AUTHENTICATED
U.S. GOVERNMENT
INFORMATION
GPO

S. HRG. 106–916

SOLVING THE PROBLEM OF SCHOLARSHIP SCAMS: THE COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 1999

HEARING

BEFORE THE

COMMITTEE ON THE JUDICIARY
UNITED STATES SENATE

ONE HUNDRED SIXTH CONGRESS

FIRST SESSION

ON

S. 1455

A BILL TO ENHANCE PROTECTIONS AGAINST FRAUD IN THE OFFERING OF FINANCIAL ASSISTANCE FOR COLLEGE EDUCATION

OCTOBER 6, 1999

Serial No. J–106–52

Printed for the use of the Committee on the Judiciary

U.S. GOVERNMENT PRINTING OFFICE
70–309 CC WASHINGTON : 2001

COMMITTEE ON THE JUDICIARY

ORRIN G. HATCH, Utah, *Chairman*

STROM THURMOND, South Carolina
CHARLES E. GRASSLEY, Iowa
ARLEN SPECTER, Pennsylvania
JON KYL, Arizona
MIKE DEWINE, Ohio
JOHN ASHCROFT, Missouri
SPENCER ABRAHAM, Michigan
JEFF SESSIONS, Alabama
BOB SMITH, New Hampshire

PATRICK J. LEAHY, Vermont
EDWARD M. KENNEDY, Massachusetts
JOSEPH R. BIDEN, JR., Delaware
HERBERT KOHL, Wisconsin
DIANNE FEINSTEIN, California
RUSSELL D. FEINGOLD, Wisconsin
ROBERT G. TORRICELLI, New Jersey
CHARLES E. SCHUMER, New York

MANUS COONEY, *Chief Counsel and Staff Director*
BRUCE A. COHEN, *Minority Chief Counsel*

CONTENTS

STATEMENTS OF COMMITTEE MEMBERS

	Page
Abraham, Hon. Spencer, U.S. Senator from the State of Michigan	1
Feingold, Hon. Russell D., U.S. Senator from the State of Wisconsin	28
Hatch, Hon. Orrin G., U.S. Senator from the State of Utah	33
Leahy, Hon. Patrick J., U.S. Senator from the State of Vermont	33

CHRONOLOGICAL LIST OF WITNESSES

Panel consisting of Sheila F. Anthony, commissioner, Federal Trade Commission, Washington, DC; Susan O'Flaherty, director of financial aid and scholarships, Western Michigan University, Kalamazoo, MI; Mark Kantrowitz, publisher, Finaid Page LLC, Pittsburgh, PA; and Sanjeev Bery, U.S. Public Interest Research Group Higher Education Associate, U.S. Public Interest Research Group Higher Education Project, Washington, DC	4
Prepared statement of Sherri Pickett, senior at the University of Wisconsin–Madison	30
Prepared statement of Dale P. Kelberman, Assistant U.S. Attorney	38

ALPHABETICAL LIST AND MATERIALS SUBMITTED

Anthony Sheila F.:	
Testimony	4
Prepared statement	6
Attachments: Summary of FTC Cases, and FTC "Teaser" Web Sites	10
Bery, Sanjeev:	
Testimony	25
Prepared statement	27
Kantrowitz, Mark:	
Testimony	20
Prepared statement	22
Kelberman, Dale P.: Prepared statement	38
O'Flaherty, Susan:	
Testimony	16
Prepared statement	18
Pickett, Sherri: Prepared statement	30

APPENDIX

PROPOSED LEGISLATION

S. 1455, a bill to enhance protections against fraud in the offering of financial assistance for college education	41

QUESTIONS AND ANSWERS

Responses of Sheila F. Anthony to Questions From Senators:	
Hatch	47
Thurmond	47
Responses of Susan O'Flaherty to Questions From Senators:	
Leahy	49
Thurmond	50
Hatch	50

Page

Responses of Mark Kantrowitz to Questions From Senators
Hatch 52
Thurmond 53
Leahy 54
Various Attachments to the Answers of Mark Kantrowitz 56

SOLVING THE PROBLEM OF SCHOLARSHIP SCAMS: THE COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 1999

WEDNESDAY, OCTOBER 6, 1999

U.S. SENATE,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The committee met, pursuant to notice, at 2:10 p.m., in room SD–226, Dirksen Senate Office Building, Hon. Spencer Abraham presiding.

Also present: Senator Feingold.

OPENING STATEMENT OF HON. SPENCER ABRAHAM, U.S. SENATOR FROM THE STATE OF MICHIGAN

Senator ABRAHAM. We will begin the hearing, and I want to welcome everybody to this hearing of the Senate Judiciary Committee on solving the problem of scholarship scams, S. 1455, the College Scholarship Fraud Prevention Act of 1999.

Just to give everybody a brief glimpse of the format here, basically I am going to make a few opening remarks as part of an opening statement and then if there are other members here at that point, we will turn to them for their opening statements. Then we will begin to hear from the panel, assuming the panel is here. I don't know the panelists, but if you are here, you actually can come up now, if you would like, and take seats. And then we would go to questions to the panel at that point from whichever members would be present at that occasion.

Today, as I said, we are here to discuss the College Scholarship Fraud Prevention Act of 1999, legislation which Senator Feingold and I have introduced to try to help fight fraud in the offering of college financial assistance.

As the panel will soon detail, schemes by which criminals defraud unsuspecting students of so-called application or administrative fees are widespread, constantly changing, and often quite effective. These scams are hampering the process of matching financial assistance with those in need, and perversely deliver the most harm upon those whose need is the greatest. But even worse than the financial loss, the victim's feeling that they have been had by one of these scams lasts much longer and is a demoralizing experience that causes those victims to become disenchanted with the financial assistance process altogether.

The decision to pursue a college education constitutes one of the most important investment decisions a person can make. Although

college is often thought of as a training ground for an individual's future career, in reality it is much more, as we all know. College is also a place at which a young person begins his or her journey into adulthood.

The college experience forces young people to develop the skills and habits they need to become productive leaders in our economy and in our communities. Earning a college degree is a challenge in its own right. Clearly, no American deserves the additional obstacle of being defrauded out of his or her opportunity to attend a university.

Skyrocketing tuition presses students and their families to seek creative ways to finance higher education. America's greatest economic asset has long been the ability to find creative solutions to problems. In fact, many companies and organizations are dedicated to legitimately helping students and their families. Many of these organizations perform an invaluable service by either directly providing educational financing themselves or by directing students to other provider institutions.

Unfortunately, however, a growing number of profiteering con artists are taking advantage of students' financial vulnerabilities. Their tactics vary widely, but most center around misrepresentations and fraud. The schemes are everywhere, using the U.S. mail, 800 numbers, and the Internet to facilitate illegal activities. The standard practice is to lead the student along, promising financial assistance only if the student sends payment covering application or processing fees.

For example, the National Scholarship Foundation sent hundreds of thousands of postcards to potential college students. Students were then encouraged to call an 800 number for more information, at which time they were told that the NSF would guarantee them $1,000 or more in scholarship money. Of course, there was a catch, and in this case the students had to pay a $189 fee that would be refunded if they did not receive the guaranteed scholarship money.

As it turns out, the students received only general information about the college application process and about the cost of a college education—information that they already had or could have received without these scam artists. The guaranteed money never materialized and the company never provided refunds.

The Federal Trade Commission has been aware of this growing problem, and in 1996 it initiated Project ScholarshipScam, a nationwide crackdown on fraudulent financial assistance services. But although the FTC is dedicated in stopping these con artists, it can only file civil charges seeking redress to defrauded consumers and injunctions prohibiting or restricting future activity. Regardless of the clarity of proof and the seriousness of the wrongdoing, the FTC simply lacks the authority to prosecute scholarship scam artists on criminal charges.

The Department of Justice is responsible for the criminal prosecution of these fraudulent activities, but unfortunately criminal prosecution is quite rare, even in the face of widespread criminal behavior. In one of the few cases which occurred right next door, in Maryland, a Federal jury convicted Christopher Nwaigwe of defrauding more than 50,000 college students of more than $500,000. He launched his scheme by mailing letters announcing scholarship

offers of $2,500 to $7,500. The catch was that students had to send him $10, described as a processing fee. The students received nothing in return. However, Mr. Nwaigwe was not so fortunate; he received 36 months in prison for his service.

Despite its successful disposition, this case demonstrates a distressing fact. The current system does not deter criminals. In 1993, Mr. Nwaigwe was ordered by the U.S. Postal Service to stop sending misleading letters, an order he ignored. In 1996, he was the subject of a civil action in U.S. District Court in Baltimore, in which he was permanently enjoined from using his materials to solicit money from students. But it was not until this year that he was finally facing criminal prosecution.

Senator Feingold and I introduced this bill because we believe the continued plague of scholarship fraud warrants a renewed Federal effort. Our legislation has three major components.

First, this bill will provide an additional 10 years imprisonment and/or heavier fines in fraud cases involving the offering of education services. We believe this enhancement will serve a dual purpose, encouraging the Department of Justice to pursue and prosecute more of these cases, while chilling the fraudulent industry as a whole.

Second, the bill will improve the FTC's ability to enforce orders for disgorgement and redress to consumers by excluding debts associated with college financial aid fraud convictions from the list of permissible exemptions from a bankruptcy estate. In this context, beneficiaries of scholarship scam operations use their fraudulent gains to buy residential properties. When caught, they file for bankruptcy, and because many States exempt residential properties from bankruptcies, many of these con artists who have been found guilty by a court are permitted to retain their homes, no matter how great the value.

After the bankruptcy proceedings clear their debt, these operators then are free to sell their homes and keep the money they defrauded out of students. In using a narrow exception patterned after the response to the savings and loan crisis, our bill prevents crooks from further abusing the public trust while maintaining legitimate protections for those honestly in need of bankruptcy protection.

Finally, our view is that simply deterring the con artists is not enough. We must also help students and their families obtain financing help from legitimate companies, making it easier for students and their families to differentiate the legitimate companies from the con artists.

Currently, the FTC and the Department of Education independently warn students about fraudulent scholarship services. This legislation will enhance those efforts, calling for a coordinated effort in educating our students. For that purpose, this bill would require that the Secretary of Education consult with the FTC and post financial assistance fraud information on the Department of Education's Internet Web site. It is our hope that this Department of Education/FTC collaboration will further expose the con artists and help to raise public awareness of their tactics.

With that, I am pleased to welcome the members of our first panel. We appreciate your all being here, and let me begin by intro-

ducing them from, I guess, my left to right. We will first hear from Ms. Sheila Anthony, whom we welcome today. She is a Commissioner of the Federal Trade Commission here in Washington.

We will then hear from Ms. Susan O'Flaherty, who is the Director of Financial Aid and Scholarships for Western Michigan University, in Kalamazoo, MI. Incidentally, I am pleased to note that Western Michigan is also located in the congressional district of Congressman Fred Upton, who is the lead sponsor of the companion legislation on this issue in the House of Representatives.

Next is Mr. Mark Kantrowitz. Mr. Kantrowitz is the publisher of FinAid as well as eduPASS Web sites. FinAid has been named the top college financial aid site by numerous publications, including Yahoo, Internet Life, and Time Magazine.

Finally, we will hear from Sanjeev Bery, who is a higher education associate for the U.S. Public Interest Research Group, or PIRG. U.S. PIRG is the national lobby office for student-led public interest organizations in 25 States across the country, including Michigan.

So we will begin. What we do normally here is kind of post through this clock system about a 5-minute time frame for opening statements. The orange light will come on at 4 minutes, the red light at 5. We are usually pretty flexible in terms of letting people finish the points they are making after the 5 minutes. If you have longer statements, though, we will include the total statement in the record, but would urge people to—not that I set a particularly good example here today, but would urge you to try to stay at least reasonably within the 5-minute limit.

Commissioner Anthony, we will start with you, and we welcome and thank you for being here today.

PANEL CONSISTING OF SHEILA F. ANTHONY, COMMISSIONER, FEDERAL TRADE COMMISSION, WASHINGTON, DC; SUSAN O'FLAHERTY, DIRECTOR OF FINANCIAL AID AND SCHOLARSHIPS, WESTERN MICHIGAN UNIVERSITY, KALAMAZOO, MI; MARK KANTROWITZ, PUBLISHER, FINAID PAGE LLC, PITTSBURGH, PA; AND SANJEEV BERY, U.S. PUBLIC INTEREST RESEARCH GROUP HIGHER EDUCATION ASSOCIATE, U.S. PUBLIC INTEREST RESEARCH GROUP HIGHER EDUCATION PROJECT, WASHINGTON, DC

STATEMENT OF SHEILA F. ANTHONY

Ms. ANTHONY. Thank you, Senator. I am pleased to have this opportunity to describe the Commission's consumer protection activities in the area of scholarship scams. The Commission applauds you, Senator Abraham, and also Senator Feingold for focusing on this area of serious law enforcement issues raised by fraudulent purveyors of scholarship services.

In the fall of 1996, the Commission launched Project ScholarScam, a joint law enforcement and consumer education effort aimed at the fraudulent purveyors of so-called scholarship services. At that time, the Commission announced six law enforcement cases against companies we alleged falsely promised scholarships to students and their parents nationwide.

In November 1997, the Commission followed through with two additional cases, known as Scholarscam II. The Commission obtained the most recent settlements in the fall of 1998. These cases were filed in Federal district courts in Florida, Maryland, Georgia, and New York, and a summary of these cases can be acquired as an appendix to my written statement.

The Commission sought and obtained temporary restraining orders with asset freezes, and in some cases the appointment of a receiver over the corporate defendants. All Commission litigation has been concluded, with permanent injunctions obtained either through settlements or ordered by the court. The orders either ban the defendants from telemarketing or providing scholarship services, or they require the defendants to post a performance bond in a significant amount. In several instances, the Commission obtained partial or complete redress for consumers, and in two cases the defendants posted $100,000 telemarketing bonds pursuant to Florida law.

We estimate that the companies involved in these scams have scammed, in total, approximately 175,000 consumers, to the tune of about $22 million. Tough penalties are needed for these scam artists. The civil remedies afforded by an FTC action can deprive defendants of their ill-gotten gains through restitution, but only if the victims' money can be found.

The penalties resulting from criminal prosecutions by the U.S. Department of Justice and State authorities sends the strongest possible message, which is particularly needed here because there is a never-ending pool of potential victims, college-bound students and their families.

The Commission has undertaken extraordinary efforts to educate consumers about scholarship scams. As part of this effort, we teamed up with a variety of private and public partners, including Sallie Mae, Who's Who Among American High School Students, the College Board, and the Educational Testing Service, which administers the SAT exams.

Our consumer education materials include bookmarks, posters, and consumer alerts warning students and their parents of the red flags to look for when evaluating scholarship service sales material and sales pitches. The six signs that your scholarship is sunk are the scholarship is guaranteed or your money back. You can't get this information anywhere else. Number three, may I have your credit card or bank account number to hold this scholarship. Number four, we will do all the work. Number five, the scholarship will cost some money. Number six, you have been selected by a national foundation to receive a scholarship, or you are a finalist in a scholarship contest.

We have distributed over 2.5 million pieces of consumer education materials, including mass mailings of bookmarks listing these six red-flag signs, to 2,000 college bookstores across the country, and have materials posted on our Web site. In addition, we have posted a Web page of a fictitious scholarship service company that had typical claims that we saw in our cases. And when consumers clicked to sign up for the services, they were warned that they too could be scammed. We call these teaser Web site pages,

and we have used these to help disseminate our message on the Internet.

The Commission continues to monitor the industry and to provide both consumer and business education. In May this year, we issued a new consumer alert to inform consumers about a recent trend, the seminar for financial aid or scholarships. Instead of telemarketing, the scam artists now invite students and their families to a free seminar in some local hotel and then give them a hard sales pitch to get them to sign up for the scholarship service at a fee of approximately $800 to $1,200, which is quite a lot of money for some families.

The story of Project Scholarscam has garnered tremendous coverage in the media, and through this coverage and by enlisting those who are on the front lines, financial aid advisers and guidance counselors, we have spread the word about these pernicious scams. We hope the Commission's strong record of enforcement and education has served as an effective deterrent in this industry. But as education costs continue to rise, and given the unlimited supply of potential victims, fraudulent operators will always have an interested audience and an enticing sales pitch. Thus, we will continue our efforts, and we will also continue to provide cooperation to any criminal investigation or prosecution of a Scholarscam defendant.

Thank you.

Senator ABRAHAM. Thank you very much. Actually, during the last year I have visited a number of campuses in our State with those do's and don't's lists to try, on a campus-by-campus basis, to make sure we got more information out. I have visited several throughout the State and hope to do more of them, and tried to point out why each of those statements you read clearly couldn't possibly be true—the idea that you don't have to do any work yourself and that somehow a scholarship is going to be made available, things like that.

[The prepared statement of Ms. Anthony follows:]

PREPARED STATEMENT OF SHEILA F. ANTHONY

I. INTRODUCTION

Mr. Chairman and members of the Subcommittee, I am Sheila F. Anthony, a Commissioner of the Federal Trade Commission ("FTC" or "Commission"). I am pleased to have this opportunity to describe the Commission's consumer protection activities in the area of scholarship services.[1] The Commission applauds Senator Abraham and Senator Feingold for focusing on the serious law enforcement issues raised by fraudulent purveyors of scholarship services.

II. THE COMMISSION'S CONSUMER PROTECTION MISSION

The FTC is a law enforcement agency whose mission is to promote the efficient functioning of the marketplace by protecting consumers from unfair or deceptive acts or practices and increasing consumer choice by promoting vigorous competition. The Commission's primary legislative mandate is to enforce the Federal Trade Commission Act ("FTCA"), which prohibits unfair methods of competition and unfair or deceptive acts or practices in or affecting commerce.[2] The FTCA generally provides the Commission with broad law enforcement authority over entities engaged in, or whose business affects, commerce and with the authority to gather information

[1] This written statement presents the views of the Federal Trade Commission. Responses to questions reflect my views and do not necessarily reflect the views of the Commission or the other Commissioner.

[2] 15 U.S.C. § 45(a).

about such entities.[3] The Commission also has responsibility under approximately forty additional statutes governing specific industries and practices.[4]

III. PROJECT SCHOLARSCAM

In the fall of 1996, the Commission launched "Project Scholarscam," a joint law enforcement and consumer education effort aimed at fraudulent purveyors of so-called "scholarship services." At that time, the Commission announced six law enforcement cases against companies we alleged falsely promised scholarships to students and their parents nationwide. In November 1997, the Commission followed up with two additional cases known as ScholarScam II. The Commission obtained the most recent settlements in the fall of 1998.

These companies employed similar tactics: the sales pitch usually started with a postcard proclaiming "FREE MONEY FOR COLLEGE" and providing a toll free number for students or their parents to call. A telemarketing sales pitch ensued whereby the company told students and parents that, for an up-front fee $100 to $400, the defendant would guarantee that the student would get a scholarship or the company would refund the up-front fee. To further entice the students, telemarketers claimed the student had prequalified for scholarships and that the company would "do all the work" necessary to obtain the scholarship. Getting the scholarships was easy, the telemarketers explained, because the company would match the student's qualifications with a database of scholarships and would send the student a list of sources tailored to that student. The telemarketers proclaimed that the company had "information you can't get anywhere else."

Naturally, the telemarketer would impress upon the student the need to act quickly and typically would press the student or parent to provide over the telephone a credit card number or checking account number. Once students and their parents paid the up-front fee, they would complete a questionnaire detailing their interests, school activities and other personal information. Subsequently, they would receive a list of available scholarships and sources of money—but the list was hardly "tailored" to the student's qualifications. In fact, as the Commission alleged, it was a useless list—containing outdated information, scholarships whose deadlines had passed, entries that were not even scholarships but were student loan programs, and scholarships that the student clearly could not qualify for (for example, a scholarship for children of veterans or residents of a particular state when the student was neither).

When consumers sought refunds for these useless lists, the defendants foiled their attempts by putting hurdles up at every turn instead of honoring their much-heralded and unconditional "money-back guarantee." Students were required, the defendants said, to apply to each and every source on the list and to obtain and send to the company all rejection letters received. In reality, this was an impossible condition to fulfill because scholarship organizations typically notify only those who are selected as recipients. In addition, because the list contained scholarships for which the students could not qualify, students had no reason to apply to those sources. In one FTC case, the defendant stopped providing any lists at all—leaving consumers to write futile complaint letters to a nonexistent "scholarship foundation."

These cases were filed in federal district courts in Florida, Georgia, Maryland, and New York. A summary of these cases is provided to the Committee as an Appendix to my written statement. The Commission sought and obtained temporary restraining orders with asset freezes and, in some cases, the appointment of a receiver over the corporate defendants. All Commission litigation has been concluded with permanent injunctions obtained either through settlements or ordered by the court. The orders obtained either ban defendants from engaging in telemarketing or providing scholarship services or require defendants to post performance bonds in significant amounts to protect consumers from future fraudulent practices should defendants resume telemarketing of scholarship services.

In several instances, the Commission obtained partial or complete redress for consumers. In two cases, the defendants posted $100,000 telemarketing bonds pursuant to Florida law, which requires all telemarketers to make such commitments. We worked with the Florida Department of Agriculture and Consumer Services to revoke the bonds and, for the first time, Florida consumers received refunds derived from a Florida telemarketing bond. In another case, as part of the settlement, the defendant relinquished mail containing checks from almost 500 consumers which

[3] 15 U.S.C. §§ 45(a), 46(a).

[4] These include,, for example, the Truth in Lending Act, 15 U.S.C. §§ 1601 *et seq.*, which mandates disclosures of credit terms, and the Fair Credit Billing Act, 15 U.S.C. §§ 1666 *et. seq.*, which provides for the correction of billing errors on credit accounts. The Commission also enforces over 30 rules industries and practices.

enabled the Commissioner to provide full refunds to those consumers. In many FTC cases, however, the defendants have depleted the monies received, leaving little, if any, for consumer redress. In addition, FTC defendants frequently attempt to use bankruptcy laws to avoid paying consumer redress required by our orders.

We estimate that the companies involved in these cases scammed, in total, approximately 175,000 consumers to the tune of $22 million. In addition, one of the Scholarscam defendants, Christopher Nwaigwe, was criminally prosecuted by the U.S. Attorney's Office in Baltimore, Maryland. Commission staff provided substantial assistance to the U.S. Attorney's Office, including having a staff attorney testify at trial. Nwaigwe was convicted of seven counts of mail fraud in March of this year and in June was sentenced to 36 months in prison. Tough penalties are needed for these scam artists. The civil remedies afforded by an FTC action can deprive defendants of their ill-gotten gains through restitution, but only if the victim's money can be found. The penalties resulting from criminal prosecutions by the U.S. Department of Justice and state authorities send the strongest possible message, which is particularly needed because there is a never-ending pool of potential victims: college-bound students and their parents.

The Commission has undertaken extraordinary efforts to educate consumers about scholarship scams. As part of this effort, we teamed up with a variety of private and public partners, including:

- Sallie Mae
- College Parents of America
- Who's Who Among American High School Students
- The College Board
- Educational Testing Service
- National Association of Student Financial Aid Administrators
- National Association of Secondary School Principals
- National Association of College Stores

Our consumer education materials include bookmarks, posters, and consumer alerts warning students and their parents of the red flags to look for when evaluating scholarship service sales materials and sales pitches. We have distributed over 2½ million pieces of our consumer education materials, including a mass mailing of bookmarks to 2,000 college bookstores across the country and have the materials posted on our Web site. In addition, we posted a Web page of a fictitious scholarship service company that had the typical claims we saw in our cases and, when consumers clicked to sign up for the service, they were warned that they could have been scammed. We call this a "teaser Web site" and have used it to help disseminate our message on the Internet.

The Commission continues to monitor the industry and to provide both consumer and business education. In May, we issued a new Consumer Alert to inform consumers about a recent trend: the seminar for financial aid or scholarships. We warn consumers to take their time when attending these seminars and to avoid high-pressure sales pitches that require them to buy now or risk losing out on the opportunity. Consumers should investigate the organization by talking with a high school or college guidance counselor or financial aid advisor before spending money—many colleges and universities are offering Web-based scholarship searches for free to potential students. Consumers shouldn't rely solely on "success stories" or testimonials of extraordinary success offered by the seminar company. Instead, they should ask for a list of three local families who have used the service in the last year and then contact them to find out if they were satisfied with the products and services received. As always, consumers should keep in mind that they may never recoup the money they give to an unscrupulous operator, despite stated refund policies.

IV. PROPOSED LEGISLATION

S. 1455, the "College Scholarship Fraud Prevention Act of 1999," provides some useful tools to help combat scholarship fraud. It would enhance criminal penalties for fraud in connection with the obtaining or providing of scholarships. Also, it would prevent purveyors of college scholarship fraud from using the bankruptcy laws to shield their ill-gotten gains while their victims go without recompense. The Bankruptcy Code allows debtors to retain certain property even when their creditors receive little or no recompense. In particular, debtors can use state-law exemptions, including homestead exemptions that in some states can have no dollar limit, to shield their assets. S. 1455 would deny these exemptions to the extent that debts resulted from college scholarship fraud.

V. CONCLUSION

The story of Project ScholarScam has garnered tremendous coverage in the media. Through this coverage and by enlisting those who are on the front lines—financial aid advisors and guidance counselors—we have spread the word about these pernicious scams. The Commission's strong record of enforcement and education has served as an effective deterrent in this industry. But, as education costs continue to rise and, given the unlimited supply of potential victims, fraudulent operators will always have an interested audience and an enticing sales pitch. Thus, we will continue our efforts and will also continue to provide cooperation to any criminal investigation or prosecution of "ScholarScam" defendants.

UNITED STATES OF AMERICA
FEDERAL TRADE COMMISSION
WASHINGTON, D.C. 20580

Bureau of Consumer Protection

October 1999

LIST OF DEFENDANTS IN PROJECT $CHOLAR$CAM

1. **CAREER ASSISTANCE PLANNING, INC.**
   Does business as College Assistance Planning, College Assistance Program, and C.A.P.
   LOCATION: 400 Colony Square, Suite 2030, Atlanta, Georgia.
   Complaint filed 8/96. Order granting summary judgment to Commission entered in September, 1997. Defendants ordered to pay $6 million in consumer redress and post a $6 million bond before engaging in telemarketing.

   Contact: James Reilly Dolan, FTC Bureau of Consumer Protection, 202-326-3292

2. **COLLEGE ASSISTANCE SERVICES, INC.**
   LOCATION: 4567 N. Pine Island Road, Sunrise, Fl.
   Complaint filed 8/96. Settlement entered December, 1997. Defendants agreed to a ban on offering scholarship services and agreed to post $200,000 bond before engaging in telemarketing. Consumer redress provided to consumers using bond posted by defendants with the State of Florida.

   Contact: Darren Bowie, FTC Bureau of Consumer Protection, 202-326-2018

3. **DECO CONSULTING SERVICES, INC.**
   LOCATION: Lauderhill, Florida
   Complaint filed 10/96. Settlement entered December, 1997. Defendant agreed to ban on offering scholarship services and telemarketing. Judgment entered in the amount of $100,000.

   Contact: Peter Lamberton, FTC Bureau of Consumer Protection, 202-326-3274

4. **NATIONAL GRANT FOUNDATION, INC.**
   LOCATION: Sunrise, Florida
   Complaint filed 11/97. Settlement entered March, 1998 as to three telemarketers banning them from offering scholarship services and prohibiting them from making misrepresentations while telemarketing. Settlement entered March 1998 as to management defendant, banning him from offering scholarship services and telemarketing. In September 1998, the FTC obtained a default judgment against the corporate and management defendants banning them from scholarship service businesses and imposing a judgment of approximately $600,000.

   Contact: Dana Lesemann, FTC Bureau of Consumer Protection, 202-326-3146

5. **NATIONAL SCHOLARSHIP FOUNDATION, INC.**
LOCATION: Delray Beach, Florida
Complaint filed 11/97. Settlement in October 1998 requires defendants to pay $50,000 and bans them from scholarship services and business information reporting services.

Contact: Gregg Ashe, FTC Bureau of Consumer Protection, 202-326-3719

6. **CHRISTOPHER EBERE NWAIGWE AND UDOKA MADUKA**
Nwaigwe also known as Christopher Maige, Michael Morge, and Michael Norge. Maduka also known as Michael Mann
Defendants use names Higher Education Scholarship Program; National Health Scholarship Program, Division of Nursing; National Scholarship Program; National Management Scholarship Program; and National Science Program, Division of Biological Sciences.
LOCATIONS: 724 Dulaney Valley Road, Boxes 131 and 199, Towson, Maryland; 2931 O'Donnell Street, Box 313, Baltimore, MD; 8604 Second Avenue, Silver Spring, MD; 1220 L Street NW, Box 298, Washington, D.C.; 2117 L Street NW, Boxes 250 & 280, Washington, D.C.; 4431 Lehigh Road, Box 276, College Park, Maryland.
Complaint filed 8/96; Amended Complaint filed 9/96. Settlement entered April, 1997. Defendant Nwaigwe agreed to $10,000 judgment and to post a $300,000 bond before offering scholarship services. Defendant Maduka agreed to $9,000 judgment and to post a $50,000 bond before offering scholarship services.

In October 1998, Nwaigwe was indicted on mail fraud charges; was convicted on all counts in March 1999 and sentenced to 36 months in June 1999.

Contact: Alice Saker Hrdy, FTC Bureau of Consumer Protection, 202-326-2009

7. **STUDENT ASSISTANCE SERVICES, INC.**, formerly known as Student Financial Services, Inc.
LOCATION: 1868 N. University Drive, Suite 202 Ft. Lauderdale , FL; 2801 N. University Dr., Suite 200, Plantation, FL
Complaint filed 8/96. Settlement entered June, 1997. Defendants paid $300,000 for consumer redress; agreed to ban on scholarship services and to post $75,000 bond before telemarketing.

Contact: Dana Lesemann, FTC Bureau of Consumer Protection, 202-326-3146

8. **STUDENT AID INCORPORATED**
LOCATION: 1040 First Avenue, Suite 352, New York City; 99-44 62d Avenue, #2G, Rego Park, NY
Complaint filed 8/96. Settlement entered August, 1997. Defendants paid $7,500 in consumer redress and agreed to injunctions regarding offering of scholarship services.

Contact: Carole Paynter, FTC New York Regional Office, 212-264-1225

NEED MONEY FOR TUITION ????

A+ FAST CA$$H

YOUR ONLY SOURCE FOR COLLEGE AID !!

YOU'RE SMART ENOUGH TO GET INTO COLLEGE,

NOW BE SMART ENOUGH TO LET SOMEONE ELSE PAY

A+ FAST CA$$H IS AN AAA RATED SCHOLARSHIP SERVICE

We search Public and Private Databases with our Proprietary Software. This gives us access to THOUSANDS of Grants and Scholarships just waiting for

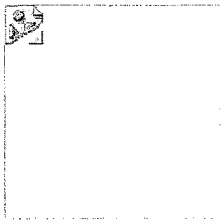
*******YOU*******

WE DO ALL THE WORK !!
Using our service, you are GUARANTEED free money for all or part of your tuition.

We get information directly from financial aid officers, corporate executives, and foundation heads about money returned to them by students who do not need assistance. We pass this inside information to our clients for no extra charge.

Because we provide personal attention to all our clients, we do not advertise in magazines or by direct mail. AND, you can get all your money back if you aren't satisfied.

TO START YOUR FAST CA$$H COMING COMPLETE THE APPLICATION FORM ON THE **NEXT PAGE** AND SEND IT TO US WITH YOUR CHECK FOR $119.00. FOR FASTER RESULTS, CALL US WITH A CREDIT CARD NUMBER AND WE'LL START FINDING YOUR FAST CA$$H TODAY.



IF YOU RESPOND TO AN AD LIKE THIS ONE

YOU COULD GET SCAMMED!

A+ FAST CA$$H is not a real company. The ad is a fake, posted by the Federal Trade Commission to increase awareness of potentially fraudulent scholarship services.

No information about you has been transmitted to or collected by the FTC.

Click here to learn more about how to avoid fraudlent scholarship services and other online scams, and for recommendations on where to find information on obtaining legitimate scholarship information.

SIX
SIGNS THAT YOUR SCHOLARSHIP IS
$UNK

1 "THE SCHOLARSHIP IS GUARANTEED OR YOUR MONEY BACK."

No one can guarantee that they'll get you a grant or a scholarship. Refund guarantees often have conditions or strings attached. Get refund policies in writing before you pay.

2 "YOU CAN'T GET THIS INFORMATION ANYWHERE ELSE."

There are many free list of scholarships. Check with your school or library before you decide to pay someone to do the work for you.

3 "MAY I HAVE YOUR CREDIT CARD OR BANK ACCOUNT NUMBER TO HOLD THIS SCHOLARSHIP?"

Don't give out your credit card or bank account number on the phone without getting information in writing first. It may be a set-up for an unauthorized withdrawal.

4 "WE'LL DO ALL THE WORK"

Don't be fooled. There's no way around it. You must apply for scholarships or grants yourself.

5 THE SCHOLARSHIP WILL COST YOU SOME MONEY.

Don't pay anyone who claims to be holding a scholarship or grant for you. Free money shouldn't cost a thing

6 "YOU'VE BEEN SELECTED" BY A 'NATIONAL FOUNDATION' TO RECEIVE A SCHOLARSHIP, OR "YOU'RE A FINALIST" IN A CONTEST YOU'VE NEVER ENTERED.

Before you send money to apply for a scholarship, check it out. Make sure the foundation or program is legitimate.

NEED MONEY FOR COLLEGE? Check with your school guidance counselor or local librarian for free information about current scholarships before you pay someone for the same-or similar-scholarship lists. To find out how to spot, stop and report a scam, contact the Federal Trade Commission at http://www.ftc.gov, or call the National Fraud Information Center at, 1.800.876.7060

Senator ABRAHAM. So we will turn now to Ms. O'Flaherty here, and she will undoubtedly reinforce the notion that students will be getting scholarships without having done a lick of work themselves because that probably doesn't happen at Western Michigan.

STATEMENT OF SUSAN O'FLAHERTY

Ms. O'FLAHERTY. It doesn't happen.

Senator ABRAHAM. Thank you for being here.

Ms. O'FLAHERTY. Thank you. I appreciate this opportunity. I must tell you how personally and professionally pleased I am to see a bill that is focused on creating greater protection for consumers against scholarship fraud. I applaud your efforts and Senator Feingold's efforts, and I offer you my support and assistance as this legislation makes its way through the Senate.

I am Director of Financial Aid and Scholarships at Western Michigan University, in Kalamazoo, MI. Western Michigan enrolls over 27,000 students, 72 percent of whom receive some form of financial aid. Student loan volume at Western approaches $70 million. So as you might imagine, helping students locate and ultimately obtain non-loan dollars such as scholarships is of primary interest to our university.

Just so that you are aware, I have been in financial aid most of my life and in various parts of the country, and I could not count the number of financial aid and scholarship nights that I have done for parents and high school counselors. And I don't recall any such event in which this issue has not been raised during all of those years.

The need for action on this issue cannot be overstated. Scholarship fraud is out there; it is rapidly evolving with new, innovative scams and is scaring off students and legitimate services who must suffer because of the acts of an unscrupulous population. I believe the problem is best exposed through examples, and I will share a few of those with you. You may be aware of some of these cases, as they are becoming more public. I would like to make you aware that these are not cases from press accounts, but cases and descriptions of situations that have occurred in my office.

My staff and I have spoken with families who have received a mailing that boasts that in exchange for $12.95, they would be guaranteed money for college. What they receive is a list of scholarships available in the area, and mostly general information about applying for financial aid through the regular process.

It surprised me to hear about this particular opportunity because we normally see this type of guarantee associated with a charge of anywhere from $49.99 to $500. Our discussion in the office was that by lowering the charge to $12.95, the scam artist could get a significant number of bites and their revenues would increase dramatically on the high-volume business. This is an interesting point to me and I feel real strong about the advertisement of this type of thing to families because very often high-cost charges are associated with scams, versus the low-cost charges.

We have seen high school seniors receive letters on red, white and blue letterhead with an official-looking seal, inviting them to send money and complete a profile. They guarantee funds for college. What the students receive is a list of names that they have

to contact requesting an application. Any scholarship search, good or bad, must rely on the student or family to do all the work.

The actual match is the easy part. Once a student receives a list of matches, they must contact each donor and obtain the application, criteria and deadline information. After completing the application, they need to mail the form. There are no requirements that donors respond to each applicant, so there is no guarantee that the student will ever hear from a particular donor.

More typically, the scholarship organization will only notify the winners. For scholarship search organizations who advertise a money-back guarantee, the fine print will normally say something like students must apply for all scholarship matches and receive a negative response back from each source before a refund will even be considered.

Another one that is very popular these days is an approach for a college night offered by College Forum, a national college program. I personally have been approached by this for one of my own children. We are asked to call an 800 number and reserve a place on an already preassigned date and location, and they do offer help with assistance for the admissions and the financial aid for a mere $650.

I can go on with more of those, but in my experience I have spoken with many families from a variety of incomes who have fallen prey to these scholarship scams. I have spoken with families who are bright and educated themselves, who are just inquiring about what scholarship search organizations can be trusted enough to recommend, without getting into a dialogue about the mysteries and myths of financial aid.

We speak to many low- and middle-income families who, for one reason or another, do not have the savings necessary for their children's education and are just seeking any possible way to find help. They understand the value of higher education today and want that for their children. Families waste good money on scholarship search scams that could have been used for college expenses. It seems to me that these companies prey on exactly the kind of family that Congress took such great care to ensure access to funds for higher education by eliminating the fee that used to be associated with filing the financial aid application.

In terms of Senate bill 1455, I support the greater penalties for those convicted of these crimes, which I believe will have a cooling effect on the fraudulent element of the financial assistance industry. We recognize that there are organizations that provide good services for students, but urge that consumers continue to be educated on how to detect potential fraud companies.

Above all else, scholarship searches are nothing more than a database match. The only thing that a company, good or bad, can supply a student with is a list of possible opportunities. It is the consumer that has to do the work and the follow-up with every possible donor.

I also support the bill's provisions which seek to raise public awareness of scam artists. In my opinion, families, aid administrators and high school counselors would welcome a centralized Internet source that identifies businesses that go through some kind of screening process. Collections of information similar to Mr.

Kantrowitz' Web site are a valuable resource, and the information contained within these resources should be made available through multiple media. The Department of Education already has a mechanism in which it communicates to all financial aid applicants who submit a FAFSA. Although the timing may not work out, this may be a means of providing some information to a public seeking assistance.

I would like to offer one suggestion to further enhance student protection. Just as colleges and universities that receive Federal funds must meet certain requirements in order to participate in Federal programs, it seems to me that a company providing match results that include Federal programs should also be required to disclose certain information to applicants in clear and understandable terms. They should be required to state up front how families can obtain free information about the Federal programs without paying for the match. The price, so to speak, for these companies to use Federal information in their scams should be the requirement that they direct students to a variety of free sources of information in their marketing literature.

Again, I thank you for this opportunity to speak to you about this topic today and I would be happy to answer any questions you may have.

Senator ABRAHAM. Thank you very much.

[The prepared statement of Ms. O'Flaherty follows:]

PREPARED STATEMENT OF SUSAN O'FLAHERTY

Mr. Chairman, members of the Senate Judiciary Committee, thank you for the invitation to speak to you today regarding Senate bill 1455, the Scholarship Fraud Prevention Act of 1999. I appreciate this opportunity and must also tell you how personally and professionally pleased I am to see a bill that is focused on creating greater protection for consumers against scholarship fraud. I applaud the efforts of Senators Abraham and Feingold, and I offer them my support and assistance as this legislation makes its way through the Senate.

I am Director of Financial Aid and Scholarships at Western Michigan University in Kalamazoo, Michigan. Western Michigan University enrolls over 27,000 students, 72 percent of whom receive some form of financial aid. Student loan volume at Western Michigan alone approaches $70 million dollars; as you might imagine, helping students locate and ultimately obtain "non loan" funds, such as scholarships, is of primary interest to my university, and to me personally.

Before I begin my actual testimony, I want to let you know that I have worked in financial aid since 1973 and have had the opportunity of not only working for Western Michigan University but also for the University of Colorado, California Polytechnic State University and several private colleges in the East where I grew up.

I could not count the number of financial aid and scholarship workshops I have facilitated to families and also to high school guidance counselors over those years. I can tell you that I honestly cannot recall one workshop in which a parent or a high school guidance counselor did not raise a question about scholarship search opportunities and which ones were "good ones". In my experience it is clearly an issue for many, many families.

The need for action on this issue cannot be understated; scholarship fraud is out there, it is rapidly evolving with new, innovative scams, and it is scaring off students and legitimate services who must suffer because of the acts of an unscrupulous population. I believe the problem is best exposed through examples, and at this point I would like to share some of my personal experiences with various, questionable scholarship search approaches. You may be familiar with several of these cases, as they have affected literally thousands of students across the country, and most have received some degree of press attention. However, I'd like to make it clear that I am not relaying press accounts; each of these descriptions represent personal situations that families have shared with my office.

- My staff and I have spoken with many families who have received a mailing boasting that in exchange for $12.95, they would be guaranteed money for college. What they in fact received was a list of scholarships available in their area, and general information about applying for financial aid through the FAFSA, the Free Application for Federal Student Aid. It surprised me to hear about this particular "opportunity" because we normally see this type of guarantee costing families anywhere from $49.99 to $500. However, after discussion with my staff, we came to the obvious business conclusion that was reached much earlier by the crooks—that by lowering the charge to $12.95, these scam-artists would get a significant number of "bites"—and their revenues would increase dramatically on high-volume "business". I think this is interesting and important in part because it illustrates that not all scholarship scams can be identified as being "high-cost". Furthermore, in this example, the student is guaranteed "money", not "scholarships"—but truth of the matter is that *all* students are eligible for either a subsidized or unsubsidized federal student loan. The guarantee has been met, but by the *Federal Government*, not the scam artist. The student paid for information that is already available to them free of any charge.
- "Come to a night about paying for college" is a standard advertising hook-phrase in this industry, and quite often, these programs are held in a rented facility on a college campus. The college financial aid office typically does not authorize these programs, but parents and students commonly hold the perception that if the workshop is held on a college campus, then it must be legitimate. I am hopeful that many colleges will catch on to this scam, as these organizations prey on the fact that it is not unusual for legitimate financial aid seminars to be held on campus. And the goal of these programs? To convince people that for a fee, funds can be secured.
- We have seen high school seniors receive letters on red, white and blue letterhead with an official-looking seal inviting them to send money and complete a profile form for scholarship dollars. They guarantee funds for college. What the student receives is a list of names that they then have to contact requesting an application. Any scholarship search, good or bad, must rely on the student or family to do a lot of the work. The actual match is the easy part. Once the students receive the list of matches, they must contact each donor and obtain the application, criteria, and deadline information. After completing the application for each donor, they then need to mail the form. There are no requirements that donors respond to each applicant so there is no guarantee that the student will ever hear from a particular donor. More typically the scholarship organization will only notify the winners. For scholarship search organizations who advertise a money back guarantee, the fine print will normally say something like: "student must apply for ALL scholarship matches (including doing all the work as indicated above) and receive a negative response from each source before a refund application can be processed".
- Another current and popular approach these days is the scholarship search that is attached to a "college night" program offered by some "National College Program". In this case, the families are asked to call an "800" number and reserve a place on an already pre-assigned date and location. These are often at hotels within an hour or so of the family residence. In this case, they are offered assistance with the admissions application AND for finding funds for going to college. I have heard of costs as high as $650 in this case. You may have seen the segment on a recent news program highlighting problems that families have encountered.
- One especially innovative scam is accomplished through tying the scholarship dollars to a life insurance policy. In this example, families are urged to sign up for a life insurance policy and in exchange their student-children are guaranteed funds for college. Once again, those "funds" are those federal funds that the student would normally receive by applying through the FAFSA.

In my experience, I have spoken with many families from a variety of incomes who have fallen prey to these scholarship scams. I have spoken with families who are bright and educated themselves, who are just inquiring about what scholarship search organizations can be trusted enough to recommend. Without getting into a dialogue about the "mysteries and myths of financial aid", we speak to many low and middle income families who for one reason or another do not have the savings necessary for their children's education and are just seeking any possible way to find help. They understand the value of a higher education today and want that for their children. Families waste good money on scholarship search scams that could have been used for college expenses. It seems to me that these companies prey on exactly the kind of family that Congress took such great care to ensure access to

funds for higher education by eliminating the fee that used to be associated with filing a financial aid application.

In terms of the Senate bill 1455, I support a greater penalty for those convicted of these crimes, which I believe will have a "cooling effect" on the fraudulent element of the financial assistance industry. We recognize that there are organizations that provide good services for students but urge that consumers continue to be educated on how to detect a potential fraud company. Above all else, scholarship searches are nothing more than a data base match. The only thing that any company, good or bad, can supply a student with is a list of possible opportunities. It is the consumer that has to do the work and follow up with every possible donor. How can a company guarantee funds based on the consumer needing to do extensive follow up? In my opinion, there can never be a guarantee of any type associated with any scholarship search. As criteria and as a warning for consumers, it should be an automatic sign of possible fraud.

I also support the bill's provisions which seek to raise public awareness of scam artists. In my opinion, families, aid administrators, and high school counselors would welcome a centralized Internet source that identifies businesses that go through some kind of screening process. Collections of information similar to Mr. Kantrowitz's website are a valuable resource, and the information contained within these resources should be made available through multiple media. The Department of Education already has a mechanism in which it communicates to all financial aid applicants who submit a FAFSA. Although the timing may not work out in all cases, the FAFSA application process it may be a way to provide general information to a public that is already seeking assistance.

I would like to offer one suggestion to further enhance student protections. Just as colleges and universities that receive federal funds must meet certain requirements in order to participate in the federal programs, it seems to me a company providing match results that include federal programs should also be required to disclose certain information to applicants in clear and understandable terms. They should be required to state up-front how families can obtain free information about the federal programs without paying for the match. The "price", so to speak, for these companies to use free federal information in their scam should be the requirement that they direct students to a variety of free sources of information in their marketing literature. Mr. Chairman, I again thank you and the cosponsors of this legislation for providing a forum in which we may discuss this important issue, and I would be happy to answer any questions you or any other Senator may have.

Senator ABRAHAM. As you all have heard some bells going off behind you the last couple of minutes, there is a vote taking place on the Senate floor right now which I have to go cast. So what I am going to do is just temporarily recess the hearing before we hear from our last two panelists here while I run over, vote and come back. I hope that won't take very long, but please bear with us and we will resume the hearing very shortly.

[The committee stood in recess from 2:35 p.m. to 2:50 p.m.]

Senator ABRAHAM. We will resume the hearing at this time. As everybody can see, we have been joined by Senator Feingold, who is the other original cosponsor of this legislation, and I appreciate his support. As always, when we work together on things, I appreciate that as well.

What we are going to do is let our final two witnesses testify or make your statements and then we will turn to Senator Feingold for his statement and then we will pursue questioning after that.

So it is your turn, Mr. Kantrowitz. We appreciate your being here today, and welcome you and turn to you for your statement at this time.

STATEMENT OF MARK KANTROWITZ

Mr. KANTROWITZ. Mr. Chairman, I thank you for convening this hearing on the College Scholarship Fraud Prevention Act of 1999 and for inviting me to testify before the Senate Judiciary Committee this afternoon.

My name is Mark Kantrowitz and I am the publisher of the FinAid and eduPASS Web sites, free resources that exist to aid students in navigating the sea of financial aid and to combat the type of fraud the Abraham–Feingold legislation addresses. The FinAid site had more than 2 million visitors last year. I am pleased to have the opportunity to share my experiences with the committee today.

Every year, several hundred thousand students and parents are defrauded by scholarship scams. The victims of these scams lose more than $100 million annually. These are conservative estimates. The most common types of scholarship scams include scholarships for profit and guaranteed scholarship search services.

The first type charges an application fee for scholarships that never materialize or are less than advertised or disburses less money in scholarships than is received in application fees. They make a profit off of the scholarships. The second type charges a fee to match student information against a database of scholarships and guarantees that the student will actually receive money. There are other types such as Susan mentioned where they have seminar scams. My cat receives invitations for these all the time.

Scholarship scams succeed by giving families an unreasonable expectation of success in using their services to obtain financial aid. Several of the most common misrepresentations include, first, the unclaimed aid myth which falsely states that millions or billions in aid went unclaimed last year and promises to get the student their fair share. This is an extremely pernicious myth because it not only defrauds consumers, but it also suggests to private sector benefactors that there is no need for them to create new scholarships. After all, if money is unclaimed, they don't need to create new ones.

Second, bogus guarantees which often include restrictions that render them meaningless, such as requiring the student to submit rejection letters—sponsors do not provide students with rejection letters; they only notify the winners—or which include Federal aid as part of the total.

And, third, false claims of government or Better Business Bureau approval. One scam even created its own bogus BBB. Others misrepresent the nature of their business by using an eagle and a formal seal as a logo or words like "national," "administration," "foundation" and "federal" in their names.

I support the College Scholarship Fraud Prevention Act because it addresses the problem through a combination of law enforcement and consumer education. I would like to suggest a few ways in which the legislation could be enhanced.

First, in section 5, restrict the listings to organizations that provide information and services for free, at no charge to the student. The Higher Education Act already includes such a requirement. There are numerous high-quality sources of free information about financial aid, including the FinAid, Fast–Web, College Board, and Peterson's Web sites.

Second, in section 5, require the organizations to publish a privacy policy on their Web sites, and require the organizations to provide the consumer with the ability to opt out of any mailing lists as part of the registration process.

Third, in section 5, allow the U.S. Department of Education to exclude businesses which are being prosecuted by State attorneys general, not just the FTC.

Fourth, in section 5, give the U.S. Department of Education broader discretionary power in determining which organizations should not be listed, since a listing on the ed.gov Web site will be viewed by consumers as an implicit endorsement.

Fifth, in section 5, add language directing the U.S. Department of Education's consumer hotline, the Federal Student Aid Information Center, 1–800–4–FED–AID, to provide similar information to consumers who call with questions about the legitimacy of a particular financial aid business.

Sixth, expand the language of the legislation to include organizations that provide information about student financial aid, in addition to organizations that claim to offer financial assistance.

An additional idea for improving the legislation concerns scholarships for profit or organizations that offer scholarships with an application fee. Students apply for these awards thinking that the organization is involved in philanthropy when, in reality, the organization is enriching itself through the application fees. Philanthropy should be about giving money, not getting money. I recommend making it illegal to misrepresent what amounts to little more than a raffle or a lottery as a scholarship by making it illegal to charge student fees to apply for scholarships. If they want to call it a scholarship or fellowship, they must not be allowed to charge students any fees.

Alternatively, I would recommend requiring any organization that charges students an application fee for scholarships to disclose certain information on the application form and to the general public, including the number of applicants, the total application fee revenue, and the total amount disbursed in scholarships. The consumer can then use this to see that the organization is making a profit off of the scholarship.

Mr. Chairman, I once again thank you and the committee for taking an interest in the issue of student financial assistance fraud and for inviting me to share my thoughts on the matter. I would be happy to answer any questions you may have.

Senator ABRAHAM. Thank you very much, and we will look closely at your recommendations as we move forward legislatively.

[The prepared statement of Mr. Kantrowitz follows:]

PREPARED STATEMENT OF MARK KANTROWITZ

Mr. Chairman, I thank you for convening this hearing on S. 1455, the College Scholarship Fraud Prevention Act of 1999, and for inviting me to testify before the Senate Judiciary Committee this afternoon. My name is Mark Kantrowitz, and I am the publisher of the FinAid and eduPASS web sites, resources that exist to aid students in navigating the sea of financial aid and combat the type of fraud the Abraham–Feingold legislation addresses. I am pleased to have the opportunity to share my experiences with the Committee today.

Every year, several hundred thousand students and parents are defrauded by scholarship scams. The victims of these scams lose more than 100 million dollars annually.

Most families are afraid of the high cost of a college education and find the student financial aid process to be overwhelming. Financial aid even has its own language, an alphabet soup of acronyms like EFC and FAFSA and terms like need analysis and professional judgment. In such an environment, scams can thrive. When families are approached by outfits that promise to get the student all the

money he or she needs to pay for college, they are so desperate that they lose their sense of caution. After all, many scholarship scams guarantee success and tell consumers that their services are completely without risk.

The most common types of scholarship scams include the following:

- Scholarships for Profit. These are scholarships with an application fee or other fees, but no money is ever awarded, the amounts disbursed are less than advertised, or the scholarship sponsor receives more money in fees than is returned to the students in the form of scholarships.
- Guaranteed Scholarship Search Services. These are information brokers who charge a fee to match student information against a database of scholarships and guarantee that the student will receive at least $1,000 or $2,000 in scholarships.

Other types of scholarship scams include:

- Guaranteed Financial Aid Consultants. These outfits promise to maximize eligibility for need-based student aid by decreasing the Expected Family Contribution (EFC) and guarantee success, suggesting that they can send the student to college for free. Although there are legitimate strategies for decreasing the EFC, such as paying off consumer debt (e.g., credit cards and auto loans) and shifting assets from the student's name to the parent's name, the typical decrease in the EFC is only $1,000 and is often realized in the form of loans. Some outfits may advocate that the families provide false information on the FAFSA and may fail to sign in the paid preparer section of the form.
- Student Loans with an Up-Front Fee. These scams charge an "application", "processing", it origination", or "guarantee" fee up-front, but the promised loans never materialize. Federal education loans do not have application fees and always deduct the origination and guarantee fees from the disbursement check.
- Seminar Scams. These outfits advertise a free financial aid seminar, often in letters mailed directly to parents. The seminar turns out to be a high pressure sales pitch for expensive financial aid products and services. What little financial aid information is presented is often inaccurate or obsolete. They do not provide the families with practical advice.
- Linked Product Scams. These scams state or suggest that the family must purchase a particular product, typically student life insurance or an annuity, in order to get access to federal student aid.

Scholarship scams succeed by giving families an unreasonable expectation of success in using their services to obtain financial aid. Several of the most common misrepresentations include:

- The unclaimed aid myth. This myth states that "$6.6 billion in aid went unclaimed" and promises to get the student their fair share. Other common variations include $2.7 billion and $135 million. This is an extremely pernicious myth, because it not only defrauds consumers, but suggests to private sector benefactors that there is no need for them to create new scholarships. The $6.6 billion version of the myth is based on a 1976–77 academic year study in which the National Institute of Work and Learning estimated that $7 billion was potentially available from employers in the form of employee tuition assistance, but that only an estimated $400 million was used. Nobody has ever substantiated that any scholarship money available to the general public has ever gone "unclaimed". If there were such an unclaimed award, it would only need to be listed in one of the free national scholarship databases to obtain thousands of qualified applicants.
- High success rates. A guaranteed scholarship matching service might advertise a 96 percent success rate. The National Post-secondary Student Aid Study (NPSAS) conducted by the National Center for Education Statistics at the U.S. Department of Education found that only one in twenty-five students (4 percent) receives a private sector scholarship, and the average amount is only about $1,600.
- Bogus Guarantees. A scholarship matching service might offer a guarantee that the student will receive a minimum amount of aid, typically $1,000 or $2,000. Such guarantees often come with restrictions that render them meaningless, such as requiring the student to submit rejection letters (most sponsors only notify winners), or include federal aid as part of the total.
- False claims of government, Chamber of Commerce, or BBB approval. One scam even created their own bogus BBB. Another stated that they are listed in the U.S. Library of Congress. Others misrepresent the nature of their business by using an eagle in a formal seal as their logo, and words like "National", "Administration", "Foundation" and "Federal" in their names.
- False claims of special influence with or special access to scholarship sponsors.

The Federal Trade Commission initiated law enforcement activity against scholarship scams in the Fall of 1996. To date the FTC has brought actions against eight companies that collectively have defrauded 175,000 consumers out of an estimated 22 million dollars. The FTC initiative spurred the Attorneys General in several states to take action against scholarship scams operating in their states. The FTC also launched a consumer education campaign with their "Six Signs Your Scholar-Ship is Sunk" brochure.

But this is just the tip of the iceberg. I estimate that there are 900 to 1,000 scholarship scams of all types still in operation, with new scams being created every year. The typical scam charges fees ranging from $2 to $800, and has 5,000 to 10,000 victims. Some scams have charged fees as high as $5,000, and some have had as many as 100,000 victims.

I support the College Scholarship Fraud Prevention Act because it addresses the problem through a combination of law enforcement and consumer education.

With regard to S. 1455, I would like to suggest a few ways in which the legislation could be enhanced:

- In section 5, require that only organizations which provide information and services for free be listed. In the Higher Education Amendments of 1998, Section 485(d) of the Higher Education Act of 1965 was amended to direct the U.S. Department of Education's web site to include direct links to databases that contain information on public and private financial assistance programs, and further stated "The Secretary shall only provide links to databases that can be accessed without charge and shall make reasonable efforts to verify that the databases included in a direct link are not providing fraudulent information." There are numerous high quality sources of free information about financial aid, including the FinAid, FastWeb, College Board, and Peterson's web sites.
- In section 5, require the organizations to publish a privacy policy on their web site and require the organizations to provide the consumer with the ability to opt out of any mailing lists as part of the registration process.
- In section 5, allow the U.S. Department of Education to exclude businesses which are under investigation or being prosecuted by State Attorneys General.
- In section 5, give the U.S. Department of Education broader discretionary power in determining which organizations should not be listed, since a listing on the www.ed.gov site will be viewed by consumers as an implicit endorsement. One possibility would be to have the Department assemble an advisory committee of respected college financial aid personnel and other financial aid experts to set standards for inclusion on the Department's web site.

In section 5, add language directing the U.S. Department of Education's consumer hotline, the Federal Student Aid Information Center (1–800–4–FED–AID), to provide similar information to consumers who call with questions about a financial aid business's legitimacy.

- Expand the language of the legislation to include organizations that provide information about student financial aid in addition to organizations that offer financial assistance.

One additional suggestion concerns what I call "scholarships for profit" or organizations that offer scholarships with an application fee. (Note that I'm not talking about organizations that provide information about scholarships, such as scholarship databases and books, but rather organizations that claim to give money to students but charge an application fee or other fees.) Students apply for these awards, thinking that the organization is involved in philanthropy, when in reality the organization is a for-profit business making a substantial amount of money off of application fees. If the application fee revenue exceeds the amount disbursed in scholarships, the outfit is making a profit by offering the scholarships. Even if the application fee revenue is less, the organization is effectively recirculating student money in the form of scholarships, or getting the students to cover administrative expenses such as salaries. In many cases the students would be better off playing the lottery, where at least there's a 50 percent payout.

To give a concrete example, suppose a scholarship program gives away fifty $1,000 scholarships a year, but charges a $10 application fee and gets 10,000 applications. They receive a total of $100,000 in application fees, and give out $50,000 in scholarships, for a net profit of $50,000. Or let's suppose the application fee is only $5, in which case the $50,000 in application fees is given out entirely in scholarships. Even in that case it should feel a little odd to you. In both cases, fifty of the 10,000 students are well served by the scholarships, in that they paid $5 or $10 and got $1,000. But the remaining 9,950 students have no benefit for their application fee.

In some cases the application fees are charged by organizations that appear to be merely misguided. For example, in one case a tax exempt foundation charged students a $3 application fee, received more than 100,000 applications, but only gave away 180 $1,000 scholarships. The foundation was able to cover its expenses and also build up a rather large nest egg. In this case I was able to convince them to eliminate the application fee. But in most cases it is an organization or an individual who is deviously defrauding students by making them think that the purpose of the organization is to give them money, when it really is to enrich the people operating the scam.

The bottom line is that philanthropy should be about giving money, not getting money. The key to these scams is they are able to charge an application fee or other fees to apply for their scholarship programs, while still being able to call it a scholarship or fellowship. If S. 1455 were to make it illegal to misrepresent what probably amounts to little more than a raffle or lottery as a scholarship, making it illegal for an organization that offers a scholarship to charge an application fee or other fee (e.g., "administrative fee", "redemption fee", or whatever they want to call it) to apply. If they use the word "scholarship" or "fellowship", they should not be able to charge the student (or the parent/teacher) money as a requirement for the student to submit an application.

It is important that the language of such a provision carefully distinguish such scams from legitimate operations, such as:

- Publishers of scholarship books (e.g., Peterson's, Prentice Hall, McGraw Hill), who charge a fee for a book of information about scholarships. The distinction here is that such publishers are charging for information about a variety of scholarships, not a fee to apply for a scholarship.
- Scholarship management services (e.g., USA Group, Citizen's Scholarship Foundation of America, etc.) who charge the scholarship sponsor a fee to manage their scholarship programs. The distinction here is that the sponsor is getting charged an administrative fee, not the individual students.

Mr. Chairman, I once again thank you and the Committee for taking an interest in the issue of financial assistance fraud, and for inviting me to share my thoughts on the matter. I would be happy to answer any questions you may have.

Senator ABRAHAM. Mr. Bery, we welcome you. Thank you for being here today. We will turn to you for your testimony.

STATEMENT OF SANJEEV BERY

Mr. BERY. Thank you, Senator Abraham and Senator Feingold, for offering me this opportunity to testify, as well as thank you for introducing this legislation. My name is Sanjeev Bery and I am the higher education associate for U.S. PIRG, U.S. Public Interest Research Group.

The U.S. PIRG Higher Education Project works to expand access to higher education. We do so by advocating for increased funding for need-based student aid, lower-cost student loans, and better service for students who are served by Title IV of the Higher Education Act. U.S. PIRG endorses Senate bill 1455, the College Scholarship Fraud Prevention Act of 1999. I am the U.S. PRIG representative tasked with advocating support of this bill, and thank you again for introducing this legislation.

It is my pleasure to talk to you today regarding the subject of fraudulent college financial assistance services. My experience with college scholarship fraud began with personal experience. In 1994, I was a senior at Fred C. Buyer High School in Modesto, CA. At the time, I was applying to college and looking for sources of financial aid.

During that period of time, my parents received a postcard in the mail advertising a scholarship service. The company was named CAP, College Academic Planning, Incorporated. CAP's services seemed straightforward. In return for a $200 fee, I would receive

a detailed list of scholarships tailored to my future background and future plans.

Despite the heavy price tag, my parents and I decided to go ahead with the service. Though $200 is indeed a lot of money, we thought that if we were missing out on opportunities to apply for scholarships that I didn't already know about, that would be a problem and something not to miss out on. So my parents went ahead and paid the $200 fee.

I then spoke on the phone with a CAP representative who asked me about my background and academic plans. Sometime later, I received a booklet in the mail with the results of CAP's so-called personalized scholarship search. The product we received in return for our $200 was of the poorest quality. The scholarships listed had absolutely nothing to do with either my personal background or my college pursuits.

While I intended to study political science, I received a list of scholarships dealing with how to apply for scholarships dealing with med school. While I am of Indian descent, my parents having been born in India, I also received a list of scholarships on how to apply for Native American scholarships.

So when we looked into the refund policy, it became clear that we had been ripped off. According to CAP, we would receive a refund if we provided proof that I had unsuccessfully applied to each of the scholarships they had given information on. But obviously with none of the scholarships really relevant to me or my personal needs at all, it would have been a complete waste of time to do so, even if the scholarship companies had actually responded and said that I was rejected.

In some cases, I didn't even meet the qualifications to actually apply for the scholarships, as in the case of the Native American scholarships. This made it a complete waste of time to apply to each and every scholarship that they provided. Not knowing of any other alternative, we decided to accept our $200 loss.

At the time, I had no idea that thousands of other high school students across the country and their parents were becoming victims of the same company's fraudulent practices. When the Federal Trade Commission shut down CAP through legal action in 1997, it became known that over 30,000 students and families across the country were similarly ripped off. CAP earned over $6 million in net sales through its fraudulent practices, charging families for a product that had lots of promise but little actual value.

I went on to study at the University of California at Berkeley. Though I would never hear from CAP again, I know that during my 4 years as an undergraduate, many of my fellow classmates must have fallen prey to the same fraudulent schemes.

At UC–Berkeley, like many other college campuses across the country, scholarship services place their offers on bulletin boards and mail them to students. As mentioned in other testimony today, the ads often wrongly state that millions of dollars in scholarship aid go unclaimed each year. Some even falsely guarantee that students or parents who pay the application fee and participate will automatically qualify for a scholarship.

Many students are extremely vulnerable to these kinds of tactics. Over the past 20 years, the need for student aid has skyrocketed

as enrollments and college costs have risen. Unfortunately, Federal student aid programs like the Pell Grants have not kept pace. This forces many low-income students to work long hours and take out large loans to pay for college. In this kind of environment, any promise of scholarship aid is difficult to resist.

I strongly support your efforts to protect students and fight this fraud. Senate bill 1455, the College Scholarship Fraud Prevention Act of 1999, will go a long way toward stopping this type of criminal behavior.

Thank you, Senator Abraham and Senator Feingold, for introducing this legislation and for giving me the opportunity to testify.

Senator ABRAHAM. Thank you, Mr. Bery.

[The prepared statement of Mr. Bery follows:]

PREPARED STATEMENT OF SENJEEV BERY

Thank you, Chairman and Senators, for the opportunity to testify before this committee. My name is Sanjeev Bery, and I am the Higher Education Associate for U.S. PIRG, the U.S. Public Interest Research Group. U.S. PIRG is the national lobby office for the state PIRG's. The State PIRG's are student-led public interest organizations in 25 states across the country.

The U.S. PIRG Higher Education Project works to expand access to higher education. We do this by advocating for increased funding for need-based student aid, lower-cost student loans, and better service for students who are served by Title IV of the Higher Education Act. U.S. PIRG endorses Senate Bill 1455, The College Scholarship Fraud Prevention Act of 1999. I am the lead person at U.S. PIRG responsible for advocating in support of this bill.

It is my pleasure to talk to you today regarding the subject of fraudulent college financial assistance services. My experience with scholarship fraud begins with personal experience. In 1994, 1 was a senior at Fred C. Beyer High School in Modesto, California. At the time, I was applying to college and anxiously awaiting a response from several universities. While finishing the application process, I was also focused on finding sources of financial aid. Because of this, I made it a priority to research scholarships, and apply to those that I might qualify for.

During that period, my parents received a postcard in the mail advertising a scholarship service. The company was named CAP, College Academic Planning, Inc. CAP's services seemed straightforward—in return for a $200 fee, I would receive a detailed list of scholarships tailored to my personal background and future plans. Despite the heavy price tag, my parents and I decided to go ahead with the service. At the time, we viewed it as an investment. Though $200 is a significant amount of money, I could not pass up the opportunity to receive much needed financial aid.

So my parents went ahead and paid the $200 fee. I then spoke on the phone with a CAP employee, who asked me about my background and academic plans. Sometime later, I received a booklet in the mail with the results of CAP's personalized scholarship search.

The product we received in return for our $200 was of terrible quality. The scholarships listed had absolutely nothing to do with my background or planned future pursuits. While I intended to study political science, the booklet provided by CAP contained scholarships for students pursuing medicine. While I am of Indian descent, my parents having been born in India, the scholarship company provided information on scholarships for Native Americans.

When we looked into the refund policy, it became clear that we had been ripped off. According to CAP, we would only receive a refund if we provided proof that I had unsuccessfully applied to each of the scholarships they had given information on. None of the scholarships included in the booklet were of any relevance to my background or planned pursuits, academic or otherwise. In some cases, I actually did not even meet the basic criteria for applying. To apply to a series of scholarships that requested written essays and a variety of other materials, knowing full well that there was little chance I would qualify for anything, would have been a total waste of time. Not knowing of any other alternative, we accepted our $200 loss.

At the time, I had no idea that thousands of other high school students and their parents were becoming victims of the same company's fraudulent business practices. When the Federal Trade Commission shut CAP down through legal action in 1997, it became clear that at least 30,000 other families had also been ripped off. CAP

earned over $6 million in net sales through its fraudulent practices, charging families for a product that had lots of promise, but no value.

I went on to study at the University of California at Berkeley. Though I would never hear from CAP again, I know that during my four years as an undergraduate, many of my fellow classmates must have fallen prey to similar fraudulent schemes. At UC Berkeley, like many other college campuses, scholarship services placed their offers on bulletin boards and mailed. them to students. The ads often claimed that millions of dollars in scholarship aid went unclaimed each year. Some even guaranteed that students who participated would qualify for a scholarship. The ads were often personalized, making use of mail order lists that provided students' names, interests, and contact information.

Many students are extremely vulnerable to these kinds of tactics. Over the past 20 years, the need for student aid has skyrocketed as enrollment and college costs have risen. Unfortunately, federal student aid programs like the Pell Grant have not kept pace. This forces many low-federal students to work long hours and take out large loans to pay for college. In this kind of environment, any new promise of scholarship aid is difficult to resist. I would go so far as to say that many hard-working students and families feel a strong obligation to pursue whatever opportunities are available to make that investment in a college education.

I strongly support your efforts to protect students and fight this fraud. S. 1455, the College Scholarship Fraud Prevention Act of 1999, sponsored by Senator Abraham and Senator Feingold, will help reduce the prevalence of these types of crimes.

The bill's first plank, which toughens the penalties against the perpetrators of such fraudulent services, will send the message that such behavior will not be tolerated. The second plank removes the protective shield of bankruptcy that many financial assistance services hide behind when prosecuted. Finally, putting a list of reputable services online will provide parents and students with the best defense there is: good information.

I would like to offer two suggestions as to how S. 1455 can be made even stronger:

Require the Department of Education to submit an annual report to Congress on fraudulent financial assistance services.—By doing so, Congress will ensure that the issue retains high visibility. Such a report should include a list of companies that have been investigated or have had complaints filed against them. It should also categorize the different kinds of fraudulent services that are prevalent. By issuing such a report, the Department of Education would raise the issue's profile in the education community. In addition, it is likely that such a report would be covered by a broad spectrum of media as well. Increased awareness of the problem would ultimately benefit students and their parents.

Promote a coordinated effort between the Department of Education and the Federal Trade Commission to educate high school students and guidance counselors on scholarship fraud.—As mentioned above, good information is often the best defense against fraud. Providing guidance counselors and high school seniors with tips for avoiding potentially fraudulent financial assistance services would go a long way towards reducing the prevalence of these crimes. Whether through printed materials or otherwise, this would supplement the information that this legislation already seeks to place on the World Wide Web.

The College Scholarship Fraud Prevention Act of 1999 will help protect many students and parents from the predatory practices of fraudulent college financial assistance services. Providing an annual report on the subject and educating high school students and guidance counselors would offer even greater protection to potential victims.

Thank you for this opportunity to testify.

Senator ABRAHAM. As I said, we will now turn to Senator Feingold for his statement.

STATEMENT OF HON. RUSSELL D. FEINGOLD, A U.S. SENATOR FROM THE STATE OF WISCONSIN

Senator FEINGOLD. I would like to thank you, Senator Abraham, for your efforts to protect our Nation's students from scholarship fraud. This is not the first Abraham–Feingold effort and the last one was a very successful one and a good one, and I appreciate your asking me to work with you on this.

Senator ABRAHAM. Thank you.

Senator FEINGOLD. I would also like to thank the chairman for holding the hearing.

My home State of Wisconsin, like its Midwestern neighbor, Michigan, is fortunate to have some of the finest higher education institutions in the entire United States, and good football teams. Although we did not quite beat Michigan, I think we can both agree that Wisconsin's defeat of Ohio State last week was a pleasure for both of us.

Senator ABRAHAM. It served a useful purpose.

Senator FEINGOLD. But in all seriousness, we are extremely proud in both of our States of our schools, our higher education institutions. Our States also enjoy diverse higher education systems, including public colleges and universities, community and technical colleges, and independent colleges and universities.

High school students across the United States spend a good portion of their junior and senior years dreaming of attending one of these fine institutions. I think I am on the phone with my daughter, if not with her in person, every other day talking about this. She is a junior in high school right now.

They recognize that a college education is an invaluable asset and higher education a truly wonderful experience. Students and parents alike are facing the reality that a college education is becoming increasingly expensive. And as I have indicated, I have personal experience with that, with one daughter already enrolled in the University of Wisconsin system and another one getting ready to apply.

A university education is significantly more expensive than the costs I faced when I attended the University of Wisconsin–Madison. The University of Wisconsin–Madison is quite affordable compared to other Big 10 universities, but the costs are increasing, and students in my State are concerned about those costs.

Fortunately, there are some private and Federal scholarship opportunities that help to allow students to realize their dream of a college education, but these resources are limited and there are not nearly enough for all of those in need. Regrettably, some unscrupulous companies are trying to take advantage of students by imitating legitimate government agencies and grant-giving foundations, and I am dismayed by the increasing frequency with which I hear stories of corrupt companies and individuals preying on the hopes and dreams of America's youth.

Many of these unscrupulous companies guarantee scholarships in exchange for an advance fee. Some of these companies attempt to sweeten the deal by providing money-back guarantees which lures in unsuspecting students. Still others trick students into divulging their checking account number and debit the student's account, with or without a student's consent.

In most cases, the result is the same. The students lose valuable time and resources that could have been used toward furthering their education. Some students do receive their money back, but only after countless hours of phone calls and a few months of worry and hassle.

Sherri Pickett, a senior at the University of Wisconsin–Madison, paid $45 to a firm called Academic Financial Programs. A month later, she received a folder containing 10 grant and scholarship op-

portunities. That is when the problem started. First, she noticed that she, as a junior, was ineligible for seven out of the 10 scholarships. Then she wondered why she filled out the personal profile. Sherri received a few notices for freshman scholarships when she was a junior, notices for aid available only to those going into the petroleum industry, and notices for financial aid for students at private institutions.

Finally, she realized that the acceptance deadline had already passed for the three remaining scholarships. Sherri spent countless hours trying to reach Academic Financial Programs. In the meantime, she contacted each of these scholarship opportunities and hoped to get a formal letter of rejection so she could simply get her money back. Instead of spending her time chasing scholarships she wasn't qualified for and leaving countless messages on answering machines, she could have devoted her time to studying, working, or enjoying college.

In the end, Sherri did receive her money back, but only after many hours of hassle. But Sherri makes an important point. She writes, "They will return your money if you have months of time to devote to them, but my money was something I already had in the first place."

We need to help students like Sherri Pickett who lost valuable time and confidence in the system trying to reclaim her fee from a corrupt company. Mr. Chairman, I ask that her full story be placed in the record.

Senator ABRAHAM. Without objection.

[The prepared statement of Ms. Pickett follows:]

PREPARED STATEMENT OF SHERRI PICKETT, SENIOR AT THE UNIVERSITY OF WISCONSIN–MADISON

My name is Sherri Pickett and I am from Madison, Wisconsin and am a senior at the University of Wisconsin–Madison. In June of 1998, I was contacted by a financial assistance service named Academic Financial Programs. The letter describing their service stated that if I sent the company a fee of $45, they would identify for me sources of financial aid for the upcoming school year. If they could not find identify any financial aid, I would be reimbursed for the fee. I felt I could not lose. I needed the money badly for school and I thought if there were any problems with the process, I would get my money back. I sent in the money along with a personal profile of myself, which included my major in school and my career interests. This was apparently the criterion that was used in order to locate the appropriate scholarships and grants.

About a month later, I received a folder of about ten grant and scholarship opportunities. I also received information about how to get my money back if none of the identified sources could provide financial aid for me. I was anxious to contact these sources because I was excited at the opportunity to receive any extra aid. I became skeptical as I looked closer at all of the sources. I noticed that I was not even eligible for about seven of them. I wondered what the personal profile was for if I did not match any of the requirements. I received a few notices for freshman scholarships when I was a junior, notices for aid available if you were going into the petroleum industry, and notices for financial aid for students at private institutions. I never wrote anything of the sort in my personal profile. I also received notices for aid that was no longer available because the deadlines had all ready passed. Academic Financial Program also sent me information on aid from the state of Wisconsin, which I would have already received in my financial aid package from the university if I were eligible.

At this point, I was determined to get my money back because I could see the program was nothing like I expected. It was now my responsibility to write to all of these sources and get rejection letters. The Academic Financial Program wanted you to write to the identified sources asking about financial aid in general. Instead, I told each source up front in letters that I knew I was not eligible for their financial

aid and I wanted a letter from them stating so in return. The few scholarships I was eligible for were already past the acceptance deadline.

I was so frustrated with this program that I called their office in San Diego several times telling them to expect my demand for a refund in the mail. About half of the times that I tried to contact them, no one would answer their phone. This was really starting to scare me because I really hated to think that I was being scammed. I finally got a hold of someone in the office and expressed my concerns about what I received from them. The woman I spoke to seemed helpful, but I was not sure how genuine she was. I thought they picked up their phone by mistake and would not pick it up again after speaking with me.

I started to panic and contacted my financial aid advisor. She told me that plenty of students were paying far more than I was and not being reimbursed by these types of companies. She said she wished I had talked to her before I decided to follow through with paying Academic Financial Programs. I told her how disappointed I was with the service. I could not believe that these people actually have access to your name and information to contact you. It was definitely not what I expected. I spent several weeks gathering all of the rejection letters in hopes that I might possibly get my money back. It was very irritating that I had to even bother with the sources I was not eligible for.

In between the time that I sent all of this information back to San Diego and the time that I actually heard back from them, I was constantly calling them to see if they received the package yet. I finally received the reimbursement in the mail of the full $45 after the course of a couple months. I was very fortunate to see that money back. I thought that I was probably just one out of the many people who even bothered going through the hassle of getting their money back with this company. Most students probably did not see the trouble they were getting themselves into, they just saw the potential money like I did. Although I got my money back as promised, it was a very long and drawn out process. I have warned many people about the program to hopefully save them the time and aggravated feeling I had after dealing with Academic Financial Programs. There is no question that they do not deliver what they promise—links to financial aid sources. They will return your money if you have months of time to devote to them, but my money was something I already had in the first place.

I urge this committee to pass S. 1455, which would prevent future students from going through the ordeal that I dealt with.

Senator FEINGOLD. Hopefully, with this legislation, we can empower the Justice Department, the Federal Trade Commission, and the Department of Education to prevent companies from scamming students like Sherri.

I commend the FTC for addressing the issue of scholarship scams. In 1996, the FTC initiated Project Scholarshipscam, a nationwide crackdown on fraudulent scholarship search services. I am particularly pleased about the accessibility of information on scholarship scams on the FTC's Web site and look forward to hearing from the FTC on its efforts to deal with this problem.

Private organizations have also joined in the effort. Web sites such as www.finaid.org provide a valuable service, both making students aware of legitimate scholarships and warning them of potential scams. I am pleased that Mr. Kantrowitz has joined us today. Unfortunately, their efforts are not enough to deter scholarship scam artists. According to the National Association of Student Financial Aid Administrators, more than 350,000 people are duped by aid scams each year, losing some $5 million annually.

I understand that in one such case, in Baltimore, MD, a single individual defrauded 60,000 students for a grand total of $600,000. This fraud must stop. Students have a right to dream of a college education without worrying about fraud and abuse. We must increase awareness of such fraud, protect students from scam artists, and deter future criminals.

I am pleased that this legislation will protect students by requiring the Department of Education to create a Web site of legitimate

sources of scholarship information. It would further require the Department of Education to coordinate with the FTC in compiling this list. This legislation will protect against fraudulent organizations being listed on the site. The Web site will hit the ground running, since the FTC has already begun the awareness campaign on their site. This Web site will provide an invaluable service, making students aware of legitimate scholarships and helping them to differentiate legitimate companies from con artists.

I am also pleased that this legislation improves the FTC's ability to recover the monies owed students. I understand that some scholarship scam artists use bankruptcy to retain their ill-gotten gains and avoid paying court judgments. Here is how they do it. First, the scam artists use the student's money to invest in expensive homes. When the scam artists are hit with disgorgement and redress orders, they file for bankruptcy. The scam artists take advantage of the bankruptcy estate exemption for residential property to keep the students' money. Then after the bankruptcy proceedings clear their debts, the scam artists sell their expensive homes and succeed in keeping the money they have defrauded from students. This is an outrageous abuse of the bankruptcy laws and can't be allowed to continue. While I am cautious about eliminating legitimate exemptions from bankruptcy for those who need them, I want to be sure the scam artists cannot use bankruptcy as a tool to avoid being held responsible for their wrongdoing.

The scams themselves take many forms—the advance fee loan, the scholarship prize, the guaranteed scholarship search service, to name just a few. Unfortunately, all the scams have one common thread; they deprive students of resources that could otherwise be used for books or tuition.

In one scam that has been cited by Senator Abraham and others, a bogus organization, the National Scholarship Foundation, charged students a $189 processing fee. For their hard-earned dollars, students received only general information about the general college application process. For those who may be reluctant to act on this legislation, I want to make clear that these frauds, though they may seem like small amounts of money, represent real money to Wisconsin students. For $189, students could have taken a sales management course at the Milwaukee area technical college, bought books at the campus bookstore in Madison, WI, or purchased 10 to 15 hours of child care to allow them to be able to attend classes in the UW system.

We in Congress also believe these amounts to be significant. For example, the fiscal year 2000 Labor–HHS bill contained a $200 increase in the maximum Pell Grant award. We would like to do more, but that is supposedly worthwhile, that is real money.

I hope this committee will take up this legislation soon and forward it on to the full Senate. We need to protect our Nation's college students from unscrupulous companies. This legislation is a common-sense first step in preventing scholarship fraud, and I again want to thank Senator Abraham for his leadership on the issue.

Thanks for the time.

Senator ABRAHAM. Senator Feingold, thank you. I think you have once again identified some compelling arguments in support of

what we are trying to do here, and I appreciate your help on this very much.

Senator FEINGOLD. Mr. Chairman, I forgot to ask unanimous consent that Senator Leahy's statement be submitted for the record.

Senator ABRAHAM. Of course, without objection.

Senator FEINGOLD. Thank you.

Senator ABRAHAM. If other members of the full committee wish to submit statements, we will leave the record open for them to have that opportunity.

[The prepared statements of Senators Hatch and Leahy follow:]

PREPARED STATEMENT OF HON. ORRIN G. HATCH, U.S. SENATOR FROM THE STATE OF UTAH

Good morning, and welcome to today's hearing on solving the problem of scholarship scams. I first would like to thank Senators Abraham and Feingold for their efforts and leadership on this important issue. As many of you know, "The Scholarship Fraud Prevention Act (S. 1455)" was introduced by Senators Abraham and Feingold on July, 28 of this year. Also, I would like to thank all of our witnesses today for their time and cooperation.

For those of us who care deeply about education and who promote higher education, scholarship scams are particularly offensive because they target the very students who are in need of financial help to continue their education. I have a long record of supporting the integrity of the student loan system, and ensuring that students have the broadest possible set of options in financing their educations. I am a longstanding supporter of the student loan system, and have worked hard to make sure that interest rates on student loans are kept to a minimum. I also have undertaken to make sure that scholarships and grants remain available to assist those students who need them.

It is well-known that the cost of a college education today is extremely high, and students increasingly must seek financial assistance in order to attend. At the same time, fraud in the offering of financial assistance to college students has emerged in a wide variety of forms, and appears to be a growing problem. I hope that, with this hearing, we will better understand the problem of con artists who defraud students seeking to finance their college educations, and examine appropriate solutions to the problem.

PREPARED STATEMENT OF HON. PATRICK J. LEAHY, U.S. SENATOR FROM THE STATE OF VERMONT

One of the singular most important issues facing us today is education. Affordable higher education is an opportunity that must be made available to all of our young people. To that end, public and private scholarships, grants and loans have long assisted our nation's students in pursuing college degrees.

Phony scholarship offerings, scams and frauds do great harm to our nation's students. No student seeking to attend a college or university should have to worry about whether a scholarship offering is legitimate or wonder whether the business to which he or she has mailed an application fee actually exists. I am glad we are exploring ways to add to the arsenal of our current laws to combat these types of frauds.

The goals of the proposed bill are laudable: combating scholarship scams and promoting the dissemination of information about legitimate sources of higher education funding. Nevertheless, I have certain questions about whether the proposed bill is the most effective way in which to pursue the goals we all share.

For instance, the bill proposes to raise the long-standing statutory maximum punishment of five years for mail and wire fraud to ten years in cases of scholarship scams. In light of the fact that scholarship scams often involve more than one victim and may result in multiple charges, raising, the statutory penalties may not be necessary to effectuate punishment goals. A more appropriate and effective solution to ensure adequate punishment may be to direct the Sentencing Commission to consider whether a guideline enhancement for cases involving fraudulent scholarship offerings should be added to the Sentencing Guidelines. I would welcome consideration of this issue.

Similarly, I would be interested to know whether we have information to suggest that those criminals who base their schemes on scholarship offerings are more likely than those perpetrating other types of frauds to shield ill-gotten gains in bankruptcy homestead exemptions. I would welcome further information on this issue as well.

I look forward to reviewing the testimony of our witnesses and learning more about these important issues.

Senator ABRAHAM. I just have a few questions, and really they are in part just to follow up on some of the points already made. First, I am going to ask Ms. O'Flaherty, obviously your office is the center of this activity when it comes to identifying and assisting students with respect to financial assistance. I assume you also have a relationship with high schools in our State that come to you for information or that you provide.

Having now been part of this process, seeing some of these fraud schemes, and so on, is it your impression—at least the ones who actually charge people to just provide information, that essentially the information that they are providing when it is simply of that sort is available to students either at a financial aid office like yours or often even in their own high school?

I don't want to presume that, but is that typically the case? I mean, is there any unique information that these services—I guess that is how I should ask the question—that these services have that couldn't be obtained at the Western Michigan University financial aid office?

Ms. O'FLAHERTY. I would say there is very little. On a service that is legitimate, there may be some scholarship match that we have been unable to do. The State of Michigan has an excellent scholarship match on its Web site for free; it is a national database.

Very, very often, the parents that I speak to who are so frustrated and have that horrible sense of being taken, they come in and it says Federal direct unsubsidized loan and parent loan, and we see a lot of that. So, yes, that information is available in our office, in most financial aid offices, and on numerous Web sites for free.

Senator ABRAHAM. So the notion that somebody has to pay, whether it is $189 or it is $20, to get this so-called inside information about scholarships that are out in the world—basically, that isn't the case. This kind of information is available at the place you would probably typically think of to begin with.

Ms. O'FLAHERTY. Correct, it is, and if it is not right there, we can get them to the right resource on the Web.

Senator ABRAHAM. You indicate in your testimony that as you have traveled around to do maybe seminars or whatever that you are hearing more and more of these kinds of problems. Has that been the case with the students who come into the financial aid office itself?

Ms. O'FLAHERTY. Yes. I mean, I have been in financial aid since 1973 and this has been an issue my whole term. I have always heard about it on and off over the years. I just returned from a financial aid conference in Cleveland last night, and intentionally talked to as many people from various States as I could to find out their sense of what was going on. And I would say for the most part, the sense is that it continues, it is growing, it is changing its face all the time; a little bit different twist associated with purchasing something. Insurance policies, any variety of things are associ-

ated with it, so we feel very strongly that it is out there in significant amounts.

Senator ABRAHAM. So whatever we are trying to do or is currently being done that might be discouraging hasn't seemed to work, and therefore you would conclude that we need to do more in terms of the discouragement of this kind of practice, I guess.

Ms. O'FLAHERTY. Yes, I would, and I really mean it when I say I have talked to parents, not even at college nights but just in the office or informally. It is a huge issue and a question for many, many families.

Senator ABRAHAM. My sense—and, again, I don't have any empirical evidence to back this up, but maybe Mr. Kantrowitz would have some insight. But my sense is that as we develop new technologies, we, of course, give creative people who want to use new technologies in a bad way new opportunities.

And my suspicion is that some of the reason that this is growing is because with the Internet now there is a lot of new sort tools, so to speak, available to people to communicate with students, and maybe even in a more effective way to some extent because there might be a little more—I don't know—a mass mailing may just on its face be easy to look at and discard, whereas something that maybe shows up through the Internet sometimes might have an even more serious look to it or be harder to discern immediately if it was not effective. Do you think that is a possibility?

Mr. KANTROWITZ. Definitely a possibility. The Internet is a new communication channel and just as it can be used by legitimate organizations to communicate at less expense, it can also be used by scam operations to reach a greater audience.

Senator ABRAHAM. I want to change gears slightly and go to you, Ms. Anthony. First of all, we appreciate what the FTC has done both working with our office as we have put the legislation together and even before that when we first started reading about these problems and hearing from people in Michigan. You have been very helpful to give us the kind of background needed to both go out on a little tour of my own to talk about these warning signals, but also in terms of helping us to do a better job here.

One of the questions I have is right now the issue, I guess, is in my mind is with respect to the pursuit of those who are engaging in this fraud. Your power is obviously limited to sort of civil actions, not to criminal actions.

Ms. ANTHONY. That is correct.

Senator ABRAHAM. At this point, is it typical for the FTC to then make criminal referrals to the Department of Justice? Is that what would happen if you thought somebody had reached a level of misconduct that required that criminal fraud was involved? Is that how the process works?

Ms. ANTHONY. Yes. We have two options. We can either bring a civil action or make a criminal referral to a U.S. attorney's office, which we have done.

Senator ABRAHAM. Do you do that very often at this point, or is that sort of a limited use option?

Ms. ANTHONY. It depends, I suspect—I would like to defer to the staff on this and I will get back to you with that question.

Senator ABRAHAM. That would be fine.

Ms. ANTHONY. But it would depend, I suspect, on maybe the size of the consumer injury as to whether the U.S. attorney's office, who are dealing with drugs and violent crime and other matters, would feel that it was worth the resources that they would need to expend.

Senator ABRAHAM. I would be at least interested in knowing how that process has worked, and also to the extent you know, what follow-up or what percentage of the referrals have actually been acted on. I am sure the calculus from the other side—that is, from the U.S. attorney's side or from the Department of Justice's side—also is to look at the penalties that currently exist which are not very severe in terms of the criminal side and maybe when they have to make that cost/benefit analysis between pursuit of other criminals or prosecutions versus these.

One of the arguments we have for our legislation is that by increasing the potential criminal penalties, it not only maybe discourages people, but it also makes the pursuit of cases in this area a little more arguable, or sort of buttresses the investments that would be made in terms of resources. So if you could get us some information along those lines, that would be very helpful.

Ms. ANTHONY. I will be happy to do that, Senator.

Senator ABRAHAM. And we do thank you for the FTC, the full agency, your Commission, for what efforts you have already engaged in.

Do you feel that it would be possible to work with the Department of Education to put together the kind of site that we have talked about that might give students at least a more accurate list of the services that are legitimate?

Ms. ANTHONY. We would feel delighted to cooperate with the Department of Education in any way that we could be of assistance. We have made great efforts to send a consumer education message, and we feel that we have been fairly successful with that, to both businesses and individual consumers.

We would be, of course, deferring to the Department of Education, who has a great deal of experience in all sorts of financial aid, both loans and work/study and other financial aid packages. But as far as helping them with lists, we would be happy to lend a hand.

Senator ABRAHAM. And Mr. Kantrowitz has given us some ideas as to other ways that we might want to adjust perhaps the process, or at least the sort of criteria, and we will look into those.

Mr. Bery, your personal experience is probably the most illuminating sort of testimony we have received in a certain sense because it demonstrates that this isn't just kind of an imagined problem, but one that hits home to people of modest means and causes hardship.

I think one of the problems, as I have sort of talked to people in our State, is that the amount of injury suffered in terms of dollar damages to any one person is at a level where the pursuit of any kind of redress is to them, at least, more expensive, presumably, or more difficult than the loss involved.

We have also noticed in Michigan, at least, that the people who have—you know, the law enforcement folks in our State and the people in the universities and colleges are having a greater dif-

ficulty because many times the people involved are not around Michigan. They are from Maryland or they are from other parts of the country, which is another reason why I think having some sort of Federal comprehensive approach makes some sense.

But I am just wondering, in your professional role now, are you too encountering an indication of an increased level of this sort of activity going on? Is that something in your job with PIRG that you are encountering?

Mr. BERY. Well, as you have said, a lot of times because students at an individual—you know, it is so daunting to even begin to figure out the process of what to do once you have lost anything from $25 to $200. A lot of times, the types of complaints that could be logged aren't because students are just dismayed by that and move on to other efforts.

But I think this effort, this bill, will go a long way toward sending out a message nationwide to perpetrators of these types of crimes that there are significant penalties. And it is also good because it provides good information through the requirement of a Web site. And I think even further developing that and further developing the efforts that Commissioner Anthony had mentioned with regard to the FTC providing those bookmarks at college bookstores—maybe if the Department of Education and the FTC aren't already doing this, going so far as to provide information to guidance counselors at the high school level, so a high school senior who walks into a guidance counselor's office and sees a pamphlet next to the FAFSA, the Free Application for Federal Student Aid, that says don't get scammed, and a few tips, similar to what the poster was that the Commissioner had highlighted for the hearing. Those would be good steps to avoid that.

Senator ABRAHAM. I think some of that does go on, right?

Ms. ANTHONY. Yes, it does, and the testing services have been cooperative with us in disseminating these sorts of warnings to high schools and high school guidance counselors.

Senator ABRAHAM. Senator Feingold.

Senator FEINGOLD. Thank you, Mr. Chairman, and thank you to all the witnesses for being here. I just have two questions for Commissioner Anthony. I have been particularly concerned about the availability of financial aid to low- and middle-income students, many of whom have contacted me about the Pell Grants. Ms. O'Flaherty indicated in her testimony that many of the victims of the scholarship scams are students in low- and middle-income households.

Do you find any evidence that these scams are, in effect, profiling students and specifically targeting certain economic groups?

Ms. ANTHONY. Senator, I think these scam artists are targeting all American families who have college-age students, and I don't necessarily think it depends on the income level because nearly every family today is seeking financial aid in some way or another because college costs have become so expensive. If we do discover any matter of profiling, I will be certainly happy to share that information with you.

Senator FEINGOLD. Fair enough. The other question is if you could discuss the extent of the problem with scam artists hiding their ill-gotten gains under the residential property exemption for

estates in bankruptcy proceedings. In your experience, have you found that scam artists are hiding their ill-gotten gains from bankruptcy courts in other ways, in addition to the residential property exemption?

Ms. ANTHONY. I am not aware of any. I will be happy to consult with the staff and get back to you on that.

Senator FEINGOLD. Thank you, Commissioner. Thank you, Mr. Chairman.

Senator ABRAHAM. Senator Feingold, thank you.

As we bring this to an end, oftentimes our hearings are—because a member has a different view on the issue from our committee, they bring in witnesses who are in conflict. Today, we don't have much conflict, so our hearing is relatively short in length, but not limited in terms of its impact. I think it can be very helpful to us as we try to move the bill forward.

Before we close, I have been actually handed a statement which we will include in the record, assuming there is no objection, from Assistant U.S. Attorney Dale Kelberman, from the District of Maryland, who is the supervisor of the White Collar Crime Section and who dealt with one of these cases, the one I referenced in my opening statement. He would like to have this statement entered into the record as well.

[The prepared statement of Mr. Kelberman follows:]

PREPARED STATEMENT OF ASSISTANT U.S. ATTORNEY DALE P. KELBERMAN

Mr. Chairman and Distinguished Members of the Senate Judiciary Committee. Thank you for the opportunity to present this statement to the Committee regarding the prosecution by our office of the case of *United States* v. *Christopher Ebero Nwaigwe aka Christopher Maige* (Criminal No. WMN–98–0414, D.Md.). I am an Assistant United States Attorney for the District of Maryland and the supervisor of the White Collar Crime section of the Office. I have been an Assistant since October, 1987, and have been a prosecutor for approximately twenty-five years at the federal, state and local levels. The *Nwaigwe* case was prosecuted by an Assistant United States Attorney who comes under my supervision in the office.

Our office worked with agents from the United States Postal Inspection Service in conducting the investigation which led to the charges against Mr. Nwaigwe. The investigation focused upon Mr. Nwaigwe's false representations to various members of the public in which he represented that he was associated with different college scholarship programs including the "National Health Scholarship Program," the "National Nursing Scholarship Program," the "Higher Education Scholarship Program," and other similarly-named programs. Using both his own name and an alias, Christopher Maige, Mr. Nwaigwe had opened about a dozen post office boxes in various locations in the Baltimore metropolitan area. The post office boxes were represented to students and prospective students as "suites," when they were simply mail drops. Nwaigwe mailed letters to students from lists he had obtained advising them that they had won scholarships, or could win scholarships. The solicitation requested that the students fill out forms and send them in with a $10.00 processing fee to one of the named addresses. In truth, there were no scholarships for any student.

The $10 fee was deposited to bank accounts Nwaigwe opened at Signet Bank, First National Bank of Maryland, and NationsBank. Nwaigwe used the funds for his own personal use, although it was difficult to trace all the funds because much of it was converted to cash. Nwaigwe collected approximately $500,000 from prospective students in this fashion.[1] Mr. Nwaigwe had previously been the subject of a cease and desist order from the Postal Service, which order had been issued in 1993. Nwaigwe also was enjoined from soliciting fees in 1996 in a civil action. On

[1] One of the delays in prosecuting this case was the time involved in obtaining all the necessary bank records relevant to the government's case. In order to identify all possible victims, the government issued subpoenas to the three banks for all deposited items of $10.00 or more. Given the volume of activity into those bank accounts, it took the banks some time to research and copy all of the thousands of bank items involved.

October 22, 1998, Mr. Nwaigwe was indicted by a grand jury in the District of Maryland on seven counts, each of which charged him with the crime of mail fraud, in violation of Title 18, United States Code, Section 1341.

Nwaigwe was represented by the Federal Defender's Office in the District of Maryland, and went to trial on March 8, 1999 before a jury presided over by the Honorable William M. Nickerson. The defendant was convicted of all seven counts by the jury on March 15, 1999.

The trial court ordered a presentence report, and held sentencing on June 4, 1999. Because he was convicted of seven counts of mail fraud, Mr. Nwaigwe was subject to a maximum *statutory* penalty of thirty-five (35) years imprisonment, a fine of $1,750,000 (7 × $250,000), supervised release, restitution of the amount of the loss, i.e. $500,000, and a special assessment of $350.00 (7 × $50.00).

However, because the Sentencing Reform Act of 1994, which adopted the federal sentencing guidelines, applied, Mr. Nwaigwe's sentence was based upon the sentencing guideline factors which applied to his case, as adjusted based upon his criminal history. In addition to the "base offense level," the sentencing guideline factors found to apply by the trial judge included: (1) the amount of the loss ($500,000); (2) a two-level enhancement because there was more than one victim; and (3) a two-level enhancement because the defendant falsely represented that he was acting on behalf of an educational organization and had violated an administrative order. As a result of these factors, the sentencing court found the guideline range to be 33 to 41 months incarceration. The trial judge departed downward one level from that range because Nwaigwe's status as an "alien" might subject him to more onerous conditions of confinement. The judge imposed a sentence of (36) months incarceration, followed by three (3) years of supervised release. The court determined that Nwaigwe did not have the ability to pay a fine or make restitution, so none was ordered. Mr. Nwaigwe was detained in Worcester, Massachusetts shortly after his indictment, and he has remained in custody since then.

Mr. Nwaigwe has filed a notice of appeal to the United States Court of Appeals for the Fourth Circuit, which is pending. The defendant has not yet filed his brief in the 4th Circuit, so the issues on appeal are at this point unclear.

Senator ABRAHAM. So I want to thank the panel, thank the organizations represented as well. And certainly to our audience, I appreciate those who have spent a little time with us today. We will work together certainly with our colleagues here on the committee to try to move this legislation. I think it is a constructive step. Hopefully, it can begin the process of reducing the abuse that has gone on. And we appreciate those of you on the front line and the job you are doing to try to help with that as well.

So we will bring the hearing to a conclusion and we thank everybody for their participation.

[Whereupon, at 3:26 p.m., the subcommittee was adjourned.]

APPENDIX

106TH CONGRESS
1ST SESSION

S. 1455

To enhance protections against fraud in the offering of financial assistance for college education, and for other purposes.

IN THE SENATE OF THE UNITED STATES

JULY 28, 1999

Mr. ABRAHAM (for himself and Mr. FEINGOLD) introduced the following bill; which was read twice and referred to the Committee on the Judiciary

A BILL

To enhance protections against fraud in the offering of financial assistance for college education, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

SECTION 1. SHORT TITLE.

This Act may be cited as the "College Scholarship Fraud Prevention Act of 1999".

SEC. 2. FINDINGS.

Congress makes the following findings:

(1) A substantial amount of fraud occurs in the offering of college education financial assistance services to consumers.

1 (2) Such fraud includes the following:

2 (A) Misrepresentations regarding the pro-
3 vision of sources from which consumers may ob-
4 tain financial assistance (including scholarships,
5 grants, loans, tuition, awards, and other assist-
6 ance) for purposes of financing a college edu-
7 cation.

8 (B) Misrepresentations regarding the pro-
9 vision of portfolios of such assistance tailored to
10 the needs of specific consumers.

11 (C) Misrepresentations regarding the pre-
12 selection of students as eligible to receive such
13 assistance.

14 (D) Misrepresentations that such assist-
15 ance will be provided to consumers who pur-
16 chase specified services from specified entities.

17 (E) Misrepresentations regarding the busi-
18 ness relationships between particular entities
19 and entities that award or may award such as-
20 sistance.

21 (F) Misrepresentations regarding refunds
22 of processing fees if consumers are not provided
23 specified amounts of such assistance, and other
24 misrepresentations regarding refunds.

1 **SEC. 3. ENHANCED CRIMINAL PENALTIES FOR COLLEGE**
2 **EDUCATION FINANCIAL SERVICE ASSIST-**
3 **ANCE FRAUD.**

4 (a) ENHANCED PENALTIES.—Chapter 63 of title 18,
5 United States Code, is amended by adding at the end the
6 following:

7 **"§ 1348. Enhanced penalties for college education fi-**
8 **nancial service assistance fraud**

9 "(a) IN GENERAL.—A person who is convicted of an
10 offense under section 1341, 1342, or 1343 of this title
11 in connection with the obtaining or providing of any schol-
12 arship, grant, loan, tuition, discount, award, or other fi-
13 nancial assistance for purposes of financing an education
14 at an institution of higher education shall be fined under
15 this title, imprisoned not more than 10 years, or both.

16 "(b) OTHER PENALTIES.—Any penalties imposed
17 under this section shall be in addition to any penalties
18 under any of the sections referred to in subsection (a).

19 "(c) INSTITUTION OF HIGHER EDUCATION DE-
20 FINED.—In this section, the term 'institution of higher
21 education' has the meaning given that term in section 101
22 of the Higher Education Act of 1965 (20 U.S.C. 1001).".

23 (b) CLERICAL AMENDMENT.—The table of sections
24 at the beginning of that chapter is amended by adding
25 at the end the following:

"1348. Enhanced penalties for college education financial service assistance fraud.".

SEC. 4. EXCLUSION OF DEBTS RELATING TO COLLEGE FINANCIAL ASSISTANCE SERVICES FRAUD FROM PERMISSIBLE EXEMPTIONS OF PROPERTY FROM ESTATES IN BANKRUPTCY.

Section 522(c) of title 11, United States Code, is amended—

(1) by striking "or" at the end of paragraph (2);

(2) by striking the period at the end of paragraph (3) and inserting "; or"; and

(3) by adding at the end the following:

"(4) a debt in connection with fraud in the obtaining or providing of any scholarship, grant, loan, tuition, discount, award, or other financial assistance for purposes of financing an education at an institution of higher education (as that term is defined in section 101 of the Higher Education Act of 1954 (20 U.S.C. 1001)).".

SEC. 5. LIST OF BUSINESSES AND ORGANIZATIONS OFFERING COLLEGE EDUCATION FINANCIAL ASSISTANCE SERVICES.

(a) LIST.—The Secretary of Education shall maintain on the Internet web site of the Department of Education a web page that—

1 (1) lists businesses and organizations that offer
2 financial assistance (including scholarships, grants,
3 loans, tuition, awards, and other assistance) for pur-
4 poses of financing an education at institutions of
5 higher education; and
6 (2) provides the Internet web site address of
7 such businesses and organizations.
8 (b) APPLICATION FOR PLACEMENT ON THE LIST.—
9 A business or organization may apply to the Secretary of
10 Education for placement on the list.
11 (c) CONSULTATION.—The Secretary of Education
12 shall consult with the Chairman of the Federal Trade
13 Commission in an effort to ensure that a business or orga-
14 nization applying for placement on the list is a legitimate
15 business or organization.
16 (d) INELIGIBILITY.—A business or organization shall
17 not be listed on the page if—
18 (1) the business or organization was prosecuted
19 by the Federal Trade Commission and convicted of
20 using an unfair or deceptive act or practice under
21 the Federal Trade Commission Act (15 U.S.C. 41 et
22 seq.) during the 5-year period preceding the submis-
23 sion of an application under subsection (b);
24 (2) the business or organization is operated by
25 an individual who operated a business or organiza-

1 tion that was prosecuted by the Federal Trade Com-
2 mission and convicted of using an unfair or decep-
3 tive act or practice under such Act during the 5-year
4 period preceding the submission of an application
5 under subsection (b);
6 (3) the Department of Education receives a sig-
7 nificant number of complaints, as determined by the
8 Secretary of Education, from students alleging the
9 business or organization has not in good faith deliv-
10 ered on promises made by the business or organiza-
11 tion; or
12 (4) the business or organization is under inves-
13 tigation by the Federal Trade Commission.

○

QUESTIONS AND ANSWERS

Responses from Commissioner Sheila F. Anthony to Follow-up questions
From Senate Committee on the Judiciary
October 18, 1999

Response to Question from Chairman Orrin Hatch

1. The Commission is already working with the Department of Education to help promote consumer awareness of scholarship scams. One of the Commission's most important consumer education messages is that there are many free sources of information consumers should investigate before paying for such services. Listing free scholarship and financial aid sources compliments the Commission's consumer education goals in this area. Mark Kantrowitz recommends that any Web site maintained for the purpose of educating consumers as to scholarship scams should list only sources of **free** scholarship and financial aid information. I agree with that recommendation.

Responses to Questions from Senator Strom Thurmond

1. The Commission welcomes additional opportunities to coordinate our consumer education with other relevant federal agencies. The www.consumer.gov Web site represents on of the best examples of intergovernmental efforts in providing consumer education and information in one location. The Commission's "Six Signs that Your Scholarship is Sunk" consumer education materials are available on both the www.consumer.gov and on the FTC's Web site. These materials alert students and their parents to claims they will most likely hear from a con-artist. The Commission mailed consumer education materials to 2,000 campus bookstores nationwide. The materials were distributed to students making a purchase. In addition, the Commission joined with Who's Who Among American High School Students to send consumer education materials to every high school guidance counselor in the country. By working with high school guidance counselors and college financial aid administrators, the Commission has helped ensure that students and their parents get information from their most-trusted advisors who are in the best position to counsel them as to legitimate and free sources of scholarship and other financial aid information. To date, 2 ½ million pieces of consumer education materials have been distributed to consumers.

2. The Commission continues to review consumer complaints and sales materials of scholarship and financial aid search services operators. Law enforcement action will be taken in appropriate circumstances, for example, when there is a pattern or practice of deceptive of fraudulent claims. The Commission works with the Department of Education and matters are referred between the two agencies. For example, the Commission refers financial aid preparer fraud cases to the Department for investigation and the Department refers questionable financial aid search services for our investigation.

Responses from Commissioner Sheila F. Anthony to Follow-up questions
From Senate Committee on the Judiciary
October 18, 1999

3. The Commission has long supported enhanced criminal penalties for consumer fraud - from telemarketing to fraud perpetrated on older Americans. I believe stiffer penalties, backed by criminal prosecutions of the most egregious perpetrators, would act as an effective deterrent for individuals or companies who run fraudulent scholarship scams.

Follow-up answers by Susan O'Flaherty from the hearing on "The College Scholarship Fraud Prevention Act of 1999"

Follow-up Questions from Senator Patrick Leahy

1. Would raising the statutory maximum of five years for bank and wire frauds to ten years when such frauds are related to scholarship scams either (a) result in actual increased punishments for offenders; or (b) result in additional prosecutions by the Department of Justice? If so, why?

    - (a) Making the length of punishment longer may possibly deter some individuals from developing and running a scam. I don't know if it will increase the number of punishments for offenders.
    - (b) May result in fewer prosecutions if it acts as a deterrent.
    - (c) One other comment, although it is a different issue, for financial aid if an applicant purposely gives false or misleading information they maybe fined $10,000, or sent to prison, or both.

2. One witness testified that a scholarship scam defendant, Christopher Nwaigme, who was convicted of mail fraud, was sentenced to 36 months in prison. In your view, is this penalty meted out under current law not tough enough? Please explain why?

    - Although that was not part of my testimony, I think the law should be flexible enough so that there might be a range of years or monetary penalties available. In some cases, the result of the fraud may only affect a few people and in other cases, it might affect larger numbers of people. The dollar amount of the scam differs as well. In cases in which the public pay large sums of money to a scam, the end result may be that because they are out that money, it causes the family to obtain more financial aid and more loan because they don't have that money to help cover college expenses.

3. Would directing the Sentencing Commission to consider an appropriate sentencing enhancement guideline for those who commit frauds relating to scholarship scams provide an effective way to ensure that punishment goals are met?

    - I am not very familiar with sentencing enhancement guideline possibilities but I would think that it would be helpful.

4. Is there any research to suggest that those who committee frauds related to scholarship scams are likely to hide their gains in bankruptcy homestead exemptions? Please detail instances in which this has occurred.

    - I am not familiar with research of this nature.

Follow-up Questions from Senator Strom Thurmond

What does Western Michigan University do to provide potential students with legitimate sources for scholarship services and financial aid information?

- A number of practices are in place, they include:
- Our Scholarship and Financial Aid brochure provides students with scholarship search resources that we know are legitimate. Right now that includes "Fastweb" and "MI-Cashe". It gives the student a web site address and a phone number. This guide also gives students WMU specific scholarship information; information about financial aid programs and how to apply; a personal Budget planner; a listing of other possible resources; and phone numbers (or web sites) associated with various federal and state financial aid programs. This publication is given to prospective students through our admissions office.
- The Financial Aid Office at Western Michigan University facilitates many high school college nights for high school parents and students. Discussing scholarship searches, financial aid, and other finance issues are discussed with families.
- At the beginning of each financial aid application cycle, we (along with our state association) provide high school counselor workshops to help train high school counselors on financial aid application issues and scholarships. Scholarship search information is part of our general presentation.
- Similarly, we also do workshops on local community colleges for students who may be interested in attending WMU.

Follow-up Question from Senator Orrin Hatch

Ms. O'Flaherty, I was interested in your description of the practice of holding a "Come to a night about paying for college," which you indicate are often held on college campuses. How pervasive is this problem? Do these unscrupulous operations need to secure a University's permission before hosting one of these events? Do you think these schools bear some responsibility to students who are swindled by scams that originate on school property?

- I am not sure how pervasive this problem is. I have been in financial aid for 26 years and have come across it myself at two different institutions. Prior to the hearing, I attended a regional financial aid conference for mid-west school. Besides asking broader issues about scholarship scams, I asked numerous colleagues if this particular type of scam was an issue. One individual told me of an instance in which this occurred at a nearby college. Several told me that they have heard of it happening in general.

- In my experience, most universities require permission for an organization to use a campus facility. It has also been my experience that these events occur at buildings designed to be a student center or a student union. There are often a variety of events happening on any one night so most schools require an event to be scheduled ahead of time.
- I think it would be difficult to place responsibility on a school mostly because it is very difficult to determine if an organization is a scam at the point in which they are securing a facility. One of the difficult parts of this issue is that some organizations may be outright scams and others are more on the "fringe" of questionable marketing. They may also present themselves very differently as they are securing space on a campus. It would be unfortunate if we kept a legitimate organization from helping students which is why I think a large part of fighting this issue rests with continuing to educate the public.

I also think it is hard to quantify the number of scholarship scams. I think the public is getting more educated so some of our calls are from people who don't want to be "taken". We don't know if they received something questionable through the mail or if they are asking because they are about to search around for scholarships or if they have actually been a victim of a scam. In preparation for a High School Counselor financial aid and scholarship workshop that I am doing next week, a high school counselor called to register for the workshop. He told me when he saw that the agenda had a session on scholarships and scholarship scams he told me that was really the only thing he wanted to learn about – scholarship scams. My impression is that we don't know how many scams are out there nor when a new one may develop but I think the public is very concerned about this issue.

Follow-up Question from Sen. Orrin Hatch
for Mark Kantrowitz
FinAid Page, LLC
October 6, 1999

Mr. Kantrowitz, in your opinion, what role do high school teachers and counselors play in informing parents and students of these scholarship scams? What can be done, in your view, to educate teachers and counselors about these scams, so that they can advise and prepare their students?

High school teachers, guidance counselors, and public librarians are the most effective means of communicating with and educating high school students and parents about scholarship scams. During formal "college nights" they talk to families about college admission and financial aid, answer questions, and provide handouts on a variety of topics. In less formal settings they act as a trusted third party, answering questions about the legitimacy of specific organizations.

But like parents and students, they too can sometimes be fooled by scholarship scams. For example, some scams send them posters about their "opportunities" that make no mention of fees. If the educator asks the organization for copies of their application materials, the application forms are not the same as the forms sent to students.

It is important to educate the educators about the techniques employed by scams and the typical warning signs so that they can recognize a likely scam when they encounter it. If they are unsure about an organization, they should be able to call a toll free hotline at the US Department of Education to inquire about the organization's legitimacy and report new scams.

It is also important to provide educators with materials they can distribute to families, ranging from the excellent bookmarks and posters already distributed by the FTC to a more in-depth guide like the one produced by the College Board's Western Regional Assembly. Such materials should be designed to reproduce well when photocopied. Perhaps the US Department of Education should produce a new version of the College Board's scholarship scams brochure in cooperation with the College Board for more widespread distribution.

I recommend emphasizing in such materials that it does not cost anything to apply for federal student aid. Likewise, banks that offer federal student loans do not charge up-front fees; instead, they deduct any fees from the disbursement check. A good rule of thumb is to be suspicious of any organization that charges up-front fees in connection with scholarships and financial aid. High school counselors should also consider the potential uses and abuses of information gathered by third party organizations, such as the annual student "surveys" and requests for their honor roll, and include a fake name and address in the list so that they can monitor how the information is used.

The free scholarship databases, such as FastWeb, might be willing to supply the US Department of Education with brochures and posters about their services for distribution to high schools. Alternately, the US Department of Education could produce a brochure in which they describe the best free sources of information about financial aid.

Also helpful would be an in-depth report on the organizations shut down by the FTC and State Attorneys General. Such a report should provide concrete examples of the letters, postcards, and telephone scripts the scams used to attract victims, as well as information about the magnitude of the problem. This could be a condensed version of the press kits the FTC distributed to news media. There are many educators who would read such a publication from cover to cover.

Repetition helps. If the same information is provided in many forms, it allows the schools to choose the format that will be most effective for their student population.

FinAid is willing to provide whatever assistance we can to the FTC and the US Department of Education in developing materials about scholarship scams.

Follow-up Question from Sen. Strom Thurmond
for Mark Kantrowitz
FinAid Page, LLC
October 6, 1999

Do you currently use safeguards or a screening process for the companies and organizations that want to advertise their services on your web site? If so, what steps do you take to determine if a company is legitimate?

Part of FinAid's role is to act as a gatekeeper on quality, so we carefully screen any organization before listing them on the FinAid site. Our screening process is focused not just on legitimacy, but also on the accuracy and quality of the information they provide. Our review of an organization's web site, for example, is detailed enough that we often find errors such as transposed digits in telephone numbers listed on their site. If we decide to list a site, we routinely provide them with advice on improving the information they provide. For example, we recommended changes to the IRS publications related to financial aid to make them less confusing to students. Similarly, we typically recommend to colleges that they list their Title IV school code prominently on their financial aid office web sites.

Our decision of which sites to list ultimately depends on our judgment of what is in the student's best interest. For example, we only link to one site for each underlying scholarship database. There are many highly publicized web sites which claim to offer the largest free scholarship database, but they all license a copy of the same underlying database.

We also tend to err on the side of caution. For example, FinAid previously published a list of legitimate fee-based scholarship search services. As the number of free scholarship databases grew, and we found the free services to be of higher quality, we decided to limit our listings to just the free databases.

If a web site collects information from students, we require full disclosure of how the information is used. If the organization rents student names and addresses to third parties, we require them to rent only the contact information, and to provide the student with the ability to opt out of the mailing list as part of the registration process. We also expect the sites to which we link to exercise discretion in the nature of the advertising they accept, whether appearing in direct mail to the students or in banner advertisements on the site. If the organization uses the information internally, we review those uses as well. For example, we asked several legitimate organizations to stop requesting personal information that had no connection with the advertised purpose of the site, such as social security numbers. We do not accept an organization's word at face value, but instead actively monitor how the organization uses the student information and whether they honor the student's request to opt out of the mailing lists. This includes submitting several fake student profiles to each scholarship database.

When reviewing an organization for legitimacy we search for information about the organization in a variety of public sources. For example, if an organization claims to be incorporated, we verify this with the state corporation records. We also check whether any of the company's directors were previously involved in an organization of a questionable nature. If the organization gives the appearance of being a charitable or non-profit organization, we check the state registry of charitable trusts and IRS publication 78, and sometimes even review the organization's IRS Form 990. We do a web and news search for any names uncovered during our review. We check whether the organization has a record of complaints with the Better Business Bureau. We compare all telephone numbers and addresses with a reverse telephone directory. We review all of the materials the organization distributes to students, looking for similarity to known scholarship scams. We call or write the organization using a fake student profile and an address not connected with FinAid to see how they respond to students and whether the information is any different than the information they provided to FinAid.

If we decide to list the organization on FinAid, we carefully review any complaints we receive about the organization on an ongoing basis and periodically review the content of their site. We get complaints even about legitimate organizations, but those complaints do not demonstrate a consistent pattern of abuse.

Written Questions from Senator Patrick Leahy
Ranking Member, Senate Judiciary Committee
Hearing on
"Solving the Problem of Scholarship Scams:
S. 1455, The College Scholarship Fraud Prevention Act of 1999"
Wednesday, October 6, 1999

1. *Would raising the statutory maximum of five years for bank and wire frauds to ten years when such frauds are related to scholarship scams either (a) result in actual increased punishments for offenders; or (b) result in additional prosecutions by the Department of Justice? If so, why.*

2. *One witness testified that a scholarship scam defendant, Christopher Nwaigwe, who was convicted of mail fraud, was sentenced to 36 months in prison. In your view, is this penalty meted out under current law not tough enough? Please explain why.*

3. *Would directing the Sentencing Commission to consider an appropriate sentencing enhancement guideline for those who commit frauds relating to scholarship scams provide an effective way to ensure that punishment goals are met?*

4. *Is there any research to suggest that those who commit frauds related to scholarship scams are likely to hide their gains in bankruptcy homestead exemptions? Please detail instances in which this has occurred.*

In his statement, Senator Leahy raised concerns about whether increased punishment and removal of the homestead exemption are the most effective means for combating scholarship scams. His questions are directed at exploring this issue further. Accordingly, I will attempt to address the concerns that prompted the questions in addition to the questions themselves.

Scholarship scams are different from other types of fraud in several ways. The most apparent difference is in the amount lost by each consumer. Instead of a few dozen victims losing tens of thousands of dollars each, with scholarship scams the victims pay as little as $2 or $3 to hundreds of dollars. The scam artists make up the difference in volume, with tens of thousands of victims.

The low amount of the fraud per victim makes law enforcement agencies reluctant to pursue scholarship scams. Even when they file a lawsuit, they encounter problems because of this difference. For example, the New York Attorney General filed a lawsuit against Academic Investment Money (AIM) in which the judge decided that AIM had falsely represented claims of scholarship money to college students, but questioned whether there might be triable issues of fact in each of the hundreds of complaints. The cost of presenting those complaints would exceed any potential consumer redress.

In another example, which I believe has not been prosecuted, AdamsVision USA allegedly promised 51 students a $10,000 a year scholarship, but later admitted it did not have the funds. What is most unusual about this scam is the students were not charged an application fee. So the students have broken dreams, but no financial loss, unless you count the money they were promised but never received.

Newspaper articles about both organizations have been enclosed for your information. These are but a few of the hundreds of scholarship scams perpetrated each year against hundreds of thousands of students and their families. Yet to date less than a dozen scams have been shut down.

Another difference between scholarship scams and other types of fraud is in the age of the victims. These are students who are on the verge of contributing to American society, but are forced to take two steps backward because of scholarship scams. The harm is not just financial, or in being forced to transfer to a less expensive school or even to drop out of college, but psychological. Being a victim of a scholarship scam will affect them for the rest of their lives.

Scholarship scams also promote a variety of myths that reach beyond their immediate victims. Many scams, for example, falsely claim that millions or billions of dollars of aid went unclaimed last year. This myth is a pernicious one, because it not only helps defraud consumers, but also acts as a disincentive for philanthropists to establish new scholarships.

Even if increasing the maximum sentence to ten years would not result in additional prosecutions or increased punishments, I believe it would be worthwhile because it demonstrates again that the Federal government does not approve of this type of fraud. The act of raising the maximum penalty would have a chilling effect on scholarship scams, causing would-be perpetrators to think twice before engaging in this type of fraud.

But I also believe that raising the statutory maximum will result in both additional prosecutions and actual increased punishments, for the reasons stated above. It is necessary to give law enforcement an incentive to pursue scholarship scams, even though the potential redress per consumer is limited, because the cumulative harm is so great. Increasing the penalties will cause law enforcement to direct more attention to prosecuting scholarship scams.

In addition to increasing the statutory maximum, I would support a measure that made the perpetrators of scholarship scams liable for the full amount promised to their victims and not just the amounts paid by their victims. That would enable the victims to recover not only their losses, but their dreams as well. The increase in the potential recovery for consumers would likewise serve as an incentive for law enforcement activity against scholarship scams.

I do not believe that the penalty meted out under current law is tough enough because the victims of the scam will still be paying for it long after Mr. Nwaigwe is released from prison. It will take the students ten to twenty-five years to pay off the additional debt they incur because of the broken promises. The scam artist's punishment should last at least as long.

Directing the Sentencing Commission to consider an appropriate sentencing enhancement guideline would be beneficial, but I believe that it should be done in conjunction with the increased punishment proposed by S 1455, not in place of it. Moreover, given that the law is not just about punishment, but prevention and enforcement, I do not believe that a sentencing guideline would have as much impact as increases in the statutory maximum punishment.

There are only a limited number of potential examples of scholarship scams exploiting the bankruptcy homestead exemptions to retain ill-gotten gains because there have been only 8 cases filed to date. The FTC witness will undoubtedly discuss those cases. I would like to draw your attention to a case the FTC might overlook, because it predates the FTC's Project ScholarScam. Before the launch of Project ScholarScam, the FTC filed a complaint against Computer Business Services, Inc. (CBSI), a distributor of home-based business opportunities. The FTC complaint concerned false claims of earnings potential, but it should be noted that one of the businesses marketed by CBSI was a guaranteed scholarship matching service similar to ones subsequently prosecuted by the FTC. The FTC reached a record settlement with CBSI, in which CBSI agreed to pay $5 million in consumer redress, but CBSI subsequently filed for bankruptcy.

It is my belief that if you leave scholarship scams with a loophole, they will exploit it. Most perpetrators of scholarship scams are not well-intentioned individuals who accidentally violate the law, but conniving boiler-room operators who intentionally set out to separate students from their money by exploiting their trust and naivete. As law enforcement activity against this type of fraud increases, an increasing number of scams will seek to exploit this loophole. Already a disproportionate number of scholarship scams operate in states with the homestead exemption, such as Florida and California.

FREE $5 amazon.com Gift Certificate! CLICK HERE

The Oregonian

THE FULL STORY

Collegian sees $40,000 scholarship disappear

A Texas company reneges on its offer to a Portland area student, who now must rely on his family and loans

Wednesday February 17, 1999

By Romel Hernandez of The Oregonian staff

Michael Norton of Beaverton worked hard all through high school to earn a college scholarship.

The 18-year-old freshman at Brigham Young University instead learned a hard lesson about trust when a scholarship worth as much as $40,000 fell through when the company offering the grant reneged on its commitment.

Norton's family scrambled to cover his $12,000 annual school bill, but that wasn't the case for some of the other 50 students around the country who thought they'd won AdamsVision USA scholarships.

AdamsVision, a Houston company, last month admitted it didn't have the money. The company is run by a man a Texas prosecutor described as a habitual criminal on probation for writing bad checks.

In 1997 the company solicited applications from students across the country for its merit scholarships, worth $10,000 a year for four years. It planned to give 51 scholarships, one in each state and the District of Columbia.

Eligible students had to hold at least a 3.0 grade-point average and a combined SAT score of 1,160 or better

Go!
Feedback

Opinion/ Editorial

Special Reports
» E. coli Health Scare
» Puzzle of Pain
» Oregon's Top 50
» Gas Prices/Taxes
» Portland vs. AT&T
» The Millennium Bug
» Special Report Home

Free Delivery!
Sign up now and we'll deliver the news to your email address every weekday morning.
Version
HTML
TEXT
Email:
Sign up

UP TO THE MINUTE
Newsflash
Oregon News
National/International
Sports Flash
AP's The Wire
NewsobserLinks.com
Hot Topics
Y2K Update
Environmental News
Wall Street

out of a possible 1,600 and submit an essay and three letters of recommendation.

Norton, an honors student at Westview High School with a 3.8 grade-point average and 1,500 SAT score, picked up an application for the AdamsVision scholarship through his school counseling office.

He applied, writing in his essay, "My enthusiasm for learning and growth, dedication for service to others, track record of successful leadership abilities and drive to excel make me an excellent candidate for scholarship money." Norton was elated when he received word in January 1998 that he had won the scholarship, which would cover almost all of his college expenses. He immediately halted his search for any other scholarships.

"I was really happy," he said Tuesday by phone from his dorm at BYU. "I was stupefied."

He even got a letter from Gov. John Kitzhaber congratulating him on the award. The governor's office said it regularly sends out such ceremonial letters to scholarship winners but generally doesn't screen the sources that send them the information.

In April, AdamsVision sent Norton a letter saying the scholarship's funding was in flux and in the midst of "sensitive negotiations" but reiterating that it was "absolutely confident" of securing corporate support.

Then last month, the Nortons and the other scholarship recipients were notified that the deal was dead.

AdamsVision declined to answer questions from The Oregonian. But Val Adams, the company's founder, told The Associated Press that he still is trying to scrape up money to honor the scholarships.

"I'm very saddened that we're at the point that we are, but at the same time I'm very hopeful that we will get these scholarships started and be able to continue our commitment," Adams said.

AdamsVision was established in 1997 with the primary focus of the scholarships. The company did not seek application fees from students.

Norton said he may work part-time or take out loans to pay for college. He is majoring in microbiology and hopes to become a doctor. He said his experience with AdamsVision won't change his trusting nature.

"I don't know that there's too much I could have done differently," Norton said. "I'm usually a pretty trusting person."

The Associated Press contributed to this story.

You can reach Romel Hernandez at 503-294-7669 or by e-mail at romelhernandez@news.oregonian.com.

TOP

Send / Print this page Talk about it in Townsquare

FREE $5 amazon.com Gift Certificate!
CLICK HERE

Today's Top Stories
Thursday October 21, 1999
» Justice Dept. criticizes anti-suicide bill
» Oregon gas prices lower, but still highest in nation
» Oregon City knocks out teen boxing
» New Carissa report faults captain in grounding
» Navy charges Coast Guard $1 million for Carissa work
» Local officials take new paths for tax revenue
» Report details Benson High thefts
» States form pact to clean Columbia River estuary
» Duin: The long arm & short memory of the law
» Schools show plans, so Portland approves money
» Loans enable earthquake fixups
» County considers workplace tobacco ban
» Metro puts focus on fish, wildlife along streams
» State OKs passing scores on science test
» Mediation doesn't end prison strike
» Police recapture sex offender in Myrtle Point
» Grants will help students keep an eye on vision patients
» Counties launch effort to help learning get early start
» Police make changes a year after man's death
» Nez Perce leader dies at age 61
» Davita 'Cookie' Yoelin dies at 57
» Activist, writer Jack D. Yost dies

» **National & International News**
» **Business News**
» **Sports News**

Archives
Monday
Tuesday
Wednesday
Thursday
Friday
Saturday
Sunday

Anchorage Daily News

Tuesday, February 16, 1999

Dreams teeter as scholarship promises fade

By S.J. KOMARNITSKY
Daily News Mat-Su Bureau

PALMER - Melissa Bowlin, a Palmer High School graduate and a freshman at Cornell University, may be one of the country's best and brightest. But her dream to major in biology and return to Alaska to study endangered birds has been jeopardized.

A $10,000-a-year scholarship the honors student had counted on to help pay Cornell's $30,000 annual tuition won't be coming. The company that awarded the scholarship to her and 50 other students across the country - Houston-based AdamsVision USA - has admitted it doesn't have the money and never did.

The revelation has left students nationwide scrambling for financial assistance and their parents looking for answers and, in some cases, legal remedies. One parent has filed a complaint with the Texas attorney general's office.

"It's really disappointing," said Bowlin, 18. "Here I have a chance to follow my dream, and somebody basically throws a monkey wrench in here and says, you know, it may not be possible."

Her parents were devastated. "She wanted to go to Cornell. She should go to Cornell. But all of sudden, the money is not there," said Bob Bowlin, her father.

Both parents, Mat-Su area elementary teachers, said they can afford $20,000 a year but not $30,000. They were counting on the scholarship to make up the difference. Now they are considering postponing retirement, even though a doctor has told Bob Bowlin to stop working because of a stress-related illness.

"We had it all worked out," said Sue Bowlin.

AdamsVision founder Val Adams has said that he's still trying to come up with funds, but parents around the country and some authorities question that.

"Based on my contact with him, I would be concerned if he were in any business where anyone was relying on his promises," said John Boone, a prosecutor with the Harris County district attorney's office.

Boone said Adams has been convicted of theft for writing bogus checks in 1980, 1981, 1985, 1987, 1993 and 1995 and remains on probation.

Adams said he started his company in June 1997 as an events planning and production business. However, the only client he cites is his godmother, state Rep. Senfronia Thompson of Houston.

He maintains the scholarship effort is on the level. He notes the students were not asked to pay an application fee or provide any money, something the students and their parents confirm.

He said he is continuing to try to get corporations to bankroll the scholarships and provided copies of correspondence with dozens of firms, including Sony, Ford and Time Warner. But he acknowledges AdamsVision has never received any money from any company.

In the meantime, students are having to pay their tuition.

Under the terms of the scholarships, awarded last year, students had to maintain at least a 3.0 grade-point average and full-time enrollment. In exchange, AdamsVision would pay $10,000 a year of their tuition.

In a letter sent Aug. 3 to scholarship winners, including Bowlin, Adams promised to pay the colleges $5,000 at the end of each semester beginning in the fall 1998.

But last month Adams sent a letter to each university saying he wouldn't be able to pay. The letter states simply that AdamsVision "will not be financially capable of honoring the Scholar-Leadership Award at this time."

The letter added, "we sincerely apologize for any inconvenience this situation has caused you."

The letter to Cornell was forwarded to Bowlin's parents.

Like most, the Bowlins wanted their daughter to have her choice of the best colleges in the country. She had a lot going for her.

In addition to a 4.0 high school GPA, she had won the Academic Decathlon, a grueling statewide competition that tests student in 10 subjects.

She cataloged 130 species of birds in the Palmer area for a high school biology project. She hand-drew them, wrote up facts about their behavior, recorded their calls and put the whole project on the

computer.

"I just have always loved birds," she said.

Bowlin said she chose Cornell because of its strong biology program and because it's home to the Cornell Laboratory of Ornithology, which has recorded almost every bird song in the world.

"If you look at almost any CD of bird calls, you'll see the Cornell ornithology lab," she said.

Bowlin said doesn't know if she lost any scholarships because of AdamsVision, but in many of her applications she mentioned she had already received the $10,000 award.

She said she's taking out loans, is applying for more scholarships and hopes to stay at Cornell. She also has also written to Alaska companies for help.

* The Associated Press contributed to this report. Reporter S.J. Komarnitsky can be reached at skomarnitsky@adn.co

---

Problems? Suggestions? Let us hear from you.
Copyright © 1999 The Anchorage Daily News

Your Link Here

Friday, February 19, 1999

Good samaritans offer help to students stiffed on scholarships

By PAULINE ARRILLAGA

Associated Press

HOUSTON -- When an Alaska woman learned a Houston company had failed to honor a local student's $40,000 college scholarship, she anonymously donated $1,000 to help out.

In Hawaii, a businessman whose daughter died while in college is giving $1,300 to a scholarship winner who attends the same university.

And in North Carolina, a woman who lives near Duke University offered housing to yet another student who was to receive a $10,000-a-year scholarship, renewable for four years, from Houston-based AdamsVision USA.

From coast to coast, individuals, corporations and universities are doing what they can to help 51 students who were stiffed out of their scholarships when AdamsVision told them it didn't have the money to pay up.

Despite the offers, many students still face the possibility of transferring to less-expensive schools unless they scrape up enough money to fill the financial void left by AdamsVision.

"I could probably stay for another year, but beyond that we're really worried," said Melissa Bowlin of Palmer, Alaska, who received the $1,000 anonymous donation toward her $30,000-a-year tuition and board at Cornell University.

Ms. Bowlin said she was overwhelmed by the gesture, made through the Alaska Conservation Foundation, but admitted she may have to leave Cornell unless more money becomes available.

"One thousand dollars isn't the entire $10,000, but it means a lot to me," said Ms. Bowlin, a biology major who hopes to return to Alaska to study endangered birds. "We're going to do everything we can to keep me here, but I can only earn so much money and my parents can only save so much."

AdamsVision last year promised the scholarships to one student from every state and Washington, D.C.

The winners, many National Merit Scholars who graduated first in their class, had at least a 3.0 grade-point average and a combined SAT score of 1160 or above.

But in January, the company sent letters to each student's college saying it would "not be financially capable" of honoring the scholarships.

AdamsVision owner Val Adams insists he still is trying to raise the money. A complaint has been filed with the Texas attorney general's office.

On Wednesday, three days after The Associated Press ran an article about the students' plight, Seattle-based Microworkz Computer Corp. offered personal computers to each of the 51 students.

"I read the news story yesterday and felt terrible for those students," Microworkz President Rick Latman said. "I just wanted to do something."

Microworkz spokesman Marty Hayward said Thursday that one of the students, Aaron Stidolph of Basin, Wyo., had to sell his own computer when the scholarship didn't materialize and eagerly anticipated a new one.

Additionally, Long Island University's C.W. Post campus offered to match the scholarship award for any student who transfers to the school.

"C.W. Post and, indeed, all of society can only benefit from such an investment," Provost Joe Shenker said.

Several students also have received individual offers for help. In Texas, former Gov. Dolph Briscoe and H-E-B Grocery Co. each pledged to pay the entire $40,000 scholarship for Justin Burt of Uvalde, a freshman at Notre Dame.

And the Montana recipient, Kendra Young, is getting some help from her school. Grinnell College, a private liberal arts institution in Iowa, has contributed a $7,500 grant toward this year's expenses and hopes to provide additional money in the coming years.

"If my school had not pulled through, I would have had to withdraw," said Ms. Young, whose parents own a small, mom-and-pop resort in Bigfork, Mont., where she works as a maid in the summer.

"This does definitely help with my situation, but there are 50 other kids. What I'm still hoping is someone will step up and take care of the full amount for myself and for every student."

Melanie Fields of Kailua, Hawaii -- who received help from the Hawaii businessman for her expenses at California's Chapman University -- echoed that sentiment.

"We're all in this together," she said.

Consumer Alert
Contact: Jerry DeSanto

Money For College ...Or Cash For Scam Artists?

New York, NY, November 17, 1995 -- Today the Better Business Bureau of Metropolitan New York issued a consumer alert regarding the business practices of Academic Investment Money (AIM), one of the Bureau's most inquired and complained about firms in the past two years.

"For $94.00, this firm 'guarantees' that clients will receive $1,500 in grants and scholarships or receive their money back. However, the dozens of complaints we have received against this company tell a different story - one of no grant or scholarship money and no refunds either," noted Barbara Berger Opotowsky, President of the Better Business Bureau of Metropolitan New York. "What makes the number of complaints even more tragic is that the victims of this service are people who can least afford to lose their money."

Due to the number and type of complaints, and the firm's response to these complaints, AIM has received BBB's lowest rating of unsatisfactory. Apparently this was not the endorsement the firm wanted its potential clients to see. So, AIM fabricated a certificate which claimed that the BBB was honoring the firm's "business ethics and business self-regulation in the public interest." The Bureau contacted AIM and demanded that the firm immediately cease and desist from using this phony certificate.

Students searching for assistance in paying the substantial cost of higher education may find that their best resources are their local library, guidance counselor, or financial aid office. Consumers who wish to file a complaint about a firm, or receive a firm's Reliability Rating, can contact the Bureau at (212) 533-6200. Calls are a flat rate of $3.80 plus tax when applicable, and can be charged to any major credit card. Consumers can also reach the Bureau at (900) CALL-BBB. Calls to this line cost 95 cents per minute with the average call costing $3.80. Consumers can also send a self addressed stamped envelope to the Bureau at 257 Park Avenue South, New York, NY 10010, to obtain this information and assistance for free. The Better Business Bureau of Metropolitan New York is a private not-for-profit corporation supported by responsible businesses and consumers and receives no government funding.

######

Financial aid scam targets students

Front Page

By Alan Schnepf
Daily Egyptian Reporter

Gus Bode

Gus says: Forget A.I.M. call my financial aid hotline: 1-900-SUCKER

Caveat Emptor: Let the buyer beware.

One SIUC student may have learned this lesson the expensive way recently, when he paid a company to find financial aid for him.

Matt Jiang, an MBA student from Mattoon, said his brother answered a classified ad in the *Daily Egyptian* last month that encouraged students to call a toll-free number to qualify for financial aid.

Jiang said his brother made the call, with his approval, and gave the company a checking account number after the company guaranteed that Jiang would receive at least some financial aid if he used their service.

Jiang said the company, Academic Investment Money, promptly withdrew more than $90 from his brother's checking account, but never delivered on their promise.

About two weeks ago, Jiang said he started calling the firm to check on the status of his financial aid. He said their response was not pleasant.

"They started getting rude," Jiang said. "They even used the F-word."

Matters did not improve when he made more calls, Jiang said.

"They said ` I told you not to call back, you're not getting the money,'" Jiang said.

He said the last time he called the firm, they tried to make him believe he had lost a chance for scholarship money.

"You think this is funny? You just lost $50,000 in scholarship awards," Jiang said an employee told him.

Jiang is not the only one who says A.I.M. is a shady company.

Jerry Desanto, director of information and investigations for the Better Business Bureau of New York, said he is quite familiar with A.I.M.

"They're one of the most inquired-about companies we deal with," Desanto said.

Desanto said the bureau received 275 inquiries about A.I.M. last year and has received 279 so far this year. He also said complaints against A.I.M. increased from 14 last year to 39 this year.

The company, he said, has an unsatisfactory rating with the bureau, the lowest rating possible.

Desanto said he could not go as far as discouraging people from doing business with A.I.M., however, because Better Business Bureau policy stipulates it cannot endorse any product, company or service.

Amanda Leger, a head representative for A.I.M., said just the opposite.

Leger said the company sometimes gives customers certificates of approval with the bureau's logo on them.

"We're certified by them (the bureau), " she said.

Desanto said this is a lie.

"We can't endorse or disapprove any company," he said. "That's also trademark infringement, we've been in contact with them about that."

Leger said some complaints are received but that it is difficult to please every customer.

"We've served over 300,000 students, and less than one percent of our customers have complaints," she said. "Not everybody can be satisfied."

The New York division is not the only branch of the Better Business Bureau that is familiar with A.I.M.

A.I.M. used to have an address in Allendale, Mich. After the bureau's western Michigan branch began receiving inquiries about A.I.M., the bureau sent questionnaires to the company to find out more about them. After two failed attempts to reach A.I.M. at the Allendale address, the bureau found out the address was false, according to a bureau report on the company.

The bureau report also states that the company claims its physical headquarters are in Miami, Fla. Better Business Bureau officials said they believe A.I.M. is actually based in New York.

The report also alleges that A.I.M. misleads students into authorizing payment without being aware of what they're doing.

"A.I.M. . . . does not make it clear they can withdraw a registration fee without further approval " the report reads.

Rick Steudel, assistant director of counseling and special services at the SIUC financial aid office, said students can avoid problems by testing businesses like A.I.M. before they authorize any payments. He said there is a list of questions compiled by the Illinois Student Assistance Commission that gives students an edge when dealing with these companies.

"It gives students the opportunity to ask the right questions," Steudel said.

Steudel said caution should be taken when dealing with commercial financial aid companies.

"The student thinks this is a sure-fire deal, but what you see isn't always what you get," he said.

He said guarantees offered by these companies are not as simple as they may seem because students must prove they applied and were turned down for any aid offers a company may find for them.

Sandra Kim, owner of National Scholarship Service, a commercial financial aid finding service agreed. She said students should not have the impression that all companies are like A.I.M.

"There's a few bad apples, but most people in this business have a conscience and do business in an ethical way," she said.

She said she was also familiar with A.I.M.

"They're the worst nightmare for us," she said. "They give us all a bad name."

After all of this Jiang said he simply wants to put the incident behind him.

"I don't really have any hope of getting my money back. I'm basically learning a lesson from all of this."

Front Page

Information in the *Daily Egyptian* is copyrighted and all rights are reserved. This document may be distributed electronically, provided it is distributed in its entirety and includes this notice. However, nothing from the *Daily Egyptian* can be reprinted without the express written permission of the *Daily Egyptian*.

Thursday, May 16, 1996

Oh, did we get a response!

Ten more students come forward; AIM adminstrator responds

"What they're told on the phone is they have potential sponors. That's all I can say about that." – Andrew Wallace, AIM Administrator

By JOSH SUCHON
Daily Aztec Editor in Chief

In the aftermath of yesterday's Daily Aztec cover story on scholarship matching services, 10 more San Diego State University students came forward and the administrator of Academic Investment Money (AIM) called to respond to the story.

All 10 students said their experience with AIM was virtually identical to the three stories told in yesterday's edition.

"It's eerie," said one of the 10 students, speech communication junior Noah Baldwin. "The exact same thing happened to me. From the start, I thought it was too good to be true -- just like the article said. I know two other people who did it too."

Over and over again, the phone rang yesterday from students. Their stories were the same.

All called 1-800-243-2435 and were told they qualified for at least five to six sponsors. All were charged $95 by AIM through a process called "TeleCheck." All have never received a penny.

"I saw the ad in September," said Mark Richardson, a graduate student in music. "I didn't receive the package until about six weeks ago. In the package, there was nothing suited to my major. Most had already expired."

Many were telling their stories for the first time.

"I didn't tell anyone," said one student, who asked that his name not be used. "I'm not going to lie; it's embarrassing."

Others vented their frustrations toward AIM with an expletive-filled recount of what happened to them.

"It blows me away that this is legal," Baldwin said. "It makes me sick that somebody is making money off me.

"I can't believe it. (AIM) is lying through its teeth. I spent hours and hours on the phone with them. I don't even want to deal with them anymore."

After unsuccesful attempts to reach AIM the last two weeks,The Daily Aztec faxed a copy of yesterday's article to New York in hopes of getting a response from anyone at AIM.

At 3:50 p.m. (PST), Andrew Wallace, the administrator for AIM, called The Daily Aztec to respond to the story. The Aztec told Wallace the five recurring complaints from students:

1) Students never received the "sponsor package."

2) If they did receive the package, the students did not qualify for any scholarships or grants.

3) Students said that the New York-area phone numbers provided to them were either always busy or disconnected, or were fax machines.

4) Students received rude or discourteous treatment when calling the 800 number to complain about the service. The behavior included yelling at students and hanging up on them.

5) Not one of the students -- the number is now 14 and growing -- has ever received a penny.

Wallace asked that the names of the 10 new students be faxed to him, so he could "rectify the situation." The names were printed out, but when The Aztec tried faxing them, the line was busy until 6:30 p.m. (PST).

When asked if "rectify the situation" meant refunding the students' money, Wallace said that "everyone is entitled to a refund."

"They have to call me -- first of all," Wallace said. The number is 1-212-732-6390.

However, when asked exactly what students must do to obtain a refund, Wallace said they must send copies of rejection letters from sponsors to him.

The problem, students contend, is threefold. First, they don't even qualify to send out to many potential sponsors. When they do qualify, they never receive rejection letters from the sponsors. Finally, Wallace is impossible to reach by

phone.

His voice mail, which does not accept messages, says he is only in his office from 4-8 p.m. (EST) or 1-5 p.m. (PST), Monday through Friday.

Wallace said yesterday he gets the largest volume of calls in the first three hours he's working. In the 10 minutes Wallace spoke to The Daily Aztec, other phone lines in his office rang repeatedly.

Wallace said the best time to reach him was between 7-8 p.m. (EST).

Among the other responses Wallace gave:

On the question of students being told over the phone they qualify for scholarships and other money, only to find out they really don't when they receive their package: "What they're told on the phone is they have potential sponors. That's all I can say about that."

On the unprofessional and rude treatment some students have experienced: "To my knowledge, that's not occurring. I need a name. I can't do anything without a name. If they can get me a name, I can do something about it. I can't go around pointing fingers. I need a name."

On the findings of the New York Better Business Bureau, which included an "unsatisfactory" rating -- the lowest the BBB gives: "Complaints always get made. I don't let that affect what we're trying to do. We've responded to every request made by the Better Business Bureau."

Wallace also said the reason why some students never received a package, or why it took so long, was that they changed addresses.

He said he received many packages -- including one from Juan Reyes, one of three students used as sources in yesterday's story -- with a "return to sender" stamp because the student has moved.

But the theme of the day yesterday was student after student coming forward, with usually the same two sentiments: "The exact same thing happened to me" and "I just don't want it to happen to anyone else."

Readers wishing to read the entire article from yesterday's paper are welcome to stop by The Daily Aztec office in PSFA 361 to pick up a copy of the story. Anyone else who's dealt with AIM, or knows someone who's dealt with AIM, is encouraged to call 594-4190.

U.S. Public Interest Research Group

National Association of State PIRGs

Board of Directors
Alaska PIRG
California PIRG
Colorado PIRG
Connecticut PIRG
Florida PIRG
Illinois PIRG
Indiana PIRG
Maryland PIRG
Massachusetts PIRG
PIRG in Michigan
Missouri PIRG
Montana PIRG
New Jersey PIRG
New Mexico PIRG
New York PIRG
Ohio PIRG
Oregon State PIRG
Pennsylvania PIRG
Vermont PIRG
Washington PIRG
Wisconsin PIRG

October 20, 1999

The Honorable Strom Thurmond
United States Senate
Washington, DC 20510

Dear Senator Thurmond:

I appreciate your questions regarding my testimony at the October 6 Judiciary Committee hearing on S. 1455, The College Scholarship Fraud Prevention Act of 1999. You have asked whether or not my family solicited the postcard from the scholarship service that defrauded us. You have also inquired as to whether or not my high school counselor provided any useful information that helped me to identify legitimate sources of financial aid.

With respect to the first question, we did not solicit the postcard that we received in the mail advertising the services of College Academic Planning, Inc. (CAP). In conversations with other experts on this issue, I have learned that fraudulent scholarship search services like CAP often purchase mailing lists that they use to take advantage of unsuspecting families seeking financial aid. Such mailing lists are compiled and sold by marketing firms or companies that sell other products to students, such as yearbooks.

Regarding the second question, my high school counselor did provide some information that I used in pursuing financial aid. One source was a book of scholarships that my high school compiled. Another was a public bulletin board where the school posted scholarship notices it had received. These two sources presented potential problems, however, because the scholarship notices were not scrutinized to determine their legitimacy. I recall one notice that described what might have been a fraudulent "for-profit" scholarship which required an application fee.

I doubt that my high school experience was unique in this regard. Providing information to high school administrators detailing types of scholarship fraud and ways to avoid them would help in combating these problems.

I hope these answers are of assistance. If you have any other questions, please do not hesitate to contact me.

Sincerely,

Sanjeev Bery
U.S. PIRG Higher Education Associate

U.S. PIRG 218 D Street, SE Washington, DC 20003 (202) 546-9707 uspirg@pirg.org www.pirg.org

PRINTED ON 100% RECYCLED PAPER.