

May 8, 2009

SUBJECT : Update on the use of "Professional Judgment" by Financial Aid Administrators

SUMMARY: This letter provides information to financial aid administrators regarding their ability to exercise, if properly documented, professional judgment when determining the eligibility of a student for federal student aid. It also informs aid administrators about letters that will be provided to all recipients of unemployment insurance benefits by state unemployment agencies that can be used by a financial aid administrator to document special circumstances of students during these challenging economic times.

Dear Financial Aid Administrator:

On April 2, 2009, we posted to our Information for Financial Aid Professionals (IFAP) Web site a Dear Colleague Letter (GEN-09-04) reminding you of your authority as a financial aid administrator, pursuant to section 479A of the Higher Education Act, to make adjustments, on the basis of adequate documentation and on a case-by-case basis, to address circumstances not reflected in a student's Free Application for Federal Student Aid (FAFSA). We know that you may already have been using documentation from state unemployment offices as part of your professional judgment determinations. However, I am writing to provide additional guidance and tell you about a step that each state's unemployment agency, in conjunction with the U.S. Department of Labor, is taking that will help you assist individuals and families struggling in these difficult economic times.

Many recently unemployed individuals do not know that they may now be eligible for Federal Pell Grants and other need-based student aid. Most do not know of your ability to adjust financial aid eligibility based on their special circumstances. Because of the severity of the economic recession, the U.S. Department of Labor has been working with the states so that each state will send a letter to all recipients of unemployment insurance benefits to encourage them to consider enrolling in postsecondary education and applying for financial aid.

During this period of economic hardship, you may use the letter from the state unemployment agency, or other evidence that a student is receiving unemployment benefits, to document that the income earned from work of that student is zero for the purposes of adjusting data items for the student on the student's federal financial aid application. For purposes of implementing this letter only, unemployment benefits can also be considered zero as the Department of Education, in consultation with the Department of Labor and the Office of Management and Budget, has determined that

the maximum unemployment benefits available would not have a material impact on the Expected Family Contribution of an independent student. If there are other members of the student's family for whom you may have evidence of their receiving unemployment benefits, we encourage you to examine the totality of the family's economic situation and make any appropriate adjustments. Unemployed individuals will be able to present letters for 90 days from the date of issuance of those letters to an aid administrator for consideration under this guidance. (The letter should not be accepted if you know that an applicant already has obtained other employment.) Other verification of current receipt of unemployment benefits is an acceptable substitute for the state unemployment agency letter.

We know that many financial aid administrators have been reluctant to use professional judgment because the Department has used the percentage of students for whom a professional judgment determination has been made as part of its risk-based model to select institutions for program reviews. For the 2008-09 and 2009-10 award years, the Department will make appropriate adjustments to its risk-based model. We will continue to monitor and enforce requirements for appropriate use of professional judgment, but recognize that appropriate use of professional judgment by a school is likely to increase in the current economic environment. As long as you retain in your student records a valid letter, as described above, or other evidence of current receipt of unemployment insurance benefits from a state unemployment office, we will consider that to be adequate documentation for the adjustment to the student-recipient's income.

In addition, the Departments of Education and Labor have established a Web site to assist those who are recently unemployed. That site is <http://www.opportunity.gov>. If you have questions regarding the information provided in this letter, please contact Carney McCullough by phone at (202) 502-7639 or by e-mail at carney.mccullough@ed.gov.

Thank you in advance for your cooperation as together we provide opportunities to ensure that all Americans have the opportunity to participate in our country's outstanding postsecondary education system.

Sincerely,

/s/

Arne Duncan