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CONTACT: Gretchen Wright
202/371-1999
Edie Irons
510/883-7302

College Cooperation Could Yield More Grant Aid for Needy Students Report Finds Current Law Prevents Efforts to Limit Merit Aid

(Berkeley, CA) – Over the past two decades, colleges and universities have increasingly engaged in financial aid “bidding wars” for students with high test scores or grades but little or no financial need. Using so-called “merit aid” to attract certain types of students can, among other things, increase a college’s ranking in popular magazines. A new white paper suggests that colleges could free up significantly more funding for need-based financial aid if they could legally work together to curb these bidding wars.

A new study by the Institute for College Access & Success, *[Time to Reexamine Institutional Cooperation on Financial Aid](#)*, finds that in 2005-06 colleges awarded at least \$3 billion of grant aid in excess of need, while many students went without adequate aid.

“Colleges get drawn into bidding wars because their peers are doing it, but many would welcome the chance to limit this competition and redirect aid towards needier students,” said Robert Shireman, president of the Institute for College Access & Success.

The white paper includes an opinion from a leading antitrust law firm, Shearman & Sterling LLC, which concluded that such constructive cooperation among colleges is too risky in the current legal environment. The Institute suggests that Congress consider creating temporary exemptions in antitrust law to see whether colleges can effectively work together to improve aid and access for low-income students. These exemptions would build on a narrow exemption already used by 27 elite institutions.

Institutional cooperation on financial aid has been a thorny legal issue since the early 1990s when the Department of Justice investigated 57 private four-year colleges to determine if their cooperation violated antitrust laws. These schools were actually working together to try to avoid bidding wars that divert aid from needier students. The Department did bring suit against some colleges, which quickly settled the matter and stopped communicating about financial aid. However, an appeal by MIT, and an exemption for some colleges created by Congress in 1992 have made the legal environment around this issue uncertain.

Download and read the white paper at: <http://www.ticas.org/files/pub/antitrust.pdf>.

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