NASFAA
AUTHORIZED EVENTS
2021-22

OVERVIEW OF PROFESSIONAL JUDGMENT

Slide Handout

NASFAA
NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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August 2021

NASFAA Authorized Event
Overview of Professional Judgment

National Association of Student Financial Aid Administrators

Overview of Professional Judgment

A NASFAA Authorized Event*

2021-22

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*For training purposes only; not for credential preparation.

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Agenda

- What is Professional Judgment?
- PJ and Need Analysis
- Cost of Attendance Adjustments
- PJ and Loan Origination
- Satisfactory Academic Progress

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Statutory Authority

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

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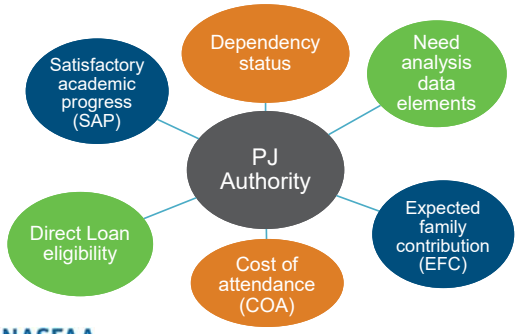
Professional Judgment



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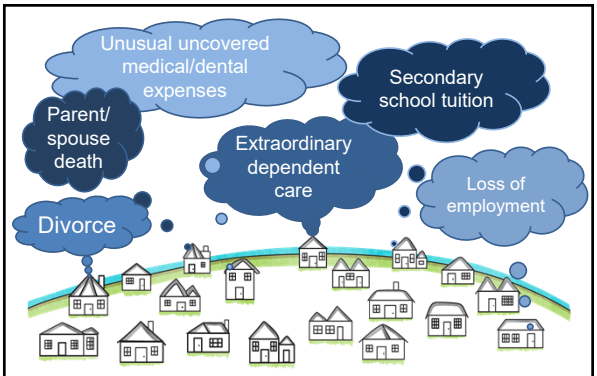

Special Circumstances

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HEROES Act

Affected individuals

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

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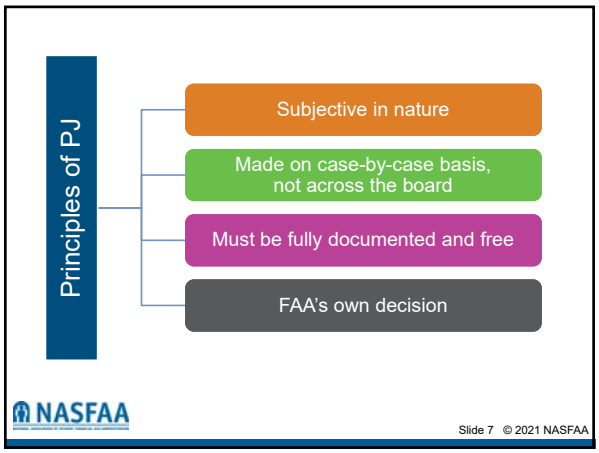
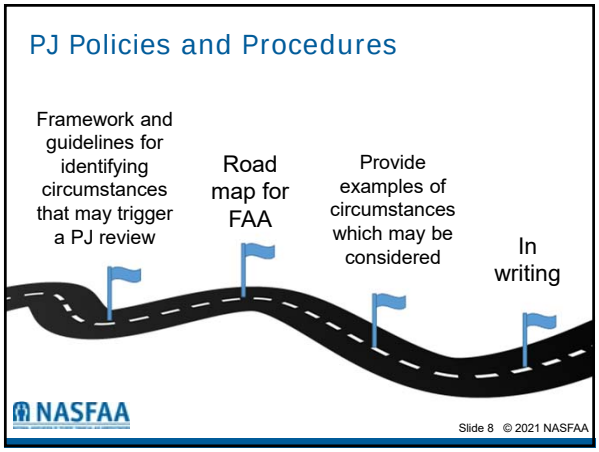
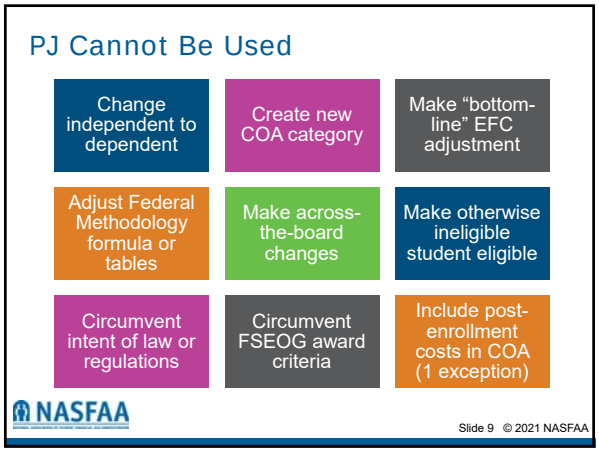
Overview of Professional Judgment







PJ Documentation

- Document your decision
- Consistency with institutional PJ forms
- Document maintenance

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FAFSA Processing

- FAFSA available on October 1
- "Prior-prior year" data collected
  - 2021-22 FAFSA will collect 2019 tax and income information
- May use PJ to adjust income or tax items to reflect any 12-month period

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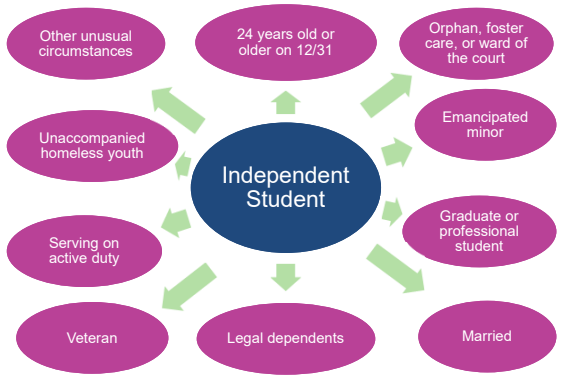

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Application

Dependency override ≠

- Parents refuse to contribute to student's educational costs
- Parents unwilling to provide information on FAFSA or for verification purposes
- Parents do not claim student as a dependent for income tax purposes
- Student demonstrates total self-sufficiency

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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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Example: Natasha

- 16-year-old high school student
- Living with grandmother for 8 years
- She and her mother are U.S. citizens, but not her father
- Not adopted, ward of court, or appointed a legal guardian
- Parents live abroad and cannot support her
- No contact in several years and contact information is unknown

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Example: Natasha

Questions:

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

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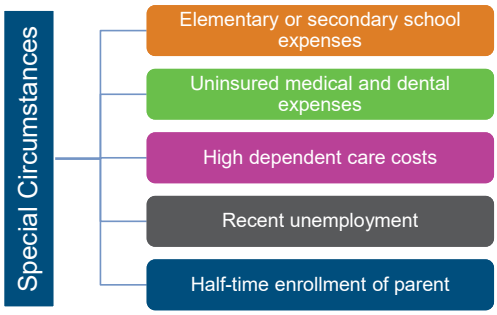
Need Analysis



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Verification Waiver

- GEN-21-05 waives verification of all FAFSA data in any tracking group except:
  - Identity/Statement of Educational Purpose
  - High school completion status
- Effective July 13, 2021, for remainder of 2021-22 award year processing cycle

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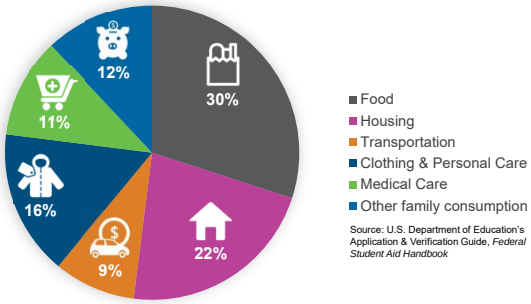
Income Protection Allowance



Source: U.S. Department of Education's Application & Verification Guide, *Federal Student Aid Handbook*

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Alternative-Year Income

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

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Example: Lori

- Returning to college
- Worked full time during 2019
- Leaving her job in August 2021
- Income for 2021 will be significantly less than for 2019

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Example: Lori

Questions:

- Would it be reasonable to use 2019 income or projected income? Why?
- If projected income, would you use an estimate of 2021 income? Why?

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Cost of Attendance Adjustments

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

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COA Adjustments for Living Expenses

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

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Documentation

- Unusual Medical Expenses
  - IRS Schedule A
  - IRS Tax Return Transcript
  - Receipts for payments
  - Costs not covered by insurance
- Parent's Enrollment in College
  - Receipts for tuition payments
  - Required book and supplies cost
  - Need for program
  - Enrollment status
- Income Reduction
  - Pay statements
  - Unemployment compensation
  - Social Security benefits received
  - Alimony in divorce agreement

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Denial or Reduction of Direct Loan Eligibility

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

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Application

Reasons for denying or reducing loan eligibility →
- High debt burden
- Borrower's unwillingness to repay the loan

Reasons for denying or reducing a Direct PLUS →
- Parent is incarcerated
- Parent's only source of income is public assistance or disability benefits
- Parent's income/debt ratio indicates inability to repay PLUS

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Documentation

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

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Direct Unsubsidized Loan for Dependent Student without Parental Data

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

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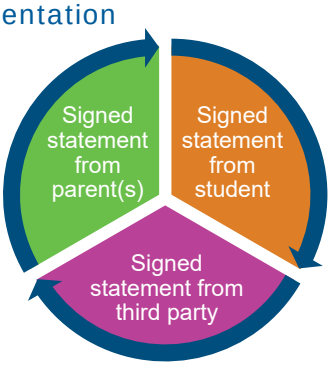
Documentation



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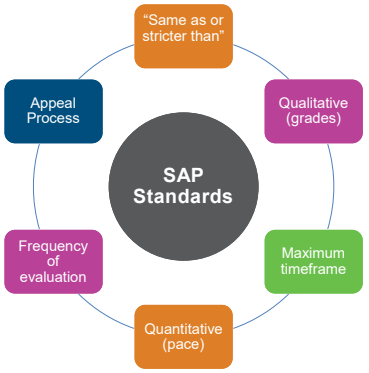
Overview of Professional Judgment



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Exercising PJ

May use PJ to waive SAP standards due to undue hardships on case-by-case basis:

- Death of student's relative
- Student's personal injury or illness
- Special circumstances determined by institution

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PJ Documentation for SAP

CIRCUMSTANCE	TYPE OF DOCUMENTATION
Death of a relative of the student	• Copy of official death certificate • Statement from adult family member or physician
Personal injury or illness of the student	• Signed statement from student's physician • Accident or police report
Family difficulties, such as divorce or illness	• Copies of official legal documents • Signed statement from physician • Signed statement from an involved third party (e.g., counselor, clergy, lawyer, etc.)
Interpersonal problems with friends, roommates, or others	• Signed statement from an involved third party (e.g., resident advisor, school counselor, etc.)
Time management difficulties	• Documentation illustrating commitments outside of school (e.g., pay stubs, etc.) • Tangible steps for improvement

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PJ Documentation for SAP

Have these circumstances created an undue hardship on the student that caused the student's inability to meet the SAP standards?

Have the barriers to academic progress been removed or sufficiently managed to permit reasonable expectations for future academic progress?

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NOTES:

The National Association of Student Financial Aid Administrators (NASFAA) provides professional development for financial aid administrators; advocates for public policies that increase student access and success; serves as a forum on student financial aid issues; and is committed to diversity throughout all activities.

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