Steer Clear of Student Loan Scammers with Hollow Promises, High-Pressure Tactics

Nonprofit credit, student loan counseling agency Take Charge America educates borrowers about red flags as they seek repayment options.

PHOENIX – (Jan. 11, 2017) – With the U.S. Department of Education reporting that more than 40 percent of all borrowers are late or in default, it’s no wonder fake or unethical student debt relief companies are popping up everywhere.

“Borrowers are more stressed than ever before about repaying their loans,” said Sarah Hamilton, student loan supervisor for Take Charge America, a national nonprofit credit counseling and student loan counseling agency. “Scammers prey on their anxiety, promising to clear their debt for steep fees. Their best bet is to work directly with their student loan servicer or a nonprofit counselor to identify the best repayment options.”

To help sort the confusion, Hamilton offers signs of potential repayment scams:

- **Excessive Fees**: Many scammers promise lower rates or debt elimination in exchange for hefty fees ranging from $600 to $1,200. If you have federal student loans (which account for the vast majority of student loans), you can manage the repayment process yourself for free at studentloans.gov. Or, if you want objective, one-on-one assistance navigating the system and working with loan servicers, you can seek guidance from a nonprofit student loan counseling agency for half the rate, and a much more comprehensive service.

- **High-Pressure Tactics**: Scammers may pressure you with “limited-time” or “exclusive” offers. Often, these companies put you into loan deferment or forbearance, which seems to solve the problem for the short term but doesn’t address the root issue. When it comes to student loan repayment, there aren’t any special deals.

- **Instant Forgiveness**: A promise of instant loan forgiveness or “Obama forgiveness” is irresistible. Scammers may ask for your private data and charge a fee, which seems a small price to pay to wipe out debt. In reality, instant forgiveness doesn’t exist, and any promises should serve as red flags.

In very rare cases some borrowers with permanent disability can obtain forgiveness, but that involves detailed monitoring and can only be granted directly through the Department of Education. Forgiveness programs for public service employees, nonprofit workers and teachers are available, yet they require 5 to 10 years of service within the industry. Moreover, most for-profit organizations don’t even bring up legitimate forgiveness programs because they can’t turn a quick profit.
• **Power of Attorney:** Scammers may tell you they require power of attorney to reduce your debt, which enables them to alter your student loans without your consent. If authorization falls in the wrong hands, it could cause irreversible damage.

• **Unsolicited Assistance:** If you receive cold calls from so-called relief companies, steer clear. Your student loan servicer will not contact you in an unsolicited manner, nor will a nonprofit counseling agency.

• **Credibility:** Fly-by-night companies will not be listed with the Better Business Bureau or other services assessing the credibility of an organization. If you are considering assistance from a third party, verify with the BBB first at bbb.org.

Borrowers seeking more information about student loan repayment options can visit Take Charge America at studentloans.takechargeamerica.org or call (877) 784-2008.

**About Take Charge America, Inc.**

Founded in 1987, Take Charge America, Inc. is a nonprofit agency offering financial education and counseling services including credit counseling, debt management, student loan counseling, housing counseling and bankruptcy counseling. It has helped more than 1.6 million consumers nationwide manage their personal finances and debts. To learn more, visit www.takechargeamerica.org or call (888) 822-9193.

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