

Can You Spot a Scholarship Scam?

Be a Smart Consumer

(from www.collegeboard.com/parents/pay/scholarships-aid/21400.html)

Scholarships are an attractive way to help manage college costs. Your child won't have to repay them (like loans) or work to maintain them (like work-study). Since students and parents are so eager to find these funds, it's no wonder that families become easy targets for financial aid con artists.

Scholarship Scams

Many scholarship-finding services tell you that "millions of dollars in private scholarship money goes unused every year." The fact is, nearly all available financial aid comes from the federal government or from individual colleges.

Private scholarships are usually slated for very specific applicants, such as students with a particular career interest, or members of a certain church or organization. These institutions have created funds for students, so they are eager to give them to qualified individuals. They are not interested in keeping the money a secret.

You and your child can easily find out about these opportunities by checking with your employer and other appropriate institutions. Have your child contact clubs or other organizations to find out what they seek in an applicant. Your child's high school counselor can also provide information on scholarships.

Tell-Tale Signs It's a Scam

According to the Federal Trade Commission's [Scholarship Scams](#), if you or your child hears these lines from a scholarship service, you may be getting duped:

- **"The scholarship is guaranteed or your money back."**
No one can guarantee that they'll get your child a grant or a scholarship. Refund guarantees often have conditions or strings attached. Get refund policies in writing — before you or your child pays.
- **"You can't get this information anywhere else."**
There are many free lists of scholarships available. You and your child should start researching scholarships online or at the high school or library before you decide to pay someone to do the work for you. Our free [Scholarship Search](#) is a good place to start.
- **"I just need your credit card or bank account number to hold this scholarship."**
You or your child should never give out credit card or bank account numbers on the phone without getting information in writing first. It may be the setup for an unauthorized withdrawal.
- **"We'll do all the work."**
Don't be fooled. There's no way around it. Your child must do the work to apply for scholarships or grants.
- **"The scholarship will cost money."**
Don't pay anyone who claims to be "holding" a scholarship or grant for your child. Free money shouldn't cost a thing.
- **"You've been selected by a national foundation" to receive a scholarship or "You're a finalist" in a contest your child never entered.**
Before you or your child sends money to apply for a scholarship, check it out. Make sure the foundation or program is legitimate.

Fight Back

If you or your child suspects a scam, bring a copy of all literature and correspondence to your child's school counselor's office or to a financial aid administrator at a local college for advice. You can also contact the [Better Business Bureau](#), your State Bureau of Consumer Protection, your State Attorney General's Office, or report the offer to the [National Fraud Information Center](#).

For More Information

[Scholarship Scams](#) from FinAid.org provides advice on how to identify scams, how to distinguish between legitimate and fraudulent organizations, how to protect yourself from scholarship scams, and what to do if you are scammed.

Other Financial Aid Scams

Telemarketing Grant Scams

One financial aid scam attempts to steal you or your child's credit card or bank account number. A caller, claiming to be a representative of the U.S. Department of Education, offers to replace your child's student loan with an \$8,000 grant. The catch: the caller needs a bank account number to charge a processing fee.

The facts: The Department of Education does not provide a plan to replace loans with grants and does not charge a processing fee to obtain Title IV grants.

The lesson: don't give out personal information unless you or your child have initiated the contact or are sure you know who you're dealing with. Identity thieves may pose as a representative of government agencies, banks or businesses in an attempt to get you or your child to reveal personal information.

The [website of the Office of the Inspector General](#) at the U.S. Department of Education offers information about what you should do if you have provided bank or credit card information to such a caller.

Beware of People Who Claim to be Financial Aid Consultants

There are no tricks to finding and applying for financial aid. However, families who feel uncomfortable with the financial aid process sometimes turn to financial aid consultants. In most cases, this is not a good idea; you and your child should be very careful and thoroughly research any consultant you are considering hiring. Instead, contact high school counselors and the financial aid officers at the colleges that accept your child — they provide good advice for free.

Your child's college financial aid officer is your best ally in the financial aid process. It is the aid officer's job to ensure that your child can pay for college. They also know about state funding and other opportunities to apply for aid.

Their decisions are based on need and formulas; no independent consultant can influence or bargain with them. Aid officers often resent the intervention of outside professionals in the process as they determine aid awards, since the officers have the students' best interests at heart. There are financial aid consultants who offer legitimate services, but it is unlikely that they can help your family get more financial aid than you could get yourself. Plus, they charge a fee for their services, which you could get for free. Only unscrupulous people make guarantees they can't keep.

They may suggest moving assets around. Or they may recommend making a major purchase, or giving a gift to reduce income, so your child qualifies for more aid. This is not a good idea and can actually hurt your child's chances of getting financial aid.

Aid officers can easily spot this kind of maneuvering. If they suspect they are being deceived, colleges may refuse to consider your child's financial aid application at all.

