

Stop Student Debt Relief Scams Act of 2019

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With everyday Americans facing nearly \$1.5 trillion in student loan debt, borrowers are looking for relief wherever they can find it. There are options for struggling federal student loan borrowers to get help with lowering or postponing their payments or applying for relief, all of which are available for free. Income-driven repayment, deferment, forbearance, consolidation, rehabilitation, and even some programs for loan forgiveness, are available without fees or hidden charges. Unfortunately, many individuals do not receive the right information about these opportunities and finding out how to qualify and apply can be challenging.

Debt relief scams falsely promise borrowers a quick fix with little hassle. These schemes robocall student loan borrowers until they agree to pay thousands of dollars in unnecessary and exorbitant fees for services that are already available for free. They claim to reduce or forgive borrowers' student debt and take care of all the paperwork. Some even purport to be associated with the federal government. Most victims of these deceptive debt relief scams are not only defrauded by the companies that promised to help them, but unknowingly become delinquent on their payments and default on their loans, miss communications with their servicers, and fall even deeper into debt. The **Stop Student Debt Relief Scams Act of 2019** would accelerate the end to this rampant misconduct.

While the U.S. Department of Education, Federal Trade Commission, and numerous state attorneys general have taken important steps to crack down on debt relief scams, they do not have the appropriate tools to help shut down fraudsters and protect federal student loan borrowers. In a March 2018 report, the U.S. Department of Education's Office of Inspector General recommended that Congress strengthen federal law to help stop scam artists that fraudulently obtain access to borrower's online login credentials, primarily by imposing meaningful financial penalties and prosecuting individuals and entities perpetrating these scams. The **Stop Student Debt Relief Scams Act of 2019** will enhance law enforcement and administrative abilities to identify and shut down student debt relief scams. Based in large part on the Inspector General's recommendation, the Act:

- Clarifies that it is a federal crime to access U.S. Department of Education information technology systems for fraud, commercial advantage, or private financial gain, and fines scammers up to \$20,000, up to 5 years imprisonment, or both, for violations of the law.
- Directs the U.S. Department of Education to create a new form of third-party access, akin to the current "preparer" function on the Free Application for Student Aid (FAFSA) for those applying on behalf of a student and their family, in order to protect legitimate organizations—such as legal aid groups—that help borrowers navigate repayment.
- Requires the U.S. Department of Education to maintain common-sense reporting, detection, and prevention activities to stop potential or known debt relief scams.
- Requires student loan exit counseling to warn federal loan borrowers about debt relief scams, in recognition of the fact that borrowers may fall prey to false promises because they lack sufficient information on legitimate programs to help them manage repayment.

This bill is endorsed by Education Finance Council, Generation Progress, National Consumer Law Center (on behalf of its low income clients), National Council of Higher Education Resources, Student Loan Servicing Alliance, The Institute for College Access and Success, and Young Invincibles.