The Power of Decision Making: PJ’s and Dependency Overrides

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Agenda

- Professional Judgment (PJ) definition
  - Basic PJ principles
  - Application
  - Examples and documentation
  - Income Protection Allowance (IPA)

- Dependency status

- Dependency overrides
**PJ Definition**

- Higher Education Act (HEA Sec. 479(a)) provides authority for FAA’s to exercise discretion in a number of areas.

- Must treat the student individually, on a case-by-case basis, when the student has special circumstances that are not sufficiently addressed by the standard approach.

- Special circumstances are conditions that differentiate a student from a class of students.

- Often used in cases of either dependency overrides or income adjustments.
**Basic PJ Principles**

**Professional Judgment**

- Must have adequate documentation
- Should complete verification before PJ

- Must be administered on a case-by-case basis
- Similar issues & resolutions still require individual review

- Across the board changes NOT permitted
- May establish P&P to trigger review

- May establish authority to request supplemental information

- Extends authority to request supplemental information
- FAA must make own decision
- Valid only at the school making the decision
- May arrive at same conclusion – must document own decision

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Areas to Perform PJ Adjustments

- Needs analysis (EFC calculation)
  - Income
  - Assets
  - Divorce/separation
- Cost of Attendance
  - Dependent care
  - Computer purchase
- Refusal or adjustment of loan certification

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Areas Where PJ Does NOT Apply

1. May not modify the formula or tables used to calculate EFC.
2. Create new COA category.
3. Adjust EFC directly.
4. Change a student’s status from independent to dependent.
5. Waive general eligibility criteria or circumvent the intent of the law.
## Examples & Documentation

<table>
<thead>
<tr>
<th>CIRCUMSTANCE</th>
<th>DATA VERIFICATION</th>
<th>POSSIBLE ADJUSTMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unusual medical and dental expenses</td>
<td>Federal income tax sched. A – itemized deductions, and/or receipts</td>
<td>Reduce AGI by expenses exceeding certain % of income.</td>
</tr>
<tr>
<td>Income reduction or non-recurring income (divorce, death, loss of employment)</td>
<td>Signed statements documenting estimated earnings, divorce agreements, disability/SS benefits, death certificate</td>
<td>Use projected year income for income reduction. For non-recurring income, reduce AGI by that amount.</td>
</tr>
<tr>
<td>Unusual debts (mortgages, credit card to cover unemployment)</td>
<td>Contract, mortgage, lien, billing payment summary</td>
<td>Reduce AGI by annual installment, or adjust assets</td>
</tr>
<tr>
<td>Elementary/secondary school costs; dependent care, living allowance, computer purchase</td>
<td>Receipts for payment, signed statements</td>
<td>Reduce AGI by expense amount, increase COA</td>
</tr>
</tbody>
</table>
Reminder: Income Protection Allowance (IPA)

- An IPA is already included in EFC Calculation to account for modest living expenses.
- Before adjusting for an unusual expense, consider whether it is already covered by the IPA.
- Reasonable assumptions:
  - 30% food
  - 22% housing
  - 9% transportation
  - 16% clothing and personal care
  - 11% medical care
  - 12% other family consumption

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Dependency Status

- Section 480(d) of HEA. See Dear Colleague Letter GEN-11-15 issued 7/26/11 for additional information.
- Based on premise that family is first source to pay for student’s education.
- Student’s reaching age of 18 or 21, living apart from parents, or not being claimed by parents on tax return **DOES NOT** affect dependency status.
- Automatically independent if:

<table>
<thead>
<tr>
<th>Married</th>
<th>Graduate student</th>
<th>Veteran</th>
</tr>
</thead>
<tbody>
<tr>
<td>Children/legal dependents</td>
<td>Orphan, foster child, ward of court</td>
<td>Emancipation or legal guardianship</td>
</tr>
<tr>
<td>Unaccompanied homeless youth</td>
<td>Age 24 by December 31st of award year</td>
<td></td>
</tr>
</tbody>
</table>
Dependency Overrides

- In unusual circumstances, FAA has authority to determine that a student is independent.
- As with PJ decisions, must be performed on a case-by-case basis and the basis for each determination must be well documented in the student’s file.
- Documentation must include:
  - Reason for determination and must support decision
  - Should come from a 3rd party source (at least one) with knowledge of the unusual circumstance
    - i.e. counselor, teacher, clergy, coach, medical personnel, courts, etc.
    - May accept statement from student alone or student and relatives only in extremely rare cases.
Dependency Override Situations

- Student’s voluntary or involuntary removal from the parent’s home due to an abusive situation that threatened the student’s safety and/or health
- Student’s abandonment by parents
- Inability of the student to locate the parents
Not Dependency Override Situations

- Parents who refuse to contribute (whether or not they are able)
- Parents who are unwilling to provide financial information
- Parents who do not claim the student as an income tax dependent
- A student who demonstrates total self-sufficiency
- Parents who live in another country
Questions????