Scholarship Scams

If you have to pay money to get money, it's probably a scam.

Every year, several hundred thousand students and parents are defrauded by scholarship scams. The victims of these scams lose more than $100 million annually. Scam operations often imitate legitimate government agencies, grant-giving foundations, education lenders and scholarship matching services, using official-sounding names containing words like "National," "Federal," "Foundation," or "Administration."

Common Scholarship Scams
Fraudulent scholarships can take many forms; some of the most common types are presented here. If you receive an offer that uses one of these tactics, be suspicious.

Scholarships that Never Materialize. Many scams encourage you to send them money up front, but provide little or nothing in exchange.

Scholarships for Profit. This scam looks just like a real scholarship program, but requires an application fee. The typical scam receives 5,000 to 10,000 applications and charges fees of $5 to $35. These scams can afford to pay out a $1,000 scholarship or two and still pocket a hefty profit, if they happen to award any scholarships at all. Your odds of winning a scholarship from such scams are less than your chances of striking it rich in the lottery.

The Scholarship Prize. This scam tells you that you've won a college scholarship worth thousands of dollars, but requires that you pay a "disbursement" or "redemption" fee or the taxes before they can release your prize. If someone says you've won a prize and you don't remember entering the contest or submitting an application, be suspicious.

The Guaranteed Scholarship Search Service. Beware of scholarship matching services that guarantee you'll win a scholarship or they'll refund your money. They may simply pocket your money and disappear, or if they do send you a report of matching scholarships, you'll find it extremely difficult to qualify for a refund.

Evaluating Scholarship Matching Services
Do not waste your money on fee-based scholarship matching services. The largest and highest quality scholarship databases are all available for free on the World Wide Web.

Protecting Yourself from Scholarship Scams
This advice can help you avoid becoming the victim of a scholarship scam.

Rules of Thumb
1. If you must pay money to get money, it might be a scam.
2. If it sounds too good to be true, it probably is.
3. Spend the time, not the money.
4. Never invest more than a postage stamp to get information about scholarships.
5. Nobody can guarantee that you'll win a scholarship.
6. Legitimate scholarship foundations do not charge application fees.
7. If you're suspicious of an offer, it's usually with good reason.

Source: FinAid! http://www.finaid.org/scholarships/scams.phtml