

College Scholarship Fraud Prevention Act of 2000 Annual Report to Congress



**U.S. Department of Education
U.S. Department of Justice
Federal Trade Commission**

COLLEGE SCHOLARSHIP FRAUD PREVENTION ACT OF 2000 ANNUAL REPORT TO CONGRESS

**U.S. Department of Education
U.S. Department of Justice
Federal Trade Commission**

2012

U.S. Department of Education

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Executive Summary

Millions of U.S. high school graduates and their families look for ways to finance the costs of a college education. In the process, they sometimes are either victimized by, or unwittingly participate in, federal student financial aid fraud. To help students and their families avoid deception, Congress passed the *College Scholarship Fraud Prevention Act of 2000*, P. L. 106-420, and it was signed into law on November 1, 2000. This act established stricter sentencing guidelines for criminal financial aid fraud and charged the U.S. Department of Education (ED), working in conjunction with the Federal Trade Commission (FTC), with implementing national awareness activities, including a financial aid fraud awareness page on ED's website. The act also required that the attorney general and the secretary of education, in conjunction with the FTC, submit to Congress each year a report on the previous calendar year's incidence of fraud ("scholarship scams") by businesses or individuals marketing financial aid assistance services to consumers. This is the 2012 report, which covers the agencies' fraud prevention activities in calendar year 2011.

ED and the FTC have continued their consumer education efforts. Using a variety of media, including websites, booklets, brochures, flyers, posters, and bookmarks, ED and the FTC disseminate information to help consumers avoid financial aid scams. ED materials also provide information about the major federal student aid programs. The materials remind students that there is no fee to submit the *Free Application for Federal Student Aid* (FAFSA) and that free assistance when applying for aid is available from ED, high school counselors, and college financial aid administrators. ED's recent negotiated rulemaking efforts focus on protections against fraudulent misrepresentation.

Complaints about scholarship scams have decreased since enactment of the legislation. In recent years, other financial aid-related consumer protection issues, such as the potential impact of predatory lenders on student borrowers and the charging of fees for assistance in completing the FAFSA, have caused more concern for students and families. The FTC, the Department of Justice (DOJ), and ED's Office of Inspector General (OIG) continue to monitor all scholarship scam and comparable complaints to determine when enforcement action is necessary.

DOJ brought numerous criminal actions in 2011 against individuals engaged in financial aid fraud against ED's federal student aid programs; there were none that involved scholarship scams targeting students. The FTC and DOJ will continue to coordinate parallel civil and criminal actions in appropriate cases.

I. Introduction

Families lose money to fraudulent financial aid schemes every year. To help federal agencies combat such scams, Congress passed the *College Scholarship Fraud Prevention Act of 2000*, P. L. 106-420, and it was signed into law on November 1, 2000. The act required that the U.S. Sentencing Commission establish stronger sentencing guidelines for higher education financial assistance fraud. It also directed the secretary of education, working in conjunction with the Federal Trade Commission (FTC), to implement national awareness activities, including a financial aid fraud awareness site on the Department of Education's website. The act further required that the attorney general and the secretary of education, in conjunction with the FTC, submit a report to Congress each year on fraud by businesses or individuals that market and sell advice or assistance to students and parents seeking financial aid for higher education.

The Department of Education (ED), the Department of Justice (DOJ), and the FTC prepared this report according to the act's directive. Building on previous reports,¹ this report provides an update of the activities of DOJ, ED, and the FTC to combat financial aid fraud, and an assessment of the nature and level of financial aid fraud during calendar year 2011, unless otherwise noted.

II. Implementation of the *College Scholarship Fraud Prevention Act of 2000*

A. Amendments to Sentencing Guidelines

As discussed in previous reports, the U.S. Sentencing Commission amended the sentencing guidelines, effective November 1, 2001, to include enhanced penalties for financial aid fraud. Specifically, it amended Section 2B1.1(b)(7)(D)² of the sentencing guidelines to add a provision raising the relevant offense level by two levels if the crime involved misrepresentation to a consumer in connection with obtaining, providing, or furnishing financial assistance for attending an institution of higher education. There were no cases reported in Fiscal Year 2011 in which the sentencing enhancement was imposed.

B. National Awareness Activities

1. Department of Education National Awareness Activities

ED continues to provide consumer education products and engage in outreach efforts to increase awareness of financial aid fraud. The primary education product on this topic is the Web page “Avoiding Scams” at www.studentaid.ed.gov/types/scams. The Web page lists free resources that provide information about financial aid and warns students about financial aid scams. As discussed in more detail in prior reports, ED also publishes booklets and fact sheets that provide fraud prevention information to consumers. Printed publications with scam warnings distributed in 2011 totaled approximately 1.2 million copies. Visits to ED’s StudentAid.gov website, which hosts the online versions of the publications, numbered more than 28 million in 2011. ED’s Office of Inspector General (OIG) also hosts a fraud awareness website with scholarship scam information. The site, www.ed.gov/misused, registered more than 1,900 visits in 2011.

ED outreach activities include numerous presentations to high school- and college-age students, parents, counselors, college financial aid administrators, professional higher education associations and advocacy groups. Staff members make an effort to include, at a minimum, a brief warning about financial aid fraud in each workshop. ED also included a session specific to distance education fraud rings at its 2011 FSA Conference.

To stay aware of issues concerning various audiences, ED staff members monitor online communities (listservs) directed to professionals (such as high school or college access counselors) involved in helping students obtain financial aid. List members sometimes post messages asking or warning about companies charging fees for aid or information about aid. In response to such messages, ED staff members occasionally post reminders to a total of more than 5,000 listserv members that students can receive free advice from college financial aid administrators and from ED (as well as from high school counselors and other college access professionals).

2. Federal Trade Commission Consumer Education and Outreach Efforts

The FTC conducts an ongoing project, Project Scholarscam, to prosecute and prevent scholarship fraud. Initiated in 1996, it includes both law enforcement efforts and a consumer education campaign to help students, parents, educators, and financial aid administrators identify, and avoid, financial aid scams. The FTC's consumer education campaign includes a package of consumer education materials, a website (www.consumer.ftc.gov/articles/0082-scholarship-and-financial-aid-scams), as well as a consumer alert and bookmark. The website contains comprehensive information about financial aid scams and ways consumers can avoid fraudulent marketing schemes. The consumer alert and bookmark include abbreviated information from the website and tips to help consumers avoid financial aid scams.

To reach the largest number of at-risk consumers, the FTC developed partnerships with public and private organizations, including the National Association for College Admission Counseling. From October 1996 through December 2011, the FTC and its partners distributed over 3.75 million print publications, and the FTC had more than 1.2 million visits to its financial aid consumer education website. In calendar year 2011, the FTC distributed 69,200 print publications and had nearly 55,000 visits to the website (www.consumer.ftc.gov/articles/0082-scholarship-and-financial-aid-scams).

Continuing the partnership between ED and the FTC, ED's 2012–13 *Counselors and Mentors Handbook* includes a fact sheet based on the FTC's consumer publication, *Don't get scammed on your way to college!*, as well as numerous other sources of information on avoiding financial aid scams. ED's StudentAid.gov website and the FTC's microsite, www.consumer.ftc.gov/articles/0082-scholarship-and-financial-aid-scams, are also cross-linked to provide consumers with all the information available from the agencies.

III. Nature and Quantity of Incidents of Financial Aid Fraud

A. Overview of Financial Aid Fraud

As discussed in previous reports, financial aid scam operators generally promise that their services will ensure that students receive either a scholarship or more financial aid than students and parents could get on their own. Other typical claims include: (1) Millions (in some cases billions) of dollars of scholarships go unclaimed every year, with promises to get the student his or her fair share of them; (2) The advertiser has extremely high success rates, including “testimonials” from satisfied customers; (3) The advertiser is endorsed or approved by a federal or state agency, a chamber of commerce, or a Better Business Bureau; and (4) More recently, through suggestive imaging or language, the company communicates that it has an affiliation with ED. In fact, although they charge fees ranging from \$50 to more than \$1,000, these operators provide few, if any, services to help students and their families find financial aid.

The *College Scholarship Fraud Prevention Act of 2000* was enacted at a time when scholarship scams were prevalent. This report addresses the ongoing efforts to minimize such

scams. In recent years, however, other financial aid-related consumer protection issues, such as the potential impact of predatory lenders on student borrowers and the charging of fees for assistance in completing the FAFSA, have increasingly become the focus of students, parents, schools, and the general public. ED, the FTC, and Congress have taken steps to attempt to combat financial aid-related abuses of individual students. Similarly, the cases prosecuted by DOJ reflect the prevalence of a broader universe of schemes to defraud federal student financial aid programs, including fraudulent applications solicited and submitted by corrupt financial aid officers and sham applications for assistance in the name of unaware student victims.

In 2008, ED and the FTC collaborated on the publication *Student Loans: Avoiding Deceptive Offers* to alert potential borrowers to deceptive lending practices. The publication is available through the FTC's and ED's consumer protection www.consumer.ftc.gov/articles/0082-scholarship-and-financial-aid-scams

ED and the FTC will continue to work together to educate and protect students and their families. For instance, ED's Federal Student Aid (FSA) compliance office can now access information in the FTC's Consumer Sentinel Network³ about complaints against schools and use the information to better target limited program review resources. ED is also able to enter information on complaints that it receives against particular schools into the Consumer Sentinel Network. In addition, ED and the FTC have been working together to clarify their guidance to business and consumers to ensure that both agencies are sending a consistent message about what constitutes a deceptive practice or a misrepresentation, so that students and parents can make informed choices based on reliable information.

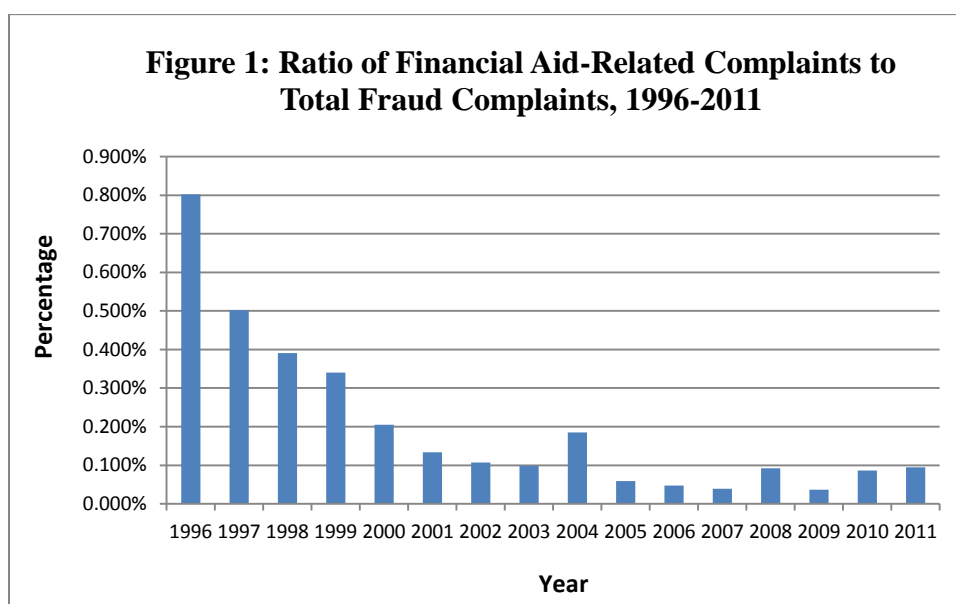
ED continues to expand its efforts on behalf of consumers. In 2010, FSA established the Customer Experience (CE) office, a new unit to serve as the focal point in representing the customer view. An ongoing assessment of how well needs can be, and are being, met at all points of the federal student aid process will focus partly on financial literacy and consumer issues. Like the FTC, ED is also working with the new Consumer Financial Protection Bureau on protections for student loan borrowers and overall consumer issues associated with higher education. The agencies' combined efforts can expand consumer awareness and enforcement activities.

B. Assessment of Current Levels of Fraud

Both the FTC and ED receive financial aid-related complaints from consumers. The FTC reviews complaints in its Consumer Sentinel Network to assess the current levels of financial aid fraud, while ED reviews complaints received by the Federal Student Aid Information Center (FSAIC) and other call centers, its OIG, and its Ombudsman Group.

1. FTC Complaint Database

The FTC has been monitoring consumer complaints related to financial aid fraud for over a decade. (The FTC's database does not distinguish between complaints related specifically to scholarship scams and complaints about other types of financial aid fraud or education-related complaints.) During calendar year 2011, the FTC received 501 financial aid-related complaints directly from consumers to its Consumer Sentinel Network.⁴ To evaluate the extent of financial aid fraud, it is useful to place the raw numbers of complaints in the context of all fraud complaints received by the FTC on a yearly basis. During calendar year 2011, the FTC received a total of 525,622 fraud-related complaints to its Consumer Sentinel Network; thus, financial aid-related complaints amounted to less than one-tenth of 1 percent of fraud complaints received. Figure 1 shows the ratio of financial aid-related complaints to total fraud complaints in the FTC's Consumer Sentinel Network from 1996 to 2011.



Source: FTC Consumer Sentinel Network, 2012.

The ratio of financial aid-related complaints to all fraud complaints received by the FTC has been generally diminishing since 1996, and has remained relatively flat over the past seven years. As discussed in prior reports, however, raw complaint and inquiry numbers are an imperfect gauge of the extent of fraudulent activities. For example, certain types of fraud may be underreported, whereas in other instances the raw numbers may overstate the extent of the fraud.⁵ Nevertheless, the FTC's law enforcement and consumer education campaign (which began in 1996), as well as ED's national awareness activities, may be contributing to the proportionally lower complaint figures.

The Consumer Sentinel Network is a useful tool, not only to estimate the extent of scholarship fraud but also to assess the nature of financial aid fraud and identify possible targets for law enforcement action. Prior reports noted that the nature of financial aid fraud has changed over time. A decade ago, the majority of complaints received by the FTC concerned telemarketing fraud by bogus scholarship search firms. In more recent years, many complaints

involved financial aid consulting firms that promised customized, comprehensive financial planning to maximize the students' financial aid eligibility. A review of the complaints suggests that the pendulum may be swinging back, as many complaints again involve bogus scholarship and grant search firms. A review of the complaints also indicates an expansion of the types of media through which financial aid fraud occurs. A decade ago, the majority of complaints involved telemarketing. Recent complaints indicate that fraudsters use an equal mix of telemarketing, direct mail, and the Internet (both websites and email) to solicit consumers.

The FTC also monitors complaints in the Consumer Sentinel Network to identify possible targets for law enforcement action. The FTC typically investigates companies or individuals that generate a sufficient number of complaints to indicate a pattern or practice of deceptive or fraudulent conduct. The complaints filed in 2011 were against many different companies and do not indicate a pattern or practice of fraud by any one company. The FTC will continue to monitor these and other companies, however, for possible law enforcement actions.

2. Department of Education Complaint Monitoring

ED also receives written and telephone complaints about scholarship scams, and financial aid fraud in general. The number of complaints made to ED may appear small in comparison to the number received by the FTC; however the FTC's database does not distinguish between complaints related specifically to scholarship scams and complaints about other types of financial aid fraud or education-related complaints. Collaboration between the agencies is a key element in addressing student aid fraud.

Scholarship fraud complaints are submitted to ED via two primary avenues: the FSAIC and the OIG. In 2011, the FSAIC and OIG received a total of five fraud complaints (all to the OIG) relevant to this report. This number represents a small decrease from the 2010 total of seven. The FSA Ombudsman Group and other call centers also report receiving occasional complaints about financial aid scams. These call centers refer callers to the FSAIC, OIG, or the FTC's Consumer Sentinel Network, as appropriate, and collaborate with external groups to promote awareness regarding higher education financing. For example, a student loan borrower contacted the Ombudsman Group (via the OIG) about a company that had alluded to working closely with ED and charged her a fee to consolidate federal student loans. The Ombudsman Group added language to its website cautioning individuals about doing business with companies that charge fees and suggest that they have a relationship with ED.

a. Complaints to the Department of Education's FSAIC

Part of the Federal Student Aid (FSA) Customer Experience (CE) office, the FSAIC has two sections: the correspondence unit and the telephone hotline (1-800-4-FED-AID).

In 2011, as in 2010, the correspondence unit received no written complaints regarding scholarship fraud.

The FSAIC's hotline received one call in 2011 (there were no complaint calls in 2010) from a consumer who believed her son, a student, had been the target of financial aid scammers. A woman called the student and identified herself as a representative of the "Federal Grant Department." The caller said that if the student sent a \$200 deposit via Western Union, he would receive \$8,000 in return, resulting in a net \$7,800 grant. The student's mother informed the FSAIC, and the FSAIC's customer service representative referred the case to the FTC's Consumer Sentinel Network.

The FSAIC also occasionally receives complaints about websites charging students a fee to submit the FAFSA.⁶ These complaints, like the scholarship fraud complaints, have declined over the years. In 2011, the FSAIC received four complaints about such a website (and the OIG received one). The *Higher Education Act of 1965 (HEA)* allows an applicant to use a preparer for consultative or preparation services to complete a paper or electronic FAFSA. If an applicant uses a preparer for these services *and a fee is charged for them*, the preparer must include, at the time the FAFSA is submitted to ED, the preparer's name, address or employer's address, Social Security Number or employer identification number, and organizational affiliation on the applicant's form, and is subject to the same penalties as an applicant for purposely giving false or misleading information in the application. A preparer must clearly inform each individual upon initial contact, including contact through the Internet or by telephone, that the FAFSA is a free form that may be completed without professional assistance via paper or electronic versions provided by ED. The preparer must also include this information in any advertising. If the preparer advertises or provides any information or services through a website, the preparer must include on the website a link to ED's website that provides the electronic version of the FAFSA and must not produce, use, or disseminate any other form for the purpose of applying for federal student aid other than the FAFSA developed by ED. See C. below.

b. Complaints to the Federal Student Aid Ombudsman Group and Other Federal Student Aid Divisions

As a separate division within FSA's CE office, the Ombudsman Group sometimes receives complaints alleging financial aid fraud. Noted earlier was a complaint about a company charging to consolidate and help manage federal student loans. The company used imaging and language to suggest an affiliation with ED. Occasional complaints about fees to complete the FAFSA or about possible misrepresentation by schools are referred to FSAIC and OIG, and complainants are notified of FTC's online complaint processes. Units within CE also monitor incoming correspondence and coordinate with other FSA offices to alert students to potential scams.

c. Complaints to the Department of Education's Office of Inspector General

OIG maintains a hotline (1-800-MIS-USED) and email address (oit.hotline@ed.gov) for complaints relating to fraud, waste, and abuse involving ED funds. Complaints also may be submitted by mail, via the www.ed.gov/misused website, or directly to OIG headquarters or field offices across the country. Although OIG receives thousands of complaints related to financial aid fraud annually, it receives very few related to scholarship scams. OIG staff reported five such complaints for 2011. Three of these complaints were referred to the FTC's Consumer Sentinel Network and two to FSA for appropriate handling.

C. Department of Education Financial Aid Fraud Prevention Program

1. Consultative Services

The *Higher Education Opportunity Act (HEOA)*, P.L. 110-315, enacted on August 14, 2008, emphasizes consumer awareness and education. The *HEOA* amended the *HEA* by adding strong protections for students and their families related to persons and entities providing student aid consultative or preparation services. The *HEA* now requires that paid preparers, in addition to disclosing their identity on the FAFSA, provide notice that the FAFSA is a free form, and that any websites used by the preparer contain a link to the Department of Education's FAFSA website. The *HEA* now also restricts use of an individual's Federal Student Aid PIN (a personal identification number used to sign an applicant's FAFSA), specifying that no person, commercial entity, or other entity may request, obtain, or utilize an applicant's PIN for purposes of submitting a FAFSA on behalf of the applicant.

2. Nonfederal Private Student Loans

The *HEOA* added a requirement to the *Truth in Lending Act (TILA)* (Section 128(e)(3)) providing that, before a private education lender may consummate a private education loan for a student in attendance at an institution of higher education, that lender must obtain a completed and signed self-certification form from the applicant. The Federal Reserve Board's Final Regulations published on August 14, 2009, incorporate this new requirement at 12 CFR § 226.48(e). The *HEOA* also added Section 487(a) (28) to the *HEA*. Under that section, an institution participating in Title IV *HEA* programs must provide, at the request of an applicant for a private education loan, the self-certification form required under Section 128(e)(3) of the *TILA*. ED's Final Regulations, published on October 28, 2009, incorporate this new requirement at 34 CFR §§ 601.11(d) and 668.14(b) (29).

Effective February 14, 2010, at the request of an enrolled or admitted student applicant for a private education loan (or from a loan applicant who is a parent of an enrolled or admitted student), an institution must provide the self-certification form to the applicant with the information requested in Section 2 of the form, to the extent that the institution possesses the

information. Section 2 of the self-certification form requests the following information: the student's cost of attendance (COA) for the period of enrollment covered by the loan; any estimated financial assistance (EFA) for the period of enrollment covered by the loan; and the difference between the COA and EFA. An institution may post an exact copy in Portable Document Format (PDF) of the self-certification form on its website for applicants to download, or it may provide a paper copy of the self-certification form directly to an applicant through its financial aid or other designated office.

Alternatively, the applicant may obtain a copy of the self-certification form from the private education lender and submit it to the institution for completion or confirmation. An institution may also opt to provide the information needed to complete the form directly to a private education lender. An institution is not required to track the status of the private education loan after providing the self-certification form to the applicant or to the private lender. In accordance with 34 CFR § 668.14(b) (29) (ii), an institution must, upon the request of the applicant, discuss the availability of federal, state, and institutional financial aid.

Legislation creating the Consumer Financial Protection Bureau (CFPB) called for ED and CFPB to publish a report on private student loans. The agencies began work on the report in 2011 for 2012 publication. Expected publication date is August 15, 2013.

3. Preferred Lender Disclosure

Some higher education institutions participate in preferred lender arrangements under which the institution recommends, promotes, or endorses the education loan products of one or more lenders. A preferred lender arrangement does not include arrangements or agreements with respect to loans made under the Direct Loan Program. The *HEOA* amended the *HEA* by adding new disclosure requirements and a code of conduct for institutions that participate in preferred lender arrangements, with implementing regulations at 34 CFR §601.10 and 34 CFR §601.21, respectively. These requirements apply to preferred lender arrangements for both Federal Family Education Loan (FFEL) Program lenders and private education loan lenders. However, because the *SAFRA Act* (Subtitle A, Title II of P.L. 111-152) terminated the authority of lenders to make new loans under the FFEL program effective July 1, 2010, these requirements now apply, as a practical matter, only to preferred lender arrangements for private education loan lenders.

An institution of higher education, or an affiliated organization, that participates in a preferred lender arrangement must disclose the information that the Board of Governors of the Federal Reserve System requires to be disclosed under Section 128 of *TILA*. This information must be disclosed for each type of private education loan offered pursuant to a preferred lender arrangement of the institution to students of the institution or the families of students. The institution must make such disclosures on its website and in all informational materials that describe or discuss private education loans. If an institution compiles, maintains, and makes available a preferred lender list, the institution must clearly and fully disclose (1) why the institution participates in a preferred lender arrangement with each lender on the list, particularly with respect to terms and conditions or provisions favorable to the borrower, and (2) that the

students attending the institution, or the families of such students, do not have to borrow from a lender on the preferred lender list. If the institution recommends, promotes, or endorses private education loans, there must be at least two lenders of private education loans that are not affiliates of each other included on an institution's preferred lender list. The preferred lender list must:

- indicate, for each listed lender, whether the lender is or is not an affiliate of each other lender on the list and describe the details of any such affiliation; and
- disclose the method and criteria used by the institution in selecting lenders with which to participate in preferred lender arrangements to ensure that such lenders are selected on the basis of the best interests of the borrowers, including
 - payment of origination or other fees on behalf of the borrower;
 - highly competitive interest rates, or other terms and conditions or provisions of *HEA* Title IV program loans or private education loans;
 - high-quality servicing for such loans; or
 - additional benefits beyond the standard terms and conditions or provisions for such loans.

4. Institutional Code of Conduct

An institution of higher education that participates in a preferred lender arrangement must develop a code of conduct with regard to private education loans with which the institution's agents must comply. The code of conduct must

- prohibit a conflict of interest with the responsibilities of an agent of an institution with respect to private education loans;
- be published prominently on the institution's website; and
- be administered and enforced by the institution by, at a minimum, requiring that all of the institution's agents with responsibilities with respect to private education loans be annually informed of the provisions of the code of conduct.

An institution's code of conduct must prohibit revenue-sharing arrangements with any lender and must prohibit employees of the financial aid office from receiving gifts from a lender, a guarantor, or a loan servicer. Agents who are employed in the financial aid office of the institution, or who otherwise have responsibilities with respect to private education loans, must not solicit or accept any gift from a lender, guarantor, or servicer of private education loans. A gift includes any gratuity, favor, discount, entertainment, hospitality, loan, or other item having a monetary value of more than a *de minimus* amount. The term includes a gift of services, transportation, lodging, or meals, whether provided in kind, by purchase of a ticket, payment in advance, or reimbursement after the expense has been incurred. An agent who is employed in the financial aid office of the institution, or who otherwise has responsibilities with respect to private education loans, must not accept from any lender or affiliate of any lender any fee, payment, or other financial benefit (including the opportunity to purchase stock) as compensation for any type of consulting arrangement or other contract to provide services to a lender, or on behalf of a lender, relating to private education loans.

Under the code of conduct, an institution may not direct borrowers to particular lenders or delay loan certifications. The institution must not assign, through award packaging or other methods, a first-time borrower's loan to a particular lender or refuse to certify, or delay certification of, any loan based on the borrower's selection of a particular lender. Finally, an institution must not request or accept from any lender any offer of funds to be used for private education loans, including funds for an opportunity pool loan, to students in exchange for the institution providing concessions or promises regarding providing the lender with a specified number of private education loans, a specified loan volume of such loans, or a preferred lender arrangement for such loans.

5. Program Integrity in Federal Student Aid Programs

ED announced on September 9, 2009 (74 Fed. Reg. 46399) the intent to establish two negotiated rulemaking committees to prepare proposed regulations to maintain or improve program integrity in the Title IV *HEA* programs.

During negotiations from November 2009 to January 2010, the Program Integrity Committee reviewed and discussed multiple drafts of proposed regulations, under protocols providing that consensus had to be achieved on all amendments. At the final meeting in January 2010, the committee did not reach consensus, which left the secretary of education free to regulate as he believed appropriate to protect the interests of students and taxpayers.

The secretary issued proposed regulations on the program integrity provisions (75 Fed. Reg. 34806) on June 18, 2010. After carefully reviewing the nearly 1,200 public comments, the secretary finalized the program integrity regulations on October 29, 2010 (75 Fed. Reg. 66832). Of the 14 topics that were negotiated and included in the regulatory package, provisions in two areas—misrepresentation and incentive compensation—especially serve to strengthen regulations that protect students and their families from deceptive and misleading actions.

a. Misrepresentation

Changes to Subpart F of 34 C.F.R. Part 668 strengthen ED's regulatory enforcement authority with respect to eligible institutions that engage in substantial misrepresentations. FSA often receives complaints from students who allege that they were the victims of false promises and other forms of deception when they were considering postsecondary educational opportunities. ED believes that helping students to make sound decisions regarding their educational pursuits is essential to maintaining the integrity of the Title IV *HEA* programs.

Changes in several areas of the regulations on misrepresentation address the problems identified through complaints. ED believes it is critical that potential students have a clear understanding about any educational program in which they may enroll. Each institution has a responsibility to provide complete and accurate information about the programs it offers. To ensure this, ED restructured the regulations to describe the actions the secretary may take if the secretary determines that an eligible institution has engaged in substantial misrepresentation. ED also generally described what types of activities constitute substantial misrepresentation.

In addition, the regulations clarify that an eligible institution has engaged in substantial misrepresentation when the institution itself, one of its representatives, or any ineligible institution, organization, or person with whom the eligible institution has an agreement makes a substantial misrepresentation regarding the institution's educational programs, financial charges, and the employability of its graduates. ED believes it is appropriate to hold the eligible institution accountable in these instances because the integrity of the Title IV *HEA* programs requires that institutions are responsible for the actions of their representatives and agents.

Students who enroll in a program must have the necessary information about the cost of the program or the institution's refund policy. ED strongly believes that students, potential students, and parents must have relevant information to make informed decisions about the type of financial aid that is available to the student. By prohibiting institutions from making substantial misrepresentations regarding the availability or nature of the financial aid offered to students, as well as a student's right to reject any particular type of financial aid, ED is trying to ensure that students are provided with the accurate information they need to make informed choices about the type of financial aid they use to fund their education.

Finally, the regulations highlight the types of information about employability that institutions need to monitor carefully when advertising or otherwise promoting their educational programs. Information that schools disclose to students about employability of graduates must not contain false, erroneous, or misleading statements.

In March 2011, ED's Office of Postsecondary Education (OPE) issued a Dear Colleague Letter (DCL) that clarified three aspects of misrepresentation through questions and answers. OPE subsequently established the Program Integrity Web page to consolidate this information and to ensure that it is easily accessible to interested parties. OPE updates the questions and answers as needed (see www.ifap.ed.gov).

b. Incentive Compensation

The *HEA* prohibits institutions of higher education that participate in the federal student aid programs from making any commission, bonus, or other incentive payments based directly or indirectly on success in securing enrollments or financial aid to any persons or entities involved in student recruiting or admissions activities, or from making decisions about the award of student financial assistance. The previous regulations implementing this prohibition specified 12 types of activities and arrangements ("safe harbors") that were not considered violations of this prohibition. The first safe harbor explained the conditions under which an institution could adjust compensation without that compensation being considered an incentive payment. The remaining 11 safe harbors described the conditions under which payments that could potentially be construed as based upon securing enrollments or financial aid were nonetheless not covered by the statutory prohibition. The existence of these safe harbors encouraged unscrupulous actors to circumvent the intent of the prohibition.

Under the regulations effective in October 2010, institutions need to evaluate incentive payments by focusing on the two core questions that form the basis of the test that the statute and

the regulations impose. The institution determines whether the payment or compensation is permissible by analyzing

1. Whether it is a commission, bonus, or other incentive payment, defined as an award of a sum of money or something of value paid to or given to a person or entity for services rendered; and
2. Whether the commission, bonus, or other incentive payment is provided to any person or entity based in any part, directly or indirectly, upon success in securing enrollments or the award of financial aid, which are defined as activities engaged in for the purpose of the admission or matriculation of students for any period of time or the award of financial aid.

If the answer to each question is “yes,” the bonus or incentive payment is prohibited. ED believes that this simple two-part test is vastly superior to the complex scheme that gave unscrupulous actors room to circumvent the intent of the prohibition.

In addition, ED added several definitions to the regulations to clarify who is affected, how they are affected, and what activities are relevant. The incentive compensation rule applies to all types of postsecondary education institutions that participate in the federal student aid programs.

The DCL that OPE released in March 2011 included a series of questions and answers on incentive compensation. As with the questions and answers on misrepresentation, this information was later incorporated into ED’s Program Integrity Questions and Answers Web page and will be updated periodically.

ED believes these regulatory changes will provide greater protections for students and families through enhanced enforcement authority against eligible institutions that engage in substantial misrepresentation. The changes also are meant to prevent institutions from circumventing the intent of the statutory prohibition concerning the payment of bonuses, commissions, or incentive payments to any person or entity engaged in any student recruitment or admission activity, or the award of Title IV *HEA* program assistance. The additional oversight protection is also expected to help prevent activities that might be construed as scholarship or financial aid fraud.

D. FTC’s Financial Aid Fraud Prevention Program

As mentioned earlier, the FTC’s Project Scholarscam combines law enforcement⁷ with consumer education to curb fraudulent scholarship or financial aid services. As a result of the FTC’s lawsuits, a total of 13 companies and 34 individuals are subject to federal court orders prohibiting future misrepresentations. Most of the orders permanently ban the defendants from marketing scholarship or financial aid-related services. Many of the orders also require the defendants to post performance bonds before engaging in telemarketing.⁸ The FTC has returned to consumers or the U.S. Treasury more than \$2.1 million in funds related to scholarship or financial aid-related cases.⁹

E. DOJ's Financial Aid Fraud Prevention Program

Since last year's report, there have been numerous prosecutions of individuals charged with fraud in the offering or obtaining of higher education financial aid from ED's federal student aid programs. A sampling of case summaries from FY 2011 follows, representing a broad spectrum of higher education financial aid fraud cases prosecuted by DOJ and reflecting a continuing fraud trend in which there are no cases of scholarship scams targeting students. Included in the summaries are cases of fraudulent representations made in the offering of higher education financial aid, of identities of unknowing victims or coconspirators submitted on federal financial assistance applications to fraudulently obtain federal financial aid, and of fraudulently obtained higher education financial assistance from ED. In connection with the preparation of this report, the DOJ Executive Office for U.S. Attorneys (EOUSA) surveyed the 94 U.S. Attorneys' Offices but did not identify any instances in which the two-level sentencing enhancement, Section 2B1.1(b)(8)(D) of the sentencing guidelines, was requested or imposed in FY 2011. Case developments within FY 2011 are included in the case summary. If there were developments that occurred in selected cases after September 30, 2011, *i.e.* in FY 2012 through June 2012, they are described in endnotes.

- *United States v. Ricky Jerome Kleckley*, Case No. 2:10-cr-066-MEF (M.D. Ala.)
United States v. Marcus Keith Byrom, and Wilford Lewis Swint, Case No. 2:10-cr-181-MEF (M.D. Ala.)

On March 17, 2011, defendant Kleckley was sentenced to serve a term of imprisonment of 24 months, followed by three years' supervised release, and to pay a special assessment of \$100 and the restitution of \$264,532. In a related case, defendant Swint was sentenced on March 25, 2011, to serve a term of imprisonment of 11 months on each of two counts, to be served concurrently, followed by three years' supervised release, and to pay a special assessment of \$200 and the restitution of \$34,566. Pursuant to a plea agreement, defendant Byrom pleaded guilty on July 7, 2011, to count 1 of an indictment charging a conspiracy to defraud the United States.¹⁰ The defendants conspired to obtain personal information (e.g., Social Security numbers, dates of birth, etc.) from individuals and then use this personal information to enroll those individuals into graduate degree programs at various universities and to apply for federal student loans. This case was investigated by ED's OIG.

- *United States v. James Domenic Perino*, Case No. 4:11-cr-02055 (D. Ariz.)

Defendant Perino pleaded guilty on September 30, 2011, to one count of a three-count indictment in which he was charged with applying for and receiving federal student financial assistance in the name of another individual, at a time when his existing default on a prior education loan obtained under another alias rendered him ineligible for further federal student assistance. Perino admitted illegally receiving \$30,675 pursuant to this scheme.¹¹ This case was investigated by ED's OIG.

- *United States v. Ricardo Pradel*, Case No. O:10-CR-6032S-DMM (S.D. Florida)

On February 23, 2011, defendant Pradel was sentenced to serve three years' probation and 250 hours of community service, and to pay a special assessment of \$100 and the restitution of \$156,000. While Pradel worked as an admissions counselor for the American Institute, a for-profit trade school located in Lauderdale Lakes, Fla., he fraudulently created false and fictitious high school diplomas for prospective students, which were used both for admissions and to support fraudulent federal student financial aid applications. Pradel was charged in a one-count indictment in December 2010 and pleaded guilty on the date of sentencing. This case was investigated by ED's OIG.

- *United States v. Regina Beard*, Case No. 1:11-cr-00266-JRH (S.D. Georgia)

On July 13, 2011, defendant Beard was charged by indictment with three counts of financial institution fraud and three counts of aggravated identity theft in connection with the submission of three separate applications for federal student financial assistance with a forged co-signer signature, in the aggregate amount of \$54,448.¹² This case was investigated by the Federal Bureau of Investigation.

- *United States v. James A. Simon*, Case No. 3:10-cr-00056-RLM (N.D. Ind.)

On November 9, 2010, following a six-day trial, defendant Simon was convicted on 20 of 23 counts charged in an April 2010 indictment. The counts of conviction included counts 20 through 23, which alleged multiple acts of federal student assistance fraud. Simon provided false information regarding his family's income and expenses on applications to two different schools for private financial aid for family members and on applications for federal financial aid to another school on behalf of another family member. Simon was also convicted on counts of tax evasion and private student financial assistance fraud. On March 29, 2011, Simon was sentenced to serve an aggregate term of imprisonment of 72 months, which included concurrent terms of 60 months each on counts 20 through 23, followed by three years' supervised release, and to pay a special assessment of \$1,900 and total restitution in the amount of \$1,053,572.04, of which \$48,070 was payable to ED. This case was investigated by ED's OIG and the Internal Revenue Service Criminal Investigation Division.

- *United States v. Joseph Hinshaw*, Case No. 1:10-cr-209 (S.D. Ind.)

Defendant Hinshaw was charged on December 3, 2010, with one count of federal student financial aid fraud and five counts of tax evasion. Hinshaw concealed substantial income on a FAFSA submitted for financial assistance, which was subsequently awarded to both Hinshaw and his son. Hinshaw pleaded guilty to all counts on March 9, 2011, and was immediately sentenced to serve a term of 18 months' imprisonment, followed by three years' supervised release, and to pay a special assessment of \$600 and restitution to ED of \$50,640.00. This case was investigated by ED's OIG and the Internal Revenue Service Criminal Investigation Division.

- *United States v. Michael Cortez*, Case No. 1:11-cr-00002-LRR (D. Iowa)

Defendant Cortez pleaded guilty on January 14, 2011, to a single-count information, which charged him with mail fraud in obtaining federal student financial assistance. Cortez and others applied for federal student aid using other individuals' identities, while arranging for the federal loan proceeds check to be delivered to a post office box under their control. The co-conspirators then converted the checks to their own use. Cortez was sentenced on May 11, 2011, to serve a term of imprisonment of 51 months, followed by three years' supervised release, and to pay a special assessment of \$100 and restitution of \$271,004. This case was investigated by ED's OIG and the U.S. Postal Inspection Service.

- *United States v. Benjamin J. Guiliani, Sr.*, Case No. 1:10-cr-00006-JAW (D. Maine)

Defendant Guiliani pleaded guilty to a five-count indictment, which charged transportation of illegal aliens for personal gain, federal tax violations, Social Security fraud and one count of federal student financial assistance fraud. He was sentenced on February 3, 2011, to serve 19 months' imprisonment on each of four counts (including count 5 charging federal student assistance fraud), followed by three years' supervised release, and 12 months imprisonment on the remaining misdemeanor count, followed by one year of supervised release, all to run concurrently, and to pay a special assessment totaling \$425 and total restitution of \$230,593, of which \$16,323 was attributed to the student financial assistance fraud count. Count 5 charged Guiliani, in part, with creating false tax returns for multiple years and submitting those returns in connection with applications for federal student financial assistance for his son. The investigation was conducted jointly by ED's OIG, the Social Security Administration Office of Inspector General, U.S. Immigration and Customs Enforcement and the Internal Revenue Service.

- *United States v. Anthony Brown and Raymond Coleman*, Case No. 1:11-cr-276 (W.D. Mich.)

On September 28, 2011, defendants Brown and Coleman were indicted in the Western District of Michigan. Coleman was individually charged in 24 counts with executing a scheme to defraud ED, Lansing Community College, and others, by submitting false claims for federal student financial assistance. The defendants used names and personal identifiers of homeless people, including a deceased individual, which Coleman obtained by falsely claiming that this personal information was collected on behalf of a charitable organization known as "Project Faith/Freedom in Faith." Coleman and Brown were charged in four counts with a separate conspiracy and scheme to defraud and aggravated identity theft, which began in 2009, to obtain federal student financial aid from ED and Kalamazoo Valley Community College. These charges were based on false applications for federal financial student aid submitted by using the names and personal identifiers of at least 18 ineligible recipients and falsely stating that Brown was planning to attend classes at Kalamazoo Valley Community College.¹³ This case was investigated by ED's OIG.

- *United States v. Michelle N. Owens*, Case No. 4: 10-cr-00645-JCH (E.D. Missouri); Case No. 4:11-cr-00434-RBH (D. S. Carolina.)

On December 15, 2010, defendant Owens was indicted in the Eastern District of Missouri and charged financial student assistance fraud, mail fraud and aggravated identity theft. Owens was charged with submission of fraudulent applications to Webster University and a fraudulent FAFSA to ED in the names of 23 different inmates confined in South Carolina's Leath Correctional Institution. During her incarceration at Leath, Owen applied for approximately \$467,500 in financial aid after collecting the inmates' identifying information while participating in a prison work program. On June 8, 2011, Owens pleaded guilty to one count of federal student financial aid fraud and one felony count of mail fraud. The matter was transferred to the District of South Carolina, and on September 28, 2011, Owens was sentenced to serve 51 months' imprisonment on each count to run concurrently, followed by three years' supervised release, and to pay a special assessment of \$200 and the restitution of \$128,852. This case was investigated by ED's OIG, the Federal Bureau of Investigation, and the U.S. Postal Inspection Service.

- *United States v. Siu Ping Yuen, Dominick Yuen Bonomolo and Mei Chun Tam*, Case No. 11-Cr-600 (LAP) (S.D.N.Y.)
United States v. Alice Gong D'Ariano, 11-Cr-820 (LAP) (S.D.N.Y.)
United States v. Qiu Ying Mei, Case No. 11-Cr-1035 (RJS) (S.D.N.Y.)
United States v. Kerry Huang, Case No. 11-Cr-1044 (CM) (S.D.N.Y.)

These related cases arose from an investigation of USA Beauty School, a small school in Chinatown in New York City, which participated in ED's Federal Pell Grant program from 2006 until 2010, receiving approximately \$4.2 million in Pell Grant funds. Defendants were first charged by a criminal complaint dated April 20, 2011. A superseding indictment filed on September 19, 2011, charged defendants Yen, Bonomolo and Tam with conspiracy, wire fraud, and educational grant fraud. To date, four other individuals have pleaded guilty, pursuant to cooperation agreements. Defendants were charged with assisting students in filling out FAFSA forms with false information, producing fake high school diplomas, falsifying attendance records, and issuing W-2s for non-existent employees to convince ED that the school was large enough to support its inflated student rolls. Consequently, the school pocketed millions of dollars on behalf of students who were not entitled to Pell Grant funding.¹⁴ This case was investigated by ED's OIG and the U.S. Department of Labor, Office of Labor Racketeering and Fraud Investigations.

- *United States v. Kelly Ann Burdette*, Case No. 2:11-cr-00142-AJS (W.D. Penn.).

On June 28, 2011, defendant Burdette was indicted in the Western District of Pennsylvania on six accounts of mail fraud, and uttering and possessing forged securities in connection with applications for federal student financial assistance. According to the indictment, Burdette fraudulently obtained student loans from private lenders in the name of a relative. Burdette forged her relative's name on the loan applications and proceeds checks. This case was investigated by ED's OIG, the U.S. Postal Inspection Service, the Pennsylvania State Police and the Pennsylvania Higher Education Assistance Agency.¹⁵

- *United States v. Evgueni Tetioukhine*, Case No. 1:11-cr-00058-ML (D. R.I.)

On April 13, 2011, defendant Tetioukhine was indicted in the District of Rhode Island on nine counts of wire fraud, aggravated identity theft, false use of a Social Security number, false statements and fraudulently obtaining federal student financial assistance, a real estate loan and a United States passport. The indictment charged, in part, that Tetioukhine induced ED to disburse \$14,756.84 in student loan funds to defendant through Johnson & Wales University. After one count was voluntarily dismissed, Tetioukhine was convicted on September 22, 2011, on the remaining counts after a two-day jury trial. This case was investigated by the U.S. Department of State's Diplomatic Security Service, the U.S. Department of Homeland Security, ED's OIG, the Social Security Administration Office of Inspector General, and the Warwick Police Department.¹⁶

- *United States v. Solomon Hobbs*, Case No. 1:11-cr-00287-LY (W.D. Texas)

On May 17, 2011, defendant Hobbs was indicted in the Western District of Texas and charged with nine counts of wire fraud, federal student financial assistance fraud, and identity theft. The charges arose from a multi-pronged scheme in which he serially applied for federal student financial assistance at a series of educational institutions, and repeatedly dropped out or failed all courses. Each new application concealed his prior academic history and assumed the identity of a new individual. On August 24, 2011, pursuant to a plea agreement, Hobbs pleaded guilty to seven counts of the indictment.¹⁷ This case was investigated by ED's OIG.

- *United States v. Jonathan Edward Ackerman*, Case No. 2:10-cr-00007-JPB (N.D. West Virginia)

In March 2011, defendant Ackerman entered a plea agreement, in which he stipulated that in addition to opening multiple fraudulent credit card accounts using false identities, as part of the same course of conduct he had fraudulently obtained six educational loans using false identities between August 2006 and July 2007. On June 22, 2011, Ackerman was sentenced to serve an aggregated term of imprisonment of 37 months, followed by three years' supervised release, and to pay a special assessment of \$200 and restitution related to the student financial assistance fraud in the amount of \$161,184. The case was investigated by ED's OIG, the U.S. Postal Inspection Service, the West Virginia State Police, and the Pennsylvania Higher Education Assistance Agency.

- *United States v. Ernest Kwasi Bankas*, Case No. 3:06-cr-00036-bbc (W.D. Wis.)

On November 30, 2010, defendant Bankas was sentenced to serve a term of imprisonment of 24 months, followed by three years' supervised release, and to pay a special assessment of \$100 and restitution of \$340,810.00. Bankas' fraud was detected in 2005 by the Great Lakes Higher Education Corporation (GLHEC), when it began audits of students studying abroad. GLHEC officials called ED to investigate when it learned that Bankas had already graduated from the University of Durham in England ("the University") but had forged documents to continue to obtain loans under the pretense that he was still attending the University. Over the course of several years, Bankas defaulted while using several Social Security numbers to obtain other loans. Bankas was charged in February 2006 in a one-count indictment with federal student financial assistance fraud. After his arrest in the Netherlands on local charges in 2009, he was extradited to the United States. Pursuant to a plea agreement, he pleaded guilty to the indictment. This case was investigated by ED's OIG.

IV. Conclusion

As described above, the FTC, ED, and DOJ have implemented the directives of the *College Scholarship Fraud Prevention Act of 2000*.

Since the act was enacted, both the FTC and ED have added content to websites and increased efforts in fraud awareness campaigns. The agencies collaborate on enforcement activities and DOJ continues to prosecute individuals charged with fraud in the offering or obtaining of federal student aid.

Although complaints about scholarship scams have decreased significantly, the agencies are continuing to work cooperatively to prosecute and prevent financial aid fraud.

Appendixes

A. Fraud Awareness Websites

Site	URL	Description
Department of Education Sites		
Misused	www.ed.gov/misused	Scam awareness information and link to OIG Hotline for complaints
Avoiding Scams	www.studentaid.ed.gov/types/scams	List of free resources that provide information about financial aid and warnings about financial aid scams
Federal Trade Commission Site		
Scholarship Scams	http://www.consumer.ftc.gov/articles/0082-scholarship-and-financial-aid-scams	Fraud warning signs and links to more resources

B. FTC's Consumer Sentinel Network Complaints

Year	Financial Aid-Related Complaints	Total Fraud Complaints	Percentage of Financial Aid Complaints to Total Fraud Complaints
1996	133	16,588	0.802%
1997	146	29,069	0.502%
1998	246	62,840	0.391%
1999	290	85,248	0.340%
2000	228	111,255	0.205%
2001	184	137,306	0.134%
2002	259	242,783	0.107%
2003	328	331,366	0.099%
2004	757	410,298	0.185%
2005	256	437,585	0.059%
2006	201	423,672	0.047%
2007	198	505,513	0.039%
2008	384	416,287	0.092%
2009	195	524,548	0.037%
2010	445	518,767	0.086%
2011	501	525,622	0.095%

For calendar years 2008 and forward, the figures represent the number of complaints received directly by the FTC from consumers, excluding Do Not Call Registry and Identity Theft complaints. Also excluded are all complaints received from external data contributors. As a result, totals from previous years may differ from prior reports. Complaint counts from years 1996 - 2007 represent historic figures as per the Consumer Sentinel Network's five-year data retention policy.

Endnotes

¹ Previous reports can be accessed via www.fsa4counselors.ed.gov/clcf/scams.html.

² On November 1, 2004, this provision was re-designated as U.S.S.G. § 2B1.1(b)(8)(D).

³ The FTC's Consumer Sentinel Network is a secure, password-protected complaint database designed to allow law enforcers to share data about fraud. The Consumer Sentinel Network now contains over 7.2 million fraud and identity theft complaints and is accessible to more than 1,700 law enforcement agencies—including every state attorney general in the U.S. and consumer protection agencies in 23 nations. In addition to consumer complaints, the Consumer Sentinel Network offers its law enforcement members a variety of tools to facilitate investigations and prosecutions, including: law enforcement alerts about companies currently under investigation; information to help agencies coordinate effective joint action; an index of telemarketing sales pitches; and data analysis to determine trends in fraud. The Consumer Sentinel Network collects complaints from the FTC and over 125 other organizations. More information on the Consumer Sentinel Network can be found in *Consumer Sentinel Network Data Book for January–December 2011*, issued by the FTC in February 2012.

⁴ The number of financial aid related complaints and total fraud complaints per year are set forth in the Appendix. For calendar years 2008 and forward, the figures represent the number of complaints received directly by the FTC from consumers, excluding Do Not Call Registry and Identity Theft complaints. Also excluded are all complaints received from external data contributors. As a result, totals from previous years may differ from prior reports. Complaint counts from years 1996 – 2007 represent historic figures as per the Consumer Sentinel Network's five-year data retention policy.

⁵ As discussed in previous years' reports, the number of complaints contained in the Consumer Sentinel Network does not provide a complete picture of the extent of consumer injury from any particular type of fraud: (1) some consumers may complain directly to the company or to law enforcement authorities that do not forward complaints to the Consumer Sentinel Network; (2) some financial aid scams on the Internet are relatively inexpensive and consumers often do not complain when the financial injury is low; (3) increases in the number of complaints may reflect an increase in the number of law enforcement and consumer protection agencies forwarding complaints to the Consumer Sentinel Network; and (4) increases in the number of complaints may reflect greater consumer awareness of the fraud and how to report it.

⁶ To apply for federal student financial aid and many state student aid programs, students must first complete the FAFSA. ED uses information provided on a student's FAFSA to determine the student's eligibility for aid from the federal student aid programs. Many states and schools also use the FAFSA to award aid from their programs. Some states and schools may require the student to fill out additional forms for state and school awards.

⁷ Among other things, the FTC enforces Section 5 of the *FTC Act*, 15 U.S.C. § 45, which prohibits unfair or 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, by its own attorneys, actions in federal district court to halt violations of Section 5. Remedies available to the FTC include permanent injunctions and equitable monetary relief such as restitution to consumers or disgorgement of unjust enrichment. Section 13(b) also allows the FTC to seek preliminary relief, including temporary restraining orders and preliminary injunctions. In appropriate cases, the FTC may seek preliminary relief on an *ex parte* basis.

⁸ Performance bonds are designed to deter defendants from engaging in misrepresentations and provide a fund to redress consumer injury should defendants violate the order.

⁹ Although the FTC obtained approximately \$22.8 million in judgments, the full amount of these judgments was not collected. In the case of judgments obtained through settlement, the FTC suspended some or all of the judgment amount based upon the defendants' demonstrated inability to pay the full amount. In other cases, the FTC referred unsatisfied judgment balances to the U.S. Treasury for further collection efforts.

¹⁰ These defendants conducted their conspiracy in conjunction with co-conspirator Santoras Gamble, former Tuskegee University admissions office employee. Santoras pleaded guilty and was sentenced in September 2010. *United States v. Santoras Gamble*, 2:09-cr-00163-MHT (M.D. Ala.). On October 18, 2011 Byrom was sentenced to a term of imprisonment of 12 months and one day, followed by supervised release of two years, a special assessment of \$100, and restitution in the amount of \$264,532.20.

¹¹ Perino was sentenced on December 23, 2011 to serve a term of imprisonment of 30 months followed by three years' supervised release, a special assessment of \$100, and restitution in the amount of \$30,675.

¹² Pursuant to a plea agreement, Beard pleaded guilty to one count of financial institution fraud on January 25, 2012. On April 11, 2012, Beard was sentenced to a term of imprisonment of 46 months followed by five years' supervised release, 40 hours of community service, a special assessment of \$100, and restitution in the amount of \$52,969.

¹³ Brown subsequently pleaded guilty on December 8, 2011 to Counts 25 and 28 of the Indictment, and pursuant to the plea agreement, Counts 26, 27, and 29 were to be dismissed at the time of sentencing, which is scheduled for June 7, 2012. Pursuant to a Plea Agreement, Coleman pleaded guilty to two counts of a felony Information, with the original Indictment to be dismissed at the time of sentencing which is scheduled for July 25, 2012.

¹⁴ Huang waived indictment and the government filed a two count Information to which Huang pleaded guilty on December 8, 2011.

¹⁵ On November 30, 2011, pursuant to a plea agreement, Burdette pleaded guilty to Count IV of the Indictment. On March 28, 2012 Burdette was sentenced to a term of imprisonment of 12 months plus one day, followed by supervised release of four years, a special assessment of \$100, and restitution in the amount of \$45,108. Counts I through III and V-VI were dismissed on motion of the government.

¹⁶ Count VII was subsequently dismissed on November 18, 2011. On December 28, 2011 the defendant was sentenced to a total term of imprisonment of 48 months, twenty four months each on counts I, III, V, VI and VIII to run concurrently, and twenty four months on counts II and IV to run concurrently with each other, but consecutive to the sentence on counts I, III, V and VIII, followed by a three year term of supervised release on counts I, III, V and VI, to run concurrently and a one year term of supervised release each on counts II and IV, to run concurrently with the three year term, a special assessment of \$700 and restitution of \$850.

¹⁷ Solomon was subsequently sentenced on October 25, 2011 to a total term of 57 months followed by a five year term of supervised release, a special assessment of \$700, and restitution in the amount of \$37,395.