Ghost Student Busters: Mitigating Fraudulent Application Risk

UNIVERSITY RISK MANAGEMENT & INSURANCE ASSOCIATION

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TODAY'S ROADMAP

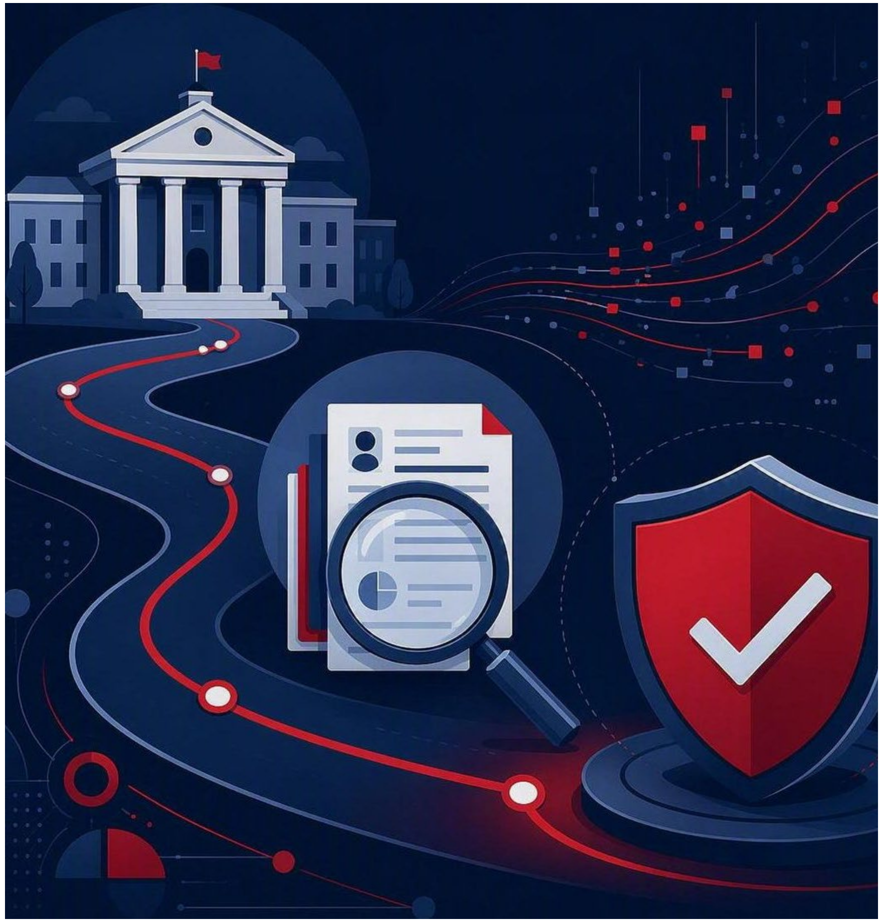
Agenda

01 What are ghost students?

02 The national risk landscape

03 Excelsior University Case Study

04 Results, lessons learned, and Q&A



What Is a Ghost Student?

The scheme in short

- Not a real learner, but a fabricated or stolen identity created to collect federal aid
- The scheme: enroll in online courses, stay active just long enough for aid to disburse, then disappear
- Victims are frequently real people whose stolen identities later surface as federal debt

The National Landscape

Fraud trends across U.S. higher education

THE NATIONAL LANDSCAPE IN FOUR NUMBERS

200+

Open federal investigations nationwide

$350M+

Ghost-student fraud investigated by federal authorities over the past five years

31.4%

Fraudulent applications reported by the nation's largest community college system

15,000+

Staff hours spent fighting enrollment fraud at Utah institutions alone

What changed

- COVID-19 pushed enrollment online, erasing in-person identity checks
- Generative AI mass-produces synthetic identities, essays, and even deepfake verification
- Open-access admissions let applications through with minimal proof

Why it works

- Online courses need less activity to trigger aid disbursement
- Fraud rings deploy thousands of applications at once — often overnight, on weekends and holidays
- Manual, reactive review can't keep pace with automated attacks

Financial Loss

- Direct institutional losses
- Compliance and regulatory penalties
- Bad debt write-offs

Reputational Damage

- Reduced stakeholder trust
- Potential negative media attention

Operational Disruptions

- Wasted enrollment management resources
- Distorted enrollment reporting
- Ghost students occupying course seats

Strategic Impacts

- Misinformed decision-making
- Reduced institutional growth capacity
- Increased cybersecurity vulnerabilities

The Defense Framework: Prevent, Detect, Correct

Preventative

Stop fraud before enrollment

Detective

Identify risk early

Corrective

Recover and monitor

The Federal Response

Safeguards now in place

- Real-time fraud detection is now built into the FAFSA — every applicant screened with risk-based identity checks
- Higher-risk applicants must present government-issued ID before aid is released
- Resumed post-screening and Social Security death-record cross-checks close old gaps
- The “No Aid for Ghost Students Act” would write screening into law

$2B+ in disbursements prevented • 200+ open federal investigations

DESPITE IT ALL

Fraud keeps flourishing

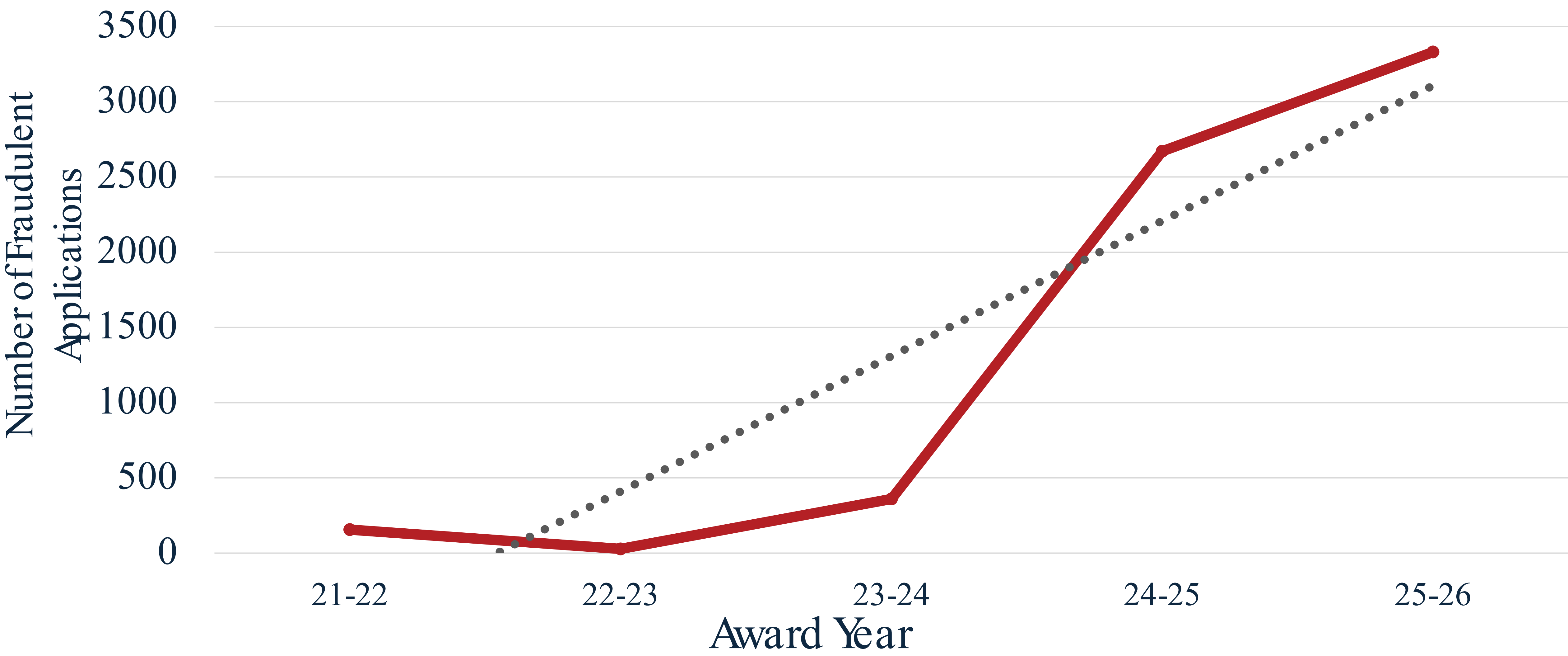
Every safeguard raises the bar — and the schemes keep finding a way over it

Case Study: Excelsior University

We ain't afraid of no ghosts!

THE PROBLEM, QUANTIFIED

Fraud Trend at Excelsior



The Challenge at Excelsior

Why identity is hard to verify

- A primarily adult, online student population means no single document or office can confirm identity
- We learned to see each student as the sum of their parts, layering data across admissions, financial aid, IT, and academics
- Early reviews were manual: validating high-school completion, comparing signatures, and hunting inconsistencies
- Many cases traced back to stolen identities the victims were unlikely to detect
- COVID-19 and AI made the risk faster-moving and impossible to manage by hand

A Layered, Three-Part Approach

1

Multi-Factor Authentication

Catches invalid emails and phone numbers at application, before enrollment

2

Predictive Risk Model

Turns known fraud behaviors into a risk score, easing reliance on manual review

3

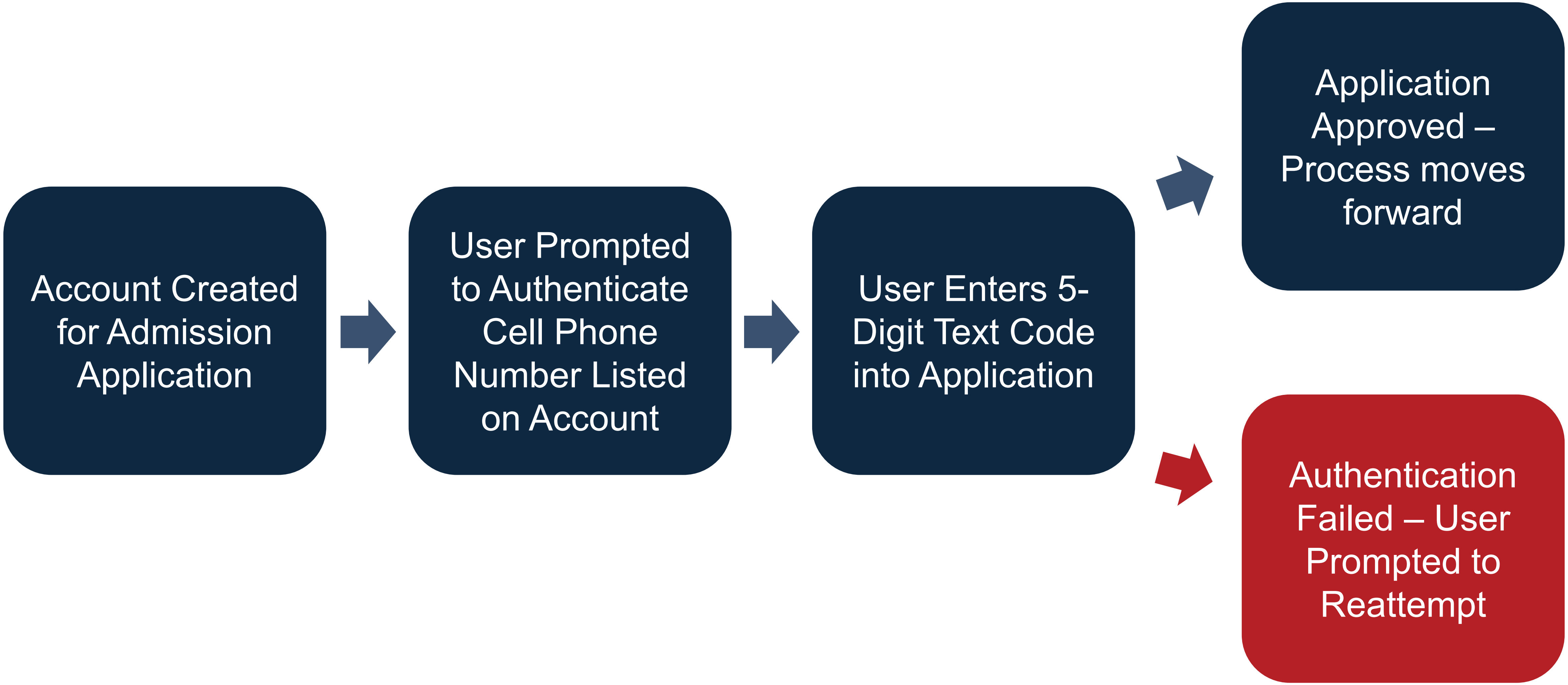
Third-Party Identity Screening

Automates checks across sources like email-creation history and prior identity theft

The strength is in how the layers work together — a wide net early, and deep review only where it is warranted.

LAYER 1 IN ACTION

Multi-Factor Authentication Process



LAYER 2

The Predictive Risk Model

What it does

- Converts the behaviors and characteristics of known fraud into a risk score
- Helps frontline admissions teams flag risk earlier, without manually connecting every data point
- Frees staff to redirect time toward real students who need support

96.57%

model accuracy

Automated Risk-Based Screening

One screen, calibrated by risk

- Every applicant moves through the same risk-based screening, applying consistent standards for all
- Low risk: no disruption to the enrollment experience
- Medium risk: prompted for additional identity confirmation
- High risk: rigorous review, including live photo or video verification when needed
- The shift: from reactive cleanup to proactive, measured prevention

Initial Intervention Results

22.8%
of Admitted Applications were deemed fraudulent in the most recent 170 days WITHOUT interventions.

8.60%
of Admitted Applications were deemed fraudulent in the most recent 170 days WITH interventions.

Dropped to **12.6%** in the 79 days with just MFA

Dropped to just **4.5%** in the 91 days we've had both interventions

Day -170
Truncated Data for Comparison

Day 0
MFA Introduced

Day 79
Predictive Model Launched

Day 170
Available data at time of analyses

Reporting Suspected Financial Aid Fraud

U.S. Dept. of Education — Office of Inspector General (OIG)

- Report suspected aid fraud — ghost students, fraud rings, and stolen identities
- Online (preferred): oig.ed.gov/oig-hotline
- Phone: 1-800-MIS-USED (1-800-647-8733)
- Fax: (202) 245-7047
- Mail: OIG Hotline, U.S. Dept. of Education, 400 Maryland Ave. SW, Washington, DC 20202-1500

On Campus: Who to Contact — and When

- Notify your Financial Aid Director and General Counsel
- Document everything: names, dates, application details, and how the fraud was flagged

WHAT TO REMEMBER

Key Takeaways

Five things to carry forward

- Ghost-student fraud is a national, AI-accelerated threat — no institution is immune
- No single checkpoint solves it; a layered defense is essential
- Shared responsibility across departments beats routing everything to financial aid
- Data reveals what individual offices cannot see alone
- Protect the integrity of aid while preserving access for the students we serve

LET'S DISCUSS

Questions?

THANK YOU

Thanks for attending!

Please reach out with any questions:

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