

The FTC Sends Student Debt Relief Scammers Their Regards

By Bonifacio Sison, J.D. Candidate 2020 | October 31, 2017

It was indeed an unlucky Friday the 13th for student debt relief scammers following an [announcement](#) of a task force by the Federal Trade Commission along with 12 state attorney generals. Cases have been filed against companies, such as Student Debt Doctor and American Student Loan Consolidators, under an operation named Game of Loans. The accused companies have been charged with misleading debtors about their fees and student-loan payments. Seven FTC actions are involved in the operation: five new cases, a single new judgment in favor of the FTC, and a preliminary injunction for a case filed this past year.

Over 42 million Americans have student loan debts with an outstanding balance of more than \$1.4 trillion. After mortgages, student loans are the largest segment of U.S. debt. Student loan servicers assist student debtors with their payments, answer questions, and help them avoid defaulting on their loans. For this service, the federal government pays them millions of dollars.

The issue of fraud arises when these companies provide inconsistent or incomplete information, leaving student debtors vulnerable to scammers. It is [estimated](#) by the federal government that scammers have taken more than \$95 million in illegal fees over the years. One example involved companies charging an upfront fee of several hundred to over a thousand dollars for merely mailing out paperwork that student debtors can obtain and do themselves for free. In another instance, a Florida-based company promised its student debtors loan forgiveness in five years or less. However, the company falsified the student debtor's paperwork, such as income and employment status, in order to lower their monthly payments.

A precipitous rise in complaints by student debtors of fraud resulted from the federal government's broadening of repayment options and debt forgiveness plans. To avoid being scammed, an [advisory](#) by the Department of Education stated that student debtors looking for debt consultation should avoid companies that charge fees upfront, ask for bank account information or access to their federal student aid PIN. A company having access to this PIN number would allow them to act on behalf of the student debtor.

In the wake of Operation Game of Loans, state officials ranging from Colorado, Texas, the District of Columbia, among many others, are working together to protect student debtors and educate the general population about how to spot these scams and if they are scammed, where to seek help. "Winter is coming for debt relief scams that prey on hardworking Americans struggling to pay back their student loans," announced Maureen K. Ohlhausen, FTC Acting Chairman.