

CFPB Shuts Down Debt Relief Provider Over Fraudulent Student Loan Practices

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On May 20, the CFPB [settled](#) an enforcement action against a California-based telemarketing firm for practices related to student loan debt relief services. The Bureau has ordered the firm to permanently halt operations and pay a \$400,000 civil money penalty, in addition to ordering the rescission of all the firm's existing contracts with consumers.

The Bureau's investigation revealed that the firm, which began selling and administering debt relief services in 2016, charged illegal advance fees for student loan debt relief services and misrepresented to consumers that advance fees would go toward paying down their loans. The company engaged lead generators to boost its inbound telemarketing calls through email and internet marketing campaigns.

Specifically, the CFPB found the firm violated the Telemarketing Sales Rule by:

- Charging fees regardless of success in loan relief. The Bureau found the company imposed installment fees, which were collected before the firm negotiated any debt relief for the borrower. For example, the company charged fees ranging from \$99 to \$199 to prepare and submit forbearance applications to the Department of Education on consumers' behalf, and collected additional monthly fees.
- Misrepresented how fees would be applied. The company falsely claimed these fees would be used to pay down student loans when they were not.
- Misleading consumers about their services. The company failed to fulfil promises to help borrowers consolidate their student loans, reduce monthly payments, and obtain loan forgiveness.

The company was also found to have further misrepresented to consumers that it was affiliated with and endorsed by the Department of Education.

Putting It Into Practice: The enforcement action underscores the strong stance the Bureau and the FTC have taken against debt relief practices (previously discussed [here](#), [here](#), [here](#), [here](#), and [here](#).) Companies offering debt relief services, especially in connection with student loans, should take note and ensure their business models complies with applicable federal law. Any type of advance fee, whether it be a downpayment for services or a monthly subscription fee, will be viewed with skepticism, even if a consumer later benefits from the company's services.

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