



Beware of Student Loan Assistance Companies that Charge High Fees to Do What You Can Do for Free

From the Office of Minnesota Attorney General Keith Ellison

Student loan debt has reached historic levels in the United States. The cost of college has increased by over 1,000 percent in the last 30 years. Student loan debt in the United States now tops \$1.4 trillion. One in five American households owes money on student loan debt, and student loan debt is now the second largest form of consumer debt—second only to home mortgage debt. With many recent graduates struggling to find jobs and the amount of student debt rising, the student loan assistance industry—and the opportunity for scams—has grown.

Student loan assistance companies sell services that claim to help borrowers manage and repay their student loans. Companies have flooded internet search engines with promises of reducing, forgiving, or eliminating consumers' student loan debt.

Don't be fooled. Student loan assistance companies try to hide the fact that they charge hundreds or thousands of dollars for something borrowers can do for free. The companies often claim to have "inside information" or special relationships with the U.S. Department of Education to dupe borrowers into paying.

It is important for student loan borrowers to be on the lookout for companies that charge hefty fees for one-size-fits-all services that aren't right for everyone and are available for free from the government. Here's how it might happen:

"Tracy" signed up for what she thought was a student loan repayment plan sponsored by the U.S. Department of Education. After paying almost \$500 in fees—money that she was told would count toward her loan payments—she found out that the repayment plan was not affiliated with the government and the fees were not applied to her loans.

"Jeff" contracted with a student debt relief firm to consolidate his loans. After several \$40 monthly payments, Jeff discovered that none of the payments had been applied to his loans and that his loans were now in default.

Red Flags

Student loan assistance scammers may advertise consolidation, deferment, forbearance, or forgiveness programs as one-size-fits-all, surefire fixes for borrowers struggling to manage their student loan debt. It is important to remember that not all repayment plans work for everyone. Choosing the wrong repayment plan can have serious consequences. For example, some deferment and forbearance plans are only appropriate for someone who is permanently disabled and unable to work. If a person who signed up for one of these plans gets a job and earns money down the road, the person may have to pay back thousands of dollars in back payments, fees, and interest. Other repayment plans may lengthen your loan payback period, meaning you'll pay more in interest. The Attorney General's Office offers a publication—*Student Loan Handbook*—with more information on student loans.

Watch out for these red flags:

- Promises of immediate loan forgiveness or cancellation
- High upfront fees to apply to the U.S. Department of Education for loan programs
- Phrases like "Call Now!" "Get Your Student Loans Forgiven Now!" "Guaranteed Results!" or "Savings Plan Available for a Limited Time Only!"
- Statements about relationships with the government

- Requests for a student’s Federal Student Aid PIN for services (The U.S. Department of Education advises borrowers against sharing their four digit National Student Loan Data System PIN with others).

Minnesota’s Debt Settlement Law

Minnesota’s Debt Settlement Services Act (Minn. Stat. Ch. 332B) requires companies to register with the Minnesota Department of Commerce before providing services to Minnesota consumers, if the companies provide advice, or act or hold themselves out as acting as an intermediary between consumers and their student loan creditors to reduce the amount of their student loan debt.

The Minnesota Department of Commerce maintains a website of debt settlement companies that have registered with the Commerce Department and are authorized to provide debt settlement services to Minnesota residents. You may access the list of debt settlement service providers registered with the Commerce Department by visiting its website at mn.gov/commerce, clicking on the “License Lookup” link, and selecting “Debt Settlement” from the drop-down list for license type.

If you have questions about a student loan assistance company, you may contact the Commerce Department as follows:

Minnesota Department of Commerce
 85 East Seventh Place, Suite 280
 St. Paul, MN 55101
 (651) 539-1500 or (800) 657-3602
www.mn.gov/commerce

How To Get Debt Help

If you need help managing or paying student loan debt, you should contact your loan servicer to learn about repayment plans that are best for you and your loans, or any other options to defer or forgive your student loan debt. You can also visit the U.S. Department of Education Federal Student Aid Office website, at studentaid.ed.gov, to learn more. All forms are free to download and submit.

The following agencies also provide information about repayment plans and how to avoid student loan assistance scams:

Consumer Financial Protection Bureau
 1700 G Street, NW
 Washington, DC 20552
 (855) 411-2372
www.consumerfinance.gov

United States Department of Education
 Federal Student Aid Ombudsman Group
 P.O. Box 1843
 Monticello, KY 42633
 (877) 557-2575
studentaid.ed.gov

Federal Trade Commission
 Consumer Response Center
 600 Pennsylvania Avenue NW
 Washington, DC 20580
 (877) 382-4357
 TTY: (866) 653-4261
www.consumer.ftc.gov

If you have been contacted by a student loan assistance scammer, you may report the matter to the Minnesota Attorney General’s Office as follows:

Office of Minnesota Attorney General
Keith Ellison
 445 Minnesota Street, Suite 1400
 St. Paul, MN 55101
 (651) 296-3353 (Twin Cities Calling Area)
 (800) 657-3787 (Outside the Twin Cities)
www.ag.state.mn.us