

PEJE Financial Management Community of Practice
Open Forum on Financial Aid, December 14 & 16, 2005
Moderated by Stephane Acel

The following FAQ's were developed from two Community of Practice conversations about financial aid. Answers to the questions came from participating schools, notes from a previous call with Rheua Stakely, input from Rabbi Joshua Elkin, and a publication from NAIS called Financial Aid Administration for Schools 2nd Edition by Patricia P. Jamison and Rachel Countryman.

Note: The term "financial contribution to education" is synonymous with "reduced tuition" for the purposes of this document. Therefore, a financial aid award is the difference between full tuition and the financial contribution to education as calculated by the financial aid process.

Q: Should schools conduct home visits or ask for "certified" tax returns from the IRS?

A: Practices such as conducting home visits or requesting IRS-certified tax returns are generally considered to be invasive and may suggest to a family that they are being dishonest by applying for financial aid. Many families have a tough time, conceptually, applying for aid and such practices can create an additional barrier. Financial aid processes should be dignified and non-invasive and have the assumption that most people are honest and dislike asking for assistance. If there are any inconsistencies in the data presented by parents, schools can follow-up with families individually using a professional, respectful protocol. Just to be clear, however, it is good practice to require copies of tax returns from families with the assumption that they are authentic.

Q: How do you deal with divorced or separated parents that apply for financial aid?

A: Receiving financial information:

First, try to get financial information from both parents, if possible. If one parent is unwilling to share information, the school can impute into their analysis a predetermined level of income earned by this parent or add a standard amount to the calculated "family contribution to education" (see definition above).

If one parent has no involvement in his or her child's life, the school can waive the requirement for that parent to supply financial information. Some schools require the parent with custody to supply a letter documenting the situation from a doctor, lawyer, clergy, school official from a feeder school, or social worker.

Some schools ask for divorce decrees or negotiated settlements, since these can often stipulate how much each parent is supposed to contribute to the child's education. Schools may decide not to abide by these agreements, since the school was not represented in the process and also because the negotiated settlement may not reflect current financial circumstances. If the school asks for these agreements, it should make it clear whether the school will abide by them or is asking only for informational purposes.

Schools often find themselves dealing with families in the middle of divorce proceedings. Often, the parent with the least financial resources has custody of the child and is the parent who is most supportive of day school. Some schools have decided to be lenient in these cases and will work within the system to help this parent afford day school. Unfortunately, this can mean that schools lose tuition revenue, if the other parent is a higher wage earner.

Calculations and communication of financial aid award:

Schools using SSS often conduct separate analyses on each household to calculate separate family contributions to education. Otherwise, reconstituting the family unit takes into account only one household's expenses thereby artificially increasing the family contribution.

Some schools calculate separate family contributions for each parent and then communicate them to each parent separately. Other schools calculate one award and require the two parents to figure out who pays how much on their own.

When the communication of one combined financial aid award amount is sent to each parent, a permission form should be obtained in advance from each party. This is because the sharing of one combined parental contribution with each parent implicitly shares financial information about the other party.

Q: How do you evaluate financial aid applications where the school knows that tuition is paid by a grandparent?

A: Some private schools subtract the amount that the grandparent pays from the calculated financial aid award. Other schools consider tuition payments from grandparents as outside gifts or prizes that do not affect the calculated financial aid award. Many financial aid programs actually ask families to disclose any outside assistance that they receive to pay for tuition. Grandparents who are able to cover their grandchildren's tuition may also be in a position to contribute to a school's fundraising campaign. A coordinated approach between the business and development office may allow the school to tap this resource.

Q: How do schools handle situations where a family on financial aid receives a windfall or new job?

A: In many ways, this is similar to the previous question in that many financial aid processes specifically require families to notify the school if and when a financial windfall occurs. Families would then be required to contact the school to discuss their new financial circumstances.

Q: How does a school handle families' legitimate financial aid needs when the total need is above and beyond the financial aid budget?

A: Some schools view any additional tuition dollars as welcome additional funds, especially in cases where filling empty seats do not cost the school more. Schools should track the number of students on financial aid carefully, however, since having too many students on financial aid can overburden the school in the long-term. If a school feels that it must not exceed its financial aid budget, it may consider making cuts to everybody's award after calculating the family contribution to education. Schools may decide to cut everyone evenly or make adjustments in favor of the most needy families. Overall, school personnel should ask themselves whether families could really pay a tuition amount beyond what the process says they can pay. Families may be willing to work with the business office on a payment plan to ensure that they accept the offer of admission. Schools who cannot meet the full extent of need as indicated from the financial aid process should be aware that not doing so might hamper future recruitment efforts. It is critical for schools to position themselves to attract more full paying parents so as to be better able to support families who cannot pay the full cost of tuition.

Q: How do schools evaluate families that co-own valuable, non-liquid assets?

A: If the family has limited control over the timing of the sale of this property, schools will have to decide whether owning this asset makes the family more financially secure. If so, a school may increase the family contribution to education by, for instance, decreasing the family's retirement allowance.

This question presents a timely opportunity to remind schools to maintain contact with alumni. If and when the property is liquidated in the future, the family may be in a position to send the school a donation. Confidentiality would prevent the development office from access to a particular family's financial aid information, but regular contact with alumni may ensure that the family keeps the school in mind in the future.

Q: What is the ideal time frame for deadlines on financial aid applications? When should awards be announced to families?

A: Ideally, financial aid applications should be due no later than December 15. In early March, families should receive enrollment contracts with tentative tuition amounts pending the receipt of new tax returns and W-2's in April. All tax reviews and appeals should be concluded by May. Some schools require that all tax returns and financial aid forms be sent together by the end of January, so that tuition amounts sent with enrollment contracts are definitive and not tentative.

<I:\Financial Management\Peer Exchange\Financial Aid\Calls Dec 14-16\Fin Aid FAQs.doc>