

106TH CONGRESS
1ST SESSION

H. R. 3210

To enhance protections against fraud in the offering of financial assistance
for college education, and for other purposes.

IN THE HOUSE OF REPRESENTATIVES

NOVEMBER 3, 1999

Mr. UPTON introduced the following bill; which was referred to the Committee on the Judiciary, and in addition to the Committee on Education and the Workforce, for a period to be subsequently determined by the Speaker, in each case for consideration of such provisions as fall within the jurisdiction of the committee concerned

A BILL

To enhance protections against fraud in the offering of financial assistance for college education, and for other purposes.

1 *Be it enacted by the Senate and House of Representa-*
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. SHORT TITLE.**

4 This Act may be cited as the “College Scholarship
5 Fraud Prevention Act of 1999”.

6 **SEC. 2. FINDINGS.**

7 Congress makes the following findings:

1 (1) A substantial amount of fraud occurs in the
2 offering of college education financial assistance
3 services to consumers.

4 (2) Such fraud includes the following:

5 (A) Misrepresentations regarding the pro-
6 vision of sources from which consumers may ob-
7 tain financial assistance (including scholarships,
8 grants, loans, tuition, awards, and other assist-
9 ance) for purposes of financing a college edu-
10 cation.

11 (B) Misrepresentations regarding the pro-
12 vision of portfolios of such assistance tailored to
13 the needs of specific consumers.

14 (C) Misrepresentations regarding the pre-
15 selection of students as eligible to receive such
16 assistance.

17 (D) Misrepresentations that such assist-
18 ance will be provided to consumers who pur-
19 chase specified services from specified entities.

20 (E) Misrepresentations regarding the busi-
21 ness relationships between particular entities
22 and entities that award or may award such as-
23 sistance.

24 (F) Misrepresentations regarding refunds
25 of processing fees if consumers are not provided

1 specified amounts of such assistance, and other
2 misrepresentations regarding refunds.

3 (3) In 1996, the Federal Trade Commission
4 launched “Project Scholarscam”, a joint law enforce-
5 ment and consumer education campaign directed at
6 fraudulent purveyors of so-called “scholarship serv-
7 ices”.

8 (4) Despite the efforts of the Federal Trade
9 Commission, colleges and universities, and non-
10 governmental organizations, the continued lack of
11 awareness about scholarship fraud permits a signifi-
12 cant amount of fraudulent activity to occur.

13 **SEC. 3. SENTENCING ENHANCEMENT FOR HIGHER EDU-**
14 **CATION FINANCIAL ASSISTANCE FRAUD.**

15 Pursuant to its authority under section 994(p) of title
16 28, United States Code, the United States Sentencing
17 Commission shall amend the Federal sentencing guidelines
18 in order to provide for enhanced penalties for any offense
19 involving fraud or misrepresentation in connection with
20 the obtaining or providing of, or the furnishing of informa-
21 tion to a consumer on, any scholarship, grant, loan, tui-
22 tion, discount, award, or other financial assistance for pur-
23 poses of financing an education at an institution of higher
24 education, such that those penalties are comparable to the
25 base offense level for misrepresentation that the defendant

1 was acting on behalf of a charitable, educational, religious,
 2 or political organization, or a government agency.

3 **SEC. 4. EXCLUSION OF DEBTS RELATING TO COLLEGE FI-**
 4 **NANCIAL ASSISTANCE SERVICES FRAUD**
 5 **FROM PERMISSIBLE EXEMPTIONS OF PROP-**
 6 **ERTY FROM ESTATES IN BANKRUPTCY.**

7 Section 522(c) of title 11, United States Code, is
 8 amended—

9 (1) by striking “or” at the end of paragraph
 10 (2);

11 (2) by striking the period at the end of para-
 12 graph (3) and inserting “; or”; and

13 (3) by adding at the end the following:

14 “(4) a debt in connection with fraud in the ob-
 15 taining or providing of any scholarship, grant, loan,
 16 tuition, discount, award, or other financial assist-
 17 ance for purposes of financing an education at an
 18 institution of higher education (as that term is de-
 19 fined in section 101 of the Higher Education Act of
 20 1954 (20 U.S.C. 1001)).”.

21 **SEC. 5. SCHOLARSHIP FRAUD ASSESSMENT AND AWARE-**
 22 **NESS ACTIVITIES.**

23 (a) ANNUAL REPORT ON SCHOLARSHIP FRAUD.—

24 (1) REQUIREMENT.—The Attorney General and
 25 the Secretary of Education, in conjunction with the

1 Federal Trade Commission, shall jointly submit to
2 Congress each year a report on fraud in the offering
3 of financial assistance for purposes of financing an
4 education at an institution of higher education. Each
5 report shall contain an assessment of the nature and
6 quantity of incidents of such fraud during the one-
7 year period ending on the date of such report.

8 (2) INITIAL REPORT.—The first report under
9 paragraph (1) shall be submitted not later than 18
10 months after the date of the enactment of this Act.

11 (b) NATIONAL AWARENESS ACTIVITIES.—The Sec-
12 retary of Education shall, in conjunction with the Federal
13 Trade Commission, maintain a scholarship fraud aware-
14 ness site on the Internet web site of the Department of
15 Education. The scholarship fraud awareness site may in-
16 clude the following:

17 (1) Appropriate materials from the Project
18 Scholarscam awareness campaign of the Commis-
19 sion, including examples of common fraudulent
20 schemes.

21 (2) A list of companies and individuals who
22 have been convicted of scholarship fraud in Federal
23 or State court.

1 (3) An Internet-based message board to provide
2 a forum for public complaints and experiences with
3 scholarship fraud.

4 (4) An electronic comment form for individuals
5 who have experienced scholarship fraud or have
6 questions about scholarship fraud, with appropriate
7 mechanisms for the transfer of comments received
8 through such forms to the Department and the
9 Commission.

10 (5) Internet links to other sources of informa-
11 tion on scholarship fraud, including Internet web
12 sites of appropriate nongovernmental organizations,
13 colleges and universities, and government agencies.

14 (6) An Internet link to the Better Business Bu-
15 reau in order to assist individuals in assessing the
16 business practices of other persons and entities.

17 (7) Information on means of communicating
18 with the Federal Student Aid Information Center,
19 including telephone and Internet contact informa-
20 tion.

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