



# PJ in a PPY Environment

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# What's PPY?

- In case you haven't heard...
  - Beginning in 2017/18, students can fill out their FAFSA form as early as October 1<sup>st</sup>!  
“Wow! I didn't know!”
  - The FAFSA will gather income information from the “prior/prior year's” tax return (PPY) instead of the “prior” year's tax return  
“Is this something new we have to do for next year?”
  - Colleges will now have “accurate” income information rather than “estimated” data waaaaay earlier than ever before!  
“Accurate information??? Waaaaay earlier??? What am I to do with all this extra time in my work day???”
  - Colleges will likely see an uptick in requests from families to evaluate their “special or unusual” circumstances. How can we not?



# What is Professional Judgment and Special Circumstances?

Section 479A of the Higher Education Act of 1965,  
as amended—

- “(a) IN GENERAL—Nothing in this part shall be interpreted as limiting the authority of the financial aid administrator, on the basis of 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 student or parent contribution (or both) to allow for treatment of an individual eligible applicant with special circumstances.”



# Application and Verification Guide says...

- “An aid administrator may use PJ on a case-by-case basis only to adjust the student’s cost of attendance or the data used to calculate **her** EFC.”
  - I think this may be a typo 😊
- You must resolve any inconsistent or conflicting information BEFORE making any adjustments
- The reason for the adjustment must be documented (by a 3<sup>rd</sup> party, if possible)
- An FAA’s decision regarding adjustments is FINAL and CANNOT be appealed to the USDE



# You CANNOT use PJ to

- Waive a student's general eligibility requirements
- Circumvent the intent of the law or regulations
- Cannot include post-enrollment activities
  - Sitting for a professional licensing exam
- Create a blanket category for applying PJ



## PJ with a “twist” beginning 2017/18

- In the past, aid administrators were left not knowing whether or not a family’s income estimations were forecasted correctly
  - NOW, we will have the PY results in hand BEFORE entertaining appeal requests for PPY
  - PPY will likely encourage families to appeal situations that simply suit them best, rather than appealing situations that are actually impeding their ability to meet educational costs
  - How will you handle these requests? Will your PJ policies have to be modified? Will your judgment be any different next year given all of the new data available?



# When evaluating special circumstances

- Remember that there are income protection allowances in the FM that already include:
  - Food – 30%
  - Housing – 22%
  - Transportation – 9%
  - Clothing and personal – 16%
  - Medical care – 11%
  - Other family consumption – 12%
- IPA allowances can be found on table A3 of the 2016-17 Application and Verification Guide
- Your needs analysis system likely prints out some of these calculations for you



# Don't forget to:

- Complete verification PRIOR to exercising PJ
- Set the PJ flag so the USDE is aware
  - NOTE for 2017/18 - "...the department will make appropriate adjustments to its risk-based model as it reviews and analyzes the use of professional judgment..."(GEN-16-03)





# Dependency overrides

- Will having extra data change the way you handle dependency overrides?
  - Maybe, maybe not...Probably not.
- Dependency overrides MIGHT include:
  - Abandonment by parents
  - Abusive family environment
  - Unable to locate parents



# Dependency overrides CANNOT include:

- Parent's refusal to complete the FAFSA or contribute toward the student's education
- Parent's not claiming a student on their federal tax returns
- Student demonstrates self-sufficiency
- You CANNOT use PJ to:
  - Make an independent student, dependent
  - ...but, you may adjust data elements on FAFSA to show "in-kind" support or adjust the COA components



# All special circumstances **MUST** be documented!

- 3<sup>rd</sup> party documentation might include:
  - Counselors or teachers
  - Clergy
  - Community groups
  - Government agencies
  - Medical personnel
  - Courts
  - Prison administrators
  - In cases where third-party documentation cannot be obtained, the aid administrator may accept signed statement from relatives, friends or the student



# Examples of PJ allowed by law

- Elementary or secondary tuition costs
  - Which colleges allow for these costs?
- Medical/dental or nursing home costs not covered by insurance (remember the IPA allowances already factored in)
- High child care costs
- Homeless or dislocated worker
- Recent unemployment or other changes in a family's income or assets
- ROTH IRA rollovers
  - Shows as income on tax returns but there is nothing realized by family
  - Can reduce income by IRA rollover along with tax payments as if there were no actual rollover



# PJ in a PPY environment

*Let's try a few...*

- How would you handle this request for:
  - 2016/17
  - 2017/18
- What documentation would you require?



# Scenario #1

- It's March 1, 2017
  - Parents federal tax return shows \$120k AGI in 2015
  - Dad lost job on 6/30/16
- How would you handle for:
  - 2016/17
  - 2017/18
- Documentation might include?



## Scenario #2

- It's March 1, 2017
  - Parents federal tax return shows \$120k AGI in 2015
  - Parents present \$150 AGI in 2016
  - Lost job on 1/1/17
- How would you handle for:
  - 2016/17
  - 2017/18
- Documentation might include?



## Scenario #3

- Parents present \$140k AGI in 2015
- Parents present \$140k AGI in 2016
- Parents forecast \$120k AGI in 2017
  - Claiming overtime pay may not be available
- How would you handle for:
  - 2016/17
  - 2017/18





## Scenario #4

- Parents present \$100k AGI in 2015
  - Claims \$20k 1-time lump sum included in AGI (changed jobs, severance, vacation pay, etc.)
- Parents present \$80k AGI in 2016
- How would you handle for:
  - 2016/17
  - 2017/18
- Documentation might include?



# How do you handle requests to consider:

- Elementary secondary tuition
- Parent tuition
- Disabled child goes to special school
- Medical/dental costs
- Sale of primary residence turns into cash in bank
- Death of a parent
- Termination of employment – severance, vacation, stocks, etc.
- Termination of child support or SSI
- One-time lump sum
- Loss in overtime opportunities
- Self-employment increases/decreases in income



## Words of advice

- Remember, evaluating special circumstances is subjective and may vary from school to school. What **YOU** decide is special and what another college decides can and may be different
- All situations **MUST** be well documented
- Before you decide to exercise professional judgment, always ask yourself, “Would I feel comfortable in defending my decision with a federal program reviewer or an auditor?”

# Questions



**Thank you for coming!**

