



Attorney General Raoul Applauds First Chamber Passage Of Legislation To Protect Student Borrowers From Debt Relief Scams

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CHICAGO – Attorney General Kwame Raoul applauded the Illinois House of Representatives and the Illinois Senate for bipartisan passage of his legislation that protects student loan borrowers from student loan debt relief companies (SLDRs) that often prey on borrowers by charging high fees for services they cannot provide, such as loan forgiveness and cancellation.

House Bill 3136, sponsored by Rep. Mike Zalewski, and Senate Bill 669, sponsored by Sen. Omar Aquino, both codify existing law to streamline the regulation and prosecution of student loan debt relief scams to better protect students from unfair, deceptive and predatory practices. The legislation will allow the Attorney General's office and the Illinois Department of Financial and Professional Regulation (IDFPR) to address student loan debt relief scams on a systemic, rather than case by case, basis. HB 3136 was passed unanimously by the House, and SB 669 was passed unanimously by the Senate.

“Student loan debt relief scams continue to involve unfair and deceptive practices being used to enroll borrowers in fraudulent services and charge unlawful fees, and these scams are only expected to increase when the COVID-related pause in federal student loan payments inevitably comes to an end,” Raoul said. “This legislation will protect borrowers from these predatory companies and allow my office to better hold them accountable for taking advantage of those struggling to pay their student loan debt. I appreciate the Legislature's support and look forward to final passage of this important measure.”

“Student loan debt relief companies have scammed Illinois residents trying to pay their debt out of thousands of dollars,” Aquino said. “I am proud to work alongside the Attorney General and my fellow sponsors on this legislation that will create better protections against these scams and protect student borrowers from predatory companies.”

“I am glad to work with General Raoul and Sen. Aquino to make the case this session for bringing these predatory student lending practices under control,” Zalewski said. “Too many young people turn to these debt relief scams for help, only to find themselves in a deeper hold. We will demand more reasonable and transparent debt relief practices to protect Illinoisans from becoming victims.”

Over 44 million Americans hold over \$1.6 trillion in student loan debt, and borrowers struggle to afford their payments on a daily basis. SLDRs take advantage of Illinois borrowers struggling to repay their loans by using high-pressure tactics and offering false hope of debt forgiveness, cancellation, and reduction. SLDRs charge borrowers high upfront fees for debt relief services that are largely available for free through the United States Department of Education and then fail to render any services, let alone anything resembling the promised or advertised results. The majority of these companies currently are unlicensed in Illinois, and these companies have scammed Illinois consumers out of thousands of dollars, resulting in harm to credit scores and pushing struggling borrowers into default and deeper into debt.

HB 3136 and SB 669 expand the Illinois Debt Settlement and Consumer Protection Act to specifically address student loan debt relief providers. The legislation codifies injunctive relief obtained through law enforcement actions; will allow the Attorney General’s office and IDFPR to target scams on a systemic rather than case-by-case basis; and supplements the Attorney General’s office’s authority to prosecute violations of the Illinois Debt Settlement and Consumer Protection Act as unfair and deceptive practices.

Additionally, HB 3136 and SB 669:

- Prohibit SLDRs from charging upfront fees in excess of \$50 and receiving any additional fees before services are rendered.
- Require SLDRs to inform consumers that the provider is not affiliated with the federal government, and about the availability of free support through a servicer and the government.
- Prohibit other unlawful activity, including: obtaining FSA IDs in violation of federal law, guaranteeing specific outcomes, instructing borrowers to cut off contact with their lenders and servicers, and using referral gifts or bonuses.

The Illinois Attorney General's office has long been a national leader in investigating and enforcing consumer protection violations in the higher education field. In 2014, the Illinois Attorney General filed the first lawsuits in the nation against SLDRs. Since 2014, by successfully litigating 10 enforcement actions, the Attorney General's office has recovered over \$100,000 in restitution for Illinois consumers harmed by student loan debt relief scams and collected penalties of more than \$25,000. Attorney General Raoul has also overseen the rollout of the state's first Student Loan Ombudsman, a position created by the Student Loan Servicing Rights Act, to provide resources for student borrowers who are struggling to make student loan payments.

Student borrowers who have questions or are in need of assistance can call the Attorney General's Student Loan Helpline at 1-800-455-2456.