

What is Award Displacement and What Can We Do About It?

*Empowering Students to Gain the Full Value
of Scholarships to help Pay for College*



College success for all students through the power of scholarships

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



Getting to Know the Audience

iClicker Questions

- Please use the iClicker to answer each question by selecting the button that corresponds to your answer.
- Practice now by pressing one of the buttons.



iClicker Question #1

What type of organization or institution do you work in?

- A. 4-year university
- B. 2-year community college
- C. Private foundation
- D. Community foundation
- E. Other



iClicker Question #2

Award Displacement Experience

- A. I have never heard of award displacement before
- B. I have seen this happen but don't fully understand it
- C. I am well versed in this situation and have created solutions for our program



iClicker Question #3

Do you consider your scholarships to be:

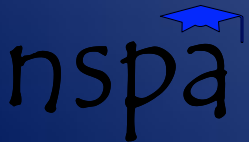
- A. Last dollar
- B. First dollar
- C. Neither



iClicker Question #4

Do you agree or disagree with the following statement: “Award displacement is a big problem for students”

- A. Strongly disagree
- B. Disagree
- C. Neither agree nor disagree
- D. Agree
- E. Strongly agree



iClicker Question #5

Institutions only: Does your college or university post your outside scholarship policy online?

A. Yes

B. No



iClicker Question #6

Providers only: Does your organization inform colleges and universities *in advance* about how to handle overawards involving your scholarships?

- A. Yes
- B. No



iClicker Question #7

Institutions only: Please choose the option that most closely resembles your school's financial aid packaging philosophy:

- A. Replace student loans and/or work-study before institutional grants
- B. Replace institutional grants before student loans or work-study



iClicker Question #8

When awarding need-based financial aid or scholarships, do you use IM or FM in determining the expected family contribution?

- A. IM
- B. FM
- C. Not need-based



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)



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?



Resources

Speakers:

- Mark Kantrowitz, Senior VP and Publisher, Edvisors.com, mkantrowitz@edvisors.com
- Julie Kim, Executive Director of Operations - UNCF, Scholarships and Programs, Julie.kim@gmsp.org
- Barbara Schmertz, Ph.D., Program Manager, Jack Kent Cooke Foundation, bschmertz@jkcf.org
- Larry Sparkman, The University of Southern Mississippi, Luckyday Scholars Program, Larry.Sparkman@usm.edu
- Joe Wilcox, The University of Texas at Austin, Student Financial Services, joe.wilcox@austin.utexas.edu

Background:

- NSPA White Paper on Award Displacement
<http://www.scholarshipproviders.org/Content/ContentDisplay.aspx?ContentID=731>

