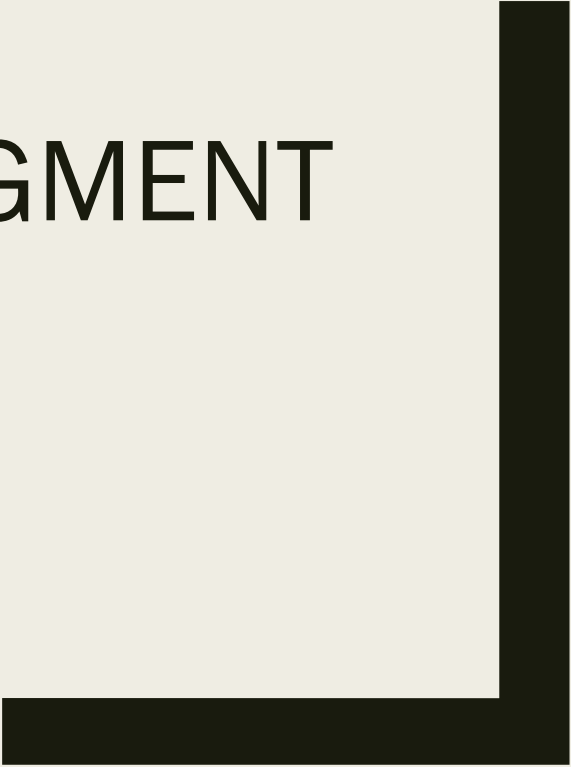


EXERCISING PROFESSIONAL JUDGMENT POST PPY

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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">• Statement on letterhead indicating last date of employment• Copy of the last paycheck including any vacation pay, severance, bonuses, or tips received• 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• 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
Divorce or Separation	<ul style="list-style-type: none">• Copy of divorce decree• Statement from the family law attorney indicating the date of separation or proof of separation• Documentation of any alimony or child support being received or paid out
Death of Parent or Spouse	<ul style="list-style-type: none">• Death certificate of the deceased individual• Copy of final paycheck• Documentation of any death benefits received

Professional Judgment Documentation

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

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

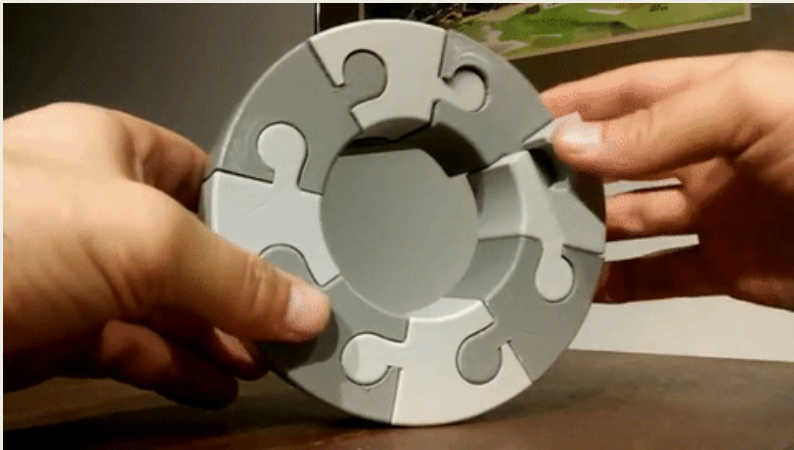
- Prior Year (2017)
- Projected Year (2018)
- Another 12 month Period

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
- <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?

