

## PJ – Recalculation of EFC

KASFAA  
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## My PJ



## What is Professional Judgment?

- Professional judgment is the authority provided under the Higher Education Act (HEA) for financial aid administrators to exercise discretion in specific areas of student aid administration.
- Professional judgment is not regulated by the U. S. Department of Education (ED).

## HEA Section 479A

- Authorizes case-by-case adjustments to Federal Methodology (FM) Data elements.
- Also authorizes in relation to:
  - Cost of Attendance (COA)
  - Dependency status
  - Satisfactory Academic Progress (SAP)
  - Denial or reduction of Stafford/Plus

## Why use PJ to recalculate EFC?

- Use PJ to address “outside the box” situations not reflected on the FAFSA.
- Allows FAAs to personally intervene in cases that need individual attention.
- Enables responses to individual circumstances not anticipated in legislation or regulation.

## PJ – Recalculation of EFC

CCRAA and HEOA both added examples of special circumstances that might warrant professional judgment.

### PJ Guidance

- PJ must be individual.
- PJ only good at school that performs PJ.
- PJ for one year only.
- PJ must be documented.

### Stop: No PJ Allowed!

- PJ may not be used to:
  - Adjust bottom-line EFC
  - Change EFC formula
  - Make across-the-board changes
  - Make an otherwise ineligible student eligible
  - Circumvent intent of law or regulations
  - Make the adjustment on the initial FAFSA

### PJ – Recalculation of EFC

In performing a Professional Judgment, you must adjust a data element in the formula (Needs Analysis). For example, the Adjusted Gross Income, Untaxed Income, or Assets, etc.

You may not change the formula itself ( e.g., asset conversion rate or tables).

### Needs Analysis and PJ

- When preparing for a new award year, it is always good to review the Needs Analysis formula and perhaps even perform a hand calculation. Or...maybe experiment with your computerized Needs Analysis software.
- 2009-2010 EFC Formula Guide at:
  - [www.ifap.ed.gov/efcformulaguide](http://www.ifap.ed.gov/efcformulaguide)

### Examples of Special Circumstances

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

### Other examples of Special Circumstances

### Unreasonable PJ requests

- Vacation expenses
- Tithing expenses
- Standard living expenses (cable, credit card, cell phone, children's allowances)
- Standard maintenance items such as lawn care, home repair and gasoline

### Other Special Circumstances Considered Unreasonable

### PJ Process at Your Office

- Require Special Condition Form?
- Accept letter?
- Required documentation?
- Individual FAAs or committee?
- Mention process or provide form on website?
- Response?

### PJ Documentation

- Documentation supports the decision you make when exercising PJ and also:
  - Provides additional information in the file
  - Provides a clean trail for others (supervisor, co-workers, auditor, program reviewer, other authorized officials)

### PJ Documentation

- At a minimum, should include:
  - Date of PJ decision and action taken/adjustments made
  - Student's request and specific circumstances
  - Source of information (3<sup>rd</sup> party docs, letters, bills, etc.)
  - Decision
  - Signature of individual making decision

### PJ – Recalculation of EFC Reminders

- Must first resolve any conflicting information
- Must verify base year data if selected for verification
- Must use recalculated EFC consistently for all FSA funds

### PJ – Recalculation of EFC

- Good Practice:
  - Verification of ISIR prior to processing PJ appeal

### Loss of income

- Employment loss considerations
  - Require a period of unemployment?
  - Reason for unemployment
  - Use of expected year instead of base year
  - Expect minimum wage or employment?
  - Ask for employment projections?
  - Changes to considerations due to current economic conditions?

### Loss of Income

- Employment loss (cont.)
  - Adjust income earned from work
  - Adjust Adjusted Gross Income (AGI)
  - Adjust tax paid
    - Use IRS tax tables
    - Use software calculations
    - Apply percentage
    - Other

### Loss of Income

- Employment loss (cont.)
  - Does loss of employment cause change to untaxed income found on W-2?
  - Other...

### Loss of Income

- When determining expected year income be sure to consider severance package and unemployment compensation.

### Loss of Income

- Other income loss – not employment
  - Child support ending
  - Business/partnership changes
  - Reduction of pension

## Medical/Dental Expenses

- What kind of documentation will you require?
  - Copies of bills, insurance statements, personal statement
- What expenses will you consider?
  - Elective procedures, insurance premiums, co-payments
- How much of the expense will you use?
  - Expenses over IRS deduction?
  - Expenses over medical allowance in Needs Analysis?
- What will you adjust?
  - Adjusted Gross Income
  - Assets
  - Probably not tax paid

## EFC Income Protection Allowance

- The IPA consists of:
  - 30% food
  - 22% housing
  - 9% transportation
  - 16% clothing and personal
  - **11% medical**
  - 12% other family consumption

## Private School Tuition

- Will you even consider?
- Does the reason for the private school choice influence your decision?
  - Disability or special needs vs. choice
  - Home school expenses
- What documentation will you require?
- What will you adjust?
  - Adjusted Gross Income
  - Probably not tax paid

## One-time Increases to Income

- “One-time” indeed!
- Examples:
  - Capital gain, IRA/pension withdrawal, partnership
- Will reason for increase influence your decision?
- Will use of that income influence your decision?
- What if you see same increase in subsequent years?

## Other Special Circumstances

- Extraordinary dependent care expenses
- Divorce
- Death of parent or student’s spouse
- Other

## Conclusion

- Your PJ decision should not be questioned in an audit or program review if
  - PJ applied on an individual, case-by-case basis
  - PJ decision is consistent with P&P
  - Sufficient documentation
  - Reasonable decision
  - PJ not made where ED prohibits

PJ – Recalculation of EFC

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