NCLC Advocates Applaud CFPB and Florida Attorney General Action Against Student Loan "Debt Relief" Companies

(BOSTON) Advocates at the National Consumer Law Center (NCLC) support today's action taken by the CFPB and the Florida Attorney General to shut down College Education Services and in a separate CFPB action to file a lawsuit against Student Loan Processing.US, student loan "debt relief" businesses.

NCLC highlighted concerns about the student "debt relief" industry in its 2013 report *Searching for Relief: Desperate Borrowers and the Growing Student Loan "Debt Relief" Industry*. Since then, according to NCLC's Student Loan Borrower Assistance Project Director Deanne Loonin, "we have unfortunately seen student loan debt relief business grow and engage in even more abusive practices. Too many of these companies charge even higher fees for services that borrowers can get for free." The NCLC report documented how borrowers, including some of the most vulnerable borrowers, stand to lose a lot of money and important rights if they sign up with these companies.

"We are alarmed at the proliferation of these companies, particularly the use of new and more aggressive marketing tactics," Loonin added, "The allegations in the CFPB and Florida Attorney General actions, as well as claims in the recent complaints filed by the office of Illinois Attorney General Lisa Madigan**,** demonstrate the broad reach of these companies and harm to consumers."

In its announcement, the CFPB focused on the connection between the growth of the debt relief industry and problems with student loan servicers. On the federal loan side, the government contracts with a number of for-profit and non-profit companies to help borrowers manage their debt. According to the CFPB, "As student loan borrowers run into roadblocks while trying to get help from their servicers, such as lost paperwork or payment processing problems, they may grow discouraged with their prospects of an alternative payment plan." Loonin concurred: "We call on federal policymakers and regulators to make significant improvements in the student loan servicing system so that borrowers can get quality service and might be less likely to turn to these unfortunate "debt relief" alternatives." NCLC's Student Loan Borrower Assistance Project created principles to improve federal student loan servicing, which include the following actions:

- Incentivize quality servicing and create real competition
- Provide relief for borrowers and information about relief options, and
- Punish the bad actors

Related Materials

- **CFPB press release, December 11, 2014:** http://www.consumerfinance.gov/newsroom/cfpb-takes-action-to-end-student-debt-relief-scams
- **Illinois Attorney General press release, July 14, 2014:** http://www.illinoisattorneygeneral.gov/pressroom/2014_07/20140714b.html

- **NCLC principles "Making Student Loan Servicing Work for Borrowers," Nov. 2014:** http://www.studentloanborrowerassistance.org/wp-content/uploads/2013/05/pb-servicing-principles-nov2014.pdf
- **NCLC report** *Searching for Relief: Desperate Borrowers and the Growing Student Loan "Debt Relief" Industry,* **June 19, 2013:** http://www.nclc.org/issues/searching-for-relief.html

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Since 1969, the nonprofit **National Consumer Law Center**® (NCLC®) has worked for consumer justice and economic security for low-income and other disadvantaged people, including older adults, in the U.S. through its expertise in policy analysis and advocacy, publications, litigation, expert witness services, and training. **www.nclc.org**

NCLC's **Student Loan Borrower Assistance Project** provides information about student loan rights and responsibilities for borrowers and advocates. We also seek to increase public understanding of student lending issues and to identify policy solutions to promote access to education, lessen student debt burdens, and make loan repayment more manageable. **www.studentloanborrowerassistance.org**