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ATTORNEY GENERAL RAOUL APPLAUDS PASSAGE OF LEGISLATION TO PROTECT STUDENT BORROWERS FROM DEBT RELIEF SCAMS

Chicago — Attorney General Kwame Raoul applauded the General Assembly's bipartisan passage of his legislation to protect 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.

Senate Bill 669, sponsored by Sen. Omar Aquino and Rep. Mike Zalewski, codifies existing law to streamline the regulation and prosecution of student loan debt relief scams and 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. SB 669 passed with unanimous support and will now be sent to the governor.

"As we recover from the COVID-19 pandemic, this legislation is needed now more than ever to protect student borrowers from predatory companies that will take advantage of those struggling to pay their student loan debt," Raoul said. "I appreciate the Legislature's support and look forward to these protections being codified into law so that my office can better protect borrowers and hold these companies accountable for their unfair and deceptive practices."

"Student loan debt relief companies attract borrowers with fraudulent services and then charge unlawful fees on top of their existing debt," Aquino said. "This legislation will create better protections against these scams and protect student borrowers from falling victim to these predatory schemes."

"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 hole. 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, hurting credit scores and pushing struggling borrowers into default and deeper into debt.

SB 669 expands the Illinois Debt Settlement and Consumer Protection Act to specifically address student loan debt relief companies. 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 Office of the Attorney General's authority to prosecute violations of the Illinois Debt Settlement and Consumer Protection Act as unfair and deceptive practices.

Additionally, SB 669:

- Prohibits SLDRs from charging upfront fees in excess of \$50 and receiving any additional fees before services are rendered.
- Requires 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.
- Prohibits 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.