



UNITED STATES DEPARTMENT OF EDUCATION
OFFICE OF INSPECTOR GENERAL

Indictments Handed Down in 7 Separate Student Loan Fraud Schemes

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SACRAMENTO – Benjamin B. Wagner, U.S. Attorney for the Eastern District of California and Kathleen Tighe, Inspector General of the U.S. Department of Education Office of Inspector General (OIG) announced today that 21 individuals have been indicted for participating in Federal student aid fraud schemes that preyed on at least 15 schools across California. The indictments are a result of OIG's criminal investigations aimed at shutting down Federal student aid "fraud rings"—large, loosely affiliated groups of criminals that seek to exploit distance education programs in order to fraudulently obtain Federal student aid.

Today's announcement highlighted seven fraud schemes; each operated separately and independently and most targeted on-line education programs. The defendants in these cases allegedly fraudulently obtained more than \$770,000 in Federal student aid.

"Federal student aid exists so that individuals can make their dream of a higher education a reality, not for criminals to use as a personal slush fund," said Inspector General Tighe. "As the law enforcement arm of the U.S. Department of Education, the OIG ensures that those who steal student aid or game the system for their own selfish purposes are stopped and held accountable for their criminal actions."

The U.S. Attorney's Office provided summaries of the seven schemes, which include a fraud ring that not only relied on participating family and friends, but also allegedly used stolen personal identifiers of individuals with disabilities to fraudulently obtain more than \$285,000 in Federal student aid and grants. Leaders of another ring allegedly recruited more than 50 straw students—including prison inmates—to fraudulently receive \$200,000 in student aid. The U.S. Attorney's summary of all seven cases is attached.

Since 2010, OIG has highlighted the vulnerability of distance education programs to fraud and abuse, including releasing a report on fraud rings in September 2011. As discussed in the report, all aspects of distance education—admission, student financial aid, and course instruction—take place through the Internet; students are not required to present themselves in person at any point. Institutions offering distance education, like all institutions that participate in the Federal student aid programs, are not required to verify prospective and enrolled students' identities, so fraud ringleaders are able to use the identities of others, with or without their consent, to target distance education programs. Never needing to set foot on campus, fraud ring participants can exploit institutions well outside their immediate geographic area.

Fraud rings mainly target lower-cost institutions because Federal student aid awards easily satisfy tuition there, resulting in a higher award balance paid to the student (intended for educational expenses such as books and room and board). The award balance is what the fraud ring participants seek. But, they have no intention of pursuing a degree, and often are not even eligible for Federal student aid because they do not have a legitimate high school diploma or GED.

OIG investigations into student loan fraud rings have grown substantially over the last few years. In 2005, the OIG opened 16 distance education fraud ring investigations; in 2012, that figure grew to 119. To date, more than 300 people have been indicted for participating in fraud rings. The seven fraud rings highlighted by the U.S. Attorney's office today show how varied in size and scope they can be. Large numbers are not needed to make this scam work, although OIG has identified one fraud ring with as many as 400 participants. The numbers of participants in a fraud ring all depends on how greedy the ringleaders are.

"The bottom line is scams like this steal money from hardworking taxpayers and legitimate students and that is unacceptable," Inspector General Tighe continued. "OIG is committed to fighting student financial aid fraud and we will continue to aggressively pursue those that participate in these types of crimes."

About the Office of Inspector General

OIG is the law enforcement arm of the U.S. Department of Education and is responsible for the detection and prevention of waste, fraud, abuse, and criminal activity involving Department funds, programs, and operations. Our unique law enforcement mission is to protect public education funds for eligible students. We conduct independent audits, investigations, inspections, and other reviews. We make recommendations to the Department to address systemic weaknesses and take administrative action. We also refer criminal matters to the U.S. Department of Justice for prosecution. OIG operates with full statutory law enforcement authority, which includes conducting search warrants and making arrests. We carry out our activities in accordance with Federal policies and procedures. For more information on OIG, please visit our Web site at www.ed.gov/oig.

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Department of Justice

United States Attorney Benjamin B. Wagner
Eastern District of California

Student Aid Fraud Cases

Six cases charging 17 defendants with student aid fraud, have been indicted in federal court in Sacramento and Fresno within the last 35 days. A summary of each case is listed below. A seventh case involving four more defendants charged earlier this year is also identified below.

U.S. v. Shauna Marie Fabrega (1:12-cr-00264-AWI-DLB)

Shauna Marie Fabrega, 32, of Palmdale.

According to the indictment, Fabrega recruited individuals to act as straw students and to apply for Federal Student Aid (FSA) funds at Bakersfield College, Cerro Coso Community College, and Santa Barbara City College. The recruited applicants were not students and did not attend classes at the colleges. Fabrega stole personal identifying information from individuals without their knowledge and used that information to apply for FSA funds. She used prepaid debit cards in the names of the enrolled students to receive the funds and had the cards sent to her residence. Some colleges sent checks directly to her residence. As a result, the Department of Education lost more than \$70,000.

Status Conference set for January 14, 2013 before U.S. Magistrate Judge McAuliffe.

Assistant U.S. Attorney Grant B. Rabenn

U.S. v. April Lynn Myles (1:12-cr-265-LKO)

April Lynn Myles, 35, of Lancaster.

According to the indictment, from June 2010 to October 2011, Myles recruited individuals to act as straw students and to apply for FSA funds with her assistance at Bakersfield College and at Santa Barbara Community College. The applicants were not students and did not intend to attend classes. Myles also applied for FSA funds in her own name and enrolled herself in courses at Bakersfield College and at Santa Barbara Community College. She was not eligible to enroll in such courses because she was not a high school graduate. In addition, Myles obtained identification information from individuals without their knowledge and used that information to apply for FSA funds. As a result, the Department of Education lost more than \$80,000.

Status Conference set for October 15, 2012 before U.S. Magistrate Judge Oberto.

Assistant U.S. Attorney Grant B. Rabenn

U.S. v. Stacey Kinyada Lee et al. (1:12-cr-00301 AWI DLB)

Stacey Kinyada Lee, 30, formerly of North Edwards; Deana Shirelle Nolen, 46, of Boron; Willie Sherman Prude, 52, of Boron; Cheaney Lavell Key, 48, of El Cajon; and Erisheniqua Dixon, 20, of Boron.

According to the indictment, between April 2008 and March 2012, the defendants conspired to enroll themselves and others as straw students at community colleges, including Antelope Valley College, Barstow Community College, Cerro Coso Community College, and San Diego City College, to obtain federal financial aid funds to which they were not entitled. Lee enrolled the defendants and others in online classes that they did not intend to complete, and they obtained federal Pell Grant and student loan funds based on the false aid applications. The scheme involved losses of more than \$130,000 in federal grant funds, and more than \$70,000 in federal student loan funds were disbursed to which the purported students were not entitled.

Status Conference set for September 24, 2012 before U.S. Magistrate Judge Beck.

Assistant U.S. Attorney Kirk Sherriff

U.S. v. Brent W. Wilder et al. (2:12-cr-313-GEB)

Brent W. Wilder, 43, and Michael J. Huddleston, 43, both of Antelope.

According to the indictment, between February 2009 and April 2012, Wilder and Huddleston obtained financial aid grant funds by recruiting more than 50 straw students to apply for aid and caused the fraudulent disbursement of more than \$200,000. Wilder assisted the straw students that he and Huddleston recruited to apply for FSA at American River College, Sacramento City College and Cosumnes River College, knowing that many of these recruits were ineligible for FSA funds. Wilder also used the identities of other individuals who were incarcerated in state prison. Wilder and Huddleston completed all paperwork and enrollment applications necessary. These applications contained false statements such as that the applicants had completed high school or had obtained a GED when they had not. They also certified that the FSA funding would be used solely for educational purposes. They applied for FSA funding in their own names with no intention of using the aid for educational purposes. The indictment alleges that Wilder and Huddleston kept half of the FSA funds received and gave the rest to the straw students.

Status Conference set for September 21, 2012 before U.S. District Judge Burrell.

Assistant U.S. Attorney Jared C. Dolan

U.S. v. Michelle Wright et al. (2:12-cr-316-WBS)

Michelle Wright, 31; Kenneth Wright, 34; Jaymar Brown, 33; Jennifer Brown, 54; Brandy Miner, 36, all of Stockton, and Janeigh Mendoza, 31, of Tracy.

According to the indictment, from July 2007 to June 2011, the defendants conspired with each other and with others to obtain federal student assistance funds by fraud. Michelle Wright and Mendoza used stolen personal identity information to apply for additional FSA funds. Some of these individuals were severely handicapped and unable to read or write, let alone attend college. The defendants recruited straw students and used their own names to apply for FSA funds. Michelle Wright and Mendoza completed the paperwork necessary to obtain the funds. As a result of their scheme, the Department of Education lost more than \$285,000.

Status Conference set for September 24, 2012 before U.S. District Judge Shubb.

Assistant U.S. Attorney Jared C. Dolan

U.S. v. Stacey Jacobs et al. (2:12-cr-323-MCE)

Stacey Jacobs, 29, of Elk Grove, and Myron Jacobs, 40, of San Leandro.

According to court documents, between August 1, 2009 and December 31, 2011, Stacey and Myron Jacobs engaged in a scheme to defraud the Department of Education by recruiting individuals to act as straw students at various community colleges and applying for financial aid assistance in their names. The recruited straw students were not active students at these schools and many did not intend to become active students at these schools. Stacey Jacobs had the financial aid funds sent to addresses associated with her or to others with whom she was associated. Due to the scheme, the Department of Education lost at least \$66,000.

Initial appearance scheduled for October 12, 2012 before U.S. Magistrate Judge Brennan.

Assistant U.S. Attorney Lee Bickley

U.S. v. Piersha Woolridge et al. (1:12-cr-0031-AWI-DLB)

Piersha Woolridge, 34; Yvette August, 41; Kim Gray, 39, all of Atwater, and Keith Woolridge 41, of Fresno.

The indictment alleges that the four defendants agreed to defraud the U.S. Department of Education of student aid grants and loans by submitting false financial aid applications to Axia College at the University of Phoenix and Capella University on behalf of students who did not intend to attend either school. The indictment alleges that in some cases, the defendants agreed to commit identity theft by using stolen or wrongfully obtained personal identifying information for persons who did not know they were applying for college financial aid. The indictment alleges that as a result of the conspiracy, over \$200,000 in grants and loans were disbursed, resulting in approximately \$110,000 being paid to the defendants.

January 14, 2013 – Trial Confirmation Hearing before U.S. District Judge Ishii.

Assistant U.S. Attorney Mark J. McKeon