

FRONT-LOADED AID TRANSPARENCY (FLAT) ACT

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THE PROBLEM: FRONT-LOADED FINANCIAL AID

A number of colleges and universities engage in front-loading of financial aid. This potentially deceptive practice occurs when a school provides more institutional grant aid to students in their first year than in subsequent years, in order to attract students to enroll in the school. Incoming first-year students are often not aware that their financial aid will decrease in the following years.

While there has been no large-scale study on front-loaded financial aid, data from the National Center for Education Statistics provides some insight into the prevalence of this practice. According to this federal data, in 2020, 83 of the 100 highest-ranked colleges in the country by *U.S. News* front-loaded their financial aid. Of these 83 colleges, the average first-year student received \$2,411 more in institutional grant aid than second-, third-, and fourth-year students. For the three colleges that front-loaded their financial aid the most, that number increased to a \$9,000 difference.

Colleges and universities are currently not required to inform incoming students if the aid package they received will be front-loaded. There are no federal requirements regarding the contents of financial aid letters colleges and universities provide to students or what they must disclose. The true extent and repercussions of front-loading financial aid are also not well understood.

THE SOLUTION: FRONT-LOADED AID TRANSPARENCY ACT

To help American students and their families make informed financial decisions, the bipartisan Front-Loaded Aid Transparency (FLAT) Act would direct the Government Accountability Office (GAO) to conduct a study aimed at uncovering the prevalence, extent, and impact of the practice of front-loading institutional grant aid at accredited colleges and universities in the United States.

The FLAT Act would direct GAO to study:

- The prevalence of front-loading of grant aid and trends in how average grant aid for first-year undergraduate students compares to amounts for subsequent years (including whether the school is public, non-profit, or for-profit);
- Potential reasons why a school would reduce the amount of grant aid provided to individual students after their first year of study, and why, if at all, these reductions would be higher at some schools;
- The impact of front-loaded grant aid on student loan borrowing, student retention, enrollment intensity (i.e. taking fewer courses), transfer rates, and graduation rates; and
- The extent to which schools that engage in front-loading inform prospective students about how their aid packages are likely to change after their first year of study.