



## FAQs for Schools on Liquidity Crisis and Bank Failure Fallout

Insights

3.20.23

Schools may soon face repercussions from the liquidity crisis caused by Silicon Valley Bank's collapse, subsequent bank failures, and the resulting financial tremors rippling across the country. Many of those employed by companies impacted by the liquidity crunch may have trouble meeting their financial obligations to your school – a pattern we have experienced before during other financial crises. Besides our [comprehensive set of FAQs created for employers](#) dealing with the crisis, here are a set of frequently asked questions we've started to field from impacted schools about the unique challenges you may face.

### **What should our school do if a parent seeks additional financial aid for their student?**

While there is nothing preventing your school from providing additional financial aid to families in need, there are some important points you need to consider before providing the money.

- You should establish a written policy in place ahead of time outlining the occasions on which you would offer such aid and the various considerations you would consider before paying it out.
- The process should set forth the parameters by which a family can qualify for emergency financial aid. These parameters may be different than the school's typical financial aid awards – but should be applied equally to all applicants.
- You should publicize your policy to your entire school community so everyone is equally aware of it and understands the formal process by which they can request emergency aid.
- Whether your school dedicates additional funds to an emergency financial aid budget or has another source for funding, you should ensure your process describes to parents in need the way they can apply for the aid rather than having school officials award it to whomever asks first or has the right contacts within your school.
- Most importantly, you need to create a written confirmation of any agreement you reach to formalize the arrangement rather than doing them on a handshake basis. This agreement should address that the emergency aid is being offered for the limited duration of the emergency, and is not a guarantee of a future offer of financial aid.

### **What should our school do if a parent seeks deferred tuition payment plans?**

Just as with emergency financial aid, your first step in deferring tuition payments is ensuring you have a written process in place.

- Again, similarly situated parents should be treated equally, so establishing a written policy and process that is distributed to the entire community is an important step.
- Any delayed tuition payment plans should be memorialized as an addendum to the enrollment agreement and signed by both parents and the school.
- Be sure to comply with any Truth In Lending Act disclosure requirements that may arise from an adjusted payment plan.

### **What should we do if a parent simply doesn't pay their tuition on time but we suspect it's related to this crisis?**

Be sure the family is aware (preferably in writing) of any emergency financial aid or deferred payment plans your school is offering. If the family chooses not to pursue those opportunities, then follow your regular process with respect to non-payment, including notices of late payment, interest or late fees, warning of implications for non-payment, and collections.

Beware when making assumptions in these circumstances – because while payment delays could be as a result of the crisis, they may also be simply coincidental and unfortunately some may take advantage of the situation. Letting parents know that the lines of communication are open and the school stands ready to listen but also plans to stick to its usual collections process may go a long way to reach a positive outcome for all.

### **What if our own employees need additional financial assistance due to fallout from the crisis?**

You also want to consider these implications for employees who may need additional tuition remission, if your school offers it, or emergency financial aid and consider how affected employees will be handled. If your school plans to provide additional tuition remission, be sure to amend your tuition remission policy to reflect emergency circumstances. Additionally, keep in mind that any additional tuition remission offered cannot benefit highly compensated employees more than other employees lest all tuition remission to the highly compensated employees becomes taxable (not just the excess benefit).

### **Conclusion**

We will continue to monitor developments related to this situation, so make sure you are subscribed to [Fisher Phillips' Insight System](#) to keep up with the most up-to-date information. Please consult your Fisher Phillips attorney, the authors of this Insight, or any attorney on [our Education Team](#) with any questions.

### ***Related People***



**Suzanne K. Bogdan**  
Partner  
954.847.4705  
[Email](#)



**Jennifer B. Carroll**  
Partner  
954.847.4716  
[Email](#)





**Kristin L. Smith**

Partner

713.292.5621

Email

***Service Focus***

Employee Benefits and Tax

***Industry Focus***

Education