



FRAUD ADVISORY

Potential Fraud Involving FAFSA from Dependent Students with Unusual Parent Data

FEBRUARY 2026

U.S. Department of Education, Office of Inspector General

Office of Inspector General

February 2026

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SUMMARY OF RESULTS

In March 2025, we identified and conveyed to the Department suspicious activity related to parent information used on multiple dependent student Free Application for Federal Student Aid (FAFSA) forms. At the time, FSA flagged these students for identity verification and we issued "[Fraud Watch Issue 1: Potentially Fraudulent Activity Involving Parent Information Included on FAFSA](#)."

The objective of this Fraud Advisory is to advise FSA that the suspicious and potentially fraudulent activity involving dependent students with unusual parent data identified in March 2025 has not been mitigated.

In June 2025, we initiated analysis of additional data and ultimately found that this pattern of activity involving dependent students with unusual parent data on the FAFSA had continued. We determined that 12,026 dependent student identities submitted FAFSAs associated with 1,991 parent identities where it is unlikely that the student and parent are related or associated. As a result, these FAFSA submissions have a high likelihood of being fraudulent—a potential loss of almost \$3.5 million in Federal student aid associated with these FAFSA submissions during award year 2024–2025.



Key Takeaway

We suggest that FSA —

- Work with the IRS to implement additional controls to detect and prevent the misuse of stolen identities on FAFSA submissions, especially fraud schemes involving the use of potentially stolen student identities and nonrelated, potentially stolen parent identities.
- Conduct risk-based verification and validation procedures at the time FSA IDs are created. This can prevent the improper disbursement of Federal student aid based on fraudulent FAFSA submissions containing stolen identities.

FSA Response

FSA provided a response to our draft report on January 15, 2026, stating that it had already taken actions to include the suspect students we identified in its suspect identity file and to integrate them into its fraud monitoring processes. It also stated that it has started assessing additional account-level actions for longer-term control improvements.

Additionally, FSA stated that it is actively advancing its ongoing and planned mitigation efforts to reduce risk in fraud scenarios and plans to (1) enhance risk-based verification at the time of FSA ID creation, (2) increase the capacity of the fraud team within FSA and expand the models used for fraudulent activity, and (3) deploy real-time fraud monitoring on the 2026 FAFSA to improve its ability to detect and respond to suspicious activities earlier in the application process.

We included FSA's full comments at the end of the report (see [Appendix C](#)).



OBJECTIVE

The objective of this Fraud Advisory is to advise FSA that the suspicious and potentially fraudulent activity involving dependent students with unusual parent data identified in March 2025 has not been mitigated.

BACKGROUND

The U.S. Department of Education (Department) manages and oversees an outstanding loan portfolio valued at more than \$1.6 trillion, making it one of the largest financial institutions in the country. In fiscal year (FY) 2024 alone, the Department, through its office of Federal Student Aid (FSA), disbursed about \$120.8 billion in Federal student assistance to more than 9.9 million postsecondary students and their families. The Federal student assistance programs have long been a major focus of the Office of Inspector General (OIG), and we have consistently dedicated significant resources to the oversight of these programs due to the risks associated with their complexity, high levels of funding, and large numbers of program participants.

Federal Student Aid by the numbers



>\$1.6 trillion

loan portfolio



\$120.8 billion

disbursements



>9.9 million

students who receive
disbursements

Major Changes to the FAFSA Process

Prospective postsecondary school students can determine if they are eligible to receive Federal student assistance in the form of grants, scholarships, work-study funds, and loans using the Free Application for Federal Student Aid (FAFSA). The FAFSA Simplification Act was enacted as part of the Consolidated Appropriations Act of 2021, to amend the Higher Education Act of 1965, and to make applying for Federal student assistance easier for students. Among other things, the law changed the way parental and student data are reported, requiring that the Department use data received directly from the Internal Revenue Service (IRS) to calculate eligibility for Federal student assistance, including eligibility for Federal Pell Grants. Further, the Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act (enacted in 2019), authorized the IRS, with the user's consent, to transfer Federal tax information directly to the FAFSA through the IRS Direct Data Exchange. Federal

Recent FAFSA Legislation Impacting Parent and Student Data

2019

Fostering Undergraduate Talent by Unlocking Resources for Education (FUTURE) Act

- Authorized IRS, with user's consent to transfer Federal tax information to FAFSA through the IRS Direct Data Exchange.

2021

FAFSA Simplification Act

- Changed parental and student data reporting.



tax information that was successfully transferred from the IRS to the FAFSA via the Direct Data Exchange, and unchanged by the applicant on the FAFSA, is considered verified for the purpose of Federal student assistance and institutions are not required to collect tax return information from students.¹

Students Reported Unusual FAFSA Activity

Between late 2024 and early 2025, the OIG participated in several meetings with Department staff and officials from three States regarding the identities of high school students that had allegedly been stolen and used to create fraudulent FSA identification (FSA ID) accounts and apply for student aid. The OIG analyzed related FAFSA data and in March 2025 conveyed to the Department information about potentially fraudulent activity involving suspicious activity from students with unusual parent data reported on the FAFSA. Specifically, our analysis of a small subset of FAFSA data found 189 parent identities that were used on an unusually high number of dependent student FAFSAs in award year 2024–2025²—instances where a unique parent’s identity was associated with 10 or more dependent students.

Our analysis found that bad actors may be exploiting the FAFSA process by using the same parental information on multiple dependent student FAFSAs in an attempt to fraudulently obtain Federal student aid. We identified some \$500,000 in Pell grants disbursed in award years 2023–2024 and 2024–2025 connected to this suspicious activity.

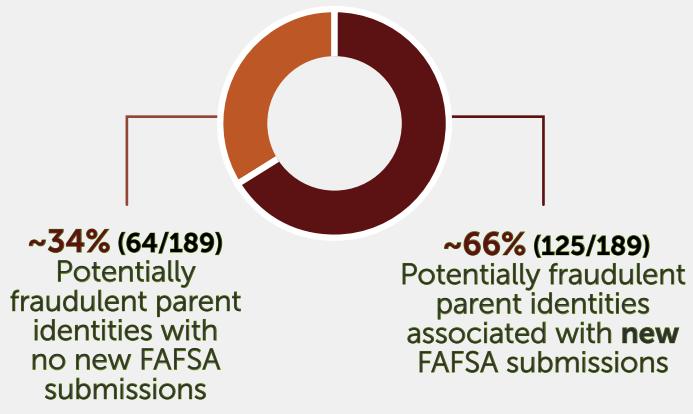
Immediately following our March 2025 communication to FSA, FSA took action to flag these students for identity verification.

We discussed our initial work on this suspicious activity in the [Fraud Watch Issue 1](#) (See Appendix B).

Continued Potential for Fraud

In June 2025, we initiated the analysis of additional data and ultimately found that this pattern of activity including dependent students with unusual parent data on the FAFSA had continued. Of the 189 parent identities we initially identified as potentially fraudulent in March 2025, we found that 125 were associated with new FAFSA submissions with potentially fraudulent student identities—with anywhere from 1 to 37 new student identities per parent identity. For example, a unique parent identity that had been associated with 25 dependent student identities on FAFSA submissions

Continued Pattern of Suspicious Activity Award Year 2024–2025

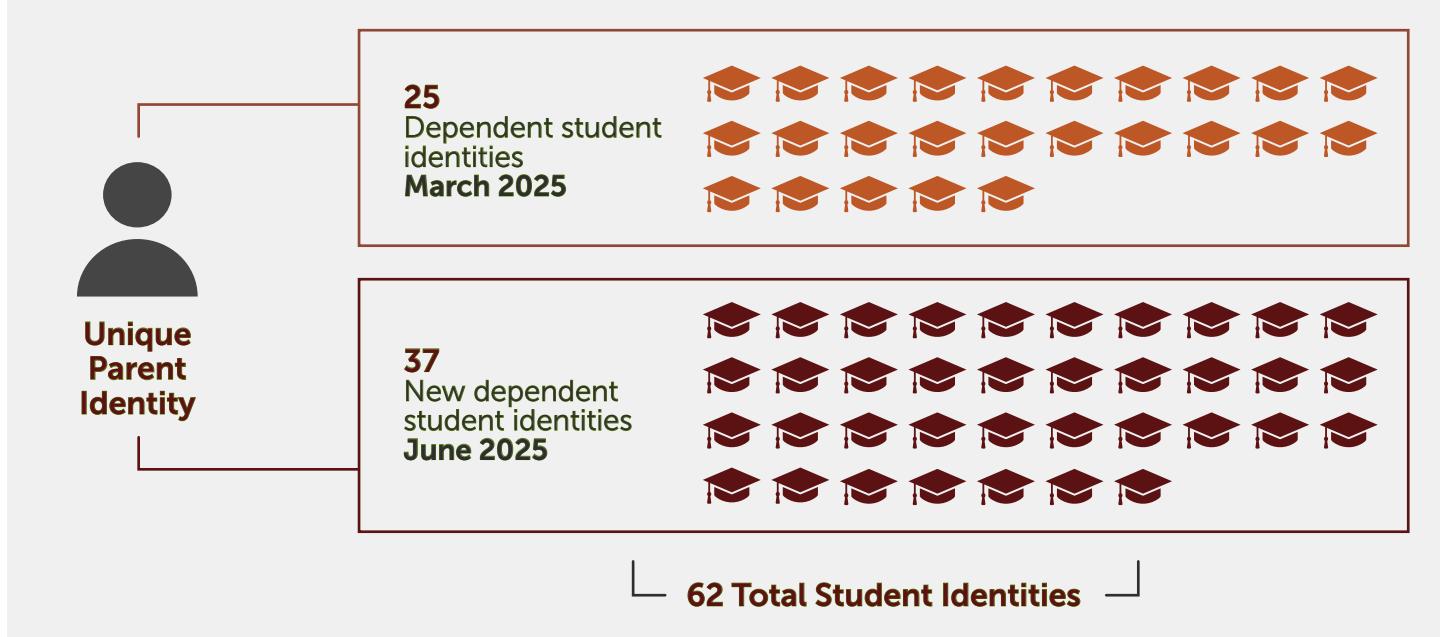


¹ Verification is a process through which a school confirms the accuracy of the information in a student’s FAFSA form. If a student applicant meets certain criteria the Department can select them for tax return information verification, identity verification, or both tax return and identity verification. Schools must verify the accuracy of information on FAFSAs selected by the Department of students who will receive or have received subsidized Federal student aid, such as Pell Grants and Subsidized Direct Loans.

² Award year 2024–2025 represents the period from July 1, 2024, through June 30, 2025.



Example: One Unique Parent Identity to Unique Dependent Student Identities from March to June 2025



in our March 2025 analysis had an additional 37 new dependent students associated with it—62 total student identities as of June 2, 2025, for award year 2024–2025. In addition, the Department did not flag these new FAFSAs for verification, which could result in the disbursement of Federal student aid without any confirmation that the information reported on the FAFSAs is accurate. This increase showed that parent identities continue to be misused in an attempt to fraudulently obtain Federal student aid using dependent student identities.

Additional Analysis of FAFSA Submissions

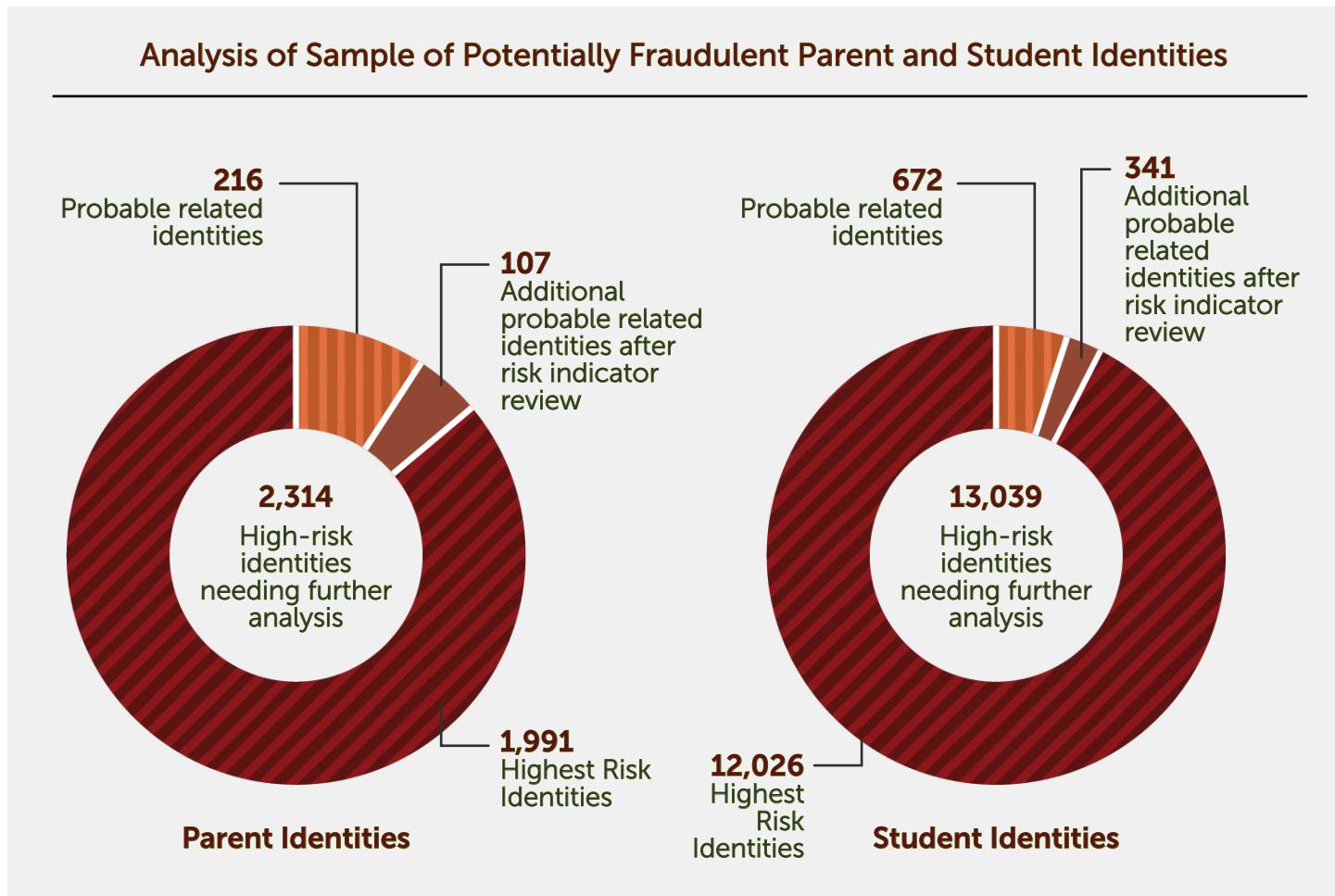
To gain a better understanding of how pervasive this issue is, we expanded on the work we performed in March 2025 to assess a larger population of interest. This population included parent Social Security numbers used on 3 or more dependent student FAFSAs in award year 2024–2025. After an initial analysis, we identified 2,314 parent identities and 13,039 student identities that required further analysis.³

We then leveraged law enforcement tools and resources for these remaining potentially fraudulent identities to determine whether the student identities had any relationship or association with the parent identities. We were able to exclude additional identities where a relationship was likely between the parent and dependent student listed on the FAFSA submission. As a result, we identified 2,098 parent identities and 12,367 student identities that we consider high risk. We then used 13 fraud risk indicators in our analysis to determine whether these remaining high-risk parent and student identities were associated with potentially fraudulent patterns. Groups of parent and student identities were scored using the 13 fraud risk indicators based on the significance of the indicators or the total number of indicators present. We focused only on those identities associated with the highest likelihood of fraud.

³ These parent and student identities may include the 189 parents and associated dependent students we identified in our March 2025 analysis, and reflect the counts of parents and students as of June 2, 2025.

WHAT WE FOUND

We determined that 12,026 dependent student identities submitted FAFSAs associated with 1,991 parent identities where it is unlikely that the student and parent are related or associated. As a result, these FAFSA submissions have a high likelihood of being fraudulent. We calculated the potential loss of Federal student aid associated with these FAFSA submissions during award year 2024–2025 is almost \$3.5 million (about \$3 million in Pell Grant disbursements and \$0.5 million in Direct Loan disbursements).



What We Suggest

We suggest that FSA —

- Work with the IRS to implement additional controls to detect and prevent the misuse of stolen identities on FAFSA submissions, especially fraud schemes involving the use of potentially stolen student identities and nonrelated, potentially stolen parent identities.
- Conduct risk-based verification and validation procedures at the time FSA IDs are created. This can prevent the improper disbursement of Federal student aid based on fraudulent FAFSA submissions containing stolen identities.

SCOPE

Our analysis was limited to dependent student FAFSAs submitted during award year 2024–2025. We relied on data extracted from various FSA systems. We did not assess the reliability of the data, but given the nature of our analysis, we concluded that the data was suitable for the work performed. We performed our work in accordance with the Council of the Inspectors General for Integrity and Efficiency's "Quality Standards for Federal Offices of Inspector General," which requires that we conduct our work with integrity, objectivity, and independence. We believe that the information obtained provides a reasonable basis for our conclusions.

APPENDIX A. ACRONYMS AND ABBREVIATIONS

Acronym or Abbreviation	Definition
Department	U.S. Department of Education
FAFSA	Free Application for Federal Student Aid
FSA	Federal Student Aid
FSA ID	FSA Identification
FUTURE Act	Fostering Undergraduate Talent by Unlocking Resources for Education Act
FY	fiscal year
IRS	Internal Revenue Service
OIG	Office of Inspector General



APPENDIX B. JULY 2025 FRAUD WATCH

U.S. Department of Education



Office of Inspector General



FRAUD WATCH

ISSUE 1, JULY 2025

POTENTIALLY FRAUDULENT ACTIVITY INVOLVING PARENT INFORMATION INCLUDED ON FAFSA



Potential Fraud

The U.S. Department of Education (Department) Office of Inspector General (OIG) forensic and data analytics team identified potentially fraudulent activity involving suspicious Free Applications for Federal Student Aid (FAFSA) from dependent students with unusual parent data. Our analysis of a small subset of FAFSA data found parent Social Security numbers (SSN) that were used on an unusually high number of dependent student FAFSAs, in some cases, upward of 10 students. We also identified a number of parent SSNs that were only used in one award year for a high number of dependent students. This is unusual as a parent's information is typically used on a dependent student's FAFSA for multiple award years, as higher education programs usually require multiple years of enrollment.

Based on our analysis, fraudsters may be exploiting the FAFSA process by using the same parental information on different student FAFSAs in an attempt to fraudulently obtain Federal student aid.



Potential Impact

Our analysis identified some \$500,000 in Pell Grants connected with this activity that were disbursed in award years 2023–2024 and 2024–2025, with a notable increase in activity during award year 2024–2025. The Department has been informed of this matter and has taken preliminary steps to mitigate these risks. Additional analysis of a larger data sample would determine a more complete estimate of potential fraud loss.



Next Steps

The OIG is conducting in-depth analyses of this issue that may include recommendations for the Department, the Federal Student Aid office, institutions of higher education, and possibly Congress, should our work identify needed changes in Federal law. You can track the progress of this work in the [Ongoing Work table on our website](#).

Fraud Watch is a special U.S. Department of Education (ED) Office of Inspector General (OIG) alert highlighting new and emerging areas of potential fraud, waste, or abuse involving Federal education programs, operations, and funding. OIG experts analyze data to identify anomalies, patterns, trends, and suspicious activity that could indicate fraud, waste, or abuse. Through their proactive data analytical efforts, the OIG can react quickly to mitigate potential fraud risks in real time. The OIG shares its observations and any related suggestions with Department officials so they can make informed decisions to address problems identified.

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APPENDIX C. FSA RESPONSE



Dear Nicole,

Thank you for sharing the Office of Inspector General's Fraud Advisory, *Potential Fraud Involving FAFSA from Dependent Students with Unusual Parent Data* (December 2025). We appreciate OIG's continued partnership and the analytical work that underpins this advisory, and we take the findings and associated risks extremely seriously.

Protecting the integrity of the federal student aid programs—and ensuring that aid reaches eligible students—is a top priority for Federal Student Aid (FSA). We value OIG's role not only as an oversight body, but as a critical partner in identifying emerging fraud vectors and strengthening prevention and detection across our systems.

Immediate actions taken

Following OIG's data sharing related to this investigation, FSA requested and received a file of 11,116 suspect student records associated with the activity described in the advisory. Within one week of receipt, those records were incorporated into FSA's suspect identity file and integrated into our fraud monitoring processes to ensure appropriate handling and mitigation. In parallel, we began internal analysis to assess additional account-level actions and to inform longer-term control improvements.

Ongoing and planned mitigation efforts

Consistent with the advisory's recommendations, FSA is actively advancing several efforts to reduce risk in this and related fraud scenarios, including:

- Enhancing risk-based verification and validation at the time of FSA ID creation, with a focus on detecting anomalous patterns involving contributor identities.
- Increasing the capacity of the fraud team within FSA and expanding the models that we use to spot fraudulent activity.
- Deploying enhanced, real-time fraud monitoring capabilities on the FAFSA in 2026 that will significantly improve our ability to detect and respond to suspicious activity earlier in the application lifecycle.

Partnership and coordination

We agree with OIG that timely information sharing is critical to effective fraud prevention. We welcome continued dialogue on how to shorten the cycle time between the identification of emerging risks and operational mitigation, including through earlier alerts, direct data sharing, and regular briefings between our teams. We would be glad to provide a comprehensive briefing on FSA's current and planned fraud prevention efforts to any OIG staff who would find it useful.

We appreciate OIG's engagement on this issue and look forward to continuing our close collaboration to safeguard federal student aid programs.

Sincerely,

Aaron Lemon-Strauss
Executive Director, FAFSA
Federal Student Aid