



Investigation Services Identity Theft Alert Memo



TO: All OIG Staff
FSA
Law Enforcement Agencies
Financial Aid Officials

FROM: Investigation Services
Office of Inspector General
U.S. Department of Education

SUBJECT: Lessons Learned from Identity Theft Investigations

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SUMMARY: There are a number of recent identity theft investigations that have demonstrated certain program vulnerabilities and common FSA fraud schemes. Subjects identify weaknesses in the financial aid process and exploit them to further their scheme. They obtain identities of friends or other individuals to commit FSA fraud. The purpose of this memo is share some preliminary lessons learned and to work with financial aid professionals to reduce the impact of these vulnerabilities.

RECENT INVESTIGATIONS: **There is a growing trend in the area of identity theft related to FSA programs. Recent investigations of these cases have shown the following:**

- Subjects have targeted community colleges since the tuition is low and the majority of FSA funds go directly to the subjects.
- Subjects exploit FSA program vulnerabilities. For example, they enroll for 30 days and then drop courses once they receive financial aid.

Individuals are rarely required to appear in person at a financial aid office. Financial aid offices should consider having students who receive FSA funds come to the financial aid office to verify their identity prior to receiving their first FSA disbursement.

- In one investigation, the financial aid official recognized an individual at their office as the same individual who received financial aid under a different identity. One recommendation is that universities require financial aid recipients to attend an entrance interview or at least have the student come in and show identification before the first disbursement.
- In another investigation, financial aid personnel noticed multiple financial aid applications at 2 addresses and contacted the “borrowers”. After their contact resulted in suspicion of the borrower, the financial aid official contacted the OIG. Our investigation demonstrated a distance education/identity theft fraud resulting in a loss of approximately \$1 million.

Distance learning programs are more vulnerable to identity theft since the “student” normally does not have to have in-person interaction with the school. This provides the opportunity for individuals to commit identity theft for longer periods of time.

The OIG is giving presentations at financial aid conferences to alert the community to this growing trend and discuss some of our active investigations. We are also distributing the DVD, “FSA Identity Theft: We Need Your Help” to educate the community about the growing trend in this area. If you any questions regarding the availability of this DVD please contact Michael Deshields.

Additional information concerning identity theft fraud in FSA programs is available at the following website:

<http://www.ed.gov/misused>

DISTRIBUTION RESTRICTION: None