THE CAPE COD FOUNDATION
POSTSECONDARY SUCCESS SERIES

“Part 2: Scholarship Displacement”

Understanding Financial Aid & Avoiding Displacement

THE CAPE COD FOUNDATION

35 YEARS

Celebrating Our 35th Anniversary

Distributed Over $100 Million in Grants and Scholarships Since 1989

Awarding More Than $1,000,000 in Scholarships and Financial Assistance to Local Students Annually

Providing Students Resources Beyond Scholarship Dollars to Support Postsecondary Success

THE CAPE COD FOUNDATION

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THE CAPE COD
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35 YEARS

Scholarship Displacement:

Understanding Financial Aid & Avoiding Displacement

Students First
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About Me

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Consultant, Students First Consulting

About Students First Consulting

At Students First Consulting, scholarships are our passion.

We're a team of experts dedicated to supporting philanthropic organizations and donors in maximizing the impact of their scholarship programs.

Agenda

- Understanding financial aid and scholarship displacement
- Identifying and addressing scholarship displacement, if it happens to <u>you</u>!
- Maximizing your financial aid

Understanding Financial Aid & Scholarship Displacement

Understanding Financial Aid Terminology

- **Grants and scholarships ("gift aid"):** Don't require repayment.
- **Scholarships** are financial awards to help students pay for college.
- **Outside scholarships** are those awarded by organizations that are not your college or university.
- **Work-study:** Provides income through part-time jobs through a college or university.
- **Loans:** Require repayment, often with interest.
- **Financial aid packages:** Issued by institutions and consider all resources. These are presented via **financial aid offers**, often in the form of letters or documents available through your student portal.

What is Scholarship Displacement?

- **Scholarship displacement:** When receiving an outside scholarship reduces other financial aid in a package.
- **Negative scholarship displacement:** When outside scholarships replace other grants or scholarships from your college or university.
- It can can actually **decrease your free money** for college.
- Plus, you spent your time applying for scholarships! Which means that scholarship displacement can result in **a net loss for you**.

Why Does It Happen?

- **Federal financial aid regulations** govern need-based aid and aid maximums.
- This is often because of a situation called **overawarding**.
  - "Overawarded" is a term used in financial aid to describe when a student's total financial aid package contains more financial aid than the Cost of Attendance at their school. The college considers all types of aid and its specific estimated costs for a particular student in determining whether a student has been overawarded.
  - If your outside scholarship, combined with your school's offered package, is greater than your Cost of Attendance, you are considered overawarded.
- **College and university policies and practices** may require displacement because of overawarding, because of their preference for funding as many students as possible, or for other reasons.
- **Outside scholarship provider policy** may allow scholarships to cover (and not cover) certain costs, and in a specific order.

Identifying & Addressing Scholarship Displacement

Understanding Colleges' Outside Scholarship Policies

- Every college or university has an **"outside scholarship policy"** or a "scholarship displacement" policy.
- If you don't see one posted, **ask your financial aid officer to provide you with the policy**.
- If you don't understand the policy, **ask your financial aid officer or your outside scholarship provider** to clarify what it means.

Steps to Take:

1. Search for **"your institution's name" + "outside scholarship policy" or "scholarship displacement policy".**
2. If you don't see one posted, **ask your financial aid officer to provide you with the policy.**
3. If you don't understand the policy, **ask your financial aid officer or your outside scholarship provider to clarify** what it means and give you examples.

Example Scholarship Displacement Policies

With all that in mind, MIT first uses your outside scholarship to reduce or cover your student contribution (up to $5,400). Any additional money from your outside scholarship, beyond the amount of your student contribution, will reduce your MIT Scholarship. **An outside scholarship cannot be used to reduce or cover the parent contribution.**

https://sfs.mit.edu/undergraduate-students/types-of-aid/outside-scholarships-and-financial-aid/

Reviewing Your School's Offered Award Package

- The purpose is to **determine if your award package changes over time at your chosen institution** (not compare among institutions).
- You should review your financial aid packages **whenever it may be updated**:
  - Immediately after you receive it
  - After you notify your school of a new outside scholarship that you've received
  - If you or an outside scholarship provider have negotiated your financial aid package, after the negotiation
  - Any other time you are notified that it has changed

Steps to Take:

1. **Find your most recent financial aid award offer** (not always the same as the initial offer at the time of acceptance or enrollment).
2. **Review the categories and amounts carefully**, particularly scholarship and grant sections.
3. **Look for changes** in these amounts.

Example Financial Aid Award Letter & Package

ABC UNIVERSITY

Financial Aid Offer

John Smith
123 Main Street, Boston, MA 02110

Cost of Attendance: $56,000
Cost of attendance includes tuition, fees, food, housing, books, course materials, supplies, equipment, transportation, and other education costs.

Eligibility Factors

Our determination of your eligibility for financial assistance was based in part on the factors listed below:

Enrollment Status: Full-Time Undergrad: **Number in Family:** 3
Housing Status: On Campus **Number in College:** 1

A change in any of these factors will affect your eligibility. Please notify our office right away if any of these factors are incorrect or if they change at any time during the academic year.

Financial Aid Offer

You are eligible to receive the following assistance:

	Fall	Spring	Total	Check to Accept	Revised Amount
ABC University Grant	17,995	17,995	35,990	☐	_____
Federal SEOG	500	500	1,000	☐	_____
Federal Pell Grant	2,960	2,960	5,920	☐	_____
MASSGrant	800	800	1,600	☐	_____
Federal Work-Study Program	750	750	1,500	☐	_____
Federal Direct Subsidized Loan	1,750	1,750	3,500	☐	_____
Federal Direct Unsubsidized Loan	1,000	1,000	2,000	☐	_____
Total	$25,755	$25,755	$51,510		

Outside Scholarships/Resources:

Total outside scholarships and/or other education resources for the academic year, as reported by you:

$1,000 Computer Science League Scholarship
$500 Boston Karate Scholarship

Example Scholarship Displacement Scenario

Type of Aid	Offer 1	Updated Offer 2: After Scholarship Displacement
Institutional Scholarships	$5,000 President's Scholarship $2,000 Margaret Macy Scholarship	$2,500 President's Scholarship $2,000 Margaret Macy Scholarship
Federal Grants	$3,500 (estimated)	$3,500 (estimated)
State Grants	$1,000 (estimated)	$1,000 (estimated)
Federal Direct Loans (Maximum Eligibility)	$3,500 Subsidized (offered) $5,500 Unsubsidized (offered)	$3,500 Subsidized (offered) $5,500 Unsubsidized (offered)
Federal Work-Study (Awarded/Estimated)	$1,500	$1,500
Outside Scholarship	N/A	$2,500 Stewart Smith Memorial Scholarship

If Your Scholarship or Grant Aid Has Decreased

Steps to Take:

1. Call, email, or make an appointment to **talk to your outside scholarship provider.**
   a. If you have more than one, talk with each of them.
2. Call, email, or make an appointment to **talk to your financial aid officer** at the institution where you are enrolled or committed to.

Financial Aid Officer Professional Judgment

- **"Professional judgment"** allows financial aid officers to consider special circumstances beyond what the standard financial aid formula captures.
- They may be able to **adjust aid packages** to prioritize grant or scholarship aid over work-study or loan displacement.
- They may also be able to **raise your Cost of Attendance estimate**, potentially making you eligible for more aid.
- **Anytime your or your family's financial situation changes significantly**, including after submitting the FAFSA or applying/enrolling, talk to them about that!

Talking to Your Outside Scholarship Provider & Financial Aid Officer

Remember: Have your financial aid award and your scholarship information available when you meet with them.

Scholarship Provider	Financial Aid Officer
Describe how your outside scholarship has impacted your financial aid package.	What is their scholarship displacement policy? Can they provide you with that in writing?
How can your scholarship be used differently to avoid displacement?	How has that policy affected your financial aid package?
Is there anything they can do to liaise with your school on your behalf?	If gift aid has been reduced, can they use professional judgment to instead reduce loans or work-study offers?
	Can they use professional judgment to increase your Cost of Attendance to allow you to receive more of the outside scholarship aid?
	Can you appeal that decision to potentially receive more gift aid? If so, what documentation do you need and how can you submit it?

Ask Your Outside Scholarship Provider...

- Is your scholarship renewable each year or awarded for only one year?
- Which time period does it cover?
- How many payments will be sent out? In what ways?
- When exactly will those payments be sent out?
- By what method?
- Can scholarships be deferred and used later?
- What costs do they cover?
- What are eligibility requirements to maintain them?
- **To what extent is any of this flexible, including in cases of scholarship displacement?**

A Note about the Student Aid Index (formerly EFC)

- This is your **expected contribution towards college costs**, typically covered by savings, work, or family support.
- **Scholarships typically do not impact your estimated SAI.**
- Many scholarships, particularly need-based scholarships, **cannot cover your SAI**.
- **Ask your financial aid officer** if anything is unclear about your Student Aid Index amount or what you can use to cover it.

Example:

George's Cost of Attendance is $40,000 and his SAI is $3,000. Many colleges do not allow the student's expected contribution (now SAI) to be covered by need-based aid, so if George got $40,000 in need-based aid, he'd only be able to receive $37,000.

Tips for Maximizing Scholarships & Your Financial Aid

Yes, You Should Still Apply for Scholarships!

- Even with displacement, **scholarships can reduce overall college costs**.
- Instead of reducing gift aid, **displacement can instead result in fewer loans**, minimizing your debt burden after graduation.
- **It can also reduce or eliminate a work-study offer**, allowing more time to spend on academics and other pursuits.

Tips for Receiving an Outside Scholarship

- **Get to know your outside scholarship provider.** Know who the point person is for questions or issues, and save their contact information and anything you receive from them.
- **Read your scholarship award letter and acceptance form carefully.** It often outlines exactly what it can be used for, when it will be paid, how, and more.
- Your outside scholarship provider can be **a resource in other ways** too! They are often experts in how to support students like you, including through financial aid and other ways. **Be sure to ask them for help as you need it!**

Other Ways to Maximize Your Financial Aid

- **Submit the Free Application for Federal Student Aid (FAFSA) every year, on time.** This is crucial to qualify for federal and state grants and work-study programs. Do so regardless of family income!
- **Research college financial aid policies.** Some colleges offer generous aid packages or have limited displacement practices.
- **Review your awards every year, and negotiate with your financial aid office as needed.** Whether you're experiencing displacement or not, you may be able to negotiate increased gift aid.
- **Maintain satisfactory academic progress.** Most aid requires this, so stay focused on your studies to ensure your aid continues.

Additional Resources

Federal Student Aid Website

Federal Student Aid - Overawarding

Federal Student Aid - Financial Aid Officers' Professional Judgement

National Association of Student Financial Aid Administrators

National College Access Network

College Board

BigFuture Scholarships

FastWeb Scholarships

Thank you!

Thank You For Watching!

Questions? Contact Mary Beth Burwood, Education Program Officer, mburwood@capecodfoundation.org

For additional resources, please visit: https://www.capecodfoundation.org/35th-anniversary-postsecondary-success-series/

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