

Life Lesson No. 1: Avoid College Scholarship Fraud

A college education can be expensive. With many parents and students looking at a total annual bill of anywhere from \$25,000 to even \$100,000 for some Ivy League schools, it's no wonder that many families are desperate to find a way to finance their children's education without breaking the bank. Unfortunately, there are many scams out there that prey on these unsuspecting families, and the crooks in charge are skilled at using these scams to wipe out hard-earned savings. In this article, we'll uncover how to spot these scams and make sure that your tuition dollars make their way into the right hands.

Scholarship or Scam?

[FinAid.org](#), an organization dedicated to the public service of helping parents and students unravel the complexities of financial aid, estimated that more than 350,000 students and parents fall for scholarship scams, costing these families more than \$5 million.

Scams are generally initiated through unsolicited email, phone calls or paper mail by a vendor acting as an "official" representative of a government or state facility or posing as an independent company representative. The scammers provide educational services in the form of either finding or providing financial aid through grants and/or scholarships. More often than not, these individuals will ask for an initial fee or some form of remuneration in advance for providing their services. (To learn more, check out [Stop Scams In Their Tracks](#).)

In 2000, Congress passed the College Scholarship Fraud Prevention Act, which helped establish strict guidelines against criminal financial aid fraud. This act requires the [Federal Trade Commission](#), and the departments of Justice and Education to educate consumers about these scams and to report yearly incidents of fraudulent acts.

According to the data the above groups have collected, one of the most common scams is called the "Department of Ed Scam". In this scam, a person who claims to be a representative of the U.S. Department of Education calls students and offers them grants to replace any existing loans. The caller asks for bank information in order to charge a processing fee for the transaction. Typically, in this scenario, the fee is collected but victims never receive a grant. According to the Department of Education, they never call students to offer grants in replacement of loans. The fraudsters

misrepresent the department's name and services.

How to Sniff Out a Scam

There are several ways to tell if an offer is a scam. Getting unsolicited email or phone calls is one of the first ways you can spot a scam. According to the Federal Trade Commission, when you see an ad for a guaranteed scholarship, this is a sure way to tell that it's a fraudulent offer. Scholarships are never guaranteed, because they are awarded based on students' academic or athletic abilities, not on how much you pay for the scholarship up front. Another giveaway is when vendors present a form to you without a telephone number. Illegitimate vendors will not post a contact number, so you won't be able to track them down. (For further reading, check out [Credit Scams To Watch Out For.](#))

In addition, 99.9% of scholarship sponsors do not require an application fee; any program that requires redemption, handling or [origination fees](#) is more than likely a fraud. Other common clues include ads that state, "You can't get this information anywhere else" or "We'll do all the work". These are lines given by the people trying to make students and parents believe that the information they will get is confidential or difficult to come by.

Do Your Own Research

Researching college scholarships and grants on your own may take time, but the information is readily available from trusted and free sources such as the Federal Trade Commission, the U.S. Department of Education, the Federal Student Aid Information Center, state education agencies, high school counselors and college financial aid offices. Also, many companies participate in education assistance programs for the children of employees. Finding out what resources these companies provide in terms of financial aid and scholarships might turn out to be a worthwhile effort. (For some background info, see [Five Ways To Fund Your College Education.](#))

If you plan on using a scholarship search or a financial aid advice service, find out about its reputation through your local Better Business Bureau. If you decide to go with one of these services, pay with a credit card so that it will be easier to place a hold on the payment if you suspect the company you are dealing with is not genuine. The credit card company will be able to initiate an investigation of the vendor you dealt with. When dealing with counseling services provided outside of the school environment, also check their background with the Better Business Bureau and if you suspect a scam, take the information you have to a school counselor. (For related reading, see [Credit Card Perks You Never Knew You Had.](#))

A good way to approach financial aid research is with an open mind, patience and a positive outlook. Many scammers try to work on their victims' emotions by giving the impression that the scholarship being offered is only for a limited time. This is just a pressure tactic they use to get people to sign up with them. Scholarships and applications do have deadlines, but they will be clearly posted well in advance through legitimate scholarship providers listed by sponsoring companies, organizations and federal student aid. Do not give money in advance of receiving scholarship funds; this is usually one of the ways the thieves make their money. Once the advance is given and you go back to request the scholarship, the person who promised the money will be long gone. (To learn more, read [Pay For College Without Selling A Kidney](#).)

Conclusion

If you suspect you've already fallen for a scam, inform the Federal Trade Commission, alert your bank if you provided any bank information (or if you provided your credit card information, let the credit card company know) and report the scam to the three [credit agencies](#) (Equifax, Transunion, Experian) so they can be on alert should any suspicious activity appear on your credit report. The key is to always be attentive when signing on the dotted line and to be aware that there are many scammers out there who are always coming up with ways to steal your hard-earned money.

Stop Scams In Their Tracks

The internet has opened up a vast new world for millions of people in ways that could hardly be conceived a generation ago, but while it has created a myriad of opportunities for online [entrepreneurs](#), it has also opened a floodgate for scammers and con artists seeking to part unsuspecting consumers and internet users from their money. More traditional forms of communication are still used for this purpose as well, such as the telephone, but new types of scams have become common that frequently originate from outside the U.S. The targets of these swindles are usually the same: the elderly, the gullible and the emotionally vulnerable. In this article, we'll show you some common scams and show you how to recover if you've been victimized.

Scam 1: Suggesting Wire Transfers and Deposits

A common trend among scammers is to send out email blasts to thousands of people with a fictitious story about someone in a foreign country needing a [transfer agent](#) to help him or her [transfer](#) money to someone else in the U.S. These offers are all perpetrated by scam artists who are depending on you to receive the wired funds and forward on the now-cleared funds immediately - before your bank or savings institution can notify you that the wire was fraudulent. Sometimes banks will even clear the wire prematurely, and it is up to you to cover the loss of funds when the wire is later confirmed fraudulent.

This type of scam has been labeled a "[Nigerian scam](#)" - due to much of this activity originating in Nigeria and other African countries, where internet scammers work around the clock to bilk American consumers out of their savings.

This type of scam can also be disguised as a job offer in which one can earn a big profit by acting as a transfer agent for money wired in to the U.S. However, keep in mind that if the scammer's request were a legal need, a bank would have no problem acting as the wire transfer agent, and you would not be needed.

Scam 2: Announcing That "You're a Winner!"

Another popular scam via telephone and internet involves notifying the recipient that they have "won" a cash prize and must send funds to cover [insurance](#) and taxes right away to the contest "provider" in order to receive their prize. Of course, both the provider and the cash prize are bogus, and the scam artist simply pockets any funds that are sent.

If you have applied to win any sort of prize online, you have probably opened up your inbox to receive

hundreds of fake "You're a Winner!" emails. Simply updating your spam filter can prevent dozens of these emails from ever reaching you in the first place.

Scam 3: Creating The Victim Mentality

As stated previously, elderly people are often targeted in financial scams, especially those who have recently lost a loved one or undergone some other traumatic experience, such as a major health-related issue or other life-changing circumstance. The first few years after such a loss or change can leave many elderly persons especially vulnerable to ruthless con artists. (For more see, [Common Concerns For Retirees.](#))

These con men will first get to know the victim on a personal level and gain their trust. This is often accomplished by building up the victim's self-esteem with compliments and feigned sympathy of the victim's problems. Then the victim is duped into viewing anyone that tries to stop them from sending money as an enemy, someone that is trying to prevent them from receiving their rightful winnings.

Their opposition can come to be seen as a threat to their independence, particularly if the "winnings" that are to be collected will enable the victim to become more self-sufficient. However, if the victim becomes reluctant to send the requested funds, then the scam artist may become verbally intimidating or threatening - and then immediately switch back to being the victim's friend once the person complies. (To uncover even more scams, see our [Online Investment Scams Tutorial.](#))

Fighting Back: What You Can Do

The victim mentality can be extremely difficult to overcome, particularly for those seeking to protect their loved. If trying to convince a potential victim with words and actions hasn't worked, in many cases a [power of attorney](#) can allow children to take control of a parent's assets and prevent a fraudulent transfer of funds. This course of action can have severe repercussions for the relationship. It will also validate the scammer's assertion that the protector is trying to infringe on the victim's right to the winnings.

It is extremely difficult to get someone in the victim's position to admit that he or she is a victim of fraud. One way to get around this is to ask the victim if you can participate in this contest as well, which will help the victim to think about the situation from another angle. Even if they can't admit it to themselves, many victims know that their prize is too good to be true. So, while they may allow themselves to be duped, letting a loved one be swindled may be another matter. This approach allows the victim to change his or her mind about the situation while keeping a sense of dignity intact and avoiding invasive legal or financial action.

Preventive Measures

Even victims who come to see the truth may need to take further steps to stop scammers from contacting them again. Changing phone numbers and bank accounts may be necessary in some cases, and the new phone number should not be publicly listed. Of course all fraudulent activity, whether successful or unsuccessful, must be reported to the proper authorities, such as the [Federal Communications Commission](#) (FCC).

In addition, simply putting scammers on hold and leaving them there can discourage them from calling back as well. And, as said above, a smart spam filter can stop any internet scammers in their tracks.

Conclusion

Millions of fraudulent requests for funds are made every day via telephone and internet. For more information on this matter, consult the [National Fraud Information Center](#). In addition, taking action now to better your relationship with your parents, elderly friends or other contacts can go a long way toward protecting them in the future. A discussion or two about the hazards of scams can do more for these people than helping them get back on track after they've already become victims.