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> CONSUMER ADVISORY: STUDENT LOAN DEBT RELIEF COMPANIES MAY COST YOU THOUSANDS OF DOLLARS AND DRIVE YOU FURTHER INTO DEBT

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Consumer Advisory: Student loan debt relief companies may cost you thousands of dollars and drive you further into debt

BY [ROHIT CHOPRA](#)

Today we took action to put an end to two student loan debt relief scams that illegally tricked borrowers into paying upfront fees for federal loan benefits. In a joint filing with Florida's Attorney General, we shut down student loan debt relief company College Education Services and, separately, we filed a lawsuit against Student Loan Processing.US for running illegal debt relief services. We allege that both companies exploited vulnerable student loan borrowers, made false promises about their debt relief services, and charged illegal upfront fees.

We are warning all student loan borrowers who have trouble managing their student debt to watch out for scams run by companies promising "student debt relief." These companies prey on distressed borrowers who run into trouble and struggle to figure out what comes next. In some cases, borrowers do not think their student loan servicers can help them and seek help from a third party. Others are lured in by aggressive marketing practices that target the most vulnerable student loan borrowers.

In many cases, these companies promise thousands of dollars in savings on your student debt by falsely claiming special expertise or a relationship with the Department of Education, only to enroll you in a payment plan that's available for free for all borrowers with federal student loans — all at a cost of hundreds of dollars or more. In other cases, these companies fail to deliver on their promises, leaving you with more debt and less time to avoid financial distress or default.

Last year, we warned you that [you don't have to pay someone](#) to help with your student loan. You should also be aware of these warning signs to help you avoid student loan debt relief scams and information on getting help if you are a victim of this scam.

Warning signs that a student loan debt relief company may be trying to rip you off:

Pressure to pay high up-front fees. It can be a sign of a scam when a debt relief company requires you to pay a fee up-front or tries to make you sign a contract on the spot. These companies may even make you give your credit card number online or over the phone before they explain how they'll help you. Avoid companies that require payment before they actually do anything, especially if they try to get your credit card number or bank account information. Not only is free assistance available through your student loan servicer, many times taking payment for debt relief services before providing help is illegal.

Promises of immediate loan forgiveness or debt cancellation. Debt relief companies do not have the ability to negotiate with your creditors for a "special deal" under these federal student loan programs. Payment levels under income driven payment plans are set by federal law and, for most borrowers, loan forgiveness is only available through programs that require many years of qualifying payments.

Demands that you sign a "third party authorization." You should be wary if a company asks you to sign a "third party authorization" or a "power of attorney." These are written agreements giving them legal permission to talk directly to your student loan servicer and make decisions on your behalf. In some cases, they may even step in and ask you to pay them directly, promising to pay your servicer each month when your bill comes due.

Requests for your Federal Student Aid PIN. Be cautious about companies that ask for your Federal Student Aid PIN. Your PIN — the [unique ID](#) issued by the U.S. Department of Education to allow access to information about your federal student loans — is the equivalent of your signature on any documents related to your student loan. If you give that number away, you are giving a company the power to perform actions on your student loan on your behalf. Honest companies will work with you to come up with a plan and will never

use your PIN to access your student loan information.

How to get help

Submit a [complaint online](#) or call us at (855) 411-2372 if you have been the victim of a student loan debt relief scam or if you are getting runaround from your student loan servicer. You should also instruct your student loan servicer that they should only provide information about your student loan directly to you.

If you have questions about repaying student loans, check out [Repay Student Debt](#) to find out how you can tackle your debt – even if you’re in default. You can learn about your options, and what you might want to specifically ask for when speaking with the company attempting to collect from you. Another great resource to visit is [Ask CFPB](#) for answers on many more of your student loan questions.

Even if you’ve fallen behind, you may have options

There are federal student loan repayment programs that can help [remove the default status](#) from your credit report. Be sure to learn about what’s available [through our tools](#) before paying hefty fees for something that likely won’t live up to your expectations or that you can get for free.

Rohit Chopra is the CFPB’s Student Loan Ombudsman. To learn more about our work for students and young Americans, visit consumerfinance.gov/students.



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Higher Ed, Not Debt · 5 days ago

Great news! Our campaign manager, Maggie Thompson, released the following statement in response:

"We applaud the Consumer Financial Protection Bureau's efforts to shut down these illegal debt relief companies, which are scams that take advantage of struggling student loan borrowers.

"The existence of these companies underscores the need for reform of the student loan servicing system. Servicers should make it easier for student loan borrowers to lower their monthly payments and enroll in programs like income-based repayment or public service loan forgiveness. The failure of student loan servicers to effectively communicate with borrowers has allowed these companies to flourish. In addition to CFPB's action, the Department of Education must do more to improve student loan servicing."

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randall · a day ago

Shutting down these scammers is a good thing, for sure. Hopefully, the CFPB focus on student debt scammers does not invoke the law of unintended consequences by preventing ethical entities from providing a valuable service. Student debt may be one of the biggest hindrances to our economy. And the problem is not going to improve any time soon. Academia is an enormous economic machine. Student loan service companies that scam consumers certainly make things worse. But there need to be responsible parties that can help people that want help. Rohit Chopra reported that the CFPB has received thousands of complaints from borrowers describing the difficulties they face with their student loan servicers. The Federal Reserve Bank of NY reported that student debt had become so large a problem that a large percentage of student debt holders were no longer participating in our economy in the form of purchasing homes, autos or major appliances. So, one arm of our government passes legislation to create Income Driven Repayment programs as a stimulus to help student debt holders become more active in our economy while the responsibility of servicing the programs goes to an arm of our government, the DOE, which made over \$40 billion in student debt interest in 2013. \$40 billion, by the way, is \$10 billion more than ExxonMobil, the most profitable company in the world in 2013, made in profits. Kind of like putting the fox in charge of the hen house. Someone from the White House could write a letter to the Department of Education that goes something like this, "We have just enacted legislation to create programs that will stimulate our economy but will cost your department billions of dollars. Please see to it that the programs are serviced responsibly." Good luck with that. Warren Buffett has said, "If you want to know how someone is going to behave, figure out how they are compensated."

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