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ATTORNEY GENERAL RAOUL ANNOUNCES \$1.85 BILLION SETTLEMENT WITH STUDENT LOAN SERVICER NAVIENT

Settlement Includes \$1.7 Billion in Debt Cancellation and \$95 Million in Restitution; Illinois and its Borrowers Will Receive Over \$145 Million in Relief

Chicago — Attorney General Kwame Raoul today announced Navient, formerly the nation's second largest student loan servicer, will provide relief totaling \$1.85 billion to resolve allegations of widespread abuses in their student loan origination and servicing business.

"Borrowers in Illinois and across the country are unfairly overburdened with student debt that they cannot afford to repay," Raoul said. "When borrowers experience issues with making repayments on their student loans, they should be able to turn to their servicer for accurate information, as well as trustworthy help and guidance. Navient failed to do so and instead steered borrowers into more debt. Today's settlement will hold Navient responsible for its predatory and deceptive actions and hopefully serve as a template for reform across an industry that is in desperate need of it."

Today's settlement resolves claims that since 2009, the company illegally steered struggling student loan borrowers into costly forbearances instead of informing them of alternative programs such as the federal Income Driven Repayment Program (IDR). The interest accrued as a result of these forbearances put consumers further in debt, while the company concurrently claimed to help borrowers minimize their total interest costs. Had the company actually provided this help, IDR plans during this time could have reduced borrowers' payments to as low as \$0 per month, provided interest subsidies for certain loans, and/or provided debt forgiveness after 20 to 25 years in repayment.

The settlement also resolves Raoul's claims that Navient, formerly Sallie Mae, originated subprime private loans to students attending for-profit colleges with low graduation rates, despite knowing that an extremely high percentage of such students would not be able to repay them. Navient allegedly issued these loans as part of its "preferred lender" programs with schools, in order to increase the company's 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.

Navient will make a total of \$95 million in restitution payments of about \$260 each to approximately 350,000 harmed consumers nationwide, and it will cancel nearly \$1.7 billion in subprime private student loans owed by nearly 66,000 borrowers nationwide. In addition, Navient will pay \$142.5 million to the attorneys general. Borrowers who will receive restitution or forgiveness span all generations: Navient's harmful conduct impacted everyone from students who enrolled in colleges and universities immediately after high school to mid-career students who dropped out after enrolling in a for-profit school in the early 2000s.

Approximately 18,470 Illinois borrowers will receive \$4,923,550 in restitution payments, 5,217 Illinois borrowers will receive \$133,546,979 in debt cancellation, and Illinois will receive a direct payment of \$7,243,479. Federal loan borrowers who qualify for relief under this settlement do not need to take any action except to update or create a studentaid.gov account to ensure the U.S. Department of Education has their current address. For more information, visit www.NavientAGSettlement.com. Consumers receiving private loan debt cancellation will receive a notice from Navient, and they will be refunded any payments made after

June 30, 2021. Illinois borrowers who are eligible for restitution will receive a postcard in the mail from the Attorney General's settlement administrator in spring 2022.

It is expected that the settlement administrator will mail restitution checks of approximately \$260 in mid-2022. Consumers may – but are not required to – opt into receiving an electronic payment instead of a check. Details on how to request an electronic payment will be included on the postcards and will be posted on the settlement administrator's website here: www.NavientAGSettlement.com. The settlement administrator can be reached at 1-833-630-1416.

The Attorney General's office investigated and sued Navient over widespread abuses across all aspects of Navient's business, including student lending, student loan servicing and student loan debt collection. The lawsuit alleged that Navient violated consumer protection laws by utilizing numerous illegal servicing and collection methods and, as Sallie Mae, through its origination of predatory subprime loans. Specifically, the lawsuit alleged that Navient:

- Unfairly and deceptively offered financially-distressed federal loan borrowers forbearances, instead of informing them about the terms and benefits of income-driven repayment plans, and helping them apply where appropriate.
- Failed to adequately inform borrowers who did choose income-driven repayment programs of their yearly obligation to re-certify their income and family size.
- Failed to follow borrowers' instructions concerning how excess payments should be allocated.
- Trained its agents to deceptively ask borrowers who were behind on their payments to pay an amount that included the next upcoming regular payment, without clarifying this was not necessary.
- Deceptively promoted a "co-signer release" benefit for its private loans.
- Made subprime, predatory loans to students attending for-profit colleges with low graduation rates while operating as Sallie Mae.

Today's settlement requires Navient to notify borrowers of the Department of Education's important changes to the [Public Service Loan Forgiveness \(PSLF\) program](#), which offers millions of qualifying public servants a waiver that may count past payments towards loan forgiveness. Attorney General Raoul encourages all Illinois residents who work in the government or non-profit sectors to review the [PSLF website](#) to determine whether they might qualify for loan forgiveness.

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 nonqualifying repayment periods counted toward loan forgiveness—provided that they consolidate into the Direct Loan Program and file employment certifications by October 31, 2022.

On Oct. 20, 2021, the U.S. Department of Education announced the transfer of Navient's contract to service 5.6 million loans owned by the U.S. Department of Education to Maximus/Aidvantage. Following completion of this transfer, Navient will continue to service its existing portfolio of private student loans and legacy Federal Family Education Loans (FFEL) issued before the FFEL program ended in 2010.

Raoul filed the settlement as a proposed consent judgment today in the Cook County Chancery Division. The settlement will require court approval.

The Illinois Attorney General's office has long been a national leader in investigating and enforcing consumer protection violations in the higher education field. Raoul's office has discharged more than \$14 million in

fraudulent private student loans since 2019. Attorney General Raoul's office also worked to pass his "Know Before You Owe" legislation, which recently became law and aims to alert borrowers of their remaining federal student loan eligibility to help them steer clear of predatory private loans like those provided by Navient.

Student borrowers who have questions or are in need of assistance can call the Attorney General's Student Loan Helpline at 1-800-455-2456.

Joining Raoul in leading the settlement are the attorneys general of California, Massachusetts, Pennsylvania and Washington. This settlement was also 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.