



# The Impact and Importance of Scholarships



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for weekly scholarship and financial aid information

# Welcome

## The Impact and Importance of Scholarships

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### Who Is FAME?

FAME helps Maine students reach their higher education goals by providing free information on planning, saving and paying for college.

*Works for ME* ✓

- The Need For Scholarships
- How Scholarships Work
- How Colleges Treat Scholarships
- Scholarships And Taxes
- What Scholarship Providers can Do To Help



# The Need For Scholarships

## Rising Costs

Between 2009-10 and 2019-20,  
the increase in average grant aid  
covered 15% of the increase in  
published tuition and fees for full-  
time in-state students at public four-  
year colleges and universities.

Collegeboard.org

# The Need For Scholarships

## Rising Costs

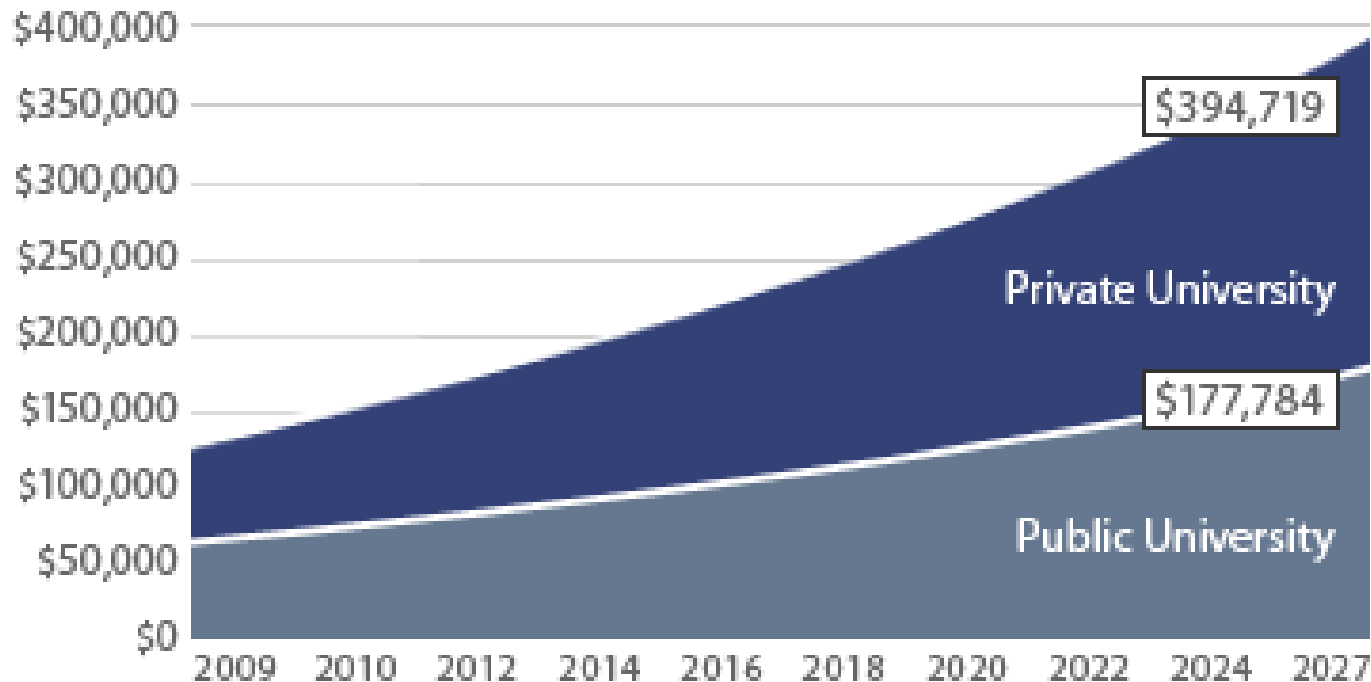
In 2019-20, full-time students at public two-year colleges must cover an average of about \$8,600 in room and board after grant aid, in addition to paying for books and supplies and other living expenses.

Collegeboard.org

# The Need For Scholarships

## Rising Costs

The Rising Cost of Higher Education  
*(Based on 4 years of school)*



collegedebtsolution.com

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# Determining Expected Family Contributions

**Expected Family Contribution or EFC** is the amount of money the government thinks a family can afford to put toward a student's college education for that year.

**What Is Considered**

Household size  
Number of kids in college  
Student income and assets  
Parent income and assets  
Age of the oldest parent

# Determining Expected Family Contributions

Let's Take A Look...

- Family of 4 (2 Parents, 2 Children)
- Oldest Parent is 46

Income	Family A \$40,000	Family B \$60,000	Family C \$90,000	Family D \$120,000
Expected Contribution from Income	176	3,547	11,023	20,520
% of Household Income	>1%	6%	12%	17%

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# The Need For Scholarships

## Your EFC Determines Your Need

### Cost of College – EFC = Student Need

Cost of Attendance -	\$24,500
EFC	- \$11,000

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Need	- \$13,500
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Cost of Attendance -	\$12,000
EFC	- \$11,000

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Need	- \$ 1,000
------	------------

Cost of Attendance -	\$70,000
EFC	- \$11,000

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Need	- \$59,000
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EFC Does  
Not Change

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# How Scholarships Work

## Scholarships Fill Need

- Scholarships fill unmet need
- You can not be given more need based aid than you have in need
- Scholarships cannot replace the Expected Family Contribution

# How Scholarships Work

## Scholarships Do Not Replace EFC...

Scholarships cannot replace the Expected Family Contribution unless...

- ✓ The student is receiving NO need based aid from the college or government

# How Scholarships Work

## Scholarships Fill Unmet Need

College Cost of Attendance	\$25,820
Expected Family Contribution	- 9,000
Grants & Scholarships from College and/or Gov.	-10,800
	<hr/>
Student Unmet Need	=\$6,020

- This student has \$6,020 of unmet need!
- This student could earn and apply up to \$6,020 in scholarships without exceeding need.

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## How Scholarships Work

### No More Need Based Aid Than Needed

College Cost of Attendance	\$25,820
Expected Family Contribution	- 9,000
Grants & Scholarships from College and/or Gov.	-10,800
	<hr/>
Student Unmet Need	=\$6,020

- Student is awarded \$9,000 in outside scholarships
  - This results in an over-award of \$2,980
  - The College will need to adjust aid (Assuming the budget can't be increased)

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# How Colleges Are Looking at Scholarships

- Colleges apply outside scholarships to a student's financial aid package as soon as they learn of it
- If the addition of the outside scholarship results in an over award schools will adjust aid if the cost of attendance budget can't be increased
- Need based student loans and work-study were typically adjusted first then grants
  - \*Based on information provided by Maine public and private colleges and universities

# How Colleges Are Looking at Scholarships

## TIPS from College Financial Aid Offices

- ✓ Inform colleges of outside scholarships as soon as possible
  - ✓ Colleges would like a copy of the Scholarship award letter because it can contain special instructions
  - ✓ Colleges are open to conversations about how funds are adjusted in a student's financial aid offer
- 
- \*Based on information provided by Maine public and private colleges and universities

# How Colleges Are Looking at Scholarships

## Talking to Financial Aid Offices about award adjustments

- Begin by discussing the Cost of Attendance
  - Do you have additional costs not reflected in COA (more credits or book expenses than in the budget, higher transportation costs, medical expenses)
  - Did you purchase a computer? Is your school recognizing that cost?
  - Does your degree program have additional costs (Specialized clothing, equipment, specific software or hardware)
- If aid must be adjusted, ask if loans or work-study can be reduced first



# Scholarships and Taxes

When are scholarships taxable?

- When scholarships exceed total tuition, fees, books, supplies and required equipment.
- When specifically awarded for room and board
- Any portion of a scholarship that is used to cover room and board



# Scholarships and Taxes

## Form 1098-T Tuition Statement

**Tuition Statement**

OMB No. 1545-1574  
**2018**  
Form 1098-T

ED  
payments received for qualified tuition and related expenses

3 If this box is checked, your educational institution changed its reporting method for 2018 ☐

4 Adjustments made for a prior year  
\$

5 Scholarships or grants  
\$

6 Adjustments to scholarships or grants for a prior year  
\$

7 Checked if the amount in box 1 includes amounts for an academic period beginning January—March 2019 ☐

9 Checked if a graduate student ☐

10 Ins. contract reimb./refund  
\$

**Copy B For Student**

This is important tax information and is being furnished to the IRS. This form must be used to complete Form 8863 to claim education credits. Give it to the tax preparer or use it to prepare the tax return.

www.irs.gov/Form1098T  
Department of the Treasury - Internal Revenue Service

- Lists payments made by the student as well as scholarships and grants applied to the student's account for the year
- If the amount listed in box 5, Scholarships and Grants, is larger than permitted costs, that larger portion is taxable
- Keep track of costs for books, supplies and equipment not accounted for by the college

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# How Scholarship Providers Can Help



- Adjust timing of award disbursement
- Place award into a 529 account

## 2020's First Wednesday Webinar

*\*At A New Time\**

*January 8, at 1:00 p.m.*

*Verification - The Next Hurdle After the FAFSA*

FAME's Wednesday Webinars are recorded  
and can be found at [FAMEmaine.com](http://FAMEmaine.com) on the  
K-12 and Higher Ed Professionals page



# Questions?

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