



Department of Justice

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**CONSENT DECREE SETTLES CHARGE OF CONSPIRACY TO RESTRAIN PRICE
COMPETITION ON FINANCIAL AID AGAINST MAJOR UNIVERSITIES**

WASHINGTON, D.C. -- The Department of Justice today filed a civil antitrust case charging eight Ivy League universities (Ivies) and the Massachusetts Institute of Technology (MIT) with violating the Sherman Act by illegally conspiring to restrain price competition on financial aid to prospective students.

At the same time, the parties filed a consent decree that would settle the suit against all defendants except MIT. Both were filed in U.S. District Court in Philadelphia.

In the decree, the Ivy League defendants agree that they will no longer collude or conspire on financial aid. They also agreed not to discuss or agree on future tuition or faculty salary increases.

A major potential negative effect of the collusion alleged in the complaint is that students may have been deprived of the opportunity to attend the defendants' school of their choice because they were not offered as much aid as they would have been in absence of the conspiracy.

The complaint alleges that the nine defendants participated in a financial aid conspiracy called "Overlap." Through this conspiracy, the defendants explicitly fixed the amount of money

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that the families of financial aid applicants had to pay to attend one of these schools. For those applicants, it is this "family contribution" that constitutes the real price of attending one of these schools.

The conspiracy is alleged to have had three aspects: First, it is alleged that through a series of meetings, the defendants colluded on a formula for determining the family payment. Second, it is alleged that in an annual spring meeting, they agreed on the family payment for individual students. Finally, it is alleged that the Ivies and MIT agreed not to award merit scholarships based on academic achievement or other attributes.

"A college education for their children has always been, for most parents, part of the American dream -- a dream which many parents have been willing to sacrifice and work very hard to accomplish despite ever increasing costs. The revered stature of these institutions of higher learning in our society does not insulate them from the requirements of the antitrust laws," Attorney General Dick Thornburgh stated.

"Students and their families are entitled to the full benefits of price competition when they choose a college," Thornburgh said. "This collegiate cartel denied them the right to compare prices and discounts among schools, just as they would in shopping for any other service.

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"The defendants conspired to eliminate cost competition as a factor in choosing a college. The choice of whether to consider price when picking a school belongs to parents and students, not the college or university," he added.

"The most unfortunate aspect of this conduct is that it had a disproportionate impact on the students who needed the financial aid the most," the Attorney General stated.

The civil complaint names Brown University, Columbia University, Cornell University, Dartmouth College, Harvard University, MIT, Princeton University, the University of Pennsylvania, and Yale University as defendants.

Under the consent decree signed by all defendants except MIT, the Ivy League defendants cannot agree with any college on the family payments made by financial aid applicants, or communicate or exchange information on how these payments will be calculated. They also may not agree on the formula used to determine these payments, or exchange information about applying the formula.

The settling defendants further cannot agree on whether or not to offer merit scholarships and cannot exchange or agree on the self-help figures. The Department is seeking similar relief against MIT. Financial aid is a discount from the full price of attending college. The less aid a student receives, the more his or her family pays.

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Financial aid is determined by subtracting the family payment from the cost of attending the school.

Each spring, high school seniors complete financial aid applications and send them to various colleges. The colleges review the applications and determine how much the family payment should be, and how much the aid should be.

At the defendant schools, there is no merit aid. The schools use their formula to determine the family payment and need. They then meet each April to agree on the individual family payments: the real price of attending the college.

After this meeting, the schools notify the students of whether they are accepted by the school and how much aid, if any, they will receive.

The matter is being handled by attorneys in the Professions and Intellectual Property Section under the direction of Assistant Attorney General for Antitrust, James F. Rill.

Public comment on the proposed decree is invited within the statutory 60-day comment period. Interested persons may address comments to Robert E. Bloch, Chief, Professions and Intellectual Property Section, Antitrust Division, U.S. Department of Justice, 555 Fourth Street, N.W., Room 9903, Washington, D.C. 20001 (202/307-0467).

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