

Business Scene

BBB warns students and parents to beware financial aid schemes

The Better Business Bureau is warning collegebound students and their parents to be wary of financial aid fraud perpetrated by companies promising big bucks for college tuition, but who ultimately take your money and leave you with nothing.

Nationally, consumer complaints against scholarship, loan, and grant services to the 114 BBBs across the U.S. increase by 60 percent in 2006.

"Funding a college education is expensive, and finding money for college can be an intimidating process," said Michael Clayton, President/CEO of the Better Business Bureau in Southeast Texas. "The fallout from this year's student loan scandal, combined with the efforts of tireless scammers, means there is a real trust crisis in the financial aid industry. There are many unscrupulous businesses and outright scams taking advantage of overwhelmed parents who are just trying to put their child through school."

Along with a significant rise in complaints in 2006, nationally, the BBB has seen a steady flow of loan, grant and scholarship complaints so far this year from consumers fed up with the industry. Following are the most recent examples of complaints and common scams taking advantage of college-bound students and their parents.

Parents from New York to California have contacted the BBB saying they paid a Utah-based company as much as \$1,000 for help finding financial aid and never heard from the company again.

Parents report their college bound child received an email from College Money Matters stating they'd "been accepted" to attend a free financial aid seminar. The seminar was essentially a sales pitch and, for a fee, the company would submit student's Free Application for Federal Student Aid (FAFSA) form and find college scholarships and grants for the student. Victims report they paid \$700 to \$1,000 and never heard from the company again. Not only did they not receive the promised help for finding grants and scholarships, but many discovered that their child's FAFSA form was never even filed.

The BBB continually hears from consumers who have received emails or letters

with offers for "Free Grant Money" saying they qualified for private or government grant money as financial aid for debt relief or to help pay off college bills.

When victims received the grant in the form of a check, they were instructed to deposit the check and then wire a small amount of money back to cover processing fees.

Because checks looked professional, it often took several weeks for banks to discover they were counterfeit. Not only do victims have to pay the banks back for money they withdrew on the counterfeit checks, they were also out the money they had wired to the scammers.

For example, the Wisconsin BBB reports that a University of Wisconsin student was recently a victim of a grant scam. The student was promised \$25,000 in grant money. After initially receiving a counterfeit check for \$5,000, he was told that in order to receive the remaining grant money he had to send them \$2,500 through stored-value cards. He had transferred \$500 and was planning to transfer the rest but the scam was discovered by his bank.

"Parents nationwide are devastated and very angry about being taken advantage of," added Clayton. "Some have saved years to help give their children a college education. And now, money that could have gone directly toward tuition and expenses has instead gone toward lining the pockets of scammers."

The BBB offers advice to avoid being snared in scholarship traps, recommending that you be suspicious if a representative tells you:

"The scholarship is guaranteed or your money back." In reality no one can guarantee that they will get you a grant or scholarship. And the refund guarantees that are offered usually have so many conditions or strings attached that it is almost impossible for consumers to get their money back.

"You cannot get this information anywhere else." Actually, scholarship information is widely available in books, from libraries and financial aid offices and on the Internet, if you are willing to search for it.

"We will do all the work." Only parents and students can really determine and provide the financial information needed to complete the forms.

"You have been selected by a national foundation to receive a scholarship." If you have not entered a competition sponsored by the foundation, this claim is highly unlikely.

"May I have your credit card or bank account number to hold this scholarship?" This is never a requirement for a legitimate scholarship offer.

"The scholarship will cost some money." Legitimate scholarship offers never require payment of any kind.

For more advice and information on how to avoid scholarship and grant fraud, and for objective Reliability Reports on companies in the financial aid industry, go to www.bbb.org. In Southeast Texas, call the Better Business Bureau 24 hours a day at (409) 835-5348 or 1- 800-685-7650, or visit www.bbbsetexas.org.