

For Immediate Release:

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Attorney General Hector Balderas Announces \$1.85 Billion Settlement with Student Loan Servicer Navient

Settlement includes \$1.7 billion in debt cancellation and \$95 million in restitution; New Mexico will receive over \$10.2 million as a result of the settlement.

Albuquerque, NM— Attorney General Hector Balderas announced today that Navient, known as one of the nation’s largest student loan servicers, will provide relief totaling \$1.85 billion to resolve allegations of widespread unfair and deceptive student loan servicing practices and abuses in originating predatory student loans.

This settlement, joined by a coalition of 39 attorneys general, resolves claims that since 2009, despite representing that it would help borrowers find the best repayment options for them, Navient steered struggling student loan borrowers into costly long-term forbearances instead of counseling them about the benefits of more affordable income-driven repayment plans.

“New Mexicans seeking the American Dream through higher education have been trapped in a cycle of debt and fallen prey to unfair practices for far too long,” said AG Balderas. “I will continue to crack down on predatory student loan companies and fight for increased borrower protections.”

Attorney General Hector Balderas filed the settlement as a proposed Consent Judgment and Complaint today in the First Judicial District Court. The settlement will require court approval.

According to the attorneys general, the interest that accrued because of Navient’s forbearance steering practices was added to the borrowers’ loan balances, pushing borrowers further in debt. Navient also allegedly originated predatory subprime private loans to students attending for-profit schools and colleges with low graduation rates, even though it knew that a very high percentage of such borrowers would be unable to repay the loans. Navient allegedly made these risky subprime loans as “an inducement to get schools to use Navient as a preferred lender” for highly-profitable federal and “prime” private loans, without regard for borrowers and their families, many of whom were unknowingly ensnared in debts they could never repay.

Under the terms of the settlement, Navient will cancel the remaining balance on more than \$1.7 billion in subprime private student loan balances owed by more than 66,000 borrowers nationwide. In addition, Navient will pay a total of \$95 million in restitution payments of about \$260 each will be distributed to approximately 350,000 federal loan borrowers who were placed in certain types of long-term forbearances.

As part of the settlement, New Mexico will receive a total of \$381,995 in restitution payments for more than 1,400 federal loan borrowers. Additionally, New Mexico borrowers will receive a total of \$9,803,555 million in private loan debt cancellation.

The settlement further includes conduct reforms that require Navient to explain the benefits of income-driven repayment plans to borrowers, to offer to estimate income-driven payment amounts before placing borrowers into optional forbearances, to train specialists who will advise distressed borrowers concerning alternative repayment options, and to counsel public service workers concerning Public Service Loan Forgiveness (PSLF) and related programs. The conduct reforms imposed by the settlement include prohibitions on compensating customer service agents in a manner that incentivizes them to minimize time spent counseling borrowers.

The settlement also requires Navient to notify borrowers about the U.S. Department of Education's recently announced PSLF limited waiver opportunity, which temporarily offers millions of qualifying public service workers the chance to have previously non-qualifying repayment periods counted toward loan forgiveness—provided that they consolidate into the Direct Loan Program and file employment certifications by October 31, 2022.

As a result of today's settlement, borrowers receiving private loan debt cancellation will receive a notice from Navient by July 2022, along with refunds of any payments made on the canceled private loans after June 30, 2021. Federal loan borrowers who are eligible for a restitution payment of approximately \$260 will receive a postcard in the mail from the settlement administrator later this spring.

Federal loan borrowers who qualify for relief under this settlement do not need to take any action except update or create their studentaid.gov account to ensure that the U.S. Department of Education has their current address. For more information, visit www.NavientAGSettlement.com.

Until recently, Navient had a contract to service federal student loans owned by the U.S. Department of Education, including a large portfolio of loans made under the Direct Loan Program and a smaller portfolio of loans made under the Federal Family Education Loan (FFEL) program. On October 20, 2021, the U.S. Department of Education announced the transfer of this contract from Navient to Aidvantage, a division of Maximus Federal Services, Inc. However, Navient will continue to service federal student loans made under the FFEL Program that are owned by private lenders, as well as non-federal private student loans.

Today's settlement was led by Pennsylvania, Washington, Illinois, Massachusetts, and California, and was joined by attorneys general in Arizona, Arkansas, Colorado, Connecticut, the District of Columbia, Delaware, Florida, Georgia, Hawaii, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Michigan, Minnesota, Missouri,

Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, and Wisconsin.

A copy of the complaint is attached.

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**STATE OF NEW MEXICO
COUNTY OF SANTA FE
FIRST JUDICIAL DISTRICT COURT**

STATE OF NEW MEXICO, *ex rel.*
HECTOR H. BALDERAS, Attorney General,

Plaintiff,

v.

NAVIENT CORPORATION; NAVIENT
SOLUTIONS, LLC; PIONEER CREDIT
RECOVERY, INC.; and GENERAL
REVENUE CORPORATION,

Defendants.

NO.

COMPLAINT

COMES NOW the State of New Mexico, *ex rel.* Hector Balderas, Attorney General, by and through undersigned counsel, and brings this Complaint against Navient Corporation, Navient Solutions, LLC, Pioneer Credit Recovery, Inc., and General Revenue Corporation. In support thereof, the State alleges as follows:

I. PLAINTIFF

1.1 The Plaintiff is the State of New Mexico.

1.2 The Attorney General is authorized to commence this action pursuant to the public interest of New Mexico and under the authority granted him by the New Mexico Unfair Practices Act (“UPA”), NMSA 1978, Sections 57-12-1 to -26 (2003, as amended through 2019) (“UPA”). *See* § 57-12-8 and § 57-12-15 (Attorney General authority to enforce and bring actions under UPA).

II. DEFENDANTS

2.1 Navient Corporation (“Navient Corp.”) is a Delaware corporation with its principal executive offices in Wilmington, Delaware.

2.2 Navient Solutions, LLC (“Navient”), a wholly-owned subsidiary of Navient Corporation, is a corporation headquartered in Wilmington, Delaware. Navient was formerly known as Sallie Mae, Inc. or Sallie Mae, and was a subsidiary of SLM Corporation (“Former SLM Corporation”) until April 2014. In April 2014, the Former SLM Corporation separated into two publicly traded entities: Navient Corp. and a new SLM Corporation. After the 2014 separation, Sallie Mae, Inc. changed its name to Navient Solutions, Inc. In 2017, Navient Solutions, Inc. changed its name to Navient Solutions, LLC.

2.3 Pioneer Credit Recovery, Inc. (“Pioneer”), a wholly-owned subsidiary of Navient Corporation, is a corporation based in Arcade, New York.

2.4 General Revenue Corporation (“GRC”) is formerly a wholly-owned subsidiary of Navient Corporation and an Ohio corporation with its principal executive offices in Mason, Ohio.

III. JURISDICTION

3.1 The State files this Complaint and institutes these proceedings under the provisions of the New Mexico UPA. *See* §§ 57-12-1 to -26.

3.2 This Court has subject matter jurisdiction over this matter pursuant to *inter alia*, Article VI, Section 13 of the New Mexico Constitution.

3.3 This Court has personal jurisdiction over the Defendants pursuant to the New Mexico “long arm” statute because the Defendants transacted business within New Mexico at all times relevant to this Complaint. NMSA 1978, § 38-1-16 (1971).

IV. VENUE

4.1 Venue is proper in Santa Fe County pursuant to Section 57-12-8 because Defendants transact business in Santa Fe County by servicing and collecting on student loans owed by borrowers in Santa Fe County by using methods, acts, or practices unlawful under the UPA.

V. FACTS

5.1 Many students in the State of New Mexico finance their educations in part through federal and/or private student loans.

5.2 Before the former SLM Corporation split, Sallie Mae and its lending affiliates originated subprime student loans that Sallie Mae expected would default at high rates, and which did default at high rates.

5.3 Borrowers and cosigners have complained that Navient's billing and payment systems made it difficult for borrowers and cosigners to control the application and allocation of their payments.

5.4 Navient encouraged federal student loan borrowers to contact it if they experienced difficulty repaying, and represented to borrowers that it would help them make the right decision for their situation.

5.5 The State alleges that in the course of servicing federal student loans, Navient willfully placed some borrowers who were experiencing long-term financial distress or hardship into forbearances or offered forbearances to such borrowers without adequately exploring whether an alternative repayment plan, such as an income-driven repayment ("IDR") plan, would be more appropriate for their circumstances.

5.6 The State alleges that Navient's IDR renewal notifications to federal student loan borrowers did not adequately advise borrowers of the subject matter and urgency of the notifications.

5.7 The State alleges that Navient willfully misinformed some borrowers and cosigners concerning the qualifications and criteria for cosigner release on some private student loans.

5.8 The State alleges that Pioneer and GRC willfully misinformed some defaulted federal student loan borrowers about certain requirements and consequences of options for getting their loans out of default, rehabilitation and consolidation.

VI. FIRST CAUSE OF ACTION

6.1 The State incorporates Paragraphs 1.1 through 5.8 herein as if set forth in their entirety.

6.2 The State of New Mexico alleges that Defendants' conduct, described above, occurred in trade or commerce, was harmful to the public interest, and that Defendants (or their predecessors) violated the UPA, §§ 57-12-1 to -26, by:

- a. Willfully originating private student loans that defaulted at high rates in order to gain access to federally guaranteed or otherwise more profitable loan volume between 2001 and 2009;
- b. Willfully representing that Navient would help federal student loan borrowers find payment options that fit their circumstances and budget and minimized costs, and then offering or placing borrowers into forbearances without first exploring IDR plans;
- c. Willfully maintaining billing and payment systems that made it difficult for borrowers and cosigners to control the application and allocation of their payments and furnishing incorrect information related to cosigner release; and
- d. Willfully collecting student loans in an unfair or deceptive manner.

VII. PRAYER FOR RELIEF

Wherefore, the State prays for the following relief:

7.1 A declaration that Defendants' acts described above are unfair or deceptive acts or practices in trade or commerce, was harmful the public interest, and in violation of the Consumer Protection Act, §§ 57-12-1 to -26;

7.2 An injunction pursuant to Section 57-12-8 of the UPA enjoining Defendants from engaging in any acts that violate the UPA, including, but not limited to, the unfair and deceptive acts and practices alleged herein;

7.3 An order necessary to restore to any person an interest in any moneys or property, real or personal, which may have been acquired by means of an act prohibited by the UPA, pursuant to Sections 57-12-8 and -9 of the UPA;

7.4 An award of up to \$5,000 in civil penalties for each and every violation of New Mexico's UPA, pursuant to Section 57-12-11 of the UPA;

7.5 An award of the State's reasonable costs and attorney's fees incurred in this action; and

7.6 Any other award the Court determines is just and equitable.

DATED this 13th day of January, 2022.

Respectfully submitted,

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NEW MEXICO ATTORNEY GENERAL

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