

Private scholarships - a billion dollar rip-off

Pity the poor student who dedicated several years of blood, sweat and tears to the Red Cross, YMCA, Kiwanis, Rotary, or any other non-profit organization, only to see all their well deserved scholarship money evaporate into thin air and wind up in the bank account or endowment fund of their alma mater. That's right! Virtually all organizations that award students private scholarships make a fatal error in having the check made payable to the student *and* the college. In that way the colleges consider it a resource to help pay for a student's education.

By the end of the school year most awards banquets are held, and worthy students are honored with these various scholarships. Very often their name appears in the paper as a recipient for all their hard work and dedication. Since the organization is primarily giving this money to be used for a student's education, they innocently ask the family where the student will be attending and make out the check to both parties.

Most schools send out their financial aid offers between January and April, with a May 1st decision date. Now, enter the "poor" institutions of higher learning. What a kick in the teeth it is to find out when a revised award letter arrives, that the *school's* aid has now been reduced dollar for dollar, based on the amount of the scholarship received! It's usually listed as "private scholarship," "outside aid," or very often, "other." Here's a typical before and after scenario:

Before Receiving a Private Scholarship

1. Cost of Attendance (COA)* =	\$ 45,000
2. Expected Family Contribution EFC* =	10,000
3. Financial Need (FN)* =	35,000
4. The student qualifies for the following aid:	
A - Stafford Loan -	\$ 3,500
B - Perkins Loan -	4,000
C - Federal work-study award -	2,500
D - State grants, etc. -	3,000
E - College scholarships, grants, tuition waivers, etc. -	22,000
F - Total -	\$35,000

1. The student will qualify for a maximum of \$22,000/yr in financial aid from the college.

After Receiving a Private Scholarship

1. Cost of Attendance (COA)* =	\$45,000
2. Expected Family Contribution EFC* =	10,000
3. Financial Need (FN)* =	35,000
4. The student qualifies for the following aid:	
A - Stafford Loan -	\$ 3,500
B - Perkins Loan -	4,000
C - Federal work-study award -	2,500
D - State grants, etc. -	3,000
E - Private Scholarship -	10,000
F - College scholarships, grants, tuition waivers, etc. -	12,000
G - Total -	\$35,000

1. The student still qualifies for a maximum of \$22,000/yr in financial aid from the college. However, the private scholarship is a bonus for the school, **not** the student. It enables the college to **reduce their aid dollar for dollar**, because if E were \$0, F would be \$22,000!

*COA = tuition, fees, room & board, books, etc.

*EFC = the minimum the federal gov't determines a family will pay at any college

*FN = the maximum amount of aid a family will qualify for

But these greedy schools already laid the groundwork for this theft months earlier. Those students who applied to any of the 220 elite private and a few state colleges that require the CSS Financial Aid Profile financial aid form may have already indicated they would be scholarship recipients. Section SR, Student's Expected Resources for 2007-2008, Question 5, asks for the total dollar amount expected from "grants, scholarships, fellowships, etc., from sources *other* than colleges," and they must be listed individually in Section ES.

The majority of schools that only require the FAFSA (Free Application for Federal Student Aid) simply send out a questionnaire asking about private scholarships. They're less devious, but just as deft.

Who in their wildest dreams would have ever thought that colleges would stoop so low and play such a dirty trick? Truth be told; it's all about the money, and have no doubt about it. Every year there are billions awarded in private scholarships, and who benefits; none other than these "poor" institutions of higher learning enriching their billion dollar endowment funds at the cost of their deserving students.

The best way for a family to avoid this catastrophe is to personally discuss this sordid state of affairs with the scholarship committee either at the time of application or well in advance of their announcing the awards. In that way, the check can be made payable to the *parents* instead of the student! If that tactic fails, ask them to postpone sending the check until after the student has enrolled.

If all else fails, have the parents call the financial aid administrator, explain the situation, and kindly ask (grovel if you must) that because of all their hard work, the student is really entitled to the money, and the college should not reduce *their* aid by the amount of the scholarship. If they take a hard line, try to negotiate some of the money back into the student's pocket, because half a loaf is better than none.