

Student Loan Fraud California *

A Tough Lesson to Learn

Let's face it – getting into college is competitive and times are tough. Most students can't rely on the promise of scholarships. Instead, they apply for federal financial aid. That's where fraudsters come in. They use the system put in place to help kids get an education and rip it off. *(That's steam you see coming from my ears.)* Here's the good news: sometimes, they get caught. And, that's the case in today's Fraud of the Day from the *CentralValleyBusinessTimes.com*.

The article reports the details of two unrelated cases of women who pleaded guilty to committing student loan fraud. *(Wonderful...it happens so often, that we can write about two separate cases in one article.)* In the first case, the defendant pleaded guilty to wire and mail fraud in a federal student aid fraud scheme that cost the Department of Education (a.k.a. taxpayers) \$80,000. **So, what did she do, and how did she do it?** She "recruited individuals to act as straw students and to apply for FSA [Federal Student Aid] funds with her assistance" at two California colleges. Of course, none of the "applicants" were students, nor did they ever intend to go to class. Our defendant didn't stop there. She "also applied for FSA funds in her own name and enrolled herself in courses" at two local colleges "even though she was not eligible to enroll in such courses because she was not a high school graduate. *(So, she skipped the education and went straight for the money.)* She also used personal information from other individuals "without their knowledge used that information to apply for FSA funds." *(Wonder where the information came from? Why no identity theft charges?)*

In the second case, the defendant "conspired with other co-defendants to obtain federal student aid funds to which they were not entitled" from April 2008 to March 2012. "They fraudulently obtained student aid funds from several community colleges" throughout California.

The first defendant will be sentenced in May and faces up to 20 years in prison, while the second defendant is scheduled to be sentenced in April and faces up to five years in prison for conspiracy.

So, what's the moral of the story? This fraud is easy to perpetrate. All that's required is an identity (e.g., name, date of birth and Social Security number) and access to the forms online. This fraud will be stopped when the Department of Education and colleges start verifying and authenticating the identities of the individuals applying for federal student aid. It's that simple.

* Based on an article titled, "**Guilty Pleas in Student Financial Aid Frauds**," published by *CentralValleyBusinessTimes.com* on February 11, 2013.