



July 14, 2014

MADIGAN FILES LAWSUITS OVER NEW STUDENT LOAN DEBT SCAMS***First Lawsuits in the Country Target Debt Relief Scams that Prey on People Struggling to Repay Student Loans***

Chicago — Attorney General Lisa Madigan today filed lawsuits targeting a new industry of student loan debt scams that seek to exploit people struggling to repay their debt. The lawsuits are the first in the nation to crack down on an emerging industry of scam operations charging large upfront fees for bogus services or for government services that are already free of charge.

Madigan filed the suits earlier today against [First American Tax Defense LLC](#), based in Chicago, and [Broadword Student Advantage LLC](#), based in Frisco, Texas, alleging the unlicensed companies engaged in deceptive marketing practices and illegally charged consumers hundreds of dollars in upfront fees to reduce or eliminate their student loan debt burden. In reality, Madigan alleges, the companies sought to scam vulnerable people into paying as much as \$1,200 upfront for bogus services, including assistance enrolling in a fake “Obama forgiveness program,” or for government services that are already free of charge.

“These companies illegally charge fees for services that student loan borrowers can obtain themselves through government programs at no cost,” Madigan said. “My office will be aggressive in cracking down on scam operations that prey on student loan borrowers for profit.”

Student loan debt levels have grown to historic proportions, now affecting nearly 40 million Americans who have \$1.2 trillion in outstanding debt. Madigan’s lawsuits targeting these scam operations allege that First American and Broadword Student Advantage are doing an end-run around an Illinois law that she wrote to ban companies from charging people upfront fees for so-called debt settlement services.

Madigan’s lawsuits allege First American and Broadword Student Advantage have advertised heavily on the radio in Chicago and downstate, offering consumers a myriad of options to ease their debt burden based on the companies’ alleged expertise and false affiliation with the U.S. Department of Education to consolidate or forgive their loans. The companies are alleged to offer to cut student loan payments in half or eliminate them entirely, and specifically offer public service employees a loan debt forgiveness program for which the companies could not qualify them. The lawsuit against First American specifically advertises an “Obama forgiveness program” that is not an actual government program.

The lawsuits allege the companies are in violation of the Illinois Consumer Fraud and Deceptive Business Practices Act, the Credit Services Organizations Act, and the Debt Settlement Consumer Protection Act. In 2010, Madigan crafted and helped pass the Debt Settlement Consumer Protection Act to ban companies from charging upfront fees to consumers for help with debt relief. Today’s lawsuits allege the companies are not complying with the requirements of the Debt Settlement Consumer Protection Act and in addition are not providing any meaningful assistance to reduce consumers’ student loan debt.

In announcing the lawsuits, Madigan urged current and former students never to pay upfront for help with student loan debt relief. For information on legitimate sources of free assistance, consumers can contact the [Consumer Financial Protection Bureau](#) or the [National Consumer Law Center](#). For problems with your student loan servicer or a debt collector, consumers can also contact the U.S. Department of Education’s Student Loan Ombudsman at 1-877-557-2575 or www.ombudsman.ed.gov, the [Consumer Financial Protection Bureau](#) or Attorney General Madigan’s Consumer Fraud Hotline at 1-800-386-5438.

“We applaud the Attorney General for cracking down on scammers targeting student loan borrowers,” said Dev Gowda of Illinois Public Interest Research Group. “Consumers experiencing problems with their student loans such as fraudulent activity should bring their complaints to the Attorney General’s office, and also to the Consumer Financial Protection Bureau, which our report, ‘Private Loans, Public Complaints’ has found to get real results for students.”

Assistant Attorneys General Joseph Pham and Rebecca Pruitt are handling the cases for Madigan's Consumer Fraud Bureau.

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