

Adjustments and Professional Judgment

Instructor's Notes

Time Estimate:

Lecture 40 minutes

Exercise 20 minutes

Total Time: 60 minutes

By the end of this session, you will be able to:

- *adjust a student's COA and EFC and*
- *exercise professional judgment for sample students.*

INTRODUCTION

Most of this session describes how professional judgment can be used in making adjustments to a student's financial need.

We will also briefly review some of the other areas in which financial aid administrators (FAAs) can exercise professional judgment.

ADJUSTING NEED BASED ON PROFESSIONAL JUDGMENT

Although the law allows FAAs' discretion in handling individual cases, FAAs are responsible for reserving use of professional judgment for cases that genuinely warrant it.

When using professional judgment, the following principles must be considered: (OH 1)

- Professional judgment must be triggered by unusual circumstances that affect a student or the student's family and that are not recognized in a standard treatment for calculating the Expected Family Contribution (EFC).
- You might remember, some of these were listed for you on page 1 of the FAFSA, under Section B, such as tuition expenses at an elementary or secondary school, dental expenses not covered by insurance, or sudden unemployment.

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PW 2

Instructor's Notes

- Professional judgment must be applied on an individual, case-by-case basis and may not be used across the board for every student.
 - However, certain “predetermined situations” may be used to identify and flag cases to be reviewed on an individual basis.
 - FAAs may develop school guidelines and policies to define and deal with these situations to ensure equitable and consistent treatment of students.
 - School guidelines must include a process for students to appeal professional judgment decisions made by the FAA.
- Professional judgment decisions must be justified and documented in the student's file.
 - The FAA must document the unusual circumstance that warrants special treatment, explain the decision to apply professional judgment, and describe the action that was taken.
- Because professional judgment is at an FAA's discretion, decisions can vary from one school to another. For this reason, an FAA might or might not accept professional judgment decisions made by another FAA at another school, such as in the case of a transfer student.
- However, the school's policies and procedures manual should include general guidance to ensure consistency of professional judgment within the school.
 - Each school must define, document, and justify its own professional judgment decisions within each individual student's file.

But how is professional judgment used in adjusting the student's financial need?

Note to Instructor:

Two examples are:

- high unreimbursed medical expenses and
- a family member whose base-year income was significant but who is now experiencing prolonged unemployment.

Instructor's Notes

As you know, need analysis involves two major items—the cost of attendance, or COA, and the Expected Family Contribution, or EFC: **COA - EFC = Need**

To allow flexibility in awarding financial aid to meet individual needs, the FAA is allowed to make adjustments to a student's COA and to the data elements that determine the EFC. The FAA cannot directly adjust the EFC figure, assessment rates, or allowances. (OH 2)

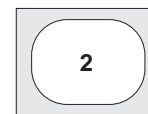
- Adjustments can result in increasing or decreasing a student's determined need.
- A student's adjusted COA and EFC must be used for awarding financial aid for **all** Title IV programs.

Adjustments are not corrections—they are changes made by the FAA to more accurately reflect the student's special circumstances and **true need**.

ADJUSTING THE COST OF ATTENDANCE

The FAA may make adjustments to the COA when the school's standard cost of attendance does not reflect the student's true costs, including:

1. tuition and fees,
2. books, supplies, transportation, and miscellaneous personal expenses,
3. room and board,
4. dependent-care expenses,
5. study-abroad expenses,
6. disability-related expenses,
7. employment expenses related to cooperative education programs, and
8. student loan fees.



The COA can be adjusted by changing one or more of these eight COA components defined by law, by changing the final COA figure, or by changing the method used to calculate the COA.

- The FAA must document the reason and method used for any adjustments made on the basis of professional judgment.
- For example, let's look at a student named Kathy. In determining the COA for Kathy, the FAA may take into consideration increased transportation costs related to her off-campus job.
 - In this case, a cost adjustment could be made to the COA component of books, supplies, transportation, and miscellaneous personal expenses.
 - The new total COA would then be calculated.
- As a second example, suppose Stephen has a severe disability.
 - To make an adjustment, the FAA could first increase Stephen's disability allowance for his extra expenses.
 - The new total COA would then be calculated.

After adjusting the student's COA, the FAA must recompute the student's need, using the formula $\text{COA} - \text{EFC} = \text{Need}$.

If the student's aid was packaged previously, then the school repackages the student's aid.

ADJUSTING THE EXPECTED FAMILY CONTRIBUTION

The FAA may also make adjustments when the calculated EFC does not accurately reflect the family's ability to pay.

If the FAA determines that one or more of the data elements in the EFC formula is not appropriate or does not accurately

Instructor's Notes

Note to Instructor:

The FAA has much broader authority to adjust the COA, based on professional judgment, than to adjust the EFC. Only the data elements used in calculating the EFC may be adjusted—not the methodology or the final figure.

Note to Instructor:

If the original COAs for campus-based programs and the Federal Direct Loan or FFEL Programs have been adjusted for part-year or part-time enrollment, all of those adjustments will need to be recalculated as well.

Note to Instructor:

However, before making the adjustment, the FAA should be sure that disability assistance is not available from somewhere else; for example, from state vocational rehabilitation.

reflect the resources available to the student or family, the FAA may adjust that data.

It is important to note that there can't be a direct change to the EFC, assessment rates, and allowances; you may only adjust an actual data element.

For example, suppose a student's parents have just had some high medical expenses that will not be reimbursed by insurance.

- Even though the bills have not yet been paid, the FAA could reduce the parent's assets to reflect these major upcoming expenses.

For another example, even though a student is independent by definition, the FAA may determine by professional judgment that the relationship between the parents and student makes a parental contribution a reasonable expectation.

- In this case, the FAA could adjust a data element, such as student income or assets, to reflect this contribution.

A third example of making an adjustment to the EFC calculation is using expected year (1997) income instead of the base-year (1996) income for the appropriate data elements.

You'll remember that base-year data are used on the FAFSA for all students.

However, in some unusual circumstances, the financial aid administrator may make adjustments and use expected-year data.

- As an example, in a single-parent family, a dependent student's mother may have earned a good salary in 1996. However, she became unemployed in early 1997 and remains unemployed when the FAFSA is processed and the Student Aid Report (SAR) is received in summer 1997.

Instructor's Notes

Note to Instructor:

An FAA may never declare an independent student as dependent. That is why the FAA must make the income adjustment.

Note to Instructor:

The FAA could treat the parents' contribution as an outside resource.

Instructor's Notes

- The FAA could recalculate the EFC, using the 1997 expected-year income instead of base-year income.

Remember that these actions come **after the FAFSA is processed**. The applicant must provide base-year data on the original FAFSA.

After the FAA makes adjustments to EFC data elements, he or she calculates the adjusted EFC.

- If the new EFC changes a student's Pell Grant award, the school must submit the adjusted data to the CPS for reprocessing.
- If the calculation does not change the Pell Grant award, the adjustment does not need to be reported to or reprocessed by the CPS at all.
- Remember, we're assuming that the student's original data have already been processed by the CPS and this is already an official EFC that's being adjusted.

Part 2 of the paper SAR, or its electronic equivalent, is used for reporting adjustments to the CPS.

The adjusted data elements are entered in the right-hand columns on the SAR—in the column labeled "The correct answer is." This procedure is used for making corrections, which will be discussed in the next session.

Finally, the FAA must check the "FAA EFC Adjustment" box in the "School Use Only" box on Part 2 of the SAR. (OH 3)

- This is shown on page 2 of your Workbook.
- The Title IV institutional code and the FAA's signature are required to complete the "School Use Only" box.

When the adjusted EFC is determined, you must recompute the student's need, using the same basic formula of $\text{COA} - \text{EFC} = \text{Need}$.

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PW 2

Instructor's Notes

If the student's aid was packaged previously, the school must now repackage the student's aid.

- The student's Pell Grant, campus-based, and Direct Loan or FFEL awards must all be redetermined on the basis of the adjusted EFC.

Are there any questions?

CASE STUDY—ADJUSTING NEED**Making an Adjustment**

We'll use a sample student named Sally to illustrate the adjustment process. Her file begins on page 3. [IG, pg. 15]

PW 3

Some time after receiving her financial aid award letter, Sally reported to her FAA that she is having to pay high unreimbursed medical expenses because her son needs physical therapy as a result of a serious injury.

- It is expected that his required physical therapy will continue for the full 30 weeks of Sally's instructional program.

Because of these costs, Sally's savings will be expended. Using her professional judgment, the FAA decided to make an adjustment to Sally's assets to reflect these medical expenses.

- Since the therapy had already started, Sally was able to provide canceled checks that the FAA could use as part of the documentation of the adjustment. These are on page 3 of your Workbook. [IG, pg. 15] The FAA wrote a signed statement explaining Sally's situation and requested further documentation from Sally to verify that the insurance company will not be paying the charges.

PW 3

Instructor's Notes

- In response, Sally provided a letter from the insurance company explaining her lack of medical coverage. This is on page 4 of the Workbook. [IG, pg. 16]

PW 4

- The FAA computed Sally's medical expenses for the 30 weeks.
- Then the FAA deducted the amount from Sally's reported 1996 assets.

Sally is paying \$150 per week for the physical therapy. The FAA calculated the cost for the 30 weeks of the enrollment period to be $\$150 \times 30 = \$4,500$.

This adjustment to assets will change the EFC.

Sally's initial EFC was 2890.

The FAA made the adjustments to the cash, checking, and savings data element and electronically transmitted these to the CPS. A signed statement from the FAA explaining this process is on page 5 of your Workbook. [IG, pg. 17]

PW 5

Sally's reprocessed electronic ISIR reported an EFC of zero. The ISIR was placed in her student records, and a copy was sent to Sally.

In this case, the FAA used her professional judgment to make an adjustment to lower Sally's assets.

This adjustment was made **after** the student had applied for aid and after the aid had been packaged.

Repackaging

For students whose aid was already packaged, adjustments require repackaging based on the student's changed need. Sally's repackaging worksheet is on page 6. [IG, pg. 18]

PW 6

The first step is to redetermine Sally's Pell Grant, following the adjustment to her EFC.

Instructor's Notes

- Sally's Pell COA is \$6,747. Her EFC is now zero.
- Next we look up Sally's Pell Grant eligibility using the schedules and her Pell COA.

Having determined that her Pell Grant is \$2,700, we're now ready to repackage the aid under our control.

- Using an Adjusted Packaging Worksheet simplifies the process.

Sally's COA is \$6,747, and her recalculated EFC is zero.

- Using the $\text{COA} - \text{EFC} = \text{Need}$ formula, her adjusted need is now $\$6,747 - \$0 =$ **\$6,747.**

After subtracting her Pell Grant award, Sally's adjusted remaining need is $\$6,747 - \$2,700 =$ **\$4,047.**

Sally's private scholarship and state grant must now be subtracted. After this, her adjusted remaining need is $\$4,047 - \$2,000 =$ **\$2,047.**

As Sally is now eligible for a Pell Grant and has a low EFC, the school awarded her an FSEOG.

- Her FSEOG award is \$1,000.
- Sally's adjusted remaining need is:
 $\$2,047 - \$1,000 =$ **\$1,047.**
- Initially, the school awarded her a subsidized FFEL of \$1,857.
- After the addition of the Pell Grant and the FSEOG to her aid package, Sally's remaining need for a subsidized FFEL has been decreased.
- Sally is awarded a \$1,047 subsidized FFEL.
- Because of the adjustment, Sally is now receiving more financial aid to help with her expenses.
- She is also incurring less loan debt, which is favorable to her current financial situation.

Instructor's Notes

Here are some questions for you to think about:

- If you were Sally, would **you** take out a subsidized FFEL for the full \$1,047 for which you are eligible?
- If you were the FAA, how would **you** present this to Sally? What would you recommend?

» Discuss this issue, emphasizing that students should not automatically borrow the full amount just because they are eligible for it, and explain why this is the case.

When considering the option of a loan to fill a student's need, it is important to consider many factors, such as the student's academic standing, total loan indebtedness, and pertinent economic factors.

Adjustments must be documented, in writing, and the documentation must be kept in the student's file.

Sally's adjustment did not involve her COA—only her EFC was adjusted.

- Similar documentation should be kept when the COA is adjusted.

OTHER AREAS FOR PROFESSIONAL JUDGMENT

To complete the picture, we'll briefly mention the four other areas where an FAA can exercise professional judgment: (OH 4)

- changing the student's dependency status from dependent to independent ("dependency override");
 - We discussed this in Session 12.
 - As we noted then, this is done on the original FAFSA or on Part 2 of the SAR.
 - Status can't be changed from independent to dependent.

- certifying an additional unsubsidized loan amount for a dependent undergraduate student whose parents are not able to take out a PLUS Loan (usually because of an adverse credit rating);
- adjusting satisfactory academic progress requirements due to mitigating circumstances; and
- declining to certify a student loan application or certifying it for a lesser amount.

Remember, all professional judgment decisions must be justified and documented in the student's file.

Now it's your turn. You have five case scenarios to work on, starting on page 7 of your Workbook. I'll divide you into groups and assign each group a case. You need to read your case and discuss it to answer the questions that follow. Part of your discussion might involve the fact that you need more information to reach a decision. If this is the case, be prepared to tell us what else you would want to know and what your decision would be depending on the answers you get to your requested information.

Once you have had time to discuss your case, I will ask one of the group members to tell us what you decided. Remember, with professional judgment, there is no right or wrong answer as long as you document the decision you make and follow your school's policies consistently. One school's decision might be totally opposite of another school's decision.

- » Form groups of participants and assign a case to each group. Since there are only five scenarios, more than one group will probably need to work on a given scenario. Tell them to work on one of the other scenarios if they finish their assigned one early. Allow each group 10 minutes to complete a case study. When they finish, ask someone from each group to explain the group's decision, specifically answering the three common questions in the Workbook. Allow another 10 minutes (total) to discuss each group's decision. The case scenarios begin on page 13 of this Instructor's Guide.

Before we finish this session, are there any last questions?

Instructor's Notes

Note to Instructor:

An FAA may not certify an additional unsubsidized amount if a parent **refuses** to take out a PLUS Loan for his or her child.

PW 7

BACK AT THE OFFICE

When you return to your office, you should become familiar with or develop your own school policy for dealing with unusual circumstances and making professional judgments.

What else should you do when you return to your office?

Instructor's Notes

PW 12

Case Study 1— Request for Dependency Override

Jane Smith, 20 years old, lives with her grandparents and has done so for the past five years, since her parents divorced. She does not know where her father is, but her mother has remarried and cannot work due to a disability. Jane has supported herself with part-time jobs and with some support from her grandparents. Jane would like to be considered independent.

1. What action would you take?
2. What factors were considered in reaching your decision?
3. What documentation would you request?

Case Study 2— Request for Dependency Override

Joyce Lane is 19 years old with one child. She has come to you to request that you make her an independent student. Joyce has a part-time job and is living with her parents. Both her parents teach in the public school system. Also, her parents provide most of Joyce's child's financial support.

1. What action would you take?
2. What factors were considered in reaching your decision?
3. What documentation would you request?

Case Study 3—Request for Adjustment to EFC

John Williams is one of three children and the only one attending college. Both his parents are employed and John was denied financial aid because his EFC was too high. John's father has lost his job.

1. What action would you take?

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Instructor's Notes

2. What factors were considered in reaching your decision?
3. What documentation would you request?

Case Study 4—Request for Adjustment to Student's Cost of Attendance (Budget)

Lois Johnson is a full-time, third-year medical student and the mother of a nine-month old. Students enrolled in the third year of medical school are required to be on-call in the hospital for 36 hours straight. Lois needs child care during her normal work and school hours and also during this extended on-call time. The amount normally allotted to students with dependent children for child-care costs is insufficient in Lois's case. The student is requesting that her budget be adjusted to cover the additional cost in child care.

PW 10

1. What action would you take?
2. What factors were considered in reaching your decision?
3. What documentation would you request?

Case Study 5—Request for Adjustment to EFC

Susan James is 18 years old and the mother of two small children. They all live with her parents. She receives \$400 a month in child support from the father of her children. During the mid-part of the award year, Susan advises her financial aid officer that the father of her children is now incarcerated and the support is no longer available.

PW 11

1. What action would you take?
2. What things were considered in reaching your decision?
3. What documentation would you request?

Sally Augustine
542 Cedric Lane
St. Louis, MO 05661

No. 831

Date: 7-2-97

Pay To The
Order Of Physical Therapy Practitioner \$ 150.00

One Hundred Fifty and Zero Cents only Dollars



Blue Skies National Bank
St. Louis, MO 05661

FOR Rob's Physical Therapy

Sally Augustine
542 Cedric Lane
St. Louis, MO 05661

No. 837

Date: 7-9-97

Pay To The
Order Of Physical Therapy Practitioner \$ 150.00

One Hundred Fifty and Zero Cents only Dollars



Blue Skies National Bank
St. Louis, MO 05661

FOR Rob's Physical Therapy

Sally Augustine
542 Cedric Lane
St. Louis, MO 05661

No. 849

Date: 7-16-97

Pay To The
Order Of Physical Therapy Practitioner \$ 150.00

One Hundred Fifty and Zero Cents only Dollars



Blue Skies National Bank
St. Louis, MO 05661

FOR Rob's Physical Therapy

WEGOTCHA

New York, New York 20019-0015 • 212-081-0001 • (fax) 212-081-0002

July 26, 1997

Dear Ms. Augustine:

We are not able to process your claim. Your health care policy does not cover physical therapy treatment. You may purchase additional coverage that includes physical therapy treatment for an additional fee.

If you have any questions about your health benefits or if you would like to purchase additional coverage, please call our customer service department between 8:00 a.m. and 4:30 p.m. Eastern Time.

Sincerely,

Lola Tune
Claims Adjuster

COA AND/OR EFC ADJUSTMENT

Name: Sally Augustine__

Date: 08/24/97_____

SSN: 000-00-0000_____

Counselor: F. A. Archer

At the time the application was completed, Sally reported sizable assets. Two months prior to the school's start date, Sally's son was involved in an automobile accident that left him seriously injured, requiring physical therapy. Sally has presented canceled checks to show unreimbursed payment to the physical therapist (copies attached) and a letter from her insurance company stating that her son's physical therapy is not covered under her health insurance plan.

An adjustment is being made to her cash, savings, and checking data element to reflect the high medical expenses for Sally's injured son. The required physical therapy costs \$150 per week for 30 weeks for a total of \$4,500. This reduces her initial cash, savings, and checking figure of \$5,000 to \$500.

Her EFC was recalculated by the CPS and documented in her file.

ADJUSTED PACKAGING WORKSHEET

Name: Sally Augustine____

Date: 08/24/97_____

SSN: 000-00-0000 _____

Counselor: F. A. Archer

	Initial	Adjusted
Cost of Attendance (Campus-Based/FFEL)	\$6,747	\$6,747
- Expected Family Contribution	2890	0
= Need	\$3,857	\$6,747
- Federal Pell Grant (from Payment Schedule)	\$0	\$2,700
= Remaining Need	\$3,857	\$4,047
- Other Aid State Grant - \$1,000 Scholarship - \$1,000	\$2,000	\$2,000
= Remaining Need	\$1,857	\$2,047
- FSEOG	\$0	\$1,000
= Remaining Need (subsidized Federal Stafford Eligibility)	\$1,857	\$1,047