

📣 Press Release

CFPB Halts Student Loan Debt Relief Scam

MAR 30, 2016

Student Aid Institute Illegally Tricked Borrowers Into Paying Fees for Federal Loan Benefits

WASHINGTON, D.C. –

The Consumer Financial Protection Bureau (CFPB) today took action to halt a student loan debt relief scam that illegally tricked borrowers into paying fees for federal loan benefits and misrepresented to consumers that it was affiliated with the Department of Education. The CFPB is ordering the student debt relief company, Student Aid Institute, Inc., and its chief executive officer, Steven Lamont, to pay a penalty, halt debt relief services, and stop charging affected customers. The CFPB is also permanently barring the company and Lamont from the debt relief industry.

“We see more and more companies and websites demanding large upfront fees to help student loan borrowers enroll in income-driven plans that are available for free,” said CFPB Director Richard Cordray. “These practices bear a disturbing resemblance to the mortgage crisis where distressed consumers were preyed upon with false promises of relief. We will continue to shut down illegal scams and address sloppy servicing practices that victimize consumers.”

“We appreciate CFPB’s continued vigilance and leadership in weeding out those who seek to prey on struggling student loan borrowers,” said U.S. Secretary of Education John B. King Jr. “We will continue to work with CFPB to ensure that affected borrowers get the free help they deserve to manage their payments. To all the Americans out there working hard to keep up with your student loan payments, please remember: you never have to pay for help.”

Student Aid Institute is a debt relief services company that offers to reduce consumers’ student loan payments. The company is headquartered in San Diego, Calif. and its chief executive officer is Steven Lamont.

The Department of Education offers numerous plans to borrowers with federal student loans to make payments more affordable. These include options that let struggling borrowers set their monthly payment based on their income. Monthly payments under these plans can be as low as zero dollars per month for unemployed or very low-wage borrowers. The Department of Education does not charge any fees to apply for or enroll in these plans, for which many student loan borrowers qualify.

Student Aid Institute marketed and advertised debt relief services to struggling student loan borrowers. The company deceived customers about the benefits of their services and misrepresented that fees were required to participate in federal student loan programs when those programs were, in fact, free. The company ultimately reaped millions of dollars in advance fees from thousands of consumers. Specifically, Student Aid Institute:

- **Charged illegal advance fees:** Federal law requires at least one debt to be renegotiated, settled, or reduced before a fee can be collected for debt relief services. But Student Aid Institute often charged consumers hundreds of dollars and required all, or a substantial portion, of its fees to be paid upfront.
- **Deceived borrowers about the benefits and terms of its services:** The company misrepresented to consumers how much they would save, whether they were eligible for loan forgiveness, whether they had been preapproved for specified programs, and whether the fees were required to participate in the federal programs.
- **Failed to provide required privacy notices:** The Bureau also found the company failed to provide its customers with privacy notices required by law.
- **Falsely represented an affiliation with the Department of Education:** The company's marketing materials falsely implied that it was affiliated or endorsed by the federal government.

Enforcement Action

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB is authorized to take action against certain institutions engaged in deceptive acts or practices, or that otherwise violate federal consumer financial laws. The consent order requires Student Aid Institute and Lamont to:

- **Shut down debt-relief operations:** Student Aid Institute must shut down debt relief operations.
- **Cancel all contracts with consumers and stop charging them:** The company must immediately stop charging customers any fees for its services. All contracts will also be cancelled.
- **Stop participating in the debt relief industry:** The order bars Student Aid Institute and Lamont from offering, or receiving any payments from, debt relief services.
- **Ensure student loan borrowers do not miss important repayment benefits:** The Department of Education requires that student loan borrowers recertify their income-driven repayment plans every year. For consumers enrolled in any income-driven repayment or forgiveness plan whose annual recertification or renewal deadlines for these programs are within 30 days of the entry of the judgment, the company must prepare, process, and mail all paperwork necessary to maintain enrollment in the plan.

- **Pay a civil penalty:** The order also imposes a penalty of \$50,000 to be paid into the CFPB's Civil Penalty Fund.

A copy of the Student Aid Institute order is available at:

http://www.consumerfinance.gov/f/201603_cfpb_consent-order-student-aid-institute-inc-steven-lamont.pdf 

Today's action builds on important work by the CFPB and many state attorneys general to crack down on illegal student debt relief operations. The Bureau recently took action to halt two other nationwide student loan debt relief scams. More information is available at:

<http://www.consumerfinance.gov/newsroom/cfpb-takes-action-to-end-student-debt-relief-scams/>

Despite the availability of income-driven repayment options for the vast majority of borrowers, one in four student loan borrowers are currently in default or struggling to stay current on their loans. Over the past year, the CFPB has highlighted similarities between student loan borrower distress and the mortgage crisis, both of which have led to struggling borrowers becoming victims of debt relief scams.

Earlier this year, the CFPB released a report finding that problems with student loan servicing can leave distressed borrowers without the tools to help avoid default. Student debt relief scams prey on these consumers, charging upfront fees while promising to enroll borrowers in free federal consumer protections, including income-driven repayment plans.

Last year, the Bureau [announced](#) that it was making it a priority to take action against companies that are engaging in illegal student loan servicing practices. As part of this, the CFPB will continue to work to address student loan servicing breakdowns that may allow student loan debt relief scams to proliferate.

Consumer Alert

Affected Student Aid Institute customers may need to take action to maintain their enrollment in certain Department of Education repayment or forgiveness plans. They should contact their student loan servicer as soon as possible for more information and to ensure they are enrolled in the repayment plan that is best for them. Individuals who are unsure of their student loan servicer should contact the Department of Education at 800-4-FEDAID (800-433-3243) for more information.

The Department of Education will provide enhanced assistance to the borrowers who were affected by the illegal practices of Student Aid Institute and Lamont. This assistance includes additional outreach to ensure that these borrowers are able to retain low monthly payments under an income-driven repayment plan that is free under federal law.

For information about student debt relief scams, a CFPB consumer advisory is available at:

<http://www.consumerfinance.gov/blog/consumer-advisory-student-loan-debt-relief-companies-may-cost-you-thousands-of-dollars-and-drive-you-further-into-debt/>

In recent years, many consumers have borrowed significantly to pay for postsecondary education. Earlier this year, the Bureau estimated that outstanding student debt totals nearly \$1.3 trillion. Most of this debt is from federal student loans made or guaranteed by the Department of Education. Borrowers who run into trouble with companies offering debt relief services when repaying student loans can submit a complaint to the CFPB.

Last year, the CFPB sent [letters](#) to BING, Yahoo, Facebook, and Google to alert companies that student debt relief scammers may be targeting student loan borrowers through company search products. The Bureau's analysis of web data suggests that struggling borrowers are searching for help using keywords such as "student loan forgiveness," and "Obama student loan relief." The CFPB has urged the companies to work to ensure their search products are not being used by scammers to prey on vulnerable student loan borrowers by implying an affiliation with the federal government.

More information is available at: www.consumerfinance.gov/students

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The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit consumerfinance.gov.

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