Financial Aid Updates

July 25, 2013
CATS Meeting
Alison Baum, Associate Director
Office of Student Financial Assistance
Topics

• Awarding Best Practices
• External Fellowships
• Prizes vs. Scholarships
• Upcoming Priority Dates
Awarding Best Practices

• Developed by the Office of Enrollment Management and endorsed by Provost Karen Hansen to aid all campus partners and IU departments in strategically awarding gift aid to prospective and continuing students.

• Derived from Federal Financial Aid Regulations, Indiana University Policy, Office of Student Financial Assistance Procedures, and IU Foundation Directives.
Awarding Best Practices

- The awarding of undergraduate and graduate gift aid should always be strategic and complement the campus’ enrollment plans for the recruitment and retention of students. Efforts should be made to ensure awarding practices recognize that another desired outcome is to convert current recipients into future donors.

- Awarding practices should reflect the ethical standards and fiscal policies of the University, with priority focused on financing academic year costs for current or future terms.

- Donor agreements and other applicable restrictions should always be applied.

- Data entry of award amounts and accompanying fiscal transactions should occur in appropriate proximity to award notification.

- All recipients of gift aid should be notified of their award, as well as related information, such as terms of acceptance and renewal criteria.

- Determination of award eligibility as well as notification of awards should be made as close to the time of admission as feasible in order to facilitate the freshman and/or graduate student’s decision-making process.

- Awards should be renewed as close to the time of registration for enrollment in subsequent terms as feasible, in order to facilitate the upperclass student’s decision to continue.
Awarding Best Practices

- Awards should be entered into the system in a timely fashion, with consideration of already-existing IU scholarship commitments to the student.
- Initial eligibility restrictions and renewal requirements should be clearly and continually stated to recipients.
- Awards should be equally divided between the two semesters, which reflects the nature of costs incurred and other financial aid that may have been awarded.
- Awards to undergraduates should be designed to be renewed for the equivalent of a four-year bachelor’s degree, 8 academic semesters. Adherence to eligibility requirements should be monitored on an academic year basis, with changes in award amounts made to eligible students for the subsequent academic year rather than determined each semester.
- Awards should not be withdrawn or adjusted for students once they have been disbursed.
- Awards should not be made retroactively or for terms of non-enrollment.
- Awards should not be made to students whose costs of attendance have already been met with other financial aid.
- Awards should not be made to Title IV Federal aid recipients whose financial needs have been met by aid that has been fully disbursed.
External Fellowships

- As of 2012-13, external (non-IU) fellowship funding being processed by individual schools/departments

- Funds originally sent to Office of the Bursar, then transferred through the Office of Student Financial Assistance to appropriate schools/departments

- Impact of SAA health insurance premium payments is minimal for most schools/departments
External Fellowships

Processing Tips:

- Enter fellowships into SIS as soon as possible after contacted about transfer of funds.

- Students will only qualify for SAA health insurance if...
  - External fellowship is greater than $3260 per semester, or
  - External fellowship combined with other fellowship funding is greater than $3260 per semester.

- Cover health insurance premium (object code 5610) by...
  - Using departmental funds, or
  - Deducting estimated premium amount from external fellowship funding.
Prizes vs. Scholarships

• Current Guidance (2012-2013 academic year)

  The IRS considers payments or winnings intended for the purpose of aiding a student’s study, training, or research as scholarships or fellowships. Payments or winnings won in a contest are considered a scholarship, if any of the following conditions apply:

  • The recipient is required to use the disbursement for educational purposes.
  • The recipient has to be a student to win the prize.
  • The contest is related to the student’s university courses or degree completion.

  ~Guidelines based on federal financial aid regulations and federal tax law
Prizes vs. Scholarships

• Proposed Guidance (2013-2014 academic year)

The Department of Education considers payments or winnings because of enrollment at a postsecondary institution or for the purpose of aiding a student’s study, training, or research as scholarships or fellowships. Payments or winnings won in a contest are considered a scholarship, if any of the following conditions apply:

• The recipient is required to use the disbursement for educational purposes.
• The recipient is eligible to receive the funding because he/she is a student.
• The contest is related to the student’s university courses or degree completion.

~Guidelines based on federal financial aid regulations and federal tax law
Prizes vs. Scholarships

- Estimated Financial Assistance (EFA)
  - Includes any education benefits paid because of enrollment in postsecondary education and/or paid during enrollment term.
  - Includes assistance from federal programs, schools, and private external individuals or organizations.
  - Examples include
    - Scholarships/Fellowships
    - Employer reimbursement of employee’s tuition
    - Tuition and fee waivers
    - Need-based employment

~Information from federal financial aid regulation 34 CFR 685.102(b)~
Prizes vs. Scholarships

- Financial Aid Implications:
  - **Compliance**
    - A scholarship is always considered EFA. Post scholarships through the SIS.
    - A prize is not considered EFA. Prizes can be awarded via DV.
    - Err on the side of caution (EFA) for federal financial aid compliance.
  - **Overaward (applies only to students receiving Title IV federal aid)**
    - Student can only receive total aid (including EFA) up to financial need or COA.
    - Federal or campus-based aid may have to be reduced to make room for additional scholarships.
    - Student loan debt will likely be decreased
  - **No Refund**
    - Student will not necessarily receive cash-in-hand if any bursar charges are unpaid.
  - **Access to SIS entry may be closed for the academic year.**
    - Contact deptsch@indiana.edu.
Prizes vs. Scholarships

- **Tax Implications:**
  - **Scholarships**
    - Reported on Form 1098-T by IU.
    - A scholarship is taxable if...
      - The recipient is not a degree candidate at an eligible education institution, or
      - The amount paid exceeds the student’s qualified educational expenses (i.e. tuition, fees, and course-related expenses, such as fees, books, supplies, etc.).
  - **Prizes**
    - Reported on Form 1099-MISC by IU if over $600
    - A prize is fully taxable income to the recipient, even if it is under the $600 Form 1099-MISC reporting threshold.
Upcoming Priority Dates

2013-2014 Scholarship/Fellowship Awarding:

- August 10, 2013 – First bursar payment due for Fall 2013
- August 16, 2013 – Fall 2013 disbursement date
Questions?
Contact Information

Scholarship questions: deptsch@indiana.edu
Lisa Hamilton, 855-6359
Danielle Gunkel, 855-2234
Alison Baum, 855-9242
http://studentcentral.indiana.edu/financial-aid/index.shtml

Tax questions: taxpayer@indiana.edu