



# Attorney General Doug Peterson

# News Release

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## ***Attorney General Peterson Announces \$1.85 Billion Settlement with Student Loan Servicer Navient***

*Settlement includes \$1.7 billion in debt cancellation and \$95 million in restitution; Nebraska borrowers will receive over \$5,951,417 million in relief*

Lincoln--Attorney General Peterson 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 38 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.

Attorney General Peterson stated, "One of the most important duties of the attorney general's office is to protect consumers from deceptive trade practices. In this case, Navient exploited students seeking loans to help pay for their college education and also took advantage of student borrowers attempting to repay their student loan debt. Fortunately, this settlement holds Navient accountable and provides redress for many of these student borrowers."

Attorney General Peterson filed the settlement as a Complaint, Agreement to Entry of Final Consent Judgment, and proposed Final Consent Judgment today in the Lancaster County 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. Had the company instead provided borrowers with the help it promised, income-driven repayment 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 20-25 years of qualifying payments (or ten years for borrowers qualified under the Public Service Loan Forgiveness Program).

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 nearly \$1.7 billion in subprime private student loan balances owed by nearly 66,000 borrowers nationwide. In addition, Navient will pay \$142.5 million to the attorneys general. 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. Borrowers who will receive restitution or debt cancellation 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 to mid-2000s.

As part of the settlement, Nebraska will receive a total of \$293,277 thousand in restitution payments for approximately 1,100 federal loan borrowers. Additionally, 245 Nebraska borrowers will receive a total of \$5,658,140 million in private loan debt cancellation.

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](#), 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](#).

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](http://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, Virginia, West Virginia, and Wisconsin.

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*Court documents attached*

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