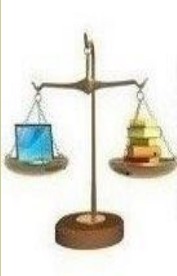


The Freshman Enrichment Seminar

Common Scholarship Scams



Fraudulent scholarships can take many forms. If you receive an offer that uses one of these tactics, be suspicious and protect yourself from scholarship scams. If you believe the offer is a scam, report it. Sometimes a scam persists for years before people catch on to it. Even when people realize they've been cheated, few are stubborn enough to try to take advantage of guarantees or to file a complaint.

Scholarships that never materialize. Many scams encourage you to send them money up front but provide little or nothing in exchange. Usually victims write off the expense, thinking that they simply didn't win the scholarship.

Scholarships for profit. This scam looks just like a real scholarship program but requires an application fee. The typical scam receives 5,000 to 10,000 applications and charges fees of \$5 to \$35. These scams can afford to pay out a \$1,000 scholarship or two and still pocket a hefty profit, if they happen to award any scholarships at all. Your odds of winning a scholarship from such scams are less than your chances of striking it rich in the lottery.

The advance-fee loan. This scam offers you an unusually low-interest educational loan with the requirement that you pay a fee before you receive the loan. When you pay the money, the promised loan never materializes. Real educational loans deduct the fees from the disbursement check. They never require an up-front fee when you submit the application. If the loan is not issued by a bank or other recognized lender, it is probably a scam. Show the offer to your local bank manager to get their advice.

The scholarship prize. This scam tells you that you've won a college scholarship worth thousands of dollars, but requires that you pay a "disbursement" or "redemption" fee or the taxes before they can release your prize. If someone says you've won a prize and you don't remember entering the contest or submitting an application, be suspicious.

In a common variation the sponsor sends the student a check for the scholarship but requires the recipient to send back a check for the taxes or some other fees. Or the sponsor sends a check for more than the scholarship amount and asks the recipient to send back a check for the difference. The scholarship check ultimately bounces, as it is a forgery, but by then the recipients' funds are long gone.

The guaranteed scholarship search service. Beware of scholarship matching services that guarantee you'll win a scholarship or they'll refund your money. They may simply pocket your money and disappear, or if they do send you a report of matching scholarships, you'll find it extremely difficult to qualify for a refund.

Investment required for Federal Loans. Insurance companies and brokerage firms sometimes offer free financial aid seminars that are actually sales pitches for insurance, annuity and investment products. When a sales pitch implies that purchasing such a product is a prerequisite to receiving federal student aid, it violates federal regulations and state insurance laws.

Free seminar. You may receive a letter advertising a free financial aid seminar or "interviews" for financial assistance. Sometimes the seminars do provide some useful information, but often they are cleverly disguised sales pitches for financial aid consulting services (e.g., maximize your eligibility for financial aid), investment products, scholarship matching services and overpriced student loans.

