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# CFPB Takes Action to End Student “Debt Relief” Scams

## *CFPB Warns Borrowers About Companies Charging High Fees for Free Federal Loan Repayment Benefits*

**WASHINGTON, D.C.** — Today, the Consumer Financial Protection Bureau (CFPB) took action to put an end to two student “debt relief” scams that illegally tricked borrowers into paying upfront fees for federal loan benefits. The CFPB, in a joint filing with Florida’s Attorney General, shut down student debt relief company College Education Services and separately filed a lawsuit against Student Loan Processing.US for illegally marketing student debt relief services. The Bureau is issuing a consumer advisory today warning student loan borrowers to be wary of paying high fees for free federal loan benefits.

“Student loans are already a significant debt for many Americans. College Education Services and Student Loan Processing.US added to that hardship by taking advantage of troubled borrowers and failing to describe their services honestly,” said CFPB Director Richard Cordray. “When scam artists prey on student loan borrowers, we will take action to halt their illegal activity.”

The U.S. 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. Monthly payments under these plans can be as low as zero dollars per month for unemployed or very low-wage borrowers. The Department of Education does not charge any fees to apply for or enroll in these plans, for which many student loan borrowers qualify.

## College Education Services Banned from Industry

College Education Services, its owner, Marcia Elena Vargas, and advisor and employee, Frank Liz, marketed and advertised debt relief services to student loan borrowers with loans in default. Based in Tampa, Florida, the company advertised through Internet ads and operated websites including

CollegeDefaultedStudentLoan.com and HelpStudentLoanDefault.com. The company reaped millions of dollars in advance fees from thousands of consumers before it ceased operations around February 2013. Specifically, College Education Services:

- **Charged illegal advance fees:** Federal law requires at least one debt to be renegotiated, settled, or reduced before a fee can be collected for debt relief services. But College Education Services charged consumers between \$195 and \$2,500 and required all, or a substantial portion, of its fees to be paid upfront; the average fee was about \$500. The company even took money from financially distressed consumers who could not qualify for loan consolidation, income-driven payment plans, or loan forgiveness programs.
- **Falsely promised lower payments:** Presenting themselves as “counselors,” College Education Services’ telemarketers promised consumers that they could solve all the student loan issues that plagued consumers. Internet ads and telemarketers guaranteed lower monthly payments for consumers. One College Education Services’ ad said, “Cut Your Student Loan Monthly Payment Up to 50% – Save Today!” The company often failed to deliver the promised results. For some consumers who qualified for loan consolidation, College Education Services selected monthly repayment plans that increased their monthly payments.
- **Falsely claimed quick relief from default or garnishment:** The company promised quick relief from default or garnishment. Garnishment is when a court order allows money to be taken from a consumer’s salary, bank account, or other asset when she owes money. But the principal debt relief approach the company used – loan consolidation – did not and could not ensure those benefits in all cases, and not in the quick timeframe the company promised.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Bureau has the authority to take action against companies engaging in unfair, deceptive, or abusive practices. Today, the Bureau asked a federal district court to enter a consent order that would permanently ban College Education Services,

Liz, and Vargas from engaging in any debt relief businesses. In addition to the permanent ban, the proposed order requires College Education Services, Vargas, and Liz, to pay a \$25,000 civil penalty, which was based on the defendants' inability to pay a more substantial amount.

The College Education Services proposed consent order can be found at:[http://files.consumerfinance.gov/f/201412\\_cfpb\\_consent-order\\_the-college-education-services.pdf](http://files.consumerfinance.gov/f/201412_cfpb_consent-order_the-college-education-services.pdf)

The State of Florida joined the Bureau in today's lawsuit against College Education Services. More information will be available at:<http://www.myfloridalegal.com/newsrel.nsf/newsreleases>

## Student Loan Processing.US Sued

Student Loan Processing.US, a fictitious business name of Irvine Web Works, Inc., is headquartered in Laguna Niguel, California, with an office in Dallas, Texas. The CFPB alleges that since at least July 2011, the company and its owner, James Krause, has been marketing and advertising services to advise and assist borrowers applying for Department of Education federal student loan repayment programs. The company operates websites under the names StudentLoanProcessing.us, StudentLoanProcessing.org, and slpus.org. In the complaint filed today, the Bureau is accusing the company and Krause of:

- **Falsely representing an affiliation with the U.S. Department of Education:** Claiming to be a “consultation service,” Student Loan Processing.US implies to consumers that it is affiliated with the Department of Education. The company uses a logo that resembles a government seal, stamps “Official Business” on its mail to consumers, and cites federal law prohibiting mail tampering to create the impression that the marketing material is sent or endorsed by the federal government.
- **Charging illegal advance fees:** Student Loan Processing.US charges consumers considerable upfront enrollment fees of either 1 percent of the consumer's federal student loan balance or \$250, whichever is higher. The company requires payment of the entire fee before it even mails application materials to consumers.

- **Deceiving borrowers about the costs and terms of its services:** Student Loan Processing.US fails to clearly explain and disclose that it charges a monthly service fee that continues until the consumer's federal student loans are paid in full or discharged, a timeframe that could last decades. In certain cases, the company advises consumers who may qualify for zero payments to pay \$39 a month – without adequately explaining that the \$39 is going to Student Loan Processing.US as a fee.

Under the Dodd-Frank Wall Street Reform and Consumer Protection Act, the CFPB has the authority to take action against companies engaging in unfair, deceptive, or abusive practices. In today's lawsuit, the Bureau is seeking to stop the illegal conduct. In addition, the Bureau is seeking restitution to consumers harmed and a civil money penalty against Student Loan Processing.US and Krause.

The Student Loan Processing.US complaint can be found at:[http://files.consumerfinance.gov/f/201412\\_cfpb\\_complaint\\_student-loan-processing.pdf](http://files.consumerfinance.gov/f/201412_cfpb_complaint_student-loan-processing.pdf)

## Consumers Warned About Student Debt Relief Scams

As student loan borrowers run into roadblocks while trying to get help from their loan servicers, such as lost paperwork or payment processing problems, they may grow discouraged with their prospects of an alternative payment plan. In a consumer advisory issued today, the CFPB warns students to avoid paying for plans that they can easily get for free. The services offered by third-party debt relief providers are not a substitute for high-quality student loan servicing and may cost borrowers thousands of dollars and drive them further into debt.

The CFPB's consumer advisory points out that enrollment in alternative repayment programs, like the Income-Based Repayment program or the Pay As You Earn program, is available at no cost to federal student loan borrowers. Companies offering special services do not have the ability to negotiate with creditors in order to obtain a "special deal" under the federal student loan programs. The advisory also provides warning signs that a company offering student loan debt relief may be a scam. These signs include:

- **Pressure to pay high upfront fees:** Consumers should avoid companies that require payment before they actually do anything, especially if they try to get a credit card number, bank account information, or require that consumers sign a contract.
- **Requests for a Federal Student Aid PIN:** Consumers should be cautious of companies that ask for their Federal Student Aid PIN. This unique ID is the equivalent of a consumer's signature and giving it away is giving a company the power to perform actions on the consumer's student loan. Honest companies will work with consumers to come up with a plan without the PIN.

### **The 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 announced that [outstanding student debt totals nearly \\$1.2 trillion](#). Most of this debt is from federal government student loans. The Bureau also estimates that [7 million student loan borrowers](#) are now in default on their debt. Borrowers who run into trouble with companies offering debt relief services when repaying student loans can [file a complaint](#).

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

The Bureau's complaints and consent orders are not findings or rulings that the defendant has actually violated the law.

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*The Consumer Financial Protection Bureau is a 21st century agency that helps consumer finance markets work by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. For more information, visit [consumerfinance.gov](http://consumerfinance.gov).*