

How Schools Lie: The Deceptive Financial Aid System at America's Colleges

The new report explores how higher education institutions mislead students by understating true costs and overstating aid

Press Release

New York, NY, August 31, 2021 — JFI's [How Schools Lie](#) report, the seventh installment in the ongoing [Millennial Student Debt](#) project, provides a view into how colleges mislead students about the true cost of college, which exacerbates delays in completion, drop outs, and debt. By understating the non-tuition costs and by obscuring the fact that financial aid quantity tends to drop after the first year, colleges effectively deceive students about the true financial implications of their education. This deception leads to increased dropouts, hurting low-income students the most.

Using IPEDS data sourced from 2- and 4-year Title IV schools, JFI's report provides the most in-depth scrutiny of this pattern over the last decade and how it has become more common and more severe over that time across the full spectrum of higher education institutions.

Key findings from this report include:

- Colleges are increasingly practicing “front-loading,” awarding first-time students generous grants or scholarships in their first year which greatly diminish in the second year and beyond. During the academic year (AY) 2017-2018, 83% of higher ed institutions engaged in front-loading practices.
- The data show increasing numbers of first-time full-time (FF) students experiencing negative impacts from front-loading schemes, with low-income students the worst off. These patterns are present across institution type and level, and reduce rates of college completion.
- There are far fewer Pell grantees and smaller grant sizes among students in later years of college versus first-time students,

signifying that low-income students are those most impacted by front-loading. Most recent data shows FF students receiving, on average, over \$3,000 more in free aid than all other undergraduates.

- Federal borrowing maximums increase as a student progresses through college, meaning that students must make up for reductions in financial aid with unanticipated borrowing.
- More expensive public schools enrolled an equal share of first-time students as less expensive public schools, yet show enrollment of a substantially smaller share of the undergraduate and transfer student body. Affordability in terms of price is an overwhelming factor for undergraduate students.
- 69% of institutions underestimate off-campus ancillary costs like transportation, clothing, and furnishings. Of those institutions, over half underestimate ancillary costs by more than 25%, a shortcoming of more than \$1,380 dollars per academic year at nearly 2500 colleges.
- 41% of schools underestimate housing costs; the median discrepancy in room and board costs was \$1,488 for public colleges and \$2,045 for private colleges.

[Read the full report here.](#)

JFI's [ongoing series on millennial student debt](#), led by JFI researchers Laura Beamer and Eduard Nilaj and JFI senior fellow Marshall Steinbaum, has covered topics such as student debt after the 2008 recession, regional disparities in student debt, and the inadequacy of income driven repayment to address the expanding student debt crisis, and includes a number of interactive data visualizations, including the [Millennial Student Debt - Comparison Tool](#), which allows for interactive comparisons of higher education and debt statistics for specific geographic areas at the national, state or congressional district level.

How Schools Lie is written by JFI Lead Researcher in Higher Education Finance [Laura Beamer](#) with research assistance from Elizabeth

Cornell-Khan, Raquel Merced, Adamma Morrison, [Zyris Shakir](#), and [Eduard Nilaj](#). Read the other pieces in the series [here](#). The next post in the series will cover student loan borrowers and the prevalence of mortgages.

About the Jain Family Institute:

The Jain Family Institute (JFI) is a nonpartisan applied research organization in the social sciences that works to bring research and policy from conception in theory to implementation in society. Founded in 2014 by Robert Jain, JFI focuses on building evidence around the most pressing social problems. The *Phenomenal World* is JFI's independent publication of theory and commentary on the social sciences.

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