



Consumer Financial  
Protection Bureau

MAR 15 2016

## **CFPB Takes Action to Shut Down Illegal Student Debt Relief Scheme**

*Student Loan Processing.US and Owner Charged Student Loan Borrowers  
Millions in Illegal Fees*

**WASHINGTON, D.C.** — Today the Consumer Financial Protection Bureau (CFPB) requested that a federal district court enter a final judgment and order that would shut down a student debt relief scheme that charged borrowers millions of dollars in illegal upfront fees for federal student loan services. If approved by the court, the proposed judgment would ban the company, Student Loan Processing.US, and its sole owner, James Krause, from any future involvement in debt relief and student loan services.

The order would also require the company to pay refunds to thousands of harmed consumers and a civil money penalty.

“Student Loan Processing.US and its owner, James Krause, preyed upon students looking for loan repayment help and fleeced them out of millions,” said CFPB Director Richard Cordray. “The Bureau is taking action to shut down the unlawful operation permanently and to prevent the company and its owner from participating in the student lending and debt relief industries ever again.”

Student Loan Processing.US is headquartered in Laguna Niguel, Calif., with an office in Dallas, Texas. The company also operates under the name IrvineWebWorks, Inc. and runs websites at StudentLoanProcessing.us, StudentLoanProcessing.org, and slpus.org. The student debt relief company has been in operation since at least May 2011 and its customers are located throughout the United States. James Krause is the company’s founder, president, and sole owner.

In December 2014, the CFPB filed a lawsuit against Student Loan Processing.US and Krause in federal district court in California alleging that the defendants charged consumers illegal upfront enrollment fees before providing any services, deceived customers about the costs of their services, and falsely represented an affiliation with the Department of Education.

**A copy of the proposed final judgment and order can be found at:**

[http://files.consumerfinance.gov/f/201603\\_cfpb\\_proposed-stipulated-final-judgment-and-order-student-loan-processing-us.pdf](http://files.consumerfinance.gov/f/201603_cfpb_proposed-stipulated-final-judgment-and-order-student-loan-processing-us.pdf)

**The CFPB’s complaint against Student Loan Processing.US can be found at:**

[http://files.consumerfinance.gov/f/201603\\_cfpb\\_proposed-stipulated-final-judgment-and-order-student-loan-processing-us.pdf](http://files.consumerfinance.gov/f/201603_cfpb_proposed-stipulated-final-judgment-and-order-student-loan-processing-us.pdf)

The Department of Education offers numerous plans to borrowers with federal student loans to make payments more affordable. These include options that let borrowers set their monthly payment based on their income. The Department of Education does not charge any fees to apply for or enroll in these plans, for which millions of student loan borrowers qualify.

According to the CFPB lawsuit, Student Loan Processing.US illegally marketed and sold services promising to advise and assist borrowers applying for Department of Education student loan repayment programs. The company charged consumers an initial

enrollment fee for its services of 1 percent of the borrower's federal student loan balance plus a monthly maintenance fee of at least \$39 per month for the entire repayment term of the borrower's federal student loan. During initial enrollment calls with customers, the company's representatives failed to disclose the recurring monthly fee before collecting payment information from the customer. The complaint alleges that the defendants also misrepresented the amount and duration of that fee.

## 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. If the proposed consent judgment is entered by the court, Student Loan Processing.US and Krause must:

- **Shut down illegal operations:** Student Loan Processing.US must shut down all operations within 45 days of the entry of the court's judgment.
- **Cancel all contracts with consumers and stop charging them:** The company must immediately stop charging customers any fees for its services. All contracts between Student Loan Processing.US and its customers would also be cancelled.
- **Pay consumer refunds:** The order imposes a judgment for relief and damages to consumers of over \$8.2 million. A significant portion of that payment, however, is suspended based on the defendants' inability to pay. Under the terms of the order, a payment of approximately \$326,000 would be sent to the Bureau and would be distributed to compensate victims of the defendants' illegal activities.
- **Stop participating in the debt relief and student loan industries:** James Krause and Student Loan Processing.US would be permanently barred from marketing or providing debt relief and student loan services. Krause and the company would also be permanently barred from assisting anyone else who markets or provides such 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 who have recertification or renewal deadlines for these programs that are within 30 days of the entry of the judgment, the company must prepare, process, and mail to the Department of Education all paperwork necessary for recertification or renewal. The company must also mail a notice informing customers that it is shutting down and reminding them of the steps that must be taken to remain enrolled in the Department of Education's student loan repayment programs.
- **Pay a civil penalty:** The order also imposes a penalty of at least \$1 to be paid into the CFPB's Civil Penalty Fund. By requiring the defendants to pay a penalty of at least \$1, victims of the defendants' illegal practices may be eligible for additional relief from the CFPB Civil Penalty Fund in the future, although that determination has not yet been made. The Bureau is seeking this nominal penalty because of the defendants' limited financial resources.

The proposed final judgment and order filed today follows a Feb. 5, 2016 court ruling in favor of the CFPB on its claim that the defendants violated the Telemarketing Sales Rule by charging customers an advance fee before providing the debt relief service they advertised. That ruling also found in favor of the CFPB on its claims that the defendants violated the Telemarketing Sales Rule and the Dodd Frank Act's prohibition against deceptive acts or practices by collecting payment information from customers before disclosing the total cost of the company's services.

This ruling creates an important precedent in the student debt relief market. It establishes that companies offering to enroll students in Department of Education repayment programs may be running afoul of federal consumer financial laws if such companies collect upfront fees, or do not clearly disclose all fees for their services before the consumer supplies any payment account information.

**The court ruling can be found here:**

[http://files.consumerfinance.gov/f/201603\\_cfpb\\_court-ruling-student-loan-processing-us.pdf](http://files.consumerfinance.gov/f/201603_cfpb_court-ruling-student-loan-processing-us.pdf)

# Consumer Alert

Affected Student Loan Processing. US 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 Loan Processing.US and Krause. 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. The Bureau also estimates that more than one-in-four student loan borrowers are past-due or in default on a student loan. Borrowers who run into trouble with companies offering debt relief services when repaying student loans can submit a complaint.

**More information is available at:** [www.consumerfinance.gov/students](http://www.consumerfinance.gov/students)