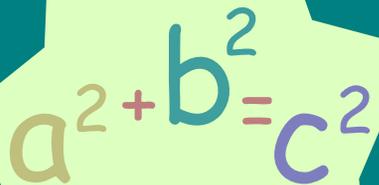


# When the Formula's Don't Fit, It's Time For Professional Judgment!


$$a^2 + b^2 = c^2$$

**Virginia S. Hazen, Director of  
Financial Aid - Dartmouth College**

**June L. Schlabach, Director,  
Financial Aid Team, Plymouth State  
University**

**11-02-06**

# Aristotle Knew us Well!!!

- *"To give away money is an easy matter ... and in any man's power. But to decide to whom to give it, and how large and when, for what purpose and how, is neither in every man's power nor an easy matter. Hence it is that such excellence is rare, praiseworthy and noble."*

- Aristotle

# AGENDA

-Discussion -

- History of Professional Judgment
- Public School Perspective of PJ Process at PSU
- Private school perspective of PJ History of Needs Analysis Process at Dartmouth



Case Studies Breakup into groups of 8-10 to discuss case studies and adjustments; regroup and discuss how each group would handle PJ (10-15 minutes) **WILL NOT DEAL WITH MATH RECALCULATIONS**

Discuss: How would you handle this circumstance?  
What documentation would your request?  
What adjustments would you make?

# What we do does make a difference



- FAFSA - no space on form to explain special circumstances
- Federal Methodology (FM) is a formula with no provision for exceptions
- Congress legislated so school's financial aid officers could adjust on case-by-case basis

- A financial aid administrator (FAA) may use professional judgment to change certain data items used to calculate a student's EFC. This is done to make the EFC more accurately reflect the student's and the family's ability to pay.



# LEGISLATIVE Authority

- Section 479A of the Higher Education Act of 1965, as amended,
  - Prohibited ED from providing guidance re: PJ
  - Gave authority for a school's financial aid administrator to make adjustments to the data elements on the FAFSA

Source: FALL 2000 NASFAA WORKSHOP SERIES

Authorized financial aid administrators to exercise discretion in the following areas:

- Independent student status
- Satisfactory academic progress requirements
- Need analysis
  - Calculation of the EFC
  - Cost of attendance (COA)



# What it didn't do:

- Allow an FA officer to use PJ to circumvent the law or regulations, including waiving a general student eligibility criteria, i.e. citizenship.
- Change a student's status from independent to dependent
- Adjust the EFC directly
- Change the need analysis formula, alter table values, or change assessment percentages
- Create a new cost category
- Circumvent FSEOG selection criteria.



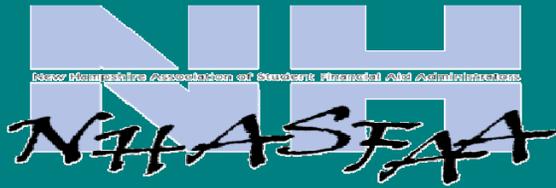
- INSTITUTIONAL POLICY AND PROCEDURES
- Each school must determine their own institutional policy and consistently apply it in determining eligibility. All exceptions to the policy must be clearly documented



- What will PJ be used for?
- Professional judgment decisions may be made to adjust eligibility for all institutional, Title IV, and campus-based aid.
- How will PJ be done?
- Through Documentation supporting special circumstances which must be maintained in the student's folder

### Who can do?

- The Director, Associate Director, Assistant Director, and Financial Aid Officer have the authority to adjust a student's eligibility using professional judgment.



- PROCESS

- Identify Circumstances

- Collect Documentation

- Adjustments & Documentation



## Institutional PJ Policies and Procedures....cont' d

- Circumstances for PJ:
  - Recent unemployment of a family member
  - Medical or dental expenses not covered by insurance
  - Unusual capital gains (one time income)
  - Tuition expenses at elementary or secondary school
  - Unusually high child care costs
  - Number of parents enrolled at least half-time in a degree, certificate, or other program leading to a recognized educational credential at a Title IV institution of higher education
  - Proceeds of a sale of farm or business assets if the sale resulted from voluntary or involuntary foreclosed, forfeiture, or bankruptcy or an involuntary liquidation
  - Additional costs incurred as a result of a student's disability

## Institutional PJ Policies and Procedures....cont' d

- Circumstances (cont'd.):
  - Death, disability or serious illness of a wage-earner, or the wage-earner becomes mentally or physically incapacitated
  - Roth IRA rollovers
  - Custodial parent remarries after application date
  - Death of custodial parent and student has not had any contact with non-custodial parent for many years
  - The whereabouts of the parent are unknown
  - Termination of a child support agreement (i.e. the custodial parent will no longer receive child support payments during the award year)

## Institutional PJ Policies and Procedures....cont' d

- Circumstances (cont'd.)
  - Casualty losses due to weather (hurricane, tornado, mud slides, etc – natural disasters), fire, theft, acts of God, or terrorism
  - A parent being called to active duty in the armed forces
  - Special needs children
  - Alimony payments that are not deductible on the family's income tax return
  - Temporary layoff or furlough of a wage-earner
  - Wages included moving expenses
  - Elder care expenses (e.g. nursing home fees)
  - Recent Retirement



## Common circumstances at PSU

- Wage-earner's loss of job (layoff, termination, furlough, retirement) “PSU Estimated Income Worksheet” – requires tax return & schedules with W-2’s (HANDOUT) – must resolve any conflicting data
- Loss of child support, Social Security benefits
- Medical expenses
- Budget adjustments (Monthly Expense Form)
- Dependent – Independent (Independent Appeal Form)

## Plymouth State University Financial Aid Team

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### Student/Spouse Monthly Expense Form

\_\_\_\_\_  
Student's Name (please print)

\_\_\_\_\_  
Student ID Number

Either you have indicated or we believe that your living expenses differ from the allowances determined by our office. Please provide us with your actual **monthly** expenses, so that we may assess or reassess your financial aid file and increase your cost of attendance if appropriate. After we review this information, we will inform you in writing of the outcome with an initial or revised award letter.

Please circle the particular enrollment periods when you will be attending classes between 07/01/2006- 06/30/2007.

Summer 2006

Fall 2006

Winter 2007

Spring 2007

Please list your **monthly** expenses for the following items:

Rent/Mortgage Payment*	\$ _____
Electricity	\$ _____
Heat	\$ _____
Telephone	\$ _____
Food/Household Supplies	\$ _____
Medical/Dental*	\$ _____

\_\_\_\_\_  
Print First and Last Name

\_\_\_\_\_  
Social Security Number

\_\_\_\_\_  
Mailing Address

\_\_\_\_\_  
Local Phone Number

There are certain criteria for which you can be deemed an independent student. If you meet any of the following, you do NOT need to fill out this form:

- ☛ You were born before January 1, 1983
- ☛ At the beginning of the 2006-07 school year you will be working on a master's or doctorate program (such as MA, MBA, MD, JD, PhD, EdD or graduate certificate, etc.)
- ☛ As of today, you are married (answer "yes" if you are separated, but not divorced)
- ☛ You have children who receive more than half of their support from you
- ☛ You have dependents (other than children or spouse) who live with you and receive more than half of their support from you now and through June 30, 2007
- ☛ Both of your parents are deceased, or you are or were (until the age of 18) a ward/dependent of the court
- ☛ You are a veteran of the US Armed Forces

## Institutional PJ Policies and Procedures....cont' d

### Adjustments - medical expenses:

Equal to total un-reimbursed medical and dental expenses (i.e. deductibles, co-pays, insurance premiums, and other amounts not cover by insurance) minus the amount of any medical and dental expenses already deducted from AGAI (i.e. above the line deductions for health insurance, such as the self-employed health insurance deduction) minus 11% of the IPA. Should ask for documentation from family is they fail to provide any insurance reimbursement information

Formula:

PJ Adjustment =  
    medical/dental expenses  
    -insurance reimbursements  
    -self-employed health insurance deduction  
    -Health Coverage Tax Credit  
    -11% of the IPA

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# Institutional PJ Policies and Procedures....cont' d

- EFC 0607 Table A3 Medical expenses – not covered by insurance; expenses which exceed 11% federal IPA

**Table A3: Income Protection Allowance**

Number in parents' household, including student (FAFSA/SAR#65)	Number of college students in household (FAFSA/SAR #66)				
	1	2	3	4	5
2 .....	\$14,430	\$11,960	————	————	————
3 .....	17,970	15,520	\$13,050	————	————
4 .....	22,200	19,730	17,270	\$14,800	————
5 .....	26,190	23,720	21,270	18,800	\$16,340
6 .....	30,640	28,170	25,710	23,240	20,790

Note: For each additional family member, add \$3,460.  
 For each additional college student (except parents), subtract \$2,460.

## Changing Depend to Independent

- Abusive relationship with a family member. A signed letter from a high school, priest, minister, therapist, professional non-family member would be an example of appropriate documentation. If possible, more than one document the situation may be collected.
- Abandonment of the student. A notarized letter from an adult explaining the circumstances of the abandonment would be appropriate documentation. Typically, another adult is assisting the student (lives with a grandparent, a girlfriend/boyfriend's parent). If the student is receiving other assistance, in-kind support should be checked and documented.

# Cannot be Independent IF:

- Parents refuse to contribute to student's education
- Parents unwilling too provide information on the application or for verification
- Parents not claiming the student as a dependent for income tax purposes
- Student demonstrating total self sufficiency



# PSU WORKSHEET FOR ADJUSTMENTS

**PJ ADJUSTMENTS**      Date: \_\_\_\_\_

STUDENT ID: \_\_\_\_\_

ORIG. EFC \_\_\_\_\_ REV. EFC \_\_\_\_\_

Name: \_\_\_\_\_

ORIG	REVISED
------	---------

AGI _____	_____
-----------	-------

TAXES _____	_____
-------------	-------

FATHERS _____	_____
---------------	-------

MOTHER _____	_____
--------------	-------

STUDENT _____	_____
---------------	-------

UNTAXED _____	_____
---------------	-------

W-S A/B/C

OTHER _____	_____
-------------	-------

Comment Code \_\_\_\_\_ Staff: \_\_\_\_\_

05-rev fin info; 17 – update est income if it changes; 62 appeal approved; 61 increased aid eligibility

Word: PJ ADJUSTEMENTSPSU0607

45 – PLUS message 106 - Documentation requested

- WHEN TO DO?
- NOW OR LATER?
  - Timing?





## Appeal Process once PJ applied:

- A student must first submit a written appeal to the Financial Aid Office. If the decision is not reversed, the student may make an appointment with the Director. The decision of the Director is final, and no further means for appeal are available.

# The Private School Perspective:

## Overview

History of Need Analysis (Taken from a NASFAA presentation by Steven Brooks and Susan McCrackin)

Why Dartmouth Uses PJ

The Mechanics of Applying PJ and  
Living with the Results

# History of Need Analysis

- Back of envelope approach prior to mid-fifties
  - “Bidding wars”
- 1954 – First comprehensive need analysis formula developed by John Monro, Director of Financial Aid at Harvard
  - “A fair and reasonable approach to determining ability to pay requires complex calculations calling for a very detailed look at the family’s situation.”
  - Adopted by many colleges
  - Basis for today’s formulae
  - Adopted by federal government in 1958
    - Used for NDSL and later CWS, SEOG and GSL

# History of Need Analysis: Basis of Formula

- Consensus in determining ability to pay
- Accurate
- Economically Sound
- Need driven
- Equity (vertical and horizontal)
- Access

# History of Need Analysis: Higher Education Amendments of 1972

- Creation of BEOG
  - Own formula
  - CSS (UM) and other campus methodologies permitted for other federal programs

# History of Need Analysis: Congressional Methodology

- UM written into law in 1986 and renamed CM
  - Simplified formula
    - Remember John Monro's argument: "A fair and reasonable approach to determining ability to pay requires complex calculations calling for a very detailed look at the family's financial situation."
    - Simplification can lead to inequitable results
  - Unintended consequences
    - Tables were frozen in law
    - Changes required act of Congress
    - Professional judgment written into law

# History of Need Analysis: Federal Methodology

- 1992 – Consolidated Pell Grant formula and CM
  - Further simplified formula (home equity)
  - Again, remember John Monro's comment
  - Tables based on 1967 BLS data updated only for inflation

# History of Need Analysis: Institutional Methodology

- 1992
  - Many institutions, especially private schools, felt FM was not a good determinant of need
  - IM formula developed and overseen by aid professionals under auspices of CSS
  - Tables based on annual Consumer Expenditure Survey data and reflects current spending patterns

# History of Need Analysis: IM Assumptions

- Parents have primary responsibility to pay for children's education to the extent they are able
- Based on present financial situation
- Formula must treat all families equitably
- Both income and assets should be considered
- Cannot accommodate expenses that are a family choice
- Accurate and objective data are the basis for need analysis

# Why Dartmouth Uses PJ

- Why do we care about the formula?
  - Dartmouth admits students on need-blind basis and meets full need
  - Give away significant scholarship funds every year
  - Need to ensure funds go to students who really need them
  - Need to ensure students are not denied access because a formula says they can pay more than they actually can

# Mechanics of Applying PJ and Living with the Results

- Two need analyses on every case
- Use PJ in IM when IM result seems unrealistic or not equitable
- Examples
  - Divorce cases
  - Debts under certain circumstances
  - Rental losses and/or depreciation
  - Capital losses
  - Capital gains as assets vs. income
  - Home value – multiplier and cap
  - Dependency status – keep as dependent
  - Student assets – treatment depends on source
  - Multiple siblings in college

# Mechanics of Applying PJ (cont.)

- Mechanics of making PJ changes in IM
- Use of PJ in FM
  - Avoid use of PJ in FM
    - Not trying to maximize Pell
      - Not to student's benefit at Dartmouth
      - Not trying to save scholarship funds by bringing in more Pell
  - Only use PJ in FM when IM result is lower
- IM/FM Conundrum

# GREAT SOURCE:

- DISCUSSION:
- [www.finaid.org/educators/pj/casestudies.phtml](http://www.finaid.org/educators/pj/casestudies.phtml)
  - Case Studies or examples of possible special circumstances with dialogue on how the situation should be reviewed.

# EXERCISE

## –CASE STUDIES

- »Divide into groups

- »Select a reporter

- »Discuss case study

- »REPORT back to group

# CASE STUDY 1 – Jennifer & Nancy

- Jennifer enrolled at your school for fall and spring 2005-2006. During the spring, due to extreme personal & emotional issues, she stopped attending classes but did not “officially” withdraw; therefore, she ended the spring term with all failing grades. Note, Jennifer did receive federal financial aid for the entire 2005-2006 academic year. Jennifer filed her FAFSA with her father who is the custodial parent
- Jennifer’s was academically severed at the end of the spring 2006 semester due to her GPA. ...A year goes by....
- In August of 2006, Jennifer’s father dies of a rare cancer. After which, an alum group meets with your school’s officials. The school reviews her situation, and determines her status will change from “academically severed” to “officially withdrawn” for spring 2006. Jennifer will be readmitted for the spring 2007 semester.
- Jennifer still has SAP issues and is filing an appeal for reinstatement of her federal financial aid for spring 2007.
- Jennifer’s father completed the renewal FAFSA for 2006-2007 as the custodial parent. The non-custodial mother now plans to have the student live with her while attending your institution. Jennifer’s sister, Nancy, will also be enrolling in your school for spring 2007. Sister, Nancy completed the 2006-2007 FAFSA with her father’s information.
- Do not deal with any recalculation of EFC.
- How would you handle this circumstance?
- What documentation would your request?
- What adjustments would you make?

# CASE STUDY 2 – JOSHUA

- Joshua's mother contacts your office one week prior to the start of the spring term and reports tragic news regarding the death of her husband. As a result, she is requesting special consideration of the family's ability to pay for the spring term.
- When the FAFSA was filed for 06-07, both parents reported income. There were five in the family with one in college. The mother is a teacher and reported 2005 income of \$33,705 and the father's income was \$5,804 (self-employed). Joshua reported \$7,720 as his 2005 income. The EFC is \$4,167.
- The mother indicates there was limited insurance and their assets had been used to fund three other siblings with their college expenses.

Do not deal with recalculation of EFC.

- How would you handle this circumstance?
- What documentation would your request?
- What adjustments would you make?

# CASE STUDY 3 – ALLEN (DEP)

- Allen's father contacts your school to appeal your decision about the amount of aid Allen has been awarded.
- Allen's father says that the 2006-07 FAFSA he completed for Allen does not accurately represent the family's situation. In June of 2005, the family relocated from Maine to New Hampshire so that they could be near Allen's grandmother who was not well. (The family's income is unchanged.) As part of that move, they sold their home in Maine. They have not yet found a new house but are saving the proceeds from the sale of their home to be used towards a new home. Allen's father feels those assets should not be counted in determining Allen's need.
- In addition, since moving to New Hampshire, Allen's grandmother's health has deteriorated. In order to avoid having to move into a nursing home, she is now living with Allen's family. She receives \$500 per month in social security benefits but uses most of them to pay for the prescription medicines she takes. Allen's parents pay for all of her other expenses, including room and board.
- Do not deal with any recalculation of EFC.
- How would you handle this circumstance?
- What documentation would you request?
- What adjustments would you make?

# CASE STUDY 4 - CONNIE

- Prior to start of the 2006-07 academic year, Connie, a new student at your school, writes the following letter to the financial aid office:
- “My education is totally being paid for by my mom and me. My Mom’s bills are really high. She is the sole provider for my younger sister and me, and she simply cannot afford a parent’s contribution of \$4424. I worked all summer, but I only managed to save \$500. If I’m not given more financial aid, I will not be able to go to college.”
- The mother’s 2005 tax return reflects income of \$46,888 (AGI). Connie did not file a return. There are three in the household and one in college. The mother’s 2005 Schedule A reflects \$7,260 in medical and dental expenses, \$5125 in state and local taxes, \$3,000 in mortgage interest payments, and \$1500 in charitable contributions. (The family lives in Vermont for which the FM state tax table provides an allowance of 5%.)
- Do not deal with any recalculation of the EFC.
- How would you handle this circumstance?
- What documentation would your request?
- What adjustments would you make?