

Banking and Finance Law Daily Wrap Up, CRIMES AND OFFENSES—FinCEN issues alert for banks on fraud schemes targeting federal student aid, (Jul. 27, 2026)

Banking and Finance Law Daily Wrap Up

By Nora Macaluso

Banks are urged to watch for and report suspicious activity involving financial aid payments and refunds.

The Treasury Department's Financial Crimes Enforcement Network (FinCEN) has [issued](#) an [alert](#) to financial institutions urging them to be on the lookout for suspicious activity related to federal student aid programs. FinCEN said fraud rings are using ruses including stolen identities to enroll in educational institutions and unlawfully acquire federal funds from Federal student aid programs. They may illegally obtain personally identifiable information to create "ghost students," or use artificial intelligence to generate false documents for "synthetic identities," the agency said. Victims, meanwhile, are unaware that federal student aid is being issued in their names.

The fraud rings use "straw students," complicit individuals who provide personally identifiable information for a fee, the agency said. The fraudsters enroll the fake students at educational institutions and collect financial aid refunds in their names, according to FinCEN.

These rings may use "sophisticated networks" of straw students to obtain aid, and "corrupt staff" at the educational institutions can use their positions to recruit straw students and manipulate records, the agency said.

The alert encourages banks to identify and report suspicious activity, which they may be able to identify through deposits from educational institutions or contracted intermediaries.

Payments from intermediaries are typically made through Automated Clearing House transfers, and transaction references may include the term "refund" and the educational institution's name or abbreviation (e.g., "Local Community College Refund" or "LCC REFUND"), FinCEN said. The stated recipient may also be listed in the transaction reference.

"According to law enforcement, fraudsters who have enrolled ghost or straw students at educational institutions are often able to receive student aid refunds at accounts with no discernible connection to the stated student recipient of the refund," the alert says.

Fraudulently obtained refunds may be laundered through money mules, shell companies, and fraudulent accounts, according to FinCEN.

FinCEN said the alert stems from President Trump's Executive Order 14249, Protecting America's Bank Account Against Fraud, Waste, and Abuse.

"Every dollar stolen from Federal student aid is a dollar taken from taxpayers and deserving students," said Treasury Secretary Scott Bessent. "The Trump Administration will not tolerate criminals who exploit government programs for personal gain. Treasury is working with financial institutions and law enforcement to identify these fraud schemes, recover stolen funds, and hold those responsible accountable."

RegulatoryActivity: BankingOperations ChecksElectronicTransfers CrimesOffenses GCNNews IdentityTheft Loans

<https://prod.resource.cch.com/resource/scion/document/default/blw01e198562344f44ede87d9f90114d6cc0e?cfu=Legal&cpid=WKUS-Legal-Cheetah&uAppCtx=cheetah>