
NYSFAAA – FINANCIAL AID BASICS
VERIFICATION
&
PROFESSIONAL JUDGMENT

Underlying Philosophy of Needs Analysis

- **An objective and uniformly applied formula designed to establish the *relative financial strength* of families to meet education expenses over time.**
 - **Equity Principle – Allowing full access to educational opportunity and leveling the playing field for access to financial resources for higher education**
 - ✓ *vertical equity – varying contributions according to available resources – income and assets – people with more pay more*
 - ✓ *horizontal equity – families with relatively equal resources will be assessed at the same level*
-

Verification – *Why?*

- Because students sometimes make errors on their application
- Because Department of Education regulations require verification of all applications selected by the CPS – *up to 30%* of a school's total number of financial aid applicants.

Note:

- School defines applicant – *applicants or recipients of financial aid*
- 30% is not a quota

Conflicting Information

- ❑ Any information in the file that contradicts data on the FAFSA must be reconciled regardless of CPS selection for verification

(you get it - you fix it)

- ❑ Verification of student applications with conflicting information do not count toward the 30% level

-
- 5,000 enrolled applicants X 30% = 1,500
 - 4,000 enrolled recipients of aid x 30% = 1,200
 - CPS verification selection count is 1,300
 - School finds 50 students with conflicting information not selected by the CPS – these do not count toward 30%
-

Verification Requirements

- 1) **Household Size**
- 2) **Number in College**
- 3) **AGI or income**
- 4) **Taxes paid**
- 5) **Untaxed income & Benefits**
 - **Social Security benefits**
 - **Child support**
 - **IRA/Keogh deductions**
 - **Foreign income exclusion**
 - **Earned income credit**
 - **Interest on tax-free bonds**
 - **All other untaxed income included on the U.S. income tax return, excluding information on the schedules**

Document with:

- ❑ ***Verification Worksheet or statement that addresses items at left***
 - ❑ ***Signed Tax return***
 - ❑ ***IRS Tax Transcript***
-

Verification Exclusions

- ❑ *Death of applicant*
- ❑ *incarceration*
- ❑ *recent immigration*
- ❑ *parent(s) deceased or incapacitated*
- ❑ *parent outside US and cannot be contacted in a normal manner*
- ❑ *Parent(s) whereabouts unknown*
- ❑ *verification completed at another school – need statement with transaction # of verified application*
- ❑ *legal residents of Guam, Am. Samoa, N. Mariana Island*
- ❑ *citizens of Marshall Isl., Micronesia, Palau*
- ❑ *Records lost due to natural disaster*

Verification Exclusions

□ Household size

- output rec'd within 90 days of application signature
- same as last year and was verified
- size is 2(divorce) or 3(married) with 1 in college
- size is 1(single) or 2 (married) with 1 in college

□ Number enrolled in college if output rec'd within
90 days of application signature

Interim Disbursement

Cannot disburse any federal financial aid if there is conflicting information, *however*.....

pending completion of the verification process you may make an interim disbursement of Pell, SEOG, Perkins

or pay FWS for up to 60 days

or certify FFEL or Direct Loan (but can't disburse)

however..... your school is liable for an interim disbursement if verification results in an overpayment or student fails to complete verification

Verification Policy and Procedures

Your school must have written policies and procedures on the following verification issues:

- deadlines for students to submit documentation and consequences of the failure to meet those deadlines,
- a method of notifying students of award changes due to verification,
- required correction procedures for students, and
- standard procedures for referring overpayment cases to the Department.
- Additionally, the school must give each applicant selected for verification a *written statement* explaining the following:
 - Documents required for verification.

Student responsibilities—including correction procedures, the deadlines for completing any actions required, and the consequences of missing the deadlines.

Notification methods—how your school will notify a student if her award changes as a result of verification, and the time frame for such notification.

Corrections – Updates - Adjustments

- ❑ **Corrections:** - *errors in completing the application*
 - *information correct as of the signature date of the application cannot be change*
- ❑ **Updates:** - *limited to change in dependency unless it involves a change in marital status*
 - *could include household size and # in college if selected for verification*
- ❑ **Adjustments:** - *use of Professional Judgment to adjust the EFC based on special circumstance*

Note: *If there would be no change in eligibility for Title IV aid, beyond a data match item, the school is not required to submit the new information to the CPS*

Income tolerance of \$400 – total difference between increase and decrease in income and taxes paid

Professional Judgment

“square peg - round hole”

Can be applied to:

- ❑ COA budget
 - ❑ EFC data
 - Family Size
 - Income
 - Assets
 - ❑ Dependency
 - ❑ Loan eligibility
 - ❑ SAP
- ❑ You may adjust date elements not the bottom line EFC
 - ❑ Written policies a must
 - ❑ Documentation a must
-

Policy Vs. PJ

- ❑ PJ is only exercised when a decision is made that is contrary to policy or is not specifically addressed in policy
- ❑ If the situation is addressed in policy and FAA acts in accordance with the policy, that is NOT PJ

Why is this distinction important?

Because PJ must occur on a case-by-case basis and documentation is required

Statutory Authority



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.....

However, this authority shall not be construed to permit aid administrators to deviate from the contributions expected in the absence of special circumstances

Professional Judgment Can't (s)

- ❑ **Professional judgment can't be used to waive general student eligibility requirements or to circumvent the intent of the law or regulations.**
 - ❑ **The law doesn't allow you to modify either the formula or the tables used in the EFC calculation; you can only change the cost of attendance or the values of specific data elements used in the EFC calculation.**
 - ❑ **In addition, you can't adjust data elements or the cost of attendance solely because you believe the tables and formula are not adequate or appropriate.**
-

General Guidelines for PJ

- ❑ **The determination must be made on a case-by-case basis**
 - ❑ **The reason for the action must be documented and provided in written form to the student**
 - ❑ **The school must not discriminate on the basis of race, national origin, religion, sex, marital status, age or disability status**
-

General Guidelines continued

- ❑ **Can establish criteria to categorize students for possible PJ adjustments, however.....**
 - **FAA may not assume the circumstance exists for all members of a group or class of students even if they display similar attributes.**
 - **It is a violation of the law to generalize conditions or situations for a population of students and make across the board adjustments.**
 - **Special circumstances are conditions that differentiate an individual student from a whole class of students.**
-

Tools for Effective PJ Decisions

- ❑ **Purchase Fall 2000 NASFAA Training Materials on Professional Judgment**
 - ❑ **Obtain the NASFAA monograph “*Using Federal Tax Returns in Need Analysis*”**
 - ❑ **Attend a Federal Tax Return Workshop**
 - ❑ **College Board PJ Tip Sheets**
http://www.collegeboard.com/highered/res/pj_tips/pj_tips.html
 - ❑ **NASFAA Forms Bank**
<http://www.nasfaa.org/subhomes/formsbank/index.html>
-

Principles of Need Analysis

Occasionally aid administrators have made decisions contrary to the professional judgment provision's intent. These "unreasonable" judgments have included.... the reduction of EFCs based on recurring costs such as vacation expenses, tithing expenses, and standard living expenses

- ❑ **Family responsible for college costs**
 - ❑ **Based on ability to pay – not willingness**
 - ❑ **Use prior year income and current asset data**
 - ❑ **Not a cash flow analysis – cannot consider lifestyle**
 - ❑ **Establishes financial strength over a period of time to meet education expenses**
-

The Real Question for Families

- If aid were NOT available, what sacrifices would you be willing to make for your student?



Unwillingness
is
NOT
Inability

Documentation Requirements

You have the authority to request and use supplemental information

Special circumstances and action taken must be documented in the student's file

Provides additional information and a history for future reference

Types of Documentation

A written request from the student and:

Letters

Bills

Receipts

Pay stubs

Other third party documentation

A clear record of:

Decision made and how it was reached

Decision date

Description and date of actions taken

School policy and procedure citation

Name of decision maker

Estimated Year Income

- ❑ **Statement itemizing estimated year income**
 - ❑ **Request year to date pay stub (weekly, monthly)**
 - ❑ **Need to determine new tax paid:**
 - **proportional if using part of base year**
 - **IRS tax table (www.irs.gov)**
-

Definition of Estimated Year

This is at the discretion of the financial aid office

- ❑ **Calendar/Tax year only – January to December**
 - ❑ **Award year – July 1 to June 30**
 - ❑ **October 1 to September 30 – any period of time.....**
so long as it is 12 months in length!
-

PJ on Unusual Expenses

- ❑ **The (IPA) is already included in the EFC calculation to account for modest living expenses.**
 - **30% of the IPA amount is for food,**
 - **22% for housing,**
 - **9% for transportation expenses,**
 - **16% for clothing and personal care,**
 - **11% for medical care, and**
 - **12% for other family consumption.**
-

Allowable Medical Expense Calculation Table

Using IPA Tables
for *Dependent*,
Independent
w/out dependents
and *Dependent*
with dependents
X 11%

<u>2007/2008</u>		<i>FM IPA Table - Income Protection Allowance Dependent</i>				
Table 3 a - 1	Family Size	Number in College				
		1	2	3	4	5
	2	15,000	12,430			
	3	18,680	16,130	13,560		
	4	23,070	20,510	17,950	15,390	
	5	27,220	24,660	22,100	19,540	16,980
	6	31,840	29,280	26,720	24,160	21,600
	7	35,430	32,880	30,330	27,780	25,230
	8	39,020	36,470	33,920	31,370	28,820
Add	3,590	For each additional family member				
Subtract	2,550	For each additional college student				
<i>Medical Expenses covered in IPA (11%)</i>						
Table 3 a - 2	Family Size	Number in College				
		1	2	3	4	5
	↓					
	2	1,650	1,367			
	3	2,055	1,774	1,492		
	4	2,538	2,256	1,975	1,693	
	5	2,994	2,713	2,431	2,149	1,868
	6	3,502	3,221	2,939	2,658	2,376
	7	3,897	3,617	3,336	3,056	2,775
	8	4,292	4,012	3,731	3,451	3,170
<i>Only allow medical/dental expenses that exceed the amounts in Table 3 a - 2</i>						

Making Expense Adjustments to EFC

Where?

**Reducing AGI expense adjustments results in
smaller change in reduction in EFC**

than

increasing federal tax paid by expense adjustment

because

**the allowance for state taxes is calculate using a
percentage of AGI**

Appeal Decision-Making Process

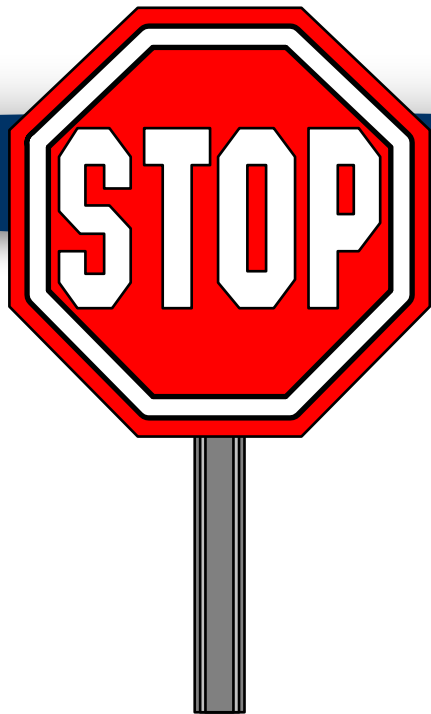
Issues to consider:

When and how often will appeals be considered?

Who will make appeal decisions?

Committee vs. Individual

1 (800) MIS-USED



U.S.
Department of
Education
Fraud & Abuse