



NASFAA

SELF-STUDY GUIDES



PROFESSIONAL JUDGMENT

AWARD YEAR 2021-22 • ISSUE DATE APRIL 2021



NASFAA

NATIONAL ASSOCIATION OF STUDENT FINANCIAL AID ADMINISTRATORS

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April 2021



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NASFAA Self-Study Guide

2021-22 Professional Judgment

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These training materials are designed for individual use, as well as for in-person instruction during NASFAA Authorized Events, such as workshops and institutes. The effectiveness of the learning experience depends on utilization of the quizzes, learning activities and reflective exercises provided.

This Self-Study Guide does not address U.S. Department of Education guidance related to the COVID-19 pandemic and resulting national emergency.

Lesson 1: Overview of Professional Judgment Authority

Learning Objectives

After completing this lesson, you will understand the:

- Meaning, purpose, and underlying principles of professional judgment (PJ);
- Areas of financial aid administration to which PJ may be applied; and
- General documentation requirements applicable when exercising PJ.

Key Concepts

The key concepts you will learn in this lesson:

- PJ authority;
- Definition of PJ;
- Special circumstances;
- Purpose and principles of PJ;
- PJ policies and procedures;
- PJ triggers;
- Areas of PJ;
- Areas where PJ does not apply;
- Role of PJ documentation; and
- Types of PJ documentation.

Professional Judgment Authority

Introduction

Professional judgment (PJ) is sometimes viewed as one of the more challenging aspects of Title IV program administration. There are both explicit and implicit guidelines that must be followed in relation to other aspects of Title IV federal student aid administration.

The law delegates the authority to the financial aid administrator to make the decision when students and families have special circumstances.

In this self-study guide we will:

- Define PJ and discuss its significance;
- Identify the specific areas where the statute authorizes the exercise of PJ;
- Explain the importance of documentation; and
- Provide some guidelines for establishing PJ policies and procedures.

Statutory Authority



Section 479A of the Higher Education Act of 1965 (HEA), as amended, provides the statutory authority for the financial aid administrator to exercise discretion in a number of areas such as dependency status, need analysis, data elements used in the calculation of the expected family contribution (EFC), costs within the cost of attendance (COA) components, student or parent Federal Direct Student Loan (Direct Loan) eligibility, and Direct Unsubsidized Loan eligibility for students whose parents refuse to complete the Free Application for Federal Student Aid (FAFSA). This authority is known as professional judgment 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.

This statutory authority was enacted as part of the Higher Education Amendments of 1986, and it granted the financial aid administrator authority to exercise PJ in all Title IV programs. However, nothing requires a financial aid administrator or school to use this discretion.








For the full statutory text of HEA Section 479A, refer to page 14. Different statutory citations apply to other areas where a financial aid administrator may exercise PJ, such as satisfactory academic progress (SAP). These requirements and suggestions specific to each of the different areas will be covered in the following lessons.

Resources for This Lesson

- *Higher Education Act of 1965, As Amended—Section 479A*
- *NASFAA Guide to Addressing Special Circumstances Using Professional Judgment*
- Glossary

Icons

You will see the following icons in Lesson 1:

- Key concept 
- Quick quiz 
- Reflection questions 
- Learning activity 
- Helpful hint 

Purpose and Principles of PJ

Definition of PJ



Professional judgment is the discretion granted to financial aid administrators by law to override dependency status and/or make adjustments to need analysis, including data elements used to calculate the EFC and costs within the COA components. The financial aid administrator decides if adjustments to standard components of need analysis are warranted due to special circumstances.

Special Circumstances



Special circumstances are conditions that differentiate an individual student from a class of students rather than conditions that exist across a class of students. Some examples 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.

Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act). Under the HEROES Act, the U.S. Department of Education (ED) encourages financial aid administrators 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, and 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.



Although there is no expiration of the HEROES Act, and ED's waiver and modification authority extends indefinitely, the current ED HEROES waivers and modifications are set to expire on September 30, 2022. Current guidance may be found in the September 29, 2017, *Federal Register*.

Prohibition on Regulating PJ. The law specifically prohibits ED from regulating the exercise of professional judgment authority; however, ED may provide subregulatory guidance. Such subregulatory guidance includes, but is not limited to, the *FSA Handbook*, Dear Colleague Letters, and Electronic Announcements, which include the following:

- *FSA Handbook*, Application and Verification Guide, Chapter 5 – Special Cases;
- GEN-16-03 – Use of Professional Judgment When Prior-Prior Year Income is Used to Complete the Free Application for Federal Student Aid (FAFSA);
- GEN-11-15 – Dependency Overrides;
- GEN-11-07 – Guidance on Participation in the William D. Ford Federal Direct Loan (Direct Loan) Program;
- GEN-11-04 – Update on the use of “Professional Judgment” by Financial Aid Administrators;
- GEN-03-07 – Dependency Overrides; and
- Electronic Announcement, 7/09/20, Reminder of Alternative Acceptable Documentation to Complete for IRS Verification of Non-Filing (VNF) and Form W-2; Increase in Professional Judgments due to COVID-19.

Principles of PJ



Subjective Nature of PJ. Professional judgment is a subjective process. There is no right or wrong answer, so it's not

unusual for two financial aid administrators to review the same scenario and arrive at different—but equally valid—solutions.

Case-By-Case Decisions. All PJ decisions must be made on an individual, case-by-case basis, and not across the board for a group or category of students. PJ decisions must be based on an examination of an individual student's unique situation. 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.

Fully Documented Decisions. The conditions that create the need for special treatment, as well as any action taken, must be adequately documented and the documentation must be maintained in the student's file. Documentation should be included, even if the financial aid administrator decides a PJ adjustment is not warranted.

The financial aid administrator's PJ authority extends to requesting and using any supplemental information she deems necessary for making an informed, well-reasoned PJ decision. Just remember, no matter what documentation the financial aid administrator feels is necessary to make a PJ decision, a fee cannot be charged for collecting the information required to apply for financial aid or to make a PJ decision.

Financial Aid Administrator's Own Decision. The financial aid administrator must make his own PJ decision. Except for an override of dependency status from dependent to independent, which is discussed in Lesson 2, a financial aid administrator at one school cannot automatically accept PJ adjustments made for the same student by a financial aid administrator at another school. Although the financial aid administrator may arrive at essentially the same conclusion based on his own examination of the student's circumstances, he still must collect the appropriate documentation needed to review the student's situation and arrive at his own decision. The reasons for his decision must be documented in the student's file.

At a minimum, the financial aid administrator should consider the following questions when making a PJ decision:



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



Does the 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?

PJ Policies and Procedures



Policies and procedures regarding the exercise of PJ provide a basic framework and guidelines within which an individual student may be treated. Written PJ policies and procedures should be in place to:

- Provide a road map for the financial aid administrator to make PJ decisions;
- Help identify families for whom a PJ decision may be warranted;
- Provide some measure of objectivity; and
- Ensure consistent treatment between families that have similar unusual or special circumstances.

Professional judgment policies and procedures:

- **May not** specify that adjustments will be made for all families that satisfy a particular set of parameters;
- **May** provide a framework and guidelines for identifying circumstances that may trigger a review by the financial aid administrator to determine if a PJ decision is warranted; and
- **Should** provide examples of unusual or special circumstances that may warrant an adjustment.

You should make sure your PJ policies and procedures are documented in writing in your financial aid policies and procedures manual (paper or electronic); they should be accessible to all financial aid office staff. Policies that are written are more likely to be applied consistently by different financial aid administrators and counselors within the same financial aid office.

Written policies are also subject to the scrutiny of auditors and program reviewers and should be developed with care. You will want to ensure that your written policies and procedures will actually allow you to do what your PJ policy intends.

Your PJ policies and procedures may allow for the use of a committee to assist the financial aid administrator in making her PJ decisions. Using a committee structure or seeking the approval of your administration can help garner support for decisions you make in the sensitive areas that affect a student's financial aid.

In the end, a PJ decision should not be questioned in an audit or program review if the decision was:

- Based on an area where the law authorizes the financial aid administrator to use PJ;
- Reasonable, given the scope of the family's unusual or special circumstances;
- Reached on a case-by-case basis;
- Based on an individual's unique circumstances;
- Made after any conflicting information has been resolved; and
- Documented properly in the student's records, even if no further action will be taken.

The financial aid administrator may receive pressure from the student, the student's family, campus officials, and/or other individuals to give the student special consideration for the exercise of PJ authority. However, in the end, the PJ decision is the sole discretion of the financial aid administrator and cannot be appealed to ED.

PJ Triggers



An institution may establish policies and procedures under which it identifies circumstances that trigger a review by a financial aid administrator. The financial aid administrator may discover that a family has special circumstances potentially warranting a PJ adjustment 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.

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

- The paper FAFSA ;
- The FAFSA on the Web at studentaid.gov;
- The FAFSA form at myStudentAid mobile app;
- ED's customer service center at 1-800-4-FED-AID; or
- The school's award letter and/or consumer information.

Areas of PJ



Professional judgment discretion is specifically granted in statute and, therefore, may only be exercised in the following areas, which will be explored in Lessons 2 through 4:

- Dependency status;
- Need analysis, including specific data elements used in the calculation of the EFC and costs

associated with individual components of the COA;

- Denial or reduction of Direct Subsidized Loan, Direct Unsubsidized Loan, and/or Direct PLUS eligibility;
- Determining Direct Unsubsidized Loan eligibility for a dependent student without parental support and FAFSA data; and
- SAP.

Areas Where PJ Does Not Apply



Financial aid administrators are not allowed to use PJ in certain areas. 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;
- Make a "bottom-line" adjustment directly to the EFC;
- Change the Federal Methodology (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, such as 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.



Federal Methodology, Federal Supplemental Educational Opportunity Grant, and other terms are defined in the Glossary.

PJ Documentation

Important Role of PJ Documentation



Documentation supports the decisions made when exercising PJ. It also 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 it provides a 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.

Detailed notes providing the rationale for PJ decisions should be made so another person reviewing the file can easily determine what judgments were made and why. Documentation also should refer to the school's policies and procedures or external reference documents, as applicable. Sufficient documentation helps to ensure consistency when making PJ decisions across award years.

Types of PJ Documentation



There are two types of PJ documentation—student and/or family documentation, and institutional documentation.

Student and/or Family Documentation. The first type is documentation collected from a student and/or family to support the student's or family's request for special consideration. This type of documentation depends upon the student's and/or family's situation and is often subjective. Such documentation from the student or family may include, but are certainly not limited to:

- Written explanations of the special circumstances being experienced by the student and/or parent(s);
- Copies of third-party letters or testimonials; and
- Copies of receipts, bills, and/or payroll statements.

Determining what documentation is acceptable may be subjective. A written statement may provide the greatest insight into the situation and guide you in what additional documentation may be needed, or you may well determine that the situation is not special in nature and does not warrant PJ consideration.



Letters from third-party observers may be helpful in corroborating the student's account of the special circumstances.

Third-party observers may include, but are not limited to:

- Teachers;
- Guidance counselors;
- Social workers;
- Ministers or clergy members;
- Other adult relatives; and
- Other adults who are familiar with and can attest to the student's or family's circumstances.

Refer to the types of documentation presented in the *NASFAA Guide to Addressing Special Circumstances Using Professional Judgment*, beginning on page 15. Because this *Guide* offers suggestions on approaches you may take for certain circumstances and the types of documentation you might collect to substantiate them, we encourage you to set aside some time to review the information provided and to discuss its potential uses with staff members in your financial aid office. Documentation requirements and suggestions specific to the different areas of PJ will be covered in greater detail in the following lessons.

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

Institutional Documentation. The second type of documentation is institutional documentation kept by the institution as a clear record of:

- The decision that was made;
- The date of the decision;
- How the decision was reached;
- The outcome; and
- The name and title of the individual making the decision.

Documenting Your Decision

Documentation of the decision and why it was made is equal in importance to the information provided by the student. Within this documentation, you may cite school policy and explain the basis of your decision if it differs from established policy.

At a minimum, your documentation should include:

- The date the decision was made, and any actions taken;
- The specific circumstances and, if appropriate, the actual request of the student or parent describing the circumstances;
- The source of information—for example, copies of third-party documentation, letters, receipts, bills, tax forms;
- The decision that was made;
- Whether the decision relates to a specific school policy or procedure and, if so, its citation;
- The name and title of the person responsible for making the decision; and
- Documentation that the student was notified of the decision.

Institutional PJ Forms

For consistency in documentation, many schools find it helpful to design their own PJ forms. Such a form, whether a paper or online form, can be very general or specific, providing spaces for:

- Narrative explanations;
- Specific data or information being requested by the financial aid office; and

- The student's name and signature, as well as the date the form is completed.

The form might also include the name of the person or committee members making the PJ decision, and the date the decision was made.



Take a few minutes to review the sample PJ forms provided starting on page 27. Consider whether you might want to use these forms or modified versions of such forms on your campus.

“Documentation of the decision and why it was made is equal in importance to the information provided by the student. Within this documentation, you may cite school policy and explain the basis of your decision if it differs from established policy.”

Documentation Maintenance

Documentation may be maintained in a variety of ways, which may depend on the degree of automation within an office. Automated offices may document decisions by:

- Computer comment screens; or
- Document imaging of all documentation—including a written statement describing how the decision was made—in the student's file.

Offices that are not automated may document decisions by keeping the written statements and supporting documentation in the student's physical (paper) file.



Quick Quiz

Now it's time to check what you have learned so far. Answer the following questions and check your responses using the Answer Key on page 34.

1. Sort each of the following areas (by alphabet) according to whether or not a financial aid administrator is allowed to exercise his or her PJ discretion to make an adjustment in that area.
 - a) Making across-the-board changes
 - b) Circumventing the intent of the law or regulations
 - c) Changing the data elements used to calculate the EFC
 - d) Changing the values in the Federal Methodology tables used to calculate the EFC
 - e) Making a "bottom-line" adjustment directly to the EFC
 - f) Changing student's dependency status from dependent to independent
 - g) Changing a student's dependency status from independent to dependent
 - h) Adjusting costs associated with a component of the COA
 - i) Creating a new category of costs in the COA
 - j) Refusing or reducing a student's or parent's Direct Loan eligibility
 - k) Awarding Direct Unsubsidized Loans for students whose parents refuse to complete the FAFSA
 - l) Waiving general student eligibility requirements (except SAP)
 - m) Circumventing FSEOG award selection criteria
 - n) Including in the COA expenses beyond a one-time expense, for obtaining a first professional credential for a program requiring professional licensure or certification
 - o) Waiving satisfactory academic progress criteria

PJ Allowed

PJ Not Allowed

Quick Quiz (cont'd)

2. To whom does the law authorize the exercise of professional judgment authority? (*check one*)
- ☐ The school's president or chief executive officer
 - ☐ Financial aid administrators
 - ☐ The student's guidance counselor or academic advisor
 - ☐ Any staff member within the school's administration who works directly with the student
3. List the four steps a financial aid administrator should take to help ensure PJ decisions are not questioned in an audit or program review.
- _____
 - _____
 - _____
 - _____
4. Affected individuals under the HEROES Act include which of the following? (*check all that apply*)
- ☐ Individuals serving on active duty during war or other military operation or national emergency
 - ☐ Individuals enrolled at a U.S. military service academy duty during war or other military operation or national emergency
 - ☐ Individuals residing or employed in an area declared a disaster area by any federal, state, or local official in connection with a national emergency
 - ☐ Individuals suffering economic hardship as a direct result of war or other military operation or national emergency, as determined by ED
5. Which of the following are true statements relative to the use of PJ by financial aid administrators? (*check all that apply*)
- ☐ A student may appeal a financial aid administrator's PJ decision to ED.
 - ☐ A fee cannot be charged for collecting documentation required to support a PJ request.
 - ☐ ED is prohibited from issuing regulations related to PJ.
 - ☐ A school can set triggers which allow a financial aid administrator to make PJ adjustments to all students who meet the conditions of a given trigger.
6. The two primary types of PJ documentation are _____ and _____ . (*fill in the blanks*)

Quick Quiz (cont'd)

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



Reflection Questions

Take a few moments to answer the following questions. Then, compare your answers with your school's PJ policies and procedures. There are no right or wrong answers. You can also discuss these questions and answers with a coworker in your office.

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

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____
- 6) _____
- 7) _____

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

- 1) _____
- 2) _____
- 3) _____
- 4) _____
- 5) _____
- 6) _____
- 7) _____



Learning Activity: Is PJ Discretion Allowed?

Review each of the following scenarios and indicate whether the financial aid administrator is allowed to make a PJ decision under federal statute and what documentation might be collected in support of the PJ decision if PJ is allowed. Check your responses using the Answer Key on page 36.

Note that you are only deciding if PJ is allowed under statute and what potential documentation you might collect; you are not making the PJ decision at this time. Allowable documentation may vary from the answers provided in the answer key. If so, you may wish to review your responses with another staff member in your office. If you're a little off base, don't fret; each of these areas will be discussed in greater detail in Lessons 2 through 4.

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

Could you use PJ to include Evelyn in the number in college? ☐ Yes ☐ No

If so, what documentation might be collected to support your PJ decision?

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

Could you use PJ to approve Margot's request to include the cost of the professional credential in her COA? ☐ Yes ☐ No

If so, what documentation might be collected to support your PJ decision?

Learning Activity: Is PJ Discretion Allowed? (cont'd)

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

Could you use PJ to deny Calvin’s PLUS application? ☐ Yes ☐ No

If so, what documentation might be collected to support your PJ decision?

Higher Education Act of 1965, As Amended—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.

(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.

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

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"> Lease/rent receipts or other documentation of living arrangements 	<ul style="list-style-type: none"> Does this support the claim of separate domicile from parent(s)? Are the student's housing expenses provided by someone other than the student's parents? Does the student have roommates to share this expense, making it more manageable? Does the student receive in-kind support (e.g., free room and board)? 	<ul style="list-style-type: none"> Dependency override <ul style="list-style-type: none"> ➤ Parent income and asset information is excluded in the calculation of the EFC and no parental signature is required on the FAFSA
	<ul style="list-style-type: none"> Utility bills 	<ul style="list-style-type: none"> Is the student managing utility costs without assistance from his or her parents? Is there a roommate to share these expenses? 	
	<ul style="list-style-type: none"> Health insurance policy 	<ul style="list-style-type: none"> Does the student have insurance in her or his own name? Is the policy in the parent's name? 	
	<ul style="list-style-type: none"> Court documents 	<ul style="list-style-type: none"> Do these documents justify claims of estrangement from the parents? <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 statutory 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"> Federal income tax form, Schedule A—Itemized Deductions IRS Tax Return Transcript (if necessary) Receipts for payments Canceled checks Documentation of costs covered by insurance 	<ul style="list-style-type: none"> Did payment of the expenses affect the family's ability to meet the EFC? Is any portion of the debt covered by insurance? Is there an unpaid balance that must be satisfied during the student's period of enrollment? Is the expense long-term due to an ongoing treatment, condition, or illness? 	<ul style="list-style-type: none"> 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) Reduce AGI by annual installment payments made for long-term medical and dental care (e.g., cancer therapy or orthodontic work), nursing home payments 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)
Support of extended family or second household	<ul style="list-style-type: none"> Receipts Billing statements Statement from student or parent Divorce decree 	<ul style="list-style-type: none"> What is the reason for the family member's lack of income? Does the individual reside in the household? Does the family member reside outside of the United States? Are the expenses for care of the elderly? If so, does the person(s) live in the household or in an assisted-care facility? Is the second household job-related? 	<ul style="list-style-type: none"> Reduce AGI by amount of support or second household expenses Adjust family size Adjust assets
Elementary and secondary school costs for dependent student's sibling or independent student's child	<ul style="list-style-type: none"> Receipts for tuition payments Canceled checks Signed, itemized statement of expenses 	<ul style="list-style-type: none"> Will any of the costs be reimbursed by another source? Why does the child attend private school? Does the child have special needs that are met by the private school? 	<ul style="list-style-type: none"> Reduce AGI by elementary/secondary tuition expense amount Adjust assets

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"> Receipts for tuition payments Documentation of required book and supply costs Documentation of need for program Documentation of enrollment status 	<ul style="list-style-type: none"> Is the parent enrolled as a regular student in a Title IV-eligible participating institution? What is the parent's enrollment status? Is tuition reimbursed by an employer or does the parent receive financial aid? Is the program required to find or retain employment, or is it discretionary? 	<ul style="list-style-type: none"> Increase number in college to reflect parent's half-time enrollment Reduce AGI by portion or all of unreimbursed educational costs (direct costs only or all COA components) Adjust assets
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"> Contract, mortgage, or lien Billing or payment summary from person, company, or agency to which money is owed Explanatory statement from parent or student 	<ul style="list-style-type: none"> What circumstances created the expense or debt? Is the expense or debt the result of discretionary choices? Is the applicant or parent responsible for all or a portion of the debt? Will any portion of the debt be expunged in a bankruptcy, legal settlement, or other legal agreement? 	<ul style="list-style-type: none"> Reduce AGI by some or all annual installment payments on debts considered extenuating 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)
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"> For estimated income: Signed statements of estimated earnings; paycheck stubs; alimony in divorce agreement; unemployment compensation and Workforce Innovation and Opportunity Act (WIOA) benefits; disability and Social Security benefits received or to be received For nonrecurring income: Federal income tax return, Form 3903-Moving Expenses; Schedule D-Capital Gains and Losses 	<ul style="list-style-type: none"> Is the reason for the income reduction related to school attendance? Is the reason for the income reduction or increase a recurring condition? Will the income reduction or increase have a significant impact on the EFC? 	<ul style="list-style-type: none"> Use alternative-year income. Consider using anticipated calendar-year income, award-year income, or income from another 12-month period that realistically reflects current and near-term economic situation <ul style="list-style-type: none"> ➤ Except in the case of death or divorce, consider waiting until 6 months of the current year has elapsed to obtain more accurate information If nonrecurring income was received in the base year, reduce AGI by that amount

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"> Court documents ordering foreclosure, forfeiture, bankruptcy, or involuntary liquidation Federal tax return; Schedule C—Business Income; Schedule D—Capital Gains or Losses; Schedule E—Rental Real Estate; Schedule F—Farm Income Accountant or investment broker asset liquidation statements 	<ul style="list-style-type: none"> What circumstances caused the foreclosure, forfeiture, bankruptcy, or involuntary liquidation? Will the income reduction from the loss of the farm or business have a significant impact on the EFC? 	<ul style="list-style-type: none"> Reduce income by the amount received from sale Reduce AGI by the amount of income generated by the farm or business income from previous year, if any Reduce business, farm, or investment net worth, if reported prior to sale
Income reduction or income exclusion for affected individuals under HEROES Act ¹	<ul style="list-style-type: none"> For estimated income: Signed statements documenting estimated earnings; paycheck stubs; statements of military benefits For affected individual status: Military documents; documentation of place of residence and/or employment; Federal Emergency Management Agency (FEMA) notifications 	<ul style="list-style-type: none"> Is the reason for the income reduction or income exclusion related to the individual's status as an affected individual? Will the income reduction or income exclusion have a significant impact on the EFC? 	<ul style="list-style-type: none"> Use alternative-year income <ul style="list-style-type: none"> ➤ Financial aid administrator may consider using either anticipated calendar-year or award-year income
Income reduction due to dislocated worker status	<ul style="list-style-type: none"> Notice of unemployment benefits Letter from former employer 	<ul style="list-style-type: none"> Will the income reduction or income exclusion have a significant impact on the EFC? 	<ul style="list-style-type: none"> Use alternative-year income <ul style="list-style-type: none"> ➤ Financial aid administrator may consider using either anticipated calendar-year or award-year income For independent students, unemployment benefits may be zeroed out

¹ 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 (ED). Although there is no expiration of the HEROES Act and EDs waiver and modification authority extends indefinitely, the current waivers and modifications expire on September 30, 2022.

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

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

COST OF ATTENDANCE			
CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
Increase in dependent care allowance that exceeds the standard allowance according to school's COA policy	<ul style="list-style-type: none"> Day care receipts Care provider receipts Canceled checks Student and/or care provider statement explaining increase 	<ul style="list-style-type: none"> Is it a personal choice to use a more expensive facility? Does the dependent have special needs? Is the student involved in an internship or academic work experience that necessitates more dependent care? 	<ul style="list-style-type: none"> Adjust dependent care COA allowance by the amount that exceeds the standard dependent care allowance based on the documented actual dependent care expenses
Increase in personal disability assistance allowance that falls outside school's COA policy	<ul style="list-style-type: none"> Statement from person or agency providing the assistance Physician's statement Healthcare coverage documentation 	<ul style="list-style-type: none"> What type of personal assistance is needed? Is more assistance necessary or optional? Are other sources of assistance available (e.g., Office of Vocational Rehabilitation)? 	<ul style="list-style-type: none"> Adjust COA allowance for disability-related expenses to account for additional amount not covered by other assisting agencies Add allowance to less-than-half-time student's COA
Increase in professional credential costs beyond the one-time cost of obtaining the first professional credential	<ul style="list-style-type: none"> Statements or receipts for licensure or credential costs Travel receipts 	<ul style="list-style-type: none"> Does your COA policy allow for the inclusion of the one-time cost of obtaining a professional credential? Is the student applying for more than one license or credential? Are costs or expenses incurred during a period of enrollment? Must the student incur travel expenses? 	<ul style="list-style-type: none"> Adjust the amount of the professional licensure or credential allowance Add the additional allowance to the student's COA

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

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

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

CIRCUMSTANCE	TYPE OF DOCUMENTATION	POSSIBLE CONSIDERATIONS	SUGGESTIONS FOR IMPLEMENTING THE ADJUSTMENT
Dependent student's parent(s) refuses to provide parental data on the FAFSA, has ended all financial support for the student, and refuses to provide future support	<ul style="list-style-type: none"> Signed and dated statement from one of the student's parents stating the parents: <ul style="list-style-type: none"> ➤ Have stopped providing financial support and the date when that support ended; ➤ Will not provide support in the future, and ➤ Will not complete the parental section of the FAFSA 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 	<ul style="list-style-type: none"> Does the family situation warrant a dependency override? Has all financial support ended, including payment of education costs, and other cash and noncash support such as room, board, and/or utilities? How does the student intend to financially support himself or herself without parental support? 	<ul style="list-style-type: none"> Have the student complete the FAFSA with only his or her information and signature Confirm and document the student has passed all database matches performed by the Central Processing System (CPS) Originate Direct Unsubsidized Loan with limited additional unsubsidized loan amount

NOTES:

[illegible]

Professional Judgment Documentation

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

1. How much did you pay for your medical/dental insurance in 2019 (or 2020)? (Do not include employer's contribution) \$ _____
2. What were your 2019 (or 2020) medical/dental expenses not paid by insurance? \$ _____
3. Please explain if your unreimbursed medical/dental expenses were/will be higher in 2020 (or 2021), and why. _____
4. From what sources will you finance these expenses? _____

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

1. Do you contribute financial support to relatives not counted as a member of your household? ☐ Yes ☐ No
If yes, complete the grid below for each relative indicated.
2. Please explain if these expenses were/will be higher in 2020 (or 2021), and why. _____
3. From what sources will you finance this support? _____

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

TABLE 3: ELEMENTARY AND SECONDARY EDUCATION, AND DEPENDENT CARE EXPENSES (for independent student/spouse and parents of dependent student)

1. Did you pay for elementary or secondary education expenses or dependent care expenses? ☐ Yes ☐ No

If yes, list family members and the amount of relevant support given for each by completing the grid below.

2. Please explain if these expenses were/will be higher in 2020 (or 2021), and why. _____

3. From what sources will you finance these expenses? _____

4. Please explain why these expenses are necessary. _____

NAME OF SUPPORTED FAMILY MEMBER	AGE	RELATIONSHIP	CHILD CARE EXPENSE	ELEMENTARY EDUCATION EXPENSE	SECONDARY EDUCATION EXPENSE	ADULT DEPENDENT CARE EXPENSE	TOTAL ANNUAL EXPENSE

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 were/will be higher in 2020 (or 2021), 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. Was/is your income and/or your spouse's or parents' income less in 2020 (or 2021) than in 2019 for any of the following reasons?
☐ Yes ☐ No
2. If yes, 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 Act¹
 - f. One-time income (examples: inheritance, moving allowance, prior-year Social Security payments, severance, 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		

¹ 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 the U.S. Department of Education.

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:

INCOME (If any amounts are zero, please explain on a separate sheet.)	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)	\$	\$
Amount of other annual income (indicate source)	\$	\$
Amount of other annual income (indicate source)	\$	\$
TOTAL	\$	\$

DEPENDENCY STATUS DOCUMENTATION FORM (CONT'D)		
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)	\$	\$
Other (indicate source)	\$	\$
Other (indicate source)	\$	\$
TOTAL	\$	\$

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) 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)	\$	\$
Amount of other annual income (indicate source)	\$	\$
TOTAL	\$	\$

PARENTAL REFUSAL TO COMPLETE FAFSA DOCUMENTATION FORM (CONT'D)

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)	\$	\$
Other (indicate source)	\$	\$
Other (indicate source)	\$	\$
TOTAL	\$	\$

I certify that the information provided is true and correct.

Student's Signature: _____ **Date:** _____

Lesson 1 Answer Keys



Quick Quiz

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

PJ Allowed
C
F
H
J
K
N
O

PJ Not Allowed
A
B
D
E
G
I
L
M

2. To whom does the law authorize the exercise of professional judgment authority? (*check one*)
- ☐ The school's president or chief executive officer
 - ☒ *Financial aid administrators*
 - ☐ The student's guidance counselor or academic advisor
 - ☐ Any staff member within the school's administration who works directly with the student
3. List the four steps a financial aid administrator should take to help ensure PJ decisions are not questioned in an audit or program review.
- *PJ decisions must be in an area authorized by law.*
 - *PJ decisions must be reasonable based on circumstances.*
 - *PJ decisions must be reached on case-by-case basis.*
 - *PJ decisions must be thoroughly documented in student's file, even if no further action will be taken.*
4. Affected individuals under the HEROES Act include which of the following? (*check all that apply*)
- ☒ *Individuals serving on active duty during war or other military operation or national emergency*
 - ☐ Individuals enrolled at a U.S. military service academy duty during war or other military operation or national emergency
 - ☒ *Individuals residing or employed in an area declared a disaster area by any federal, state, or local official in connection with a national emergency*
 - ☒ *Individuals suffering economic hardship as a direct result of war or other military operation or national emergency, as determined by ED*

Quick Quiz (cont'd)

5. Which of the following are true statements relative to the use of PJ by financial aid administrators? *(check all that apply)*
- ☐ A student may appeal a financial aid administrator's PJ decision to ED.
 - ☒ *A fee cannot be charged for collecting documentation required to support a PJ request.*
 - ☒ *ED is prohibited from issuing regulations related to PJ.*
 - ☐ A school can set triggers which allow a financial aid administrator to make PJ adjustments to all students who meet the conditions of a given trigger.
6. The two primary types of PJ documentation are student and/or parent documentation (requesting consideration for special circumstances) and institutional documentation (confirming the actions taken by the financial aid administrator related to a PJ request). *(fill in the blanks)*
7. Which of the following are true statements relative to the use of PJ by financial aid administrators? *(check all that apply)*
- ☐ A financial aid administrator is required to apply PJ when a student has special circumstances.
 - ☒ *PJ can be exercised for a group of affected individuals who meet the same conditions under the HEROES Act.*
 - ☐ The financial aid administrator does not need to document a student's file if a request for a PJ adjustment is denied.
 - ☒ *A financial aid administrator is allowed to accept a PJ decision made by a financial aid administrator at another school to override a student's dependency status.*



Learning Activity: Is PJ Discretion Allowed?

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

Could you use PJ to include Evelyn in the number in college? ☒ Yes ☐ No

If so, what documentation might be collected to support your PJ decision?

Documentation may include, but is not limited to, documentation of tuition charges, proof of enrollment status from Evelyn's school, and documentation that the parent has been laid off work.

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

Could you use PJ to approve Margot's request to include the cost of the professional credential in her COA? ☒ Yes ☐ No

If so, what documentation might be collected to support your PJ decision?

Since statute permits schools to include the one-time cost of obtaining a first professional credential, the cost for the second credential can only be added via PJ. Documentation may include, but is not limited to, statements or receipts for the teacher certification costs.

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

Could you use PJ to deny Calvin's PLUS application? ☒ Yes ☐ No

If so, what documentation might be collected to support your PJ decision?

Documentation may include, but is not limited to, a conversation you have had with the borrower, a signed statement from the borrower indicating an unwillingness to repay his loans, other documentation that shows a previous history of unwillingness to repay student loans, NSLDS data or other documentation indicating the student's total loan debt, or documentation from the career or employment services office showing average starting salaries for graduates in various fields.

Lesson 2: Using Professional Judgment in Need Analysis

Learning Objectives

After completing this lesson, you will:

- Know the different areas of need analysis in which professional judgment may be used;
- Identify conditions that may warrant a dependency override, family contribution adjustment, or cost of attendance adjustment; and
- Understand how to exercise professional judgment in need analysis, through exploration of concrete examples.

Key Concepts

The key concepts you will learn in this lesson are:

- Dependency status;
- Need analysis;
- Expected family contribution;
- Alternative-year income; and
- Cost of attendance adjustment.

Resources for This Lesson

- Underlying Principles of Need Analysis
- Overview of 2021-22 Federal Methodology Formulas
- Glossary

Using Professional Judgment in Need Analysis

Introduction

In Lesson 1, we defined “what” PJ is and provided some basic principles for exercising this authority—that is, the “why.” You also learned about “where” professional judgment can be exercised, as well as some of the general documentation that may be needed to support a PJ decision and the policies and procedures a school should have in place. In this lesson, you will learn even more about the “what, where, why, and how” of using professional judgment in need analysis.

FAFSA Processing

To apply for federal student aid, all students must complete the FAFSA. The FAFSA application cycle starts on October 1 of the year prior to the upcoming award year. The 2021-22 FAFSA was available beginning October 1, 2020.

The FAFSA collects tax and income information from two calendar years earlier—in other words, the “prior-prior year” (PPY). Accordingly, the 2021-22 FAFSA collects calendar year 2019 tax and income information, not 2020 information. Therefore, most applicants will complete the FAFSA using information from an already completed tax return. This enables most applicants to electronically transfer income tax return information from the IRS into the FAFSA using the IRS Data Retrieval Tool (DRT). This contrasts with the former “prior year” process, where many applicants submitted the FAFSA before tax returns were completed, resulting in use of estimated income and tax information that subsequently needed to be updated once the tax return was filed—or worse, waiting to complete the FAFSA until after the tax return was filed.






A financial aid administrator may use professional judgment to change any tax or income items to use 2020 (or any other reasonable 12-month period) tax and income information, if the FAA determines that extenuating circumstances justify the use of information other than the 2019 tax-year information.



For more information, see Dear Colleague Letter GEN-16-03, Subject: Use of Professional Judgment When Prior-Prior Year Income Information is Used to Complete the Free Application for Federal Student Aid (FAFSA).

Icons

You will see the following icons in Lesson 2:

- Key concept 
- Quick quiz 
- Reflection questions 
- Learning activity 
- Helpful hint 

Dependency Status



The student's dependency status determines whose financial data is used to calculate the EFC. If a student is dependent, the student and his parents must provide financial information on the FAFSA. If the student is independent, only the student (and spouse, if married) must provide information on the FAFSA.

Current Statute

The current statute defining who is considered independent of parental support or dependent upon parental support is found in Section 480(d) of the Higher Education Act of 1965 (HEA), as amended.

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 who is self-supporting and at risk of homelessness; or
- Is a student for whom a financial aid administrator makes a documented determination of independence by reason of other unusual circumstances.

Dependency Overrides. A dependent student may face special circumstances that warrant a dependency override—that is, making an otherwise dependent student independent. Financial aid administrators and/or committee members are the only school staff designated with the authority to, and responsibility for, making the PJ decision. Congress clearly intended that such decisions be made only in response to a student's unusual or special circumstances. All decisions must be based on adequate documentation.

Keep in mind, a school is not required to utilize professional judgment. It is available to schools to help students whose situations do not fit into the normal construct set by federal methodology.



Other Schools. It is possible when a student requests a dependency override at your school, he may have already qualified for one at another institution. You may—

but are not required to—accept another school's professional judgment decision to grant a dependency override without gathering documentation if the student transfers to your institution during the same award year. ED has extended this flexibility to schools.

As will be explained later in this lesson, it is important to note that the regulations require the financial aid administrator to complete verification for students selected for verification, before exercising professional judgment authority to adjust data elements used to calculate the EFC or to adjust cost components used to calculate the student's COA. By contrast, a dependency override may be performed before verification is complete. In other words, you do not have to verify information that you will entirely remove due to PJ, such as parents' information in the case of a dependency override. See the Chapter 5 of the Application and Verification Guide in the *FSA Handbook*.

Application

When considering a dependency override, the financial aid administrator should examine the student's relationship with her parents. The nature of the relationship may make it unreasonable and/or inappropriate to require the student to obtain the parents' financial data and signatures, or to expect the family to contribute to the costs of the student's education. For example, the location of the parent(s) may be unknown or there is no contact because the parent is abusive.

The following circumstances—on their own—do not merit a dependency override:

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

For additional examples of what may constitute a dependency override, see GEN-11-15, Subject: Dependency Overrides.

Documentation

In Lesson 1, you learned about general documentation requirements. This includes collecting documentation from the student to support the request for consideration and maintaining a clear record of what decision was made, when it was made, how the decision was made, and who made the decision. However, what is specifically needed will differ based upon the student and the circumstances under which the PJ is requested.

Documentation you may require of a student requesting a dependency override may include, but is not limited to:

- Signed statement from the student;
- Letters from knowledgeable third parties (e.g., counselors, teachers, clergy, older relatives, social workers, etc.);
- Student's IRS tax return or tax transcript, or other documentation of resources;
- Signed statement from parents; or
- Court documents.

“When considering a dependency override, the financial aid administrator should examine the student's relationship with her parents.”

Considerations. When deciding what documentation you need, and as you begin to consider the student's request, here are some questions you may want to think about:

- What is the nature of the student's estranged relationship with his parents?

- What are the detailed reasons for the breakdown in the student-parent relationship?
- Is the break temporary or ongoing in nature?
- Is the student estranged from both parents?
- Are any third-party statements unbiased?
- Do third-party statements corroborate the student's statement?



A detailed list of different documentation you may find helpful to collect can be found in NASFAA's *Guide to Addressing Special Circumstances Using Professional Judgment* on page 15 in Lesson 1.

Dependency Status Examples

Natasha is a 16-year-old high school student who will be a freshman during the 2021-22 award year. When she was eight, she was returned by her parents from Côte d'Ivoire (Ivory Coast) to the United States to live with her maternal grandparents and to have access to a higher quality education. Natasha and her mother are U.S. citizens, but her father is not. Her grandparents did not legally adopt Natasha, she was never declared a ward of the court, and she never had a legal guardian appointed for her.

Natasha's parents still live in Côte d'Ivoire and they cannot afford to support her financially. Her mother and father make only enough to support themselves and Natasha's younger sister. She has not heard from them in several years; they relocated and she does not have their current contact information.

Consider the following questions as you think about what your PJ decision would be:

- According to the statutory definition, is Natasha dependent or independent?
- If you decide to treat Natasha as a dependent student, whose income and asset information would you expect her to report on her FAFSA? Why?
- Does the fact that her parents live in another country and only have limited contact with Natasha make it unreasonable to consider her dependent on them, even though her parents are willing to provide financial information and sign her application? Why or why not?

- Would you attempt to characterize the nature of the relationship between Natasha and her parents? Would this have any impact on your decision?
- What documentation would you request to support Natasha's request for consideration as an independent student?

Now, let's see what a school decided to do in Natasha's case.

Natasha completed her FAFSA and included Upward Bound University (UBU). She saw that she could check off a box for "special circumstances." Natasha was admitted to UBU and a financial aid counselor followed up with her. At UBU, financial aid counselors make PJ decisions individually, following written policies and procedures. Natasha's counselor requests a written statement from Natasha describing the situation, her relationship with her parents, and her educational goals. The financial aid counselor also requests a letter from third party familiar with her situation. Natasha hand delivers a letter she wrote, as well as a letter from her grandmother, and another letter from her pastor, who has known Natasha since she arrived in the U.S.

Natasha's financial aid counselor evaluated the information provided and came to the following conclusions:

- According to the statutory definition, Natasha is a dependent student.
- If Natasha were treated as a dependent student, the income of both her parents in the Ivory Coast would be reported on the FAFSA, even though one is not a U.S. citizen.
- The financial aid counselor decided, given Natasha's relationship with her parents, it would be unreasonable to consider her dependent upon them.
- The financial aid counselor would like to make Natasha independent and requests additional documentation of the earned income she mentions in her letter, such as a W-2 or IRS Tax Return Transcripts. This is the documentation the financial aid counselor needs to show that Natasha has some means of supporting herself.

Once the additional documentation is received, UBU approves her appeal and Natasha is an independent student for financial aid purposes.

Example. Christian is a 19-year-old, who was recently released from juvenile detention. He was arrested, tried, and convicted at the age of 17 as a juvenile, for distribution of drugs. He earned his General Education Diploma (GED) while incarcerated. His parents have a court-ordered restraining order preventing him from coming within 100 feet of their home.

Christian wants to turn his life around with a college education, but his parents refuse to speak to him, let alone provide financial support. His financial aid counselor at Tristate College (TC) recommends he request a dependency override.

Consider the following questions as you think about your PJ decision:

- According to the statutory definition, is Christian dependent or independent?
- Does his situation warrant special consideration? Why or why not? Would you consider the refusal of Christian's parents to support him in your decision?



Christian's incarceration does not make him a ward of the court, which would grant him independent student status without the necessity of a professional judgment. See

Chapter 2 of the Application and Verification Guide in the *FSA Handbook*.

At TC, PJ decisions are made by committee members representing the financial aid office, the bursar's office, and the academic counseling office. Christian was asked to submit a written statement which described his situation and his relationship with his parents, a statement from a third-party familiar with his situation, and any pertinent supporting documents, such as a copy of the restraining order and his tax return from the past year.

The TC PJ committee debated Christian's case, since parental refusal to provide data on the FAFSA, by itself, is not a sufficient reason to make a dependent student independent. However, the committee came to the conclusion that this was not

a simple case of parental refusal to provide FAFSA data, but a complete severing of the relationship. In his documentation, Christian also divulged that he had no stable housing. He spent some nights in shelters and others on the couches of a few relatives and friends who still spoke with him. TC did not approve a dependency override because Christian's letter provided evidence that he is an unaccompanied homeless youth. Instead, Christian was instructed to update his FAFSA and he is now considered an independent student.

Consider as many angles as you can when evaluating a PJ appeal. In some cases, a student may be independent without any intervention on the part of a financial aid administrator.



Quick Quiz 1

Now it's time to check what you have learned so far. Answer the following questions and check your responses using the Answer Key on page 62.

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

3. Which of the following should you consider when reviewing a request for a dependency override? (*check all that apply*)
 - ☐ The dependency status of the student according to statute
 - ☐ Whether the circumstances are short-term or ongoing
 - ☐ The student's grades
 - ☐ The student's COA
4. Parental unwillingness to help with the cost of attending college is grounds for a dependency override.
 - ☐ True
 - ☐ False
5. A school can take a student's verbal statement; no documentation is needed.
 - ☐ True
 - ☐ False

Quick Quiz 1 (cont'd)

6. A student transfers to your school during the award year. At the previous school, the student was granted a dependency override. Which of the following is true?
- ☐ You have the option to accept the dependency override granted by the previous school. If accepted, no additional documentation is required.
 - ☐ You must accept the dependency override granted by the previous school; however, you must obtain a copy of all documentation used by the previous school for the student's file at your school.
 - ☐ Like any other professional judgment decision, a dependency override decision must be determined by the school disbursing Title IV funds to the student. The student must submit a new request for a dependency override and any supporting documentation to your school.
 - ☐ There is nothing you need to do. Once the student is considered an independent student, this status is retained at any school he attends during this and future award years.



Learning Activity 1: Dependency Status Overrides

Read each scenario and answer each attached question regarding whether or not a dependency override could be done for the student. Check your responses using the Answer Key on page 64.

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

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

Can a dependency override be done for Oliver? ☐ Yes ☐ No

If yes, what documentation would you request?

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

Under Title IV statute is Cyndi independent? ☐ Yes ☐ No

Why? Why not?

Can a dependency override be done for Cyndi? ☐ Yes ☐ No

If yes, what documentation would you request?

Need Analysis



Section 479A of the HEA recognizes a financial aid administrator's PJ authority in adjusting components used in the FM need analysis calculations. Specifically, the HEA authorizes case-by-case adjustments to:

- The values of the data elements used in calculating the student's and/or the parents' portions of the EFC; and/or
- The values of components in the student's COA.

Current Statute

Paragraph (a) of Section 479A of the HEA states:

"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."

Examples of special circumstances under PJ may include but are not limited to:

- Elementary or secondary school expenses;
- Medical and dental expenses not covered by insurance;
- Unusually high dependent care costs;
- The recent unemployment of a family member;
- At least half-time enrollment of a dependent student's parent as a regular student in a degree, certificate, or other program leading to recognized educational credential at an institution participating in the Title IV programs; or
- Other changes to a student's status or to a student's or family's income or assets.

Section 472(8) of the HEA allows for inclusion of a reasonable allowance for dependent care expenses

reflecting the costs in the community in which the student resides. This allowance may be based on estimated or actual expenses and does not require the use of PJ to be included as part of the student's COA. However, PJ may be exercised if the financial aid administrator determines that a particular student has unusual dependent care expenses beyond those typically allowed.

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.

If the student's application has been selected for verification by either the Central Processing System, (CPS) or the school, the school must complete verification before making any PJ adjustment to a data element used to calculate the student's EFC or to a component of the student's COA. However, the exercise of PJ does not require the school to verify the student's application if the student was not selected for verification.



A helpful tool for understanding need analysis is the *Underlying Principles of Need Analysis* table on page 57.

Data Elements Affecting the Expected Family Contribution



As a reminder, the EFC is an estimate of a family's ability to contribute toward postsecondary educational costs. The FM calculation uses prior-prior-year income, sometimes referred to as "specified-year" income, which may vary significantly between award years.

Application

A change in income may result from unemployment, job change, illness, or retirement. In some professions, such as sales, farming, and small business operations, income also may fluctuate from year to year.

When exercising PJ, data elements may be adjusted to:

- Increase or decrease the EFC; and/or
- Reflect parental support of independent students.



Only data elements used to calculate the EFC may be adjusted. It is not acceptable to make “bottom-line” changes to the EFC itself, or to change the FM formula. In all cases, a PJ adjustment to data elements used to calculate the student’s EFC must be reported to the CPS, and the reason for the adjustment must be clearly documented in the student’s file.

“The IPA provides allowances for basic living expenses normally incurred by a family.”

The EFC calculation includes an income protection allowance (IPA) for basic living expenses normally incurred by a family. The IPA is allocated as follows:

- Food – 30%
- Housing – 22%
- Transportation expenses – 9%
- Clothing and personal care – 16%
- Medical care – 11%
- Other family consumption – 12%

Financial aid administrators may, but are not required to, take the IPA into account as a best practice when making adjustments to EFC data elements. For instance, if a student believes that his documented medical costs are unusually high, it could be determined whether those costs exceed that portion of his IPA allocated for family medical costs. Financial aid administrators should look at the IPA in the context of the individual student’s circumstances. For example, if the student has an extraordinary medical expense for a surgical procedure that is not covered by insurance, either in full or in part, that cost could be considered to be outside the IPA allowance for a family’s basic

medical care. Again, each student’s circumstances must be reviewed individually, on a case-by-case basis.

For more examples of circumstances, documentation, considerations, and suggestions for implementation, see NASFAA’s *Guide to Addressing Special Circumstances Using Professional Judgment* on page 15 in Lesson 1.

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

Let’s turn our attention to the use of alternative-year income.

Alternative-Year Income



For some situations, it may be appropriate to make PJ adjustments that use an estimate of the income the student or parent expects to earn during the calendar year, the award year, or another 12-month period that realistically reflects the student’s and/or family’s current and near-term economic situation.

For the 2021-22 award year, the CPS calculates a student’s EFC using income from the 2019 calendar year. For example, if the school wants to make a PJ adjustment using the actual 2020 calendar year income for the 2021-22 award year, this would mean using the total income for 2020, rather than income from 2019.

Similarly, if a financial aid administrator chooses to use projected income for the award year, there may be months for which actual income information would be available, depending on when the PJ

adjustments are made. For example, if making PJ adjustments in January 2021 for the 2021-22 award year which runs from July 1, 2021, to June 30, 2022, the financial aid administrator could combine six months of actual income information (July through December 2020) with six months of projected or estimated income (January through July 2021).

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 AGI plus untaxed income and benefits received in the first calendar year of the award year;
- The individual's need as determined using PJ; 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.



For additional guidance from the U.S. Department of Education related to the implementation of prior-prior year, see Dear Colleague Letter GEN-16-03 .

Let's discuss an example which illustrates possible approaches you may take when using alternative-year income to adjust EFC data elements.

Alternative-Year Income Example

Lori plans to return to college during the 2021-22 award year after taking some time off. In 2019 (the calendar year used to calculate her EFC), she worked full time and earned \$28,000. She is presently working for the same employer and her salary has remained unchanged from 2019. She completed her 2021-22 FAFSA in March 2021. She intends to quit her job in August 2021 so she can attend school full time. Lori's 2021 income will be significantly less than her 2019 income.

Consider the following questions as you think about how to proceed:

- Would it be reasonable to use an EFC based on Lori's 2020 income or on her projected income? Why?
- If projected income were used, would you use an estimate of Lori's income during the 2021

calendar year or during the 2021-22 award year? Why?

Lori is attending Maximus State College (MSC). She requests her financial aid counselor review her situation; a process she saw described on MSC's website.

Lori's financial aid counselor evaluates her situation and asks for additional documentation:

- Signed statement from Lori, including an estimate of her income during the 2021 tax year and during the 2021-22 award year;
- Copies of her 2019 and 2020 tax returns;
- Letter from her former supervisor confirming Lori left employment; and
- Final pay statement.

In this case, Lori's financial aid counselor decides it would not be reasonable to use an EFC based on Lori's 2019 or 2020 income to determine her eligibility for financial aid. He approves her appeal and decides to adjust the income data using Lori's projected income in order to reflect the income reduction and to recalculate the EFC. In accordance with his school's PJ policy, he chooses to use income projections for the 2021 tax year, which reflects her earned income between January and August of 2021.

Note that Lori's financial aid counselor could have used other income projections for the 2021-22 award year, if his school's PJ policy allowed this flexibility. As a result, her estimated income could have reflected the period between July 1, 2021 and the following June 30, 2022, or the 12-month period beginning at the start of her first term, or any other reasonable 12-month period. Any of these projections would have reflected very little of the earned income from her previous job. The financial aid administrator also could have chosen not to exercise PJ authority in this scenario if, under the school's PJ policies and procedures, the voluntary loss of a job by a student or family member is not considered grounds for a PJ adjustment.

Unusual Expenses

In making adjustments for unusual expenses, keep in mind that the IPA already accounts for modest family living expenses in the EFC calculation.

Let's take a look at some examples. Noemi has celiac disease and, as a result, she must maintain a gluten-free diet. She is an independent student attending Tolkien College (TC), which is a small, private school, and she lives on campus. TC's food service provider does not have many gluten-free options for students on a meal plan, so Noemi has obtained permission to not sign up for the school's meal plan. There is a kitchen in the freshman dorm; Noemi purchases her own groceries and is able to store them there as the school provides separate food storage space for students affected by food allergies. Since Noemi must pay for her food out-of-pocket, and gluten-free products are more expensive where TC is located, she requests a PJ appeal in hopes of getting additional money to help cover her food costs.

Consider the following in making your decision:

- Are Noemi's food costs more than those of students who live on campus with a meal plan?
- What documentation would you request?
- What adjustments would you make for Noemi's increased food costs?

Along with a written statement and letter from Noemi's doctor, Noemi's financial aid counselor asks for supporting documentation for her appeal, such as grocery shopping receipts or bank statements showing her transactions at the local grocery store for the last few months. The goal is to estimate what Noemi would spend during a typical semester on groceries.

Students on average pay \$2,500 per semester for a 14-meal plan, which allows students two meals per day, 7 days per week, along with \$150 on their Tolkien Token for use at the college convenience store. After reviewing Noemi's receipts and bank statements, Noemi's financial aid counselor found that, even with the expense of purchasing gluten-free food, Noemi still spent less than her peers on food, or roughly \$2,025 per semester.

The financial aid counselor denies Noemi's appeal. Noemi's expenses do not exceed the food portion of her IPA, so the financial aid counselor decides an adjustment to EFC data elements is not warranted. The counselor also determines an upward adjustment to her COA is not warranted, since her expenses do not exceed the board allowance amount already included in Noemi's COA—but neither does the financial aid counselor adjust the COA down for actual charges, since average expenses for all students may be used for the COA. Documentation is added to Noemi's file.

Let's take a look at another example.

Luca is in his third year at Mordor University (MU). Luca's mother has been experiencing renal failure for the last two years and has been on dialysis four days per week for the last six months. She is on the organ transplant list. Luca's younger brother, Tristan, is a match. Tristan is also a student at MU, in his second year. Luca's mother has been resistant to accepting a kidney donation from her son, but Tristan has begun taking necessary medications to prepare himself for the surgery. All of the medical expenses have put a significant strain on the family. Luca's father provides medical insurance for the family, but the costs of some treatments have been denied. Luca has come to the financial aid office at MU in hopes of getting some help.

Consider this as you think about this case:

- Did payment of the medical expenses affect the family's ability to meet the EFC?
- Is any portion of the debt covered by insurance?
- Is there an unpaid balance that must be satisfied during the student's period of enrollment?
- Is the expense long-term due to an ongoing treatment, condition, or illness?

PJ appeals at MU are handled by committee. The committee consists of one representative from the bursar's office, one from the academic counseling center, and three from the financial aid office, including the director. The committee requested the following documentation from Luca:

- Written statement from Luca;
- Written statement from Tristan, since both brothers are being considered in the appeal;

- Letter from their mother's doctor;
- Parents' IRS tax return, including Schedule A;
- Documentation of costs not covered by insurance;
- Documentation of the costs of the family's routine medical care not covered by insurance; and
- Receipts for payments for medical expenses made out-of-pocket or bank statements showing the payments.

Luca's father is on a payment plan with the local hospital for his wife's various medical emergencies over the past two years. He currently owes \$5,000 and pays \$250 a month; this was not covered by insurance.

In examining the family's financial strength, the committee finds the medical expenses for the costs associated with the students' mother's renal failure are extraordinary and fall outside that portion of the IPA set aside for the family's medical care. They have documented this by collecting receipts for the family's routine medical care. The committee makes the decision to approve the appeal and reduce the family's AGI by the amount of those medical expenses associated with the mother's treatment. As a result, Luca's and Tristan's eligibility increases enough to make each of them eligible for the Federal Pell Grant and FSEOG.

Taking a look at another scenario, Jayden is an independent undergraduate student. His wife, Emma, is diabetic and incurs substantial costs as part of the routine medical care for her condition. Jayden has submitted a request for an adjustment for those expenses, along with documentation of all the family's medical expenses, to the financial aid office. The financial aid administrator compared the costs of the family's medical expenses, including Emma's care, to the IPA and found that the total did not exceed that portion of the IPA set aside for routine medical expenses. The financial aid office notified Jayden that a PJ adjustment was not approved.

Note that adjustments using PJ may result in a decrease—or even an increase—to a student's EFC, depending upon the:

- Student's special circumstances; and

- Outcome of actions taken when making PJ adjustments.

If the EFC of a student increases due to PJ, the school has a choice to make. Typically, an increase to the EFC would result in a denial of the PJ since it does not help the student. The school can choose to keep the increased EFC or—in the interest of the student—keep the EFC as it was before the professional judgment review occurred. For this reason, many schools prefer to simulate the effect of any PJ adjustments on the EFC, before making final adjustments. Many financial aid management systems have the capability to perform an EFC calculation simulation. If that is not an available option, financial aid administrators may complete a hand calculation of an EFC using the appropriate EFC worksheet in the 2021-2022 *EFC Formula Guide*.



See the chart, *Overview of 2021-22 Federal Methodology Formulas* on page 59 for additional information about EFC calculations.

Now we turn our focus to the use of PJ for making adjustments to the costs associated with components of the student's COA.

Cost of Attendance Adjustments



COA components may be adjusted to address special circumstances, but adjustments must be made within the accepted categories as defined in the HEA. An adjustment to a component of the COA may address a student's situation more adequately than adjustments to EFC data elements. It is important to note, however, that adjustments to EFC data elements or COA components may result in the same outcome. Which approach to take may be a matter of personal preference, based on experience and on the school's established policies and procedures.

Current Statute

Section 472 of the HEA defines the cost of attendance components. The following text is an excerpt:

“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).”

Application

COA adjustments may increase or decrease the standard student budget otherwise used by the school for other students in the same program. ED has stated that COA adjustments must be made within the categories or components defined in the HEA. Basic COA components include educationally-

related expenses incurred by or for the student during a period of enrollment, with the following exceptions:

- The one-time cost of obtaining a first professional credential for a student in a program requiring professional licensure or certification, if the cost is incurred while the student is still enrolled; and
- Reasonable costs for dependent care. Examples of dependent care include, but are not limited to:
 - Childcare costs while a student is in class or the library; and
 - Costs for care of an elderly relative whom the student supports while the student is in class.

COA Adjustments for Living Expenses

When the family's income falls below the IPA used in the EFC calculation, the dependent care component of an independent student's COA may be adjusted to include food and shelter costs for the student's dependents. Normally, because the EFC formula accounts for the living expenses of the student's dependents, these living expenses are not included in the COA. Remember, need is determined by subtracting the EFC from the COA; if the same expenses that decrease the EFC were used to increase the COA, they would be taken into consideration twice and have the effect of increasing need to cover expenses already covered by family income. However, when family income is so low that the family's basic living expenses are not being met, the EFC no longer reflects those expenses. It is then permissible to include the amount of the living expense deficit in the COA.

Means of adjusting the student's COA if family income is so low their need exceeds the IPA could include:

- Adding the difference between the IPA and the family income to the student's dependent care allowance; or
- Adjusting the dependent care allowance based on an estimate of actual food and shelter costs, itemized and documented by the student.

It is important to note, PJ is not needed when the school establishes a policy defining the steps to be taken if a family's income is less than the IPA and

financial aid administrators follow that policy. PJ is required if the financial aid administrator wishes to make exceptions to existing standard school policy or chooses to make decisions in this area only on a case-by-case basis rather than by using a standard policy treatment for affected students.

The room and board component also may be increased or decreased utilizing PJ. Examples include, but are not limited to:

- An increase for an independent student with unusually high costs for a family and a home in the student's community; or
- A decrease for an independent student living at home with his parents and the institution does not have a standard room and board component for that housing category.

PJ can be exercised when determining allowances for materials needed for optional projects related to the student's program of study, such as a senior thesis option, if you believe those projects add value to the student's educational experience.

Now, let's discuss another example of PJ in need analysis.

Cost of Attendance Adjustment Examples

Marcia is enrolling in Digital Cloud University's new graphic design program. Its first class consists of 30 students. This program requires all students to have a laptop with specific programs and peripheral devices, which makes the price of the computer well over the \$600 standard allowance in the cost of attendance. Marcia asks the financial aid office for help with the cost of the \$2,000 laptop.

The appeals committee at Digital Cloud University considers Marcia's written request, which explains her circumstances and includes recent cost estimates. The members of the appeals committee determine that—while this expense is unusual when compared to the experience of most students—it is not unusual for the students in Marcia's program. The committee decides a professional judgment adjustment to Marcia's budget is not warranted. Instead, after conferring with faculty members in Marcia's program and obtaining permission from the school's administration, the financial aid office

creates a new budget item within the books and supplies component of the COA for students in this program, to clearly identify the computer allowance permissible within the books and supplies component of the statutory definition of COA.

When evaluating requests for professional judgment adjustments, consider the following questions:

- What constitutes an unusual circumstance?
- Is the student or the student's family actually experiencing unusual circumstances?
- Does the student's unusual situation warrant special treatment because it affects the student's or family's ability to contribute to educational expenses, 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 your determination?

Documentation

Varied circumstances may make an adjustment of an EFC data element or cost of attendance component necessary. Here are some specific situations you may encounter and examples of the documentation you might request.

Unusual Medical, Dental, or Nursing Home Expenses. Examples of documentation you might collect to support the PJ request include:

- IRS Schedule A, which details itemized deductions;
- IRS Tax Return Transcript;
- Receipts for payments;
- Canceled checks; and/or
- Documentation of costs covered by insurance.

Parent's Enrollment in Postsecondary Education Program. Examples of documentation you may collect to support the PJ request include:

- Receipts for tuition payments;
- Documentation of any scholarship aid or other estimated financial assistance the parent received;

- Documentation of required book and supply costs;
- Documentation of need for program; and/or
- Documentation of enrollment status.

These items will give you a better idea of the financial effect the parent or parents enrolling in school will have on the household financially during the student's enrollment.

Income Reduction or Nonrecurring Income. This may be due to divorce or death, change or loss of employment, disability, or receipt of nonrecurring income, such as a one-time payout. Examples of documentation you may collect to support the PJ request include:

- For estimated income
 - Signed statements of estimated earnings;
 - Pay statements;
 - Divorce agreement outlining court-ordered alimony payments along with documentation of payments made;
 - Unemployment compensation and Workforce Investment Act (WIA) benefits;
 - Disability benefits; and/or
 - Social Security benefits received or to be received.
- For nonrecurring income:
 - Federal income tax return;
 - IRS Tax Return Transcript;
 - Form 3903-Moving Expenses;
 - IRS Schedule D – Capital Gains and Losses; and/or
 - Schedule 1 – Additional Income and Adjustments to Income.

These items will give you a clearer picture of the financial effect on the family during the student's enrollment.



Quick Quiz 2

Now it's time to check what you have learned so far. Answer the following questions and check your responses using the Answer Key on page 65.

1. What is the Income Protection Allowance (IPA)?

2. Which is an area for which PJ authority may be exercised?

- ☐ Overriding a student's dependency status from independent to dependent
- ☐ Adjusting costs associated with a component of a dependent student's COA to reflect unusually high transportation costs
- ☐ Creating new cost components to add to a student's COA
- ☐ Including a roommate to an independent student's household size based on shared residence

3. It is appropriate to include in your PJ policies and procedures which of the following items?

- ☐ Awarding FSEOG
- ☐ Bottom line adjustments to the EFC
- ☐ Consideration of expenses that exceed the IPA
- ☐ How to adjust for a student's lifestyle choices

4. Which one of the following statements is correct?

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

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

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



Learning Activity 2: Adjustments to COA or EFC?

Each student attends Paradise Falls University. Provided each scenario, answer each question for consideration of what should be done, if anything, in making a professional judgment decision. A partial answer key can be found on page 66.

1. **Rayna** is 22, and she is completing her senior year. She still lives with her parents and had been commuting to Paradise Falls University (PFU) using the local subway system, which was convenient since she only lived five minutes from the nearest station. Her parents recently downsized and moved about 50 miles away from PFU in preparation for retirement and Rayna moving out to attend graduate school. The subway system does not run that far out, and the bus system would make it next to impossible for Rayna to make her first class at 8:30 in the morning. Her parents bought her an inexpensive used car to help her out, but now she has the extra expenses of fueling, maintaining, and insuring a car. Her transportation costs have doubled, in her estimation. Rayna knows that PFU allows professional judgment appeals and hopes the school can help.

Could Rayna be eligible for a PJ adjustment for her circumstances? ☐ Yes ☐ No

Could you consider an adjustment to Rayna's COA or to data elements affecting her EFC? Why?

What documentation would you request from Rayna to document her circumstances?

Learning Activity 2: Adjustments to COA or EFC? (cont'd)

2. **Patrick** is 19, and in his second year at PFU. Patrick's mother is a high school biology teacher and his father is an elementary school teacher who instructs fourth and fifth grade students. It is an expensive coincidence that the certifications for both teachers are up for renewal during the 2021-22 award year. To maintain their certifications, both of Patrick's parents must successfully complete 12 credit hours in their disciplines by May 2022. Along with Patrick, his older brother, Chris, is also a full-time student at PFU in his third year. In fall 2021, Patrick's entire family will be students at PFU. Patrick's parents will be half-time students during both the fall and spring terms. The school system will cover tuition for both parents, but not fees or the cost of books. Patrick has heard that PFU may be able to help, so the whole family makes a trip to the financial aid office.

Could Patrick be eligible for a PJ adjustment for his circumstances? ☐ Yes ☐ No

Could you consider Patrick for an adjustment of his COA or his EFC? Why?

What documentation would you request from Patrick to document his family's circumstances?

3. **Carla** is a freshman during the 2021-22 award year. She completed the FAFSA as a dependent student in early 2021, providing information about her father, Jim, who is a single parent. Jim was laid off from his job in December 2020. His adjusted gross income on his 2019 tax return was \$58,375 and his AGI in 2020 was \$52,670. He is currently looking for another job, but without success so far. He began collecting \$1,500 per month in unemployment benefits in January 2021.

Could Carla be eligible for a PJ adjustment for her circumstances? ☐ Yes ☐ No

Could you consider Carla for an adjustment of COA or data elements affecting her EFC? Why?

What documentation would you request from Carla to document her family's circumstances?

Learning Activity 2: Adjustments to COA or EFC? (cont'd)

4. **George** will be a first-year law student at The Earl Warren Law School in Los Angeles. George lived in New York City, and claims to have incurred considerable expenses associated with moving from New York City to Los Angeles. These expenses include \$4,000 for the moving company, \$1,300 for hotel, meals, and other expenses he incurred on his way to Los Angeles, and \$1,700 for new furniture for his new apartment. He put all of these expenses, totaling \$7,000, on his credit card. He would like you to adjust his cost of attendance in order to be reimbursed. In addition, George quit his job as a paralegal with a New York City law firm when making the move. His 2019 income was \$33,000 and his 2020 income was \$35,000. He expects not to work and to live off of his savings and student loans while in law school.

Could George be eligible for a PJ adjustment for his circumstances? ☐ Yes ☐ No

Could you consider George for an adjustment of his cost of attendance or data elements affecting his EFC? Why?

What documentation would you request from George to document his circumstances?

Underlying Principles of Need Analysis

Need analysis is the system used to allocate limited financial aid resources. Over the years, the statements listed below have become the underlying principles for need analysis.

1. Parents and students have the primary responsibility for meeting postsecondary education costs.
2. The distribution of financial aid resources should be based on the family's ability to pay, not willingness to pay.
3. The assessment of a family's ability to pay should be independent of the amount of financial aid available and the cost of attending postsecondary school.
4. There should be horizontal equity (also referred to as equity across the board) in the distribution of limited financial aid resources. That is, families in similar circumstances with similar resources should be expected to make similar contributions.
5. Families in different circumstances should be expected to make contributions appropriate to their financial resources. This is known as vertical equity, and sometimes is referred to as leveling the playing field.
6. The need analysis formula should provide a "snapshot" of the family's financial circumstance at the time of application.
7. The need analysis results are a benchmark. As such, the final assessment of the family's ability to contribute to the student's postsecondary education costs is subject to the professional judgment of the financial aid administrator.

NOTES:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Overview of 2021-22 Federal Methodology Formulas*

DEPENDENT	INDEPENDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE	INDEPENDENT WITH DEPENDENTS OTHER THAN A SPOUSE
Automatic Zero EFC	Automatic Zero EFC	Automatic Zero EFC
Expected family contribution (EFC) automatically set to zero if student's parents meet certain status and income criteria.	Not applicable.	EFC automatically set to zero if student (and spouse, if married) meets certain status and income criteria.
Simplified Needs Test–Formula A	Simplified Needs Test–Formula B	Simplified Needs Test–Formula C
EFC calculation excludes student's and parents' assets if student's parents meet certain status and income criteria.	EFC calculation excludes student's and, if married, spouse's assets if student (and spouse) meets certain status and income criteria.	EFC calculation excludes student's and, if married, spouse's assets if student (and spouse) meets certain status and income criteria.
Regular Formula A	Regular Formula B	Regular Formula C
EFC calculated using student's and parents' income and assets.	EFC calculated using student's and, if married, spouse's income and assets.	EFC calculated using student's and, if married, spouse's income and assets.
<i>Expected Family Contribution (EFC)</i> Parent contribution + Student contribution from available income + Student contribution from assets	<i>Expected Family Contribution (EFC)</i> (Contribution from available income + Contribution from assets) ÷ Number in college	<i>Expected Family Contribution (EFC)</i> (Total contribution from adjusted available income) ÷ Number in college
<i>Student Contribution from Available Income</i> (Total income – Total allowances) x .50	<i>Contribution from Available Income</i> (Total income – Total allowances) x .50	<i>Total Contribution from Adjusted Available Income</i> Application of Table 8 to (Available income + Contribution from assets) <i>Adjusted Available Income</i> (Total income – Total allowances) + Contribution from assets
<i>Total Income (Student)</i> Taxable income + Untaxed income and benefits – Total additional financial information (<i>excluded income</i>)	<i>Total Income</i> Taxable income + Untaxed income and benefits – Total additional financial information (<i>excluded income</i>)	<i>Total Income</i> Taxable income + Untaxed income and benefits – Total additional financial information (<i>excluded income</i>)

DEPENDENT	INDEPENDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE	INDEPENDENT WITH DEPENDENTS OTHER THAN A SPOUSE
Regular Formula A	Regular Formula B	Regular Formula C
Total Allowances (Student) U.S. income tax paid + State and other tax allowance + Social Security tax allowance + Income protection allowance + Allowance for parent negative adjusted available income	Total Allowances U.S. income tax paid + State and other tax allowance + Student's Social Security tax + Spouse's Social Security tax + Income protection allowance + Employment expense allowance	Total Allowances U.S. income tax paid + State and other tax allowance + Student's Social Security tax + Spouse's Social Security tax + Income protection allowance + Employment expense allowance
Student Contribution from Assets Net worth x .20	Contribution from Assets Discretionary net worth x .20	Contribution from Assets Discretionary net worth x .07
Net Worth (Student) Cash, savings, and checking + Net worth of investments and real estate + Net worth of business and/or investment farm	Discretionary Net Worth Cash, savings, and checking + Net worth of investments and real estate + Net worth of business and/or investment farm – Asset protection allowance	Discretionary Net Worth Cash, savings, and checking + Net worth of investments and real estate + Net worth of business and/or investment farm – Asset protection allowance
Parent Contribution Total parent contribution from adjusted available income ÷ Number in college	Parent Contribution Not applicable.	Parent Contribution Not applicable.
Available Income (Parents) Total income – Total allowances		
Adjusted Available Income (Parents) Available income + Contribution from assets		
Total Contribution from Adjusted Available Income (Parents) Application of Table 8 to (Available income + Contribution from assets)		

DEPENDENT	INDEPENDENT WITHOUT DEPENDENTS OTHER THAN A SPOUSE	INDEPENDENT WITH DEPENDENTS OTHER THAN A SPOUSE
Regular Formula A	Regular Formula B	Regular Formula C
Total Income (Parents) Taxable income + Untaxed income and benefits – Total additional financial information <i>(excluded income)</i>		
Total Allowances (Parents) U.S. income tax paid + State and other tax allowance + Parent 1 Social Security tax allowance + Parent 2 Social Security tax allowance + Income protection allowance + Employment expense allowance		
Contribution from Assets (Parents) Discretionary net worth x .12		
Discretionary Net Worth (Parents) Cash, savings, and checking + Net worth of investments and real estate + Net worth of business and/or investment farm – Education savings and asset protection allowance		

*Information in this chart was adapted from *The EFC Formula, 2021-22*.

Lesson 2 Answer Keys



Quick Quiz 1

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

The regulations require the complete verification only before exercising professional judgment authority to adjust data elements used to calculate the EFC and cost components used to calculate the student's COA. You do not have to verify information that you will entirely remove due to PJ.
3. Which of the following should you consider when reviewing a request for a dependency override? (*check all that apply*)
 - ☒ *The dependency status of the student according to statute*
 - ☒ *Whether the circumstances are short-term or ongoing*
 - ☐ The student's grades
 - ☐ The student's COA
4. Parental unwillingness to help with the cost of attending college is grounds for a dependency override.
 - ☐ True
 - ☒ False
5. A school can take a student's verbal statement; no documentation is needed.
 - ☐ True
 - ☒ False

Quick Quiz 1 (cont'd)

6. A student transfers to your school during the award year. At the previous school, the student was granted a dependency override. Which of the following is true?
- ☒ *You have the option to accept the dependency override granted by the previous school. If accepted, no additional documentation is required.*
 - ☐ You must accept the dependency override granted by the previous school; however, you must obtain a copy of all documentation used by the previous school for the student's file at your school.
 - ☐ Like any other professional judgment decision, a dependency override decision must be determined by the school disbursing Title IV funds to the student. The student must submit a new request for a dependency override and any supporting documentation to your school.
 - ☐ There is nothing you need to do. Once the student is considered an independent student, this status is retained at any school he attends during this and future award years.



Learning Activity 1

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

Under Title IV statute, is Oliver independent? ☐ Yes ☒ No

Can a dependency override be done for Oliver? ☒ Yes ☐ No

If yes, what documentation would you request?

Examples could include a signed statement from Oliver, a letter from a third-party familiar with the situation, and/or the obituary for his father. Alternatively, the school may determine he is an unaccompanied homeless youth, in which case a dependency override would not be required.

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

Under Title IV statute is Cyndi independent? ☒ Yes ☐ No

Why? Why not?

She was in foster care since at least the age of 13.

Can a dependency override be done for Cyndi? ☐ Yes ☒ No

If yes, what documentation would you request?

A dependency override is not needed. Cyndi already meets the criteria to apply as an independent student.



Quick Quiz 2

1. What is the Income Protection Allowance (IPA)?

As one of the factors in the EFC calculation, the IPA consists of allowances for basic living expenses normally incurred by a family such as food, housing, transportation, clothing and personal care, medical care, and other family consumption.

2. Which is an area for which PJ authority may be exercised?

- ☐ Overriding a student's dependency status from independent to dependent
- ☒ *Adjusting costs associated with a component of a dependent student's COA to reflect unusually high transportation costs*
- ☐ Creating new cost components to add to a student's COA
- ☐ Including a roommate to an independent student's household size based on shared residence

3. It is appropriate to include in your PJ policies and procedures which of the following items?

- ☐ Awarding FSEOG
- ☐ Bottom line adjustments to the EFC
- ☒ *Consideration of expenses that exceed the IPA*
- ☐ How to adjust for a student's lifestyle choices

4. Which one of the following statements is correct?

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

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

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



Learning Activity 2

Rayna is 22, and she is completing her senior year. She still lives with her parents and had been commuting to Paradise Falls University (PFU) using the local subway system, which was convenient since she only lived five minutes from the nearest station. Her parents recently downsized and moved about 50 miles away from PFU in preparation for retirement and Rayna moving out to attend graduate school. The subway system does not run that far out, and the bus system would make it next to impossible for Rayna to make her first class at 8:30 in the morning. Her parents bought her an inexpensive used car to help her out, but now she has the extra expenses of fueling, maintaining, and insuring a car. Her transportation costs have doubled, in her estimation. Rayna knows that PFU allows professional judgment appeals and hopes the school can help.

Could Rayna be eligible for a PJ adjustment for her circumstances? ☒ Yes ☐ No

Could you consider an adjustment to Rayna's COA or her EFC? Why?

COA. Her transportation costs have increased, possibly more than her current COA accounts for.

What documentation would you request from Rayna to document her circumstances?

Signed statement from student about additional mileage costs, receipts for student's costs to travel home, or insurance bills.

1. **Patrick** is 19, and in his second year at PFU. Patrick's mother is a high school biology teacher and his father is an elementary school teacher who instructs fourth and fifth grade students. It is an expensive coincidence that the certifications for both teachers are up for renewal during the 2021-22 award year. To maintain their certifications, both of Patrick's parents must successfully complete 12 credit hours in their disciplines by May 2022. Along with Patrick, his older brother, Chris, is also a full-time student at PFU in his third year. In fall 2021, Patrick's entire family will be students at PFU. Patrick's parents will be half-time students during both the fall and spring terms. The school system will cover tuition for both parents, but not fees or the cost of books. Patrick has heard that PFU may be able to help, so the whole family makes a trip to the financial aid office.

Could Patrick be eligible for a PJ adjustment for his circumstances? ☒ Yes ☐ No

Could you consider Patrick for an adjustment of his COA or his EFC? Why?

EFC, data element. The family has more members in college and parent enrollment is necessary to retain employment.

What documentation would you request from Patrick to document his family's circumstances?

Receipts for tuition and fee payments, documentation of required book and supply costs, documentation of need for program, or documentation of enrollment status.

Learning Activity 2 (cont'd)

2. **Carla** is a freshman during the 2021-22 award year. She completed the FAFSA as a dependent student in early 2021, providing information about her father, Jim, who is a single parent. Jim was laid off from his job in December 2020. His adjusted gross income on his 2019 tax return was \$58,375 and his AGI in 2020 was \$52,670. He is currently looking for another job, but without success so far. He began collecting \$1,500 per month in unemployment benefits in January 2021.

Could Carla be eligible for a PJ adjustment for her circumstances? ☒ Yes ☐ No

Could you consider Carla for an adjustment of COA or data elements affecting her EFC? Why?

EFC data element, because Jim's AGI will likely be significantly less this year.

What documentation would you request from Carla to document her family's circumstances?

Written statement from Carla and Jim about the family's circumstances, including a signed statement of estimated earnings and documentation of unemployment compensation payments. The school also could choose to collect a tax return or tax transcript to document Jim's 2019 and/or 2020 income.

3. **George** will be a first-year law student at The Earl Warren Law School in Los Angeles. George lived in New York City, and claims to have incurred considerable expenses associated with moving from New York City to Los Angeles. These expenses include \$4,000 for the moving company, \$1,300 for hotel, meals, and other expenses he incurred on his way to Los Angeles, and \$1,700 for new furniture for his new apartment. He put all of these expenses, totaling \$7,000, on his credit card. He would like you to adjust his cost of attendance in order to be reimbursed. In addition, George quit his job as a paralegal with a New York City law firm when making the move. His 2019 income was \$33,000 and his 2020 income was \$35,000. He expects not to work and to live off of his savings and student loans while in law school.

Could George be eligible for a PJ adjustment for his circumstances? ☒ Yes ☐ No

Could you consider George for an adjustment of his COA or data elements affecting his EFC? Why?

Yes, for his change in income, but not for his moving expenses. PJ is not for reimbursing students for credit card bills. However, his change in income may be grounds for an adjustment to data elements affecting his EFC—in this case, AGI.

What documentation would you request from George to document his circumstances?

Signed statement from George explain his circumstances and how he plans to support himself, letter of resignation, bank statements showing the amount George has available in savings, and documentation of any unemployment compensation received.

NOTES:

This image shows a single sheet of white paper with horizontal ruling lines. The lines are evenly spaced and run across the width of the page. There are no margins, text, or other markings on the paper.

Lesson 3: Using Professional Judgment in Originating Direct Loans

Learning Objectives

After completing this lesson, you will:

- Identify the conditions under which a financial aid administrator may deny or reduce a Direct Loan;
- Know the conditions under which a dependent student without parental data on the FAFSA may receive a Direct Loan; and
- Understand how to apply professional judgment in originating Direct Loans.

Key Concepts

The key concepts you will learn in this lesson:

- Denial or reduction of Direct Loan or Direct PLUS eligibility; and
- Direct Unsubsidized Loan eligibility for a dependent student without parental FAFSA data.

Resources for This Lesson

- *Higher Education Act of 1965, As Amended—Section 479A*
- Glossary

Using Professional Judgment in Originating Direct Loans

Introduction

In Lesson 1, you learned what PJ is, the basic principles and purpose of its use, and areas in which PJ may be exercised. In Lesson 2, you learned about a specific area in which PJ may be applied: need analysis. We will now turn our focus to the third area where PJ may be exercised: the denial or reduction of the student's or parent borrower's eligibility for a Direct Loan or Direct PLUS Loan.

Denial or Reduction of Direct Loan or Direct PLUS Eligibility



Under certain conditions, the HEA gives financial aid administrators the authority to deny a Direct Loan or reduce the amount of Direct Loan for which the borrower is eligible.

Current Statute and Regulations

Section 479A(c) of the HEA states:





“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.”

The authority to exercise professional judgment is not regulated; however, there are regulations specific to Direct Loans which intersect with this area of the law. The Code of Federal Regulations (CFR), Title 34, Section 685.301(a)(8) states:

“(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

Icons

You will see the following icons in Lesson 3:

- Key concept 
- Quick quiz 
- Reflection questions 
- Helpful hint 

(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."

When denying or reducing Direct Loan or Direct PLUS eligibility, the statute and regulations require the financial aid administrator to:

- Make the determination on a case-by-case basis;
- Document the student's file and notify the student or parent borrower, in writing, of the reasons for his or her PJ decision and any actions taken; and
- Not discriminate against any borrower or applicant in obtaining a loan on the basis of race, national origin, religion, sex, marital status, age, disability status, or income.

Application

No exceptional circumstances are specified in the law or regulations, so it is up to the financial aid administrator to decide the conditions under which he will refuse to originate a loan or reduce the amount of eligibility. Reasons for denying or reducing loan eligibility may include high debt burden or the borrower's unwillingness to repay the loan. High debt burden may be high enough to raise concern about the borrower's ability to repay the loan or a student or parent may admit to having no intention of paying back a loan. Reasons for denying or reducing a Direct PLUS Loan may include the following:

- The parent is incarcerated;
- The parent's whereabouts are unknown;
- The parent has filed for bankruptcy and has provided documentation from the bankruptcy court that, as a condition of the bankruptcy, the parent cannot take on additional debt; or
- The parent is not a U.S. citizen or permanent resident, or does not have the proper documentation from the U.S. Citizenship and Immigration Service (USCIS) that he or she is in the U.S. with the intention of becoming a citizen;
- The parent's only source of income is public assistance or disability benefits, and you have documented the parent would not be able to repay; or
- The parent's income-to-debt ratio indicates the parent would be unable to repay a PLUS.

If a parent is unable to borrow a Direct PLUS Loan, denial of the higher additional Direct Unsubsidized Loan annual loan limits for the dependent student would require PJ.

Denial or reduction cannot be based solely upon a borrower filing bankruptcy or having loans previously discharged in a bankruptcy proceeding, as this represents inability, not unwillingness, to repay a loan.

The financial aid administrator must be able to document the rationale for his PJ decision. Written policies and procedures for the professional judgment process ensure consistency and should indicate:

- Whether or not the institution allows for denial or reduction of loan eligibility using PJ; and
- The individual(s) responsible for making the decision.

Due to the unregulated nature of professional judgment, written policies and procedures are even more important should any of the school's PJ practices raise questions, whether it be at an institutional level or the federal level during an audit or program review.

"The financial aid administrator must be able to document the rationale for his PJ decision."

Documentation

So, you may be wondering, what documentation would I ask for in this situation? If a borrower indicates she is unwilling to repay student loans, you may:

- Document the conversation with the borrower and include it in her file;
- Obtain a signed statement from the borrower indicating an unwillingness to repay; or
- Obtain other documentation that shows previous history of unwillingness to repay student loans.

If you are considering denying or reducing a student's loan due to high debt burden, you may utilize the following:

- NSLDS data or other documentation indicating total loan debt; or
- Documentation from a career or employment services office showing average starting salaries for graduates in various fields.

In addition to these examples, there may be other documentation that supports the decision to deny or reduce Direct Loan eligibility as well.



For documentation suggestions, see NASFAA's *Guide to Addressing Special Circumstances using Professional Judgment* chart on page 15 in Lesson 1.

With that in mind, let's take a look at some examples.

Denial or Reduction of Direct Loan or Direct PLUS Eligibility Example

A financial aid counselor, Rachel, works in an open office, broken up by cubicles, at Vinyl College of Design. The waiting area is in the front of the office and the position of Rachel's workspace allows her to hear conversations taking place in the waiting area. While working, she hears two students, one of whom states he is going to talk to somebody about getting money to pay for school, and that he doesn't care how much of it is loans because he isn't going to pay them back anyway! Rachel hears laughter in the waiting area. She shakes her head and continues to work—until she gets a call that a student needs to speak with a counselor. Rachel goes to the waiting area and greets the student, Michael, and realizes he's the student she overheard in the waiting area. What would you do in Rachel's situation?

Here are some questions to consider:

- Would you take what you overheard seriously?
- Would you consider either denying or reducing Michael's loan based upon what you overheard?
- What sort of documentation would you include in Michael's file?
- Would you ask follow-up questions to find out what Michael's true motives are in getting financial aid?

Rachel decides to ask Michael some follow-up questions regarding his financial aid, what he plans to do after college, and his intent. Vinyl College of Design is fairly expensive and, as Rachel asks questions, Michael seems unbothered at the prospect of paying the loans back. Rachel explicitly asks Michael if he plans to pay the loans back. He states he does not plan to pay them back.

Rachel documents the conversation after Michael leaves and adds it to his file. She follows up with the director, who agrees that Michael should be denied Direct Loans. Rachel sends an email to Michael stating the school's decision and why it was made. She also provides other options of financing his education at Vinyl College of Design.

PJ decisions such as these are challenging for a financial aid administrator, as well as for the students the decisions affect.

Now, let's move our discussion to the provisions related to Direct Unsubsidized Loan eligibility for a dependent student without parental FAFSA data.

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.

Current Statute

Section 479A(a) of the HEA allows a financial aid administrator, under certain conditions, to process a Direct Unsubsidized Loan for students whose parents have ended financial support of the student and refuse to file the FAFSA.

"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."

"Keep in mind, a student can't avoid verification by accepting only unsubsidized aid."

Application

By itself, this situation is not justification for a dependency override. The decision to originate an unsubsidized loan for a student under these circumstances is at the school's discretion. Eligibility is limited to the applicable base unsubsidized loan annual loan limit, plus \$2,000 in additional unsubsidized loan funds. The student must complete the student portion of the FAFSA; the school must document that the parents refuse to complete the FAFSA and have ceased providing financial support.

The dependent student who submits the FAFSA without parental data will receive a rejected Student Aid Report (SAR); the school will receive a rejected Institutional Student Information Record (ISIR) without an EFC. The school may award the unsubsidized loan as long as the student passed the database matches and is otherwise eligible for the loan. Keep in mind, a student can't avoid verification by accepting only unsubsidized aid.

Documentation

You may be wondering, what kind of documentation would you collect for this situation? If a student is able to obtain it, a signed and dated statement from one of the student's parents would suffice, stating the parent(s) have stopped providing financial support and listing the date when the support ended. The statement also should confirm that support will not be provided in the future, and he or she will not complete the parental section of the FAFSA.

If the student is unable to obtain a parent statement, a signed statement from a responsible third party—such as a teacher, counselor, clergy, or court—with

knowledge of the situation, describing the student's relationship with his parents also would be acceptable.

In evaluating any student's appeal in this situation, you may want to consider the following:

- Does the family situation warrant a dependency override?
- Has all financial support ended, including payment of education costs, and other cash and noncash support such as room, board, utilities, and/or insurance?
- How does the student intend to financially support himself without parental support?

Let's take a look at an example.

Direct Unsubsidized Loan Eligibility for a Dependent Student Without Parental FAFSA Data Examples

Eva is a junior at Blue Ridge Mountain College (BRMC). During the previous two award years, she received Title IV aid as a dependent student. However, she and her parents had an argument and they now refuse to provide information for Eva's 2021-22 FAFSA. She lives with a relative and her parents do not provide any of her financial support.

Here are some things to consider when thinking about Eva's situation:

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

Tom, Eva's counselor at BRMC, recommends she submit a PJ appeal. He asks her for the following:

- A written statement detailing her circumstances;
- A letter from her parents indicating they do not support Eva financially and will not provide any financial support in the future; and
- An IRS tax return or tax return transcript from Eva.

Eva's parents respond to Tom via email explaining the argument was regarding Eva's sexual orientation and it has been hard on the family. The letter states they love their daughter and now intend to support her in school. A few days later, Tom receives a valid ISIR with a parent signature.

In this situation, the relationship between the student and her parents was not severed, and the appeal prompted the parents to move forward with the FAFSA application. Unfortunately, this will not always be the case; instead, parents may provide the requested statement that all support has ended.

Jorge is a freshman, also at BRMC. He completed his 2021-22 FAFSA and did not include any parental information. As directed in the FAFSA instructions, he contacted the financial aid office and told them that he is completely self-sufficient and receives no support from his parents. Furthermore, his parents refuse to complete and sign the FAFSA. The financial aid administrator, in an effort to determine whether the student may be eligible for a Direct Unsubsidized Loan due to the parents' refusal to provide support to Jorge and their refusal to complete the FAFSA, asks Jorge several questions. During the course of the conversation, Jorge tells them that his parents pay his car payment and cell phone bill, as well as providing his health insurance, but he is otherwise completely on his own.

In this situation, although the parents have refused to complete the FAFSA, they have indicated a willingness to indirectly provide support to the student by paying certain bills and medical costs. The student's parents must complete the FAFSA in order for the Jorge to receive Title IV aid.



Using this authority to award a Direct Unsubsidized Loan without parental information to a student who is still otherwise receiving financial and emotional support from his or her family would contradict the intent of the law. Moreover, it would not be in the student's best interest because the student might miss out on other more beneficial sources of aid. This is an option provided only to students who—while perhaps not suffering abuse—have been financially cut off by their family and still seek to pursue postsecondary education.



Quick Quiz

Now it's time to check what you have learned so far. Answer the following questions and check your responses using the Answer Key on page 78.

1. What are two reasons a financial aid administrator may deny or reduce a Direct Loan for an eligible borrower?

2. A financial aid administrator may base denial or reduction of student loan eligibility on a past or current bankruptcy.
☐ True
☐ False
3. Statute and regulation require the financial aid administrator, in denying or reducing loan eligibility, to: *(check all that apply)*
☐ Make his or her determination for a whole category of students
☐ Do so, if the student has recently filed for bankruptcy
☐ Document the student's file and notify the student or parent borrower in writing of the decision and why
☐ Make determinations on a case-by-case basis
☐ Legally discriminate against an applicant in obtaining a loan based on race, national origin, religion, sex, marital status, age, disability status, or income
4. If a student is able to obtain it, what documentation should be provided to a financial aid administrator if the student's parents refuse to file the FAFSA and have stopped parental support?

5. For a dependent student whose parents refuse to provide FAFSA data, the school may originate an _____ loan at its discretion; the amount originated is limited to the _____ unsubsidized loan annual loan limit, plus _____ in additional unsubsidized loan funds.



Reflection Questions

Take a few moments to reflect on the following questions. There are no right or wrong answers. You can also discuss these questions with a coworker in your office.

1. Would you consider denying or reducing a student's Direct Loan or Direct PLUS due to an expressed unwillingness to pay? Why or why not?

2. Marguerite's daughter, Kayleigh, will be a sophomore this year at your institution. Last year, Marguerite was denied the Direct PLUS Loan, which allowed Kayleigh to borrow additional unsubsidized loan funds. This year, Marguerite was approved for parent PLUS, but her financial situation has not improved enough that she can handle the monthly payments. Marguerite is in college herself and only works part-time, and her financial aid helps cover her living expenses. Marguerite submits a letter on Kayleigh's behalf, asking the school to deny her the parent PLUS. Would you deny it so Kayleigh could access the additional unsubsidized loan? What documentation would you request from the parent?

3. Dylan comes to your office stating his parents had cut him off financially. He provides a written statement from his parents that they stopped supporting him and will not support him in the future. You exercise your authority to use PJ. Both the financial aid office and the business office were aware of his situation. Subsequently, you find out the portion of his tuition bill not covered by his financial aid was paid with his parents' credit card. What would you do?

4. What policies and procedures would you have in place related to making a PJ decision based on high debt burden? What would you include as possible forms of documentation? Would you provide examples of situations in which an appeal may be considered?



Learning Activity: What Would You Do?

Review each of the following scenarios and indicate whether the financial aid administrator should approve a PJ appeal. Check your responses using the Answer Key on page 79. Keep in mind the answers are a guide, but PJ is subjective and one school may decide a PJ would be approved in a scenario, while others may not.

1. **Poppy** will be a graduate student at your school in the 2021-22 award year. After receiving her baccalaureate degree in English from another college in 2016, she had a difficult time making her Direct Loan payments. During much of 2017 and 2018, Poppy was employed intermittently and fell further behind on her loan payments. In 2019, Poppy was laid off from her teaching job and she stopped making her loan payments altogether. Consequently, she went into default on her Direct Loans.

In 2020, Poppy found full-time employment at a local community college and has decided to attend your school to pursue her master's degree. She has fully repaid her previously defaulted Direct Loan and now wants to borrow again for her graduate program.

Would you consider reducing or denying Poppy's eligibility for a loan? Why or why not?

Would the amount that she wanted to borrow have any influence on your decision? Why or why not?

What if Poppy had not fully repaid the defaulted loan, but instead had made satisfactory repayment arrangements with her lender? Would this influence your decision?

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

Learning Activity: What Would You Do? (cont'd)

2. **Leighton** is a freshman at Yellowstone River Community College. He is a dependent student. His parents believe he should be responsible for his college expenses and, therefore, will not provide their information for Leighton's FAFSA. Leighton and his parents maintain a good relationship and he continues to live in their home and receive other financial support from them.

Does Leighton's 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?

Lesson 3 Answer Keys



Quick Quiz

1. What are two reasons a financial aid administrator may deny or reduce a Direct Loan for an eligible borrower?
High student debt; borrower unwillingness to repay the loan.
2. A financial aid administrator may base denial or reduction of student loan eligibility on a past or current bankruptcy.
☐ True
☒ *False*
3. Statute and regulation require the financial aid administrator, in denying or reducing loan eligibility, to: *(check all that apply)*
☐ Make his or her determination for a whole category of students
☐ Do so, if the student has recently filed for bankruptcy
☒ *Document the student's file and notify the student or parent borrower in writing of the decision and why*
☒ *Make determinations on a case-by-case basis*
☐ Legally discriminate against an applicant in obtaining a loan based on race, national origin, religion, sex, marital status, age, disability status, or income
4. If a student is able to obtain it, what documentation should be provided to a financial aid administrator if the student's parents refuse to file the FAFSA and have stopped parental support?
Possible documentation includes a statement that the parents refuse to complete the FAFSA, and that they do not, and will not, provide financial support to the student. The statement should include the date when support ended.
5. For a dependent student whose parents refuse to provide FAFSA data, the school may originate an unsubsidized loan at its discretion; the amount originated is limited to the base unsubsidized loan annual loan limit, plus \$2,000 in additional unsubsidized loan funds.



Learning Activity: What Would You Do?

1. **Poppy** will be a graduate student at your school in the 2021-22 award year. After receiving her baccalaureate degree in English from another college in 2016, she had a difficult time making her Direct Loan payments. During much of 2017 and 2018, Poppy was employed intermittently and fell further behind on her loan payments. In 2019, Poppy was laid off from her teaching job and she stopped making her loan payments altogether. Consequently, she went into default on her Direct Loans.

In 2020, Poppy found full-time employment at a local community college and has decided to attend your school to pursue her master's degree. She has fully repaid her previously defaulted Direct Loan and now wants to borrow again for her graduate program.

Would you consider reducing or denying Poppy's eligibility for a loan? Why or why not?

Yes, because Poppy was previously in default.

Would the amount that she wanted to borrow have any influence on your decision? Why or why not?

Maybe, because she had difficulty making loan payments before due to underemployment.

What if Poppy had not fully repaid the defaulted loan, but instead had made satisfactory repayment arrangements with her lender? Would this influence your decision?

Maybe, because she would still have the burden of paying the previous loans off, along with any new loans acquired.

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

Document the conversation with the student, or use printouts from the NSLDS.

2. **Leighton** is a freshman at Yellowstone River Community College. He is a dependent student. His parents believe he should be responsible for his college expenses and, therefore, will not provide their information for Leighton's FAFSA. Leighton and his parents maintain a good relationship and he continues to live in their home and receive other financial support from them.

Does Leighton's situation warrant special consideration?

No, as he is still receiving financial support from his family.

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

Why his family will not file the FAFSA.

What documentation would you request?

None, as it is not a special circumstance.

What adjustments would you make?

None.

NOTES:

[illegible]

Lesson 4: Using Professional Judgment in Satisfactory Academic Progress

Learning Objectives

After completing this lesson, you will understand the:

- Basic components of satisfactory academic progress (SAP);
- Use of professional judgment in relation to SAP appeals; and
- PJ documentation requirements applicable to SAP and PJ.

Key Concepts

The key concepts you will learn in this lesson:

- SAP standards;
- Same as or stricter than requirement;
- Qualitative (grades) standard;
- Quantitative (pace) standard;
- Maximum timeframe;
- Frequency of evaluation;
- SAP appeals and PJ;
- Financial aid probation;
- Academic plans; and
- PJ documentation for SAP.

Satisfactory Academic Progress

Introduction

A student must maintain satisfactory progress in her program of study according to the school's SAP policy. A student who is not meeting SAP requirements is not eligible to receive funds from any of the Title IV programs, unless the institution provides the student with an opportunity to appeal the determination and continue to receive aid. Approval of a SAP appeal constitutes a PJ decision.

It is impossible to isolate the use of PJ as it applies to SAP without first reviewing the basic requirements for measuring SAP, including the statutory and regulatory requirements. Once you are able to distinguish between the requirements and institutional decisions, you can design a SAP policy that is in compliance and meets your needs. In turn, your SAP policy will drive your use of PJ in this area. First, let's review SAP requirements.

Establishment of SAP Standards



Section 484 of the HEA establishes that in order for a student to receive Title IV aid, the student must be making satisfactory progress in his program of study according to the school's satisfactory academic progress policy. Under 668.16(e) of the Standards of Administrative Capability regulations, in order to be considered administratively capable, a school must establish, publish, and apply reasonable standards for measuring whether an otherwise eligible student is maintaining SAP towards the successful completion of her educational program and whether the student continues to qualify for Title IV aid to pay for it. The SAP standards that must be established for a student's continued Title IV eligibility are then spelled out in 668.34 of the General Provisions regulations.

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.








For the full text of the statute and regulations applicable to SAP, refer to page 95. For a more comprehensive review of the required components of a school's SAP policies and procedures, as well as how to monitor and administer the SAP

Resources for This Lesson

- *Satisfactory Academic Progress Statute and Regulations*
- Glossary

Icons

You will see the following icons in Lesson 4:

- Key concept 
- Quick quiz 
- Reflection questions 
- Learning activity 
- Helpful hint 

requirements when determining a student's continued Title IV eligibility, refer to the NASFAA Self-Study Guide, *Satisfactory Academic Progress*.

The following standards must be addressed in the school's SAP policies and procedures:

- “Same as or stricter than” requirement;
- Qualitative (grades) standard;
- Maximum timeframe requirement;
- Quantitative (pace) standard;
- Frequency of evaluation; and
- Appeal policies.

“Same as or Stricter Than” Requirement



The most basic SAP policy component is the requirement that academic standards for students receiving Title IV federal student aid must be the same as or stricter than the school's standards for those not receiving federal aid in the same academic program. For example, if Kings Landing College requires all of its students to maintain a 2.5 grade point average (GPA), the Office of Financial Aid cannot evaluate the student's Title IV satisfactory academic progress based upon a minimum 2.0 GPA. Financial aid recipients must also maintain a 2.5 GPA or higher.

Qualitative (Grades) Standard



There must be a qualitative component in a school's policy. The qualitative component measures the quality of a student's academic work (i.e., academic achievement). Institutions usually measure the quality of a student's work using a numeric scale, such as a grade point average (GPA).

GPA is a measure of a student's academic achievement at an institution, calculated by dividing the total number of grade points earned by the total number of credits or hours earned. Each letter grade is assigned a number of grade points—the higher the grade, the higher the point value.

For example, on a four-point GPA scale, a grade of “A” is worth four grade points per credit. A three-credit class for which a student earned an “A” would be worth 12 grade points. Using the same four-point scale, a “B” grade is worth three grade points per credit. A student who earns a “B” in a three-credit class has earned nine grade points. Likewise, a student who has earned an “F” in a three-credit class has earned zero grade points, even though he completed the credits. The total grade points earned are divided by the total number of credits completed, resulting in a weighted average to illustrate the student's academic performance. For example, a student who completes the three courses above worth three credits each, with grades of “A,” “B,” and “F,” would have a 2.33 GPA.

The SAP regulations recognize that some schools do not use GPA as a measure of students' academic achievement. These schools must define in their SAP policy a comparable qualitative measure against a defined norm. Some alternatives to GPA include badges or trophies (gamification), standards-based reporting, pass/fail, and nonpoint based rubrics.

In addition to the basic qualitative SAP component, students enrolled in programs two academic years or longer in length must have a cumulative GPA of a "C" or its equivalent, or have academic standing consistent with your school's graduation requirements, at the end of the second year. Allowing a student to have academic standing consistent with the institution's graduation requirements recognizes that some schools use a graduated qualitative standard instead of a fixed one.

Maximum Timeframe



A school's SAP policy must measure a student's academic progress against a maximum timeframe requirement. To continue to receive Title IV aid, a Title IV recipient must complete her academic program within a specified maximum timeframe. Each school establishes the maximum timeframe for a program based on its published length.

The regulatory requirements for maximum timeframe vary, based on whether a program is undergraduate or graduate. For undergraduate students, the longest allowable maximum timeframe is 150 percent of the published length of the program as measured in credit hours, or expressed in calendar time. 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. For graduate students, the maximum timeframe is defined by the school, based on the length of the program.

Let's look at Jamie and Cersei. Both are attending Kings Landing College, and in both cases their programs require 120 credit hours for graduation. The school uses a 150 percent maximum

timeframe, so the maximum timeframe is 180 credit hours.

Quantitative (Pace) Standard



There must also be a quantitative component in a school's policy. This component is known as pace, which is a measure of a student's progress through his program towards meeting graduation requirements (i.e., program completion) within his maximum timeframe. The calculation of pace is cumulative, so in a program measured in credit hours it compares the total number of hours the student has completed (or earned) to the total number of hours the student has attempted. In a program measured in clock hours, pace compares the number of clock hours the student has completed to the cumulative clock hours required and is expressed in calendar time (usually weeks). A school's policy must specify the minimum pace a student must achieve in order to be making SAP at the time of each Title IV SAP evaluation.

"A school is required to evaluate SAP at least annually."

Let's look again at Jamie and Cersei. Under Kings Landing's SAP policy, students must maintain a 67 percent completion rate to graduate on time. Jamie is an undergraduate student who has earned 67 credit hours and attempted 71 credit hours. Jamie withdrew from Butcher Preparation 201. Right now, his pace of completion is 94 percent or expressed as a fraction: 67/71. Jamie's current pace indicates that he should be able to successfully complete his program well within the maximum timeframe provided. He is maintaining the quantitative SAP standard.

Now, let's take a look at Cersei. Cersei is an undergraduate student who has successfully completed 35 credit hours but has attempted 62 credit hours. Cersei's pace is 56 percent. Cersei's current pace (i.e., half the length of the program in attempted courses, but only roughly a fourth completed) indicates she would not be able to complete within 180 attempted credit hours. Based upon her pace, she would not be meeting the

quantitative SAP standard since she would not be able to complete her program within the maximum timeframe allowed for her program.

Frequency of Evaluation



A school's SAP policy must provide for evaluation of academic progress at specific points in the program and state when it will occur. If the academic program is one academic year or less in length, the school must evaluate SAP at the end of each payment period. For all other programs, a school is required to evaluate SAP at least annually corresponding with the end of a payment period.



Relevant definitions, such as for payment period, financial aid warning, financial aid probation, and academic plans, may be found in the Glossary on page 105.

If the school chooses to evaluate SAP at the end of every payment period, it may choose to use a financial aid warning period. If the program is over an academic year in length and the school does not use a financial aid warning period, the school must evaluate SAP at least annually, and it must decide whether it allows SAP appeals, financial aid probation periods, and/or academic plans. In either case, the policy must describe the conditions for an appeal or how a student can regain Title IV eligibility, if appeals are not allowed.

SAP Appeals and PJ



The last major component of a school's SAP policy is whether it allows SAP appeals and, if so, what its appeals policies are. The school may decide not to allow SAP appeals. Whether or not it allows a financial aid warning period, the school also has the option of allowing students to appeal their SAP status to continue to receive Title IV aid. If a student successfully appeals, the school has the option of placing the student on:

- **Financial aid probation** status for one payment period if the school uses that SAP status and determines the student should be able to meet SAP standards by the end of the payment period; or

- **An academic plan** under which the student is expected to be able to meet SAP requirements by a specific point in time.

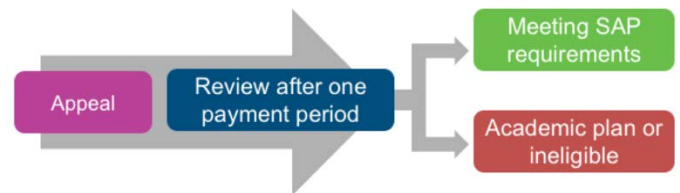
Financial Aid Probation



Financial aid probation is defined in regulation as a status assigned by an institution to a student who fails to make SAP but has successfully appealed and had eligibility for aid reinstated.

A student on financial aid probation may continue to receive Title IV aid for one additional payment period. At the end of one payment period on financial aid probation, the student must meet the institution's SAP standards or the requirements of an academic plan to remain Title IV-eligible.

Financial Aid Probation



Academic Plans



In cases where one payment period on financial aid probation is not sufficient for a student to meet minimum SAP standards, an institution may consider a long-range academic plan with appropriate checkpoints and milestones to be achieved by the student. The long-term goal of the academic plan should be to restore the student to proper SAP standards at a specified future point in time.

The student must submit a SAP appeal to be placed on an academic plan. If approved, the plan should indicate the point in time at which the student should again be able to meet SAP standards. While on an academic plan, the institution may require the student to fulfill specific terms and conditions, such as taking a reduced course load or enrolling in specific courses. As long as the student continues to meet the conditions of the academic plan, the student remains eligible for Title IV aid. For example, an undergraduate student's maximum

timeframe could be extended beyond the 150 percent maximum under a successful appeal and academic plan to ensure the student is able to meet the school's SAP standards by a specific point in time.

Academic Plan



Development of Academic Plans. Academic plans should not be developed by just one institutional office. The concept of academic plans should involve conversations with a variety of campus offices, including but not limited to academic advising or counseling, registrar, academic affairs, academic colleges and departments, student support services, student life, etc.

Academic plans should be tailored to the individual needs of the student based on the circumstances the student described in the SAP appeal. A school could use a general academic plan for students in similar circumstances and then customize it for each individual student's circumstances. The school should be careful not to assume that "one size fits all" when it comes to academic plans.

The regulations do not specify what must be included in an academic plan. The school and the student should work together to develop a plan that assists the student in achieving academic success and ensures the student is able to meet the school's SAP standards at each checkpoint, although an academic plan could instead take the student all the way through to successful program completion.

At any point, if the student fails to meet the requirements of the academic plan, the student becomes ineligible for Title IV aid. The academic department or academic counselor monitoring the academic plan must promptly communicate this to the financial aid office so it can take immediate action and so Title IV funds are not disbursed to the ineligible student.



For a more comprehensive review of the requirements for a school's SAP policies and procedures, see NASFAA's Self-Study Guide, *Satisfactory Academic Progress*.

Exercising PJ

It should be evident by now that, if the student is not meeting SAP standards, the regulations allow the school, without exercising PJ, to place the student on a financial aid warning status for one payment period, under certain conditions:

- The financial aid warning status may be used only by schools that review SAP at the end of each payment period; and
- The school must include the financial aid warning status in its SAP policies and procedures.

If the school does not, or cannot, use the financial aid warning status, the only way for a student to continue to receive Title IV aid while not meeting the school's SAP standards is through the exercise of PJ—that is, by processing and evaluating an appeal from the student. The law and SAP regulations allow a school to waive SAP standards on a case-by-case basis for students who:

- Are not making SAP because of an undue hardship that may have affected academic performance; and
- Submit a successful appeal.

Undue hardships that may have affected academic performance are defined in the SAP regulations and include:

- Death of a relative of the student;
- Personal injury or illness of the student; or
- Other special circumstances, as determined by the institution.

If the school allows SAP appeals, the student's appeal must include an explanation of why the student did not meet SAP standards and what has changed in the student's circumstances that will enable him to meet SAP standards at the time of the school's next evaluation. The student's explanation of why he failed to meet SAP standards may be

more reflective in nature and may express the student's opinion; this is expected and appropriate.

Again, if a student successfully appeals, the school has the option of placing the student on:

- Financial aid probation status for one payment period if the school determines the student should be able to meet SAP standards by the end of the payment period; or
- An academic plan under which the student is expected to be able to meet SAP requirements by a specific point in time.

Processing Appeals and Making Appeal Decisions

The school is required to clearly state what steps a student must take to initiate an appeal of her SAP status. Schools process appeals in a variety of ways. Some schools review student appeals internally within the financial aid office. Other schools use an appeals committee made up of campus representatives outside of the financial aid office. This is an acceptable practice, as long as the committee complies with all SAP requirements and the provisions for exercising PJ.

As with all other areas of PJ that have been covered in this study guide, schools should treat all SAP appeals on a case-by-case basis and should consider the specific circumstances the student addresses in the appeal documentation.

PJ Documentation for SAP

As with all PJ decisions, the mitigating circumstances that are the basis of the SAP appeal, as well as the appeal decision, must be adequately documented in the student's file.

A written appeal by the student is not required by regulation, although a school may choose to require a written appeal as part of its policy. Written appeals are generally the easiest and most accurate method of collecting information about the student's circumstances. Written appeals can be submitted on a school-designed paper or electronic form, or they can be simple statements in writing or over the phone.

The school also needs to define what it considers acceptable documentation. For example:

- Will the school require that the student submit third-party documentation as part of a SAP appeal?
- Who constitutes an acceptable third party?
- If the student is appealing based on illness, is a letter from the student's parent considered sufficient documentation, or is a letter from the student's physician required?



Refer to the types of documentation presented in the *NASFAA Guide to Addressing Special Circumstances Using Professional Judgment*, beginning on page 15 in Lesson 1. The Guide suggests the following forms of documentation depending upon the circumstances:

CIRCUMSTANCE	TYPE OF DOCUMENTATION
Death of a relative of the student	<ul style="list-style-type: none"> • Copy of official death certificate • Statement from adult family member or physician
Personal injury or illness of the student	<ul style="list-style-type: none"> • Signed statement from student's physician • Accident or police report
Family difficulties, such as divorce or illness	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • Signed statement from an involved third party (e.g., resident advisor, school counselor, etc.)
Time management difficulties	<ul style="list-style-type: none"> • Documentation illustrating commitments outside of school (e.g., pay stubs, etc.) • Documentation providing tangible steps to improve time management challenges

As a financial aid administrator evaluating a student's SAP appeal, ask yourself:



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?

The action taken as a result of the appeal also must be documented. At a minimum, the student's file should be documented with the date the decision was made, why and by whom, and any references to applicable school policy. The school also should be able to document that it notified the student of the outcome of the appeal.

Conclusion

In this guide, you learned:

- The definition of professional judgment and its significance;
- The areas where PJ specifically is authorized by the statute and regulations;
- The importance of PJ documentation; and
- Guidelines for establishing PJ policies and procedures.

Good luck with your PJ decisions, and remember to document, document, document!



Quick Quiz

Now it's time to check what you have learned so far. Answer the following questions and check your responses using the Answer Key on page 99.

1. What is SAP?

2. What are the six major components that a school must include in its SAP policy?

- ---
- ---
- ---
- ---
- ---
- ---

3. The maximum timeframe allowed under SAP regulations for an undergraduate program measured in credit hours is:

- ☐ no more than 150 percent of the published length of the program.
- ☐ no more than 167 percent of the published length of the program.
- ☐ no more than 25 hours greater than the number of hours required for the program.
- ☐ a period of time defined by the school based on the length of the program.

4. Pace is:

- ☐ a quantitative standard.
- ☐ a qualitative standard.
- ☐ the same as maximum timeframe.
- ☐ not a component of SAP.

5. The SAP standards for students receiving federal financial aid must be less strict than the standards for student not receiving federal financial aid.

- ☐ True
- ☐ False

Quick Quiz (cont'd)

6. A SAP appeals process is:
- ☐ required by federal regulation at all institutions awarding Title IV aid.
 - ☐ optional at the institution's discretion.
 - ☐ required to be processed by an institution in groups of students with the same situation.
 - ☐ allowed only after a term of financial aid probation has been completed.
7. SAP appeals should be processed by:
- ☐ individual staff members from the financial aid office.
 - ☐ a committee of financial aid staff members and academic faculty members.
 - ☐ an initial review made by a staff member from an office other than financial aid which is then approved by a financial aid staff member.
 - ☐ whatever works on an individual campus (i.e., the process is at the discretion of the institution).
8. In cases where one payment period is not sufficient for the student to meet minimum SAP standards, an institution may consider which of the following?
- ☐ Using PJ to grant a SAP appeal and then placing the student on financial aid probation
 - ☐ Using PJ to grant a SAP appeal and then placing the student on an academic plan with appropriate checkpoints and milestones to be achieved by the student
 - ☐ Using PJ to grant a SAP appeal and then placing the student on financial aid warning
9. A student on financial aid probation must meet the minimum SAP standards:
- ☐ at the end of the next payment period.
 - ☐ before progressing to a new grade level.
 - ☐ at the end of the current academic year.
 - ☐ before final approval is given for the student's SAP appeal.
10. What three conditions are listed in the SAP regulations as conditions under which a SAP appeal may be considered?
- _____
 - _____
 - _____
11. How frequently are schools required to evaluate SAP?
- _____
- _____
- _____



Reflection Questions

Take a few moments to answer the following questions. There are no right or wrong answers. You can also discuss these questions and answers with a coworker in your office.

1. Does your school allow students to appeal when they are not meeting Title IV SAP requirements? Why or why not?

2. Regardless of your school's policy, under what circumstances would you allow students to appeal negative SAP results?

3. Do your answers differ from your school's written SAP policies and procedures? If so, how?

4. Who makes PJ decisions when evaluating SAP appeals on your campus? Is it a committee or individual financial aid counselors, or someone else? Why is it set up this way?



Learning Activity: PJ Case Study 1—Aryia

Review the following case study. Check your responses using the Answer Key on page 101.

Note that, because this is PJ and individual discretion may vary, your answers may be slightly different than those presented in the answer key. When this happens, don't assume you are wrong. Review your answers with someone in your financial aid office who oversees SAP and the school's PJ policies and procedures to see if they agree with you. Note also that the case study focuses on the PJ decision process and not actual SAP calculations, so we've made certain assumptions about the student's ability to regain SAP.

Aryia is a student at Dorne State College (DSC) who is struggling to balance school, her 30 hours/week part-time job, and raising her infant son as a single parent. She has just completed her junior year.

Before having her son, her cumulative GPA was just over a 3.0, although she had withdrawn from a number of courses while enrolled at DSC. Since having her son, her GPA has slipped to a 2.7, which meets DSC's regular (non-Title IV) academic standards. However, more troublesome is that over the last year, Aryia withdrew from 12 of the 28 credits for which she registered, only completing 16 credits for the year, leaving her with a cumulative pace of 64%. According to DSC's Title IV SAP policy, Aryia has not met the required quantitative standard. Aryia submitted a letter explaining her situation, as an appeal of her SAP standing. With improved performance, she could possibly regain SAP by the end of the next payment period.

DSC evaluates SAP annually at the end of each academic year, and its academic progress standards are the same for all class standings (i.e., first-year students must meet the same standards as fourth-year students).

Professional Judgment Issue: Aryia is not meeting DSC's satisfactory academic progress standards.

1. Does she have mitigating circumstances that may warrant a waiver of those standards? ☐ Yes ☐ No

2. What type of documentation must be requested from Aryia?

3. What other types of documentation might be requested from Aryia?

Learning Activity: PJ Case Study 1—Aryia (cont'd)

4. What options are available to Aryia if the SAP appeal is approved—financial aid warning, financial aid probation, academic plan, or other options?

5. How might Aryia's class standing matter when considering the SAP appeal?



Learning Activity: PJ Case Study 2—Tyrion

Review the following case study. Check your responses using the Answer Key on page 102.

Note that, because this is PJ and individual discretion may vary, your answers may be slightly different than those presented in the answer key. When this happens, don't assume you are wrong. Review your answers with someone in your financial aid office who oversees SAP and the school's PJ policies and procedures to see if they agree with you. Note also that the case study focuses on the PJ decision process and not actual SAP calculations, so we've made certain assumptions about the student's ability to regain SAP.

Tyrion has completed his junior year at Winterfell University, which was a disaster academically. Never really a strong student, Tyrion failed four of his courses, took an incomplete in two, and earned "D" grades in the others. At the end of his freshman year, he had a cumulative 1.5 GPA. He sought out and received tutoring during his sophomore year. At the end of his sophomore year, his GPA was 1.8. His current GPA is not consistent with graduation requirements and he no longer meets Winterfell's SAP standards. He is also deficient by seven credit hours. During fall break, Tyrion had a skiing accident and encountered physical complications, which resulted in him missing quite a bit of school. He has filed an appeal of his SAP determination. Winterfell monitors SAP at the end of each term (payment period), but Tyrion cannot regain SAP after just one term.

Professional Judgment Issue: Tyrion is not meeting Winterfell's SAP standards.

1. Does he have mitigating circumstances that may warrant a waiver of those standards? ☐ Yes ☐ No

2. What type of documentation must be requested from Tyrion?

3. What other types of documentation might be requested from Tyrion?

Learning Activity: PJ Case Study 2—Tyrion (cont'd)

4. What options are available to Tyrion if the SAP appeal is approved—financial aid warning, financial aid probation, academic plan, or other options?

5. What are some possible considerations when deciding whether to approve his appeal? Is it significant that Tyrion's academic performance had been improving before the accident?

Satisfactory Academic Progress Statute and Regulations

Student Eligibility – Satisfactory Academic Progress—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) For all programs, the maximum timeframe as defined in paragraph (b) of this section; and
 - (ii) For a credit hour program using standard or nonstandard terms that is not a subscription-based program, the pace, measured at each evaluation, 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, calculated by either dividing the cumulative number of hours the student has successfully completed by the cumulative number of hours the student has attempted or by determining the number of hours that the student should have completed by the evaluation point in order to complete the program within the maximum timeframe. 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, or expressed in calendar time;
- (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;

Lesson 4 Answer Keys



Quick Quiz

1. What is SAP?

The progress required of a financial aid recipient in acceptable studies or other activities to successfully complete a program of study within a specified period of time. SAP contains both a grade, or its equivalent (qualitative) and a pace (quantitative) measure.

2. What are the six major components that a school must include in its SAP policy?

- "Same as or stricter than" requirement;
- Qualitative (grades) standard;
- Quantitative (or pace) standard;
- Maximum timeframe requirement;
- Frequency of evaluation; and
- Appeal policies.

3. The maximum timeframe allowed under SAP regulations for an undergraduate program measured in credit hours is:

- ☒ *no more than 150 percent of the published length of the program.*
- ☐ no more than 167 percent of the published length of the program.
- ☐ no more than 25 hours greater than the number of hours required for the program.
- ☐ a period of time defined by the school based on the length of the program.

4. Pace is:

- ☒ *a quantitative standard.*
- ☐ a qualitative standard.
- ☐ the same as maximum timeframe.
- ☐ not a component of SAP.

5. The SAP standards for students receiving federal financial aid must be less strict than the standards for student not receiving federal financial aid.

- ☐ True
- ☒ *False*

Quick Quiz (cont'd)

6. A SAP appeals process is:
- ☐ required by federal regulation at all institutions awarding Title IV aid.
 - ☒ *optional at the institution's discretion.*
 - ☐ required to be processed by an institution in groups of students with the same situation.
 - ☐ allowed only after a term of financial aid probation has been completed.
7. SAP appeals should be processed by:
- ☐ individual staff members from the financial aid office.
 - ☐ a committee of financial aid staff members and academic faculty members.
 - ☐ an initial review made by a staff member from an office other than financial aid which is then approved by a financial aid staff member.
 - ☒ *whatever works on an individual campus (i.e., the process is at the discretion of the institution).*
8. In cases where one payment period is not sufficient for the student to meet minimum SAP standards, an institution may consider which of the following?
- ☐ Using PJ to grant a SAP appeal and then placing the student on financial aid probation
 - ☒ *Using PJ to grant a SAP appeal and then placing the student on an academic plan with appropriate checkpoints and milestones to be achieved by the student*
 - ☐ Using PJ to grant a SAP appeal and then placing the student on financial aid warning
9. A student on financial aid probation must meet the minimum SAP standards:
- ☒ *at the end of the next payment period.*
 - ☐ before progressing to a new grade level.
 - ☐ at the end of the current academic year.
 - ☐ before final approval is given for the student's SAP appeal.
10. What three conditions are listed in the SAP regulations as conditions under which a SAP appeal may be considered?
- Death of a relative of the student;
 - Personal injury or illness of the student; or
 - Special circumstances, as determined by the institution.

11. How frequently are schools required to evaluate SAP?

Schools are required to evaluate SAP at least annually for programs that are longer than an academic year. If a program is equal to or shorter than one academic year in length, a school must evaluate students' progress at the end of each payment period.



Learning Activity: PJ Case Study 1—Aryia

Note that, because this is PJ and individual discretion may vary, your answers may be slightly different than those presented in the answer key. When this happens, don't assume you are wrong. Review your answers with someone in your financial aid office who oversees SAP and the school's PJ policies and procedures to see if they agree with you. Note also that the case study focuses on the PJ decision process and not actual SAP calculations, so we've made certain assumptions about the student's ability to regain SAP.

Aryia is a student at Dorne State College (DSC) who is struggling to balance school, her 30 hours/week part-time job, and raising her infant son as a single parent. She has just completed her junior year.

Before having her son, her cumulative GPA was just over a 3.0, although she had withdrawn from a number of courses while enrolled at DSC. Since having her son, her GPA has slipped to a 2.7, which meets DSC's regular (non-Title IV) academic standards. However, more troublesome is that over the last year, Aryia withdrew from 12 of the 28 credits for which she registered, only completing 16 credits for the year, leaving her with a cumulative pace of 64%. According to DSC's Title IV SAP policy, Aryia has not met the required quantitative standard. Aryia submitted a letter explaining her situation, as an appeal of her SAP standing. With improved performance, she could possibly regain SAP by the end of the next payment period.

DSC evaluates SAP annually at the end of each academic year, and its academic progress standards are the same for all class standings (i.e., first-year students must meet the same standards as fourth-year students).

Professional Judgment Issue: Aryia is not meeting DSC's satisfactory academic progress standards.

1. Does she have mitigating circumstances that may warrant a waiver of those standards? ☒ Yes ☐ No

2. What type of documentation must be requested from Aryia?

The school must request an explanation from Aryia regarding why she failed to make satisfactory academic progress, and what has changed in her situation that will allow her to demonstrate SAP at the time of the school's next SAP evaluation. The student's explanation of why she failed to make SAP may be her reflective opinion; this is expected and appropriate.

3. What other types of documentation might be requested from Aryia?

Suggestions include, but are not limited to: 1) a letter of support from her job supervisor; 2) a pay stub that documents the hours she has worked; 3) a letter of support from her day-care provider; and 4) a letter of support from an academic advisor.

4. What options are available to Aryia if the SAP appeal is approved—financial aid warning, financial aid probation, academic plan, or other options?

If you approve her appeal:

- *Aryia could be placed on financial aid probation for the next payment period.*
- *She could be placed immediately on an academic plan with certain conditions, such as:*
 - *Taking a less-than-full-time course load;*
 - *Successfully completing a required number of credits per term;*
 - *Working fewer hours on the job.*
- *You could suggest that she take some time away from her studies to adjust to her circumstances and develop a routine with adequate time for studies.*

5. How might Aryia's class standing matter when considering the SAP appeal?

Pace towards program completion becomes more difficult to correct as students approach program completion.



Learning Activity: PJ Case Study 2—Tyrion

Note that, because this is PJ and individual discretion may vary, your answers may be slightly different than those presented in the answer key. When this happens, don't assume you are wrong. Review your answers with someone in your financial aid office who oversees SAP and the school's PJ policies and procedures to see if they agree with you. Note also that the case study focuses on the PJ decision process and not actual SAP calculations, so we've made certain assumptions about the student's ability to regain SAP.

Tyrion has completed his junior year at Winterfell University, which was a disaster academically. Never really a strong student, Tyrion failed four of his courses, took an incomplete in two, and earned “D” grades in the others. At the end of his freshman year, he had a cumulative 1.5 GPA. He sought out and received tutoring during his sophomore year. At the end of his sophomore year, his GPA was 1.8. His current GPA is not consistent with graduation requirements and he no longer meets Winterfell's SAP standards. He is also deficient by seven credit hours. During fall break, Tyrion had a skiing accident and encountered physical complications, which resulted in him missing quite a bit of school. He has filed an appeal of his SAP determination. Winterfell monitors SAP at the end of each term (payment period), but Tyrion cannot regain SAP after just one term.

Professional Judgment Issue: Tyrion is not meeting Winterfell's SAP standards.

1. Does he have mitigating circumstances that may warrant a waiver of those standards? ☒ Yes ☐ No
2. What type of documentation must be requested from Tyrion?

The school must request an explanation from Tyrion regarding why he failed to make satisfactory academic progress, and what has changed in his situation that will allow him to regain SAP. The student's explanation of why he failed to make SAP may be his reflective opinion; this is expected and appropriate.

3. What other types of documentation might be requested from Tyrion?

Suggestions include, but are not limited to: 1) a letter from his physician explaining that the medical condition will not linger into the upcoming academic year; 2) a police or accident report; and/or 3) a letter of support from his tutor or academic advisor.

4. What options are available to Tyrion if the SAP appeal is approved—financial aid warning, financial aid probation, academic plan, other options?

Because Tyrion cannot regain SAP after just one term/payment period, barring an outright denial of the appeal, the only option available to him is a long-range academic plan with appropriate checkpoints and milestones he must achieve in order to restore him to proper SAP standing at a specified future point in time. As long as he continues to meet the conditions of the academic plan, he remains eligible for Title IV aid.

The academic plan could include such conditions as tutoring, successfully completing a set number of credit hours each term, and/or achieving a certain GPA each term, among other requirements.

Learning Activity: PJ Case Study 2—Tyrion (cont'd)

5. What are some possible considerations when deciding whether to approve his appeal? Is it significant that Tyrion's academic performance had been improving before the accident?

Some schools may view his improvement, no matter how small, as a step in the right direction that should be positively reinforced. He is obviously making an effort and the intent of the SAP requirements is not to punish people like Tyrion.

Other schools may not view his rate of improvement quite so positively. Their perspective is that, even with the tutoring, Tyrion has still not been able to meet the minimum SAP standards. If an appeal is approved for him now, he is likely to fail again to meet the SAP standards in the future. Tyrion's performance so far is so poor that his chances of successfully completing his program are low. Approving his appeal and allowing him to borrow more loan funds might do him a disservice in the long run.

NOTES:

[illegible]

Glossary for Professional Judgment

Academic plan: A plan developed by the institution and the student to ensure that the student is able to meet the institution's satisfactory academic progress (SAP) standards by a specific point in time.

Affected individual: Defined by the Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act), an individual who is serving on active duty during a war or other military operation or national emergency; is performing qualifying National Guard duty during a war or other military operation or national emergency; resides or is 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.

Appeal: A process by which a student who is not meeting satisfactory academic progress standards or other eligibility requirements petitions the school for reconsideration of his or her eligibility for the Title IV programs.

Award year: The period from July 1 of one year to June 30 of the following year.

Central Processing System (CPS): The system used by ED to process the FAFSA, calculate the expected family contribution (EFC), match applicant information against several federal databases, and notify the student and the school of the processing results.

Cost of attendance (COA): Costs the student is expected to incur during the period of enrollment, including tuition, fees, room, board, books, supplies, transportation, miscellaneous personal expenses, and other items allowed under Section 472 of the HEA. The COA usually is calculated for a full academic year.

Dependency override: A financial aid administrator's documented determination that a student's expected family contribution (EFC) should be calculated upon only student income, asset, and household information, based on the student's individual circumstances and despite the student not meeting the statutory definition of an independent student.

Dependent student: A student who does not meet the definition of an independent student as prescribed under section 480(d) of the HEA.

Expected family contribution (EFC): Estimate of a family's ability to contribute toward postsecondary educational costs, derived by a formula known as "Federal Methodology."

Federal Methodology (FM): A statutory standardized formula for determining a student's (and family's) ability to pay for postsecondary education expenses. It is the formula used to calculate an expected family contribution (EFC) which is used when determining eligibility for the Title IV programs.

Federal Student Aid (FSA): The office within the U.S. Department of Education with administrative oversight for Title IV aid.

Federal Supplemental Educational Opportunity Grant (FSEOG) Program: One of the Title IV campus-based programs, providing grants to undergraduate students with exceptional financial need and who have not completed their first baccalaureate or professional degree.

Financial aid probation: A status assigned by an institution to a student who fails to make SAP and who has appealed and has had eligibility for aid reinstated.

Financial aid warning: A status assigned to a student who fails to make SAP at an institution that evaluates academic progress at the end of each payment period, under which the student may continue to receive Title IV aid for one additional payment period.

Financial need: The difference between the institution's cost of attendance and the family's ability to pay (i.e., EFC). Ability to pay is represented by the EFC for federal need-based aid and for many state and institutional programs.

Free Application for Federal Student Aid (FAFSA®): The application used to apply for all Title IV aid. The FAFSA collects financial and other information used to calculate the EFC and to confirm a student's eligibility via various database matches with other federal agencies.

Grade point average (GPA): A measure of a student's academic achievement at an institution, calculated by dividing the total number of grade points earned by the total number of credits or hours.

Higher Education Act of 1965 (HEA), as amended: The authorizing legislation for most of the federal student financial assistance programs. Established in 1965 by Congress, Title IV of the HEA authorizes the following programs: Federal Pell Grant, Iraq and Afghanistan Service Grant (IASG), Teacher Education Assistance for College and Higher Education (TEACH) Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), Federal Perkins Loan, and Federal Direct Student Loan (Direct Loan). Collectively, these programs are known as the Title IV programs and are administered by ED.

Higher Education Relief Opportunities for Students Act of 2003 (HEROES Act): Legislation which allows ED to waive statutory and regulatory provisions for "affected individuals" impacted by national emergencies, natural disasters, and certain types of military service. This authority extends through September 30, 2022.

Independent student: Under section 480(d) of the HEA, a student who:

- Will be 24 years of age by December 31 of the award year;
- Is married;
- Is a graduate or professional student;
- Is currently serving on active duty in the U.S. Armed Forces for purposes other than training;
- Is a veteran of the U.S. Armed Forces;
- Has children who will receive more than half of their support from the student during the award year;
- Has legal dependents other than children or a spouse who will receive more than half of their support from the student during the award year;
- Is or was an orphan, in foster care, or a dependent/ward of the court at any time since turning age 13;
- Is or was an emancipated minor as determined by a court in the student's state of legal residence;
- Is or was in legal guardianship as determined by a court in the student's state of legal residence;
- Was an unaccompanied youth who was homeless at any time on or after July 1 preceding the award year, as determined by a high school, school district homeless liaison, or director of an emergency shelter or transitional housing program funded by the U.S. Department of Housing and Urban Development;
- Was homeless or self-supporting and at risk of being homeless at any time on or after July 1 preceding the award year, as determined by the director of a runaway or homeless youth basic center or transitional living program; or
- Based on the professional judgment decision of the financial aid administrator at the institution the student is attending, demonstrates independence based on documented unusual circumstances.

Institutional Student Information Record (ISIR): The electronic record the school receives as the result of the student listing that school on the FAFSA. If sufficient data is provided to the CPS, when the school receives the ISIR, it should contain information about the student's EFC, verification selection, database matches, and financial aid history.

Maximum timeframe: Refers to—

- For an undergraduate program measured in credit hours, a period defined by the school that is no longer than 150 percent of the published length of the educational program, as measured in credit hours attempted or expressed in calendar time;
- 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
- For a graduate program, a period defined by the institution that is based on the length of the educational program.

Need analysis: A system by which an applicant's ability to pay for educational expenses is evaluated and calculated. Need analysis consists of two primary components: (a) determination of an estimate of the applicant's and/or family's ability to contribute to educational expenses; and (b) determination of an accurate estimate of the educational expenses themselves.

Pace: A measure of a student's progress toward completion of his or her program of study within the maximum timeframe. For programs that define a maximum timeframe using attempted credits, pace compares hours successfully completed to hours attempted or scheduled, expressed as a fraction. For programs that define a maximum timeframe using calendar time, pace compares hours successfully completed to hours the student should have earned at a set evaluation point.

Payment period: A school-determined length of time for which financial aid funds are paid to a student. For programs using academic terms (semesters, trimesters, or quarters), and for programs using substantially equal nonstandard terms, a payment period is equal to the term. For programs not using academic terms, schools must designate at least two payment periods within an academic year that meets all applicable regulations.

Period of enrollment: The period coinciding with one or more academic terms established by the school for which institutional charges are generally assessed, such as a semester, trimester, or quarter in weeks of instructional time; an academic year; or the length of the program of study in weeks of instructional time. Also referred to as the loan period.

Professional judgment (PJ): The authority provided under the HEA for financial aid administrators to exercise discretion and deal with unique circumstances affecting individual students on a case-by-case basis in a number of specific areas of federal student aid administration.

Qualitative component: The specified GPA, or other comparable assessment measured against a norm, that a student must have at each SAP evaluation.

Quantitative component: The pace at a student must progress through his or her program of study to ensure that he or she will graduate within the maximum timeframe.

Satisfactory academic progress (SAP): The progress required of a financial aid recipient in acceptable studies or other activities to successfully complete a program of study within the maximum timeframe. SAP contains a grade, or its equivalent (qualitative), a maximum timeframe, and a pace (quantitative) measure, as applicable. It also must be the same as or stricter than academic standards used for students not receiving Title IV aid.

Special circumstance: A condition or situation that differentiates a student from a group of students. Examples of special circumstances include elementary or secondary school expenses, medical and dental expenses not covered by insurance, unusually high dependent care costs, and the recent unemployment of a family member.

Student Aid Report (SAR): A paper or electronic output document sent to students as a result of the CPS receiving a FAFSA for the student. The CPS computes the official EFC and performs various checks and federal agency matches to confirm certain aspects of the student's eligibility for Title IV funds. The results of the matches and the EFC computation are conveyed on the output document.

Student eligibility: Students must meet certain criteria to be eligible to receive Title IV aid. Eligibility is determined based on self-certified information, as well as information submitted to ED on the FAFSA, and data provided directly to higher education institutions.

Subsidized student financial assistance programs: Title IV, HEA programs for which eligibility is determined on the basis of an applicant's EFC. These programs include the Federal Pell Grant, Federal Supplemental Educational Opportunity Grant (FSEOG), Federal Work-Study (FWS), and Direct Subsidized Loan programs.

Title IV: The section of the HEA pertaining to administration of the federal student financial assistance programs.

U.S. Department of Education (ED): The Cabinet-level department of the United States government with oversight of the programs and funds authorized under the HEA that provide financial assistance to eligible students enrolled in postsecondary educational programs. Also referred to as "the Department."

Unsubsidized student financial assistance programs: Title IV, HEA programs for which eligibility is not based on an applicant's EFC. These programs include the Teacher Education Assistance for College and Higher Education (TEACH) Grant, Direct Unsubsidized Loan, and Direct PLUS Loan programs.

Verification: The process used by the institution to check the accuracy of the information the student and, in the case of a dependent student, the student's parents, provided when applying for Title IV aid via the FAFSA. In order to complete the verification process, students are required to provide certain documents to the school for review.

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