Marty Guthrie: Okay. I'm Marty Guthrie and I'm with the office of post secondary education. And I'm joined today by my colleague from the Chicago regional office, Byron Scott, who is filling in for Maryanna Deacon who was originally scheduled to present.

We're grateful for his help. I particularly am, because Maryanna was unable to be here with us today. In this session we're going to cover a little bit about each of the areas where professional judgment can be used including the statutory and regulatory guidelines as well as other guidance that we've provided.

If you're like most people or like many people you've come to this session on professional judgment for one of a couple of reasons. You might be curious to see if anything's new, not really. You might be wanting to talk about a special case that you've encountered.

Or maybe you're hoping for some rules about how to use professional judgment. Whatever your reason, let's just get going here. The authority for financial aid administrators to make professional judgment decisions is set out in Section 479A of the Higher Education Act.

And related to that last item on the why you're here list, no regulations on this. In fact, we're prohibited from regulating on professional judgment, although we have issued several Dear Colleague Letters to provide clarification and some specific areas.

These are the specific areas where a financial aid administrator may make a professional judgment decision. They included dependency override, expected family contribution, cost of attendance, and unsubsidized loan eligibility.

And as I indicated, there are no regulations on how to exercise professional judgment. We have issued several Dear Colleague Letters recently to assist you. These are intended to provide you with some clarification about making some professional judgment decisions in these challenging economic times.

And the DCLs are listed on these slides, and we're going to talk about them a little bit more later in this session. Here we've noted the electronic announcement that essentially extends the DCLs into this award year.

And again we'll talk more about that announcement later in the session. So let's begin with dependency override. The statute includes eight specific criteria under which a student can be considered an independent student.

You're familiar with these criteria, I'm sure. Over age 24, orphan, ward of the court, foster care, an emancipated minor, someone who's married and graduate student, someone with veteran status, legal dependants, or homeless, or at risk of homelessness.

And then there is the student who is a student for whom the financial aid administrator makes a documented determination of independence by reason of other unusual circumstances. And that's the category that we're talking about right now.

The key elements in this definition are case by case, the determination is made on an individual student basis, with unusual circumstances which according to Webster is pretty rare, and finally documentation, which is not maybe the most important thing but it's pretty darn important.

You must have documentation to support your decision. We've given guidance about some circumstances that do not qualify either singly or in-combination as unusual circumstances for this purpose.

These are listed here and included parental refusal to contribute, parental unwillingness to provide information, parents not claiming the student on their tax return, or the student demonstrating self sufficiency.

So those are circumstances that would not qualify. And then here are some circumstances that you may want to give some consideration to. Again with full and appropriate documentation of course.

Student's voluntary or involuntary removal from the parent's home for those reasons listed, the incapacity of the parents' such as incarceration or disability or mental or physical illness, and then there are a few more examples here.

The inability of the student to locate the parents after making reasonable attempts. And then there may be other extenuating circumstances that you could document sufficiently through a third party. In talking with colleagues who conduct reviews keeping clear documentation is probably the single most important thing that you could do with regard to the dependency overrides and professional judgment in general.

You must document that you performed a dependency override, the reason for the override, and then maintain appropriate documentation to support the decision that you have made. Documentation from a third party who is knowledgeable about the student's circumstance is really, really important.

This third party can include any one of the individuals or groups listed here on this slide and this is not to be limiting but this is just provided as examples for you.

If you truly cannot get documentation from a third part, you may accept signed statements from relatives, friends, or from the student themselves, but that's really a last resort and you should use it as such.

Things to keep in mind when you're making a dependency override, you can make a dependant student independent however, you cannot make an independent student dependant. And it's an annual determination.

Each year you must affirm and document that the unusual circumstances exist. The CCRAA added this option regarding dependency overrides for schools. We haven't heard about many schools that actually exercise it.

But effective with the 2009-10 award year you could rely on a dependency override provided by another institution for the same award year. And if you decided to do this, you would go FAA access to CPS online and enter the student identifiers to see the list of transactions.

If there's a transaction with a dependency override, it will be indicated along with the institution that submitted it. Up to 2009-10, you could see that there was PJ transaction but you really couldn't get to it.

So that's now available to you, if you want to use that. Now we'll move on to an overview, some introductory comments on the EFC and cost of attendance. Laying the groundwork, as I mentioned, the statutory for you to make professional judgment decisions is found in Section 479A of the Higher Education Act.

And the language reads, "Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator on the basis of the adequate documentation to make adjustments on a case by case basis to the cost of attendance or the values of the data items required to calculate the expected family contribution, expected student or parent contribution, or both, to allow for the treatment of an individual eligible applicant with special circumstances."

The Higher Education Act also includes some specific examples of items that you might want to consider special circumstances. These won't surprise you, especially anybody who's been around for awhile.

Include elementary and secondary school tuition expenses, medical, dental, or nursing home expenses not covered by insurance, unusually high child or dependent care costs, or the recent unemployment of a family member or an independent student.

Some more examples of special circumstances that are included in the Higher Education Act, a family member or the student is a dislocated worker, the parents are enrolled in college, there's a change in the housing status resulting in homelessness, or other changes in the family's income, the family's assets, or the student's status.

I want to be clear that professional judgment decisions are not limited to these circumstances, nor are they required in these circumstances. The examples are just that. Ideas about what you may want to consider.

Here are a few examples of some unreasonable expenses. These would include vacation or tithing expenses, as well as standard living expenses, which are included in the income protection allowance.

Some important points to keep in mind when you're thinking about using professional judgment to adjust either the expected family contribution or the cost of attendance is that these decisions are to recognize special circumstances.

They're made for an individual, not a category of students. You need documentation, and you cannot waive eligibility requirements. Let's talk for a moment about the special guidance that we've issued on professional judgment.

As I mentioned, we issued a Dear Colleague Letter Gen0904 in April 2009, to remind financial aid administrators of their authority to use professional judgment and to encourage them to use to help students during these difficult economic times.

In this letter, we reiterated the basic tenants of professional judgment; case by case, special circumstances, adequate documentation, et cetera.

And we also reminded financial aid administrators that it's appropriate to use information that realistically reflects the family's current and near term economic situation. Perhaps by projecting income for the next 12 month period.

Particularly for the unemployed independent student who needs retraining in order to get a job. We issued another Dear Colleague Letter Gen0705 to address independent students who need job retraining in order to obtain employment and who need funding to get that training.

And we noted that the letters to recipients of unemployment insurance can be used as documentation for these decisions. The letter informs you, the financial aid administrators, about the Department of Labor's work with states to send letters to recipients of unemployment insurance benefits to encourage them to enroll in post secondary education and to apply for financial aid.

And the letter provides guidance about what financial aid administrators can do to help these students, describes how you might adjust the income from work and the unemployment benefits and also indicates that you can retain the letter as documentation of the student's special circumstances.

And this is a question that we've received frequently for other unemployed family members such as parents or a spouse; the financial aid administrator can consider the totality of the family circumstances and make appropriate adjustments.

And just so that you're aware, we've made appropriate adjustments in our risk based model used to select institutions for program reviews to recognize the increased use of professional judgment in this environment.

As the 2010-11 award year got under way, we started to receive questions about whether the Dear Colleague Letters that I've just described were still in effect because they were award year specific and they referred to particular years.

And so on May 21st, we posted an electronic announcement that confirmed that that guidance is still in effect and will remain in effect until further notice. Just so that you know that those letters are still in effect.

With that, I'm going to turn the presentation over to my colleague, Byron who will take us through a discussion of professional judgment as it relates to the EFC, cost of attendance and unsubsidized loan.

Byron Scott: Thanks, Marty. My name is Byron Scott and I'm a training officer in the Chicago regional office. If you printed out your handout you can write down my name, since yours will say Maryanna Deacon on it.

Although I am new to being a training officer, I am not new to the department. I've been here for 18 years. And I've spent the last 15 years as a program reviewer and financial analyst in Chicago. So I've had the opportunity to look at a few professional judgment files in that time.

Today what I want to talk about then is, we're gonna start talking about the expected family contribution. And how you can make adjustments to the data elements that are part of the expected family contribution.

It's important to remember that you cannot simply change the EFC or in the second small bullet, the parents' contribution or the student contribution. You can however change the data elements that make up the data that's part of the calculation. You also can't change the formula and you cannot make the adjustment on the initial FAFSA.

It's important to remember that the student should apply based on the data that is true based on the FAFSA questions and have that being processed and then if necessary you may make professional adjustments as a result of that first Iserve.

How many of you have a written professional judgment policy? Good quite a few of you. In preparing for this presentation, I took a look at what we might have on the FSA assessments for you. And there is a section, I don't know how – I hope most of you are familiar with the FSA assessments.

That's a tool that the department has prepared that you can use to assess your own institution's administration of the Title IV programs at your school.

And so on the assessments, which you can link to from the ISAP home page, you'll find that there's a section about student eligibility and there's a small section about professional judgment with some – basically a checklist to help you develop a written policy and procedure.

You may want to use that either to develop a procedure or to check and update your current one. I think it's important that you have a written policy for how you're going to do professional judgments because it will enable you to give consistent answers to students.

So if you're not going to do professional judgment for a certain circumstances or students and that's written in your policy, it'll be clear that you're not just picking on some particular student. So let's talk a bit more about the expected family contribution.

One of the things to remember in performing professional judgment decisions is that you must first resolve any conflicting information before making an adjustment. So if something said the student was married and something else said he was single, you need to resolve that before performing the professional judgment.

And in the same way, you also, if the student is selected for verification you need to complete verification before you make a professional judgment determination. As Carnie mentioned earlier today in her session, it's important that you are making professional judgments on accurate data.

So that's why it's required that you complete verification before you make any professional judgment decision. I also want to tell you – remind you that unlike dependency overrides which can transfer with a student from one school to another.

Professional judgment does not transfer with a student. Each institution is required to make its own decision and a profession judgment decision is only valid for the year in which you make it. Although if the student's circumstances stay the same, you might have some of the documentation you would need the second year.

But you would be required to update that and make that decision again. Also it's important to remember that if you do make an adjustment and the student's EFC changes you must use that for all programs.

You can't just do professional judgment say to make a student eligible for Pell, but then not use that same EFC throughout all of the processes. I'm gonna talk now a little bit about the EFC formula.

And the reason we're doing that is to kind of give you a refresher so that you'll understand how changes you'll make can impact the calculation of the EFC.

And even where if a student brings you some information, based on the way that the EFC is calculated it may not be necessary for you to make a professional judgment determination.

How many of you within the last year have performed a hand calc of a student's eligibility of EFC? Hmm. Not too many. I remember back in the day when that was kind of a frequent occurrence.

But anyway, you may want to do that a time or two at the beginning of an award year with all that spare time you have in your office. But just to get an understanding of how the EFC is calculated and how different data elements feed into it. Because you may find a refresher on how the EFC works or is calculated could better guide you in making your professional judgment determinations.

So on here, we're starting by talking about the income protection allowance. For parents and independent students who have dependants, the IPA, the income protection allowance increases as the family size increases and it decreases as the number in college increases.

For dependant students in 2011, the income protection allowance is $4,500.00. More things to consider as we talk about the income protection allowance. And by the way, if you want more information about the EFC, there's 40 pages in the application guide that are just focused on the EFC.

And that's where you'll find the worksheets, if you want to perform a hand calculation. Now for independent students without dependants other than a spouse, the income protection allowance for someone who is single is $7,880.00.

And if that student is married and they are both in college, the income protection allowance is $7,880.00. But if that student is married and only one is in college the income protection allowance is $12,460.00. So what is the income protection allowance?

That's the amount of money that the Congressional methodology is determined that we're going to protect. We're going to assume that the family needs to use that money to pay for their basic living costs.

It's broken down into 30 percent food, 22 percent housing, and so on as you can see on this slide. To give you an example of what this means, let's say we look at the income protection allowance for that married student of $12,460.00.

So if we take that amount times 11 percent, for medical expenses, we come up with $1, 371.00. So we're saying that of that money that's protected, $1,371.00 is going to be spent on medical expenses.

So let’s say the family came to you and said, “We had horrible medical bills this year, and I had to pay $1000.00 because I had to have surgery.” I’d like to know where to have surgery for that price, but anyway.

Because we’re already protecting $1300.00 in medical expenses that doesn’t necessarily require that you make a professional judgment determination. That’s one of the reasons it’s important to understand about how the formula works.

The education, savings and asset protection allowance increases with the age of a parent and independent students and it’s deducted from net worth. And it’s important to remember that’s net worth as calculated on the FAFSA, based on the FAFSA data.

So for example it would include – exclude the value of a house that the family owns. Another part of the calculation is what called the asset conversion rate. A parent, their rate of asset conversion is 12 percent.

A dependant student is 20 percent, and for independent student’s it depends on whether or not they have a dependant other than a spouse. If they do have a dependant, it drops to 7 percent from 20 percent.

And on this slide you’re gonna see an example of how the asset protection allowance works. For example, in this circumstance we have a family with a asset of a rental home of $150,000.00. They’ve got $5,000.00 in the bank.

So on the FAFSA, their net worth is $155,000.00. For this particular family, the asset protection allowance is $48,700.00. So their discretionary net worth, the amount of the net worth that can be calculated to be available for higher education is $106,300.00.

We’re gonna convert that at a rate of 12 percent, which means that from those assets, $12,756.00 are included in the parental contribution. Now we’re gonna talk some about the cost of attendance.

How many of you make professional judgments to adjust your cost of attendance for particular students? Quite a few of you do. What we’re listing on this slide and the next slide are the elements of the cost of attendance for a student who is at least half time including the basics of tuition and fees room and board, books and supplies which can include a computer allowance. Dependent care allowance, I think is an area where you might find that students are asking frequently for adjustments to the cost of attendance.

Other options include disability related expenses, study abroad, cooperative expenses, of course loan fees, and the cost of obtaining the first professional credential or license.

Now that's probably not going to be the cost of attendance in someone's freshmen year, but it could be in a senior year, and that could be another example of why you're making an adjustment. Now the cost of attendance components are more limited for students who are less than half-time.

And you'll note that room and board can only be included for no more than three semesters and no more than two of those can be consecutive. Students in a correspondence program have an even more limited cost of attendance.

You'll not that for room and board, it can only be included if there is a required residential component. And for the cost of attendance for incarcerated students is very limited because we're assuming that whoever put them in jail is taking care of the room and board expenses.

So, what is important when you're performing the adjustments to the components of the EFC or the cost of attendance? Documentation.

It's absolutely vital that you keep a record to document and substantiate any changes that you make whether it's to the cost of attendance or to the calculation of the expected family contribution. You want to maintain this documentation.

What kinds of documentation might you get? Well, for example if they say, "We've had horrible medical bills." They should be able to provide you with that information. If it's elementary or secondary school tuition, there would be bills to prove that.

The same thing for child care dependent care bills. If someone's lost their job and you're making an adjustment to the income, you could use paystubs for example or unemployment information as Marty talked about. You might even be using tax returns if say there's been a change if there was a married couple and now they're divorced and you need to remove part of the income, a tax return would be a source for that information.

As I said, there's an excellent tool on the FSA assessments website to help you develop and/or update your procedure and some of the components that it talks about are the reminders that professional judgment decisions are made on a case by case basis.

Now for example, many of you work in areas where the unemployment has gone up significantly. You may know that the big factory down the road closed and you may have a lot of students who are unemployed.

They may come to you for professional judgment determinations. You may make them but you need to make them all on a case by case basis. You cannot automatically assume that a class of students has a certain circumstance.

Even if you're doing a lot more in the past, you still need to be making them on a case by case basis. Of course, you cannot circumvent the regulations or the laws. It is the intent of Congress that the primary responsibility for paying for higher education rests with the family.

As a reminder, any professional judgment decision you make is award year specific. And if you do make a denial of the loan for a student kind of using this professional judgment idea, you want to document that on a case by case basis as well.

Now you'll see on this slide that we've really gone for subtlety. Can you have too much documentation? Of course you can't. It's very easy to have very little, but it's impossible to have too much.

Speaking as a former program reviewer, it raising a lot of eyes when we see that there were professional judgment determinations made but there's no documentation explaining how or why.

And I also want to remind you that it's very important when you make these professional judgment determinations that you report that to the department. So when you're submitting revised information for an EFC calculation, you want to make sure you tick the little box that says you exercised professional judgment for this student. We're gonna talk about one other area and that has to do with unsubsidized loan eligibility.

As Marty mentioned, this refers to parents who refuse to file a FAFSA. This is a very new option. And financial aid administrators can offer a dependant student an unsubsidized loan without parental data being provided on the FAFSA if the FAA, if you, verify that the parent or parents of such student have ended financial support and that the parents refused to file the FAFSA.

Now, in addition to financial support, we're also talking about non-cash support. It doesn't mean that they're just not paying the student's college tuition. But if he still lives at home with mom and dad, then they're providing support to the child.

So that would not be an occasion where you would want to exercise this professional judgment. I suspect that there are people who think that, "If I don't fill out a FAFSA, my kid'll be independent and he'll get a Pell."

That's not what this means. This isn't about doing a dependency override. And if you grant this to a student, if you're satisfied with the documentation, the student is eligible only for an unsubsidized loan and he or she is only eligible for the base amount for the grade level and an additional $2,000.00.

So for example a freshman would only be eligible for $5,500.00 in unsubsidized loans and no other Title IV assistance of any kind. And of course you would have to collect and maintain documentation for why you processed a student's loan in this way.

Part of that documentation would include a signed and dated statement from the parents that they have stopped providing financial support and when they stopped providing it. They need to say that they will not provide financial support and they refuse to complete the parental section of the FAFSA.

So that's gonna require that the student write that. Or that the parents put that in writing to you and that you not have any conflicting data that would seem to indicate that what they're saying is not true.

And so that kind of wraps up the part of the presentation that we had prepared to talk to you. We know that in this session, many people have questions. They want to bring up an issue about something that they've experienced or are experiencing.

You'll notice that this slide doesn't say "Questions and Answers." Because we can't regulate in this area, so we can't really tell you what to do. Yesterday in this part of the presentation we invited all of you to provide answers to the question.

People would raise an issue and we might have something to say, but we asked people to comment on if they'd encountered a similar situation how they had dealt with that. And to help us do that, we would ask that when you ask your question, you would give us your name and the name of the school you're from.

That would help us better answer or might help your colleagues if they know if they're from the same kind of school that you're at. And I can see we have some eager questioners ready to go, so not promising any answers, ask away.

Audience: My name is Clint Lereuf, from Oklahoma Christian University. As a former program reviewer, is there a certain percentage of professional judgments that when you or the department sees that have been made is a red flag that would perhaps target a professional, I am sorry a program review?

Byron Scott: One of the things that Marty mentioned is that we do try and assess the risk to the Title IV funds and trying to decide where to go conduct program reviews. And knowing that the number of professional judgments is increasing because of the economic circumstances, we've kind of changed how we look at that.

If you're doing a lot more professional judgments than most other schools, we might notice that. But if you've properly documented that then you wouldn't have anything to worry about on a program review.

Audience: Okay. I think you answered my question. Thank you.

Audience: Hi, my name is Lois Lichter from Nassau Community College in New York. I have a question about doing the PJ for someone especially an independent student who is receiving unemployment now. And I didn't quite understand. When they're receiving unemployment, should we include that as their income? Not as income earned from work, but as other income? Or do we take it away completely, because even with using their income sometimes they're still not going to be eligible.

Marty Guthrie: The letters that we provided, the Dear Colleague Letters that I talked about offered you some suggestions or some approaches that you might take with regard to a student who is unemployed and receiving unemployment benefits.

And you know what adjustments you might make to their income versus what adjustments you might make to their unemployment benefits. It's not specific and it's not trying to dictate what you should do, however. That's a decision that you need to make based on your examination of the student's circumstances.

Now I guess I would toss it out to your colleagues to see if other folks have some thoughts about what approach they might use for a student who is receiving unemployment benefits. How would you treat those? Would you treat those?

Audience: Right. A lot of times it doesn't really help them. 'Cause it you know, you're taking from one year and replacing it with another year's and we're replacing it with unemployment and that can just keep them ineligible.

Marty Guthrie: That may well be the case. One of the suggestions that was offered in the Dear Colleague Letters was that you might need to zero out income and unemployment benefits, if you felt that was appropriate in these circumstances.

Again we're not trying to dictate what you should do, but it is an approach that has been identified as acceptable.

Audience: Great. Thank you.

Byron Scott: Yes, ma'am.

Audience: Terry Lagrande, White Forest University. And I have two questions. One is regarding the cost of attendance and what is a PJ. So for example our graduate's student cost of attendance doesn't include dependent care as an element.

But on occasion, there will be a graduate student that comes to us and says we have high dependent care costs. So if we add a cost of attendance dependent care amount for that student, since it's one of the elements that's listed, is that considered a PJ?

Byron Scott: If it's not – if you're making an adjustment to a particular – so say you're standard cost of attendance is $40,000.00 and for this student you are going to make it $42,000.00. Then you are adjusting – you're making a professional judgment decision to adjust that cost of attendance for that particular student.

And you would want to document why his or her cost of attendance was different than your standard one.

Audience: So that is considered a PJ. Okay. Second question is, when you say that we need to report our PJs to the department, is that only for students for whom we otherwise would be required to report corrections? Or is that for every PJ?

Marty Guthrie: I can't think of an example when you wouldn't need to –

Byron Scott: If you just adjusted the cost of attendance, you don't have to report that as a PJ, do you?

Audience: Or if you adjust EFC element but the student is not Pell eligible so you wouldn't otherwise be required to report those corrections for that student, do you have to report the PJ?

Byron Scott: Well, I think if you're gonna get a new EFC calculation, then I would want you – you would want to report that. Even if it doesn't affect Pell eligibility because you're getting a new EFC, then you want to report that to get the official calculated EFC.

You don't want to rely on your software provider or your hand calc to give you a new EFC.

Audience: 'Cause the concern about that is if we're doing – if reporting PJs only for our Pell eligible student or we're reporting corrections only for Pell eligible students and only for students for whom we've done PJs, then it looks like our numbers of PJs are way high.

Because for the vast majority of our students they're not Pell eligible and we're not reporting corrections. We're awarding other Title IV funds based on the EFC calculated with our software.

Byron Scott: I – personally, I would want to get an official EFC to award Title IV aid. You don't have to, but if you're performing professional judgment and calculating a new EFC, you should report that.

Audience: Okay. Thank you.

Byron Scott: Yes. Okay. Too many answers up here.

Audience: Hi. My name's Jim Eddy at the University of Michigan at Ann Arbor. Two years ago, a number of situations that we used to successfully address through PJ were written into the methodology. Individuals who were homeless, individuals who were in guardianships, subsequently adopted.

Unusual situations that impacted very few. And now that it's in the application, we get a lot of false positives. A lot of shadow things have happened that have not necessarily been helpful in the biggest picture.

At the same time, within that same time frame, those individuals, some of whom have large incomes have incomes through foreign income exclusion that are no longer counted as un-taxed income in the methodology.

Now in our region, again, we're in Michigan. We've been very clearly told that we may not use our professional judgment on a case by case basis to add in the un-taxed income.

In fact, foreign income exclusion is in an effort to level the playing field and to make sure that students for example that may be Pell eligible are getting Pell Grants. Those are really entitled to them, as opposed to having an un-funded health program.

So my question is, where specifically have you indicated perhaps in your guidance and statutes that we may not use our professional judgment to add in obvious un-taxed income when doing our needs analysis?

Byron Scott: I'll turn this over to Marty.

Marty Guthrie: I'm not sure that we have, however if an item has been included and it's been specifically excluded by the Congress, you know they've taken it out of the methodology, then it seems that you might make the – yeah, you're undoing the methodology.

It's similar to what I've mentioned about changing eligibility requirements which you can't do and in essence that's what you – it appears that you might be doing in this case. If I understand what action you're taking.

Audience: Yes. I think you understand the question. Again, my question remains that we're expected to use our judgment, our judgment is not otherwise regulated, we don't have to call it a foreign income exclusion, we can call it a new assumed resource and document why we believe it.

Byron Scott: Well, I certainly understand the gist and your frustration. Unfortunately, even though we don't regulate your judgment, we say you can't circumvent the law or the regulations. And so when Congress changes the methodology, even if it has perhaps an unintended consequence, you really can't fudge that. Unfortunately.

Audience: Okay. Thank you.

Byron Scott: Yes, ma'am.

Audience: Yes. My name is Octivia Tavedas from Haverhill, Massachusetts, Northern Essex Community College. And my question is if I am performing special circumstances on a file that has not been selected, you mentioned verify first, correct?

Byron Scott: Only if it's selected.

Marty Guthrie: Only if it's selected.

Audience: Oh, only if it's selected. But I don't – I don't have to do that. Okay.

Byron Scott: We're not making, yeah. You don't have to verify that an unselected file is correct before you do PJ.

Audience: Okay.

Byron Scott: Well, you know somebody brought that up yesterday that then you do professional judgment and then they get selected for verification.

Audience: Exactly.

Byron Scott: And I don't know that we – that was one of the no answer areas.

Audience: Okay.

Byron Scott: Well and one of your colleagues brought up a good point. That you may not be coding that it's a professional judgment. And so when you – if you send in new data that doesn't look right, it's gonna get selected.

So that's one of the reasons – thanks for bringing that up – that it's important for you to make the tick mark that you did professional judgment. So we're gonna know that if the data looks anomalous it's because you decided it should.

Audience: Well, I think I was coding them professional judgment, but I was not doing the verification, you know changing from two to one. So if I did verify the file even though it wasn't selected, should I change that to verified?

Byron Scott: If you actually – if you select a file for verification, then you need to follow whatever procedures you're using for your internally selected files.

Audience: Okay. One more question. Separation of income. If a parent files a FAFSA and only include their income because now they're separated and the file is selected. We look at the file and realize that it's a separation of income, but the taxes were filed together.

Do we have to do this professional judgment on that?

Byron Scott: You never have to do professional judgment for anyone. You get to choose who you're doing professional judgment for. And if you do in that circumstance want to split out the income, then you would need to get some documentation to show how to do that.

I mean like the W2 of the parent who's filing the FAFSA for example.

Audience: Okay. Thank you.

Byron Scott: Yes, sir.

Audience: All right, my name's Tim Galpa also from Northern Essex Community College. And I was just wondering. In regards to getting a letter to give a student unsubsidized loan if they don't report the parent's data, that just seems to me an extra burden on us.

It almost seems a waste of taxpayer dollars to review those letters because, I guess I just don't get why that requirement is there in the first place.

Byron Scott: Well, it was a new option that Congress put into law that in this very limited circumstance 'cause this isn't a student that you're performing a dependency override for.

Audience: Yeah, no I don't get why a letter is needed at all. Like, if we don't get the parent data, I don't get why we can't just give them an unsubsidized loan and waste that and just throw away that whole process.

'Cause most likely if they can't get the parent data, like why are they going to really be able to get the letter?

Byron Scott: There's – see this is not a parent who that they can't get a hold of. This is a very unique or should be a very unique circumstance of parents who have stopped financially supporting the child, will not support the child in any way, shape or form.

And will not fill out the FAFSA. The goal isn't to make it easy for parents not to fill out the FAFSA. So that's why this process exists.

Audience: I'm just thinking regardless of the situation, you know if a student is to be eligible based on – regardless of what their income is no matter what, they're gonna be eligible for the unsubsidized loan, why make them go through the extra work.

Byron Scott: You only have to do for parents who will not fill out a FAFSA and who have ended all financial support, or –

Audience: There's a good chance those same parents aren't gonna be willing to give the letter either.

Byron Scott: Well, then that's student's not gonna be eligible.

Audience: Okay. All right. I guess that was it.

Audience: Hi. My name is Paul Perry. I'm from a third party servicer. dependency override question, since you were a program reviewer, did you ever – excluding lack of documentation.

What type of reasons did you come across that you were suspicious of or denied or created a finding in your program review in reviewing files that dependency overrides were done?

Byron Scott: Well, because we can't really regulate in that area, it's not that if we look at a file and we're like, "Oh, that's a bad reason." If you've documented it well, then there's a lot that the department can say about that.

Now if you had fifty students that you did dependency overrides for the exact same reason – you know. It's a question that there's not really an answer to.

Audience: So it's almost any reason? You know 'cause I don't want to be too conservative and I have a client that says they have a student that's not in contact with their parents. You know they're 20 years old and they're living with a friend.

And as long as it's documented, then that would considered a dependency override. Whereas somebody else looking at it would say that person is just moving out of the house to circumvent having to use parental information.

Byron Scott: Well that's kind of why you would be wanting to be getting third party documentation for circumstances like that. I mean it's not that – I'd love to tell you exactly what I thought about every file, but I don't have that power.

Audience: All right. I was just trying. Thank you.

Byron Scott: And I'll get right to you. I just want to put up on this if you printed out the handouts, you'll have Maryanna's contact information. So I'm putting this up to give you time if you want to write down my name and phone number and contact information.

Though I would ask, even though it says you know we can be reached. Please if you speed dial on my phone, don't put PJ and one of our phone numbers. Because you're probably noticing that we're a little vague, so it might not be that helpful. Anyway, go ahead.

Audience: Leslie Hommas, Lincoln College of Technology. In sort of accordance with this gentleman's question, 10-11 was the first year where students had the option of parent refusal as well as not providing parental data, which are completed different.

Marty Guthrie: Can you speak into the mike?

Audience: Oh, sorry. 10-11 was the first year that students could not provide parental information as well as having parental refusals. Which are different situations. So I can understand why in parental refusal you would want a letter that there's no support and they actually do refuse.

But do we need the same documentation for not providing parent information?

Marty Guthrie: I'm not sure I understand your question.

Audience: There are two options when they're filling out the FAFSA. That the parents are refusing to provide information and that they're just not providing it. Which are different.

Byron Scott: Well, the circumstance only applies if they have ended financial support for the student and they will not provide any support to that student. So we're talking, if I live at home and my mom says I'm not filling out the FAFSA, that's not what we're talking about.

We're talking about somebody who gets no support of any kind from his parents.

Marty Guthrie: And his parents won't complete the FAFSA.

Audience: Okay. What if the parents would but can't?

Marty Guthrie: "Would but can't"?

Audience: Uh-huh.

Byron Scott: What is – how?

Marty Guthrie: What is the circumstance would that be?

Audience: Because they're illegal.

Byron Scott: Illegal alien parents can complete the FAFSA.

Audience: Not if they work and they work fraudulently –

Byron Scott: Yes, they can.

Audience: Not if they work fraudulently, they can't.

Byron Scott: Yes, they can.

Audience: Can they really? Well, they have a TIN, but their W2 reflects the social security number.

Byron Scott: You're not necessarily looking at a W2 when a family completes a FAFSA.

Audience: But if they're verified and we have that documentation –

Byron Scott: You don't need to request a W2, when you verify. If parents are illegal immigrants, they can complete a FAFSA. They are not excluded.

Audience: If you don't get a valid EFC?

Byron Scott: What?

Audience: Even if we don't get a valid EFC?

Byron Scott: How would you not?

Audience: Different conversations?

Marty Guthrie: It seems like there might be a few too many details, but if you'd like to send us – you know send one of us a question by e-mail, perhaps we can try to help you sort it out.

Audience: Thank you.

Marty Guthrie: Unless someone else in the audience has some ideas about similar circumstances, you want to share with your colleague.

Audience: Doesn't she just have to put the zero, zero, zero in it –

Marty Guthrie: Come to the mike. We can't hear you.

Audience: Doesn't she just have to put the zero, zero, zero for social security number in there if the parents don't have a social security?

Audience: But I did not get a valid EFC when I did that.

[Inaudible comment]

Audience: No. I did not.

Byron Scott: Well, we're not gonna argument about it.

Audience: I corrected it three times and I never got a valid EFC with all zeros.

Marty Guthrie: I'm sorry.

[Inaudible comment]

Marty Guthrie: Yeah. If you could send us the details, perhaps we could help you sort it out.

Audience: Thank you.

Byron Scott: Yes, ma'am.

Audience: Loretta Fona, Lake Charles, Louisiana, Delta School of Business. I'm thinking kind of in the future with this unsub loan eligibility with the parents signed and dated statements. How would we reflect that on the submission of the FAFSA?

If all the qualifying factors showed dependant and then you get to the end and you have no parent information in there and instead of putting signed by applicant and parent, it's only applicant. How are we to notify CPS that we're doing this unsub loan eligibility?

'Cause it won't let you submit it that way. It'll say the student is dependant and you're not doing a dependency override. You are flagging it as a professional judgment but it won't let you submit it. It will say it's not signed by the parent. So how do we communicate that?

Marty Guthrie: Procedurally, I'm not sure.

Byron Scott: We're not sure.

Marty Guthrie: Procedurally.

Byron Scott: But the person behind you seems to have an answer.

Marty Guthrie: Yes, behind you. He has an answer.

Audience: Oh, he has an answer. Okay, great. Thank you.

Audience: You don't submit it to CPS. You just make the determination in the office. You collect your documentation. When you submit it to CAUD, there is a flag you use on the unsub loan, I believe.

Audience: I don't submit to CAUD, though. I submit to the on the FSA access.

Byron Scott: What about the databases matches? What about the database matches?

Audience: But when you do the loan –

Byron Scott: We're afraid we're not gonna have an answer to this question for you. If you'll e-mail this to Marty –

Audience: Yes, sir, and just one other thing. I'm not sure if I just misheard you with the other about the – I know with the $2,000.00 unsub without parental info and $3,500.00 in sub.

Now I don't know if I just misheard, you but you had said something about no additional Title IV eligibility. I know that there's obviously a number of loans, but are you saying that they're not gonna be eligible for Pell?

Byron Scott: Right.

Marty Guthrie: That's correct.

Byron Scott: They're not eligible for anything but the unsub.

Audience: Okay. So if we do this for a dependant student and we can't get the parent information. We can only give them $3,500.00 in sub and $2,000.00 in unsub –

Byron Scott: No it's all unsub.

Audience: That's what I meant. But we actually deny them Pell. Is that right?

Byron Scott: No, they're not eligible for Pell because they –

Marty Guthrie: They haven't submitted parental information to have any EFC calculated. They wouldn't be eligible.

Audience: Okay. All right.

Marty Guthrie: You wouldn't know anything.

Byron Scott: Yes, ma'am.

Audience: Yeah, I am a clock hours school and we have a lot of crossover students. So we're in the middle of doing professional judgment on a lot of students who have started unemployment and have continued unemployment for the following year.

So when a student usually comes in which we start like every Monday. So if they start in January, there's a good possibility they're gonna crossover in a long program. So I'm looking at one tax year and a student comes in and they're on unemployment.

So as a professional judgment, I go back and put their income to zero. Now sometimes when I get the new tax information and I could be mixing this up a little bit, but when I get some people coming in with a new tax form.

And again this goes back to one of the other questions that the girl was talking about. And all of a sudden I see they've gotten $22,000.00 in unemployment, you know whether it's themselves or their husband, so now I have $22,000.00 of unemployment.

Do I go back again and change that unemployment to a zero? 'Cause the beginning of the year I offered them a big old Pell Grant for $6,800.00 and all of a sudden they crossover and now they've got all this money from unemployment.

And their income has gone up. So again do I go back and change the unemployment of $22,000.00 to zero? And/ or do I go back and use the old EFC from the prior year to give them that good old Pell Grant and if so how do I change the data into the new year? Because I have a new Iserve.

Marty Guthrie: I see that one of your colleagues has their hand up and wants to help you out with this one. Could you come to the mike please?

Audience: I think that Charlene is forgetting that professional judgment is done yearly or done annually when you renew your FAFSA. And if the young person, the student you're talking about was unemployed and on unemployment the first cycle and then you get the second year tax return and it shows $22, 000.00 of taxable income which was unemployment income, but he's still unemployed. He's still collecting unemployment under the millions of extensions that they're getting.

You're doing the same thing that you did the first time. Reduce the income to zero. He's still unemployed. He's got documentation.

[Inaudible comment]

Audience: Yeah, you reduce the unemployment taxable income to zero.

Marty Guthrie: That's one approach that you can take. Absolutely.

Audience: They used to use the word a lot but it's like, don't use this word any more. The snapshot of the moment. If the snapshot of the moment is that the student is still unemployed, you reduce his taxable income that was the unemployment to zero.

Byron Scott: Marty mentioned that the Dear Colleague Letter does give you the ability to reduce the student's income all the way to zero even if they're receiving unemployment. But you can also report that as their income. What they are getting on unemployment.

You are not required to reduce it to zero. But I would say whatever you're doing; you want to be consistent about how you're doing it. I mean I think if somebody's – speaking just personally. If someone's got $22,000.00 coming in, I mean, they're not living on nothing.

Audience: But to get the old – they're still – this is a clock hours school so they're taking programs. So at the beginning of their program, I told them this is what you're gonna get for Pell Grant money, you know for the program.

And then all of a sudden they crossover and then I got them money that's coming in that's gone up. Before it was zero income and now it's $22,000.00 unemployment.

Byron Scott: If you made an adjustment to bring their income to zero even though they were receiving unemployment, you can do that in the second year. And you may also want to then, when you're preparing your award letters for students, only – if you're gonna talk about what might happen in a subsequent award year, make it clear that that's an estimate based on this year's data that you don't know what they're gonna get in the next award year yet because you haven't calculated their eligibility.

Audience: Well, supposing they even had a circumstance change as to maybe this one year a student, I offered him $6,800.00. 'Cause you can get two Pell Grants in one year because the programs long.

And then all of a sudden he goes into another year as a crossover and now he's living with his parents, his mother got married. And now their income is way up here –

Byron Scott: Then they may not be eligible in the second year. A student –

Audience: Well, it's not a second year. It's a program.

Byron Scott: Well, whatever. It's a second award year. A student's eligibility can change when the cross into a new award year.

Audience: But don't they say you can use – make advantage to student that you can use the EFC from the prior year?

Byron Scott: If it's a crossover payment period, you can.

Audience: Yes. It's a crossover.

Byron Scott: But that's a different issue than whether or not we're talking about professional judgment. That's about how you award, disperse, and notify students of their eligibility.

Audience: If you first – if you have a new Iserve. And the new Iserve you report is due to the parents not living or parents who've got married –

Byron Scott: This is – when a student's circumstances change, the student's eligibility for aid can change. And that can happen based on changes of circumstances or when a new award year starts.

Audience: So I have to tell the student that at the beginning of the year, this is your program this is the amount that you're gonna receive in Pell Grant money and all of a sudden I get a new Iserve and I have to say, "Oh, you don't get that Pell Grant, anymore."

Byron Scott: Well, that may be the case.

Marty Guthrie: That might be what you have to tell that student.

Byron Scott: Then maybe what you need to be thinking about how you're counseling –

Audience: That's gonna be a lot of students.

Byron Scott: And awarding students at the beginning of your program. We'd like to give a few other people an opportunity to –

Audience: But some of the programs start in April and you know and they crossover in July.

Byron Scott: We'd like to give people an opportunity – some other people – to ask a question. Go ahead.

Audience: When the unsub loan came into being with the parent application refusal, there was guidance given that we can collect letters from other sources documenting the parents refusal to provide the FAFSA information.

And not you know even if he parents refused to submit a letter documenting their refusal. Is that not the case anymore?

Marty Guthrie: That's not the approach that we're taking at this point. I'm not aware of the other possibilities that you were talking about with regard to unsub loans. My understanding is that you do need to get some kind of confirmation from the parent.

Audience: Directly from the parent?

Marty Guthrie: Correct.

Audience: Okay.

Audience: My name's Ellia and I wanted to comment on the lady that had a question on not receiving an EFC on an undocumented parent. I have encountered myself that when you do – when the parent submits zeros as social security.

However they provide – they did complete a tax return, you get a comment saying that since the parents said they have filed a tax return, but you mentioned that there's no social security you won't get an EFC.

Byron Scott: Oh, thanks. That makes sense. Yes, sir.

Audience: Hi. My name is Lockier Singh from the Anthem Institute in New York City. We recently had a few students who lost their job. They're not getting unemployment and they're not able to get a letter from their employer indicating that they've lost their job.

What's acceptable documentation in that case to try to apply for a PJ?

Marty Guthrie: Do you know why they're not getting unemployment?

Audience: They were laid off. They were saying – they're letting us know that they got laid off, I think. Yeah, that they got laid off or fired.

Marty Guthrie: I don't understand why they would have an unemployment –

Byron Scott: If they have filed for unemployment and been rejected, then the rejection letter could be a document that you would use. Because if somebody gets laid off and they're denied unemployment they would have to apply to get it.

So that process would be documented. So that would be an example.

Audience: And what if they just don't know about unemployment and they just never applied for it and didn't think of it.

Byron Scott: You might suggest they go and apply for unemployment.

Audience: Okay.

Byron Scott: I mean, what are they living on then?

Audience: They are living with family.

Byron Scott: So there should be – if they were working they should have some documentation that would show that they have applied for – there should be something that would show that.

Audience: All right. Thank you.

Byron Scott: Yes, ma'am.

Audience: Hi. I stopped by yesterday in the cyber café and spoke to one of your representatives there about a student that came to me that's parents won't fill out the FAFSA. And he explained to me that they did not require a letter with the parents' signature on it because the parents probably not gonna sign it anyway. So I want verification, do I have to send a letter to this parent and get their signature?

Marty Guthrie: My understanding is that we did need the information directly from the parent, but we can double check that for you.

Audience: That would be great. I'll send you an e-mail.

Marty Guthrie: Perfect. Thank you.

Audience: Thank you.

Audience: Would it be inappropriate if we have a tax return from a parent, very high income levels but their AGI is negative due to multiple businesses they're writing off, lots and lots of real estate, to add the paper losses back in or would that not be acceptable?

These are people who are getting Pell Grants who –

Marty Guthrie: What do you think? Colleagues?

Byron Scott: Raise your hand for "No." Raise your hand for "No, but I wish it was yes."

Audience: I just wanted to see. We haven't done it yet but I'm tempted to many times.

Byron Scott: It's really kind of the same answer that we can't circumvent the law or regulations so you have to take the income tax data in the way that it's presented.

Marty Guthrie: Yes, last question.

Audience: I was just going to offer the suggestion that nothing prevents you from following up with that family to find out their living on no money and if it comes back that they do have un-taxed income which they do.

You can add in un-taxed income. That's not circumventing the law. That's not changing a data element. That's not circumventing the doctrines.

Audience: What happens when I do that is they have their attorneys write me letters.

Audience: That's okay. Letters are fine. Just image them. But anyway you can follow up. It's not a problem. We routinely add in un-taxed income when we ask the family for it. We put it in. That's legitimate. The FAFSA instructions tell them to do that on the front end if they're reading it carefully.

Marty Guthrie: Okay, thank you.

Audience: Thanks.

Byron Scott: Thanks everybody. Thanks. We really appreciate it.

[End of Audio]