

SPECIAL
CIRCUMSTANCES &
PROFESSIONAL
JUDGMENT (PJ)

UNDERSTANDING KEY FACTORS INFLUENCING DECISIONS

Defining Special and Unusual Circumstances in PJ

Special Circumstances Overview

Special circumstances involve financial or household changes that affect Cost of Attendance or FAFSA data for accuracy.

Unusual Circumstances Explained

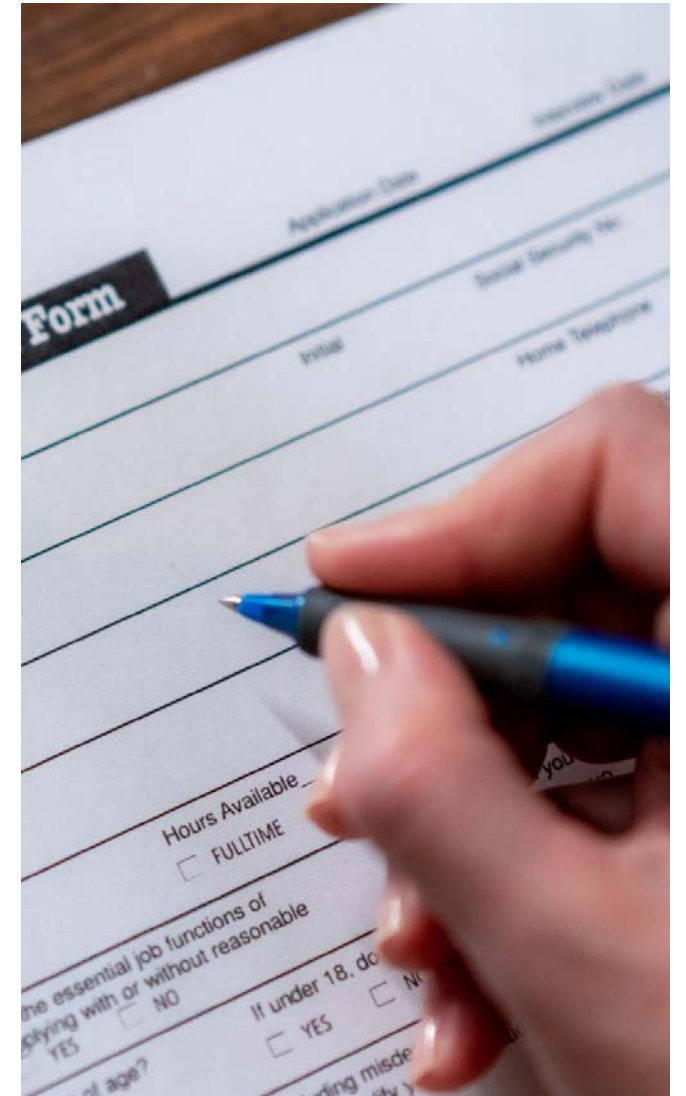
Unusual circumstances relate to dependency status changes due to abuse, abandonment, incarceration, or unsafe environments.

Regulatory and Documentation Needs

PJ decisions require case-by-case evaluation with adequate documentation ensuring compliance and transparency.

Combined Circumstances Impact

Students may face both special and unusual circumstances simultaneously requiring careful professional judgment.



Establishing Adequate and Audit-Ready Documentation

Documentation as Decision Backbone

Documentation must be adequate, relevant, and directly linked to specific Professional Judgment decisions.

Tailored Documentation by Circumstance

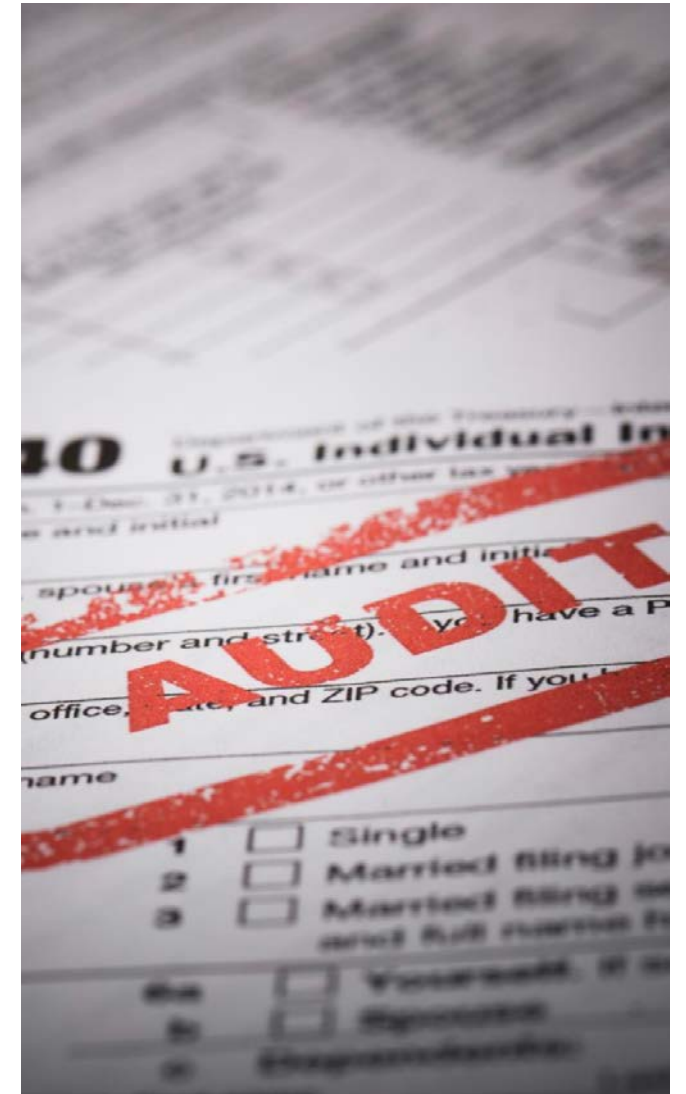
Documentation varies by circumstance, including job loss, medical expenses, and unusual dependency overrides.

System Updates and Compliance

Institutions must update systems with FAA Adjustment flags, Dependency Override codes, and retain updated ISIRs.

Ensuring Clear, Traceable Records

Clear and traceable documentation supports Title IV determinations and protects institutions and students.



Common Findings Related to Professional Judgment

Documentation Weaknesses

Weak or missing documentation often causes compliance issues in federal audits and program reviews.

Incorrect PJ Flag Usage

Misuse or missing Professional Judgment flags can lead to inaccurate data transmission and review findings.

Inconsistent Application

Institutions often fail to apply PJ decisions consistently, risking fairness and regulatory compliance.

Quality Assurance Recommendations

Implementing quality reviews, second-reader policies, and standardized templates strengthens compliance and fairness.



Case Study: Ava – Parent Job Loss

Income Documentation Requirements

Acceptable documents include termination notice, year-to-date earnings, unemployment benefits, and future income projections.

Role of Financial Aid Administrator

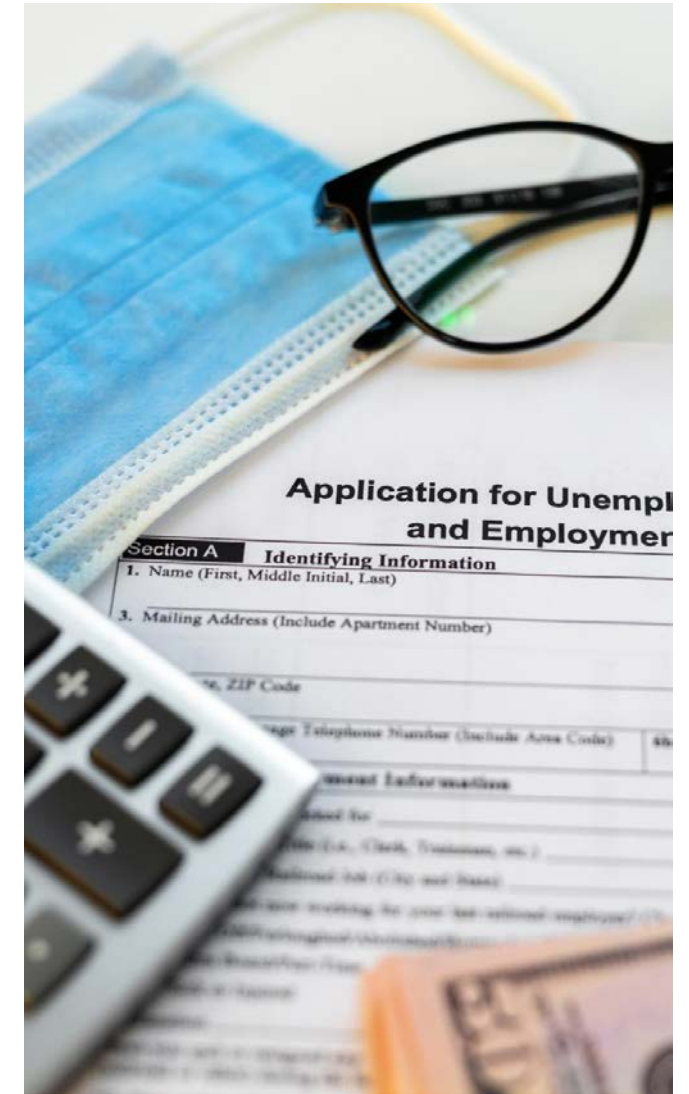
Administrator evaluates severance, unemployment, and re-employment timelines to adjust income estimates using professional judgment.

Adjustment Process and Documentation

Adjust FAFSA data with clear rationale, set FAA Adjustment flag, and retain corrected ISIR for accuracy and consistency.

Importance of Follow-Up

Regular follow-up ensures updates if the parent is re-employed during the award year, protecting student financial aid eligibility.



Case Study: Marco – High Medical Expenses

Medical Expense Documentation

Acceptable documents include EOBs, billing statements, and receipts proving payments made, not just billed amounts.

Professional Judgment Verification

Financial aid administrators verify paid expenses, avoid double counting, and consider HSA/FSA reimbursements carefully.

FAFSA and Cost Adjustments

Adjustments may reduce income or increase cost of attendance based on verified medical expenses and hardship.

Audit Preparation and Reporting

Maintain detailed calculation worksheets and written analyses to support professional judgment decisions and audit readiness.



Case Study: Jada –Dependency Override

Unusual Circumstances Defined

Jada’s unsafe home and estrangement qualify her situation as an unusual circumstance for dependency override consideration.

Documentation Requirements

Acceptable documentation includes Jada’s statement, letters from professionals, and legal documents like police reports or court orders.

Sensitive Interview Process

Financial aid administrators can conduct documented, trauma-informed interviews respecting safety and sensitivity.

Regulatory Compliance and Outcome

Overrides follow HEA §479A guidance; administrators document rationale and set override status in system.

*Once override is approved, the FAA need only confirm the circumstance has not changed in following years.





Case Study: Jordan –Loss of Parent or Spouse

Documentation Requirements

Acceptable documents include death certificates, survivor benefit statements, and updated household information.

Financial Impact Adjustments

Adjust FAFSA data by removing deceased parent's income and updating household size and college enrollment.

Verification and Compliance

Ensure verification aligns with updated data and resolve any conflicting household or income information.

Compassionate Evaluation

The process requires empathy and thoroughness to reflect family changes accurately in aid eligibility.

Case Study: Taylor – Divorce or Separation

Impact of Divorce on Aid Eligibility

Divorce changes household composition and financial status, affecting accuracy of prior tax information for aid determination.

Documentation Requirements

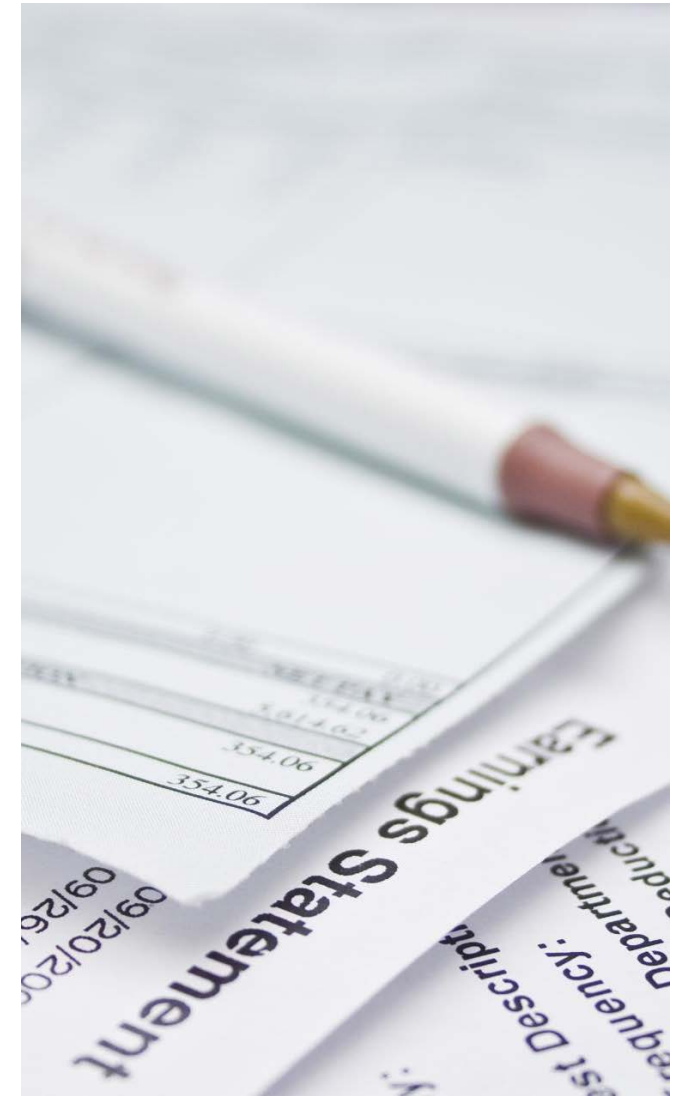
Valid documents include divorce decrees, separation agreements, updated addresses, income details, and child support information.

FAFSA Data Correction Process

Adjust FAFSA data to reflect current family structure, confirm custody, and resolve conflicting financial records.

Financial Aid Administrator Actions

Activate FAA Adjustment flag and retain new ISIR for audit to reflect family changes accurately.



Understanding Key Operational Differences

FAFSA Operational Changes

Operational updates reflect FAFSA Simplification Act and Department of Education guidance for award years 2025–27.

FAA Adjustment and Dependency Flags

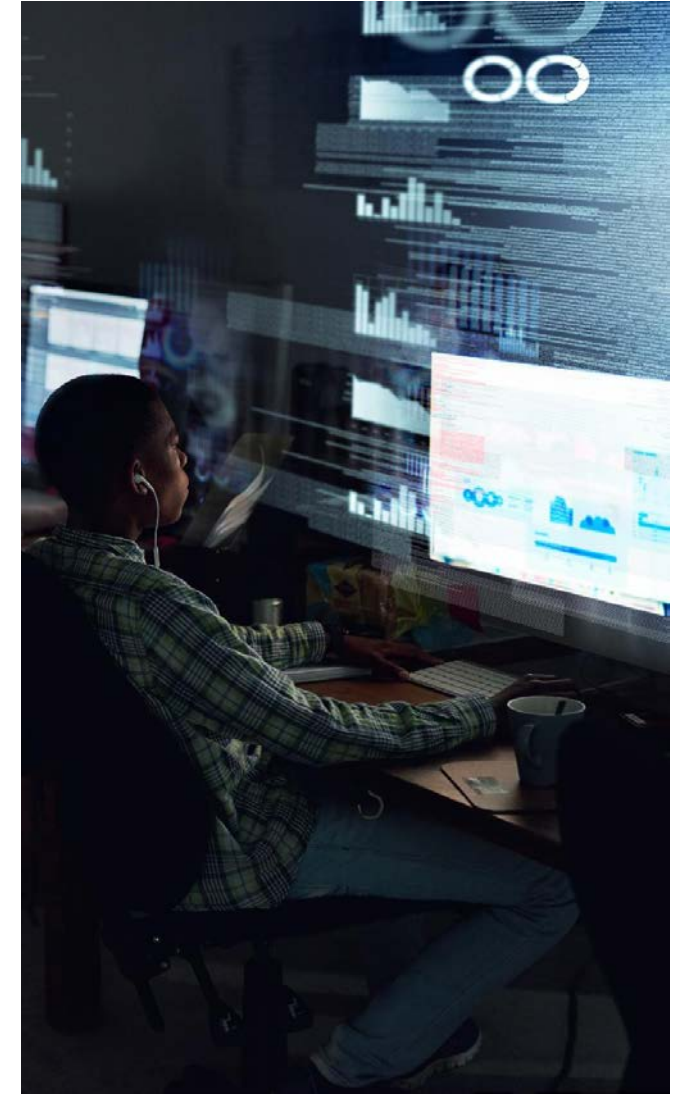
Consistent use of FAA Adjustment flag and Dependency Override codes ensures accurate PJ decisions and ISIR corrections.

Provisional Independent Status Review

Students with unusual circumstances may get provisional independence; institutions must review status within 60 days.

Compliance and Documentation

Institutions should track regulatory changes and use checklists to prevent audit issues and ensure compliance.



Strengthening PJ Policy, Consistency, and Compliance

Clear PJ Policies

Establish written Professional Judgment policies outlining acceptable cases, documentation, and review processes.

Staff Training and Consistency

Provide initial and ongoing training to staff to ensure consistent evaluation of similar cases.

Secondary Review

Implement a two tier review process – FAA collects and reviews documentation and provides another member in the office a recommendation—the second individual reviews, followed by a discussion of any recommended changes.

Quality Assurance Measures

Implement second-reader verifications and spot checks to detect inconsistent or incorrect PJ applications early.

Compliance and Record Management

Maintain record retention, reconcile updates regularly, and apply audit lessons to improve compliance and decision-making.



ELEMENT

CONSIDERATIONS

Circumstance Type

Whether scenario represents special or unusual circumstances based on HEA §479A definitions

Documentation

Identify acceptable documents specific to the situation (letters, EOBs, legal documents)

Decision Criteria

Evaluate alignment with guidance, adequacy of evidence, and equity

Systems

Determine need for FAA flag or DO code; verify ISIR updates

Compliance

Assess audit risks, retention requirements, and conflicting data resolution

Questions



Primary Regulatory and Audit References

Regulatory Guidance Sources

Key regulatory sources include the FSA Handbook AVG Chapter 5 and HEA §479A on Professional Judgment authority.

Audit and Compliance References

Compliance audits are guided by 34 CFR 668 and 34 CFR 668.23 focusing on recordkeeping and administrative capability.

Program Review Insights

Federal Student Aid's Top Findings and OIG audits provide critical insights on Professional Judgment practices.

Additional Operational Guidance

Supplemental guidance is accessible through Electronic Announcements and expert professional summaries.

