

# ***FTC Consumer Alert***

Federal Trade Commission ■ Bureau of Consumer Protection ■ Bureau of Consumer & Business Education

## **Ouch! Students Getting Stung Trying to Find \$\$\$ for College**

Need money for college? Doesn't everybody? With tuition bills skyrocketing, and room and board going through the roof, students and their families are looking for creative ways to finance a college education. Unfortunately, in their efforts to pay the bills, many of them are falling prey to scholarship and financial aid scams.

According to the Federal Trade Commission (FTC), the nation's consumer protection agency, unscrupulous companies guarantee or promise scholarships, grants or fantastic financial aid packages. Many use high pressure sales pitches at seminars where you're required to pay immediately or risk losing out on the "opportunity."

Some unscrupulous companies guarantee that they can get scholarships on behalf of students or award them "scholarships" in exchange for an advance fee. Most offer a "money back guarantee"— but attach conditions that make it impossible to get the refund. Others provide nothing for the student's advance fee — not even a list of potential sources; still others tell students they've been selected as "finalists" for awards that require an up-front fee. Sometimes, these companies ask for a student's checking account to "confirm eligibility," then debit the account without the student's consent. Other companies quote only a relatively small "monthly" or "weekly" fee and then ask for authorization to debit your checking account — for an undetermined length of time.

Other companies claim they have programs that could make you eligible to receive financial aid, including grants, loans, work-study and other types of aid. For a processing fee, they'll handle all the paperwork. But experts caution: The only application that will determine eligibility for all programs is the Free Application for Federal Student Aid (FAFSA) — a form you can complete and submit for free.

The FTC cautions students to look and listen for these tell-tale lines:

- "The scholarship is guaranteed or your money back."
- "You can't get this information anywhere else."
- "I just need your credit card or bank account number to hold this scholarship."
- "We'll do all the work. You just pay a processing fee."
- "The scholarship will cost some money."
- "You've been selected" by a "national foundation" to receive a scholarship — or "You're a finalist" in a contest you never entered.

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If you attend a seminar on financial aid or scholarships, follow these steps:

- Take your time. Don't be rushed into paying at the seminar. Avoid high-pressure sales pitches that require you to buy now or risk losing out on the opportunity. Solid opportunities are not sold through nerve-racking tactics.
- Investigate the organization you're considering paying for help. Talk to a guidance counselor or financial aid advisor before spending your money. You may be able to get the same help for free.
- Be wary of "success stories" or testimonials of extraordinary success — the seminar operation may have paid "shills" to give glowing stories. Instead, ask for a list of at least three local families who've used the services in the last year. Ask each if they're satisfied with the products and services received.
- Be cautious about purchasing from seminar representatives who are reluctant to answer questions or who give evasive answers to your questions. Legitimate business people are more than willing to give you information about their service.
- Ask how much money is charged for the service, the services that will be performed and the company's refund policy. Get this information in writing. Keep in mind that you may never recoup the money you give to an unscrupulous operator, despite stated refund policies.

The FTC says many legitimate companies advertise that they can get students access to lists of scholarships in exchange for an advance fee. Other legitimate services charge an advance fee to compare a student's profile with a database of scholarship opportunities and provide a list of awards for which a student may qualify. And, there are online scholarship search engines. The difference: Legitimate companies never guarantee or promise scholarships or grants.

If you're contacted by companies or visit websites that say they'll process your FAFSA for a fee, do yourself a favor and save some money, too. Visit the U.S. Department of Education's Student Aid on the Web for free information on preparing for and funding education beyond high school. You can complete the FAFSA at [www.fafsa.gov](http://www.fafsa.gov), and learn about other FAFSA filing options at [www.fafsa.ed.gov/options.htm](http://www.fafsa.ed.gov/options.htm). You also can call 1-800-4-FED-AID.

This publication was produced in cooperation with the College Parents of America. CPA is a resource, advisor and advocate working on behalf of the millions of parents of current and future college students throughout the United States. For more information about CPA, call toll free 1-888-761-6702 or visit CPA at [www.collegeparents.org](http://www.collegeparents.org).

The FTC works to prevent fraudulent, deceptive and unfair business practices in the marketplace and to provide information to help consumers spot, stop and avoid them. To file a complaint or get free information on consumer issues, visit [ftc.gov](http://ftc.gov) or call toll-free, **1-877-FTC-HELP** (1-877-382-4357); TTY: 1-866-653-4261. Watch a video, *How to File a Complaint*, at [ftc.gov/video](http://ftc.gov/video) to learn more. The FTC enters consumer complaints into the Consumer Sentinel Network, a secure online database and investigative tool used by hundreds of civil and criminal law enforcement agencies in the U.S. and abroad.