

Know Before You Owe!

Avoiding Student Loan Scams

Who Do Con Artists Target?

While con artists target people who have access to money, they also target people who need money.

The more someone is desperate for money, the more susceptible they are to offers of assistance.

People Seeking Higher Education

Applicants to public universities, community colleges, private colleges and trade schools are targeted because:

- Most applicants need some kind of financial assistance;
- They want to reduce amount they borrow – looking for grants and scholarships;
- Federal student loans may not cover full cost of tuition, housing, books, food, etc.

Con Artist Logic

Goal: To trick or intimidate you into paying money or providing personal information (that can be used to obtain credit, government benefits or commit crimes).

- Nearly all scams involve imposters who pretend to be someone you know or can trust:
 - They may already have some personal info about you;
 - They want you to rely on their “expertise;”
 - They want you to act before you think.

How Imposter Scams Work

- You are contacted by someone pretending to be with a well known or legitimate-sounding organization;
- You are asked for personal information or money;
- You are pressured to act quickly;
- You have to send money by wire transfer or pre-paid card (like paying cash) or provide routing info for your bank account;
- Most imposters contact you by phone but may also use e-mail or letters.

Scholarship Scams

Guarantee they'll get you scholarships (or award you a scholarship themselves) in exchange for advance fee.

- May offer a "money back guarantee" – but attach conditions that make it impossible to get the refund;
- May claim you've been selected as a "finalist" for awards by another entity that requires an up-front fee.

Financial Aid Scams

Claim to have programs that will make you eligible for financial aid including: grants, loans, work-study and other types of aid.

- They'll handle all the paperwork – for an advance fee;
- May ask for your checking account info to "confirm eligibility;"
- May ask for a small "monthly" or "weekly" fee to be debited directly from your account for an unstated length of time;

Remember: The only application that will determine eligibility for federal programs is the FAFSA – you can complete/submit it for free.

Tell-Tale Scammer Statements

- "You've been selected" by a "national foundation" to receive a scholarship or financial aid;
- The scholarship is "guaranteed or your money back;"
- "You can't get this information anywhere else;"
- "We'll do all the work. You just pay a processing fee;"
- "I just need your credit card or bank account number to hold this scholarship."

Do Legitimate Companies Exist?

Yes - Legitimate companies may charge an advance fee:

- For access to lists of scholarships, or online search engines;
- To compare your profile with a database of scholarship opportunities and then give you a list of the awards for which you may qualify.

These companies do provide the promised service but the service may be something you can do yourself. If you want this kind of help, make sure to comparison shop.

Legitimate companies never guarantee or promise scholarships or grants.

Be a Skeptic!

- Take your time;
- Avoid high-pressure sales pitches of “now or never;”
- Investigate any organization that asks you to pay for help. You may be able to get the same help for free;
- Be wary of "success stories." Shills get paid to give glowing reviews. Ask for a list of at least 3 local families who've used the service;

Be a Skeptic!

- Be suspicious of those who are reluctant to answer questions or who give evasive answers;
- Get in writing: the total cost for the service, the services that will be performed and the company's refund policy.

People With Student Loan Debt Are Also Targets

Targeted because:

- They are unable to get a job or job pays too little;
- They co-signed a loan for someone who can't pay;
- They don't know about loan modification programs, or they are ineligible for a modification;
- Their loan modification doesn't provide enough help;
- Bankruptcy isn't a viable option. Student debt is almost never discharged by bankruptcy.

Phony Collection Scams

- Caller claims to be with the police or other authority figure calling about your student loan debt;
- Caller is very threatening – states or implies that if you don't pay you will be arrested, have criminal charges filed against you or be deported;
- Remember: The police never get involved in debt collection.

Student Debt Relief Scams – Federal

Con artists often:

- Fail to disclose if you are eligible for loan forgiveness;
- Claim a special expertise or a relationship with the Department of Education;
- Claim you're preapproved for specified programs;
- Charge large up-front fees to enroll you in a payment plan that's available for free.

Remember:

- Enrollment in repayment programs is available at no cost to Federal student loan borrowers – [StudentLoans.gov](https://studentloans.gov);
- Debt relief companies don't have the ability to negotiate with federal student loan creditors to get better deals;
- Payment amounts, qualifiers, and requirements for repayment programs are set by Federal law;
- Student loan debt must always be repaid – only a few exceptions are allowed under federal bankruptcy law.

Student Debt Relief Scams – Private

Con artists claim:

- They can get you the best interest rate and loan terms for an advance fee;
- They can save you money by consolidating your debt for an advance fee, then do nothing;
- They are referring you to a law firm who will “settle” your debt at a discount, or eliminate it completely.

Warning Signs of Fraudulent Student Debt Relief Offer

- Pressure to pay up-front fees;
- Promises of immediate loan forgiveness or debt cancellation;
- Demand that you sign a “third party authorization” or a “power of attorney” that gives them legal permission to talk directly to your student loan servicer and make decisions on your behalf;

Warning Signs of Fraudulent Student Debt Relief Offer

- Ask you to pay them directly, promising to pay your servicer each month when your bill comes due;
- Request your Federal Student Aid PIN. Your PIN allows access to information about your federal student loans and can act as the equivalent of your signature.

Pass It On!

- Studies show that people pay more attention to information they get from “trusted” sources than from government agencies or the media.
- Help your family, friends and neighbors by passing on the info you heard today.

Contact Us!

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