ID Theft Scheme Used Student Loan Website to Target Victims

June 21, 2017 - Federal prosecutors have indicted a ring of identity thieves operation out of Indiana on more than 20 separate charges. Although the ring has now been put out of business, it is a good example of criminal ingenuity. The group used stolen social security numbers and the federally run FAFSA website to gain access to thousands of people's tax return information. In the end, the group was able to steal more than $12 million by filing fraudulent federal tax returns.

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The scheme was very simple and it worked like this. Using a stolen social security number, identity thieves would start a new application for federal student loans on the FAFSA website. The website is run by the Department of Education.

Applicants using FAFSA are required to provide tax information. To simplify the process, the site allows applicants to use something called the "IRS Data Retrieval Tool." The tool interfaces with IRS run computers and retrieves income and expense information which is then automatically inserted into the student loan application. It is widely considered to be the fastest and most accurate way for student loan applicants to provide tax data on their applications.

Once the tool retrieved tax data, the ID thieves behind the scam would use the data provided to file a false tax return which showed that a large refund was due. The scam allowed the thieves to steal more than $12 million over a two year period which ended in March of 2016.

Since discovering the scheme, the IRS Data Retrieval Tool has been disabled on the FAFSA site. When it returns later this year, users will notice some changes. All of the data will now be encrypted and it won't be visible to users when applications are filled out.

The IRS and the DOE have said that they believe this was an "isolated" incident and there is little risk of the scheme going forward. But they are also saying that thousands of victims may have been affected and that most of them probably don't even know they have been victimized.
byJim Malmberg
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