Guidelines to prevent fraud and abuse in the government's student aid programs are presented for schools, lenders, and guarantee agencies. Student aid fraud is defined as intentional wrongful obtaining of student financial assistance (SFA) benefits through deceptive means. It is noted that falsification of eligibility is the most common form of SFA fraud. Seven ways that a student can qualify as eligible for the U.S. Department of Education's SFA program funds are identified. Methods that have been used to obtain funds falsely include false claims of independent student status; false claims of citizenship; use of false identities (i.e., false names and/or Social Security numbers); and forgery of official signatures or certifications. A checklist to help spot potential fraud in the SFA application process includes indicators, examples, and the potential significance of the indicators. An example of a case where a school official helped uncover an elaborate scheme to bilk the government out of more than $40,000 in student aid funds is cited. Four additional steps that can help minimize fraud and abuse of student aid funds are are also suggested. (SW)
SPECIAL FRAUD ALERT
for Schools, Lenders, and Guarantee Agencies
The vast majority of student aid applicants are responsible individuals who complete their application forms honestly and accurately to the best of their ability. Student aid fraud is nonetheless a very real problem, and one of increasing importance to the education community, for every dollar in student aid fraudulently obtained is a dollar denied to those for whom it is intended. It is thus in the interest of all of us—students, schools, lenders, guarantee agencies and the Department of Education—to prevent misuse of student aid, and to help ensure that U.S. taxpayer dollars—OUR dollars—go to assist those who are legally entitled to them, and who will use the money to further their education.

WHAT IS STUDENT AID FRAUD? Student aid fraud is the intentional wrongful obtaining of student financial assistance (SFA) benefits through deceptive means.

WHAT CAN I DO? The following checklist has been developed to assist you in spotting potential fraud in the SFA application process. While in the vast majority of cases, the appearance of any one of these factors can be attributed to simple error or otherwise reasonably explained, anyone handling SFA applications should be aware of them, and should alert the proper authorities if patterns are discerned or serious questions arise.

INDICATORS | EXAMPLES | POTENTIAL SIGNIFICANCE
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Obvious or apparent forgery. | Inconsistency/irregularity of official signatures, certifications, or authorizations. | May signify attempt to avoid detection of ineligibility.
Noticeable erasures or corrections on application or check, particularly in items that should be well known to applicant. | Name, Social Security number, address. | May denote falsification of entry.
Identical entries of ostensibly unique items on several applications. | Addresses, references, telephone numbers, handwriting. | May signal attempt to obtain multiple grants or loans under different (false) identities.
Obvious incorrect information. | Nonexistent street addresses. | May signify attempt to fraudulently obtain multiple grants or loans by concealing information that would betray common source of applications.
Non-residential or temporary addresses. | Post-office box addresses, “in care of” addresses. | May denote intentional falsification of information that would reveal applicant ineligibility.
Discrepancies between application information and identification documents. | Driver’s license, student ID card, birth certificate. | May denote intention to tamper with application form or other documents.
Request by applicant to handle application to financial institutions. | Convenience frequently cited. | May signify need for time to falsify information.
Undue delay in applicant’s submission of documentation. | Application forms, identification documents, financial information. | May signal intention to abscond quickly with funds and elude pursuit.
Request by applicant to “rush” application process. | Financial hardship frequently cited. |
Here are some additional steps you can take to help minimize fraud and abuse of student aid funds.

- Examine all checks to verify proper endorsement.
- Record on back of checks the type and identification numbers of documents used for check-cashing purposes.
- Photograph persons cashing loan checks.
- As now required by law, send loan fund checks to the school, not to the borrower, and, if for an amount of $1,000 or more and for a period of enrollment exceeding one semester, in multiple disbursements.

And remember: Any instances of suspected fraud should be referred to the appropriate State or local agency with investigative jurisdiction or to the Department of Education, Office of Inspector General. The OIG's toll-free Hotline number is 1-800-MIS-USED.

Help us to ensure the integrity of student aid.

HELP PREVENT STUDENT AID FRAUD!