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PRESS RELEASE

AG Healey Announces \$1.85 Billion Settlement With Student Loan Servicer Navient

Co-Leads Multistate Resolution That Includes \$1.7 Billion in Debt Relief and \$95 Million in Restitution; Thousands of Massachusetts Borrowers to Receive \$41 Million in Private Loan Cancellation and \$2.2 Million in Payments

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BOSTON — Attorney General Maura Healey announced today that Navient, 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.

The consent judgment, filed today in Suffolk Superior Court and joined by a coalition of 39 attorneys general, resolves claims that the student loan servicer steered financially-stressed federal loan borrowers into costly long-term forbearances instead of counseling them about the benefits of more affordable income-driven repayment plans. The settlement will require court approval.

"Navient promised to help struggling borrowers find the repayment options that worked best for them, but instead steered borrowers into situations that pushed them deeper into debt," said **AG Healey**. "Today's settlement requires Navient to fix their mistakes, provides relief for families in Massachusetts, and is an important step toward addressing our broken student loan repayment system."

"Navient cheated students who borrowed money to pursue their dreams and allowed them to be crushed by avoidable debt, all while the U.S. Department of Education turned a blind eye," said **U.S. Senator Elizabeth**

Warren. “I commend Attorney General Healey for achieving this historic settlement, which is a major step toward delivering relief for borrowers and holding Navient accountable.”

According to the coalition, the interest that accrued as a result of Navient’s federal loan forbearance steering practices was added to borrowers’ loan balances. Had the company instead provided borrowers with the help it promised, income-driven plans could have potentially reduced payments to as low as \$0 per month, provided interest subsidies, and/or helped attain forgiveness of any remaining balance after 20 to 25 years of qualifying payments (or 10 years for borrowers qualified under the for Public Service Loan Forgiveness Program).

Navient also allegedly originated unfair subprime private student loans that it knew were likely doomed to fail. The company 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 the borrowers and their families, many of whom were unknowingly ensnared in debts they could never repay.

Under the terms of the AG’s settlement, Navient will cancel more than \$1.7 billion in subprime private student loans owed by over 66,000 borrowers nationwide. Navient will also pay a total of \$142.5 million, of which \$95 million 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, Massachusetts will receive a total of more than \$6 million, including \$2.2 million in restitution for more than 8,300 federal loan borrowers. Additionally, 1,523 Massachusetts borrowers will receive more than \$41 million in private loan debt relief.

The settlement includes conduct reforms that require Navient to explain the benefits of income-driven repayment plans and to offer to estimate income-driven payment amounts before placing borrowers into optional forbearances. Additionally, Navient must train specialists who will advise distressed borrowers concerning alternative repayment options and 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** (<https://studentaid.gov/announcements-events/pslf-limited-waiver>), 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.

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** (<https://www.ed.gov/news/press-releases/statement-federal-student-aid-chief-operating-officer-rich-cordray-regarding-loan-servicer-contracts>) 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.

AG Healey has been a national leader in bringing action against deceptive practices in the student loan industry. In February 2021, she [announced a settlement](#) (</news/ag-healey-secures-first-of-its-kind-relief-in-settlement-with-major-student-loan-servicer>) with one of the largest federal student loan servicers in the country – Pennsylvania Higher Education Assistance Agency (PHEAA), d/b/a FedLoan Servicing – that secured individualized account reviews and associated relief for numerous Massachusetts student loan borrowers, including public servants and teachers. The AG's Office has also uncovered widespread misconduct at Education Management Corporation, ITT Technical Institute, Corinthian Colleges, American Career Institute and numerous other for-profit schools, and secured tens of millions of dollars in relief for thousands of defrauded student borrowers in Massachusetts.

As a result of today's settlement, which requires court approval, consumers receiving private loan cancellation will receive a notice from Navient along with refunds of any payments made on the cancelled loans after June 30, 2021. Navient will also alert the credit reporting bureaus to remove the tradelines associated with the cancelled loans. Federal loan borrowers who are eligible for a restitution payment 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 to update or create their studentaid.gov (<https://studentaid.gov/>) account to ensure that the U.S. Department of Education has their current address.

For more information, visit [www.NavientAGSettlement.com](http://www.navientagsettlement.com) (<http://www.navientagsettlement.com>). Massachusetts borrowers with questions about this settlement can also visit [mass.gov/ago/navient](/info-details/frequently-asked-questions-about-the-navient-settlement) (</info-details/frequently-asked-questions-about-the-navient-settlement>).

Today's settlement was led by a coalition of states, including Massachusetts, California, Illinois, Pennsylvania, and Washington, 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, and Wisconsin.

Massachusetts student loan borrowers who are looking for help or information can call the AG's Student Loan Assistance Helpline at 1-888-830-6277 or file a [Student Loan Help Request](/forms/submit-a-student-loan-help-request) (</forms/submit-a-student-loan-help-request>).

This case was handled for Massachusetts by staff in the AG's Insurance & Financial Services Division, including Student Loan Ombudsman and Deputy Director Arwen Thoman; Division Chief Glenn Kaplan; Mathematician Burt Feinberg; Deputy Student Loan Ombudsman and Program Analyst Erica Harmon; Paralegals Katherine Dundes, Kellin Cykes, and Jared Marshall; and Managing Administrative Assistant Gia Kim.

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Attorney General Maura Healey is the chief lawyer and law enforcement officer of the Commonwealth of Massachusetts.

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