



Federal Government Bans Sharing of FAFSA Data with Scholarship Providers

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The U.S. Department of Education's Privacy and Technical Assistance Center (PTAC) has issued guidance that prohibits the release of data from the Free Application for Federal Student Aid (FAFSA) to private scholarship providers, even with the student's written authorization. PTAC's guidance concerning the sharing of FAFSA data with private scholarship providers appears on page 9 of the report, [Guidance on the Use of Financial Aid Information for Program Evaluation and Research](#), which was published in January 2017:

Can a financial aid office share FAFSA/ISIR¹ data with an outside non-state scholarship organization?

No, the HEA only permits disclosure of student aid data for the purposes of application, award, or administration of aid awarded under federal student aid programs, state aid programs, or aid awarded by eligible institutions. Since the scholarship organization is not operating one of these programs, the institution may not disclose students' FAFSA/ISIR data, including award eligibility information, to the organization. Since the institution is not obtaining student financial aid data directly from a Department system of records, the Privacy Act does not apply to the institution in this scenario.

[PTAC recently confirmed this guidance to the National Association of Student Financial Aid Administrators \(NASFAA\)](#). PTAC has also indicated that the ban on the release of FAFSA data includes derived values, such as the expected family contribution (EFC), demonstrated financial need and award amounts.

PTAC's guidance is based on section 483(a)(3)(E) of the Higher Education Act of 1965 [[20 USC 1090\(a\)\(3\)\(E\)](#)], which concerns the privacy of FAFSA data:

Data collected by such electronic version of the forms shall be used only for the application, award, and administration of aid awarded under this subchapter, State aid, or aid awarded by eligible institutions or such entities as the Secretary may designate.

¹ ISIR = Institutional Student Information Record





The plain language of the statute effectively limits the release of FAFSA data to colleges and state agencies, and does not provide an option for students to sign a waiver to permit release to third parties. Although the Family Educational Rights and Privacy Act of 1974 (FERPA) allows the sharing of educational records without prior consent “in connection with a student’s application for, or receipt of, financial aid” [20 USC 1232g(b)(1)(D)] and allows the student to sign a waiver in situations requiring prior consent, it is not sufficient. The FAFSA privacy language trumps FERPA because it was introduced by the Higher Education Opportunity Act of 2008 and thus is more recent than FERPA.

Some colleges and universities have already stopped sharing FAFSA data and financial aid data with private scholarship providers. More will stop sharing the data as they become aware of the PTAC guidance.

This is problematic for scholarship providers for several reasons:

- Scholarship programs that are “last dollar” awards need the student’s financial aid data to determine the student’s remaining financial need after all other financial aid has been awarded.
- Scholarship programs that aim to eliminate or replace a student’s work and/or loan burden need to see the financial aid data to determine the scholarship amount that is awarded to the student.
- Scholarship providers that provide counseling to their students need to see the financial aid data to help the students understand their award information, which is not standardized and often confusing.
- Scholarship providers need to review the financial aid data to help students optimize the use of their scholarships and minimize scholarship displacement.

The PTAC guidance, however, does not prevent students from sharing their financial aid data with scholarship providers. Scholarship providers will need to ask scholarship recipients to share their financial aid data with them.

Since the statute allows the Secretary of Education to designate other entities as eligible to receive FAFSA data, the National Scholarship Providers Association (NSPA) should consider petitioning the U.S. Department of Education to designate scholarship providers as eligible to receive FAFSA data. It may be advisable for NSPA to propose reasonable restrictions, such as limiting the receipt of FAFSA data to tax exempt, charitable organizations, such as 501(c)(3) and 501(c)(6) organizations, that agree to safeguard the FAFSA data to the same standards required of eligible colleges and universities.





NSPA can also alert members of Congress to the problems caused by PTAC's guidance. Congress could amend the Higher Education Act to add private scholarship providers to the list of entities that can receive FAFSA data.

Questions may be directed to the PTAC Help Desk by phone at 855-249-3072 [or email PrivacyTA@ed.gov](mailto:PrivacyTA@ed.gov)

*A session entitled, **Have You Heard? Federal Government Bans Sharing of FAFSA Data with Scholarship Providers**, will be added to the NSPA 2017 conference on October 11, 2017 at 9:45am, concerning this development. Please see the program schedule for more details and to [register for the conference](#).*

