



Be Wary of STUDENT LOAN SCAMS

BY MICHELLE NEWMAN, ESQ.

For many practicing attorneys, law school served as a launch pad for significant opportunity and success, but also for significant debt. While some attorneys were able to attend law school without the assistance of student loans, the reality is that most were not. For instance, 63 percent of students who graduated from the William S. Boyd School of Law at UNLV in 2018 left with an average debt of \$83,837.¹ Eighty-nine percent of students who graduated in 2018 from the University of the Pacific, McGeorge School of Law left with an average debt of \$145,403.² For most practicing attorneys, law school debt is an inevitable occurrence that is willingly accepted in exchange for the chance to pursue a worthy occupation.



Wherever you may be in your career and student loan repayment journey, the time you spend working on a plan for your own financial wellness is time spent well.

This work can include learning about the various student loan repayment options available to you based on your particular situation, mapping out a viable plan for loan repayment or educating yourself on how to avoid scam debt relief companies as well as companies whose business models consist of selling you services you could accomplish on your own and with little effort.



Scams Are Big Business

In 2017, as part of a collaborative enforcement project, the Federal Trade Commission (FTC) announced that individuals in 11 states and the District of Columbia were swindled out of \$95 million in connection with student loan scams.³ These scammers have not stopped, but instead have capitalized on change and fear. For instance, the recent proposed elimination of the Public Service Loan Forgiveness Program has been used as a scare tactic by companies that state they can help with student loan debt relief or debt management. To make themselves appear more believable, these companies may even have access to your loan balance or falsely represent they are connected with the U.S. Department of Education. While some companies are complete shams that will simply take your money and run, others, while legal entities, pressure attorneys into paying for services the attorney could effortlessly do on his or her own for no cost. While companies that are scams should be obviously avoided completely, attorneys should know that legal student loan debt relief and debt management companies, in general, do not provide any services that cannot be completed by an attorney him or herself with a bit of self-education.

If you receive a call or letter from a student loan debt relief or debt management company, follow these tips:

- Know that, generally, the company cannot guarantee you anything that you cannot receive directly from the U.S. Department of Education or loan servicer on your own, without the company's assistance. The company has no authority or unique ability to reduce your student loan balance by some kind of "backdoor" agreement

with the loan servicer. If any company suggests they can do that, know that it is a scam.

- These companies are prohibited from collecting payment for services they have yet to provide. If such a request is made, do not continue to work with the company.
- Beware of companies that request your Federal Student Aid ID (FSA ID) or some other third-party release that enables them to initiate activity on your account that you may not actually want. Adjustments to your account that are made without your full awareness can potentially cause you significant financial harm. If you have ever signed a third-party release or let a company have your FSA ID, review your account and verify everything is correct.
- Be wary of any company that suggests you pay your monthly student loan payment to the company rather than to your loan servicer. Always confirm your bill payments and account balances directly with the loan servicer, not with a third party.
- These companies will pressure attorneys, using fear of the unknown. While student loans are no small matter, do not feel compelled to hire a student loan debt relief company or debt management company without first doing your research and contacting your loan servicer.

Take Control of Your Financial Wellness Through Self-Education

Student loan debt relief and debt management companies try to mystify the process of student loan repayment in order to increase fear and gain customers. However, the answers to most questions you may have regarding your student loans can be found on the Federal Student Aid website – *for free*.

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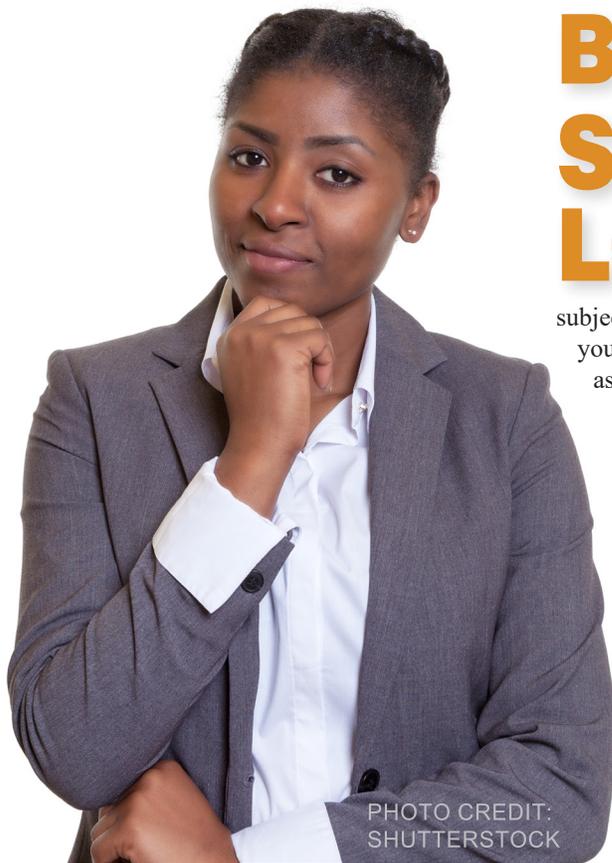


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Information regarding your loan servicer, how to choose the best repayment plan for your particular situation, the Public Service Loan Forgiveness Program, debt consolidation and other

subjects are accessible at the click of a button. Additionally, if you cannot find the answer you are looking for, you may call Federal Student Aid using the telephone number associated with the topic you are inquiring about.

Loan Servicers

Believe it or not, your loan servicer can be a huge asset to you as you map out or alter your student loan repayment plan. You can identify your specific loan servicer online through your My Federal Student Aid account. The U.S. Department of Education selects your loan servicer, such as FedLoan Servicing or Navient, at the time you receive the financial assistance. Your loan servicer is not only the recipient of your monthly payments, but it is also the main contact for choosing and updating your loan repayment plan.

Debt Consolidation

While the consolidation servicer will be the entity actually consolidating your loans, the loan servicer can point you in the right direction if and when you wish to complete a Direct Consolidation Loan application. Consolidating your loans is free, effortless and in no way requires the assistance of a private student loan debt relief company.

When you consolidate your loans, you have the option of consolidating only certain ones. Information regarding whether it is in your best interest to consolidate can be found on the Federal Student Aid website.

Repayment Plans

Below is a brief recap of the different payment plans available. Your eligibility for certain payment plans is based on your specific loans and circumstances. Your tax preparer can discuss tax implications of forgiveness.

- **Standard Repayment Plan** – Your repayment plan is structured in a way so that you are done paying your loans in 10 years, and you pay the same amount each month. However, if your loans are consolidated, your loan repayment period may extend to 30 years.
- **Graduated Repayment Plan** – This plan is similar to the Standard Repayment Plan except your loan repayment amount begins small and incrementally becomes larger as you get closer to the 10-year deadline (or 30-year deadline for consolidated loans).
- **Extended Repayment Plan** – Your loan payments are the same amount each month as in the Standard Repayment Plan, or they may begin small and incrementally become larger as in the Graduated Repayment Plan. The distinguishing factor between this plan and the first two is that the loan repayment period is 25 years.

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- **Revised Pay As You Earn Repayment Plan (REPAYE)** – Your loan repayment period lasts either 20 or 25 years, based on what the loans were used for, after which any unpaid loans can be forgiven. Loan payments equal 10 percent of your discretionary income.
- **Pay As You Earn Repayment Plan (PAYE)** – You must have received the loan after October 1, 2011. Your repayment period lasts 20 years, after which any unpaid loans can be forgiven. Loan payments equal 10 percent of your discretionary income.
- **Income-Based Repayment Plan (IBR)** – Your loan payments may be 10 or 15 percent of your discretionary income. Your loan repayment period lasts either 20 or 25 years, after which any unpaid loans can be forgiven.
- **Income-Contingent Repayment Plan** – Your repayment period lasts 25 years, after which any unpaid loans can be forgiven. Loan payments are 20 percent of your

discretionary income or a calculated amount based on a 12-year repayment period, whichever results in a lower payment.

- **Income-Sensitive Repayment Plan** – Your loan repayment period lasts 15 years, but the loan repayment amount takes into consideration how much you make on a yearly basis.

Public Service Loan Forgiveness Program

For those attorneys who are in the non-profit or government sector, the Public Service Loan Forgiveness Program may be a highly attractive option, as it offers student loan forgiveness after 10 years (120 qualifying payments). Additionally, the forgiven debt is not taxable. Remember, you don't need to pay for student loan help. Know that entities like your loan servicer are here to help you for no cost. Take advantage of the services that are at your disposal by reviewing the Federal Student Aid website and asking questions if needed.

Lastly, if you believe you have been a victim of student loan relief scam, you can file a complaint with the FTC and the Federal Student Aid Feedback System. **NL**

1. *Which Law School Graduates Have the Most Debt?*, U.S. NEWS & WORLD REPORT, <https://www.usnews.com/best-graduate-schools/top-law-schools/grad-debt-rankings> (last visited Apr. 26, 2019).
2. *Id.*
3. Ari Lazarus, *Got Student Loan Debt? Don't Be Scammed*, FTC, Oct. 13, 2017, <https://www.consumer.ftc.gov/blog/2017/10/got-student-loan-debt-dont-be-scammed>.



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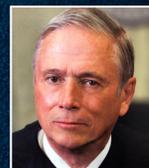
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