

# How to Avoid Scholarship Scams

Scholarship scams are real and they are costing the next generation of learners, and their families, millions of dollars every year. By our estimations, these scams trick just under 2% of college students every year, but don't let that seemingly insignificant figure fool you. There are more than **50 million college students** in the US, which means that fewer than 2% equates to around **350,000 students** every year.

These scams cost those students and the US economy in excess of \$5 million a year. But there's much more to it than that. Scholarship scams may stop a student from applying to the college they want to apply to; they may strip them of whatever savings they have, forcing them to take a part-time job instead of fulfilling their higher education goals.

They are damaging, life-changing and, unfortunately, they are also on the increase. It's not all bad news though as scholarship scams are fairly easy to spot. It's just a case of knowing what to look out for, as that way you can sense them coming and stay well clear before they get a chance to do you harm.

## Common Scholarship Scams

What follows is a number of popular scams currently doing the rounds. Actual scholarship scams come in many forms and may differ slightly to the scams described below.

### Scholarship Lotteries

There are scholarship programs out there that require a small fee, often no more than \$50, and promise to pay out an amount of at least \$1,000 to chosen applicants. These may seem reasonable, but that's what they're counting on. They're hoping that you'll hand over the money because it's such a small amount and because the reward is so great. Many applicants do just that.

These scholarship programs have been known to pay out, but they typically release just 1 payment and by that point they have earned more than enough to be able to release that payment and remain in profit. If 100 applicants pay them \$50 each then they will have \$5,000, which means they can afford to release \$1,000 and pocket the rest. It is not unheard of for these programs to get over 1,000 applications, which means their profits are considerably higher.

Even though the entrance fee seems very small, it's just not worth it. They are glorified lotteries and nothing more. If you're struggling to put together enough money to pay for your fees then you need all the money you can get. So, don't throw it into the endless pit that are scholarship lotteries.

Any scheme that requires money upfront should be viewed with suspicion.

### Pay to Apply

Although there are a few exceptions, the vast majority of scholarship schemes that require you to pay money are scams. They want to take your money and pay nothing in reply, so they will try to convince you to part with your cash for a promise they will nearly always break.

These pay-to-earn schemes can come in many forms, including the scholarship lotteries mentioned above. Another popular scholarship scam offers a scholarship in the form of a low-interest loan. However, you need to pay a fee before this loan will be processed and even when you do, the money never arrives.

Educational loans do exist and they occasionally require payment of a fee, but not like this. Genuine loans will deduct the amount from your check and they will never ask for an upfront payment of any kind.

## **You've Won!**

This scholarship scam begins with an announcement that you have won a prize in the form of a free scholarship. The amount on offer differs, but it's always fake. There is no prize, there is no scholarship.

The scammers make money by requiring you to pay a disbursement fee before you receive the money. They may offer to pay this money back at a later date. They may claim that the fee is to cover transfers and transactions, or to cover taxes. In any case, the prize is not real and you will never hear from them again.

This scam has existed in many forms and has been around for as long as bank transfers and snail mail. In its most common form it tricks recipients into thinking they have won a big prize and just need to pay a small amount in order to process that prize. It often targets older men and women living alone, but as a scholarship scam it has been known to deprive youngsters of their much-needed education fees.

## **Scholarship Search Services**

There are companies out there that offer to find a scholarship for you. They charge a fee before they begin, but many of them promise to refund this fee if they are not successful. They charge a little more than some of the "services" mentioned above, but they can afford to do so because many students are happy to pay.

And why wouldn't they be? After all, they either make a small payment and get a large scholarship, or they get their money back after a few weeks of nothing. It seems like a win-win. Except, as you have probably guessed, this is a scam.

In many cases they will just disappear with your money. In other instances they will make it very difficult for you to claim a refund, either by putting the blame firmly on you, by hiding terms in the small-print, or by fabricating a story to help them escape without obligation and with your money.

Not only should you avoid paying to enter scholarship programs, but you should also avoid paying for any advisory services or search services. That applies whether they offer a refund or not, because that refund is rarely worth the virtual paper it is written on.

## **How to Avoid Scholarship Scams**

Knowing what to look out for helps you to avoid scams, but it's still easy to fall into their trap. After all, this information is widely available on many government sites and on sites like ours, yet hundreds of thousands of students still fall for these scams every single year.

So, to make sure you're completely prepared, take the following into consideration:

### **Don't Take Them on Face Value**

One of the tricks that scholarship scams use to get your money is to give themselves a name that sounds official. They often take the name of actual organizations and colleges. They may even take the logos, letterheads and other info from those colleges/organizations. They are relying on you accepting them on face value, and that's exactly what many students do.

So, make sure you always follow through with these checks. Look for hyperlinks, look for official URLs. Make sure they really are who they say they are and be prepared to do some very thorough checks on this.

### **Avoid Companies with no Contact Details**

Most scholarship scams are phishing scams perpetrated by individuals or small groups of scammers with no registered premises. They send out bulk emails, use cold calling tactics, or practice some other form of mail dropping with the knowledge that if they throw thousands of hooks out there, they will get a few fish biting.

These companies rarely have phone numbers or actual contact addresses, so look at their correspondence and check for these details. If they have an official website attached to a reputable organization, make sure the email/call/letter actually came from them. If they have a telephone number, run some searches on it to see if it has been connected to any spam calling.

### **Too Good to be True**

You know the saying, If it Sounds too Good to be True, it probably is. All scammers, regardless of who they target, where they're from and how much they make, have one thing in common: they rely on greed and desperation.

If they send thousands of emails or letters then they know that for every one hundred people who see it as an obvious scam, there is one person who is so desperate that they think they have no other choice. They know that for every one hundred that discard it because they are

well informed and have seen enough scams to last a lifetime, there is one person who is so naive they believe it is genuine.

The fact that you have searched for and are reading this guide means you already have some degree of understanding and will likely be able to spot a scam. You know when it sounds too good to be true and you know when you should walk away. It's just a case of listening to your inside voice and not letting desperation and greed get the better of you.

## What to do if you suspect a Scam

If you suspect a scam then you should first keep your distance. If something is too good to be true it's easy to fall into a trap. It's easy to start believing in something if you want to believe in something. But that will get you into trouble very quickly. So, never accept anything they say without doing your research and if you are suspicious after that research then do the following:

- **Avoid Giving Out Details:** Do not give money, personal details or financial details of any kind to something that you suspect is a scam. In fact, avoid giving these details unless you are 100% sure it is legitimate.
- **Make it Official:** If there is a guarantee or any other kind of agreement, then read the small print and get everything in writing. This will help to cover you if they do try to back out. In fact, if you request such details from a scam scholarship program then they will likely back away immediately and focus on scamming someone else.
- **Be Pushy:** Don't let them do the talking. Ask them how they got your details and don't rest until they give you a straight answer. Ask them as many questions about their organization and their program as you can, and watch for any vague or dismissive answers as they are usually a sign of a fly-by-night scam.
- **Ignore Pressure:** Scammers know that if they allow their targets time to mull things over then they will lose a sale. So, they apply time limits to certain offers. They tell you that it only lasts for one phone-call, for one day or even for a few hours. It's pressure selling, it's a sign of a scam, and you should turn your back on anything that displays such tactics.
- **Keep Records:** If you decide to go ahead with a scholarship program then make sure you keep all records. If you follow the above advice you should have plenty of correspondence. You should have asked and received answers to a lot of questions. You should have guarantees and other letters and confirmations. Keep all of this close, as you can use it against them if they turn out to be a scam.

If you do spot a scam then you need to make sure that something is done about it and that it never catches anyone else out. Gather all of the information you have on them and then take that to your school's financial aid office. You can also contact the **Better Business Bureau** and the **National Consumers League**

They may not always be able to help, but if you're not the first one to complain about a certain scammer or if they have actually taken money from you, then there is a good chance they will look to do something about it.