



## **Scholarship Scam Alert**

### **If you must pay money, it might be a scam**

Every year there are a few scams based on imitations of legitimate foundations, scholarship sponsors, leaders and scholarship search companies. They may even have official sounding names, using such words as “National,” “Federal,” “Division,” “Foundation,” and “Administration” to fool unwary students and parents into thinking they are federal agencies or grant-giving foundations.

While looking for a creative way to finance college, families often fall prey to scams. The lure of “free money” can fool even skeptical people. The fact is no one should have to pay money up front to find information about college grants or scholarships. There are many free web sites to find comprehensive information about student aid.

In the previous years, the Federal Trade Commission has shut down companies that promised scholarships in exchange for an advance fee. These companies victimized hundreds of thousands of people, cheating them out of at least \$22 million. The FTC charged that most of the companies that guaranteed scholarships or grants attached conditions that made it impossible to get a refund if no scholarship was granted.

In a recent annual report to Congress, the Federal Trade Commission, the Department of Justice, and the Department of Education state: complaints have remained fairly constant during the past decade, compared to all of the other type of complaints registered with the FTC, the percentage of financial aid fraud complaints has decreased over time, and the nature of financial aid fraud has shifted from scholarship search services to financial aid consulting services.

### **Warning signs of a possible scam**

- Application fees-Beware of any “scholarship” which requests an application fee, innocuously low one, like \$10 or \$20. Most legitimate scholarship sponsors do not require an application fee.
- Other fees-If you must pay money to get information about an award, apply for the award or receive the award, it might be a scam. Beware of 900 number telephone services which charge you a fee of several dollars a minute for the call.

There are many legitimate scholarship search services that charge students a fee to compare the student’s profile against a database of scholarships. It is, however, very difficult to distinguish between legitimate services and scam imitators, because the services are often small operations that pay fees to search one handful

of national data bases. In any event, charging more than \$50 to search a scholarship database is excessive, especially since you can search the Fastweb database for free at [www.fastweb.com](http://www.fastweb.com).

- Guaranteed winnings-No legitimate scholarship sponsor will guarantee that you will win the award. Also be wary of guarantees that you'll receive a minimum amount of financial aid. Usually such guarantees are counting the federal student aid programs, for which most people are eligible.
- Everybody is eligible-Scholarships sponsors do not hand out award to students simply for breathing.
- Unsolicited opportunities-Most scholarships will only contact you in response to your inquiry. If you've never heard of the organization before, it probably is a scam.
- Typing or spelling errors-if the application materials contain typing and spelling errors, or lack an overall professional appearance, it may be a scam.
- No telephone number-Most legitimate scholarship programs include a telephone number for inquiries. Be careful if directory assistance does not have a telephone number for a scholarship program.
- Mail drop for a return address-If the return address is mail drop (e.g. a box number) or a residential address it is probably is a scam. Some scams may attempt to disguise a mail box as a suite number. (It is illegal to misrepresent a post office box, they will usually include a street address as well.
- Operating out of a residence-Since when did a major non-profit corporation operate out of a home or apartment? This isn't a sure sign of a scam, but it needs to be looked at carefully. Especially if they want money from you to apply.
- Masquerading as a federal agency- If the offer comes from an organization with an official sounding name, like "National Science Federation" check whether there really is a federal agency with that name. Don't trust an organization just because they have an official sounding name.
- Time pressure-If you must respond quickly and won't hear about the results for several months, it might be a scam. A scholarship scam might say grants are handed on a first-come, first-served basis and urge you to act quickly rather than just state a deadline.
- Unusual requests for personal information-if the application asks you to disclose bank account numbers, credit card numbers or social security numbers, it is probably a scam. All a scam operator needs to know in order to withdraw money from your bank account is the name of the bank.
- Notification by phone-If you have won a scholarship you will receive written

notification by mail, not a phone call. Even if the sponsor calls you to congratulate you, they will follow up with a letter in the mail. If the phone call asks you for money, hang up.

- High success rates-Overstated claims of effectiveness are a good tip off to a scam. For example less than one percent of users of scholarship search services actually win an award.
- Excessive hype-Scams try to get you so excited that you'll ignore your natural sense of caution. If the brochure uses a lot of hyperbole (e.g. "free money," "\$6.6 billion in unused money") be careful.
- Disguised advertising-Don't believe everything you read or hear, especially if you see it online. Unless you personally know the person praising a product or service don't believe their recommendation.
- Newly formed company-Ask the company how long it has been in business. If it was formed recently, ask for references. Most philanthropic foundations have been established for many years.
- A Florida or California address-A disproportionate number of scams seem to originate from Florida or California. If you were a scam artist, would you live in Minnesota where it's freezing in the winter, or would you live where it's warm and sunny? (This does not mean that all offers from Florida or California are scams, but that of the suspicious scholarship offers, the majority seem to come from these states.)
- Toll free number-Don't assume that because the offer has a toll free number that its legitimate. Toll free numbers are available to anyone who pays their phone bill.
- If you suspect a scholarship scam, bring a copy of all literature and correspondence concerning the scholarship to the District Scholarship Coordinator.
- The same scholarship search services that cost money, are available free of charge in the NJUHS District or at various legitimate web sites on the internet.

## **How can a student report a suspected scam?**

A student who believes he or she has been a victim of fraud should take the following steps:

1. If the student has revealed bank account information, he or she should immediately contact his or her bank, explain the situation, and request that the bank monitor or close the compromised account.
2. Report the fraud to ED's Office of Inspector General hotline at 1-800-MIS-USED (1-800-647-8733) or [oig.hotline@ed.gov](mailto:oig.hotline@ed.gov). Special agents in the Office of Inspector General investigate fraud involving federal education dollars.

3. Report the fraud to the Federal Trade Commission (FTC). The FTC has an online complaint form at <https://www.ftccomplaintassistant.gov/#crnt&panel1-1> and a hotline at 1-877-FTC-HELP (1-877-382-4357; teletype for the hearing impaired: 1-866-653-4261). The FTC will investigate if the fraud is deemed widespread; therefore, it is important that every student contacted by the person or people in question lodge a complaint so the FTC has an accurate idea of how many incidents have occurred. A company charging for financial aid advice is not committing fraud unless it doesn't deliver what it promises. Contact the FTC for more information about financial aid fraud or to report fraud.
4. Report Identity Theft: If you suspect that your student information has been stolen, it is important to act quickly. These offices will help you determine what steps to take depending on your situation:

**U.S. Department of Education**

Office of Inspector General Hotline

1-800-MIS-USED (1-800-647-8733)

<http://www.ed.gov/misused> or

<http://www2.ed.gov/about/offices/list/oig/misused/index.html>

**Federal Trade Commission**

1-877-IDTHEFT (1-877-438-4338)

<http://www.ftc.gov/idtheft> or

<http://www.consumer.ftc.gov/features/feature-0014-identity-theft>

5. If the student is a victim of someone claiming to be from the federal government, he or she should notify the police about the incident. Impersonating a federal officer is a crime, as is identity theft.

When filing complaints, the student should provide detailed information about the incident, including what was said, the name of the person or company, and from what e-mail address or phone number the solicitation originated. Additionally, if unauthorized debits have already appeared against the student's bank account, the student should mention this fact in his or her complaint. Records of such debits could be useful in locating the wrongdoer.

For information about identity theft prevention, you and your students may visit [www.ed.gov/misused](http://www.ed.gov/misused) or <https://studentaid.ed.gov/sa/sites/default/files/student-aid-and-identity-theft.pdf>.

Go to <http://studentaid.ed.gov/types/scams> for a brochure about fraud and identity theft protection. For consumer information about scholarship and financial aid scams go to <http://www.consumer.ftc.gov/articles/0082-scholarship-and-financial-aid-scams>