

## Award Displacement

Private Foundations Learning Circle Meeting 1/26/2016

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### Award Displacement Overview

*Any time external money replaces a student's financial award as packaged by their institution.*

*Example of **favorable** displacement: When an outside scholarship is replacing a loan (giving the student free money to replace money they would have to pay back) or work study money (student doesn't have to put in hours and wait for the money)*

*Example of **unfavorable** displacement: If an institution takes an external scholarship and uses it to replace their institutional scholarship money*

### **Understanding where Private Foundations stand in the financial aid process**

- It is important to understand how financial aid packages are put together, what flexibility universities have (making changes, etc.), and where we stand in that process
- Understanding the financial aid award letter
  - Pell Grant limitations and other absolutes when students are over-awarded – we can't do much about those.
  - Some institutions require mandatory minimum student contributions that are more than the family EFC and are required based on summer employment, etc. In these cases, the school often refuses private scholarships to replace student contribution. They will take the money and reduce school aid – also can't do much about this.
  - Understanding these challenges is important when putting guidelines in place regarding how to release funds.

### **Best Practices for Working with Higher Education Institutions**

- Direct communication between school and scholarship providers when possible
  - There are institutional rules that have to be followed
  - Is there a way college financial aid officers can increase cost of attendance in order to work within the guidelines institutions must follow-(purchasing computers for the semester, transportation costs, childcare, etc.)? (Note: Financial Aid officers may also be able to use "professional judgement" to change the EFC in a case where the family financial information has changed significantly.)
  - Restructuring award agreement to ask student to give a FERPA waiver (permission to talk to the school and become involved with the process)
  - Build relationships with institutions
  - Become part of the financial aid professionals network (local associations) in order to become more intimately aware of processes/constraints
  - Reaching out at any time is great (as opposed to trying to wait until a "down time")
  - Go through NSPA membership list to help identify institutions to reach out to

- Working with the students themselves
  - Make sure students understand when displacement is and what it means for their financial package
- Find creative ways around it
  - Can the student use the scholarship over the summer? Semester abroad?
- Keep freshman awards a little lower before there is a broad picture of total package (4 year scholarships)
  - Language in award letter: “You will receive up to...”
  - Can make up for this later as needed when you have their information (success in school, need, etc.) and can make a strong case
- Try to avoid being too specific in award letters so the institution has more flexibility in terms of where to award the scholarship (Instead of saying “Award is restricted to tuition/fees..”, saying the award can be put towards the cost of attendance as well can help alleviate the problem)

#### **How to prevent negative displacement with returning scholars?**

- First year students frequently receive more awards than returning scholars (bringing in small awards from high schools, other small awards to get students on campus and “sold” on the university)
  - Ask the schools to identify which scholarships are renewable or not so you can know how to best help the student fill in any gaps.
  - Ask to see award letter for any large need based scholarships to be sure the institution doesn’t plan to reduce the amount after the first year.

#### **Are there income tax issues when scholarships cover room and board expenses?**

- Yes, there are potential issues - the student must file the room and board portion as income
  - Foundation isn’t responsible for this, award letter should state that the student should seek financial advice
  - In the case of international students, the foundation should check to be sure they aren’t responsible for dealing with this issue

#### **Tips on opening scholarship awards to students who fall just above Pell Grant eligibility levels?**

- Should expect things to be about the same – doesn’t affect the process unless the cost of attendance is drastically different

#### **What does a typical timeline look like? How do you help students who are waiting to pick their school based on their scholarship award amount?**

- Make award decisions around May and send award letters stating “You will receive an award amount up to \$X based on your financial aid package.”