

National Association of Student
Financial Aid Administrators Presents ...

Module 13

Professional Judgment

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HEA Section 479A

Section 479A of the Higher Education Act of 1965, as amended (HEA) establishes the authority for the financial aid administrator (FAA) to exercise discretion in a number of areas when an applicant has special or unusual circumstances

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Definition of Professional Judgment

- The U.S. Department of Education (ED) encourages the use of PJ for affected individuals under the Higher Education Relief Opportunities for Students (HEROES) Act of 2003
- PJ is not regulated by ED

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Definition of Professional Judgment

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

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Examples of Unusual Circumstances

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

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Principles of Professional Judgment

- Process is subjective
 - Financial aid administrator has the discretion to request and use any supplementary information needed to make an informed decision
- A fee cannot be charged for collecting the information required to apply for financial aid or make a PJ decision

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Principles of Professional Judgment

- All PJ decisions must be made on an individual, case-by-case basis
- PJ policies and procedures should be in writing
- PJ policies and procedures should provide a framework and guidelines for identifying circumstances that may trigger a PJ review

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Dependency Status Adjustments

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

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Dependency Status Examples



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Need Analysis Adjustments

- PJ adjustments can be made to:
 - EFC data elements; and
 - COA components
- If student selected for verification, school must complete verification before exercising PJ

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Need Analysis Adjustments

The law does not:

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

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Need Analysis Adjustments

PJ decision-making questions for need analysis include:

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

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EFC Data Element Adjustments

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

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EFC Data Element Adjustments

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

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Need Analysis/EFC Examples



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Cost of Attendance Adjustments

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

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Cost of Attendance Adjustments

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

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

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Cost of Attendance Adjustments

Other possible COA adjustments using PJ include, but are not limited to:

- Increasing room and board to reflect unusually high costs in student's community
- Decreasing room and board for an independent student living at home with parents

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Cost of Attendance Examples



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Denial or Reduction of Federal Direct Student Loan (Direct Loan) or Direct PLUS

Section 479A of the HEA allows financial aid administrator to deny or reduce the amount of a student or parent borrower's eligibility for loans originated under the Direct Loan programs

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Denial or Reduction of Direct Loan or Direct PLUS

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

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

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Denial or Reduction of Direct Loan or Direct PLUS

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

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Loan Denial/Reduction Examples



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