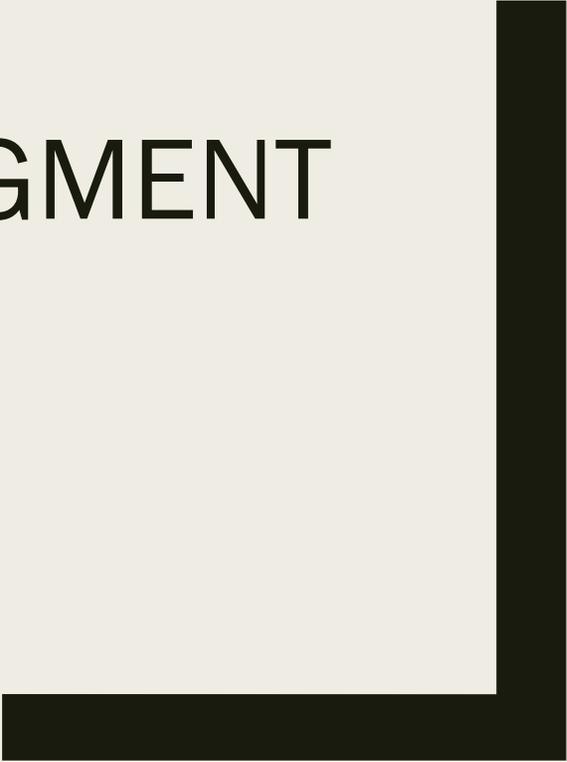




# EXERCISING PROFESSIONAL JUDGMENT POST PPY

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# Today's Presentation

- Understanding the EFC
- Overview Professional Judgment
- Why PPY?
- How PPY impacts PJ
- Suggestions on How to manage Post PPY PJs
- Questions and Dialogue

# Understanding the Expected Family Contribution

## Data Elements

- Student Income
- Student Assets
- Parent Income
- Parent Assets  
Spouse Income
- Spouse Assets  
Household Size
- Number of Family Members in  
College (*excluding the parents*)
- Age of the Older Parent

## Allowances

- Taxes Paid
- Income Protection Allowance
- Job Expense Allowance

Parental Contribution + Student Contribution = EFC

# Elements Included in the IPA

- 30% food
- 22% housing
- 9% transportation
- 16% clothing and personal care
- 11% medical care
- 12% other family consumption

# Understanding the EFC

## Simplified Needs Test Dependent

- The parents' combined AGI (for tax filers) or income earned from work (for non-filers) is less than \$50,000
- - Parents filed or will file the IRS Form 1040A or 1040EZ, or were eligible to file a 1040A or 1040EZ but filed or will file a Form 1040 for no substantial reason or solely to claim an education tax credit
- - One parent is a dislocated worker as defined in the Workforce Investment Act of 1998
- - Anyone counted in the parents' household size received a means-tested federal benefit during the prior 24 months

## Simplified Needs Test Independent

- The student's and spouse's combined AGI (for tax filers) or income earned from work (for) is less than \$50,000
- non-filers
- - Student and spouse filed or will file the IRS Form 1040A or 1040EZ, or were eligible to file a 1040A or 1040EZ but filed or will file a Form 1040 for no substantial reason or solely to claim an education tax credit
- - Student or spouse is a dislocated worker as defined in the Workforce Investment Act of 1998
- - Anyone counted in the student's household size received a means-tested federal benefit during the prior 24 months

# Automatic Zero EFC

## Dependent Student

- Meets the SNT and AGI or Combined Income of Parents is less than or equal to \$24,000

## Independent student

- Meets the SNT and AGI or Combined Income of is less than or equal to \$24,000 with dependents other than a spouse

# Reason Professional Judgment

- An aid administrator may use PJ on a case-by-case basis only to adjust the student's cost of attendance or the data used to calculate her EFC.
- Professional Judgment allows for an aid administrator to account for special and/or unusual circumstances are not taken into account by the FAFSA
- The reason for the adjustment **must be documented** (by a third party if possible) in the student's file, and it must relate to the special circumstances that differentiate the student—not to conditions that exist for a whole class of students.

Calculation  
FinancialAid Approval  
UnusualCircumstance  
ISIR COA PPY Challenging  
BaseYear  
ProfessionalJudgment  
EFC Denial  
Documentation  
Subjective  
Case-by-Case  
Elements Adjustments

# Why Do We Do PJs?

- Section 479A of the HEA gives FAAs the authority to make case-by-case adjustments of the data items used to calculate a student's EFC, based on adequate documentation to address current circumstances not reflected on a student's FAFSA.
- The FAFSA is not all encompassing
- We want to help students and families as much as possible
- We want to determine a family's true ability to pay

# Types of Professional Judgment

## PJs Impacting EFC

- Loss or Reduction of Income
- Divorce/Separation
- Death of Parent or Spouse
- Child Support Reduction
- Elementary/Secondary Tuition Expenses
- Unusual Medical Expenses 11% or more
- Inflated Income due to IRA Conversion

## PJS Impacting COA

- Dependent Care Expenses
- Computer Purchase
- First Professional License or Certificate
- Disability Related Expenses

# Professional Judgment Documentation

Reason for Professional Judgment	Suggested Documentation
Loss or Reduction of Income	<ul style="list-style-type: none"><li>• Statement on letterhead indicating last date of employment</li><li>• Copy of the last paycheck including any vacation pay, severance, bonuses, or tips received</li><li>• Documentation of gross income of person whose employment status changed Members of the military must submit a copy of the DD214 and a LES showing taxable and untaxed income</li><li>• Documentation of any type of income being received including: workman's compensation, payments from 401(k) or 403(b) plans, financial contribution made by individuals outside of the household</li></ul>
Divorce or Separation	<ul style="list-style-type: none"><li>• Copy of divorce decree</li><li>• Statement from the family law attorney indicating the date of separation or proof of separation</li><li>• Documentation of any alimony or child support being received or paid out</li></ul>
Death of Parent or Spouse	<ul style="list-style-type: none"><li>• Death certificate of the deceased individual</li><li>• Copy of final paycheck</li><li>• Documentation of any death benefits received</li></ul>

# Professional Judgment Documentation

Reason for Professional Judgment	Suggested Documentation
Reduction in Child Support	<ul style="list-style-type: none"><li>• Documentation of the total amount of child support expected for each child</li></ul>
Elementary/Secondary Tuition Expenses	<ul style="list-style-type: none"><li>• Proof of tuition expenses paid for the current academic year on school letterhead</li></ul>
Computer Purchase	<ul style="list-style-type: none"><li>• Proof of cost of computer required for educational purposes or proof of purchase (This is a one-time adjustment.)</li></ul>
First Professional License or Certificate Costs	<ul style="list-style-type: none"><li>• Proof of payment of costs associated with professional license or certificate (This is a one-time adjustment. Preparatory coursework cannot be included.)</li><li>• Proof that professional licensure or certification is required for the major of study</li></ul>
Student Disability-Related Expenses	<ul style="list-style-type: none"><li>• Proof of expenses (Personal Assistance, Transportation, Equipment, Services) not paid for by any entity or agency</li><li>• Proof of diagnosis of disability</li></ul>

# To PJ or not to PJ...

## Questions to Ask Yourself...

- When did the change occur
- Will it impact student's aid package
- What 12 month period should be used
- Has the condition been accounted for through another means?

# Why Prior Prior Year?



- Earlier Access
- Increased Accuracy
- Earlier Decision Making For Families
- Most Families Don't Have a Large Shift From Year to Year
- More Time For Families To Look For Resources
- Longer Timeframe To Engage Students

# PPY and PJs

- More Time = More Change
- Increased PJ Volume
- PJ Forms May Need To Be Available Earlier
- Which Year Best Reflects Families Ability to Pay



# Which Year To Use

## Your Options

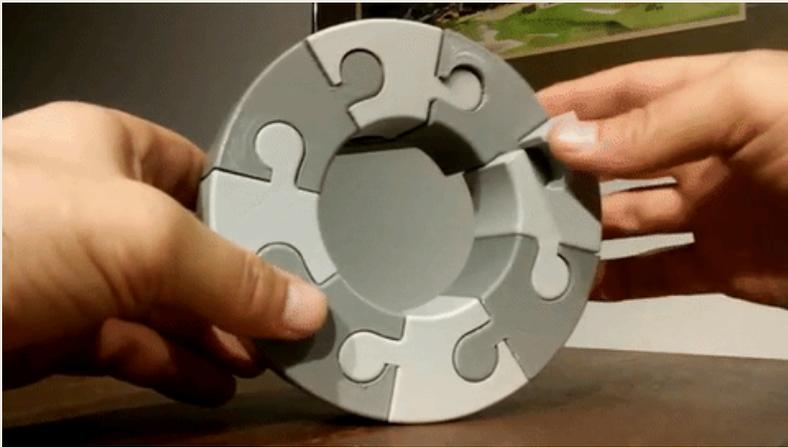
- Prior Year (2017)
- Projected Year (2018)
- Another 12 month Period

## Things to Consider

- Does the timing of the PJ determine what 12 month period works best?
- Is expected current year the best depiction of the family's ability to pay?
- How has your policy changed?

# How to Manage the Increase in Professional Judgment Petitions

- Educate Entire Staff on EFC Elements and Professional Judgment Implications
- Simulate ISIR Information Before Providing PJ petitions
- Train Additional Team Members on the PJ process
- Develop Training Materials and Resources for Staff



# Case Study # 1

A student has submitted a PJ petition for the 2018-2019 aid year. The student is an independent student with dependents other than a spouse who made \$20,000 in 2016. The student had \$3,000 in paid out of pocket medical expenses and has had a change in jobs which has resulted in a projected income of \$10,000 for 2018.

- What documentation would you request?
- Which 12 month period would you use?
- What changes would you make to the ISIR?
- What would be the end result?

# Case Study #2

- A dependent student's father is now deceased. The 2018-2019 FAFSA includes both parents. The parent's AGI in 2016 was \$100,000. The student's father earned \$55,000 in 2016. A professional judgment petition is submitted for the 2018-2019 aid year.
- What documentation would you request?
- Which 12 month period would you use?
- What changes would you make to the ISIR?
- What would be the end result?

# Case Study #3

- A dependent student's mother lost her job in October of 2017. The mother is the only parent on the FAFSA. The 2018-2019 FAFSA indicates a parental AGI of \$65,000. The student's mother is currently receiving unemployment benefits, child support, and received a lump sum severance payout from her previous employer. The mother is currently seeking employment and hopes to find a job soon.
- What documentation would you request?
- Which 12 month period would you use?
- What changes would you make to the ISIR?
- What would be the end result?

# Case Study #4

- A dependent student's parental income is \$150,000 on the 2018-2019 FAFSA. This income amount is inflated due to a Roth IRA conversion which added an additional \$75,000 to the family's income. There have been no changes in employment and the family's financial situation has remained stable.
- What documentation would you request?
- Which 12 month period would you use?
- What changes would you make to the ISIR?
- What would be the end result?

# Resources

- [http://www.nasfaa.org/ppy\\_nasfaa\\_press\\_release](http://www.nasfaa.org/ppy_nasfaa_press_release)
- <https://nasfaa.org/news-item/10758/Prior-Prior Year and Professional Judgment>
- <https://ifap.ed.gov/dpcletters/GEN1603.html>
- <https://ifap.ed.gov/fsahandbook/attachments/1819FSAHbkAVGCh5.pdf>

ANY  
QUESTIONS?

