



How a Community College Transformed Identity Verification, Prevented \$425K+ in Fraud, and Aligned with New Federal Identity Verification Standards



The pandemic was an exceptional moment for state workforce agencies. Identity fraud in federal student aid is a growing national concern. Federal leadership has made clear that stronger identity validation measures are **no longer optional**. They are necessary to protect students, institutions, and taxpayers.

In a recent U.S. Department of Education press release⁽¹⁾ announcing enhanced identity validation and anti-fraud measures, Secretary Linda McMahon emphasized the urgency:

"When rampant fraud is taking aid away from eligible students, disrupting the operations of colleges, and ripping off taxpayers, we have a responsibility to act. Today's actions will implement temporary changes to the current verification process to prevent identity theft fraud. We will continue to build longer-term solutions that reduce the administrative burden on institutions and protect American taxpayers who underwrite federal student aid programs."

Across the U.S., higher education institutions are dealing with an alarming upswing in financial aid fraud. Scammers are using artificial intelligence to steal identities and submit fraudulent financial aid applications that result in millions of dollars in lost federal and state funding. In 2024, California community colleges found that nearly one-third of all applications were fraudulent and cost the system approximately **\$13 million in lost state and federal funds**. Nationally, over the past five years the **federal government has investigated more than \$350 million in fraud** perpetrated by "ghost student" schemes — and more than 200 investigations remain open as authorities work to understand the full scope of the problem.⁽²⁾

Fraudsters are now exploiting AI to generate synthetic student identities at scale, then flooding financial aid portals with thousands of applications from these so-called "ghost students." California Community Colleges detected **nearly 80,000 applications** from ghost students in 2024⁽³⁾, while other states including Arizona, Indiana, Oregon, New Jersey, and Michigan encountered similar threats.

(1) https://www.ed.gov/about/news/press-release/us-department-of-education-implement-new-identity-validation-processes-combat-student-aid-fraud?utm_source=chatgpt.com

(2) <https://abc7.com/post/ghost-student-scammers-are-using-ai-steal-financial-aid-federal-investigators-warn/18495539/#:~:text=TECHNOLOGY-,%20student%20scammers%20are%20using%20AI%20to%20steal%20financial%20aid,U.S.%20Department%20of%20Education...>

(3) <https://fortune.com/2025/07/23/fake-ghost-student-college-financial-aid-fraud-california/>

Scaling Secure Identity Verification Across 11,000+ Students

In response to the rapidly evolving threat landscape, one large community college prioritized upgrading its identity verification process.

By adopting a digital identity proofing solution compliant with **NIST Identity Assurance Level 2 (IAL2) standards**, the institution strengthened fraud defenses while significantly reducing operational strain.

Serving a large, open-access population requires an identity solution that is secure, scalable, and student-friendly

Following implementation:



11,135 students verified at the IAL2 level



High-assurance identity proofing deployed across a diverse student population



Federally compliant standards applied consistently and efficiently

With ID.me, students are first guided through a **self-service identity proofing flow**, which serves as the **primary and fastest verification pathway**. Most students complete this process independently in minutes by securely uploading documentation and completing automated checks.

Students who cannot complete self-service verification have access to **live video chat with a trained ID.me Trusted Referee**. This ensures eligible students are not blocked from receiving aid while maintaining strong proof-of-presence standards. The combination of automation and human review strengthens fraud protection without increasing institutional burden.

\$425,535 in Confirmed Fraud Prevented in the First 4 Weeks

The financial impact was immediate during the **first four weeks of the Spring 2026 semester**. Within that initial period:



\$425,535 in estimated fraud prevented



\$244,035 in Pell Grants protected



\$181,500 in federal student loans protected

By verifying identities before disbursement, fraudulent applications, including **ghost student schemes**, were stopped early in the term when aid is most vulnerable. This protected federal funds and preserved resources for legitimate students.

Aligning with Federal Guidance on Identity Verification

Recent U.S. Department of Education guidance emphasizes stronger identity verification measures to combat Title IV fraud, including the use of live video verification when in-person verification is not possible.⁽⁴⁾

The guidance allows institutions to confirm identity through a **live video interaction with presentation of valid government-issued photo identification**, replacing more burdensome requirements such as notarized documentation.

ID.me's model aligns with this direction by offering:



Self-service digital identity proofing as the first option



Live video chat as a secure, compliant alternative



Elimination of mailed paperwork and notarization delays



Stronger proof-of-presence protections against identity theft

This layered approach answers the Secretary's call for solutions that both prevent fraud and reduce administrative burden by strengthening identity verification without adding unnecessary complexity. At the same time, it reduces time and costs for students and institutions while increasing confidence that financial aid is reaching legitimate recipients.

From Paper Bottlenecks to 4-Minute Verification

Prior to implementation, identity verification relied heavily on manual, paper-based processes that strained staff capacity and delayed aid distribution.

After deploying ID.me:



Verification time reduced to approximately 4 minutes per student



More than 90 percent reduction in paper-based processing



Significant decreases in call volume and follow-up work



Dramatically lower administrative burden for financial aid staff

⁽⁴⁾ <https://fsapartners.ed.gov/knowledge-center/library/electronic-announcements/2025-06-06/significant-actions-prevent-fraud-through-identity-verification>

\$84.9M+ in Financial Aid Delivered with Greater Confidence

For Fiscal Year 2025 to 2026, the institution will deliver **more than \$84.9 million in financial aid**.

With high-assurance digital identity proofing in place, aid distribution became faster, more compliant, and more secure. Leadership gained increased confidence that funds were reaching legitimate students while maintaining audit readiness and meeting evolving federal expectations.

A Stronger, More Resilient Financial Aid Process

This institution's experience demonstrates how a layered identity verification approach can:



Protect federal aid programs



Prevent ghost student fraud



Reduce administrative workload



Improve the student experience



Strengthen compliance with federal guidance



By implementing **IAL2-level digital identity proofing**, with **self-service as the primary pathway and video chat as a secure support option**, the college built a more resilient financial aid process that safeguards funding while better serving students.

As fraud tactics continue to evolve, institutions that modernize identity verification are not just improving efficiency. They are protecting students, safeguarding taxpayer dollars, and strengthening the integrity of the federal student aid system.

This is no longer optional. **It is essential.**