

FAFSA Fraud Crackdown Fighting Ghost Students Revives Verification Measures Rolled Under Biden Admin

April 29, 2026 - Federal student aid fraud has grown into a costly problem for students, colleges, and taxpayers. Investigators with the U.S. Department of Education's Office of Inspector General told ABC News earlier this year that more than \$350 million in aid tied to "ghost student" schemes has been uncovered since 2019, and officials said the real total may be higher because many cases are never detected. In California alone, state officials reported that nearly one-third of community college applications in 2024 were believed to be fraudulent.

The scam usually works the same way. Criminals use stolen or fake identities to complete the Free Application for Federal Student Aid, better known as FAFSA. They enroll in classes, often online courses with open admission, collect Pell Grants or student loan money, but never appear in class. They tie up available seats in colleges and universities and steal the money loaned to them by the federal government. And the identity theft victims who had their information stolen do not learn their identity was used until they receive debt notices or tax documents.

Prior to the Biden administration, there had been identity checks in place for FAFSA loans. But those checks were dropped using the COVID pandemic as an excuse. That decision turned the FAFSA process into an ATM for fraudsters. But the Trump administration is now trying to stop the fraud before money goes out the door by reestablishing identity verification procedures.

On April 27, the U.S. Department of Education announced a new real-time fraud detection system built directly into the FAFSA application. The agency called it the largest nationwide fraud prevention effort in its history. Every FAFSA applicant will now be screened in real time using risk-based identity checks. If an application is flagged as higher risk, the applicant may be required to submit government-issued identification before receiving aid.

The department also said it has begun a one-time review of previously submitted 2026-27 FAFSA forms using the new screening technology. Officials estimate the broader anti-fraud effort could save taxpayers more than \$1 billion during this FAFSA cycle. That figure is a government estimate and has not yet been independently audited.

The new program builds on earlier steps already taken by the department. Officials said stronger data-sharing with the Social Security Administration helped block payments tied to identity theft and deceased individuals, saving more than \$30 million. The agency also resumed automated post-screening of student aid records to catch overpayments and eligibility problems, which it said saved more than \$10 million.

For legitimate students, the main change may be extra identity checks. Most applicants are expected to move through the FAFSA process normally. Those flagged by the system could face requests for identification or additional verification before grants or loans are released.

Consumer advocates will likely watch closely to see whether the new controls reduce fraud without slowing aid for real students who need help paying for college. FAFSA problems in recent years have already created stress for many families waiting on financial aid decisions. On the flip side, any legitimate student who isn't able to figure out how to get a legitimate ID when applying for a college loan probably has no business applying to go to college in the first place.

For now, the message from Washington is clear: student aid dollars are meant for students, not scammers. Whether the new system can keep pace with organized fraud rings and AI-driven identity theft may determine how much money is protected in the years ahead.

by Jim Malmberg

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