



PROFESSIONAL JUDGMENT

TOPIC: Parents' Educational Debt

IM STANDARD TREATMENT

IM standard treatment ignores the annual cost of repaying educational debt in calculating parents' available income and discretionary net worth.

FM STANDARD TREATMENT

The FM standard treatment is the same as the IM.

WHY PROFESSIONAL JUDGMENT MIGHT BE APPROPRIATE

For many families, the ability to pay current college costs is diminished by the family's prior educational debt. This could be debt accumulated as a result of either the parents' or the student's siblings' educational costs. Professional judgment is probably not appropriate if the parents have opted to repay the student's educational loans.

HOW IM COULD BE ADJUSTED

The "allowances against income" in the IM are defined as non-discretionary expenses—expenses that don't reflect lifestyle choices. Incurring educational debt and meeting the subsequent repayment obligation can be justified as "non-discretionary" expenses. The aid administrator may wish to consider either of the following adjustments:

- The family's annual educational loan payments could be subtracted from "available income," to reflect the non-discretionary expenses.
- The family's total educational debt could reduce their net worth.

HOW FM COULD BE ADJUSTED

The FM could be adjusted in the same way as the IM. However, the adjustment must be made to a data element rather than to a computed value.

HOW COLLEGE BOARD SERVICES SUPPORT PJ

CSS/Financial Aid PROFILE

The PROFILE Application collects information about parents' annual educational loan repayments in questions PE-110 (base year) and PE-115 (future year).

Institutions may select Supplemental Question 214, which asks if the parents are repaying educational loans, and if so, to specify the type of loan, the current amount owed, the expected year payments, and for whom the payments are made.

College Board IM Options

An institution using software that utilizes the College Board's IM may treat information about educational loan payments as an "Other Income Allowance," thereby reducing the parents' available income.

DOCUMENTATION

All changes should be documented.

The aid administrator may want to collect:

- Copies of promissory notes
- Documentation of payments and outstanding balances