NAVIENT

FACT SHEET on Legal Action

The allegations of the Consumer Financial Protection Bureau and Illinois Attorney General are unfounded, and the timing of these lawsuits—midnight action filed on the eve of a new administration—reflects their political motivations. Navient welcomes clear and well-designed guidelines that all parties can follow, and we had hoped our extensive engagement with the regulators would achieve this objective. Instead, the suits improperly seek to impose penalties on Navient based on new servicing standards applied retroactively and applied only against one servicer. The regulator-asserted standards are inconsistent with Department of Education regulations, and will harm student loan borrowers, including through higher defaults.

Allegation: Navient didn't do enough to get borrowers into income-driven repayment (IDR) plans and steered borrowers into forbearance instead.

Facts: Navient is a leader in enrolling eligible borrowers into income-driven repayment programs. We promote repayment options, including IDR, in 170 million communications annually.

- 49 percent of Direct Loan balances serviced by Navient are enrolled in income-driven repayment programs—more than any comparable servicer.[1]
- Forbearance[2] is often a required tool to help people enroll in IDR plans—in fact nearly 70 percent of IDR borrowers needed forbearance for one of two reasons:
    - First, past-due borrowers cannot enroll in IDR unless they bring their account current. A borrower who has missed payments either needs to pay the total past due balance or, more typically, needs forbearance to cure the delinquency.
    - Second, borrowers may need forbearance to enroll in IDR to give them payment relief and time to complete the 12-page government-mandated application without becoming further past due.
- Servicers are paid up to 60 percent less[3] for borrowers in forbearance, debunking claims that servicers have an incentive to place borrowers in forbearance rather than IDR.
- Navient has publicly called for the simplification of the IDR process, including immediate online or phone enrollment, but so far no reforms have been made.
- Despite being offered income-driven or other alternative repayment plans, some borrowers chose forbearance.
- Higher education experts have criticized the complexity of enrollment and recognize the importance of forbearance in keeping borrowers out of default. For example, one expert on student debt said: "…actually the way the program is set up, the best option for borrowers *is* forbearance because it doesn't require any paperwork and it immediately cures the loan, and doesn't require the borrower to do anything… here we have all the advocacy groups

[1] Source: FSA Data Center and Navient data (excluding Parent Plus loans which are not eligible for IDR). By dollar volume, loans serviced by Navient are the most likely of any government servicer to be enrolled in IDR except for the servicer assigned all Public Service Loan Forgiveness loans which by definition are enrolled in IDR.

[2] Forbearance is a benefit that allows federal student loan borrowers, upon request, to postpone their payments during times of temporary financial challenges. Navient provides forbearance in short-term increments to ensure that borrowers remain connected during times of temporary financial challenges.

[3] Source: https://studentaid.ed.gov/sa/about/data-center/business-info/contracts/loan-servicing. Servicers are paid $2.85 per month for accounts in IDR or any repayment plan when on time but only $1.05 per month for a loan in forbearance.

and the press out there saying ‘these terrible servicers!,' but meanwhile, there's no criticism of the design of these policies and the policymakers making them.”[4]

- Navient-serviced borrowers have been well served by our practices, and are 31 percent less likely to default than borrowers serviced by our peers.

Allegation: Navient didn’t do enough to help borrowers to complete reenrollment so they could stay enrolled in income-driven repayment plans.

Facts: Navient goes above and beyond Department of Education requirements to help borrowers complete government-mandated annual IDR reenrollment requirements.

- Under Department of Education regulations, borrowers must reenroll annually in income-drive repayment by submitting updated information about their income and family size. This is not Navient’s requirement.
- Navient sends multiple notices and communications to borrowers to help them complete reenrollment on time, meeting or exceeding all federal requirements.
- Navient has pioneered supplemental approaches to support borrowers to reenroll on time. The approaches—evaluated and enhanced over time—go well beyond what is required by federal regulation or contract and have increased reenrollment rates.
- Navient has also advocated for a streamlined process with policymakers, the Department of Education, Department of Treasury, and the CFPB, including a multi-year enrollment income-driven repayment solution. Numerous consumer advocates have joined in this call for a simpler process.[5]
- It is not in Navient’s financial or reputational interest for borrowers to fail to reenroll in IDR as those borrowers have higher rates of delinquency. In fact, servicers are paid less for past-due borrowers and higher delinquency rates are reflected in Direct Loan servicer performance measures.

Allegation: Navient reported some loans incorrectly to the consumer credit bureaus.

Fact: Navient’s credit bureau reporting practices are consistent with Consumer Data Industry Association guidance.

- CFPB oversees credit reporting agencies and the procedures that they use for accurate credit reporting. Credit bureau reporting is also governed by the Fair Credit Reporting Act and guidelines established by the Consumer Data Industry Association (CDIA).
- Lenders and servicers are required by law to report accurately to credit bureaus, and rely on the CDIA for the guidance to report consistently and accurately.
- Data “furnishers” such as student loan servicers don’t calculate credit scores and do not have access to proprietary credit scoring methodology used by FICO or the credit bureaus.

[4] Excerpts from remarks made by Jason Delisle at a Pew Charitable Trusts forum on student debt, October 2016.

[5] On Jan. 17, 2017, the Departments of Treasury and Education announced that they have signed a Memorandum of Understanding establishing a framework for electronically sharing tax data over multiple years, which when implemented will simplify IDR plans for borrowers by eliminating the need to send in income information on an annual basis, as is currently required.

Allegation: Navient made private education loans to borrowers who it should have known were not able to repay them.

Fact: Private education loans were made to students attending schools also eligible for federal grants and student loans.

- The loans at issue were made many years ago to help students earn their degree. Many of these borrowers could not have otherwise attended college had the loans not been available.
- The loans were made to students attending schools that were eligible for federal student loans (and in many cases remain so today).
- All student loans, federal and private, are made with the expectation that borrowers will graduate and obtain employment. Navient bore the risk whenever borrowers could not repay their private education loans.
- Consumer credit default rates skyrocketed during the recession as a result of high unemployment and macroeconomic conditions. Federal and private loans were no different.
- Navient does not originate private education loans.[6]

[6] Navient spun off from Sallie Mae Bank in 2014. Sallie Mae Bank continues to originate private education loans, but Navient does not.