and provided in written form to the student. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.

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## Denial or Reduction of Direct Loan or Direct PLUS

May refuse to originate loan or reduce requested loan amount if:

- Determination is made on case-by-case basis
- Reason for determination and actions taken are documented in student's file and provided to borrower in writing
- No discrimination based on borrower's race, national origin, religion, sex, marital status, age, disability status, or income

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## Denial or Reduction of Direct Loan or Direct PLUS

- Conditions commonly used when choosing to deny or reduce Direct Loan and/or PLUS eligibility:
  - High debt burden
  - Unwillingness to repay loan
- If parent is unable to borrow PLUS, denial of additional Direct Unsubsidized Loan funds for dependent student requires PJ

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# Professional Judgment

## Example—Christen

- 18-year-old freshman
- Parents don't want her to go away to college
- Parents reluctantly complete FAFSA
- Parents refuse to contribute to education
- School packages a parent PLUS
- Parents completed PLUS MPN with letter indicating Christen will be responsible for making payments



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## Questions to Ask

- Would you consider either reducing the amount of Christen's parent's PLUS or refusing to originate the loan at all? Why or why not?
- What sort of documentation would you include in Christen's file?
- Does her parents' stated unwillingness to repay the loan affect your decision?
- What alternatives, if any, are there for Christen?



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**Professional Judgment**  
**Current Statute: HEA Section 479A**

**(B) In general**  
Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, or the financial aid administrator, to make adjustments on a case-by-case basis to the limit of contribution or the amount of the debt items required to calculate the expected student or parent contribution or loans to allow for payment of an individual eligible recipient with special circumstances. However, the authority shall not be construed to permit aid administrators to deviate from the contribution expected in the absence of special circumstances. Special circumstances may include but not be limited to an abnormal or temporary reduced parental income, death, or missing income information not received by financial aid administrators, child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a documented victim (as defined in section 1001 of this title), the expense of parents residing at least half time in a degree, certificate, or other program leading to a recognized independent credential as an institution with a program participation agreement under section 1004 of this title, a change of housing status that results in an individual being homeless (as defined in section 11302 of this title), or other changes in a family's income, a family's assets, or a student's status, income.

**(2) to offer a dependent student financial assistance under section 1078-8 of this title or a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to file the financial aid form prescribed under section 1090 of this title if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.**

**(B) Adjustments to assets taken into account**  
A student financial aid administrator shall not be considered to be making a discretionary adjustment in accordance with subsection (B) of this section if:  
(1) the administrator makes adjustments involving items having income any component of a case of loss to insurance assets of a family if such loss results from a voluntary or involuntary foreclosure, forfeiture of ownership of an investment instrument, or  
(2) the administrator makes adjustments in the asset level of a student with a disability as set by this title.

**(C) Refusal to adjustment of loan certifications**  
On a case-by-case basis, an eligible institution may refuse to certify a statement that permits a student to receive a loan under part (B) or (C) of this section if the parent or parents of such student do not meet the student's determination of need (as determined under this part), if the reason for the student's determination and payment of certain fees to the student. No eligible institution shall discriminate against any recipient of approval in offering a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.



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# Professional Judgment

## Direct Unsubsidized Loan for Dependent Student Without Parental FAFSA Data

- School may award only Direct Unsubsidized Loan funds to students whose parents have ceased financial support and refuse to file the Free Application for Federal Student Aid (FAFSA)
- By itself, situation is not justification for dependency override
- School must have documentation of parents' refusal to file FAFSA and cessation of financial support



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## Loan Example—Aroup

- Aroup is currently a high school senior.
- His parents are required to file a tax return.
- Student told his high school counselor that his parents refuse to file a tax return and have no intention of filing a tax return in the future.
- How should he complete the FAFSA?
- Can we disburse a Direct Unsubsidized Loan?



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## Questions to Ask

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



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# Professional Judgment

## Documentation

- In order to award a dependent student unsubsidized Direct Loan funds only the school must document
  - the student's parents no longer financially support him;
  - will not support him financially in the future;
  - and refuse to complete a FAFSA.
- If the parents refuse to provide this documentation, the school may obtain it from a third party familiar with the student's situation.
- Student must complete a FAFSA in order to verify he meets general student eligibility criteria
  - (FAFSA on the Web allows students to submit a form without parental information for this situation).



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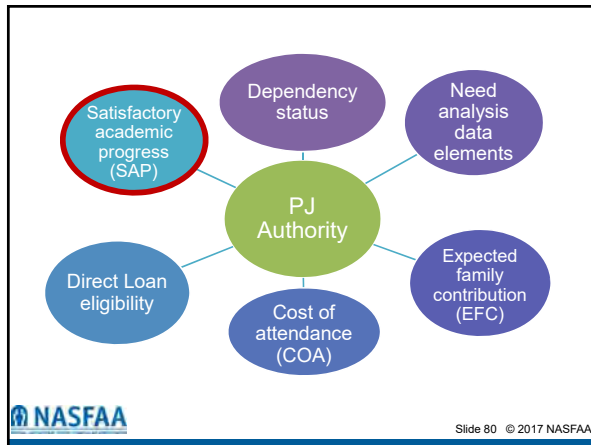
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### Satisfactory Academic Progress Current Statute: HEA 484(c)

#### (c) Satisfactory progress

(1) For the purpose of subsection (a)(2) of this section, a student is maintaining satisfactory progress if -

(A) the institution at which the student is in attendance, reviews the progress of the student at the end of each academic year, or its equivalent, as determined by the institution; and

(B) the student has a cumulative G average, or its equivalent or academic standing consistent with the requirements for graduation, as determined by the institution, at the end of the second such academic year.

(2) Whenever a student fails to meet the eligibility requirements of subsection (a)(2) of this section as a result of the application of this subsection and subsequent to that failure the student has academic standing consistent with the requirements for graduation, as determined by the institution, for any grading period, the student may, subject to this subsection, again be eligible under subsection (a)(2) of this section for a grant, loan, or work assistance under this subchapter and part C of subchapter 1 of chapter 34 of title 42.

(3) Any institution of higher education at which the student is in attendance may waive the provisions of paragraph (1) or paragraph (2) of this subsection for undue hardship based on -

(A) the death of a relative of the student;

(B) the personal injury or illness of the student; or

(C) special circumstances as determined by the institution.



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# Professional Judgment

## Satisfactory Academic Progress

Student is considered to be maintaining satisfactory academic progress (SAP) if:

- School reviews student's progress at end of each payment period or annually, as determined by school
- Student has satisfied both qualitative and quantitative of school's SAP policy
- Student maintains pace toward completion of program within 150% of program's published length



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## Satisfactory Academic Progress

• Financial aid administrator may exercise PJ to waive SAP standards due to undue hardships on case-by-case basis

• Undue hardships include, *but are not limited to*:

- Death of a student's relative
- Student's personal injury or illness
- Special circumstances as determined by the school



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## Satisfactory Academic Progress: Successful Appeal Options

- Financial aid probation status
  - One payment period if student should be able to meet SAP standards by end of that payment period
- Academic plan
  - Under which student can continue to receive Title IV aid as long as student complies with plan's requirements



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# Professional Judgment

## SAP Example: Harmony Hamilton

- Harmony Hamilton has completed her junior year at Crestview College, which was a disaster academically.
- Never really a strong student, she failed four of her courses, took an incomplete in two, and earned "D" grades in the others.
- At the end of her freshman year she had a cumulative 1.0 grade point average (GPA).
- At the end of her sophomore year, her GPA was 1.5.



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## SAP Example: Harmony Hamilton

- Does Harmony's situation warrant special condition?
- What is the basis for a reconsideration of SAP?
- What documentation would you require?
- Does her prior record influence your decision? Why or why not?



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## SAP Example: Harmony Hamilton

- Her current GPA and pace no longer meet Crestview's satisfactory academic progress requirements.
- Early in the school year, Harmony became pregnant and encountered physical complications which resulted in her missing quite a bit of school.
- She has filed an appeal of her SAP determination.



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# Professional Judgment

## SAP Example: Kevin Krueger

- Kevin Krueger is a full-time student at Best State University (BSU) and just completed his freshman year
- Kevin, being an ambitious student, enrolled in 6 3-credit courses in his first semester, but quickly found that course load too heavy and dropped 2 of the courses.
- Determined to make up for the fall, he enrolled in 7-credit courses in the spring, but again that was too much and he dropped 3 of the courses.



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## SAP Example: Kevin Krueger

- Kevin is an excellent student and had a cumulative GPA of 3.75 at the end of his first year at BSU
- His completion rate was .62



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## SAP Example: Kevin Krueger

- Does Kevin's situation warrant special condition?
- What is the basis for a reconsideration of SAP?
- What documentation would you require?
- Does his prior record influence your decision? Why or why not?



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# Professional Judgment

## SAP Example: Kevin Krueger

- His current GPA meets BSU's satisfactory academic progress requirements
- His pace does not meet BSU's SAP requirements
- Kevin realizes that he cannot manage the overly ambitious schedule that he attempted his freshman year and should not enroll in more than four 3-credit courses per semester.
- He has filed an appeal of his SAP determination.



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## Reminders!

- Documentation
  - Must support the outcome
    - Decision
    - Date
    - How determination was made
    - Who made the decision
- Policies and Procedures
  - Ensures consistency
  - Subject to audit review
  - Verify PJ policy complies with your institutional policies



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## Questions?

- AskRegs Knowledgebase [www.nasfaa.org/askregs](http://www.nasfaa.org/askregs)
- Student Aid Index [www.nasfaa.org/StudentAidIndex](http://www.nasfaa.org/StudentAidIndex)
- Amanda Sharp [sharpa@nasfaa.org](mailto:sharpa@nasfaa.org)



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# Professional Judgment



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## NASFAA Guide to Addressing Special Circumstances Using Professional Judgment

This table outlines circumstances that may warrant special review. It presents possible considerations and offers some potential adjustments you might consider when making your professional judgment (PJ) decision. With each circumstance, you will find examples of documentation you might collect and evaluate in making your decision. 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 your PJ decision. 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"> <li>Letter from student</li> </ul>	<ul style="list-style-type: none"> <li>What is the nature of the student's estranged relationship with parents?</li> <li>What are the detailed reasons for the break in the student-parent relationship?</li> <li>Is the break in the student-parent relationship temporary or ongoing in nature?</li> <li>Is the student estranged from both parents?</li> </ul>	<ul style="list-style-type: none"> <li>Dependency override (parent income and asset information excluded in the calculation of the expected family contribution (EFC) and no parental signature required on the FAFSA)</li> </ul>
	<ul style="list-style-type: none"> <li>Letters from knowledgeable third parties (e.g., counselors, teachers, clergy, older relatives, social workers, prison administrators, etc.)</li> </ul>	<ul style="list-style-type: none"> <li>What is the third party's relationship to the student?</li> <li>Is the third party unbiased?</li> <li>Does the third-party testimony confirm or support the claim of estrangement, abuse, abandonment, etc.?</li> </ul>	
	<ul style="list-style-type: none"> <li>Student's tax return or other documentation of resources or in-kind support</li> </ul>	<ul style="list-style-type: none"> <li>Does the student's income or other resources justify the claim of living without parental support?</li> <li>Could the student reasonably survive on the resources listed?</li> <li>Does someone else claim the student as a dependent for tax purposes? If so, who?</li> </ul>	
	<ul style="list-style-type: none"> <li>Parent tax returns</li> <li>Statement from parents</li> </ul> <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"> <li>Did the parent(s) claim the student as a dependent in the current or prior year, or will they claim the student next year?</li> <li>If the parent(s) did claim the student, would this have any bearing on the student's claim of estrangement?</li> </ul>	

DEPENDENCY STATUS			
CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
Request to consider student independent (continued)	<ul style="list-style-type: none"> <li>Lease/rent receipts or other documentation of living arrangements</li> </ul>	<ul style="list-style-type: none"> <li>Does this support the claim of separate domicile from parent(s)?</li> <li>Are the student's housing expenses provided by someone other than the student's parents?</li> <li>Does the student have roommates to share this expense, making it more manageable?</li> <li>Does the student receive in-kind support (e.g., free room and board)?</li> </ul>	<ul style="list-style-type: none"> <li>Dependency override (parent income and asset information excluded in the calculation of the EFC and no parental signature required on the FAFSA)</li> </ul>
	<ul style="list-style-type: none"> <li>Utility bills</li> </ul>	<ul style="list-style-type: none"> <li>Is the student managing utility costs without assistance from his or her parents?</li> <li>Is there a roommate to share these expenses?</li> </ul>	
	<ul style="list-style-type: none"> <li>Health insurance policy</li> </ul>	<ul style="list-style-type: none"> <li>Does the student have insurance in her or his own name?</li> <li>Is the policy in the parent's name?</li> </ul>	
	<ul style="list-style-type: none"> <li>Court documents</li> </ul>	<ul style="list-style-type: none"> <li>Do these documents justify claims of estrangement from parents?</li> </ul> <p><i>Note:</i> If documents indicate court-ordered legal emancipation or legal guardianship in the student's state of legal residence, the student is independent by definition.</p>	

EXPECTED FAMILY CONTRIBUTION			
CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
Unusual medical, dental, or nursing home expenses	<ul style="list-style-type: none"> <li>Federal income tax form, Schedule A (Itemized Deductions)</li> <li>IRS Tax Return Transcript (if necessary)</li> <li>Receipts for payments</li> <li>Canceled checks</li> <li>Documentation of costs covered by insurance</li> </ul>	<ul style="list-style-type: none"> <li>Did payment of the expenses affect the family's ability to meet the EFC?</li> <li>Is any portion of the debt covered by insurance?</li> <li>Is there an unpaid balance that must be satisfied during the student's period of enrollment?</li> <li>Is the expense long-term due to an ongoing treatment, condition, or illness?</li> </ul>	<ul style="list-style-type: none"> <li>Reduce adjusted gross income (AGI) by medical and dental expenses exceeding a certain percentage of total income or the amount in the Income Protection Allowance (IPA)</li> <li>Reduce AGI by annual installment payments made for long-term medical and dental care (e.g., cancer therapy or orthodontic work), nursing home payments</li> <li>Consider long-term debt as allowance against assets if family assets exceed IPA (may better reflect actual costs if expenses are paid over period of years)</li> </ul>
Support of extended family or second household	<ul style="list-style-type: none"> <li>Receipts</li> <li>Billing statements</li> <li>Statement from student or parent</li> <li>Divorce decree</li> </ul>	<ul style="list-style-type: none"> <li>What is the reason for the family member's lack of income?</li> <li>Does the individual(s) reside in the household?</li> <li>Does the family member reside outside of the United States?</li> <li>Are the expenses for care of the elderly? If so, does the person(s) live in the household or in an assisted-care facility?</li> <li>Is the second household job-related?</li> </ul>	<ul style="list-style-type: none"> <li>Reduce AGI by amount of support or second household expenses</li> <li>Adjust family size</li> <li>Adjust assets</li> </ul>
Elementary and secondary school costs for dependent student's sibling or independent student's child	<ul style="list-style-type: none"> <li>Receipts for tuition payments</li> <li>Canceled checks</li> <li>Signed, itemized statement of expenses</li> </ul>	<ul style="list-style-type: none"> <li>Will any of the costs be reimbursed by another source?</li> <li>Why does child attend private school?</li> <li>Does the child have special needs that are met by the private school?</li> </ul>	<ul style="list-style-type: none"> <li>Reduce AGI by elementary/secondary tuition expense amount</li> <li>Adjust assets</li> </ul>

EXPECTED FAMILY CONTRIBUTION			
CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
Parent's enrollment in postsecondary education program	<ul style="list-style-type: none"> <li>• Receipts for tuition payments</li> <li>• Documentation of required book and supply costs</li> <li>• Documentation of need for program</li> <li>• Documentation of enrollment status</li> </ul>	<ul style="list-style-type: none"> <li>• Is parent enrolled as a regular student in a Title IV-eligible participating institution?</li> <li>• What is parent's enrollment status?</li> <li>• Is tuition reimbursed by employer or does parent receive financial aid?</li> <li>• Is program required to find or retain employment, or is it discretionary?</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce AGI by portion or all of unreimbursed educational costs (direct costs only or all COA components)</li> <li>• Adjust assets</li> </ul>
Unusual debts (e.g., mortgages or credit card debts to cover unemployment or failed business; parent or spouse education loans; legal fees for divorce or adoption; nondiscretionary personal debts)	<ul style="list-style-type: none"> <li>• Contract, mortgage, or lien</li> <li>• Billing or payment summary from person, company, or agency to which money is owed</li> <li>• Explanatory statement from parent or student</li> </ul>	<ul style="list-style-type: none"> <li>• What circumstances created the expense or debt?</li> <li>• Is the expense or debt the result of discretionary choices?</li> <li>• Is the applicant or parent responsible for all or a portion of the debt?</li> <li>• Will any portion of the debt be expunged in bankruptcy, legal settlement, or other legal agreement?</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce AGI by some or all annual installment payments on debts considered extenuating</li> <li>• Adjust assets (this treatment may be a more accurate reflection of the family's cash flow, if debt will be paid over a period of years)</li> </ul>
Income reduction or nonrecurring income (e.g., from divorce or death, change or loss of employment, disability, or receipt of nonrecurring income)	<ul style="list-style-type: none"> <li>• For estimated income: Signed statements of estimated earnings; paycheck stubs; alimony in divorce agreement; unemployment compensation and Workforce Investment Act (WIA) benefits; disability and Social Security benefits received or to be received</li> <li>• For nonrecurring income: Federal income tax return, Form 3903-Moving Expenses; Schedule D-Capital Gains and Losses</li> </ul>	<ul style="list-style-type: none"> <li>• Is the reason for the income reduction related to school attendance?</li> <li>• Is the reason for the reduction or increase a recurring condition?</li> <li>• Will the income reduction or increase have a significant impact on the EFC?</li> </ul>	<ul style="list-style-type: none"> <li>• Use projected-year income. Consider using anticipated calendar-year income, award-year income, or income from other 12-month period that realistically reflects current and near-term economic situation (Except in the case of death or divorce, consider waiting until six months of the current year has elapsed to obtain more accurate information)</li> <li>• If nonrecurring income was received in the base year, reduce AGI by that amount</li> </ul>



EXPECTED FAMILY CONTRIBUTION			
CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
Exclusion of income due to sale of farm or business assets as a result of foreclosure, forfeiture, bankruptcy, or involuntary liquidation	<ul style="list-style-type: none"> <li>• Court documents ordering foreclosure, forfeiture, bankruptcy, or involuntary liquidation</li> <li>• Federal tax return; Schedule C – Business Income; Schedule D – Capital Gains or Losses; Schedule E – Rental Real Estate; Schedule F – Farm Income</li> <li>• Accountant or investment broker asset liquidation statements</li> </ul>	<ul style="list-style-type: none"> <li>• What circumstances caused the foreclosure, forfeiture, bankruptcy, or involuntary liquidation?</li> <li>• Will the income reduction from the loss of the farm or business have a significant impact on the EFC?</li> </ul>	<ul style="list-style-type: none"> <li>• Reduce income by amount received from sale</li> <li>• Reduce AGI by amount of income generated by the farm or business income from previous year, if any</li> <li>• Reduce business, farm, or investment net worth, if reported prior to sale</li> </ul>
Income reduction or income exclusion for affected individuals under HEROES Act <sup>1</sup>	<ul style="list-style-type: none"> <li>• For estimated income: Signed statements documenting estimated earnings; paycheck stubs; statements of military benefits</li> <li>• For affected individual status: Military documents; documentation of place of residence and/or employment; Federal Emergency Management Agency (FEMA) notifications</li> </ul>	<ul style="list-style-type: none"> <li>• Is the reason for the income reduction or income exclusion related to the individual's status as an affected individual?</li> <li>• Will the income reduction or income exclusion have a significant impact on the EFC?</li> </ul>	<ul style="list-style-type: none"> <li>• Use projected-year income; FAA may consider using either anticipated calendar-year income or award-year income</li> </ul>
Income reduction due to dislocated worker status	<ul style="list-style-type: none"> <li>• Notice of unemployment benefits</li> <li>• Letter from former employer</li> </ul>	<ul style="list-style-type: none"> <li>• Will the income reduction or income exclusion have a significant impact on the EFC?</li> </ul>	<ul style="list-style-type: none"> <li>• Use projected-year income; FAA may consider using either anticipated calendar-year income or award-year income</li> <li>• For independent students, there is the option of zeroing out all unemployment benefits received</li> </ul>

<sup>1</sup> Affected individuals are individuals who: are serving on active duty during a war or other military operation or national emergency; are performing qualifying National Guard duty during a war or other military operation or national emergency; reside or are employed in an area that is declared a disaster area by a federal, state, or local official in connection with a national emergency; or suffered direct economic hardship as a direct result of a war or other military operation or national emergency, as determined by the U.S. Department of Education. Although there is no expiration of the HEROES Act and ED waiver and modification authority extends indefinitely, the current ED HEROES waivers and modifications are set to expire on September 30, 2017.

<b>COST OF ATTENDANCE</b>			
<b>CIRCUMSTANCE</b>	<b>TYPE OF DOCUMENTATION</b>	<b>POSSIBLE CONSIDERATIONS</b>	<b>SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT</b>
Use of actual tuition and fees instead of average used in standard COA	<ul style="list-style-type: none"> <li>• Receipt from business office</li> <li>• Copy of student's billing statement</li> </ul>	<ul style="list-style-type: none"> <li>• Do actual costs exceed the average by more than a reasonable variance?</li> <li>• Is the student unable to pay the difference?</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust standard tuition and fees component to actual tuition and fees</li> </ul>
Assessment of additional institutional fees not standard to all or to particular groups of students	<ul style="list-style-type: none"> <li>• Receipt from business office</li> <li>• Copy of student's billing statement</li> <li>• Student and/or instructor statement explaining why additional fee is required</li> </ul>	<ul style="list-style-type: none"> <li>• Is the fee related to the student's program?</li> <li>• Is student or family unable to pay it?</li> </ul>	<ul style="list-style-type: none"> <li>• Add the additional fees to the standard tuition and fees allowance</li> </ul>
Increase in room allowance for private room	<ul style="list-style-type: none"> <li>• Receipt from business office</li> <li>• Copy of student's billing statement</li> </ul>	<ul style="list-style-type: none"> <li>• Why does the student need a private room?</li> <li>• Is this a lifestyle choice, academically related, or a result of other special needs?</li> </ul>	<ul style="list-style-type: none"> <li>• Increase the room allowance based on documented actual expenses or to pre-established school maximum</li> </ul>
Increase in room component for rent and/or utilities	<ul style="list-style-type: none"> <li>• Rent receipts</li> <li>• Landlord statements</li> <li>• Canceled checks</li> <li>• Copies of utility bills</li> <li>• Credit card receipts</li> </ul>	<ul style="list-style-type: none"> <li>• Why is the increase necessary?</li> <li>• Does student have a roommate to share expenses?</li> <li>• Is this a lifestyle choice, academically related, or a result of other special needs?</li> </ul>	<ul style="list-style-type: none"> <li>• Use an average of rent and/or utility bills to adjust room component</li> <li>• Use actual expense amount to increase room component</li> </ul>
Increase in board component for special diet	<ul style="list-style-type: none"> <li>• Grocery receipts</li> <li>• Physician statement indicating diet is for health reasons</li> <li>• Statement confirming student's religious requirements</li> </ul>	<ul style="list-style-type: none"> <li>• Why does the student need the special diet?</li> <li>• Is it health related or personal choice?</li> </ul>	<ul style="list-style-type: none"> <li>• Increase board component by actual cost incurred</li> <li>• Use an average based on the grocery receipts</li> </ul>
Major requires books and/or supplies over COA allowance	<ul style="list-style-type: none"> <li>• Bookstore receipts or statements</li> <li>• Instructor statement(s)</li> </ul>	<ul style="list-style-type: none"> <li>• Is student or family unable to meet additional book costs?</li> </ul>	<ul style="list-style-type: none"> <li>• Add the actual cost to books and supplies component in budget</li> </ul>

<b>COST OF ATTENDANCE</b>			
<b>CIRCUMSTANCE</b>	<b>TYPE OF DOCUMENTATION</b>	<b>POSSIBLE CONSIDERATIONS</b>	<b>SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT</b>
Purchase of discretionary books and/or supplies	<ul style="list-style-type: none"> <li>• Student and/or instructor statement indicating why request is necessary</li> <li>• Receipts for discretionary items or bookstore statements for costs</li> </ul>	<ul style="list-style-type: none"> <li>• Why is the discretionary purchase necessary?</li> <li>• Will the discretionary items help the student in his or her program?</li> </ul>	<ul style="list-style-type: none"> <li>• Add the actual cost to books and supplies component in budget</li> </ul>
Increase in allowance for computer purchase	<ul style="list-style-type: none"> <li>• Instructor statement explaining need for certain type of computer</li> <li>• Computer receipts</li> </ul>	<ul style="list-style-type: none"> <li>• Why is it necessary to have a computer that costs more than the average one?</li> </ul>	<ul style="list-style-type: none"> <li>• Add the actual computer cost to the budget</li> </ul>
Increase in transportation allowance	<ul style="list-style-type: none"> <li>• Statement from student about additional mileage or costs</li> <li>• Receipts for student costs to travel home</li> <li>• Automobile operation, repair, or insurance bills</li> </ul>	<ul style="list-style-type: none"> <li>• Why is it necessary?</li> <li>• Does student have any other transportation option (such as public transportation)?</li> <li>• Is transportation related to Federal Work-Study (FWS) employment?</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust the transportation component to reflect the documented additional cost</li> <li>• Costs for automobile purchase or lease cannot be included</li> </ul>
Increase in miscellaneous personal expenses for medical and/or dental expenses	<ul style="list-style-type: none"> <li>• Statement from doctor and/or dentist</li> <li>• Copies of bills or receipts</li> <li>• Canceled checks</li> <li>• Student statement describing situation</li> </ul>	<ul style="list-style-type: none"> <li>• Why is it necessary?</li> <li>• Could the procedure wait?</li> <li>• Is the procedure cosmetic or medical in nature?</li> <li>• Is the amount already covered in the IPA?</li> <li>• Is the expense covered by insurance or otherwise reimbursable?</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust miscellaneous personal expenses to reflect additional health care costs</li> <li>• Allow amount which is in excess of IPA</li> </ul>
Increase in miscellaneous personal expenses for clothing	<ul style="list-style-type: none"> <li>• Clothing receipts</li> <li>• Statement from student indicating why the clothing is necessary</li> <li>• Police report of theft or fire</li> </ul>	<ul style="list-style-type: none"> <li>• Why are the clothes necessary?</li> <li>• Is this a lifestyle request?</li> <li>• Is the student in a cooperative education, student teaching, or internship position?</li> <li>• Is the student from a radically different climate and otherwise unable to afford appropriate clothing?</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust the miscellaneous personal expenses to reflect the additional clothing costs</li> </ul>
Increase in dependent care allowance	<ul style="list-style-type: none"> <li>• Day care receipts</li> <li>• Care provider receipts</li> <li>• Canceled checks</li> <li>• Student and/or care provider statement explaining increase</li> </ul>	<ul style="list-style-type: none"> <li>• Is it a personal choice to use a more expensive facility?</li> <li>• Does dependent have special needs?</li> <li>• Is the student involved in an internship or academic work experience that necessitates more dependent care?</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust dependent care allowance by documented amount</li> </ul>

<b>COST OF ATTENDANCE</b>			
<b>CIRCUMSTANCE</b>	<b>TYPE OF DOCUMENTATION</b>	<b>POSSIBLE CONSIDERATIONS</b>	<b>SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT</b>
Increase in personal disability assistance allowance	<ul style="list-style-type: none"> <li>• Statement from person or agency providing the assistance</li> <li>• Doctor's statement</li> </ul>	<ul style="list-style-type: none"> <li>• What type of personal assistance is needed?</li> <li>• Is more assistance necessary or optional?</li> <li>• Are other sources of assistance available (e.g., Office of Vocational Rehabilitation)?</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust allowance for disability-related expenses to account for additional amount not covered by other assisting agencies</li> <li>• Add allowance to less-than-half-time student's COA</li> </ul>
Increase in professional credential costs	<ul style="list-style-type: none"> <li>• Statements or receipts for licensure or credential costs</li> <li>• Travel receipts</li> </ul>	<ul style="list-style-type: none"> <li>• Is the student applying for more than one license or credential?</li> <li>• Are costs or expenses incurred during a period of enrollment?</li> <li>• Must the student incur travel expenses?</li> </ul>	<ul style="list-style-type: none"> <li>• Adjust the amount of the professional licensure or credential allowance</li> </ul>

<b>SATISFACTORY ACADEMIC PROGRESS</b>			
<b>CIRCUMSTANCE</b>	<b>TYPE OF DOCUMENTATION</b>	<b>POSSIBLE CONSIDERATIONS</b>	<b>SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT</b>
Death of a relative of the student	<ul style="list-style-type: none"> <li>• Copy of official death certificate</li> <li>• Statement from adult family member or doctor</li> </ul>	<ul style="list-style-type: none"> <li>• Have these circumstances created an undue hardship on the student that caused the student's inability to meet the satisfactory academic progress (SAP) standards?</li> <li>• Have the barriers to academic progress been removed or sufficiently managed to permit reasonable expectations for future academic progress?</li> </ul>	<ul style="list-style-type: none"> <li>• Place the student on financial aid probation for one payment period if it is possible for student meet SAP standards by the end of that payment period</li> <li>• Place student on an academic plan that, if followed, will ensure the student meets SAP standards at some point in the future</li> </ul>
Personal injury or illness of the student	<ul style="list-style-type: none"> <li>• Signed statement from student's physician</li> <li>• Accident or police report</li> </ul>		
Family difficulties, such as divorce or illness	<ul style="list-style-type: none"> <li>• Copies of official legal documents</li> <li>• Signed statement from physician</li> <li>• Signed statement from an involved third party (e.g., counselor, priest, rabbi, minister, lawyer, etc.)</li> </ul>		
Interpersonal problems with friends, roommates, or significant others	<ul style="list-style-type: none"> <li>• Signed statement from an involved third party (e.g., resident advisor, school counselor, etc.)</li> </ul>		
Time management difficulties	<ul style="list-style-type: none"> <li>• Documentation illustrating commitments outside of school (e.g., pay stubs, etc.)</li> </ul>		

<b>DENIAL OR REDUCTION OF FEDERAL DIRECT STUDENT LOAN ELIGIBILITY</b>			
<b>CIRCUMSTANCE</b>	<b>TYPE OF DOCUMENTATION</b>	<b>POSSIBLE CONSIDERATIONS</b>	<b>SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT</b>
Borrower indication of unwillingness to repay student loan(s)	<ul style="list-style-type: none"> <li>• Documentation of a conversation financial aid administrator had with the borrower</li> <li>• Signed statement from the borrower indicating an unwillingness to repay</li> <li>• Other documentation that shows previous history of unwillingness to repay student loans</li> </ul>	<ul style="list-style-type: none"> <li>• Is the borrower unwilling, not unable, to repay the loan?</li> <li>• Has the borrower defaulted on any previous loans?</li> </ul>	<ul style="list-style-type: none"> <li>• Deny or reduce the amount of subsidized and/or unsubsidized Direct Loan and/or Direct PLUS eligibility</li> </ul>
Student's high debt burden	<ul style="list-style-type: none"> <li>• National Student Loan Data System (NSLDS) data or other documentation indicating total loan debt</li> <li>• Documentation from career or employment services office showing average starting salaries for graduates in various fields</li> </ul>	<ul style="list-style-type: none"> <li>• What is the average loan debt burden at the institution or for the student's academic program?</li> <li>• Is the student's earning potential high enough to support substantial loan payments?</li> <li>• How much of the academic program remains to be completed?</li> </ul>	

### UNSUBSIDIZED DIRECT LOAN ELIGIBILITY FOR A DEPENDENT STUDENT WITHOUT PARENTAL FAFSA DATA

CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
<p>Dependent student's parent(s) refuses to provide parental data on the Free Application for Federal Student Aid (FAFSA) and has ended all financial support for the student</p>	<ul style="list-style-type: none"> <li>• Signed and dated statement from one of the student's parents stating the parents have stopped providing financial support, date when that support ended, will not provide support in the future, <b>and</b> will not complete the parental section of the FAFSA</li> <li>• If student is unable to obtain parent statement, a signed statement from a responsible third party (e.g., teacher, counselor, clergy, court) with knowledge of the situation describing the student's relationship with his or her parents</li> </ul>	<ul style="list-style-type: none"> <li>• Does the family situation warrant a dependency override?</li> <li>• Has all financial support ended, including payment of education costs, and other cash and noncash support such as room and/or board?</li> <li>• How does the student intend to financially support himself or herself without parental support?</li> </ul>	<ul style="list-style-type: none"> <li>• Have student complete the FAFSA with only his or her information and signature</li> <li>• Confirm and document student has passed all CPS database matches</li> <li>• Originate Direct Unsubsidized Loan</li> </ul>





**TABLE 4: UNUSUAL DEBTS** (for student/spouse and parents of dependent student)

1. Do you or your parents have unusual debts or loans for which you or they are **currently** making monthly payments? (Such as mortgages or credit card debts to cover unemployment expenses or failed businesses; legal fees for divorce, adoption, etc.; education loans of parents or spouse; or personal debts for nondiscretionary expenses such as nursing home expenses.)  Yes  No
2. If yes, list type and purpose of debt, total amount owed, and amount of monthly payment on the grid below.
3. Please explain if these expenses will be higher in 2015, and why. \_\_\_\_\_
4. From what sources will you finance these expenses? \_\_\_\_\_

TYPE OR CAUSE OF DEBT AND WHO OWES IT	AMOUNT OF ORIGINAL DEBT AND DATE INCURRED (MONTH/YEAR)	BALANCE OWED ON DEBT	DATE PAYMENTS BEGAN	MONTHLY PAYMENT	HOLDER OF DEBT	DATE PAYMENT SENT

**TABLE 5: INCOME REDUCTION** (for student/spouse and parents of dependent student)

1. Will your income and/or your spouse's or parents' income be less in 2015 than in 2014 for any of the following reasons?  Yes  No
2. Please circle the appropriate reason, attach an explanation, and give the date of the change in your situation. Date: \_\_\_\_\_
  - a. Unemployment or change in employment
  - b. Divorce/separation
  - c. Death of spouse or parent
  - d. Disability of student, spouse, or parent
  - e. Income reduction due to status as an affected individual under the HEROES Act<sup>1</sup>
  - f. One-time income (examples: inheritance, moving allowance, prior-year Social Security payments, or IRA/pension distribution)
  - g. Loss or reduction of untaxed income such as child support, etc.
3. If 2f is circled, identify source of income and how funds were spent or invested. \_\_\_\_\_
4. If 2a, 2b, 2c, 2d, 2e, or 2g are circled, please complete the following income information for the period \_\_\_\_\_ (month/year) to \_\_\_\_\_ (month/year)
 

If you or your parent are divorced or separated, give only your information or the information of the custodial parent.  
If the loss of income was due to the death of your spouse or parent, give only your information or that of the surviving parent.

ANTICIPATED INCOME FROM _____ TO _____	PARENT	STUDENT AND SPOUSE
Wages, salaries, tips (including severance pay, disability payments, and any income from work)		
Other taxable income		
Untaxed Social Security benefits		
Temporary Assistance to Needy Families (TANF)		
Child support received		
Other untaxed income		
Total anticipated income		

<sup>1</sup> Affected individuals are individuals who: are serving on active duty during a war or other military operation or national emergency; are performing qualifying National Guard duty during a war or other military operation or national emergency; reside or are employed in an area that is declared a disaster area by any federal, state, or local official in connection with a national emergency; or suffered direct economic hardship as a direct result of a war or other military operation or national emergency, as determined by ED.

## DEPENDENCY STATUS DOCUMENTATION FORM

Federal law assumes the family has the primary responsibility for meeting the educational costs of students. Therefore, a student must meet certain federal criteria to qualify for financial aid as an independent student. If you do not meet one of the criteria listed on the FAFSA, you will be evaluated as a dependent student, meaning your parents must provide income and asset information. If there are extraordinary circumstances that may warrant re-evaluation of your dependency status, provide the following information so your financial aid administrator may make this determination. You may be asked for additional documentation depending on your individual situation.

### Attach the following information to this form:

- ◆ **Letter from you** explaining: (1) Nature of your relationship with your parents; (2) Location of both parents and when you last had contact with them; (3) Why you cannot obtain information and/or support from your parents; and (4) How you have been supporting yourself.
- ◆ **Statement from a responsible adult** who is aware of your situation and can corroborate the facts you present in your letter.
- ◆ **Copies of your two most recent federal tax returns.**

### Please complete the following statement of your calendar year income and expenses:

<b>INCOME (If any amounts are zero, please explain on a separate sheet.)</b>	<b>CURRENT CALENDAR YEAR</b>	<b>NEXT CALENDAR YEAR</b>
Earned income (e.g., wages, salaries, tips, work-study earnings)	\$	\$
Financial support received from parents	\$	\$
Monetary value of other support (e.g., health insurance, room and board) received from parents	\$	\$
Monetary value of other support (e.g., room and board) from persons other than parents (indicate source)	\$	\$
Amount of other annual income (indicate source)	\$	\$
<b>TOTAL</b>	\$	\$
<b>EXPENSES (If any amount is zero, please explain on a separate sheet.)</b>	<b>CURRENT CALENDAR YEAR</b>	<b>NEXT CALENDAR YEAR</b>
Housing	\$	\$
Food	\$	\$
Transportation (e.g., car payments, insurance, gas, maintenance)	\$	\$
Utilities	\$	\$
Child care and/or dependent care	\$	\$
Personal (e.g., clothing, entertainment)	\$	\$
Other (indicate source)	\$	\$
<b>TOTAL</b>	\$	\$

**I certify that the information provided is true and correct.**

**Student's Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

## PARENTAL REFUSAL TO COMPLETE FAFSA DOCUMENTATION FORM

Federal law assumes the family has the primary responsibility for meeting the educational costs of students. Therefore, a student must meet certain federal criteria to qualify for financial aid as an independent student. If you do not meet one of the criteria listed on the FAFSA, you will be evaluated as a dependent student, meaning your parents must provide income and asset information. If your parents refuse to provide parent information on the FAFSA and no longer provide any financial support to you, your financial aid administrator may make a determination that you may borrow a Direct Unsubsidized Loan only, if you are otherwise eligible for the loan. Please provide the following information so your financial aid administrator may make this determination. You may be asked for additional documentation depending on your individual situation.

### Attach the following information to this form:

- ◆ **Statement from your parent** stating: (1) They have stopped providing financial support to you (including the date when the financial support stopped); (2) They will not provide financial support in the future; **and** (3) Their refusal to complete the parental section of a FAFSA.
- ◆ **If you are unable to obtain the parental statement, provide a letter from a responsible adult** who is aware of your situation and can describe the nature of your relationship with your parents.
- ◆ **Statement from you describing:** (1) Nature of your relationship with your parents; (2) Location of both parents and when you last had contact with them; (3) Why you cannot obtain information and/or support from your parents; and (4) How you have been supporting yourself financially.

### Please complete the following statement of your calendar year income and expenses:

INCOME	CURRENT CALENDAR YEAR	NEXT CALENDAR YEAR
Earned income (e.g., wages, salaries, tips, work-study earnings)	\$	\$
Financial support received from parents	\$	\$
Monetary value of other support (e.g., health insurance, room and board) received from parents	\$	\$
Monetary value of other support (e.g., room and board) from persons other than parents (indicate source)	\$	\$
Amount of other annual income (indicate source)	\$	\$
<b>TOTAL</b>	\$	\$
EXPENSES (If any amount is zero, please explain on a separate sheet.)	CURRENT CALENDAR YEAR	NEXT CALENDAR YEAR
Housing	\$	\$
Food	\$	\$
Transportation (e.g., car payments, insurance, gas, maintenance)	\$	\$
Utilities	\$	\$
Child care and/or dependent care	\$	\$
Personal (e.g., clothing, entertainment)	\$	\$
Other (indicate source)	\$	\$
<b>TOTAL</b>	\$	\$

**I certify that the information provided is true and correct.**

**Student's Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

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# Professional Judgment

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## Definition of Professional Judgment

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The Higher Education Act of 1965, as amended (HEA) provides authority for the financial aid administrator to exercise discretion in a number of areas such as dependency status, need analysis, cost of attendance (or COA), Federal Direct Student Loan (or Direct Loan) or Direct PLUS Loan eligibility, Direct Loan for students whose parents refuse to complete the Free Application for Federal Student Aid (or FAFSA), and satisfactory academic progress (or SAP). This authority is known as professional judgment (or PJ) and allows for the individual treatment of a student who has special circumstances that are not sufficiently addressed by the standardized federal student aid formulas and delivery methods.

### Current Statute:

### *HEA Section 479A*

(a) IN GENERAL.—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of adequate documentation, to make adjustments on a case-by-case basis to the cost of attendance or the values of the data items required to calculate the expected student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances. However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances. Special circumstances may include tuition expenses at an elementary or secondary school, medical, dental, or nursing home expenses not covered by insurance, unusually high child care or dependent care costs, recent unemployment of a family member or an independent student, a student or family member who is a dislocated worker (as defined in section 101 of the Workforce Investment Act of 1998), the number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at an institution with a program participation agreement under section 487, a change in housing status that results in an individual being homeless (as defined in section 103 of the McKinney-Vento Homeless Assistance Act), or other changes in a family's income, a family's assets, or a student's status. Special circumstances shall be conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Adequate documentation for such adjustments shall substantiate such special circumstances of individual students. In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

- (b) ADJUSTMENTS TO ASSETS TAKEN INTO ACCOUNT—A student financial aid administrator shall be considered to be making a necessary adjustment in accordance with subsection (a) if—
- (1) the administrator makes adjustments excluding from family income any proceeds of a sale of farm or business assets of a family if such sale results from a voluntary or involuntary foreclosure, forfeiture, or bankruptcy or an involuntary liquidation; or
  - (2) the administrator makes adjustments in the award level of a student with a disability so as to take into consideration the additional costs such student incurs as a result of such student's disability.

## Unusual Circumstances

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Examples of unusual circumstances might include, but are not limited to:

- Loss of employment;
- Unusual family medical or dental expenses not covered by insurance;
- Tuition expenses at an elementary or secondary school for the student's siblings or dependents;
- Extraordinary dependent care expenses;
- Divorce of a dependent student's parent or of an independent student; or
- Death of a dependent student's parent or of an independent student's spouse.

Under the Higher Education Relief Opportunities for Students (or HEROES) Act of 2003, the Department of Education (or ED) encourages financial aid administrators (or FAAs) to use PJ in order to reflect more accurately the financial need of those students who have been identified as "affected individuals."

- Affected individuals are Title IV applicants and recipients who:
  - Are serving on active duty during a war or other military operation or national emergency;
  - Are performing qualifying National Guard duty during a war or other military operation or national emergency;
  - Reside or are employed in an area that is 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 a war or other military operation or national emergency, as determined by ED.
- For those affected individuals under the HEROES Act, ED has removed the requirement that adjustments be made on a case-by-case basis.
  - Schools must clearly document the reason for any adjustment.
  - Documentation must be kept in a manner in which, if requested by ED, the school can report the effect of the waivers and modifications on affected individuals.

## Purpose and Principles of Professional Judgment

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- Special circumstances are conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students.
- The conditions that create the need for special treatment, as well as any action taken, must be adequately documented and maintained in the student's file.
- Policies and procedures regarding the exercise of PJ provide a basic framework and guidelines within which an individual student may be treated.
- PJ must be exercised on a case-by-case basis, and not across the board, based on an examination of a student's unique situation.
  - An institution may establish policies and procedures under which it identifies circumstances that trigger a review by a FAA.
  - Although several students may have similar circumstances that may be resolved in a similar way using PJ, the financial aid administrator must evaluate the merits of each student's situation on a case-by-case basis.
  - The financial aid administrator's authority extends to requesting and using any supplemental information he or she deems necessary for making a PJ decision.
- The financial aid administrator must make his or her own PJ decision.

- Except for an override of dependency status from dependent to independent, a financial aid administrator at one school can not automatically accept PJ adjustments made for the same student by a financial aid administrator at another school.
- The financial aid administrator may arrive at essentially the same conclusion based on his or her own examination of the student's circumstances, but must still document the reasons for his or her own decision.

Consider the following when making a PJ decision:

- Is the student or the student's family actually experiencing unique circumstances that are 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 unusual 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?

A decision cannot be questioned in an audit or program review as long as it was:

- Based in an area where the law authorizes the use of PJ discretion;
- Reasonable;
- Reached on a case-by-case basis and based on an individual's unique circumstances;
- Made after any conflicting information has been resolved; and
- Thoroughly documented in the student's file, even if it is decided that no further action will be taken.

Decisions cannot be appealed to ED.

Pressure may come from the student, the student's family, campus officials, and/or other individuals to exercise professional judgment authority.

## Triggers for Use of Professional Judgment

The FAA may discover that a family has special circumstances that may warrant a PJ decision by:

- Receiving a request for review of special circumstances from the student and/or family;
- Reviewing the student's application for federal, state, or institutional financial aid; or
- Reviewing information in the student's institutional records.

A student may discover it is possible to receive an adjustment based on special circumstances in a number of ways, such as:

- FAFSA instructions;
- FAFSA on the Web website;
- ED's customer service center at 1-800-4FED-AID; or
- School's award letter and/or consumer information.

# Areas of Professional Judgment

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Professional judgment may be exercised in the following areas:

- Dependency status;
- Need analysis:
  - Calculation of the expected family contribution (EFC), and
  - Calculation of the cost of attendance (COA);
- Denial or reduction of Direct Loan or Direct PLUS eligibility;
- Direct Unsubsidized Loan eligibility for a dependent student without parental FAFSA data; and
- Satisfactory academic progress (SAP).

These are the **only** areas to which you may apply PJ.

## Dependency Status

Dependency status determines whose financial data is used to calculate the EFC.

- If dependent, a student's and his or her parents' financial situation will be assessed to determine the student's EFC.
- If independent, only a student's (and spouse's, if applicable) financial situation will be assessed.

### Current Statute:

***HEA Section 480(d)***

For Title IV purposes, the term "independent" means any individual who:

- Is 24 years of age or older by December 31 of the award year;
- Is or was an orphan, in foster care, or a ward of the court at any time when 13 years of age or older;
- Is, or was immediately prior to attaining the age of majority, an emancipated minor or in legal guardianship as determined by a court in the individual's state of legal residence;
- Is a graduate or professional student;
- Is married;
- Has legal dependents other than a spouse;
- Is a veteran of the U.S. Armed Forces;
- Is serving on active duty in the U.S. Armed Forces for other than training purposes;
- Has been determined to be, during the school year in which the application is submitted, either an unaccompanied youth who is a homeless child or youth, or an unaccompanied youth at risk of homelessness, and self-supporting; or
- Is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

### ***Dependency Status Applications***

- Consider the following before completing a dependency override:
  - Are there unique circumstances concerning the relationship between the student and his or her parents that make it inappropriate to require the student to obtain the parental financial information or expect the family to financially contribute to the student's education?



- The following do not merit a dependency override, if the:
  - Parents refuse to contribute to the student's educational costs;
  - Parents are unwilling to provide information on the FAFSA or for verification purposes;
  - Parents do not claim the student as a dependent for income tax purposes; and
  - Student demonstrates total self-sufficiency.

## Need Analysis

- Section 479A of the HEA recognizes a financial aid administrator's PJ authority in adjusting the components used in the FM need analysis calculations.
- The HEA authorizes case-by-case adjustments to the:
  - Values of the data elements used in calculating the student's and the parents' portions of the EFC; and/or
  - Student's COA.

## Expected Family Contribution

- Correctly reported EFC data elements may not realistically reflect the student's circumstances.
- Any required federal or institutional verification should be completed before making a PJ decision to adjust data.
- Data elements must be adjusted; "bottom-line" changes to the EFC cannot be made.
  - Changes to the Federal Methodology (FM) formula are also not permitted.
- The EFC calculation includes an income protection allowance (IPA) which provides the following allowances for basic living expenses normally incurred by a family:
  - Food – 30%
  - Housing – 22%
  - Transportation expenses – 9%
  - Clothing and personal care – 16%
  - Medical care – 11%
  - Other family consumption – 12%

## Projected-Year Income

- For the 2017–18 award year, the FM calculation uses income from the 2015 calendar year.
- Income may sometimes vary significantly from one year to the next.
- Changes in income may result from:
  - Unemployment;
  - Change in job;
  - Illness; or
  - Retirement.
- Income in some professions, such as sales, farming, and small business operations, also may fluctuate from year to year.
- When exercising PJ, the financial aid administrator may make adjustments that use estimated or projected income information for the calendar year, award year, or another 12-month period that realistically reflects the student's and/or family's current and near-term economic situation.

- Under the HEROES Act of 2003, schools are encouraged to use PJ when calculating need for affected individuals using the most beneficial of the following scenarios:
  - The individual's need as determined using the adjusted gross income plus untaxed income and benefits received in the first calendar year of the award year;
  - The individual's need as determined using professional judgment; or
  - The individual's need as determined by making no modifications. For instance, in some cases an individual's income will increase as a result of qualifying active duty or National Guard service.
- In all cases, professional judgment adjustments affecting a student's Title IV eligibility must be reported to the Central Processing System (CPS) and the reason for the adjustment must be clearly documented.
- EFC data elements may be adjusted to:
  - Increase or decrease the EFC, or
  - Reflect parent support of independent students.
- No "bottom-line" adjustments to EFC are permitted.

## Cost of Attendance

COA components may be adjusted to address special circumstances but must be made within the categories defined in the HEA.

- New cost categories cannot be created.

Basic COA premises include:

- Educationally-related expenses incurred by or for the student during a period of enrollment, except the school may include:
  - An allowance for programs requiring professional licensure or certification; and
  - A reasonable dependent care component.
    - ◆ Exception: The dependent care component of an independent student's COA may be adjusted to include food and shelter costs for the student's dependents when the family's income falls below the IPA used in the EFC calculation.

### Current Statute:

### *HEA Section 472*

For the purpose of this title, the term "cost of attendance" means—

- (1) tuition and fees normally assessed a student carrying the same academic workload as determined by the institution, and including costs for rental or purchase of any equipment, materials, or supplies required of all students in the same course of study;
- (2) an allowance for books, supplies, transportation, and miscellaneous personal expenses, including a reasonable allowance for the documented rental or purchase of a personal computer, for a student attending the institution on at least a half-time basis, as determined by the institution;
- (3) an allowance (as determined by the institution) for room and board costs incurred by the student which—
  - (A) shall be an allowance determined by the institution for a student without dependents residing at home with parents;
  - (B) for students without dependents residing in institutionally owned or operated housing, shall be a standard allowance determined by the institution based on the amount normally assessed most of its residents for room and board;
  - (C) for students who live in housing located on a military base or for which a basic allowance is provided under section 403(b) of title 37, United States Code, shall be an allowance based on the expenses reasonably incurred by such students for board but not for room; and

- (D) for all other students shall be an allowance based on the expenses reasonably incurred by such students for room and board;
- (4) for less than half-time students (as determined by the institution), tuition and fees and an allowance for only—
- (A) books, supplies, and transportation (as determined by the institution);
  - (B) dependent care expenses (determined in accordance with paragraph (8)); and
  - (C) room and board costs (determined in accordance with paragraph (3)), except that a student may receive an allowance for such costs under this subparagraph for not more than 3 semesters or the equivalent, of which not more than 2 semesters or the equivalent may be consecutive;
- \*\*\*
- (8) for a student with one or more dependents, an allowance based on the estimated actual expenses incurred for such dependent care, based on the number and age of such dependents, except that—
- (A) such allowance shall not exceed the reasonable cost in the community in which the student resides for the kind of care provided; and
  - (B) the period for which dependent care is required includes, but is not limited to, class-time, study-time, field work, internships, and commuting time.
- (9) for a student with a disability, an allowance (as determined by the institution) for those expenses related to the student's disability, including special services, personal assistance, transportation, equipment, and supplies that are reasonably incurred and not provided for by other assisting agencies;
- \*\*\*
- (11) for a student engaged in a work experience under a cooperative education program, an allowance for reasonable costs associated with such employment (as determined by the institution);
- (12) for a student who receives a loan under this or any other Federal law, or, at the option of the institution, a conventional student loan incurred by the student to cover a student's cost of attendance at the institution, an allowance for the actual cost of any loan fee, origination fee, or insurance premium charged to such student or such parent on such loan, or the average cost of any such fee or premium charged by the Secretary, lender, or guaranty agency making or insuring such loan, as the case may be; and
- (13) at the option of the institution, for a student in a program requiring professional licensure or certification, the one-time cost of obtaining the first professional credentials (as determined by the institution).

## Denial or Reduction of Direct Loan or Direct PLUS Eligibility

Under certain conditions, a financial aid administrator may deny a Direct Loan or reduce the amount of Direct Loan for which the borrower is eligible.

- Reasons for denying or reducing loan eligibility may include:
  - High student debt burden; and
  - Borrower's unwillingness to repay the loan (must be able to document rationale).
- Denial or reduction of loan eligibility cannot be based upon: bankruptcy, current or past, as this is an indicator of an inability to repay the loan.
- If parent is unable to borrow Direct PLUS, denial of additional Direct Unsubsidized Loan funds for student requires PJ.

**Current Statute:*****HEA Section 479A(c)***

REFUSAL OR ADJUSTMENT OF LOAN CERTIFICATIONS.—On a case-by-case basis, an eligible institution may refuse to certify a statement that permits a student to receive a loan under part B or D, or may certify a loan amount or make a loan that is less than the student's determination of need (as determined under this part), if the reason for the action is documented and provided in written form to the student. No eligible institution shall discriminate against any borrower or applicant in obtaining a loan on the basis of race, national origin, religion, sex, marital status, age, or disability status.

**Direct Loan Program Regulations—34 CFR 685.301(a)(8)**

- (8) A school may refuse to originate a Direct Subsidized, Direct Unsubsidized, or Direct PLUS Loan or may reduce the borrower's determination of need for the loan if the reason for that action is documented and provided to the borrower in writing, and if—
- (i) The determination is made on a case-by-case basis;
  - (ii) The documentation supporting the determination is retained in the student's file; and
  - (iii) The school does not engage in any pattern or practice that results in a denial of a borrower's access to Direct Loans because of the borrower's race, gender, color, religion, national origin, age, disability status, or income.

**Direct Unsubsidized Loan Eligibility for a Dependent Student without Parental FAFSA Data**

- Dependent students whose parents have ended financial support and refuse to file the FAFSA have the option of receiving only Direct Unsubsidized Loan funds.
  - Annual loan eligibility is limited to applicable base unsubsidized annual loan limit plus \$2,000 in additional unsubsidized loan funds.
  - By itself, the parental refusal to support the student and to complete the FAFSA, is not justification for a dependency override.
- Financial aid office must obtain documentation or a statement that:
  - Parents refuse to complete the FAFSA; and
  - Parents do not and will not provide any financial support, including the date the support ended.
- If parents refuse to provide the required statement or documentation, the financial aid office may accept documentation from a third party such as a teacher, counselor, cleric, or court.
  - The student's signed or verbal statement, by itself, is not sufficient documentation.
- Student must complete student portion of the FAFSA.

**Current Statute:*****HEA Section 479A(a)***

In addition, nothing in this title shall be interpreted as limiting the authority of the student financial aid administrator in such cases (1) to request and use supplementary information about the financial status or personal circumstances of eligible applicants in selecting recipients and determining the amount of awards under this title, or (2) to offer a dependent student financial assistance under section 428H or a Federal Direct Unsubsidized Stafford Loan without requiring the parents of such student to file the financial aid form prescribed under section 483 if the student financial aid administrator verifies that the parent or parents of such student have ended financial support of such student and refuse to file such form. No student or parent shall be charged a fee for collecting, processing, or delivering such supplementary information.

## Satisfactory Academic Progress

A student must maintain SAP in his or her program of study according to the school's SAP policy.

- For a student with an intellectual disability enrolled in a comprehensive transition and postsecondary program, the student must be making SAP as defined, by the institution, in the context of the transition program itself.

A school must confirm a student is making SAP, according to the school's policy, as of the last time there was a formal SAP evaluation, before it may:

- Disburse Title IV funds;
- Originate a Direct Loan; or
- Release each disbursement of a multiply-disbursed Direct Loan.

A student not making SAP is not eligible to receive funds from any Title IV programs.

- An institution may provide a student who is not meeting SAP standards an opportunity to appeal the determination and continue to receive aid.
- Approval of a SAP appeal constitutes a professional judgment.

### Current Statute:

### *HEA Section 484*

#### STUDENT ELIGIBILITY

(a) IN GENERAL.—In order to receive any grant, loan, or work assistance under this title, a student must—

\* \* \*

(2) if the student is presently enrolled at an institution, be maintaining satisfactory progress in the course of study the student is pursuing in accordance with the provisions of subsection (c);

\* \* \*

(c) SATISFACTORY PROGRESS.—

(1) For the purpose of subsection (a)(2), a student is maintaining satisfactory progress if—

- (A) the institution at which the student is in attendance, reviews the progress of the student at the end of each academic year, or its equivalent, as determined by the institution, and
- (B) the student has a cumulative “C” average, or its equivalent or academic standing consistent with the requirements for graduation, as determined by the institution, at the end of the second such academic year.

(2) Whenever a student fails to meet the eligibility requirements of subsection (a)(2) as a result of the application of this subsection and subsequent to that failure the student has academic standing consistent with the requirements for graduation, as determined by the institution, for any grading period, the student may, subject to this subsection, again be eligible under subsection (a)(2) for a grant, loan, or work assistance under this title.

(3) Any institution of higher education at which the student is in attendance may waive the provisions of paragraph (1) or paragraph (2) of this subsection for undue hardship based on—

- (A) the death of a relative of the student,
- (B) the personal injury or illness of the student, or
- (C) special circumstances as determined by the institution.

### **Administrative Capability—34 CFR 668.16(e)**

(e) For purposes of determining student eligibility for assistance under a title IV, HEA program, establishes, publishes, and applies reasonable standards for measuring whether an otherwise eligible student is maintaining satisfactory progress in his or her educational program. The Secretary considers an institution's standards to be reasonable if the standards are in accordance with the provisions specified in Sec 668.34.—

### **Student Eligibility – General—34 CFR 668.32(f)**

A student is eligible to receive title IV, HEA program assistance if the student—

\* \* \*

(f) Maintains satisfactory progress in his or her course of study according to the institution's published standards of satisfactory academic progress that meet the requirements of Sec. 668.34;

### **Student Eligibility – Satisfactory Academic Progress—34 CFR 668.34**

- (a) *Satisfactory academic progress policy.* An institution must establish a reasonable satisfactory academic progress policy for determining whether an otherwise eligible student is making satisfactory academic progress in his or her educational program and may receive assistance under the title IV, HEA programs. The Secretary considers the institution's policy to be reasonable if –
- (1) The policy is at least as strict as the policy the institution applies to a student who is not receiving assistance under the title IV, HEA programs;
  - (2) The policy provides for consistent application of standards to all students within categories of students, e.g., full-time, part-time, undergraduate, and graduate students, and educational programs established by the institution;
  - (3) The policy provides that a student's academic progress is evaluated—
    - (i) At the end of each payment period if the educational program is either one academic year in length or shorter than an academic year; or
    - (ii) For all other educational programs, at the end of each payment period or at least annually to correspond with the end of a payment period;
  - (4)(i) The policy specifies the grade point average (GPA) that a student must achieve at each evaluation, or if a GPA is not an appropriate qualitative measure, a comparable assessment measured against a norm; and
    - (ii) If a student is enrolled in an educational program of more than two academic years, the policy specifies that at the end of the second academic year, the student must have a GPA of at least a "C" or its equivalent, or have academic standing consistent with the institution's requirements for graduation;
  - (5)(i) The policy specifies the pace at which a student must progress through his or her educational program to ensure that the student will complete the program within the maximum timeframe, as defined in paragraph (b) of this section, and provides for measurement of the student's progress at each evaluation; and
    - (ii) An institution calculates the pace at which the student is progressing by dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted. In making this calculation, the institution is not required to include remedial courses;
  - (6) The policy describes how a student's GPA and pace of completion are affected by course incompletes, withdrawals, or repetitions, or transfers of credit from other institutions. Credit hours from another institution that are accepted toward the student's educational program must count as both attempted and completed hours;



- (7) Except as provided in paragraphs (c) and (d) of this section, the policy provides that, at the time of each evaluation, a student who has not achieved the required GPA, or who is not successfully completing his or her educational program at the required pace, is no longer eligible to receive assistance under the title IV, HEA programs;
- (8) If the institution places students on financial aid warning, or on financial aid probation, as defined in paragraph (b) of this section, the policy describes these statuses and that—
  - (i) A student on financial aid warning may continue to receive assistance under the title IV, HEA programs for one payment period despite a determination that the student is not making satisfactory academic progress. Financial aid warning status may be assigned without an appeal or other action by the student; and
  - (ii) A student on financial aid probation may receive title IV, HEA program funds for one payment period. While a student is on financial aid probation, the institution may require the student to fulfill specific terms and conditions such as taking a reduced course load or enrolling in specific courses. At the end of one payment period on financial aid probation, the student must meet the institution's satisfactory academic progress standards or meet the requirements of the academic plan developed by the institution and the student to qualify for further title IV, HEA program funds;
- (9) If the institution permits a student to appeal a determination by the institution that he or she is not making satisfactory academic progress, the policy describes—
  - (i) How the student may reestablish his or her eligibility to receive assistance under the title IV, HEA programs;
  - (ii) The basis on which a student may file an appeal: The death of a relative, an injury or illness of the student, or other special circumstances; and
  - (iii) Information the student must submit regarding why the student failed to make satisfactory academic progress, and what has changed in the student's situation that will allow the student to demonstrate satisfactory academic progress at the next evaluation;
- (10) If the institution does not permit a student to appeal a determination by the institution that he or she is not making satisfactory academic progress, the policy must describe how the student may reestablish his or her eligibility to receive assistance under the title IV, HEA programs; and
- (11) The policy provides for notification to students of the results of an evaluation that impacts the student's eligibility for title IV, HEA program funds.

(b) *Definitions.* The following definitions apply to the terms used in this section:

*Appeal.* Appeal means a process by which a student who is not meeting the institution's satisfactory academic progress standards petitions the institution for reconsideration of the student's eligibility for title IV, HEA program assistance.

*Financial aid probation.* Financial aid probation means a status assigned by an institution to a student who fails to make satisfactory academic progress and who has appealed and has had eligibility for aid reinstated.

*Financial aid warning.* Financial aid warning means a status assigned to a student who fails to make satisfactory academic progress at an institution that evaluates academic progress at the end of each payment period.

*Maximum timeframe.* Maximum timeframe means—

- (1) For an undergraduate program measured in credit hours, a period that is no longer than 150 percent of the published length of the educational program, as measured in credit hours;
- (2) For an undergraduate program measured in clock hours, a period that is no longer than 150 percent of the published length of the educational program, as measured by the cumulative number of clock hours the student is required to complete and expressed in calendar time; and
- (3) For a graduate program, a period defined by the institution that is based on the length of the educational program.

- (c) *Institutions that evaluate satisfactory academic progress at the end of each payment period.*
- (1) An institution that evaluates satisfactory academic progress at the end of each payment period and determines that a student is not making progress under its policy may nevertheless disburse title IV, HEA program funds to the student under the provisions of paragraph (c)(2), (c)(3), or (c)(4) of this section.
  - (2) For the payment period following the payment period in which the student did not make satisfactory academic progress, the institution may—
    - (i) Place the student on financial aid warning, and disburse title IV, HEA program funds to the student; or
    - (ii) Place a student directly on financial aid probation, following the procedures outlined in paragraph (d)(2) of this section and disburse title IV, HEA program funds to the student.
  - (3) For the payment period following a payment period during which a student was on financial aid warning, the institution may place the student on financial aid probation, and disburse title IV, HEA program funds to the student if—
    - (i) The institution evaluates the student's progress and determines that student did not make satisfactory academic progress during the payment period the student was on financial aid warning;
    - (ii) The student appeals the determination; and
    - (iii)(A) The institution determines that the student should be able to meet the institution's satisfactory academic progress standards by the end of the subsequent payment period; or  
(B) The institution develops an academic plan for the student that, if followed, will ensure that the student is able to meet the institution's satisfactory academic progress standards by a specific point in time.
  - (4) A student on financial aid probation for a payment period may not receive title IV, HEA program funds for the subsequent payment period unless the student makes satisfactory academic progress or the institution determines that the student met the requirements specified by the institution in the academic plan for the student.
- (d) *Institutions that evaluate satisfactory academic progress annually or less frequently than at the end of each payment period.*
- (1) An institution that evaluates satisfactory academic progress annually or less frequently than at the end of each payment period and determines that a student is not making progress under its policy may nevertheless disburse title IV, HEA program funds to the student under the provisions of paragraph (d)(2) or (d)(3) of this section.
  - (2) The institution may place the student on financial aid probation and may disburse title IV, HEA program funds to the student for the subsequent payment period if—
    - (i) The institution evaluates the student and determines that the student is not making satisfactory academic progress;
    - (ii) The student appeals the determination; and
    - (iii)(A) The institution determines that the student should be able to be make satisfactory academic progress during the subsequent payment period and meet the institution's satisfactory academic progress standards at the end of that payment period; or  
(B) The institution develops an academic plan for the student that, if followed, will ensure that the student is able to meet the institution's satisfactory academic progress standards by a specific point in time.
  - (3) A student on financial aid probation for a payment period may not receive title IV, HEA program funds for the subsequent payment period unless the student makes satisfactory academic progress or the institution determines that the student met the requirements specified by the institution in the academic plan for the student.



## ***Student Consumer Information Regulations—34 CFR 668.42(c)***

(c) The institution shall describe the rights and responsibilities of students receiving financial assistance and, specifically, assistance under the title IV, HEA programs. This description must include specific information regarding—

\* \* \*

- (2)(i) Standards which the student must maintain in order to be considered to be making satisfactory progress in his or her course of study for the purpose of receiving financial assistance; and
- (ii) Criteria by which the student who has failed to maintain satisfactory progress may re-establish his or her eligibility for financial assistance;

## **Some Areas Where Professional Judgment Does Not Apply**

A financial aid administrator cannot use PJ to:

- Change a student's dependency status from independent to dependent;
- Create a new category of costs in the COA;
- Adjust the "bottom-line" EFC directly;
- Change the FM formula itself or the values in the tables used to calculate the EFC;
- Make across-the-board changes;
- Make an otherwise ineligible student eligible for Title IV aid (e.g., using PJ to waive general student eligibility requirements);
- Circumvent the intent of the law or regulations;
- Circumvent Federal Supplemental Educational Opportunity Grant (FSEOG) selection criteria; or
- Include expenses related to post-enrollment activities in the student's COA, except on a one-time basis for the cost of obtaining a first professional credential for a student in a program requiring professional licensure or certification.

## **Professional Judgment Documentation**

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Documentation supports professional judgment decisions made and it provides:

- Additional information beyond that found on the FAFSA and other application documents (such as third-party documentation, copies of receipts, and canceled checks); and
- History of the student's circumstances for future reference by another financial aid administrator in your office, an auditor, a program reviewer, the student, or some other authorized third party.

Notes should provide the rationale for decisions made and applicable policies and procedures.

Detailed documentation also helps to ensure consistency.

## **Types of Professional Judgment Documentation**

There are two types of professional judgment documentation which include:

- Student documentation to support the student's or family's request for consideration:
  - Depends upon the situation, often subjective; and
- Institutional documentation of the professional judgment should include:
  - Clear record of the decision made,

- The date of the decision,
- How the decision was reached,
- The outcome, and
- The name and title of the person who made the decision.

## Institutional Professional Judgment Forms

It is a good practice to create an institutional form for students. The form may be general, providing space for:

- The date;
- Narrative; and
- The name or initials of the decision maker.

Other forms are more specific, providing examples of acceptable documentation according to the special circumstance.

## Documentation Maintenance

How documentation is maintained may depend on whether the office is automated or not automated.

- Offices that are automated may summarize the decision within comment screens in their financial aid processing system.
  - Document imaging may allow action and documentation to be stored digitally.
- Offices that are not automated must ensure documentation from the student and the institution are maintained in the student's file.
- The period the school must maintain the documentation depends on how the documentation was used in exercising PJ.
  - If its use was related to awarding campus-based, TEACH Grant, Federal Pell Grant, or IASG funds, the documentation should be maintained for three years after the end of the award year for which the aid was awarded.

If its use was related to the awarding Direct Loan funds, the documentation should be maintained for three years after the end of the award year in which the student last attended the school.

## Professional Judgment Policies and Procedures

Policies are a good way to ensure consistency and are helpful in explaining actions to third parties, such as auditors.

- Written policies can also be closely scrutinized, so it is important to make sure staff:
  - Are allowed to adhere to what is described in the policy; and
  - Follow the policy that has been set.
- The important process of formulating policies and procedures may be assisted by:
  - Committee structure; or
  - Prior approval of the administration.

## U.S. Department of Education

### Dear Colleague Letter

Posted Date: February 11, 2016

**DCL ID: GEN-16-03**

**Subject: Use of Professional Judgment When Prior-Prior Year Income is Used to Complete the Free Application for Federal Student Aid (FAFSA)**

**Summary: This letter reminds financial aid administrators of their authority under section 479A of the Higher Education Act of 1965, as amended, (HEA) to exercise what is known as “professional judgment” to address the special circumstances that may arise for families who, beginning with the 2017–2018 FAFSA, apply for federal student financial aid using prior-prior year income.**

Dear Colleague:

On September 14, 2015, [President Obama announced two major changes to the FAFSA process that together are designed to make it easier to apply for financial aid and to know what aid is available.](#) First, the President announced a change to the date when students and families can begin submitting FAFSAs. Beginning with the 2017–2018 financial aid application cycle, the FAFSA will be available on October 1 of the year prior to the upcoming award year. Therefore, students will be able to file a 2017–2018 FAFSA beginning on October 1, 2016.

Second, the President announced a change to which tax year’s information will be collected on the FAFSA. Currently when completing a FAFSA, students provide income information from the most recently completed tax year prior to the beginning of the financial aid application cycle (e.g., 2014 income information for the 2015–2016 FAFSA). Beginning with the 2017–2018 FAFSA, to simplify the process for determining financial aid eligibility, income information will be collected from one tax year earlier – referred to as the “prior-prior year.” This change is made under the authority of section 480(a)(1)(B) of the HEA. This means that, on the 2017–2018 FAFSA, the Department will collect tax year 2015 income information and not 2016 income information. As a result of this change, most students will be able to complete their FAFSAs using information from an already completed tax return and will be able to electronically transfer their income tax return information from the Internal Revenue Service (IRS) into the FAFSA using the IRS Data Retrieval Tool (IRS DRT).

The Department uses information collected on the FAFSA to calculate the student’s expected family contribution (EFC) according to a formula specified in the HEA. The formula uses income from a previous year as a predictor of the family’s income for the upcoming award year. Because the income from a previous year is used, the formula does not take into account recent changes in a family’s financial circumstances.

With the transition from prior year income to prior-prior year income, financial aid administrators (FAAs) may see an increase in requests from students to consider making adjustments to their income to more accurately reflect the students’ and families’ current financial circumstances. Any action taken by FAAs in this regard is commonly known as the use of professional judgment.

Section 479A of the HEA gives FAAs the authority to make case-by-case adjustments of the data items used to calculate a student’s EFC, based on adequate documentation to address current circumstances not reflected on a student’s FAFSA. The thoughtful use of professional judgment may be critical to a student’s ability to begin or continue with postsecondary education. When making a professional judgment adjustment to

student or family income, it is appropriate for the FAA to consider if the use of prior-prior year income is the best predictor of income for the upcoming award year. A professional judgment adjustment may be warranted if a family member experienced a significant change of income, either upward or downward. For example, for an individual who has lost a job or has taken a significant salary cut beginning in August of 2015, the FAA may use the income for the 12-month period following the reduction in income (September 2015 through August 2016) instead of the prior-prior year income (calendar 2015) that was initially used in the EFC calculation. Alternatively, the FAA may choose to use more recent income that the FAA believes more accurately reflects the family's current financial circumstances, i.e., the student or parent moved from part-time employment to full-time employment.

The Department encourages FAAs to use their professional judgment when appropriate to adjust income and other financial information used to determine the EFC. The Department expects that there will be some increased uses of professional judgment. For the 2017–2018 and future award years, the Department will make appropriate adjustments to its risk-based model as it reviews and analyzes the use of professional judgment and will continue to monitor and enforce requirements for appropriate use of professional judgment. As long as the institution retains evidence of the changed financial circumstances supporting the professional judgment decision, as described below, the Department will consider that to be adequate documentation for the adjustment to the student or family income.

In exercising professional judgment, FAAs must obtain and maintain documentation of the changed circumstances supporting the professional judgment decision. For example, if an individual has lost a job and the FAA chooses to project income for the next 12-month period, the FAA must obtain and maintain adequate documentation of the individual's loss of employment, as well as documentation of projected income. An example of adequate documentation of a job loss could include a letter from the former employer, or a letter from the State unemployment office that makes reference to the job loss.

While the Department encourages the exercise of professional judgment where appropriate, section 479A of the HEA limits its use. Professional judgment must only be used to address special circumstances, which are conditions that apply to an individual student, rather than to a class of students. FAAs may identify a category of students with similar circumstances to consider for a possible professional judgment adjustment (for example, all students whose income or whose family's income was affected by a recent military deployment). The institution would then need to assess and document how each individual student's situation was affected, making sure not to assume that every student in that category was affected in the same way. FAAs may not, however, automatically provide identical treatment to all students in that category.

The Department reminds FAAs that, when they submit professional judgment changes to a student's information to the Department's Central Processing System (CPS), they must set the Professional Judgment Flag to 1 (EFC Adjustment Processed) to indicate that the submission was the result of a professional judgment determination.

Further guidance on the use of professional judgment can be found on pages 121–123 of the [Application and Verification Guide](#) of the Department's *2015–2016 Federal Student Aid Handbook*. The Department also previously posted Dear Colleague Letters (DCLs) in April 2009 ([GEN-09-04](#)) and in May 2009 ([GEN-09-05](#)) that provided information to FAAs regarding their ability to exercise professional judgment for families that are receiving unemployment benefits. The [Electronic Announcement published on May 21, 2010](#), extended the guidance provided in the two DCLs for 2010–2011, and subsequent award years, until further notice.

The Department appreciates institutions' cooperation and support as together we ensure that all Americans have the opportunity to participate in our country's postsecondary education system.

Sincerely,  
Lynn B. Mahaffie  
Deputy Assistant Secretary for Policy, Planning, and Innovation  
Office of Postsecondary Education U.S. Department of Education

## Q & A From ED's Early FAFSA FAQ

<https://ifap.ed.gov/EarlyFAFSA/earlyfafsaFAQv1.html>

### **G-Q1: Will FAFSA applicants have an option to use tax year 2016 income and tax information?**

G-A1:

No. Beginning with the 2017-2018 FAFSA, students and parents will be required to use income and tax information from the 2015 tax year. However, a financial aid administrator (FAA) may use professional judgment to change any of the income or tax items by using the 2015 (or any other recent 12 month period) income and tax information, if the FAA determines that there are extenuating circumstances that justify the use of information other than the 2015 tax year information. The fact that the student might be eligible for more aid based upon the use of 2016 information is not, by itself, sufficient reason for an FAA to make a professional judgment decision to use 2016 income. [April 12, 2016]

### **G-Q13: Dear Colleague Letter GEN-16-14 says that if the new Comment Code 399 is not included on the student's 2017–2018 ISIR, the institution is not required to determine if there are any differences in income or tax information between the two ISIRs. In what circumstances would Comment Code 399 not appear even if the reported 2015 tax/calendar year information differs between the student's 2016–2017 and 2017–2018 ISIRs?**

G-A13:

A student's 2017–2018 ISIR will not include Comment Code 399 if:

- The Department's review of the information from the student's 2016–2017 and 2017–2018 ISIRs results in a determination that any differences would not result in a significant change in the student's expected family contribution (EFC);
- The student is not expected to be Pell Grant eligible based on the 2017–2018 ISIR;
- There was a change in the student's dependency status between the 2016–2017 FAFSA and the 2017–2018 FAFSAs;
- There was a change in the student's or parents' marital status between the 2016–2017 FAFSA and the 2017–2018 FAFSAs; or
- Professional judgment was performed for the 2016–2017 award year. We remind institutions that upon making a professional judgment determination, it is very important that the CPS "Professional Judgement Flag" be set to '1.' [September 6, 2016]

### **G-Q16: Must conflicting information be resolved before an institution considers doing a professional judgment adjustment for either or both years?**

G-A16:

Yes, as is the case for a student who has been selected for verification, the institution must resolve any possible conflicting information and submit any required ISIR changes to the CPS before it makes a professional judgement determination. [September 6, 2016]

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