

# Ghost Student Scam – She Recruited Over 70 Students For Financial Aid Fraud



Sarah Thomas needed money. When a friend introduced her to Cynthia Denise Melvin, who promised easy cash for using her information to apply for college, it seemed like a simple solution. Soon, Thomas was receiving student loan refund checks, keeping a portion and passing the rest to Melvin, all without attending a single class.

## **Ghost Students Generated Millions For North Carolina Woman**

This transaction above was repeated dozens of times with different people and formed the core of what federal prosecutors called “a sophisticated fraud scheme” that siphoned over \$5 million from the Department of Education between 2016 and 2023.

Court documents filed in the Eastern District of North Carolina reveal how Melvin allegedly built a network of "**Student Participants**" who never intended to pursue higher education.

According to a criminal information Melvin allegedly recruited over 70 individuals to apply for enrollment at multiple North Carolina community colleges, including those in Wake, Cumberland, and New Hanover counties.

The scheme exploited vulnerabilities in the federal financial aid system. After collecting personal identifying information from recruits, Melvin would complete admission applications to target schools, prosecutors allege.

What made the operation particularly effective was Melvin's alleged impersonation of the student participants. Court documents indicate she would make it appear they were attending classes, completing coursework, and communicating with schools when they were not.

"MELVIN prepared and submitted FAFSA forms for the Student Participants through FSA's website," the criminal information states. "Although required to identify herself on the forms as the non-applicant preparer, MELVIN concealed her identity."

## **The Money Was In The Student Loan Refunds**

After schools collected tuition from the federal funds, they would disburse any remaining money as "student loan refunds" directly to the purported students. These refunds represent the excess financial aid beyond what was needed for tuition and fees.

"MELVIN, as the ringleader of the scheme, received a substantial portion of the student loan refunds," prosecutors wrote in court filings. The government is seeking forfeiture of \$842,765 from Melvin, representing what they describe as her gross proceeds from the offense.

## **Read The Whole Complaint**

UNITED STATES DISTRICT COURT  
FOR THE EASTERN DISTRICT OF NORTH CAROLINA  
WESTERN DIVISION

PETER A. MOORE, JR., CLERK  
US DISTRICT COURT, EDNC  
BY AMP DEP CLK

No. 5:25-CR-14-M

UNITED STATES OF AMERICA )  
 )  
 v. ) CRIMINAL INFORMATION  
 )  
 CYNTHIA DENISE MELVIN )  
 \_\_\_\_\_ )

The United States Attorney charges:

GENERAL ALLEGATIONS

At all times relevant to this Information:

1. The defendant, CYNTHIA DENISE MELVIN, was a resident of Fayetteville, North Carolina, within the Eastern District of North Carolina.

2. Federal Student Aid (FSA) is an office of the United States Department of Education (ED) that offers financial aid programs for students seeking assistance while pursuing a post-secondary education. The purpose of federal student aid is to cover student expenses such as tuition and fees, room and board, and books and supplies. Federal student aid includes any financial assistance from ED, including loans, grants, or any other disbursement of money.

3. Students seeking to obtain federal student aid must complete a Free Application for Federal Student Aid (FAFSA) and certify the information contained therein is true and correct. Students may complete the FAFSA online through FSA's website. Each applicant is assigned an FSA ID, consisting of a unique user-created name and password. The FSA ID may be used to access the FAFSA website to complete and sign a FAFSA, review financial aid history, access loan information

and tools, and sign a Master Promissory Note – a legal document in which a student promises to repay a direct loan and any accrued interest and fees.

4. If the FAFSA is prepared by someone other than the applicant, or if a fee was paid to someone for advice or assistance for completing the FAFSA, then the non-applicant preparer is required to complete a section of the FAFSA identifying the preparer's name, firm, address, Social Security number, and employer ID number. The preparer must also sign the FAFSA in the same section.

5. After the submission of a FAFSA, FSA processes the form using a server located outside of North Carolina. The server conducts an automated review of the student's FAFSA information to calculate the expected family contribution toward the cost of a student's attendance at an institution of higher learning. A student with a lower estimated family contribution qualifies for more need-based financial aid, up to the full costs of attending university.

6. After aid is awarded, academic institutions draw down student aid funds and disburse them accordingly. The United States Treasury at the Federal Reserve Bank, located in New York, transfers federal student aid funds via interstate wire to the institution's bank account(s). The institution applies the aid to tuition and any additional student fees. If a surplus of funds in the student's account remains after fees are paid, the institution will distribute the remaining funds directly to the student, often by direct deposit. This is commonly referred to as the "student loan refund".



**COUNT ONE**  
**(Conspiracy to Commit Wire Fraud)**

7. The preceding paragraphs of this Information are incorporated herein by reference as factual allegations.

8. Beginning on a date unknown, but no later than in or about 2016, and continuing until at least in or about 2023, both dates being approximate and inclusive, in the Eastern District of North Carolina and elsewhere, the defendant, CYNTHIA DENISE MELVIN, did knowingly and willfully combine, conspire, confederate, and agree with others, known and unknown, to commit wire fraud, that is, having devised and intending to devise a scheme to defraud ED, and to obtain money and property from ED by means of materially false and fraudulent pretenses, representations, and promises, and for the purpose of executing the scheme, and attempting to do so, transmitted and caused to be transmitted wire communications in interstate commerce, in violation of 18 U.S.C. § 1343.

**Purpose of the Conspiracy**

9. It was the purpose the conspiracy for MELVIN and her co-conspirators to fraudulently obtain funds from ED by making materially false representations in connection with applications for federal student aid.

**Manner and Means of the Conspiracy**

10. As part of the scheme, MELVIN and others recruited over 70 individuals (“Student Participants”) to apply for and enroll in post-secondary programs at multiple academic institutions in North Carolina, including community colleges in Wake County, Cumberland County, and New Hanover County.

11. MELVIN collected personal identifying information for the Student Participants and used that information to prepare and submit applications for their admission to the targeted schools. Thereafter, MELVIN attempted to make it appear that the Student Participants were attending classes, completing coursework, and communicating with the targeted schools when, in fact, MELVIN impersonated the Student Participants for these and other purposes.

12. MELVIN prepared and submitted FAFSA forms for the Student Participants through FSA's website. Although required to identify herself on the forms as the non-applicant preparer, MELVIN concealed her identity.

13. As a result of the scheme, the Student Participants were awarded tuition, which was wired from the United States Treasury at the Federal Reserve Bank, located in New York, to the targeted schools in the Eastern District of North Carolina and elsewhere. In total, MELVIN and her co-conspirators caused ED to disburse over \$5 million in federal student aid funds.

14. The Student Participants also received student loan refunds, which the schools disbursed to the Student Participants after collecting tuition. MELVIN, as the ringleader of the scheme, received a substantial portion of the student loan refunds.

All in violation of Title 18, United States Code, Section 1349.

## FORFEITURE NOTICE

Notice is hereby given that all right, title and interest in the property described herein is subject to forfeiture.

Upon conviction of any offense charged herein constituting “specified unlawful activity” (as defined in 18 U.S.C. §§ 1956(c)(7) and 1961(1)), or a conspiracy to commit such offense, the defendant shall forfeit to the United States, pursuant to 18 U.S.C. § 981(a)(1)(C), as made applicable by 28 U.S.C. § 2461(c), any property, real or personal, which constitutes or is derived from proceeds traceable to the said offense.

The forfeitable property includes, but is not limited to, the following:


### Forfeiture Money Judgment

- a) A sum of money representing the gross proceeds of the offense charged herein against CYNTHIA DENISE MELVIN, in the amount of \$842,765.

REMAINDER OF PAGE INTENTIONALLY LEFT BLANK

If any of the above-described forfeitable property, as a result of any act or omission of a defendant: cannot be located upon the exercise of due diligence; has been transferred or sold to, or deposited with, a third party; has been placed beyond the jurisdiction of the court; has been substantially diminished in value; or has been commingled with other property which cannot be divided without difficulty; it is the intent of the United States, pursuant to Title 21, United States Code, Section 853(p), to seek forfeiture of any other property of said defendant up to the value of the forfeitable property described above.

MICHAEL F. EASLEY, JR.  
United States Attorney

  
ADAM F. HULBIG  
Assistant United States Attorney  
Criminal Division

Date: January 21, 2025