

## Seven Major Scholarship Scams

Fraud takes many forms, and this is true of scholarship con games. Seven of the most common kinds are discussed here. If you receive an offer that uses any of these tactics, be on your guard! Some of these scams have been around for years, but people keep falling for them. Sadly, most people, even when they discover they've been cheated, fail to file a complaint.

1. **The Vanishing Scholarship:** Many scams ask for money up front but provide nothing in exchange. Most victims just write it off, thinking that they just didn't win the scholarship.
2. **Scholarships for Profit:** This scam looks just like a real scholarship program but requires an application fee. The typical scam receives 5,000 to 10,000 applications and charges fees of \$5 to \$35. They take in hundreds of thousands of dollars, then pay out a couple of \$1,000 scholarships and pocket the difference as a huge profit. Some award no scholarships at all. You are more likely to win the lottery than one of these scholarships. No legitimate scholarship program ever requires an application fee.
3. **The Advance-Fee Loan:** This scam promises you a great student loan, one with unusually low interest. The problem is that to get the educational loan, you must first pay a fee. But guess what? After you pay the money, nothing happens. The promised loan never materializes. Legitimate educational loans may charge a fee, but invariably they deduct the fee from the loan check. Real loan programs never require an up-front fee when you submit the application. A good tipoff is that if the loan is not issued by a bank or other recognized lender, it is probably a scam. Show the offer to your local bank manager and ask for his advice.
4. **The Scholarship Prize:** Good news! This scam tells you that you've won a college scholarship worth thousands of dollars. The only catch is that you have to pay a "disbursement" or "redemption" fee or the taxes before they can release your prize. If someone says you've won a prize and you don't remember entering the contest or submitting an application, be suspicious.
5. **The Guaranteed Scholarship:** Watch out for scholarship-matching services that guarantee you'll win a scholarship or they'll refund your money. They may simply pocket your money and disappear, or if they do send you a report of matching scholarships, you'll find it extremely difficult to qualify for a refund.
6. **Investment Required for Federal Loans:** Insurance companies and brokerage firms sometimes offer free financial aid seminars that are actually sales pitches for insurance, annuity, and investment products. When a sales pitch implies that purchasing such a product is a prerequisite to receiving federal student aid, it violates federal regulations and state insurance laws.

7. **Free Seminar:** You may receive a letter advertising a free financial aid seminar or “interviews” for financial assistance. Sometimes, the seminars do provide some useful information, but more often they are cleverly disguised, very convincing sales pitches for financial aid consulting services. Attending these “free” seminars can be very expensive. You’ll end up shelling out money for promised help with maximizing your eligibility for financial aid, dubious investment products, bogus scholarship-matching services, and overpriced student loans.

## Don't Get Cheated

To avoid being victimized by a scholarship scam, follow these seven simple guidelines.

1. If you have to pay money to get money, it's probably a scam.
2. If it sounds too good to be true, it isn't true.
3. Invest the time, not the money.
4. Never invest more than a postage stamp to get information about scholarships.
5. A legitimate scholarship guarantee does not exist.
6. Legitimate scholarship programs never charge application fees.
7. Respect your own intuition. If it sounds fishy, it probably is.