

**SCHOLARSHIP AWARD
DISPLACEMENT
NSPA REGIONAL MEETING**

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SESSION OVERVIEW

- Premise: Colleges and private scholarship providers all seek to serve the best interests of students.
- Goal: To explore ways to empower scholarship professionals inside and outside of higher education institutions, as well as students and their families, to mitigate the negative effects of award displacement on ability to pay for college.
- Interactive: Please contribute your ideas and opinions. All voices are needed (and will be respected).

WHAT IS AWARD DISPLACEMENT?

Definition:

Award displacement occurs when one form of student financial aid, such as a private scholarship, leads to a **reduction** in other forms of financial aid.

Implementation:

When a student receives a private scholarship, it reduces the student's financial need, leading to a reduction in the student's need-based financial aid package. In effect, the private scholarship **replaces** other forms of financial aid, such as grants, student employment and student loans.

IMPACT OF AWARD DISPLACEMENT

- Net price is the difference between the cost of attendance and just gift aid. It is the amount of money the family must pay from savings, income and loans to cover college costs.
- Impact of award displacement on the net price:
 - When a private scholarship replaces student loans and student employment, the net price decreases.
 - When a private scholarship replaces grants, the net price does not change.
 - If the net price does not change, the private scholarship does not make it easier for the student to pay for college.
- Students and their families can be discouraged when they learn that the private scholarship the student worked hard to earn will make little or no difference in paying for college.
- The net price correlates strongly with the amount of student loan debt at graduation.

AWARD DISPLACEMENT EXAMPLE

	Original Award Letter	Grants Reduced First	Gap & Loans Reduced First
Cost of Attendance	\$30,000	\$30,000	\$30,000
Expected Family Contribution	\$9,000	\$9,000	\$9,000
Financial Need (COA – EFC)	\$21,000	\$21,000	\$21,000
Total Financial Aid	\$19,000	\$19,000	\$21,000
Grants	\$12,000	\$7,000	\$12,000
Student Loans	\$5,500	\$5,500	\$2,500
Student Employment	\$1,500	\$1,500	\$1,500
Private Scholarship	N/A	\$5,000	\$5,000
Unmet Need (Gap)	\$2,000	\$2,000	\$0
Net Price (COA – Gift Aid)	\$18,000	\$18,000	\$13,000

CONTRIBUTORS TO DISPLACEMENT #1: FEDERAL STUDENT AID POLICY

1. Overaward Regulations
2. Institutional Policies
3. Definition of Cost of Attendance (COA)
4. Differences in definition of EFC (IM vs. FM)
5. Financial aid formulas do not allow the EFC to go negative
6. Absence of a Universal Financial Aid Letter
7. Taxing of Scholarships

CONTRIBUTORS TO DISPLACEMENT #2: DIFFERENCE IN PHILOSOPHIES

Private Outside Scholarship Providers

Diverse donor and mission driven organizations focused on **individual** students and their abilities **to access and complete** college or university.

Higher Education Institutions

Charter or mission driven institutions focused on helping as **many students** as possible to **complete** a degree or program.

CONTRIBUTORS TO DISPLACEMENT #3: SCHOLARSHIP PROVIDER POLICIES & PRACTICES

1. Lack of knowledge about federal and institutional financial aid policies
2. Restrictions on allowed uses of scholarship funds
3. Award notifications may not be aligned to the school's financial aid timeline, such as financial aid packaging dates, the National Candidates Reply Date (May 1) and financial aid disbursement dates
4. Not building relationships with the financial aid offices at the scholars' schools
5. Not sharing information about the scholarship provider's policies
6. Adopting scholarship policies that benefit only the goals of the scholarship provider

CONTRIBUTORS TO DISPLACEMENT #4: INSTITUTIONAL POLICIES & PRACTICES

1. Lack of disclosure of school's financial aid policies (i.e., financial aid packaging, outside scholarships)
2. Lack of disclosure of net price of school (Cost of Attendance minus grants and other gift aid)
3. Lack of disclosure of timing for key financial aid events (i.e. determination of students financial need, when financial aid award letters will be sent, what date students should accept offer of admission and financial aid)
4. Financial Aid Packaging Policies that benefit only institutional goals
5. Determination of Demonstrated Financial Need
6. Cost of Attendance (COA)
7. Estimated Family Contribution (EFC)

HOW TO REDUCE AWARD DISPLACEMENT

1. Provide scholars with financial literacy, financial aid literacy and award displacement training
2. Ask students to complete a FERPA waiver form so that the provider can advocate on their behalf
3. Use professional judgment to adjust the EFC and/or COA (e.g., to cover health insurance, child care costs)
4. Put the name of the student and scholarship program on each disbursement check
5. Adjust timing of award disbursements to minimize opportunities for award displacement
6. Negotiate compromises, such as elimination of minimum student contribution for students with exceptional financial need
7. Allow deferment of scholarship awards to future years, including graduate school, or for other purposes (e.g., summer school, travel, other learning opportunities)



FROM INSTITUTION'S PERSPECTIVE

DETERMINING ELIGIBILITY

Cost of Attendance

- tuition
- fees
- books
- supplies
- room & board
- transportation
- personal expenses

minus

Family Contributions

- from
- parents income
- students income
- spouses income

=



Financial Need

Calculation of Financial Need

THE COST OF EDUCATION

- **Direct Costs**

- Tuition and required fees
- Room and board for resident students

- **Indirect Costs**

- Books and supplies
- Transportation to and from campus
- Miscellaneous personal expenses

- **Types of Aid**

- Grants
- Scholarships
- Loans
- Employment



WHAT IS THE EXPECTED FAMILY CONTRIBUTION (EFC) ?

- The EFC is a measure of capacity *over time* to absorb educational costs
 - Not a dollar amount expected from *current* income or assets
 - Not an estimate of *extra* cash available
- Federal EFC is used as an ELIGIBILITY INDEX for federal aid purposes. EFC determines student eligibility for the Pell Grant and other forms of federal aid.
- Schools use the EFC (Federal and/or Institutional) and cost of education to put together a “package” of financial assistance.
- The EFC is subject to school verification and adjustments.

HOW DOES THE EFC RESULT IN FINANCIAL NEED?

Federal Eligibility

Total Cost of Education

- Federal EFC
- = Federal Eligibility/FM Need

Institutional Eligibility

Total Cost of Education

- Institutional EFC
- = Institutional Eligibility/IM Need

NEED BASED VS. NON-NEED BASED PROGRAMS

Need Based

- Grants
 - Federal Pell Grant
 - Federal Supplemental Opportunity Grant (FSEOG)
 - State Grants
 - Institutional Merit/Need based scholarships
 - External Scholarships
- Loan and Employment Programs
 - Federal Perkins Loan
 - Federal Direct Stafford Loan (subsidized)
 - Local State Loan programs
 - Work Study

Non-Need Based

- Federal Direct Stafford Loan (unsubsidized loan)
- Federal Parent PLUS Loan
- College Access Loan (CAL)
- Alternative, Private Loans

SCHOLARSHIP DISPLACEMENT WORKAROUNDS TO CONSIDER

- Reduce Unmet Need
- Replace Student/Parent Loans
 - Federal and Private
- Replace Student/Parent Contribution
- Increase college's cost of attendance
 - Book & Supplies
 - One time computer expense (Example: Purchase of laptop)
 - Dependency Allowance (For students with children only)
- Defer Scholarship to a subsequent year

QUESTIONS STUDENTS SHOULD ASK THEIR COLLEGE?

- How do outside awards affect the aid package?
- What is the average student debt level?
- Are the scholarships/grants renewable each year?
- Does the college have a “need-blind” or need-sensitive admissions policy?
- How might awards change in future years?
- What happens if financial circumstances change?

OPEN DISCUSSION

- Share best practices
 - What are your ideas for mitigating award displacement?
 - What do you do right now to help scholarship recipients deal with award displacement?