

CONSUMER ADVISORY

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Student Loan “Rescue” Companies Are No Lifeline!

As the number of student loans and their amounts continue to rise, so does the number of borrowers looking to lower monthly payments, reduce interest rates, or resolve delinquency or default issues. Some so-called solutions charge high fees for services that borrowers could get elsewhere for free. Others are criminal operations looking to steal identities and money.

Deceptive Methods

Many of these student loan “rescue” or “consolidation” businesses rely on deceptive names and websites to imply that they serve an official function. Some companies may lead you to believe that they’re working on behalf of the U.S. Department of Education or another federal or state agency, but these operations are working solely for their own benefit.

You may hear of these outfits through a variety of sources:

- Television, radio, or Internet ads promising drastically reduced payments, interest rates, or “insider” assistance in handling federal student loan repayment difficulties, such as delinquency or default.
- Unsolicited phone calls offering loan payment assistance. These callers might ask for personal information such as a consumer’s Social Security number, date of birth, U.S. Department of Education PIN, or bank account information.
- Internet search results for queries such as “student loan assistance,” “student loan rescue,” or “student loan repayment help.” These search results often lead to official-looking websites with names that may include national, federal, and other terms leading borrowers to believe that they’re dealing with a government agency.

Many of these organizations’ promises sound too good to be true. And that’s a red flag that it’s likely a scam.

Rescue Companies Often Carry Risks

The outcomes can vary greatly when doing business with student loan rescue companies. Unfortunately, you might not find out what sort of operation you’re dealing with until it’s too late. The most common types of student loan rescue businesses are:

- Companies operated by law offices or individual attorneys that offer no benefits to borrowers, other than those they could obtain for free by working with their student loan holder. In essence, these services charge a premium fee (often between \$300 and \$600) for what often amounts to simple form completion and submission.
- Scams where someone seeks to obtain a borrower’s personal and financial information. These scams will seek access to a borrower’s bank account to “automatically deduct payments,” and then use the information to take additional, if not all, money in the account. They may also use a borrower’s personal information, such as a Social Security number and date of birth to commit identity theft or sell the information to other scammers.
- “Long game” scammers will receive a service fee and down payment, and then collect monthly payments while claiming the funds apply toward the consumer’s loan balance or some form of consolidation or delinquency payment. Oftentimes, these scammers will collect payments over a period of time without ever applying them to a borrower’s monthly loan obligations. Consumers who fall prey will later find that they’ve lost a lot of money, and also incurred late fees or other penalties from their loan holder due to missed payments.

A Better Alternative: Federal Student Aid

If you’re looking to consolidate your student loans, postpone repayment, or lower monthly payments, you should first contact your loan holder directly to request information about your options and available assistance. Monthly billing statements include the loan holder’s name and contact information. You can obtain additional information regarding repayment plans and borrower assistance through the U.S. Department of Education’s Federal Student Aid website at www.studentaid.gov, or by calling the Federal Student Aid Information Center, toll-free, at 1-800-4-FED-AID (1-800-433-3243). If you think you’ve been victimized by a student loan rescue scam, file a complaint with the Attorney General’s Consumer Protection Division.