



A STUDENT'S GUIDE TO THE NAVIENT LAWSUIT

On January 18, 2017, the Consumer Financial Protection Bureau (CFPB) sued the company Navient, a student loan management company, for misleading student loan borrowers. Formerly part of Sallie Mae, Inc., Navient is the largest student loan servicer in the country.

Who are the players? What are the allegations? How does the court action impact student loan borrowers? What else has CFPB done to protect student loan borrowers from predatory lending? What can student loan borrowers do to guard against illegal practices from their lender or servicer?

The following information is a student's guide to understanding the Navient lawsuit.

THE PLAYERS

Sallie Mae, Inc. was founded as a government sponsored enterprise in 1972. In 2004, it became a private company. In 2014, the company spun off its federal student loan servicing and student loan collections practices into a separate company called Navient. Now, Sallie Mae is a bank and its private education loan business accounts for over half of all private education loans in the country.

Navient handles federal and private student loans as they are being repaid, including defaulted student loans that are in collections. It handles \$300 billion in student loans and touches 12 million student loan borrower accounts. Six million of those accounts are under contract with the U.S. Department of Education.

The Consumer Financial Protection Bureau was created by Congress in 2010 to make markets for consumer financial products and services work for Americans—whether they are applying for a mortgage, choosing among credit cards, or using federal and private student loans. It enforces consumer protection law by taking action against those it believes violate the law.



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THE ALLEGATIONS

Below is a list of the CFPB's allegations when it filed its lawsuit against Navient. As a student loan servicer, it processes monthly payments for borrowers, and communicates directly with them. When borrowers face unemployment or another financial hardship, they must rely on their servicer to help them enroll in alternative payment plans or to modify their loan terms. A servicer is often different than a lender, and the borrower has no control over which company becomes their loan servicer. [CFPB claims against Navient include that it:](#)



- Created obstacles to repayment by providing bad information;
- Processed payments incorrectly; specifically by ignoring explicit instructions from borrowers on how to apply their payments to lower their overall interest charges. In some cases, Navient may have applied payment intended to pay off a specific loan toward multiple loans, prolonging the life of the loan and causing higher costs.
- Failed to act when borrowers complained;
- Illegally cheated many struggling borrowers out of their rights to lower payments;
- Deceived private student loan borrowers about requirements to release their co-signer from the loan;
- Harmed the credit of disabled borrowers, including severely injured veterans;
- Improperly directed borrowers into forbearance when these borrowers otherwise might have qualified for income-driven repayment plans specifically by steering struggling borrowers into multiple forbearances rather than the income-driven plans they qualified for. Between January 2010 and March 2015 Navient allegedly added \$4 billion in interest and fees to borrowers put into multiple, consecutive forbearances.
- Did not adequately keep borrowers in income-driven plans informed of deadlines to maintain their eligibility under such plans.

[Navient is fighting this lawsuit](#), and claims it is politically motivated. It claims that its borrowers are much less likely to default on loans than other borrowers, and that the standards that the CFPB is using to assess its actions are new and inconsistent with U.S. Department of Education standards.

HOW DOES THIS LAWSUIT IMPACT STUDENT LOAN BORROWERS?

As a student loan borrower currently enrolled in school, it is likely that your federal student loans are in a grace period meaning that you don't have to make payments. However, if you are a student that has dropped below half-time status for 180 days or more, then it is likely that payment is now due on one or more of your federal loans. Different federal student loans, like a Perkins loan or a subsidized Stafford loan or Graduate PLUS loan, have different grace periods.

Federal Student Aid
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Welcome to the Federal Student Aid Data Center.

To figure out who your loan servicer is for your federal student loans, you must log on to the National Student Loan Data Center and enter in your Federal Student Aid ID number. If you don't have FSA ID number yet, you can visit "Create a new FSA ID" page on the Federal Student Aid website.

As a borrower of a federal student loan, you are assigned a servicer and you cannot switch. However, the

Department of Education may switch your servicer for you if you decide to consolidate your federal loans, or if you move into an alternative repayment plan.

Nonetheless, it is not likely that you will receive compensation as a result of a positive outcome for the CFPB against Navient, even if you are a federal or private student loan borrower with Navient as your servicer.

WHAT ELSE HAS CFPB DONE TO PROTECT STUDENT LOAN BORROWERS FROM PREDATORY LENDING?

- In October 2012, CFPB uncovered barriers that service members with student loans encountered with Sallie Mae and Navient, such as the need to keep re-applying for guaranteed interest-rate reductions during active duty. It shared this information with the Department of Justice which was able to secure refunds for 78,000 service members who had been systematically overcharged.
- In February 2014, CFPB sued ITT Technical Institute, a for-profit college chain, for pushing students there into high cost private loans that they couldn't afford. It said the company expected 64 percent of the loans to default, and nonetheless pushed students to take them, so they would stay enrolled and bring their federal student aid dollars to the school. The school has since closed. 
- In February 2015, CFPB secured \$480 million in automatic debt relief for students who took out high-cost private student loans while attending a campus of the Corinthian Colleges, lured into the loans through advertising of false job prospects and career services.
- In July 2015, CFPB ordered Discover Bank to refund \$16 million to student loan borrowers who were denied access to information needed to obtain federal income tax benefits. In addition, many borrower received notices overstating their monthly payment minimums. 
- In September 2016, the Bureau found that students at the for-profit chain Bridgepoint Education were lured into taking out private loans offered by their schools under the false promise that the loans could be repaid at \$25 a month. The agency negotiated a settlement with Bridgepoint resulting in \$24 million loan forgiveness and debt discharge for these students.

WHAT CAN YOU DO TO PROTECT YOURSELF FROM ILLEGAL PRACTICES?

Here are some of the things you can do to protect yourself as a borrower when dealing with your student loan servicer:

- 1) Write it down. Put all formal requests and payment instructions in writing and send them to the company using traditional mail. Keep a copy of these requests. You'll need this paperwork to resolve any problems you may encounter if your approach to repayment isn't being honored by your servicer.



[STOP GETTING SIDETRACKED BY YOUR STUDENT LOAN SERVICER](#)

CFPB issued a consumer advisory on October 16, 2013, entitled “Stop getting sidetracked by your student loan servicer.” The advisory provides tips to borrowers who are struggling to get their servicer to follow instructions and it includes a sample letter to use as a guide for drafting a letter to your servicer.

- 2) Pay automatically each month. Servicers handling your federal student loans will extend a .25 percent reduction in interest to borrowers using auto-debit to make their monthly payments. Some extend this reduction to private student loan payments, too. It is best to sign up for auto-debit through your servicer, rather than through your bank, because some banks generate paper checks monthly, which can get delayed in the mail and cause you to miss a payment.

- 3) Log a complaint. If you have a problem with your servicer that you can't seem to resolve, get help. You can complain with the U.S. Department of Education through the Office of Federal Student Aid Feedback System and expect a resolution within 60 days. This is the best first step if you are complaining about the servicing of your federal student loans. Online, visit feedback.studentaid.ed.gov. You can also call to speak with a live agent between Monday – Friday, 8AM – 8PM, Eastern Time, at 844-651-0077.

- 4) Log a complaint with the CFPB. You can also file a complaint with the CFPB, which has a specified role in enforcing consumer protection law, online at consumerfinance.gov/complaint. This is the best starting point if you have an unresolved problem with a servicer on your private student loan. You can expect a resolution within 60 days through CFPB. You can also call 855-411-2372.

Submit a complaint

Have an issue with a financial product or service? We'll forward your complaint to the company and work to get a response from them.

Have questions?
¿Preguntas?

(855) 411-2372

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