



CONSUMER NEWS

SAN DIEGO CITY ATTORNEY'S OFFICE

Education Scams

December 2012

In the wake of an economic downturn, today's workforce has become more competitive, with postsecondary degrees and diplomas becoming less of an advantage and more of an expectation. Because of the necessity of education, many may find themselves navigating through a world of internet pop-ups and television commercials which advertise instant degrees, guaranteed scholarships, or easy student loans. As you embark on an educational investment in your future, this newsletter provides general information and tips to avoid diploma mills, deceptive scholarship services, and misleading financial aid programs.

WHAT IS A DIPLOMA MILL?

A "diploma mill" is a company that sells "degrees" for a flat fee, requiring little to no course work, and granting degrees or certificates based on "work or life experience" alone. They seem too good to be true

because they are. When applying for a new job or promotion, credentials you may list that are not earned through a legitimate education at an accredited institution put you at risk for rejection, getting fired, and even prosecution in some cases. Counterfeit degrees leave both the employee and hiring organization liable for harmful actions caused by hiring an unqualified person.

TIPS TO AVOID DIPLOMA MILLS:

Diploma mills lack accreditation. This means they are not recognized or approved by an accrediting agency recognized by the United States Department of Education. Although many institutions claim to be "accredited", you can determine if a school is legitimate as follows:

- Take a tour of the campus;

- Check the U.S. Department of Education's database of accredited academic institutions at www.ope.ed.gov/accreditation;
- Check the Council for Higher Education Accreditation website at www.chea.org;
- Check the institution's website. An ".edu" address and a name that sounds like another university do not guarantee legitimacy.
- If the school's website or advertisements offer the following, beware:
 - "Get a degree for your experience. No studies or exams."
 - "No attendance."
 - "Flat fee. Tuition is charged on a per-degree basis."
 - "No waiting. Earn your degree in a few days, weeks, or months."

PAPERWORK:

If you are satisfied that the school is legitimate, get everything in writing. This includes the enrollment agreement, which should provide important details such as binding terms, conditions, costs, and mandatory student disclosures. If you decide to enroll, keep a copy of all your documents.

After you choose your school, it is also important to be aware of the amount and types of financial aid that you will require before you enroll.

SCHOLARSHIP SCAMS:

There are some fraudulent companies that guarantee scholarships, grants, or financial aid packages. They present these products in seminars, and require attendees to pay an immediate advance fee or risk losing out on the “opportunity”. The Federal Trade Commission (FTC) warns those who are hoping to finance a postsecondary education to look for these six signs of an untrustworthy scholarship offer:

- ***“The scholarship is guaranteed or your money back.”*** Even if a business offers a money-back guarantee for the service of getting you a scholarship, it may affix conditions that make a refund unattainable. Ask for and get in writing how much money is being charged, the services that will be rendered, and the

company’s refund policy.

- ***“You can’t get this information anywhere else.”*** A high-pressure sales pitch is a sign that this scholarship “opportunity” is not what it seems. Take your time when looking to finance your tuition.
- ***“I just need your credit card or bank account number to hold this scholarship.”*** Decide for yourself whether it is necessary for the business to have this information. Some companies may ask for an account number to “confirm eligibility”, then debit the account without your consent.
- ***“We’ll do all the work. Just pay a processing fee.”*** Although a company may advertise a simple fee for a program that could make you eligible to receive financial aid, take caution when it offers to handle all the paperwork. The only application that determines eligibility for aid programs is the Free Application for Federal Student Aid (FAFSA).
- ***“The scholarship will cost some money.”*** Be cautious of companies that reference a small “monthly” or “weekly” fee. They may ask for authorization to withdraw from your account, but for an

undetermined length of time.

- ***“You’ve been selected” by a ‘national foundation’ to receive a scholarship, or, “you’re a finalist” in a contest that you never entered.***

Some advertisers use “success stories” and testimonials but these are not reliable. Make sure that the representatives answer questions and give you information about their services.

Legitimate companies may charge an advance fee to grant students access to lists of scholarships, or the like. However, legitimate companies will never guarantee a scholarship or grant.

There is free information available from the government. The FAFSA can be completed and submitted for free at www.fafsa.gov. The U.S. Department of Education’s Student Aid site also has free information on mental and financial preparation for postsecondary education, at <http://studentaid.ed.gov/>. You can also call 1-800-4-FED-AID.

STUDENT LOANS:

There are two kinds of student loans: (1) federal loans are regulated by the Federal government, and (2) private loans, or “alternative loans,” are presented by private lenders. Private loans do not have the benefits and protections associated with federal loans.

The U.S. Department of Education (ED) administers federal student loans, which include Direct Loans (where ED is the direct lender), Federal Family Education Loans (where private lenders make loans backed by the federal government), and Federal Perkins Loans.

Private loans are not as favorable to consumers as federal loans, so it is important to proceed cautiously when taking out such a loan. The FTC and ED offer these tips in spotting deceptive private student loan practices:

- Advertisements which appear to be from the government. The ED does not send mailers, advertisements, or emails to solicit consumers to take out a student loan.
- Promotions and incentives such as gift cards, prizes, and other monetary giveaways are often used by private lenders as diversions from the actual terms of the loan.
- A request for your Social Security number or Personal Identification Number to check “eligibility”. Be cautious of scammers who may abuse this information.
- Investigate the background of private student lenders with the Better Business Bureau (www.bbb.org).

From a financial standpoint, it makes sense to exhaust your federal loan, grants, and scholarship options before turning to private company loans. For additional information on federal loans, visit www.federalstudentaid.gov.

ENFORCEMENT:

The State of California has laws that protect students enrolled in private postsecondary educational programs. These laws are enforced by local and state prosecutors.

The State has established a Bureau for Private Postsecondary Education (BPPE) which is part of the Dept. of Consumer Affairs. The BPPE has regulated private postsecondary schools since 2010. Schools must be approved by the BPPE to operate in California and the BPPE investigates complaints about schools from students. You can view the BPPE website at www.bppe.ca.gov The BPPE may refer cases for prosecution.

If you find yourself a victim of an education scam, contact the BPPE. If it occurred in the City of San Diego, contact the City Attorney’s Consumer Hotline at (619) 533-5600.

**San Diego
City Attorney’s Office
Consumer and Environmental
Protection Unit
(619) 533-5600**

This newsletter was written by intern An Dang.

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Sources: California Education Code §§ 94813; FTC Consumer Alert, “Diploma Mills: Degrees of Deception”; Department of Consumer Affairs – Bureau for Private Postsecondary Education, “Tips For Students to Consider Before Enrolling at a Private Postsecondary School”; Bureau of Consumer Protection Business Center, “Avoid Fake-Degree Burns By Researching Academic Credentials”; FTC Consumer Alert, “Ouch! Students Getting Stung Trying to Find \$\$\$ for College”; FTC Facts for Consumers: “Student Loans: Avoiding Deceptive Offers”

The information provided in this newsletter is intended to convey general information and is not intended to be relied upon as legal advice.

To report violations of consumer protection laws, call the City Attorney’s Hotline at **(619) 533-5600**.