

## PROFESSIONAL JUDGMENT TIP SHEET

### Topic: Parents' Educational Expenses

#### What?

Standard Institutional Methodology (IM) does not allow for parents' educational expenses; typically, only the educational expenses of the student and other dependent children in the household are taken into consideration. These expenses may include tuition, fees, books and supplies associated with a degree granting or certification program (including recertification for professional advancement).

#### Why?

There may be circumstances in which the parents' educational expenses can be considered because of the potential impact on a family's ability to pay. Expenses may be incurred due to required job training, field-related professional advancement requirements, continuing education credits, or degree completion. The financial aid administrator may not want to consider parents' educational expenses if the enrollment is discretionary or if the parent is being reimbursed.

#### How do I...

##### Collect information?

The CSS Profile collects the parents' college enrollment status. In addition, the financial aid administrator may want to obtain proof of enrollment, documentation of the out-of-pocket educational expenses, and/or verification from the employer confirming the training/courses are required. It should also be confirmed whether the parent is receiving federal, institutional, or other financial assistance for their educational expenses (e.g., military or employer benefits, loans).

##### Analyze the information?

Documentation should be reviewed to determine how much of the parents' educational expenses are already reimbursed and which course(s) fulfill a degree, certificate program, or other employer-required training. The aid administrator can use this information to calculate total non-discretionary out-of-pocket educational expenses. The aid administrator will need to determine which method of adjustment to use based upon how much of the educational expenses they will allow.

If a parent borrowed for their educational expenses, refer to the Parents Educational Debt Tip Sheet.

The parents' educational expenses could be recognized in the following ways:

- Use educational expenses as an income allowance
- Increase the number in college to include the parent(s)
- Reduce the parent contribution (IM only)

Additionally, a family may experience decreased income as a result of the parents' enrollment (See Alternate Year Parent Income PJ Tip Sheet).

### **Treatment in IM and FM**

There are several approaches that institutions could utilize to incorporate the parents' educational expenses. Actual costs of the program may help determine which option should be used.

- Both IM and FM allow institutions to make an allowance against income based on the out-of-pocket educational expenses of the parent. Within FM, this allowance would be added to U.S. taxes paid. Within IM, a financial aid administrator has the option of adding the out-of-pocket expenses as an additional income allowance field.
- An institution could add the parent to the number in college in order to invoke the number in college adjustment. However, doing so is not economically supported by IM. The Income Protection Allowance (IPA) reduction for an additional person in college is calculated based on dependent expenses, which are different than those of a parent more than likely still living in the home and supporting the household. In practice, however, a school's institutional policy may allow the parent to be included when the EFC is low. This is a quick way to grant the family meaningful relief that may not be achieved by simply adding educational expenses as an income allowance.

A similar approach could be taken in FM. Please consult federal guidelines.

- IM allows institutions to reduce the parent contribution based on the out-of-pocket expenses incurred by the parents. This is not an option under Federal Methodology.
- IM allows institutions to reduce the parent contribution by a standard amount based on the average cost at the type of institution the parent is attending (e.g., community college, four-year private institution, etc.). The College Board

provides average college budget amounts on an annual basis; however, an institution could develop its own standard amounts based on institutional policy.

### **Additional Considerations**

The financial aid administrator may want to consider the following when determining treatment:

- In what year were the expenses paid (base year, recent year, anticipated year) and how does this relate to the year of income used in the analysis?
- Will these expenses occur in future years?

## PROFESSIONAL JUDGMENT CASE STUDY

### TOPIC: Parent Education Expenses

#### Case Study:

John Vargas is enrolled in his second year at a four-year institution and has a family contribution of \$30,000 in both Federal and Institutional Methodology. His mother, Ms. Vargas, is also enrolled at a four-year institution. She attends half-time while working towards her first bachelor's degree. She was hired to her current position with the condition that she must complete her bachelor's degree within three years of her start date. Ms. Vargas supplied documentation from her employer demonstrating that completion of the degree was a requirement of her job offer.

She is currently on pace to complete her degree at the same time as John. She has provided a billing statement showing total charges of \$12,000 for the year. The billing statement showed that her employer paid \$5,000 and she paid the remaining \$7,000. Ms. Vargas has appealed for additional financial aid for John due to her out-of-pocket educational expenses.

#### Decision

The institution reviewed the appeal and determined that Ms. Vargas' educational expense was non-discretionary as a requirement of her employment and that she was enrolled in a degree-seeking program. The financial aid administrator ignored the \$5,000 already paid by her employer but used the \$7,000 out-of-pocket educational expenses as an other income allowance in John's IM need analysis. This increased John's eligibility for institutional need-based aid. Professional judgment was not used in FM because it would not impact John's eligibility for any federal or state aid.