Wealthy Parents Exploit Financial Aid Loophole Take Funds From Needy Students

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A recent report by ProPublica found that wealthy parents were giving up legal custody of their children to qualify for need-based financial aid. The report found that parents were exploiting a legal loophole which allows their children to qualify for need-based financial aid that they would not otherwise receive.

Parents would give up legal custody of their child to another family member which would allow the child to be legally independent of their parents. As such, the parents income and financials would not be taken into consideration when determining the need-based aid given to the student.

Through this loophole federal funds are siphoned away from students who actually need it. With the cost of higher education rising dramatically over time it is more difficult for low-income families to send their children to university.

Under the capitalist economic system, education is a commodity and universities, corporations, and shareholders benefit from the rising costs of education. Through student loans, investors extract interest on the money lent to students to attend university.

Education companies such as McGraw-Hill profit by selling required textbooks and other educational materials to students. There are countless other ways in which the American education system is privatized in order to benefit the wealthy.

With the outrageous costs of higher-education in this country, the government stepped in to subsidize the cost for lower-income students through Pell Grants administered through the Department of Education, as well as other means. Students apply for federal aid through the Federal Application For Student Aid (FAFSA) and aid is granted directly to the university.

Through this loophole discovered by ProPublica, wealthy parents are able to exploit the system to take aid that would be distributed to low-income students and provide aid to their own children. However, implying that the actions these parents are taking is a “loophole” would imply that the laws and policies in this country are intended to benefit the mass of people. Rather, the laws in this country are willfully structured to protect the wealthy and properties classes and in this regard the laws are working as designed.

Sources:

1, 2, 3

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