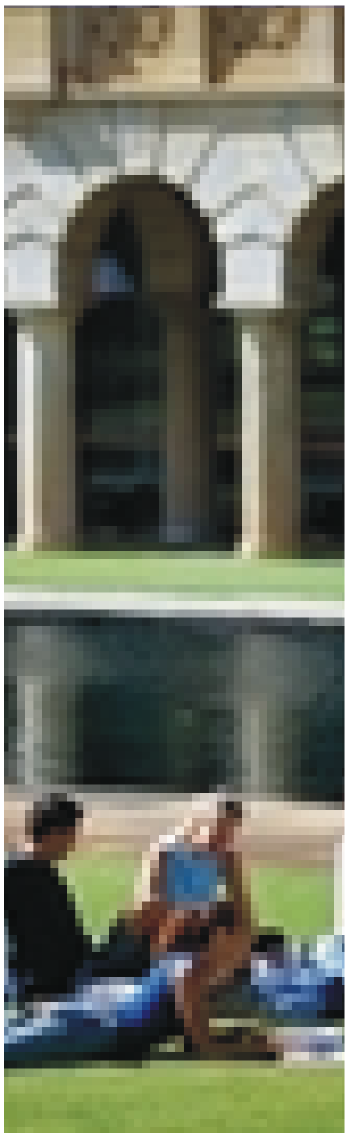
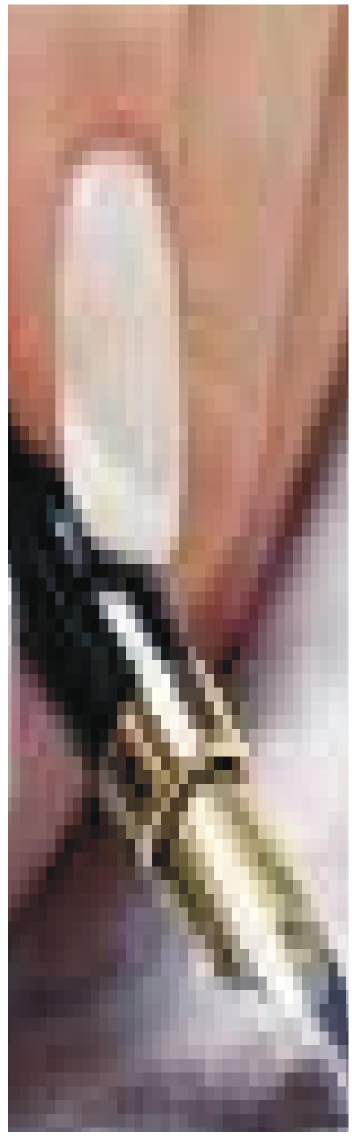
COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 2000
▪ FIRST ANNUAL REPORT TO CONGRESS ▪

MAY 2002


Department of Justice

Department of Education

Federal Trade Commission

COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 2000
FIRST ANNUAL REPORT TO CONGRESS

May 2002

Submitted by:
Department of Justice
Department of Education
Federal Trade Commission

Table of Contents

Executive Summary

Every year, millions of high school graduates enter college. The cost of a four-year college education has risen over 600% since 1969. Students and their families looking for creative ways to finance a college education sometimes fall prey to scholarship and financial aid scams. On November 5, 2000, Congress passed the College Scholarship Fraud Prevention Act of 2000 (Act), Pub. L. No. 106-420, 114 Stat. 1867 (2000), to help federal agencies combat fraudulent scholarship and financial aid schemes. This Act established stricter sentencing guidelines for criminal financial aid fraud and charged the Department of Education (ED), working in conjunction with the Federal Trade Commission (FTC), with implementing national awareness activities, including a scholarship fraud awareness site on the ED website. The Act also required that the Attorney General, the Secretary of Education and the FTC, jointly submit to Congress each year a report on that year's incidence of fraud by businesses or individuals marketing financial aid assistance services to consumers. The Act provided that the first report be submitted May 1, 2002, 18 months after its enactment. Accordingly, the FTC, ED and the Department of Justice (DOJ) have prepared this report.

The DOJ, ED and the FTC have implemented all the provisions of the Act. The U.S. Sentencing Commission has amended its guidelines, effective November 1, 2001, to include a provision increasing the offense level for financial aid misrepresentations. Unfortunately, it is too soon for the Sentencing Commission to have any information to report concerning the imposition of the enhanced sentences. However, DOJ has established a reporting procedure between itself and the Sentencing Commission so that DOJ will be able to track this information for future reports.

In compliance with the Act, the ED created a web page and initiated several other consumer education efforts. The FTC already had a web page on its website, established in 1996 in conjunction with Project Scholarscam, a law enforcement and consumer education effort to combat fraudulent financial aid schemes. The ED and FTC web pages link to each other. The ED campaign targets students, parents, high school counselors and college financial aid administrators and includes Internet products, printed publications, such as brochures and posters, and outreach presentations to high school students. The ED materials provide information about scams and about the major federal student aid programs. The materials also remind students that there is no fee to submit the Free Application for Federal Student Aid and that free assistance with applying for aid is available from ED, high school counselors and college financial aid administrators.

The FTC campaign includes a package of consumer education materials, a website and a series of flyers, posters and bookmarks designed to help students, parents, educators and financial aid administrators identify and avoid scholarship scams. The website includes comprehensive information regarding scholarship scams and how consumers can avoid falling prey to these fraudulent marketing schemes. The flyers, posters and bookmarks include abbreviated information from the website and tips to help consumers avoid scholarship scams. To ensure widespread distribution of the materials and reach the largest number of at-risk consumers, the FTC developed partnerships with public and private organizations.

In compliance with the Act's directive, the report contains an assessment of the nature and quantity of scholarship fraud incidents since the date of enactment. The number of complaints to the FTC's Consumer Sentinel database has declined, which may suggest that the overall level of fraud has decreased. The Sentinel database contains complaints filed by consumers with the FTC and over 200 law enforcement authorities (federal, state, local and international) that submit complaints into the database. The Sentinel database, however, does not provide a complete picture of the extent of consumer injury from any particular type of fraud. Some consumers may have complained directly to the company or to law enforcement authorities that do not enter their complaints into the database. In addition, some of the financial aid scams that are operating on the Internet are relatively inexpensive. Often when the financial injury is low, consumers do not complain. ED also receives complaints about financial aid fraud, but receives a small number of complaints compared to the FTC.

An evaluation of the Sentinel complaints also indicates that the nature of the fraud appears to have changed over time. In the mid to late 1990s, most of the complaints concerned telemarketing fraud by bogus scholarship search firms. Although there are still complaints against these types of firms, the more recent complaints concern financial aid consulting firms that use direct mail solicitations and oral sales presentations to market their services. This shift in the character of the complaints may be due in part to the fact that the FTC's Project Scholarscam was successful in stopping fraudulent scholarship search firms.

As noted above, the FTC has an ongoing project to prevent and prosecute scholarship fraud. This project was formally initiated in the fall of 1996 with "Project Scholarscam," a law enforcement and consumer education effort targeted against fraudulent purveyors of so-called "scholarship services." As a result of this project, eleven companies and thirty individuals are now subject to federal court orders prohibiting future misrepresentations. Most of the orders permanently ban the defendants from marketing scholarship services. Many of the orders also require the defendants to post performance bonds before engaging in telemarketing. More than $560,000 has been either refunded to consumers or disgorged to the U.S. Treasury when redress to consumers was impracticable. In addition, a Project Scholarscam subject was criminally prosecuted by the Department of Justice. The FTC continues to monitor the Consumer Sentinel database for new targets and ED has implemented procedures to monitor its complaint activity as well.

Scholarship fraud may be prosecuted under a variety of federal and state statutes. There is no feasible way for DOJ to search its records by all statutory sections to produce a definitive count of all prosecution of such fraud. Therefore, DOJ conducted a survey of the U.S. Attorneys' Offices in each federal district regarding the scholarship fraud cases prosecuted since November 2000. The results of that survey suggest that the type of cases that DOJ prosecutes involve consumers/students acting as accomplices or principals in fraud against the United States, rather than as victims of fraud against them as consumers. DOJ will continue to coordinate enforcement actions with the FTC and, in appropriate cases, will bring charges in cases involving consumers who are victimized.

I. Introduction

Every year, families lose money to fraudulent financial aid schemes. The cost of a four-year college education has risen over 600% since 1969.[1] Scam artists prey on parents' concerns about these high costs of college and the potential for heavy debt. Some take advantage of parents' and students' unfamiliarity with the financial aid process; indeed, many consumers find it overwhelming. When these families are approached by companies with convincing promises of "guaranteed" financial aid, some are deceived by fraudulent actors.

Many financial aid services operate legitimately, informing students and their families up front what they can and cannot do for them. Typically, they compare the students' profiles with scholarship information compiled in a computerized database and provide students with lists of scholarship sources for which the students may qualify. Others work one-on-one with families to design strategies to increase financial aid eligibility legally.

To help federal agencies combat financial aid scams, on November 5, 2000, Congress passed the College Scholarship Fraud Prevention Act of 2000 (Act), Pub. L. No. 106-420, 114 Stat. 1867 (2000). This Act requires that the U.S. Sentencing Commission establish stronger sentencing guidelines for higher education financial assistance fraud. It also charged the Secretary of Education, working in conjunction with the Federal Trade Commission, with implementing national awareness activities, including a scholarship fraud awareness site on the Department of Education Internet website. The Act also requires that the Attorney General, the Secretary of Education, and the Federal Trade Commission, jointly submit to Congress each year a report on that year's incidences of fraud by businesses or individuals marketing advice or assistance to students and parents seeking financial aid for higher education. The Act provides that the first report be submitted 18 months after the date of its enactment – in May 2002.

This report has been prepared according to the Act's directive. It explains how the agencies have implemented the Act's requirements. It also provides an overview of financial aid scams, a description of the Federal Trade Commission's combined law enforcement and education campaign to stop scholarship fraud, and an assessment of the nature and quantity of scholarship fraud incidents since the date of enactment.

II. Implementation of the College Scholarship Fraud Prevention Act

A. Amendments to Sentencing Guidelines

The College Scholarship Fraud Prevention Act requires that the U.S. Sentencing Commission amend the Federal sentencing guidelines to provide enhanced penalties for financial aid fraud.[2] The U.S. Sentencing Commission responded to this requirement by amending the Sentencing Guidelines, effective November 1, 2001, to include a new provision addressing financial aid misrepresentations, § 2B1.1(b)(7)(D). That provision, in pertinent part, reads as follows:

> (7) If the offense involved . . . (D) a misrepresentation to a consumer in connection with obtaining, providing, or furnishing financial assistance for an institution of higher education, increase by 2 levels. If the resulting offense level is less than level 10, increase to level 10. U.S.S.G. § 2B.1.1(b)(7)(D).

The Sentencing Commission generally does not receive reports of judicial imposition of new enhancements (such as section 2B1.1(b)(7)(D)) this soon after an enhancement has been created. In the future, the Sentencing Commission will be able to search its database for judicial use of this specific sentencing enhancement, and will be able to forward this information to the Department of Justice (DOJ) for reporting.

B. National Awareness Activities

In compliance with the Act, the U.S. Department of Education (ED) updated its web page titled "Looking for Student Aid" and launched several other consumer education efforts. As noted below in Section III.D.3, in 1996 the FTC launched a scholarship fraud consumer education campaign which included a page on its website, as part of Project Scholarscam. That consumer education campaign is ongoing. The ED and FTC web pages each contain a link to the other.

The ED national awareness campaign is directed to students of all ages, parents, high school counselors, and college financial aid administrators. The campaign includes Internet products, printed publications and outreach presentations. These publications and presentations provide details about the major federal student aid programs. Since the passage of the Act, they also focus on making consumers aware of the types of scholarship scams, how to avoid them, and where to report them. In addition, several of ED's publications remind students that there is no fee to submit the Free Application for Federal Student Aid (FAFSA) and that help with applying for aid is available at no cost from ED, high school counselors, and college financial aid administrators.

The ED education products are distributed to several million consumers each year including more than 30,000 high schools, colleges, libraries and TRIO programs,[3] services that help to provide access to college for low-income and first-generation students. In addition, ED staff regularly attend education-related conventions, financial aid information nights, and other similar activities, sharing information about federal financial aid. Specifically, the ED national awareness campaign includes the following activities:

- **Looking for Student Aid scam awareness web page.** ED's Looking for Student Aid page (http://www.ed.gov/prog_info/SFA/LSA) was created in the late 1990s to provide Project Scholarscam information to users of ED's site. The page lists sources of free information about financial aid and warns students about scholarship scams. ED updated the information in 2001, after passage of the Act. It now describes the latest form of fraud – the scholarship/financial aid "seminar" followed by a high-pressure sales pitch to convince the student and parents to engage the company's services. The site had 98,790 hits in the twelve-month period from March 2001 to February 2002. As the Act suggests, there are links to Better Business Bureau websites, the FTC's online complaint form, and other useful resources. The FTC cooperated with ED in the modification of this page, providing advice and linking this page to the FTC's own scam awareness pages.

- **Looking for Student Aid brochure.** This brochure is an abbreviated version of the information available on the Looking for Student Aid web page. The brochure was updated at the same time as the online information, in 2001. ED mailed the brochure to 27,500 high schools and TRIO programs, makes it available for high schools and colleges to order, and provides it to students who request information by phone or mail.

- **Don't Get Stung poster.** In 2001, ED produced a new poster designed to raise awareness of financial aid scams. The poster focuses on federal student aid, reminding students that there is no fee to learn about or to submit the FAFSA. It also refers students to sources of free information on all types of financial aid for college; these sources include high school counselors, public libraries, colleges and universities and ED. The poster was mailed to more than 30,000 colleges, high schools, libraries, and TRIO programs and is available for download in PDF format at http://www.ed.gov/studentaid/stung.html. Additionally, the poster has been hung on the wall of a set on the NBC primetime television sitcom "Ed."

- **The High School Counselor's Handbook 2002-03.** This Handbook explains ED's federal student aid programs and the application process. It is updated for each school year and traditionally has included a warning to counselors about scholarship scams. At the back of the book are several informational handouts on perforated pages that the counselor can tear out, photocopy, and give to students. One of the handouts contains information from the FTC website, describing several types of scholarship scams. For 2002-03, the FTC reviewed the handbook's warning to counselors. The publication is mailed to 27,500 high schools and TRIO programs each year and is available for download in PDF format at http://ifap.ed.gov/chandbooks/0203HiSchCHB.html.

- **The Student Guide.** This is ED's most widely circulated publication on federal student aid. First published in 1977, the booklet has been revised and expanded repeatedly to reflect the most current information. Geared toward high school seniors, college students, adult students, and parents, it explains ED's aid programs in detail. For 2002-03, a new paragraph describes scholarship scams and refers the student to the FTC either to complain about a scam or to learn about how to avoid them. The front page of The Student Guide online has a direct link to the scholarship scam section.

  The Student Guide is sent in bulk to more than 30,000 colleges, high schools, TRIO programs, and libraries each year. It is also sent to students who request information by phone or mail. As of mid-February 2002, orders for the 2002-03 Student Guide totaled nearly 6.7 million. The book is available online at http://www.ed.gov/prog_info/SFA/StudentGuide. The Student Guide is produced in English, Spanish, and Braille, as well as in audio form on cassette, CD, and the Internet.

- **Funding Your Education.** This publication is a shorter, simpler version of the information in The Student Guide. It is intended for high school juniors and younger students. For 2002-03, a paragraph similar to that in The Student Guide was added, warning students about scholarship fraud. Funding Your Education is sent yearly to approximately 27,500 high schools, TRIO programs, and libraries and is available for colleges to order. It is also sent to young students who request information by phone or mail, and it is available online at http://www.ed.gov/prog_info/SFA/FYE. Funding Your Education is available in English, Spanish, and Braille.

ED's Student Aid Awareness office plans to continue and enhance its efforts in the coming fiscal year. The Looking for Student Aid brochure and website will be translated into Spanish. The section on scholarship fraud in the High School Counselor's Handbook will be expanded, giving further instructions for counselors who believe their students are being scammed. Additionally, ED staff engaged in outreach activities such as college fairs and financial aid information nights will routinely include financial aid fraud warnings in their presentations.

III. Nature and Quantity of Incidents of Scholarship Fraud

A. Assessment of Current Status of Fraud

Every year millions of students apply for financial aid or scholarships to help finance their education at an institution of higher learning. Unfortunately some of them also become victims of financial aid or scholarship fraud. Since the passage of the Act, the number of complaints to the FTC's Consumer Sentinel database[4] about these types of fraud has declined, which may suggest that the overall level of fraud has decreased. The number of complaints contained on the Sentinel database, however, does not provide a complete picture of the extent of consumer injury from any particular type of fraud – although it is used extensively by the FTC and other law enforcement agencies nationwide to spot trends in fraudulent practices and identify potential targets for law enforcement. Some consumers may have complained directly to the company or to law enforcement authorities that do not input their complaints into the Sentinel database. In addition, some of the financial aid scams are operating on the Internet and are relatively inexpensive. Often if the financial injury is low, consumers do not complain.

Our evaluation of the complaints in Consumer Sentinel suggests that the nature of the fraud has changed over time. In 1996 when the FTC launched Project Scholarscam (see Section D below), many complaints concerned telemarketing fraud by bogus scholarship search firms. Although there are still complaints against these types of firms, more recent complaints concern financial aid consulting firms that use direct mail solicitations and oral sales presentations to market their services. This may be due in part to the fact that the FTC's Project Scholarscam focused on stopping fraudulent scholarship search firms. With the increase in other types of financial aid fraud, the FTC's law enforcement and consumer education focus has been shifting.

B. Overview of Financial Aid Fraud

Operators of financial aid scams generally promise that their services will ensure students receive either a scholarship or increased financial aid. In fact, for fees ranging from $50 to over $1,000, these operators provide few, if any, services to help students and their families find financial aid. Any information provided is generally of little use.

The scam artists sometimes collect their fees by debiting credit cards or checking accounts with or without the students' or their parents' consent. They may say they need the account information to "confirm" a student's "eligibility." Other perpetrators require consumers to enter into installment agreements, whereby the consumers' checking or credit card accounts are debited on a quarterly, monthly or even weekly basis.[5] Many of these installment plans contain automatic renewal provisions that are not adequately disclosed, if at all.

Financial aid scams are marketed to consumers in a variety of media. Some operators market their "services" to students and their parents by calling them at home, sending them letters and postcards, and presenting seminars in local hotels. Others advertise on the Internet and solicit by e-mail.

Historically, financial aid scams have generally fallen into one of the following categories:[6]

- **Scholarships for profit** — these are purported scholarships with an application or other fee, but either (1) no money is ever awarded, (2) the amounts disbursed are less than advertised, or (3) the scholarship sponsor takes in more money in fees than it disburses to students in scholarships.

- **Guaranteed scholarship search services** — these are information brokers who charge a fee to match student information against a database of scholarships. They guarantee that students will receive either a specific amount of scholarship money or a certain number of scholarships for which the student is qualified. Often the promise of scholarship money is coupled with a money-back guarantee. In most cases, consumers get neither scholarships nor their money back.

- **Guaranteed financial aid consultants** — these outfits promise to maximize a student's eligibility for need-based financial aid by reducing the family's "Expected Family Contribution." Often they promise to provide custom-designed strategies. Instead, families receive generic advice of little practical use. In other instances, these companies merely advocate that families provide false information on the FAFSA. Many of these outfits market their services via "free financial aid seminars;" however, the seminars turn out to be high pressure sales pitches for expensive services.

- **Advance fee loans** — these scams charge up-front "application," "processing," "origination," or "guarantee" fees for student loans, but the promised loans never materialize.

- **Linked products** — 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 financial aid.

Typical claims made by financial aid scam artists include:[7]

- **Unclaimed money** — the scam artists claim that millions (in some cases billions) of dollars of scholarships go unclaimed every year, and promise to get the student his or her "fair share."

- **High success rates** — many outfits claim extremely high — 90% or more — success rates and often include "testimonials" from satisfied customers. Many of these testimonials are fabrications; few companies provide enough information about the so-called satisfied customers for consumers to perform independent verification. In other instances, the experiences of the satisfied customers depicted are true, but they are not typical.

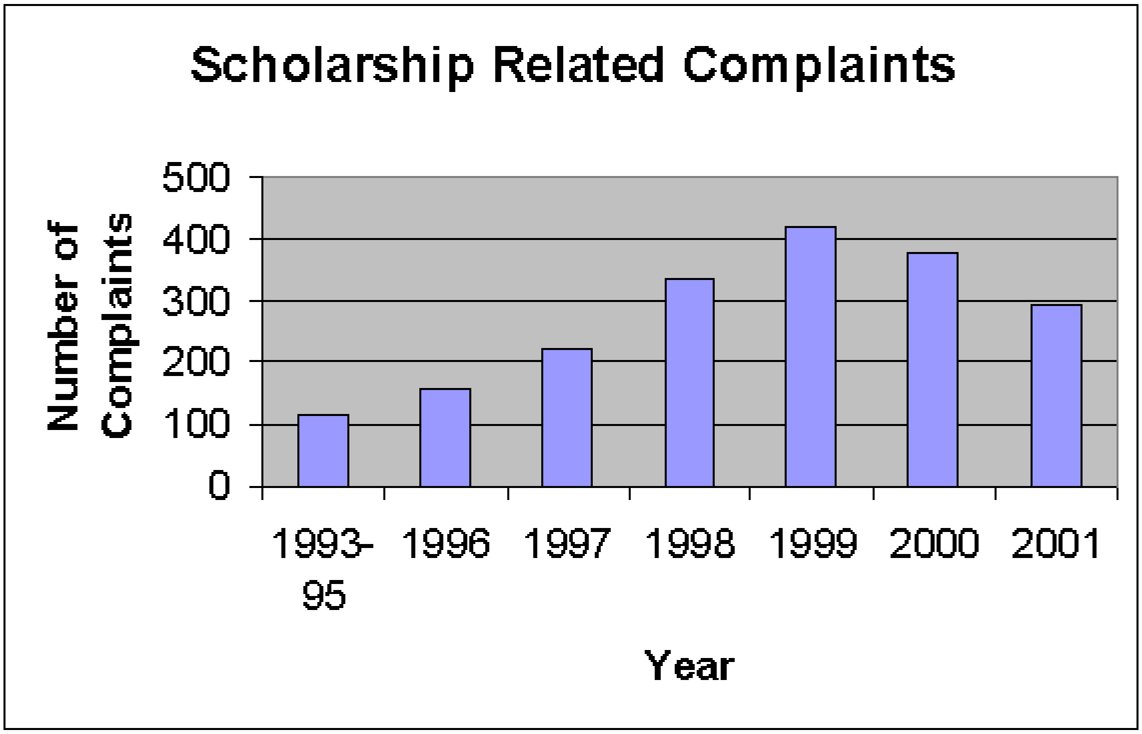
- **Bogus guarantees** — the most popular claim is the guarantee that consumers will get their money back if they do not obtain a minimum amount of aid or number of scholarship sources, or a particular reduction in Expected Family Contribution. These guarantees typically come with numerous, often undisclosed, conditions and restrictions that render them meaningless.

- **Claims of endorsement or affiliation** — here, the scam artists claim to be endorsed or approved by a federal or state agency, a chamber of commerce, or a Better Business Bureau or its equivalent. Others imitate government agencies, legitimate grant-giving foundations, education lenders, or scholarship matching services. They may use words like "National," "Federal," "Foundation," and "Administration" in their titles. Their letters may be printed on red, white, and blue letterhead and contain official-looking seals. They may list addresses in Washington, DC (which, in most instances, are rental boxes at commercial mail receiving entities).

C. Consumer Complaints

1. FTC Complaint Database

The FTC has been monitoring consumer complaints related to financial aid fraud for a number of years. The following chart shows the number of scholarship fraud related complaints in Consumer Sentinel between 1993 and 2001.



As demonstrated above, the number of complaints declined after a peak in 1999.[8] Strong law enforcement activity and a successful consumer education campaign likely contributed to the reduction in the number of complaints. In addition to a drop in the number of complaints, the character of complaints has also changed over time. As noted above, at first, most complaints were about bogus scholarship search firms. Although there still are complaints against these types of firms, more complaints seem to be directed at financial aid consultants.

2. ED's Complaint Monitoring

ED also receives both written and telephone complaints regarding financial aid fraud. Because ED is not a major clearinghouse for complaints, the number is small compared to the FTC. In preparing for this report, ED reviewed complaints to its Federal Student Aid Information Center and to its Office of Inspector General, as well as complaints or queries on e-mail listserves (interactive electronic mailing lists) for college financial aid counselors, high school counselors, and TRIO counselors.

Complaints to ED's Federal Student Aid Information Center (FSAIC)

The FSAIC has two sections: the correspondence unit and the telephone hotline. In the six months comprising July-December 2001, the FSAIC received six written complaints about companies charging students for help finding money for college. The complaints ranged from being charged for The Student Guide (a free publication) or to apply for aid, to being charged for general financial aid information and receiving nothing, to being charged for a "guaranteed" grant that never materialized.

ED's standard response to such complaints is a letter recommending the inquirer visit the FTC's website for further information about combating fraud. As appropriate, ED suggests the inquirer contact the Better Business Bureau or a state Attorney General's office to complain. Since the passage of the College Scholarship Fraud Prevention Act, ED has incorporated information about the law into its written replies.

The FSAIC's hotline (1-800-4-FED-AID) did not keep track of general scholarship/financial aid scam complaints in 2001. The FSAIC has a variety of plans for the coming year to monitor and track financial aid scams more efficiently. There will be a new scholarship scam subject category in the correspondence and telephone databases so that such letters and calls can be tracked more easily. The form letters and paragraphs used to respond to scam complaints will be revised and further standardized. Staff will receive additional training to increase their knowledge of the types of scams being perpetrated, the Act, and the appropriate responses to queries or complaints.

Complaints to ED's Office of the Inspector General (OIG)

The OIG maintains a hotline (1-800-MIS-USED) for citizen or employee complaints relating to fraud, waste, and abuse involving ED's funds. Complaints also may be submitted by mail or e-mail. In 2001, the OIG did not specifically keep track of calls complaining about scholarship fraud. Upon searching the database, OIG staff found only two calls stating that students had been "guaranteed" financial aid for a fee. Such complaints were referred to the FTC. In the coming year, the OIG plans to add a subject category for scholarship scams. The number of such calls is expected to remain low.

ED's OIG also investigates cases that affect ED's funds or programs. There are several ongoing investigations of financial aid consultants who helped students falsify the FAFSA in order to obtain more aid. Unlike the fraud targeted by the Act, "fraud in the offering of financial assistance for purposes of financing an education at an institution of higher education," these consultants did not offer aid fraudulently. They did, however, assist students to commit fraud to obtain aid or increase the amount of aid obtained. Although this type of fraud does not fall squarely within the Act, the OIG plans to track these cases in the future.

Complaints or queries on e-mail listserves for college financial aid counselors, high school counselors, and TRIO counselors

To remain educated as to trends in financial aid, ED's Student Aid Awareness staff monitors listserves directed to professionals involved in helping students obtain student aid. Typically, there is a message each week that a counselor posts asking or warning about a company charging fees for aid or information. ED staff collect these questions and complaints, noting which companies counselors recommend and which appear disreputable. This information is used to increase ED's understanding of the types of scholarship and financial aid advice companies are providing. When there seems to be a surge of messages on the topic, ED staff posts a message to the list, providing general information about the FTC's Project Scholarscam and avenues for complaint. Following such messages from ED, complaints and questions tend to subside for a few weeks. However, because not all members of the list read every message, eventually comments appear once again.

D. FTC's Scholarship Fraud Prevention Program

The FTC has an ongoing project to prevent and prosecute scholarship fraud. This project was formally initiated in the fall of 1996 with "Project Scholarscam," a law enforcement and consumer education effort targeted against fraudulent purveyors of so-called "scholarship services." At that time, the FTC announced six law enforcement cases[9] against companies alleged to have falsely promised scholarships to students and their parents nationwide. The FTC followed up with two additional cases in November 1997,[10] and a ninth case in May 2001.[11] The FTC also initiated a highly successful consumer education campaign to accompany these law enforcement efforts.

All told, eleven companies and thirty individuals are now subject to federal court orders prohibiting future misrepresentations. Most of the orders permanently ban the defendants from marketing scholarship services. Many of the orders also require the defendants to post performance bonds before engaging in telemarketing.[12] More than $560,000 has been either refunded to consumers or disgorged to the U.S. Treasury when redress to consumers was impracticable.[13]

1. Law Enforcement Actions

The FTC's Project Scholarscam included the following cases:

- *Career Assistance Planning, Inc.*

In August 1996, the FTC initiated a lawsuit against Career Assistance Planning, Inc. (also doing business as College Assistance Planning, College Assistance Program, and CAP) and its principals, David Levy, Donna Levy, and Becky Settles. Career Assistance Planning, located in Atlanta, Georgia, defrauded approximately 30,000 consumers out of approximately $6 million.

Career Assistance Planning sent postcards to millions of consumers nationwide stating that the recipients "may be eligible" for many grants and scholarships and listing a toll-free number. For the most part, the scholarships it listed were either no longer available or were ones for which the solicited students were ineligible. Some consumers never received any scholarship list, and some had their checking or credit card accounts debited without their authorization. Although the company offered a full refund of its $199 fee to students who did not receive at least $1,000 in scholarship money within one year, or its $299 fee to those who did not receive at least $2,000, few consumers received the promised refunds.

The FTC obtained a settlement with defendant Settles in February 1997. She agreed to post a $75,000 performance bond before engaging in telemarketing and agreed to an injunction prohibiting her from making false representations about scholarship search services. In addition, she paid $13,000 for consumer redress. In September 1997, the FTC won summary judgment against the remaining defendants, Career Assistance Planning and the Levys. The court ordered the defendants to pay $6 million in consumer redress.[14] In addition, the court required them to post a $6 million bond before engaging in telemarketing and prohibited them from making false representations about scholarship search services.

- *College Assistance Services, Inc.*

In August 1996, the FTC initiated a lawsuit against College Assistance Services, Inc. and its principals, Linda Love, Conni Canella, Randolph Canella, and John Giuffrida. College Assistance Services, located in Sunrise, Florida, allegedly defrauded approximately 6,000 consumers out of approximately $1 million.

College Assistance Services mailed to more than 1 million high school and college students postcards stating that they were eligible for the defendants' "College Scholarship and Grant Program" and listing a toll-free number to call for information. Consumers were told that the company was a clearinghouse for corporations that give scholarships and that millions of dollars in scholarship funds remain unclaimed. The company charged $179 to enroll in the program, with a guarantee that the student would receive at least $1,000. Students received a list of about 40 sources of aid, many of which were contests, loan or work-study programs, and others that no longer existed, had expired deadlines or specified eligibility requirements the students did not meet. In many instances, the defendants did not give refunds unless students provided a rejection letter from each source or complied with a variety of other previously undisclosed conditions.

The Commission obtained a settlement with the defendants in December 1997. They agreed never to market scholarship services again and to post a $200,000 performance bond before engaging in any telemarketing. Consumer redress was paid using a bond previously posted by the defendants with the state of Florida.

- *Christopher Ebere Nwaigwe*

The FTC initiated this case, in August 1996, against Christopher Ebere Nwaigwe and Udoka Maduka. The defendants did business using names such as 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. They operated out of locations in Towson, Baltimore and Silver Spring, Maryland, and Washington, DC. Nwaigwe and Maduka allegedly defrauded approximately 50,000 consumers out of approximately $500,000.

Nwaigwe and Maduka obtained mailing lists of college students, organized by field of study, and sent at least a thousand letters a day to students nationwide, representing that they had a scholarship available for them or soliciting them to purchase a scholarship list for $10. They also stated that consumers who did not receive a specified level of funding would get $10 back. Consumers received either nothing or a list of agencies that purportedly administered scholarships, but which included scholarships for which deadlines had passed or students were ineligible, incorrect addresses, or sources that did not in fact award scholarships.

The FTC obtained settlements with both defendants in April 1997. Nwaigwe agreed to a $10,000 judgment and to post a $300,000 performance bond before offering scholarship services. Maduka agreed to a $9,000 judgment and a $50,000 performance bond.[15] Nwaigwe was subsequently indicted in a case brought by a U.S. Attorney's Office, and in March 1999, convicted of mail fraud for his scholarship fraud activities and sentenced to 36 months.

- *Student Assistance Services, Inc.*

In August 1996, the FTC sued Student Assistance Services, Inc. and its principals Fred Markowitz and Donald McGovern. The company, located in Fort Lauderdale, Florida, allegedly defrauded approximately 19,000 consumers out of $3.4 million.

Student Assistance Services sent more than 1 million high school and college students postcards advertising scholarship services and listing an 800 number. When students called telemarketers told them that, for a $179 up-front fee, they could find "unclaimed" scholarship and grant funds from private companies, and guaranteed to refund the fee if the students did not get at least $1,000. Consumers received either nothing, or a list of "sources" for financial aid for which they had to apply on their own or which in fact were contests, loans or work-study programs. Many sources were no longer available or not suitable for the student. Those seeking refunds had to apply in writing to each source on the list and provide rejection letters; and, even after undertaking this effort, many did not receive refunds.

The FTC obtained a settlement with the defendants in June 1997. The defendants agreed never to offer scholarship services again and to post a $75,000 performance bond before engaging in any telemarketing. In addition, the defendants agreed to pay $322,000 in consumer redress.

- *Student Aid Incorporated*

The FTC initiated this action, in August 1996, against Student Aid Incorporated and its principals, Adel Kovaleva, Adel Tager, and Raimma Tagiev. The defendants, operating out of New York, New York, allegedly defrauded approximately 1,500 consumers out of $125,000.

Student Aid placed classified ads in college newspapers and posted flyers on campuses that touted "Money for College!!!!" and listed an 800 number. Callers were told that, for an up-front fee of $97, Student Aid would obtain at least $1,000 in scholarships or grants for them. In many instances, Student Aid debited the fee from consumers' checking accounts without authorization. Student Aid sent some consumers a list including scholarships and grants for which deadlines had passed or for which students did not qualify; many consumers never received anything. Students were required to provide a rejection letter from each source in order to get promised refunds, although few received them.

The FTC obtained a settlement with the defendants in August 1997. They agreed to an injunction prohibiting certain conduct in the marketing of scholarship services. In addition, the defendants paid $7,500 in consumer redress.

- *Deco Consulting Services, Inc.*

In October 1996, the FTC initiated a lawsuit against Deco Consulting Services, Inc. and Unimark Industries, Inc. and their principals, Jess Nieves and Dania Denis. The defendants, operating out of Lauderhill, Florida, allegedly defrauded approximately 50,000 consumers out of $8 million.

Deco Consulting sent more than one million high school and college students postcards stating that they were "eligible for our college scholarship and grant assistance program" and listing a toll-free number. Callers were told that a large amount of scholarship and grant money goes unclaimed and is distributed on a first-come, first-served basis. The defendants promised consumers that they were guaranteed to obtain a minimum of $1,000 or $2,000, by applying to the sources on a list Deco would provide, or have their $179 fee refunded. In reality, many of the sources offered loans, contests, or work-study programs rather than scholarships or grants, for many of the listed sources the deadlines had already expired, or the sources had moved, no longer existed, or were not suitable for the student. Consumers seeking refunds were confronted with numerous undisclosed conditions.

The FTC obtained a settlement with the defendants in December 1997. They agreed to a permanent ban on offering scholarship services and on telemarketing. In addition, a judgment of $100,000 was entered against the defendants.

- *National Scholarship Foundation, Inc.*

The FTC sued National Scholarship Foundation, Inc., D.B.F. National Business Reporting Bureau, Inc., and their principals, Calvin Morse, Eleanor Morse, Dorothy Beam, Sandra Brown, James McKenna, and Timothy Quinn in November 1997. National Scholarship Foundation, located in Delray Beach, Florida, allegedly defrauded approximately 15,000 consumers out of $2.8 million.

The company sent hundreds of thousands of potential college students and their families nationwide postcards advertising its scholarship search services. The postcard listed an 800 number to call for information and "immediate confirmation." Telemarketers told consumers that they were guaranteed to receive $1,000 in scholarships or grants or get their $189 fee refunded. In reality, many of the sources were not scholarships or grants, but prize contests, loans, or work-study programs, and often the deadlines had passed, the source did not exist, or the students did not meet the qualifications. In addition, the defendants did not honor their refund guarantee, instead they attempted to impose prohibitive additional conditions that were not previously disclosed.

In order to give themselves an aura of legitimacy, National Scholarship Foundation was incorporated as a non-profit Florida company; however, the defendants kept its profits for their personal use. In addition, the defendants claimed that National Scholarship Foundation was approved by D.B.F. National Business Reporting Bureau. The National Business Reporting Bureau, however, was a phony entity incorporated by the same defendants who owned National Scholarship Foundation.

The FTC obtained a settlement with the defendants in October 1998. They agreed to a permanent ban on offering scholarship services and business information reporting services. In addition, the defendants, who were also running a credit repair/debt consolidation operation, agreed to post a $100,000 performance bond before telemarketing credit services. The defendants also agreed to pay a $50,000 monetary judgment.

- *National Grant Foundation, Inc.*

In November 1997, the FTC sued National Grant Foundation, Inc., Grant Research and Publishing, Inc., and their principals Wallace Millman, Anthony Consalvo, Dennis Colonna, Harriet Kaye, Beverly Jansen, and Carol Clough. The defendants, operating out of Sunrise, Florida, allegedly defrauded approximately 4,000 consumers out of $600,000.

National Grant Foundation mailed out more than 1.6 million postcards advertising their college scholarship services to the parents of high school and college students. The postcards stated that students were eligible for scholarships and grants. When consumers called telemarketers told them that, in exchange for an up-front fee of $179, the company would guarantee at least $1,000 in grant or scholarship funds from large private companies, or they would refund the fee. In fact, consumers received only lists of sources. Few, if any, were private sources of "free" financial aid. Most of the sources were scholarships awarded by colleges or universities only to their own students; loans, contests, or work-study programs; or scholarships that either no longer existed, had never existed, or had expired deadlines. National Grant Foundation also was incorporated in Florida as a non-profit organization; however, the defendants used the profits for their personal use.

The FTC obtained a settlement with defendants Kaye, Jansen, and Clough in March 1998. Each agreed to a permanent ban on selling scholarship search services. The FTC settled with defendant Consalvo in May 1998. He agreed to a permanent ban on selling scholarship services and telemarketing. In addition, he was required to pay $585,000 in consumer redress.[16] In September 1998, the FTC obtained default judgments against the remaining defendants banning them from selling scholarship services and telemarketing.

- *College Resource Management, Inc.*

The FTC obtained a consent judgment, in May 2001, against College Resource Management, Inc. (doing business as College Financial Aid Services of America) and its principals, Scott Traynor and Steven Daughenbaugh. The defendants, based in Grand Prairie, Texas, allegedly defrauded approximately 60,000 consumers out of $15.2 million.

The defendants marketed their financial aid services through a direct mail campaign targeted to high school students and their parents. The College Resource Management letter stated that students were identified as "eligible" to enroll in a "nationally recognized college financial aid and placement assistance service," and invited to attend an interview. The interviews, typically held at local hotels, were really high-pressure sales seminars during which the defendants promoted their college planning and financial aid services. These services, ranging in price from $995 to $1,068 depending upon whether parents paid up-front or over time, purportedly helped consumers obtain more financial aid than they could on their own. The defendants stated that they would prepare personalized financial aid reports and design customized strategies to maximize the amount of financial aid a student would receive. Consumers were guaranteed to obtain at least $2,500 in financial aid, or a reduction of $2,500 in their Expected Family Contribution, or receive their money back. In reality, College Resource Management provided only generalized information, and the "customized" strategies were not tailored to individual financial situations. Many of the so-called strategies, such as pre-paying a mortgage or having a parent enroll in college, were not feasible or practical for most consumers.

Under the terms of the consent judgment, the defendants are prohibited from making misrepresentations in connection with the offering of academic goods and services. The settlement also requires the defendants to make certain affirmative disclosures in their sales presentations, including that purchasing their services does not guarantee a student will get any financial aid or more financial aid than he or she could have otherwise obtained. In addition, the defendants agreed to pay a $40,000 monetary judgment.

2. Monitoring and Compliance Initiatives

In addition to its law enforcement investigations and court actions, the FTC is active in monitoring the financial aid industry. This includes periodic reviews of the Consumer Sentinel database for problem companies or new trends.

The FTC has also been active in monitoring the Internet for financial aid fraud. The Internet is especially conducive to scholarship search service fraud. Because this type of fraud relies on matching some information from a student profile with a database of potential scholarship sources, it can be done easily and cheaply online. In addition, today's high school students are extremely computer literate and are conducting a large portion of their college search online. The scholarship search services have taken advantage of this trend, and given the relatively high overhead of maintaining a telemarketing boiler room, many of these services appear to have moved to the Internet.

Responding to this trend, in January 2000, the FTC conducted a "surf" of over four hundred websites that advertised college scholarship services. The surf provided a snapshot of scholarship services advertising on the Internet and allowed the FTC to identify sites that might not currently be in compliance with the FTC Act. The FTC found that some of the websites promoting college scholarship services claimed they could guarantee either a certain number of scholarships or a specified level of financial aid for those signing up. The FTC identified 34 websites as having suspect claims and sent those sites warning letters advising them to reexamine and/or modify their promotional language. The operators also were alerted that any online misrepresentation could lead to legal action in the future.

In June 2000, the FTC revisited the websites that received warning letters in January. Over half of the sites had either shut down as a result of the warning letters or no longer offered scholarship search services. The FTC sent follow-up letters to 13 sites that still were making problematic and/or unsubstantiated claims requesting that they provide substantiation for their claims and other information. The FTC also reviewed 15 new sites, 2 of which made problematic claims and sent them warning letters and/or letters requesting documentation. During the follow-up investigations, the FTC found that some of the sites were able to substantiate their claims. Other sites simply shut down after receiving the request for information. The FTC also persuaded 7 site operators to modify their advertising practices.

3. Consumer Education and Outreach

The FTC's Project Scholarscam included both the law enforcement actions described above and a massive consumer education campaign to help students, parents, educators and financial aid administrators identify and avoid scholarship scams. The FTC's Office of Consumer and Business Education (OCBE) produced a package of consumer education materials, a website[17] and a series of flyers, posters and bookmarks. The website includes comprehensive information regarding scholarship scams and how consumers can avoid falling prey to these fraudulent marketing schemes. The flyers, posters and bookmarks include abbreviated information from the website and tips to help consumers avoid scholarship scams, *e.g.,* “Seven Signs That Your Scholarship Is Sunk.”

To ensure widespread distribution of the materials and reach the largest number of at-risk consumers, the FTC developed partnerships with public and private organizations. From October 1996 through January 2002, the FTC, alone or in partnership with others, distributed nearly 3,175,000 print publications and had more than 270,000 accesses or “hits” on its website, for total distribution to more than 3,445,000 consumers. The initial launch of the campaign in 1996 included the following efforts:

- **Sallie Mae** (the Student Loan Marketing Association) produced packages of materials educating consumers about scholarship scams, including bookmarks, flyers and posters, which the FTC distributed to high schools across the country; Sallie Mae’s own website (www.salliemae.com) highlighted information about scholarship scams; and Sallie Mae publicized the campaign to colleges, universities and banks through its newsletters.

- **The Financial Aid Information Page** (www.finaid.org), a widely-visited website on grants and scholarships, added a hyperlink to scholarship information on the FTC’s website.

- **The National Association of Student Financial Aid Administrators** (www.nasfaa.org) and the American Counseling Association (www.counseling.org) posted consumer information on their websites.

- **Eleven Interactive Service Association members** (such as The Electric Library and Kaplan Online) posted public service announcements on their websites and on-line services for students trying to find scholarship information on line.

- **The Educational Testing Service and ACT, Inc.** (formerly, American College Testing), both of which administer standardized tests for admission to college and graduate school, included warning messages about scholarship scams in their mailings to millions of students over the school year.

- **The National Association of College Stores** distributed consumer education materials through their 3,600 members.

In 1997, the FTC staff continued the Project Scholarscam consumer education campaign with additional outreach, and with some new partners. Olan Mills, a national portrait studio, distributed posters to 5,000 high schools in 27 states. The Commission also joined with the New York Attorney General's Office to notify 25 operators of websites offering scholarship services that they may be engaged in deceptive or unfair practices. In addition, two million bookmarks were printed and distributed through the 3,600 member stores of the National Association of College Stores. The College Board also distributed 40,000 bookmarks to the nation’s high school guidance counselors. The FTC also worked with public school systems and military family service centers across the country to disseminate consumer education materials.

In 1998, Olan Mills printed the scholarship scam messages on their envelopes containing class photo prints that it sent to more than 100,000 students. The National Education Association also sent an alert about scholarship scams to all of its state communications/public relations directors and editors. The NEA included samples of the bookmark and web page.

In 1999, the FTC posted a "teaser website" of a fictitious scholarship service company making claims typical of those made by companies targeted in FTC cases. When consumers clicked to sign up for the service, they were warned that they could have been scammed.[18] The FTC also issued a new Consumer Alert, "OUCH...Students Getting Stung Trying to Find $$$ for College," informing consumers about the most recent trend – the seminar on financial aid or scholarships. The publication warns consumers to take their time about making a decision when attending these seminars and to avoid high-pressure sales pitches. The publication also explains that consumers should investigate the organization, by talking with a high school or college guidance counselor or financial aid advisor, before spending money.

In September 2000, the FTC issued another publication, "An Education in Scholarship Scams," and distributed it to 5,000 media, 600 online media databases and trade press via BusinessWire. In 2001, the FTC teamed up with Call For Action and WTOP Radio to post an audio file on the FTC website, "Scholarship Scams." The Department of Education joined the campaign, and the FTC website links to Education's financial aid information for students.

Finally, in 2002, the FTC translated its Consumer Alert into Spanish and posted it on the new Consumer Protection page, En Espanol. The FTC also provided copies of the Alert to its Regional offices for outreach to school systems with a large Hispanic student population.

E. DOJ's Scholarship Fraud Cases

Scholarship fraud against consumers may be prosecuted under a variety of statutes, such as mail fraud, wire fraud, false identification crimes, false statement crimes, and conspiracy. For the purpose of preparing this year's report, the Department of Justice sent out a survey to the United States Attorneys' Offices in each federal district, inquiring about the scholarship fraud cases that they had handled since November 2000. Although this method is somewhat inexact, the results of that survey suggest that fraud against consumers/students has not arisen in the scholarship fraud cases prosecuted by DOJ during the past 18 months. In the cases that DOJ has encountered regarding fraud in the offering of financial assistance for the purposes of financing a person's higher education, it is the United States that has been the victim defrauded, rather than consumers/students. As the courts impose the newly enacted sentencing enhancement for scholarship fraud in future cases, DOJ will be able to track scholarship fraud prosecutions more accurately.

In virtually every instance reported by the United States Attorneys' Offices, a student has been a principal or a willing accomplice in the fraudulent acquisition of federal financial aid granted for the student's higher education. These cases include:

> – a scheme between a federal work study program coordinator in Louisiana and several students to fraudulently receive work study funds for work they did not do;
> – a college's financial aid director in Nashville, Tennessee who filed financial aid applications for her and a student that falsified their enrollment status;
> – a group of college employees in Northern California assisting veterans in misrepresenting the nature of educational activities in which they were engaged in order to receive unauthorized aid;
> – a student in Southern California who filed a loan application falsifying her marital status;
> – a group of students in Washington, DC who applied for student loans with false co-signor information;
> – a student in Northern Texas who falsified her social security number on a financial aid application so that she could receive twice the authorized amount of financial aid;
> – two college officials in Puerto Rico who falsely certified that federal funds for student financial assistance programs comprised a lower percentage of their college's revenues than was actually true so that they could continue to receive an unlawfully high amount of aid.

Even in the cases that DOJ has brought against scholarship advisory services, the fraud has involved the advisory services counseling the consumers/students on how to falsify their federal financial assistance applications, and the consumers/students then submitting information that they clearly know to be false. For instance, consumers/students have falsely understated the income of the students' parents, or falsely declared that the parents are separated or divorced, or falsely inflated the number of dependents residing in the household or attending college.

In addition to these types of prosecutions, the Department of Justice is also committed to prosecuting those who engage in scholarship fraud against consumers. As noted above, the Department of Education refers consumer complaints of scholarship fraud to state law enforcement authorities and to the Federal Trade Commission, and the FTC has referred similar complaints to DOJ in past years. DOJ welcomes these agencies' cooperative efforts, and encourages such referrals to state and federal law enforcement authorities where appropriate.

In keeping with this cooperative approach, the Department of Justice has established a reporting procedure with the United States Sentencing Commission, in order to provide comprehensive information for the report to Congress required under 20 U.S.C. § 1092d. As noted above, the U.S. Sentencing Commission has amended its guidelines to include a specific provision enhancing the penalty for misrepresentation to a consumer in connection with furnishing financial assistance for an institution of higher education. Pursuant to the new reporting procedure, the Sentencing Commission will report to DOJ on an annual basis concerning the cases in which that sentencing enhancement has been employed. When defendants begin receiving sentences pursuant to this new sentencing enhancement, DOJ will be able to report with greater accuracy on the federal prosecutions that involve scholarship fraud against consumers.

IV. Conclusion

Recognizing that a substantial amount of fraud occurs in the offering of college education financial assistance, Congress passed the College Scholarship Fraud Prevention Act of 2000 to help combat such fraud. In addition to amending the Sentencing Guidelines to enhance the penalties for committing scholarship fraud and the Bankruptcy Code to prevent fraud artists from discharging scholarship fraud related debt, the Act calls for greater national awareness of scholarship fraud. The Sentencing Commission has amended its guidelines. The Department of Education has created a website and launched several other consumer education efforts. Meanwhile, the FTC has continued and refined the consumer education campaign that it launched in 1996 as part of Project Scholarscam.

The FTC (and ED to a much lesser extent) continue to receive numerous complaints of scholarship fraud. Although the FTC's Consumer Sentinel indicates that the number of reported instances of fraud may be dropping, scholarship fraud continues to be a problem, with almost 300 complaints filed in 2001 alone. Moreover, the nature of the fraud appears to be shifting from scholarship search services to financial aid consulting services.

Finally, the FTC and DOJ remain committed to prosecuting perpetrators of scholarship fraud. The FTC's Project Scholarscam has already resulted in eleven companies and thirty individuals being placed under federal court orders, and the FTC continues to monitor the Consumer Sentinel database for new targets. Meanwhile, in one case, the Nwaigwe case, civil action by the FTC has led to criminal prosecution by the U.S. Attorney's Office. The FTC and DOJ will continue to coordinate such parallel civil/criminal actions.

The Departments of Justice and Education and the Federal Trade Commission are committed to stopping scholarship fraud and have taken up the call issued by Congress through the College Scholarship Fraud Prevention Act.

ENDNOTES

1. Neil Stempleman, *Pay Raises for President's Appointees Lags Inflation,* FEDERAL TIMES, March 25, 2002, at 20.

2. Specifically, the Act requires that the Sentencing Commission:

> amend the Federal sentencing guidelines in order to provide enhanced penalties for any offense involving fraud or misrepresentation in connection with the obtaining or providing of, or the furnishing of information to a consumer on, any scholarship, grant, loan, tuition, discount, award, or other financial assistance for purposes of financing an education at an institution of higher education, such that those penalties are comparable to the base offense level for misrepresentation that the defendant was acting on behalf of a charitable, educational, religious, or political organization, or a government agency.

3. The title "TRIO programs" is used because there were three of these types of programs when they were first created in the 1960s – Upward Bound, Talent Search, and Student Support Services. Currently, there are eight TRIO programs – Educational Opportunity Centers, Ronald E. McNair Postbaccalaureate Achievement Program, Student Support Services, Talent Search, Training Program for Federal TRIO Programs, TRIO Dissemination Partnership, Upward Bound, and Upward Bound Math/Science.

4. Consumer Sentinel is a secure, password protected complaint database designed to allow law enforcers to share data about fraud. It is accessible to more than 40 federal law enforcement organizations, more than 200 state and local fraud fighting agencies - including every state Attorney General in the country - 12 Canadian law enforcement organizations, and the Australian Competition and Consumer Commission. In addition to consumer complaints, Consumer Sentinel offers its law enforcement members a variety of tools to facilitate investigations and prosecutions, including: a catalog of companies currently under investigation; information to help agencies coordinate effective joint action; an index of fraudulent telemarketing sales pitches; and data analysis to determine trends in fraud. Currently, there are more than 300,000 complaints in the Consumer Sentinel database.

5. Many of the installment payment plans fail to include disclosures required by the Truth in Lending Act, 15 U.S.C. §§ 1601 - 1667f *as amended*.

6. *Solving the Problem of Scholarship Scams: Hearings on S. 1455, The College Scholarship Fraud Prevention Act of 1999 Before the Senate Comm. on the Judiciary*, 106th Cong. (1999) (statement of Mark Kantrowitz, publisher FinAID Web site)

7. *Id.*

8. The Consumer Sentinel database has expanded considerably over the years. In the early to mid 1990s, the number of law enforcement agencies contributing complaints to the database was far smaller than it is today. Therefore, the number of complaints in Consumer Sentinel for the years

1993-1996 may under-represent consumer injury. As the number of partners using the database increased, the number of complaints did as well. As a result, it is important to consider that this increased participation may have contributed to the higher complaint numbers in the late 1990s.

9. Among other things, the FTC enforces Section 5 of the FTC Act, 15 U.S.C. § 45, which prohibits unfair and deceptive acts or practices in or affecting commerce. Section 13(b) of the FTC Act, 15 U.S.C. § 53(b), allows the FTC to bring actions in federal district court to halt violations of Section 5. Remedies available to the FTC include seeking permanent injunctions and equitable monetary relief such as redress to consumers or disgorgement of unjust enrichment.

10. The eight cases brought by the FTC in 1996 and 1997 were filed under seal together with *ex parte* requests for temporary restraining orders, asset freezes, appointment of receivers, and other equitable relief. In each case, the FTC was successful in obtaining the *ex parte* order.

11. This case was not filed *ex parte*. Instead, the FTC negotiated with the defendants prior to filing a complaint, and obtained a stipulated final order that was filed with the complaint.

12. Bonds are designed to deter defendants from engaging in misrepresentations and provide a fund for consumer redress should the defendants violate the order.

13. The Commission actually obtained approximately $7.2 million in judgments in these matters. Some of these judgments were not collectable and, as explained in the notes below, others have been referred to the U.S. Treasury for collection.

14. The Levys never paid this judgment. Instead, the FTC collected $86,000 of the defendants' money that had been frozen when the case was originally filed. The remainder of the unpaid judgment was referred to the U.S. Treasury for collection.

15. The FTC was only able to collect $4,900 from Maduka. The remainder of the judgment was referred to the U.S. Treasury for collection.

16. Consolvo never paid the judgment, and the matter was referred to the U.S. Treasury for collection.

17. http://www.ftc.gov/bcp/conline/edcams/scholarship/index.html

18. http://www.wemarket4u.net/aplusfastcash/index.html.