



Jack Remondi  
President and Chief Executive Officer  
123 S. Justison St.  
Wilmington, DE 19801

September 29, 2020

The Honorable Sherrod Brown  
United States Senate

The Honorable Ron Wyden  
United States Senate

The Honorable Patty Murray  
United States Senate

The Honorable Chris Van Hollen  
United States Senate

The Honorable Jack Reed  
United States Senate

The Honorable Richard Blumenthal  
United States Senate

The Honorable Elizabeth Warren  
United States Senate

The Honorable Robert P. Casey  
United States Senate

The Honorable Cory A. Booker  
United States Senate

The Honorable Richard J. Durbin  
United States Senate

The Honorable Mazie Hirono  
United States Senate

The Honorable Sheldon Whitehouse  
United States Senate

The Honorable Tammy Baldwin  
United States Senate

The Honorable Kirsten Gillibrand  
United States Senate

The Honorable Amy Klobuchar  
United States Senate

The Honorable Tina Smith  
United States Senate

The Honorable Tammy Duckworth  
United States Senate

The Honorable Christopher S. Murphy  
United States Senate

The Honorable Jeffrey A. Merkley  
United States Senate

The Honorable Jacky Rosen  
United States Senate

Dear Senators:

I am writing in response to your letter dated September 15, 2020, concerning the options available to borrowers we serve through the legacy Federal Family Education Loan Program (FFELP). I appreciate your concern with the status of these borrowers and your request to hear more about our outreach during the pandemic to inform borrowers of their options.

We promoted and continue to support legislation to provide the same zero percent interest subsidies to borrowers with privately-held FFELP loans and hope that Congress takes action quickly. This option provides the least disruptive and most equitable solution for all borrowers. From the onset of the pandemic in March, we have urged Congress to provide all federal loan borrowers with the same benefits. We have been disappointed on behalf of these borrowers that Congress has failed to act thus

far. To date, only four Senators have sponsored the bipartisan legislation, S. 4237, the *Student Loan Fairness Act*. We urge you to cosponsor this legislation and enact it as soon as possible.

I am proud of the work that the Navient team has performed during these extraordinary times to meet the needs of borrowers impacted by the pandemic while also protecting the health and safety of our team. Within weeks of the pandemic onset, more than 90 percent of the Navient workforce moved to work from home, including our call centers and back office processing teams. Not only was this transition performed in an astonishingly short period of time, the Navient team accomplished it with no deterioration in service to borrowers. Other than a rare dog barking, our customers hear little difference from our pre-pandemic calls. In my weekly call listening sessions, I am pleased to hear the empathy and thoughtfulness displayed by our Navient team as they help borrowers who cope with difficult issues arising from the pandemic.

Our team's approach is to assess the financial status of a borrower to help them find the best option for their circumstances. During the first few months of the pandemic, many borrowers opted for a short suspension of their payment obligations through a forbearance authorized for national emergency. Contrary to the statement in your letter, borrowers who were displaced or affected by the coronavirus were able to elect this option over the phone without any unnecessary paperwork. Since the beginning of the pandemic, we have helped 464,000 borrowers opt for this temporary relief. Many borrowers opted for this relief due to the uncertainty around the length and severity of the disruption due to the pandemic. Upon receiving a forbearance, we sent each borrower a communication detailing all options available to them, including consolidation. Since early July, the vast majority of these borrowers have exited their forbearance and have reentered repayment successfully. We are monitoring this closely as the impact of the virus continues into the fall.

Furthermore, it is important to distinguish the Direct Loan portfolio from the privately-held FFELP portfolio. All FFELP loans were originated prior to 2010 and most of those we own were originated prior to July 1, 2008. Most remaining FFELP loans are consolidation loans, many of which were consolidated at low rates with longer terms. Perhaps this is why we saw so many FFELP borrowers remain current throughout the pandemic and why we are now seeing FFELP borrowers make payments on their loans that are at rates consistent with pre-pandemic levels.

At the beginning of the crisis, we communicated with FFELP borrowers we serve to help them understand their options and encourage them to call us if they needed assistance. We designed additional campaigns to reach borrowers who were affected by the pandemic or were otherwise struggling. For borrowers who opted to enroll in a short-term coronavirus forbearance, we designed strategies to provide supplemental advance outreach to help higher risk borrowers prepare to successfully resume repayment. These borrowers include those who mentioned job loss in their original request for forbearance, who had prior serious delinquencies, or who have other indicators of financial distress. In addition to receiving the communications shared with all borrowers whose forbearances were ending, higher-risk borrowers received additional outreach efforts to help them review their options, including calls and text messages. For borrowers whose forbearance has ended and who fall behind, we reach out right away to make sure that they know that there are relief options available to them. For borrowers who are unable to make their payment and feel their financial distress is likely to continue, we review their eligibility for income-based repayment as well as other options and help them determine what is the right option for them.

If you would like more information about the options we are presenting borrowers affected by the coronavirus, I urge you to visit our dedicated online COVID-19 Student Loan Support Center at [Navient.com/covid-19](https://www.navient.com/covid-19). This website includes options available to borrowers with federally-owned loans and privately-held loans, along with frequently asked questions. For federal student loan borrowers with privately-held loans, the website provides borrowers with options, short-term and long-term, as well as comprehensive FAQs. It provides borrowers with specifics on consolidation and the pros and cons on this option. The website has received over 4.2 million visits during the pandemic. One of the most helpful tools is the video on borrower options which we promote our website and on social media.



We encourage you to share this information and links with borrowers who may contact your office with questions about their student loans.

In addition to passing legislation to provide the same interest subsidies to FFELP borrowers, there are several other important changes that Congress should enact to help borrowers during these extraordinary times.

- **Ease IDR enrollment and simplify changes for income:** streamline enrollment and reenrollment for income-driven repayment, including verbal enrollment for zero income borrowers and simplified payment adjustment for borrowers whose income has changed
- **Extended grace period for Class of 2020:** provide an extended grace period for new Class of 2020 graduates and other borrowers who have separated from school during the coronavirus crisis
- **Forgive old defaulted loans:** write off federal student loans that have been in default longer than 10 years
- **One-time credit bureau retraction for reestablishing repayment:** allow courtesy removal of adverse credit bureau information for borrowers whose loans became delinquent once they establish an on-time payment track record.

We believe these actions will have an immediate and positive impact on helping federal student loan borrowers and urge you to consider enacting them as soon as possible. My team stands ready to assist you in answering any questions regarding these important initiatives.

Sincerely,

Jack Remondi



Jack Remondi  
President and Chief Executive Officer  
123 S. Justison St.  
Wilmington, DE 19801

April 20, 2020

The Honorable Elizabeth Warren  
309 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

Thank you for your letter of April 6, 2020, and your concern for the federal and private education loan borrowers we serve. Our team is fully dedicated to support borrowers, without interruption, throughout this challenging time. We have a long history of providing assistance to borrowers, including during periods of crisis or disasters. Our focus has been and continues to be on supporting borrowers, especially those impacted by the COVID-19 crisis, and ensuring the safety of our team members.

I am pleased to report that we rapidly implemented the CARES Act provisions for all federally owned student loans. In so doing, we have set all U.S. Department of Education (ED) loans to zero percent interest and suspended monthly payments for all ED borrowers in repayment. We have been able to accomplish this while protecting our team members and swiftly transitioning to work from home for more than 90 percent of our workforce.

While Congress passed legislation funding the CARES Act provisions, it did not extend an interest subsidy to federal loans not owned by the federal government. A coalition of consumer advocacy groups, education groups, and trade associations joined together to write congressional leadership on April 13, urging Congress to act quickly to extend the interest subsidies and the other benefits of the CARES Act to the nearly 9 million borrowers with privately held FFELP loans and Perkins loans.<sup>1</sup>

In the meantime, federal law allows us to suspend payments for up to 90 days for any FFELP borrower impacted by the COVID-19 national emergency who requests it. Under this suspension, known as a disaster forbearance, delinquency is cleared and payments are suspended. During the forbearance, interest accrues but does not capitalize at the end of the forbearance. We believe this action is neutral to a borrower's credit history, as the law allows us to report the affected borrower as "current" with a payment history of "deferred" and a special comment of "affected by natural or declared disaster." Furthermore, our team members work with affected borrowers to provide information about income-driven repayment, unemployment deferment, or other repayment options.

To more fully support all federal student loan borrowers, we recommend that Congress enact legislation making it easier for borrowers to enroll in income-driven repayment and recalculate their payment during this emergency. We have found that we can nearly triple the enrollment rate in IDR plans for struggling borrowers using a phone-facilitated e-sign process as opposed to the online process at studentaid.gov. Building on this success, we recommend going further during this time by allowing servicers to immediately enroll borrowers into IDR over the phone, including allowing

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<sup>1</sup> <https://slsa.net/slsa-supports-cares-act-relief/>

borrowers to self-certify their income over the phone. We appreciate the concerns raised by the General Accountability Office's report about the exception rates on self-certifications in the IDR program.<sup>2</sup> Yet, we believe that there will be time for review once the crisis has passed, and in the meantime, streamlining a complicated process will get assistance to borrowers who need it the most.

We are also supporting private education loan borrowers during this difficult time. Borrowers in this loan program who are impacted by COVID-19 and related economic challenges also have access to a disaster forbearance allowing requesting borrowers to clear past due amounts and suspend payments for 90 days during this national emergency. During the forbearance, interest accrues but does not capitalize at the end of the forbearance. As with FFELP borrowers, we believe this action is neutral to a borrower's credit history. We are also drawing on our experience from the Great Recession of 2008-2009. At that time, we pioneered the first major loan modification program for private education loans—a program we continue to offer today. This program lowers the interest rate and lowers the monthly payments, scaled to the borrower's budget, to help during periods of longer-term financial stress. Importantly, the reduced payments also keep the loan on a positive amortization schedule. We are leveraging this program to assist our customers impacted by COVID-19 as well. Our specialists have one-on-one conversations with customers to discuss their individual circumstances and customize support based on their unique situation.

In addition, we took early action to assist private education loan borrowers whose loans were already in default. Within days of the national emergency declaration, we suspended all new lawsuit filings and wage garnishment proceedings. Further, we work with borrowers who inform us that they have been affected by the COVID-19 crisis—whether from a health emergency or job loss or other economic impact—to suspend collections and offer flexibility in settlements and resolutions.

We recently worked collaboratively with New York's Department of Financial Services and agreed on principles of the assistance we provide to New York residents for private education loans and privately held federal loans, as we do residents in your state. One of the key components to this agreement is that state officials urge their residents to contact their servicer if they have student loans and are affected by the COVID-19 crisis. As constituents reach out to you, please urge those with student loans to reach out to their servicer for help.

We have provided a great deal of information on a new webpage dedicated to those affected by the COVID-19 crisis. Available at [navient.com/covid-19](https://navient.com/covid-19), this webpage includes details of the programs and assistance available, as well as frequently asked questions by loan type. We have helped provide answers to more than 2.5 million people through this page.

I am extremely proud of Navient team member accomplishments during this time, whether it is on a large scale such as our swift implementation of the CARES Act and our rapid deployment of a remote servicing capability or in the day-to-day empathetic conversations I hear our team members having with concerned borrowers. If you would like to discuss what we are seeing on the front lines of servicing or our recommendations for better serving borrowers during this time, I would be happy to arrange a phone call or video conference.

Sincerely,



Jack Remondi

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<sup>2</sup> <https://www.gao.gov/products/GAO-19-347>

Identical letter sent to:

The Honorable Sherrod Brown  
The Honorable Kamala D. Harris  
The Honorable Brian Schatz  
The Honorable Richard J. Durbin  
The Honorable Chris Van Hollen  
The Honorable Cory A. Booker  
The Honorable Mazie Hirono  
The Honorable Tina Smith  
The Honorable Bernie Sanders  
The Honorable Edward J. Markey  
The Honorable Amy Klobuchar  
The Honorable Jeffrey A. Merkley  
The Honorable Kirsten Gillibrand



Jack Remondi  
President and Chief Executive Officer  
123 S. Justison St.  
Wilmington, DE 19801

November 9, 2019

The Honorable Betsy DeVos  
Secretary  
U.S. Department of Education  
400 Maryland Avenue SW  
Washington, DC 20202

Major General Mark A. Brown, USAF (Ret.)  
Chief Operating Officer  
Office of Federal Student Aid  
U.S. Department of Education  
830 First Street NE  
Washington, DC 20002

Dear Secretary DeVos and General Brown:

On October 17, 2019, Senators Warren and Blumenthal publicized an October 11, 2019, letter to you—a letter that is built on false and meritless statements, misrepresents the public record, and discourages borrowers from engaging with their servicers. I write to ensure you understand the facts about Navient's very positive record servicing federal student loans.

Sadly, the letter recycles disproven Consumer Financial Protection Bureau allegations. Even after nearly six years of investigation and false claims, the CFPB has not identified even one borrower to support claims of "steering" away from an income-driven repayment (IDR) plan into forbearance. That is because there was no policy and no practice to do so.

Our goal is to provide a high level of service to student borrowers and we deliver. For example, an analysis of Department of Education data shows that Navient leads the industry with the lowest default rates and the highest enrollment in alternative repayment programs. Navient-serviced borrowers are 37 percent less likely to default than borrowers serviced by our peers. Approximately half of Direct Loan volume serviced by Navient is enrolled in IDR programs—more than any comparable servicer.

On behalf of my fellow Navient team members who are working on the frontlines with student borrowers to help deliver these results, it is my duty to correct some of the most egregious falsehoods in the letter. Here are three examples of facts about Navient's positive servicing record you should know:

- 1. Navient's policies, practices, and training are designed to use forbearance as a last resort for borrowers. The recently released 2010 internal memo that the Warren/Blumenthal letter cites actually proves this fact – that Navient raises forbearance after it is clear that borrowers do not qualify for other repayment options.**

The letter cherry picks an excerpt out of context to contort the truth. After the memo's phrase excerpted in the letter, the *very next sentence* states that Navient uses forbearance "once it is determined that a borrower cannot pay cash or utilize other entitlement programs." Income-driven

repayment is one such entitlement program. When read in its entirety as it was meant to be, it is clear that the intent of the 2010 memorandum was to lay out Navient's borrower education strategy to increase the use of income-driven repayment plans.

- 2. Navient conducts a strong and robust internal compliance program that includes senior leaders listening to randomly selected phone calls to ensure compliance and customer success. I implemented this policy many years ago to provide firsthand exposure to how we assist customers.**

Nonetheless, the letter tries to flip reality on its head and misrepresent our compliance program as problematic because senior leadership sought insight into customers interactions. Executive call listening is one part of our rigorous call monitoring program designed to improve compliance and customer satisfaction. In their letter, the senators conveniently omit the assessment of the call and any action taken, if necessary, to improve future performance. This program is exactly what you should expect of your vendors and partners.

- 3. In 2014, the Department of Justice made false and baseless allegations related to the Servicemembers Civil Relief Act (SCRA). It did so to try to create an entirely new standard that neither Congress nor ED had established. Rather than endure the costly and protracted litigation that we would have had to incur to disprove the allegations, we chose to settle the case and give money directly to servicemembers rather than prolong the case and spend money on lawyers and accountants. We complied fully with the law, there was never any determination that we did otherwise, and there was no "fine."**

At issue were differing views between what statute required, what the Department of Education also required and what the Department of Justice wanted instead. ED itself noted this: "In its review of Navient's actions, DOJ applied requirements that were different than those used by the Department. We have since updated our standards to be in line with those used by DOJ..." This was further confirmed by the waiver ED issued to Navient so it could implement DOJ's new requirements.

After Navient's voluntary settlement with DOJ, the federal government conducted an additional 16 audits, including six by outside independent auditors. Each of those audits found that during the timeframe covered by the settlement and since Navient complied fully with SCRA and ED's rules. The latest, and largest, found that "[i]n our opinion, Navient complied, in all material respects, with the requirements of SCRA..." The senators have continuously ignored the findings of these audits.

There are other errors and distortions in the letter, and I would be happy to discuss further and answer any questions you may have. Because the senators took steps to publicize their letter, I believe it is responsible to make this response publicly available.

Navient is pleased to support the investments students make in college working on behalf of the Department of Education. We look forward to continuing to support student loan borrower success.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jack Remondi', with a stylized flourish extending to the right.

Jack Remondi

Enclosure





## Fact Checker on October 2019 Senators’ Letter

An October 2019 letter from Senators Warren and Blumenthal promotes a false narrative about Navient’s record of helping student borrowers. Learn the facts here.

Claims in the Warren/Blumenthal letter	Facts
<p><i>CLAIM: “New Evidence of Navient Misbehavior”</i></p> <p><i>“These documents, released on September 18, 2019 in a legal brief filed by the CFPB, confirmed what evidence has pointed to for years: Navient systematically steered thousands of borrowers who were having difficulty paying their loans into plans that were worse for the borrower.”</i></p>	<p>False and misleading. These documents make it clear that forbearance is used as a last resort. There is no evidence to support this accusation.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> Navient leads comparable servicers in enrolling borrowers in affordable payment plans. Approximately half of Direct Loan volume serviced by Navient is enrolled in income-driven repayment plans—more than any comparable servicer.<sup>1</sup></li> <li>• <b>FACT:</b> After nearly six years of investigation, the CFPB has not identified even one borrower who was “steered” away from an income-driven repayment plan into forbearance. That is because there is no policy and no practice to do this and never was.</li> <li>• <b>FACT:</b> The so-called “new evidence” takes a single sentence from a memo, written in 2010 (shortly after Income-Based Repayment became available) that discusses the importance of borrower education and of using forbearance only when the borrower isn’t able to utilize other programs.</li> </ul>
<p><i>CLAIM: “Specifically, the documents indicate that, rather than working with borrowers who were in trouble to identify the ‘Income-Drive Repayment’ (IDR) or other plans that were in the borrower’s best interest, Navient had a policy of cutting servicing costs by driving borrowers into ‘forbearance’ – an option where borrowers can temporarily suspend payment of their loans, although interest</i></p>	<p>False and misleading. It is not in a servicers’ economic interest to place a borrower in a forbearance over an IDR plan.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> The full documents make clear that there are no policies, written or otherwise, that support this accusation. Indeed, the documents and Navient performance show the opposite.</li> </ul>

<sup>1</sup> <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>

<p><i>continues to accumulate – meaning that they end up owing more on their loans.”</i></p>	<ul style="list-style-type: none"> <li>• FACT: Servicers are paid 60% less for a borrower in forbearance compared to a borrower who is current in an IDR plan, and thus have no financial incentive to place borrowers in forbearance rather than IDR.<sup>2</sup></li> <li>• FACT: A review of actual outcomes shows that Navient forbearance usage is in line with or lower than other major servicers,<sup>3</sup> while Navient’s enrollment in IDR is higher than comparable servicers.</li> <li>• FACT: While some IDR plans subsidize interest for some loan types for a limited time period, for most loans, interest accrues under income-driven repayment plans just like it does in forbearance.</li> </ul>
<p><i>CLAIM: “Navient’s aggressive use of forbearance added nearly \$4 billion in unnecessary interest charges for more than 1.5 million borrowers between 2010 and 2015.”</i></p>	<p>False and misleading. This is a bogus figure that misconstrues federal student loan program rules.</p> <ul style="list-style-type: none"> <li>• FACT: Even the CFPB has never made this claim.</li> <li>• FACT: The letter falsely assumes that forbearance is never appropriate, that all loans would be eligible for income-driven repayment, and once there do not accrue interest.</li> <li>• FACT: Interest accrues on most borrowers’ loans whether the borrower is in standard repayment, forbearance, IDR or another repayment program.</li> <li>• FACT: For borrowers during this period, there were only a small subset of loans that were eligible for income-driven repayment interest subsidies in the first few years of repayment. For the vast majority of loans, interest accrued regardless of whether the borrower was in an IDR or other repayment plan or in forbearance.</li> </ul>

<sup>2</sup> <https://studentaid.ed.gov/sa/about/data-center/business-info/contracts/loan-servicing>

<sup>3</sup> <https://studentaid.ed.gov/sa/about/data-center/student/portfolio>

<p><i>CLAIM: "One internal memo, dated June 2010 and sent from a senior manager to Navient executives, urged, 'Our battle cry remains forbear them, forebear them. Make them relinquish the ball'... The memo makes clear that this was part of an explicit business strategy to prioritize borrower's needs only to the extent that they align with Navient's financial interests, noting, 'We need to point [borrowers] to the optimal solution based on their unique circumstances (optimal solution for the student and the firm).'"</i></p>	<p>False and misleading. This cherry-picked phrase deliberately twists the 2010 memo's meaning.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> The very next sentence in the memo states that Navient uses forbearance "once it is determined that a borrower cannot pay cash or utilize other entitlement programs." (IDR plans are entitlements.)</li> <li>• <b>FACT:</b> The opening lines of the same memo state, "We view Borrower Education as another key component of our mission. There are numerous programs in addition to [forbearance] that allow students to resolve their delinquency."</li> <li>• <b>FACT:</b> Contrary to assertions, servicer and borrower incentives are well aligned. Servicers are paid most when they help borrowers stay current whether in an income-driven repayment or other repayment plan. They are paid 60% less for borrowers in forbearance (compared to a current loan in an IDR or other repayment plan), debunking claims that servicers have an incentive to place borrowers in forbearance rather than IDR.</li> </ul>
<p><i>CLAIM: "In another internal document made public for the first time as part of the lawsuit, a training document for customer service agents inaccurately communicated that IDR plans were only an option for borrowers who could afford to make payments, despite that fact that virtually all low-income student borrowers with federal loans are entitled to make a zero-dollar monthly payment under one or more IDR plans. ...in a deposition, a manager of multiple call centers claimed not to know that zero-dollar IDR payments were an option until 2012, a full three years after the program was created."</i></p>	<p>False and misleading. Navient has worked to educate borrowers about IDR programs since they first became available.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> The training document includes a prominent admonition in bold, red font stating: "<b>Forbearance should not be considered until all other options have been exhausted.</b>"</li> <li>• <b>FACT:</b> An actual review of the deposition reveals that the employee in question never made that statement.</li> <li>• <b>FACT:</b> The CFPB has been given our policies and training documents, and they clearly show that Navient has supported and continues to support borrower education about IDR options.</li> </ul>

<p><i>CLAIM: "According to newly released statements from former employees, "The company fostered a culture within the call center that prioritized speed in resolving borrower calls. The company imposed a requirement that employees maintain an average call time of approximately seven minutes."</i></p>	<p>False and misleading. Navient policies do not set limits on call times.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> We train employees to serve customers thoroughly, efficiently, and with empathy.</li> <li>• <b>FACT:</b> The letter (and the CFPB reply brief) deceptively ignore testimony of a Navient supervisor who stated that supervisors listen to calls that are too long (over 10 to 15 minutes) <i>and</i> they listen to calls that are too short to check for quality and compliance: "...the low talk time report. So if somebody comes up on that for, you know, going under a certain amount of time in resolving an account, we're going to listen to that call... we do it as like a check to make sure they're doing everything correctly."</li> </ul>
<p><i>CLAIM: "Executives at all levels of the company appear to have been aware of Navient's aggressive push for forbearance at the expense of IDR and did nothing to change it. On at least five occasions, Navient CEO Jack Remondi was provided with examples of calls in which borrowers who were good candidates for IDR were placed in forbearance without the option of IDR ever being discussed."</i></p> <p>[...]</p> <p><i>"These examples show that Navient supervisors and the most senior leadership were aware of a clear pattern of customers being provided with incomplete and misleading information, but took no action to change their employees' practices."</i></p>	<p>False and misleading. It is the height of dishonesty to take a strong compliance program – involving regular call monitoring at the highest levels of the company for these very issues – and twist that as a negative.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> Navient has a rigorous call monitoring and testing program, specifically to ensure customer service specialists provide good service and follow policies and procedures. Navient CEO and other senior management regularly listen to customer calls as part of this program. These calls are randomly selected.</li> <li>• <b>FACT:</b> Executives listen to calls that represent good customer service and those that can be improved. Calls that fall short of quality standards receive follow-up calls from a supervisor and corrective action will be taken for the employee as appropriate.</li> </ul>
<p><i>CLAIM: "In 2007, Sallie Mae (now known as Navient) agreed to a multi-million dollar settlement with the New York Attorney General's office to resolve claims relating to the improper marketing of federal student loans."</i></p>	<p>Misleading. Sallie Mae cooperated with the AG and was one of the first in the industry to voluntarily adopt new standards.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> In 2007, the New York Attorney General examined services that banks and other financial institutions provided to colleges. As a result, multiple companies</li> </ul>

	<p>including Sallie Mae agreed to adopt new standards on school partnerships. They also made voluntary contributions to a financial literacy program for high school students.</p>
<p><i>CLAIM: "In 2008, the Treasury Department's Inspector General reviewed 36 separate cases and found that Sallie Mae's debt collection arm, Pioneer Credit Recovery, Inc., had violated its contractual obligations in each case through transgressions such as failure to adequately document its debt collection process and failure to inform consumers of their rights and obligations under debt compromises."</i></p>	<p>Misleading. Pioneer readily accommodated the new guidance just as the other agencies did.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> Inspectors General of government agencies routinely evaluate government processes (including those of their contractors) and make recommendations for improvement, such as this example from 11 years ago. There was no fine nor punitive action taken.</li> <li>• The Treasury Department asked each of its five private collection agencies to implement the IG's recommendations, and each of them including Pioneer did so.</li> </ul>
<p><i>CLAIM: "In 2009, the Education Department's Inspector General found that Sallie Mae overcharged the federal government by \$22.3 million by abusing a program for small lenders. These taxpayer dollars still have not been repaid."</i></p>	<p>False and misleading. Navient practices were consistent with ED guidance and regulations.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> This matter is unrelated to servicing and deals with a subsidiary financing issued in 1993 and retired more than 10 years ago. These practices were consistent with ED guidance and regulations. The company continues to stand behind those billing practices as proper.</li> <li>• <b>FACT:</b> Navient has been following the permitted appeals process and awaits a final determination.</li> </ul>
<p><i>CLAIM: "In 2013, the Education Department's Inspector General found that Sallie Mae had violated contractual terms by failing to report complaints the company had received from federal student loan borrowers."</i></p>	<p>Misleading. Pioneer readily accommodated the new guidance just as the other agencies did.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> As a result of this 2013 Education Department Inspector General's report, several private collection agencies, including Pioneer, were instructed to report verbal complaints to the Department of Education. Previously, the agencies had reported only written complaints. Pioneer quickly implemented this instruction.</li> </ul>

<p><i>CLAIM: "In response to a [2013] letter Sen. Warren wrote to the Department requesting more information on the Department's relationship with Sallie Mae, the Department noted many of the ways in which Sallie Mae had failed its borrowers, including 'defects in conversion to repayment, incomplete adjustments to borrower accounts when transferred from a previous servicer, incorrect calculation of adjusted gross income for Income Based Repayment payment, and failure to include spousal income when calculating Income Contingent Repayment eligibility.' In an audit of Sallie Mae's FFEL Program portfolio, the Department identified 'incorrect billings submitted to the Department, failure to report origination fees, unpaid consolidation loan rebate fees, and general management and reporting deficiencies.'"</i></p>	<p>False and misleading. Navient delivers a high level of service to FSA and to borrowers.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> In the same letter (dated 12/9/2013), the Federal Student Aid chief operating officer wrote to Senator Warren that the "Department is continuously working with its student loan servicers to provide exceptional service to borrowers and to serve as good stewards of taxpayer dollars."</li> <li>• <b>FACT:</b> And later FSA stated, "Compliance issues identified in the past through Department monitoring and oversight activities have not risen to the level where these penalties were considered appropriate, and they were resolved through the implementation of corrective action plans... In general, these issues have affected a very small percentage of individuals relative to the overall borrower population. The incidence of and responsiveness to issues of this kind by Sallie Mae has been consistent with our experience with other Federal loan servicers."</li> </ul>
<p><i>CLAIM: "In 2014, DOJ and FDIC investigations found that Sallie Mae/Navient had engaged in 'intentional, willful' and systematic violations of service members' rights under the Servicemembers Civil Relief Act and had illegally overcharged service members for nearly a decade. The DOJ and FDIC investigation resulted in the two agencies requiring the company to pay a nearly \$100 million fine. In 2016, we called on the Department to conduct a thorough accounting of this wrongdoing, after your own Inspector General found that ED's actions to identify affected borrowers were inadequate and statistically flawed."</i></p>	<p>False and misleading. The government conducted 16 audits that found Navient complied fully with the Servicemembers Civil Relief Act (SCRA).</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> The latest, and largest audit, covering the same years as the settlement timeframe, concluded: "In our opinion, Navient complied, in all material respects, with the requirements of SCRA referred to above that are applicable to Title IV loans serviced on behalf of DoED-FSA."<sup>4</sup></li> <li>• <b>FACT:</b> At issue were differing views between the Department of Education and the Department of Justice. Navient entered into a voluntary settlement to avoid lengthy and expensive litigation. There was no determination that there was a violation of law or rule by Navient or that any of the claims asserted had merit.</li> </ul>

<sup>4</sup> <https://studentaid.ed.gov/sa/sites/default/files/fsawg/datacenter/library/Navient-Compliance-Report.pdf>

	<ul style="list-style-type: none"> <li>• <b>FACT:</b> A Department of Education spokesperson acknowledged, “In its review of Navient’s actions, DOJ applied requirements that were different than those used by the Department. We have since updated our standards to be in line with those used by DOJ...” Indeed, in order to complete the settlement, Navient had to obtain a waiver letter from the Department of Education to deviate from ED’s standards. These documents and the full history are available at <a href="http://news.navient.com/scra-facts">news.navient.com/scra-facts</a>.</li> </ul>
<p><i>CLAIM: “In 2017, the CFPB filed a lawsuit that led to last month’s disclosures, alleging that Navient violated federal laws by steering borrowers into forbearance, failing to provide clear deadlines and reminders to borrowers who were in long-term repayment plans that needed to be renewed annually, and falsely reporting to consumer reporting agencies that borrowers who had become disabled, including disabled veterans, had defaulted on their loans. The lawsuit also alleges that Navient repeatedly mishandled monthly payments by misallocating or misapplying payments across borrowers’ accounts, resulting in improper late fees, increased interest rates, and inaccurate reports to consumer reporting agencies.”</i></p>	<p>False and misleading. After six years of investigation, the CFPB has not identified accounts that support its claim of “steering.”</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> In a court filing earlier this year, Navient demonstrated not only that the charge of systematic “steering” is false, but that the CFPB had failed to identify a single borrower harmed by any purported “steering.”</li> <li>• <b>FACT:</b> The other claims are unfounded as well. Navient will fully respond when this matter is finally litigated. In the meantime, our response to all of these allegations is available at <a href="http://navient.com/legalfacts">navient.com/legalfacts</a>.</li> </ul>
<p><i>CLAIM: “In 2017, an FSA audit found that Navient call centers steered borrowers to inappropriate repayment plans. According to the audit, Navient offered only forbearance as an option for about 10% of student borrowers that the company spoke to on the phone, leaving them with incomplete information about their repayment options. This report’s findings were confirmed by the newly released internal documents, which presented steering borrowers to forbearance as the company’s explicit strategy.”</i></p>	<p>False and misleading. The Department of Education said its review concluded that Navient was in compliance with program rules.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> The Department’s reviews of Navient have consistently rated Navient highly, including the review referred to here. A Department spokesman stated: “Nothing in the report indicates forbearances were applied inappropriately.”</li> <li>• <b>FACT:</b> The Department further stated that “Navient’s overall use of forbearance was consistent with that of other servicers, while the duration of forbearances for Navient borrowers was actually among the lowest of the Department’s nine servicers.”</li> </ul>

	<ul style="list-style-type: none"> <li>• <b>FACT:</b> Further information on this false allegation can be found at <a href="http://navient.com/legalfacts">navient.com/legalfacts</a>, including Navient CEO’s response to Sen. Warren,<sup>5</sup> his letter to Navient shareholders,<sup>6</sup> and the Department of Education’s statement on this review.<sup>7</sup></li> </ul>
<p><i>CLAIM: “In 2018, a judge ruled that a class action bankruptcy lawsuit against Navient could proceed based on evidence that Navient disguised certain loans that may have been dischargeable in bankruptcy as non-dischargeable student loans and continued to collect on them.”</i></p>	<p>False and misleading. Navient supports bankruptcy reform and follows bankruptcy rules.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> Navient has long advocated for reform that would allow federal and private student loans to be dischargeable in bankruptcy for those who have made a good-faith effort to repay their student loans.</li> <li>• <b>FACT:</b> Recently, an appeals court found that, while these loans may in fact be dischargeable, the judge was wrong when he found that the plaintiffs had jurisdiction to bring these claims outside of the bankruptcy court that originally heard their bankruptcy case.</li> </ul>
<p><i>CLAIM: “And earlier this year, the Education Department Inspector General released an audit of the FSA’s failure to hold student loan servicers accountable, the results of which directly contradicted the Department’s previous statements that Navient had been complying with Department of Education requirements. The audit found that ‘FSA’s oversight activities regularly identified instances of servicers’ not servicing federally held student loans in accordance with Federal requirements,’ including a review of Navient calls that showed much higher rates of failure to provide callers with all their payment options than FSA’s publicly released monthly reports indicated. However, ‘FSA management rarely used available contract accountability provisions to hold servicers accountable for instances of noncompliance.’”</i></p>	<p>False and misleading. The Department of Education said its review concluded that Navient was in compliance with program rules.</p> <ul style="list-style-type: none"> <li>• <b>FACT:</b> The portion of the IG report referenced here misuses the same 2017 FSA review discussed above.</li> <li>• <b>FACT:</b> The IG report simply repeated the mistakes in the original FSA review that FSA later acknowledged after learning more information about the borrowers’ situations. In fact, FSA requested to only review calls of five minutes or less, which meant the calls reviewed were not a fair representation of all calls. The IG later corrected its report to reflect that FSA only reviewed “short-duration” calls.</li> <li>• <b>FACT:</b> FSA concluded Navient counseled the borrowers appropriately. FSA’s final statement on this matter reflected the full</li> </ul>

<sup>5</sup> <https://news.navient.com/static-files/2d908c37-30d1-4008-8d99-2e2ecf5fd93>

<sup>6</sup> <https://news.navient.com/static-files/330bf3d0-489a-4798-8879-def5fd764e01>

<sup>7</sup> <https://news.navient.com/static-files/5afa1bd9-0a8a-4e4f-83e6-74a736c8b80d>



# NAVIENT

123 S. Justison Street  
Suite 300  
Wilmington, DE 19801

June 4, 2019

## **BY FIRST CLASS MAIL AND EMAIL**

The Honorable Elizabeth Warren  
United States Senate  
317 Hart Senate Office Bldg.  
Washington, D.C. 20510

The Honorable Sherrod Brown  
United States Senate  
503 Hart Senate Office Bldg.  
Washington, D.C. 20510

The Honorable Kirsten Gillibrand  
United States Senate  
478 Russell Senate Office Building  
Washington, D.C. 20510

The Honorable Richard Durbin  
United States Senate  
711 Hart Senate Office Bldg.  
Washington, D.C. 20510

The Honorable Sheldon Whitehouse  
United States Senate  
530 Hart Senate Office Bldg.  
Washington, D.C. 20510

Re: U.S. Department of Education's December 27, 2017 Directive to Navient and Other Federal Loan Servicers Regarding Privacy Act Obligations (the "Directive")

Dear Senators:

This responds to your letter dated May 14, 2019 (the "Letter") regarding the U.S. Department of Education's Directive to servicers. Navient first received the Letter on May 21, 2019, and we appreciate the extension to respond given its delayed delivery to us. We greatly respect your interest in the Directive and in federal agency oversight of federal loan servicers, and hope this response helps you understand these matters further.

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Initially, we would like to stress the importance that Navient places on compliance with the statutes, regulations, and contracts that govern our student loan servicing work. Navient services federal student loans pursuant to a contract with the U.S. Department of Education (the "Department"). We also service student loans originated under the Federal Family Education Loan Program ("FFELP loans") and private student loans.

Federal statutes, federal regulations, the Department's guidance, and our contract with the Department all govern our servicing of federal student loans.<sup>1</sup> We have extensive processes to ensure compliance with the contract and federal laws and regulations. Extensive on-site reviews, call listening and documentary audits of our work conducted by the Department have consistently found that we perform at the highest level.

With respect to oversight efforts of the Consumer Financial Protection Bureau (the "CFPB") and state agencies, we have cooperated fully as permitted under our Department contract and federal law and regulations allow.

The Letter asks about the history of the CFPB's supervision of Navient. In the seven years since its establishment, the CFPB has never conducted a supervisory examination of Sallie Mae prior to our separation in 2014 nor of Navient since 2014. The CFPB has not made any requests under its supervisory authority.

However, the CFPB has reviewed borrower complaints submitted through its consumer response portal, and Navient has analyzed and published a review of those complaints to provide greater transparency into student loan servicing and to shed light on the underlying reasons for consumers' concerns.<sup>2</sup>

Generally, the Letter raises a dispute over federal law between the Department on the one hand and the CFPB and certain state agencies on the other. This is a dispute between federal and state agencies over access to Department information, with servicers caught in the middle and unable to resolve the issue on their own.

As you know, the Directive unequivocally states the Department's determination that federal loan servicers must comply with the Privacy Act of 1974 (the "Privacy Act"), that the Department owns and controls all Privacy Act-protected records to which servicers have access, and that servicers may not provide Privacy Act-protected information to any third parties who request it even if those third parties are other government agencies.

Our contract with the Department also sets out these requirements. Also, in a memorandum dated January 14, 2019 (the "Memorandum"), the Department reiterated

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<sup>1</sup> Our contract with the Department can be found here: <https://www2.ed.gov/policy/gen/lep/foia/contract/salliemae-061709.pdf>

<sup>2</sup> Our review of borrower complaints submitted to the CFPB can be found here: <https://medium.com/@JackRemondi/what-cfpb-consumer-data-prescribes-for-student-loans-ab46b8e62179#.adlee6www>

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its instruction that federal loan servicers comply with the Privacy Act and provided information on the procedures for submitting Privacy Act requests to the Department.

Thus, barring a court order, the Directive, the Memorandum, and our Department contract govern the disclosure of the Department's Privacy Act-protected records.

None of the Directive, the Memorandum, the Privacy Act or our Department contract provide Navient with authority to interpret whether a court should - or to predict whether a court will - grant a request for Privacy Act-protected records. Instead, the authority to release the Privacy Act-protected records rests entirely with the Department or a court.

Accordingly, when the CFPB and state agencies request Privacy Act-protected records, the law obligates Navient to refer them to the Department and to decline those requests unless the Department grants its permission or a court orders otherwise. If Navient failed to follow this procedure, we would be in violation of our Department contract.

Navient faithfully follows the required procedure for responding to requests for Privacy Act-protected records and, as your letter notes, once a court determined that Department data be provided to the CFPB, we did so immediately.

In fact, we have gone to great lengths to comply with requests from the CFPB and state agencies for student loan data where the requested disclosure was not prohibited under the Directive or our Department contract and where such disclosure was otherwise permitted. Indeed, we have provided extensive information to the CFPB, seven state attorneys general, and three banking regulators both inside and outside of litigation and over the course of the last several years. For example, in connection with the CFPB's lawsuit against Navient, we produced approximately 925,000 documents constituting roughly 6.4 million pages, as well as 11 terabytes of student loan borrower data. Simply put, Navient has a proven record of complying with document requests from the CFPB and state agencies with which we are legally permitted to comply.

Respectfully, we are unable to respond to the Letter's remaining questions as they involve matters concerning ongoing government litigation and investigations, proprietary information and confidential discussions with the Department concerning its regulatory oversight. We appreciate your understanding of these restrictions.

Navient's primary mission has always been, and remains, helping borrowers successfully navigate repayment and avoid default after they have made the important financial decisions about the total cost of their educations. We are proud of our track record of helping our customers succeed. In fact, borrowers whose loans we service are 35 percent less likely to default compared to our competitors.

Navient believes as I am sure you do as well that it is imperative that the federal government, states, schools, and student loan servicers work together to support better outcomes for borrowers. For this reason, Navient supports clear, strong, and uniform rules for student loan servicers. I have suggested several ways to improve student

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lending and borrower outcomes such as enhancing financial literacy for borrowers and simplifying the repayment process.<sup>3</sup>

Navient looks forward to working with policymakers on solutions to help more borrowers succeed and to continuing to deliver industry-leading results to the customers we serve.

Respectfully submitted,



Jack Remondi  
President & Chief Executive Officer  
Navient Corporation

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<sup>3</sup> See <https://news.navient.com/views-speeches>.



## A Letter from Navient CEO Jack Remondi to Navient Shareholders

November 21, 2018

WILMINGTON, Del., Nov. 20, 2018 (GLOBE NEWSWIRE) – Navient (Nasdaq:NAVI) released the following letter from Jack Remondi, President and CEO, to company shareholders:

Today's article by the Associated Press continues the practice of ignoring facts to make false, sensational and harmful accusations that discourage borrowers from working with their servicers. Despite being in possession of the Federal Student Aid (FSA) review and our account-by-account response, the article repeated a series of false accusations that are not found in any section of the review.

A full reading of the report, our responses included in the report and comments provided by the U.S. Department of Education clearly and unequivocally refute the accusations that Navient was improperly steering borrowers. They also affirmatively conclude that in those instances where forbearance was used, it was applied appropriately.

According to a Department of Education [statement](#) on the review:

...in approximately 9 percent of those calls, it was not clear whether Navient had sufficiently discussed options with the borrower. In response to FSA's preliminary conclusions, Navient provided detailed information about each of the calls at issue. Based on FSA's review of Navient's responses and FSA's independent review of Navient's overall performance, FSA has concluded that Navient is substantially in compliance with its obligations.

The article also claims that the CFPB and others did not possess the report (though later it admits they did). In fact, the review has been in the hands of the CFPB and state AGs for nearly a year.

One of the main claims is that enrolling borrowers in forbearance is an inappropriate and therefore deceptive practice. This conclusion is deceptive in itself and shows a lack of understanding of the different repayment options available to borrowers and how forbearance can be both a proper and lower cost option for borrowers. It also ignores the fact that the option of forbearance was authorized by Congress and no senator has initiated any bill to eliminate it as a valid option. A full reading of the review and our response makes it clear that we discussed options other than forbearance or that forbearance was the most appropriate option choice for the borrower. Navient provided these details to Senator Warren in a letter dated November 15, 2018.

The letter, [which we are releasing at navient.com/legalfacts](#) in response to the Senator's press release makes clear that the accusations are false and misleading and are a blatant attempt to discredit the good work of my 6,000-plus dedicated colleagues.

The Department of Education statement continued:

Program data indicated that Navient's overall use of forbearance was consistent with that of other servicers, while the duration of forbearances for Navient borrowers was actually among the lowest of the Department's nine servicers. Navient also had among the highest take-up rates for income-driven repayment plans, as well as longer than average call durations in comparison to all servicers.

The federal loan programs offer over 50 different repayment options. Some are designed for long-term challenges and others are designed to address short-term challenges. Contrary to some views, no single option is always best or always worst. It always depends on the borrowers' unique circumstances. The most expensive option is doing nothing and allowing the account to become delinquent and/or default. At Navient we help our customers select the option that best fits their needs. The results are crystal clear, borrowers serviced by Navient have the highest enrollment in income-driven repayment programs of all comparable servicers and are least likely to default.

We are proud of these industry leading results and I am proud of the work our team does each and every day to assist borrowers. It is deeply sad that these false accusations are spread without facts to support them and, as a result, borrowers are discouraged from engaging with their services. Nevertheless, we will continue to provide quality service to help our customers succeed.

Sincerely,  
Jack Remondi

### About Navient

Navient (Nasdaq: NAVI) is a leading provider of asset management and business processing solutions for education, healthcare and government clients at the federal, state and local levels. The company helps its clients and millions of Americans achieve financial success through services and support. Headquartered in Wilmington, Delaware, Navient employs team members in western New York, northeastern Pennsylvania, Indiana, Tennessee, Texas, Virginia, Wisconsin and other locations. Learn more at [navient.com](#).

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NAVIENT

Source: Navient Corporation



Jack Remondi  
President and Chief Executive Officer  
123 S Justison St  
Wilmington, DE 19801

November 15, 2018

The Honorable Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

I am in receipt of your November 13, 2018, letter.

I stand by my responses to your questions in our meeting in June. I continue to be unaware of any reviews or audits that support the claims that Navient somehow systematically steered borrowers into forbearance. This particular Federal Student Aid review, when viewed as a whole, as well as dozens of other audits and reviews, show that **Navient overwhelmingly performs in accordance with program rules while consistently helping borrowers choose the right options for their circumstances.**

A thorough reading of the 2017 review reveals:

- **In 91 percent of the calls, FSA found no issues.**
- **An examination of the remaining 9 percent of calls—details of which are included in our response to the report—shows that we discussed options other than forbearance or that forbearance was the most appropriate choice for the borrower.** Some examples include:
  - A delinquent borrower whose wife was in the hospital in intensive care when we reached him and could not discuss options. In the short time he had to speak, we helped him put his loans in forbearance and then sent him information on income-driven repayment.
  - A borrower with a remaining balance of \$508 who had recently become unemployed. Our team member discussed income-driven repayment with her, but that plan was projected to stretch out her payments from eight months to 28 months, so she chose unemployment deferment. The borrower needed a forbearance to not go further delinquent while submitting the required paperwork.
  - Twenty-four borrowers who were returning to school or enrolled in school where forbearance was used to make sure the borrower did not go delinquent while we waited for the school to provide enrollment information, often retroactively.
  - Eight borrowers for whom income-driven repayment was specifically discussed and recommended as the appropriate option or the payment plan was modeled (either on the call or previously) where a short-term forbearance was used to allow them time to fill out the paperwork for IDR. Two of these borrowers were pre-qualified on previous calls and had gone delinquent again without filling out the application paperwork.
  - Five borrowers who were already in income-driven repayment and required additional short-term relief.
  - Borrowers who had a clear short-term financial difficulty—such as changing jobs or moving—where a short-term forbearance was more appropriate than a long-term program that could

- add more interest and years to their loan term. Still, these borrowers received verbal and written communication of other repayment options including IDR.
- A borrower who was paying off the loan in a few weeks and put the loan in a short-term forbearance.

Furthermore, every borrower who arranges a forbearance over the phone receives both a verbal disclosure and a written notice that advises them of the capitalized interest impact and that other repayment options like IDR and loan consolidation are also options.

In regular practice, FSA reviews the servicers' responses to the issues raised and adjusts its findings as appropriate. In this case, FSA simply included our response in their report and made no adjustments, presumably since the findings were already low. If FSA had followed its usual course of conduct, the exception rate on an individual call basis would have been in line with the exceptional results we see in other call reviews. Navient's last 12 call monitoring reviews performed by FSA resulted in an average score of 99.37 percent.

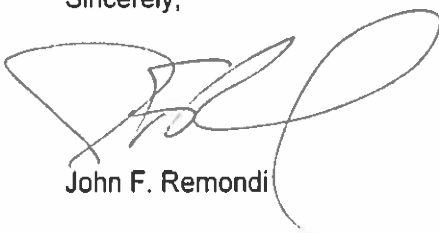
Your accusation that we benefit financially from borrowers in forbearance is simply not true. As I have shared with you previously, servicers are paid up to 60 percent less for accounts in forbearance; we simply do not have an incentive to use forbearance versus other payment options. In fact, the opposite is true. Furthermore, Navient's use of forbearance is in line with or lower than other servicers, and our IDR enrollment is consistently higher than comparable servicers.

As I have shared with you many times, we are committed to improving outcomes for student loan borrowers and are constantly evaluating and working to improve their experience. For example, we recently developed a program using digital technology to make it easier for borrowers to complete an IDR application, dramatically increasing response rates. We are always looking for ways to help borrowers and appreciate the compliance reviews and audits performed by our internal team and by FSA. These reviews present important feedback and help us as we continually strive to provide the best service we can. However, they should not be cherry picked and distorted to support a preconceived agenda.

A complete reading of the FSA report with our responses along with the full set of borrower communications renders your accusations inaccurate. I hope that in the future your staff will reach out to us to discuss your office's questions before making claims or inaccuracies such as contained in your letter. I also hope, for borrowers' and Navient team members' sake, that you and I can find a better path of communicating.

I continue to look for opportunities to work with policymakers on ways to improve student lending and borrower outcomes.

Sincerely,



John F. Remondi





Jack Remondi  
President and Chief Executive Officer  
123 S Justison St  
Wilmington, DE 19801

June 13, 2018

The Honorable Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

I am following up to our June 6 meeting where I committed to reviewing our marketing materials for Navient's NaviRefi product.<sup>1</sup> I am confirming what I indicated to you in our meeting: the NaviRefi product is marketed only to individuals with whom we have a customer relationship separate and apart from a Department of Education (ED) Direct Loan servicing relationship and who have strong repayment history and credit characteristics. The individuals who take advantage of the offering do so because they qualify for a lower rate and pay less in interest.

More specifically, in compliance with the terms of our contract with ED, Navient may not and does not use any ED data to market this or any other product. While a Navient customer with private loans or FFELP loans who also has Direct Loans is free to include their Direct Loans in a refinancing loan from Navient, NaviRefi is not promoted to customers who have exclusively Direct Loans.

I can also confirm based upon our review that, contrary to your assertion in our meeting, our marketing materials and disclosures proactively disclose several times the potential loss of federal benefits to prospective customers so they can factor in that information as they decide whether to refinance their loans. **Prospective customers are made aware of the loss of federal benefits multiple times through multiple channels during the solicitation and application process.** These transparent disclosures are designed to help potential refinancing customers understand the potential loss of benefits, such as federal loan income-driven repayment plans, to make an informed decision.

First, our direct mail and email communications contain disclosures about the potential loss of federal benefits. In addition, the prospective borrower cannot complete the loan application without acknowledging or signing at least four different documents containing loss of benefits disclosures, including a page that is purely about loss of federal benefits. Lastly, the NaviRefi help and questions website provides additional information regarding the loss of federal benefits.

A review of the marketing materials you shared in the meeting confirms that they in fact do contain the disclosures you claimed were absent:

- Direct Mail Letter (Attached) which is the marketing material you specifically used to demonstrate your point
  - Back of letter or 2<sup>nd</sup> page of the attachment provides the following disclosure:

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<sup>1</sup> NaviRefi Loans are made by Earnest Operations LLC and serviced by Navient Solutions, LLC.

*You may lose benefits associated with your underlying federal and/or private loans if you refinance, such as federal Income-Driven Repayment plans or deferment and forbearance options. If you file for bankruptcy, you may still be required to pay back this loan.*

- Enclosed Loan Application and Solicitation Disclosure on pages 3 and 4 of the attachment is sent with every direct mail letter and contains the following disclosure:

*If you refinance your Federal student loans through a private refinance loan program, you will not be able to select Income-Driven Repayment or other flexible payments plans that are available to Federal student loan borrowers. In addition, Federal student loans offer deferment, forbearance, and loan forgiveness options that are not available to you if you take out a refinanced loan. See <https://studentaid.ed.gov/types/loans/federal-vs-private> for a description of the benefits and repayment options available to Federal student loan borrowers.*

- On both pages 3 and 4 of Attachment 1, the letter urges borrowers to make sure they explore federal alternatives at [studentloans.gov](https://studentloans.gov):

*NEXT STEPS*

*1. FIND OUT ABOUT OTHER LOAN OPTIONS.*

*Visit the Department of Education's website at:*

*<https://studentloans.gov/myDirectLoan/index.action> for more information about consolidation loan options that may be available for Federal student loans.*

In addition, the other materials each applicant receives during the application process make additional disclosures:

- Online Loan Application and Solicitation Disclosure – reviewed and agreed to by applicant prior to pulling credit:

*Think carefully before taking out a private refinance loan to pay off your Federal student loans. If you refinance your Federal student loans through a private refinance loan program, you will not be able to select Income-Driven Repayment or other flexible payments plans that are available to Federal student loan borrowers. In addition, Federal student loans offer deferment, forbearance, and loan forgiveness options that are not available to you if you take out a private refinance loan. See <https://studentaid.ed.gov/types/loans/federal-vs-private> for a description of the benefits and repayment options available to Federal student loan borrowers.*

- Application Loss of Benefits Disclosure – a detailed disclosure purely about the loss of federal benefits to which the applicant must agree before finalizing rate and term selections:

## Important Information About Your Loan



### Important Information About Your Loan

Refinancing private and federal student loans may not be the right decision for everyone. Think carefully before applying for or cosigning a NaviRefi Loan to pay off student loans.

If you refinance your federal and/or private student loans through the NaviRefi Loan program, **you will lose certain benefits associated with your original loans**, which may include, but are not limited to:

- Various federal repayment plans including Income-Driven Repayment (IDR), Income-Based Repayment (IBR), Income-Sensitive Repayment (ISR), Income-Contingent Repayment (ICR), Pay As You Earn (PAYE), Revised Pay As You Earn (REPAYE), Graduated Repayment, and Extended Repayment
- Servicemembers Civil Relief Act (SCRA) – If you refinance or consolidate your loans or cosign a refinance or consolidation loan while serving on active duty in the military, you will lose the ability to qualify for an interest rate reduction under the Servicemembers Civil Relief Act for all federal and private student loans applied for or cosigned prior to the start of your service
- Various federal deferment and forbearance entitlements
- Certain deferment, forbearance, and alternative repayment options for private loans
- Various federal loan forgiveness or discharge options including Public Service Loan Forgiveness (PSLF), and Teacher Loan Forgiveness
- Federally subsidized interest
- Eligibility for federal loan consolidation
- Grace period on federal and/or private loans
- Borrower benefit or incentive programs, that may include interest rate discounts, principal rebates, or some loan cancellation benefits

Go to [Federal Versus Private Loans on StudentAid.gov](https://www.studentaid.gov) for a description of federal loan benefits and repayment options available to federal student loan borrowers.



DOWNLOAD

I understand

- Loan Approval Disclosure – reviewed and agreed by applicant after approval and rate/term selection:

*Think carefully before taking out a private refinance loan to pay off your Federal student loans. If you refinance your Federal student loans through a private refinance loan program, you will not be able to select Income-Driven Repayment or other flexible payments plans that are available to Federal student loan borrowers. In addition, Federal student loans offer deferment, forbearance, and loan forgiveness options that are not available to you if you take out a private refinance loan. See <https://studentaid.ed.gov/types/loans/federal-vs-private> for a description of the benefits and repayment options available to Federal student loan borrowers.*

- Credit Agreement – signed by applicant as part of the final loan packet

Section 6.a

*Loss of Grace Period on My Federal and/or Private Student Loan upon Refinancing: If any of the Underlying Loans that I have selected for refinancing are in a grace period, I understand I will lose that grace period. My NaviRefi Loan will be processed regardless of such grace period and will enter repayment immediately upon disbursement.*

Section 6.b

*Loss of Deferment Entitlements and Forbearance Options on My Federal and/or Private Student Loan upon Refinancing: If any of the Underlying Loans that I have selected for refinancing is a federal student loan made under the William D. Ford Federal Direct Loan Program ("Direct"), the Federal Family Education Loan Program ("FFELP"), the Federal Perkins Loan Program ("Perkins"), or Health Education Assistance Loan Program ("HEAL"), I understand that I will lose all of my federal deferment entitlements and forbearance options accorded to me under these programs. If any of the private loans I have selected for refinancing is a private loan made by a state or state-sponsored agency, I understand that I will lose all state-mandated deferment entitlements and forbearance options accorded to me under such programs. However, I understand that you may permit deferment and forbearance at your sole discretion as described above in Section 4(b). If any of the Underlying Loans I have selected for refinancing is currently in a period of deferment or forbearance, the deferment or forbearance will be lost. My NaviRefi Loan will be processed regardless of such deferment or forbearance and will enter repayment immediately upon disbursement.*

o Section 6.c

*Loss of Loan Forgiveness Options: If any of the Underlying Loans that I have selected for refinancing is a federal student loan made under the Direct, FFELP, Perkins, or HEAL programs, I understand that I will lose all eligibility for any federal loan forgiveness programs including but not limited to loan forgiveness programs directed to borrowers pursuing careers in Public Service, Teaching, and/or the Armed Forces. If any of the private loans I have selected for refinancing is a private loan made by a state or state-sponsored agency, I understand that I will lose all state-mandated loan forgiveness options and loan cancellation provisions that are similar but not limited to those mentioned herein.*

○ Section 6.d

*Loss of Income-Driven Repayment, Graduated Repayment, Extended Repayment, and Other Repayment Plans on My Federal and/or Private Student Loan upon Refinancing: If any of the Underlying Loans that I have selected for refinancing is a federal loan made under the Direct, FFELP, Perkins, or HEAL programs, I understand that I will lose all federal Income-Based Repayment ("IBR"), Income-Contingent Repayment ("ICR"), Pay As You Earn ("PAYE"), and Revised Pay As You Earn ("REPAYE") plans, collectively referred to as Income-Driven Repayment ("IDR") plans; and I will lose all Income-Sensitive Repayment, Graduated Repayment, and Extended Repayment plans accorded to me under these programs. If any of the private loans I have selected for refinancing is a private loan made by a state or state-sponsored agency, I understand that I will lose all state-mandated repayment plans accorded to me under such programs.*

○ Section 6.e

*Loss of Eligibility for a Federal Direct Consolidation Loan: If any of the Underlying Loans that I have selected for refinancing is a federal loan made under the Direct, FFELP, Perkins, or HEAL programs, I understand that paying these loans off by refinancing them under this private student loan refinance program removes them from future consideration under the Federal Direct Consolidation Loan Program as authorized by the Higher Education Act (HEA) for the purposes of simplifying and extending repayment for such types of federal loans.*

○ Section 6.f

*Loss of Interest Subsidy on Certain Federal and/or Private Loans: If any of the Underlying Loans that I have selected for refinancing is a loan made under the Direct or FFELP programs, I understand that I will lose all of the federal interest subsidy attached to the subsidized portions of such loans during periods of in-school, grace, deferment, or IDR plan. If any of the private loans I have selected for refinancing is a private loan made by a state or state-sponsored agency, I understand that I will lose all state-mandated interest subsidy accorded during periods of in-school, grace or deferments that are similar but not limited to those described herein.*

● Online Help and Questions (<https://navirefi.com/student-loans/help-and-questions.html>):

*What are the differences between student loan consolidation and student loan refinancing?*

- *Please note that refinancing federal student loans into a private student loan means loss of eligibility for federal loan benefits and repayment programs, such as Income-Driven Repayment.*

*What are the differences between federal student loans and private student loans?*

- *During repayment, private student loans typically have fewer options for deferment, forbearance, lower payment plans, and loan forgiveness than federal student loans.*

*Do the borrower benefits and/or repayment options on my underlying loans carry over to my NaviRefi Loan?*

- *First, you should know that refinancing private and federal student loans may not be the right decision for everyone. If you refinance your federal and/or private student loans with a NaviRefi Loan, you*

*will lose benefits associated with your underlying federal and private loans, including the ability to select Income-Driven Repayment or other flexible payments plans that are available to federal student loan borrowers. Federal student loans offer various deferment, forbearance, lower payment plans, and loan forgiveness options that are not available to you if you take out a refinanced loan. However, private refinance forbearance and deferment options may be available to you at lender discretion.*

**Refinance loans provide a desirable service to borrowers whose credit profile has improved since they first borrowed—enabling them to take advantage of today’s competitive marketplace and relatively low interest rate environment to save interest and potentially pay off their loans faster.**

In fact, the performance of our private education refinancing loan customers is very high. According to DBRS’s student loan ABS report, as of first quarter 2018, total delinquencies were 0.19% or 19 basis points.

As you can see, we are very explicit and transparent about the loss of federal loan benefits for customers who seek to refinance their loans. As I indicated in our meeting, I would be happy to review the account for the borrower who received the mailing you provided to me if you provide me the name of the specific borrower who received the mail invitation along with the invitation code (which was blanked out in the form you handed to me).

Respectfully,

A handwritten signature in blue ink, appearing to read 'J. Remondi', with a stylized flourish at the end.

John F. Remondi

Attachment



[Redacted]

Dear [Redacted]

You are prequalified to refinance your student loans at one low rate. There are no origination or application fees, and you can choose repayment periods from 5 to 20 years.<sup>1</sup>

### Now is when your good habits pay off

You can choose between a lower monthly payment or paying off your loans sooner with less overall interest.

### Take advantage of a new low rate

With a choice of variable rates from 2.936% - 6.936% and fixed rates from 3.250% - 7.160% APR. (All rates shown include auto pay discount.)<sup>2</sup> We're here to help make your student loans fit your life.



Get your rate in 3 minutes, quick and easy



Pay off loans faster, or lower your payments



Refinance your student loans into one payment

### You're prequalified

You're prequalified to refinance up to \$150,000 in existing student loans (or \$250,000 if you have a medical, dental, veterinary or pharmacy degree). All it takes is three minutes to apply.

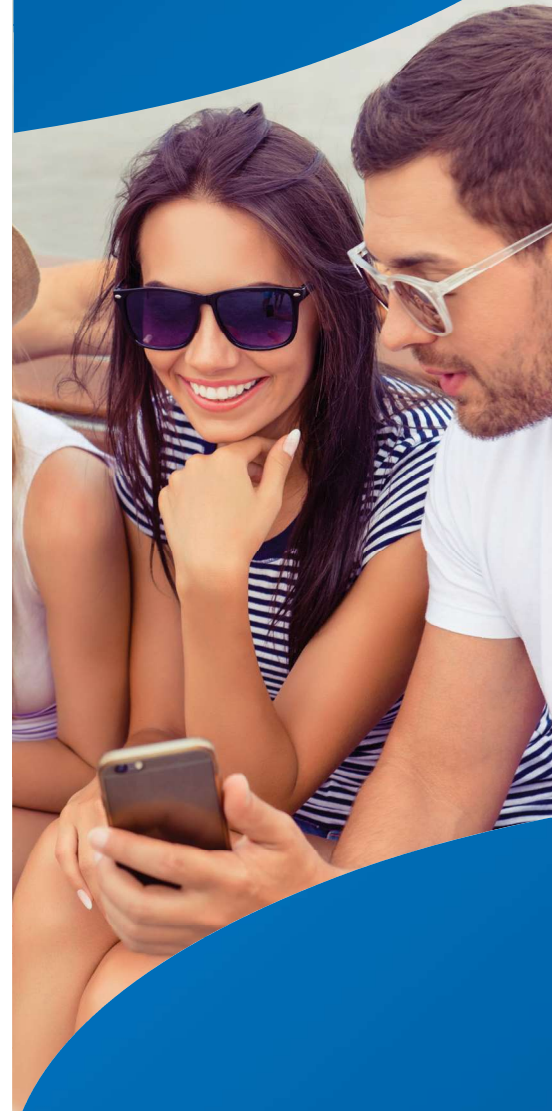
Refinancing options are available on loan amounts as little as \$5,001. You're prequalified for this limited-time offer, and you must apply before 4/29/18. Just visit [GoNaviRefi.com/refi](http://GoNaviRefi.com/refi) and enter your Invitation Code.

Sincerely,  
NaviRefi Customer Care

Your Invitation Code:  
[Redacted]

Offer expires 4/29/18

You are prequalified for a refinance loan that could lower your student loan rate.



See how much you can save:

- 1 Go to [GoNaviRefi.com/refi](http://GoNaviRefi.com/refi)
- 2 Enter your 16-digit Invitation Code
- 3 Find out your payment

You can choose to stop receiving "prescreened" offers of credit from this and other companies by calling toll-free 1-888-567-8688. See **PRESCREEN & OPT-OUT NOTICE** on the other side for more information about prescreened offers.

**PRESCREEN & OPT-OUT NOTICE: This “prescreened” offer of credit is based on information in your credit report indicating that you meet certain criteria. This offer is not guaranteed if you do not meet our criteria. If you do not want to receive prescreened offers of credit from this and other companies, call the consumer reporting agencies toll-free, at 1-888-567-8688, or write to: TransUnion LLC, Attn: Marketing Opt-Out, P.O. Box 505, Woodlyn, PA 19094-0505; Equifax Options, P.O. Box 740123, Atlanta, GA 30374-0123; or Experian Opt-Out, P.O. Box 919, Allen, TX 75013.**

## 1 Loan Cost Example

This loan requires monthly, full payments of principal and interest throughout your loan term. Interest begins accruing upon disbursement of loan proceeds to your Underlying Loan servicer. An “Underlying Loan” means an educational loan owed by you to be refinanced by this Loan. You may not defer repayment of this loan.

This informational repayment example uses typical fixed loan terms for a NaviRefi borrower with a 20-year repayment term, a \$10,000 loan and a 7.410% fixed Annual Percentage Rate (APR): 240 monthly payments of \$80 while in the repayment period, for total estimated payments of \$19,202. This informational repayment example also uses typical variable loan terms for a NaviRefi borrower with a 20-year repayment term, a \$10,000 loan and a 7.186% variable Annual Percentage Rate (APR): 240 monthly payments of \$79 while in the repayment period, for total estimated payments of \$18,876. Loans will never have a full principal and interest monthly payment of less than \$50. Your actual rates and repayment terms may vary.

## 2 Loan Interest Rate

### Interest Rate (upon approval)

The Interest Rate you pay will be determined after you apply and select your interest rate type; the fixed interest rate range will be between 3.500% - 7.410% (3.250% - 7.160% with auto pay discount) and the starting variable interest rate range will be between 3.186% - 7.186% (2.936% - 6.936% with auto pay discount). The rate will be established by your credit history and other factors.

### Interest Rate during the life of the loan

If you select the fixed rate loan type. Fixed interest rates range between 3.500% - 7.410% (3.250% - 7.160% with auto pay discount) and will never change during the life of your loan.

If you choose the variable rate loan type. This means that your actual rate varies with the market and could be lower or higher than the rate on this form. Variable rate shall be based on the one-month London Interbank Offered Rate (“LIBOR”) published in The Wall Street Journal’s website on the twentieth day, or the next business day, of the calendar month immediately prior to the Interest Rate Change Date (the twenty-fifth date of each month) plus a margin. As of February 25, 2018, the one-month LIBOR rate is 1.561%. The initial variable interest rates range between 3.186% - 7.186% (2.936% - 6.936% with auto pay discount), will fluctuate over the term of your loan with changes in the LIBOR rate, and will vary based on your credit history and other factors. Please note, we do not currently offer variable rate loans in AK, CT, CO, HI, IL, MA, MN, MS, NH, OH, OK, TN, TX, and VA.

If you pay via auto pay. The 0.25% auto pay interest rate reduction applies as long as you enroll in auto-pay and authorize the loan servicer to automatically deduct your monthly payments from a valid bank account. The rate reduction applies for as long as the monthly payment amount is successfully deducted from the designated bank account and is suspended during periods of forbearance and deferment. If an auto-pay payment is rejected by your bank for any reason, you will lose the rate reduction permanently.

This pre-approval is subject to you continuing to meet all eligibility and underwriting criteria at the time you apply. To apply for this loan, complete the application. If you are approved for this loan, the loan terms will be available for 30 days (terms will not change during this period, except as permitted by law and the variable interest rate may change based on the market).

Before you apply for a NaviRefi Loan, please be aware of our eligibility criteria. Loan eligibility depends on several factors, including your credit history. Further, you must:

- Reside in a state where NaviRefi Loans are offered. You were selected for this offer based on the state listed above. A NaviRefi Loan may not be available if you currently reside in a different state.
- Be at least the age of majority in your state and be able to enter into a binding contract.
- Be a United States citizen or non-citizen permanent resident of the United States.
- Be employed or have sufficient income from other sources.
- Have graduated with at least a two-year degree (Associate level degree or above) from a not-for-profit college or graduate program that is eligible for Title IV federal student aid.
- Have a minimum of \$5,001 in qualified education loans that will be refinanced.

**You may lose benefits associated with your underlying federal and/or private loans if you refinance, such as federal Income-Driven Repayment plans or deferment and forbearance options. If you file for bankruptcy, you may still be required to pay back this loan.**

Information advertised valid as of February 25, 2018. This offer is not transferable.

WE RESERVE THE RIGHT TO MODIFY OR DISCONTINUE (IN WHOLE OR IN PART) THIS LOAN PROGRAM AND ITS ASSOCIATED SERVICES AND BENEFITS AT ANY TIME WITHOUT NOTICE. CHECK [WWW.GONAVIREFI.COM/REFI](http://WWW.GONAVIREFI.COM/REFI) FOR THE MOST UP-TO-DATE INFORMATION.

**Visit [GoNaviRefi.com/refi](http://GoNaviRefi.com/refi) to apply! Have your personal Invitation Code ready.**

NaviRefi Loans are made by Earnest Operations LLC, a member of the Navient family of companies, subject to individual approval and underwriting criteria.

Licenses: Earnest Operations LLC - NMLS #1204917 - 303 2nd St., 401N, San Francisco, CA 94107, Arizona Consumer Lender CL 0928802, California Finance Lender License # 6054788, Colorado Supervised Lender # 992644, District of Columbia Money Lenders Class A ML9534, Indiana Loan License # 26995, Iowa Master Loan Company Registration NRR-2016-0100, Kansas Supervised Lender License SL.0026653, Louisiana Licensed Lender Main Office # 1204917-1185949, Maine Sales Finance Company SFC13548, Maryland Installment Loan # 2260 & Consumer Loan # 1468, Michigan Regulated Loan RL-0020328, Missouri Consumer Credit Loan Company 367-15-7727, Montana Consumer Loan License #1204917, North Dakota Money Broker License MB102978, Oklahoma Notification # 86140, Oregon Consumer Finance License # 0447-001-C, Pennsylvania Consumer Discount Company # 45960, South Dakota Money Lender License MYL.3220, Vermont Lender License # 6928, Washington Consumer Loan License CL 1204917, Wyoming Supervised Lender License SL-3764.

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## Earnest Operations LLC Navirefi Loan Fixed Rate Application and Solicitation Disclosure

### LOAN INTEREST RATE & FEES

Your starting interest will be between:

**3.500% - 7.410%**

Your interest rate will be fixed for the life of the loan.

### YOUR STARTING INTEREST RATE (UPON APPROVAL)

The interest rate you pay will be determined after you apply. The rate will be established by your credit history, information you provide in the application, and other factors. If approved, we will notify you of the rate you qualify for within the stated range.

### YOUR INTEREST RATE DURING THE LIFE OF THE LOAN

Your rate is fixed. This means that during the life of your loan, your interest rate will never increase or decrease. For more information on this rate, see the Reference Notes.

### LOAN FEES

**Origination Fee:** There is no origination fee for this program.

**Late Charge:** If a payment is late, you will not have to pay a penalty.

**Returned Payment Charge:** Up to \$8.

**Collection and Default Charges:** In the event of a default, the borrower may incur additional collection charges as permitted under applicable law.

### LOAN COST EXAMPLE

Immediate payments are due following the disbursement of loan proceeds. There are no deferral options for this loan. "Underlying Loan" is an educational loan owed by me to be refinanced into this loan.

Repayment Option	Amount Provided	Interest Rate	Loan Term	Total Paid Over 20 Years
Make Full Payments	\$10,000	7.410%	240 Months starting <b>after</b> disbursement	\$19,202
About this Example: The loan costs example is based on the highest fixed rate and a 240 month repayment term, and assumes that all payments are made on the date they are due.				

### FEDERAL LOAN ALTERNATIVES

There are currently **no** Federal Loan Alternatives that allow the consolidation of private student loans. Federal Direct Consolidation Loans only allow for the consolidation of Federal student loans.

You may be able to consolidate your outstanding Federal education loans into a Federal Direct Consolidation Loan. Visit the Department of Education's website at: <https://studentloans.gov/myDirectLoan/index.action> for more information about consolidation loan options that may be available for Federal student loans.

A Direct Consolidation Loan has a fixed interest rate for the life of the loan. The interest rate for a Federal Direct Consolidation Loan is the weighted average of the interest rates on the loans being consolidated, rounded up to the nearest one-eighth of one percent. There is no cap on the interest rate on a Direct Consolidation Loan.

If you refinance your Federal student loans through a private refinancing loan program, you will not be able to select Income-Driven Repayment or other flexible payments plans that are available to Federal student loan borrowers. In addition, Federal student loans offer deferment, forbearance, and loan forgiveness options that are not available to you if you take out a refinanced loan. See <https://studentaid.ed.gov/types/loans/federal-vs-private> for a description of the benefits and repayment options available to Federal student loan borrowers.

### NEXT STEPS

#### 1. FIND OUT ABOUT OTHER LOAN OPTIONS.

Visit the Department of Education's website at:

<https://studentloans.gov/myDirectLoan/index.action> for more information about consolidation loan options that may be available for Federal student loans.

#### 2. TO APPLY FOR THIS LOAN, COMPLETE THE APPLICATION.

An Approval Disclosure will be provided to you after you have completed the application process if your loan is approved. The Approval Disclosure will identify the loan terms for which you are approved. The loan terms will be available for 30 days (terms will not change during this period, except as permitted by law).

### REFERENCE NOTES

#### Fixed Interest Rates

This loan has a fixed interest rate. The fixed interest rate is determined by your credit history, information you provide in the application, and other factors. Your interest rate will not increase or decrease during the life of your loan.

The interest rate may be higher or lower than your Annual Percentage Rate (APR) because the APR considers certain fees you pay to obtain this loan (when applicable), the interest rate and whether you defer (postpone) payments.

Borrowers can take advantage of a 0.25% interest rate reduction by setting up and maintaining active and automatic monthly ACH withdrawals of the loan payment. If an automatic ACH withdrawal is rejected by your bank for any reason, you will lose the rate reduction permanently.

#### Eligibility Criteria

Borrower must have been enrolled at an eligible, accredited U.S. school and can provide graduation verification, and Underlying Loans must have been used only for Qualified Higher Education Expenses (as defined by 26 USC Section 221). Underlying Loans must be eligible for refinancing or consolidation, may not be in a delinquent status and must have an aggregate, outstanding balance of at least \$5,001. Borrower must be either a U.S. Citizen or permanent resident. Borrower must reside in a state where Navirefi Loans are offered.

Borrower must be the age of majority in his or her state of permanent residence. Borrower is subject to credit approval and additional documentation may be required. Borrower must meet income, debt-to-income and other underwriting requirements.

#### Bankruptcy Limitations

If you file for bankruptcy, you may still be required to pay back this loan.

#### Prepayments

You may prepay your principal at any time without being charged a prepayment penalty.

More information about loan eligibility and the fixed interest rate is available in the Credit Agreement.

#### EARNEST OPERATIONS LLC

California Finance Lender License # 6054788  
303 2nd St., 401N, San Francisco, CA 94107  
NMLS # 1204917

Apply at: [GoNavirefi.com/refi](http://GoNavirefi.com/refi)  
Customer Service: 1-844-381-6621

## Earnest Operations LLC Navirefi Loan Variable Rate Application and Solicitation Disclosure

### LOAN INTEREST RATE & FEES

Your starting interest will be between:

**3.186% - 7.186%**

After your starting rate is set, your rate will then vary with the market. Although the rate will vary after you are approved, it will never exceed 16% (the maximum allowable for this loan).

### YOUR STARTING INTEREST RATE (UPON APPROVAL)

The starting interest rate you pay will be determined after you apply. The rate will be established by your credit history, information you provide in the application, and other factors. If approved, we will notify you of the rate you qualify for within the stated range.

### YOUR INTEREST RATE DURING THE LIFE OF THE LOAN

Your rate is variable. This means that your actual rate varies with the market and could be lower or higher than the rate on this form. The variable rate is based upon the one-month London Interbank Offered Rate (LIBOR) published in *The Wall Street Journal* on the twentieth (20th) day, or the next business day, of the preceding calendar month. For more information on this rate, see the Reference Notes.

### LOAN FEES

**Origination Fee:** There is no origination fee for this program.

**Late Charge:** If a payment is late, you will not have to pay a penalty.

**Returned Payment Charge:** Up to \$8.

**Collection and Default Charges:** In the event of a default, you may incur additional collection charges as permitted under applicable law.

### LOAN COST EXAMPLE

Immediate payments are due following the disbursement of loan proceeds. There are no deferral options for this loan. "Underlying Loan" is an educational loan owed by me to be refinanced into this loan.

Repayment Option	Amount Provided	Interest Rate	Loan Term	Total Paid Over 20 Years
Make Full Payments	\$10,000	7.186%	240 Months starting <b>after</b> disbursement	\$18,876
About this Example: The loan costs example is based on the highest variable interest rate (using current index values) and a 240 month repayment term, and assumes that all payments are made on the date they are due.				

### FEDERAL LOAN ALTERNATIVES

There are currently **no** Federal Loan Alternatives that allow the consolidation of private student loans. Federal Direct Consolidation Loans only allow for the consolidation of Federal student loans. You may be able to consolidate your outstanding Federal education loans into a Federal Direct Consolidation Loan. Visit the Department of Education's website at:

<https://studentloans.gov/myDirectLoan/index.action> for more information about consolidation loan options that may be available for Federal student loans.

The current interest rate for a Federal Direct Consolidation Loan is the weighted average of the interest rates being consolidated rounded up to the nearest one-eighth of one percent.

**If you refinance your Federal student loans through a private refinancing loan program, you will not be able to select Income-Driven Repayment or other flexible payments plans that are available to Federal student loan borrowers. In addition, Federal student loans offer deferment, forbearance, and loan forgiveness options that are not available to you if you take out a refinanced loan.**

See <https://studentaid.ed.gov/types/loans/federal-vs-private> for a description of the benefits and repayment options available to Federal student loan borrowers.

### NEXT STEPS

#### 1. FIND OUT ABOUT OTHER LOAN OPTIONS.

Visit the Department of Education's website at:

<https://studentloans.gov/myDirectLoan/index.action> for more information about consolidation loan options that may be available for Federal student loans.

#### 2. TO APPLY FOR THIS LOAN, COMPLETE THE APPLICATION.

An Approval Disclosure will be provided to you after you have completed the application process if your loan is approved. The Approval Disclosure will identify the loan terms for which you are approved. The loan terms will be available for 30 days (terms will not change during this period, except as permitted by law and the variable interest rate may change based on the market).

### REFERENCE NOTES

#### Variable Interest Rates

This loan has a variable interest rate that is based on a publicly available index, the one-month London Interbank Offered Rate (LIBOR). Your rate will be calculated each month by adding a margin between 1.625% and 5.625% to the LIBOR. The rate will not increase more than once a month, but there is no limit on the amount that the rate could increase at one time. Your rate will never exceed 16%.

If the interest rate increases, your monthly payments will be higher.

The interest rate may be higher or lower than your Annual Percentage Rate (APR) because the APR considers certain fees you pay to obtain this loan (when applicable), the interest rate and whether you defer (postpone) payments.

Borrowers can take advantage of a 0.25% interest rate reduction by setting up and maintaining active and automatic monthly ACH withdrawals of their loan payment. If an automatic ACH withdrawal is rejected by your bank for any reason, you will lose the rate reduction permanently.

Please note, we do not currently offer variable rate loans in AK, CT, CO, HI, IL, MA, MN, MS, NH, OH, OK, TN, TX, and VA.

### Eligibility Criteria

Borrower must have been enrolled at an eligible, accredited U.S. school and can provide graduation verification, and Underlying Loans must have been used only for Qualified Higher Education Expenses (as defined by 26 USC Section 221). Underlying Loans must be eligible for refinancing or consolidation, may not be in a delinquent status and must have an aggregate, outstanding balance of at least \$5,001. Borrower must be either a U.S. Citizen or permanent resident. Borrower must reside in a state where Navirefi Loans are offered.

Borrower must be the age of majority in his or her state of permanent residence. Borrower is subject to credit approval and additional documentation may be required. Borrower must meet income, debt-to-income and other underwriting requirements.

### Bankruptcy Limitations

If you file for bankruptcy, you may still be required to pay back this loan.

### Prepayments

You may prepay your principal at any time without being charged a prepayment penalty.

More information about loan eligibility and the variable interest rate is available in the Credit Agreement.

### EARNEST OPERATIONS LLC

California Finance Lender License # 6054788  
303 2nd St., 401N, San Francisco, CA 94107  
NMLS # 1204917

Apply at: [GoNavirefi.com/refi](http://GoNavirefi.com/refi)  
Customer Service: 1-844-381-6621



Jack Remondi  
President and Chief Executive Officer  
123 S Justison St  
Wilmington, DE 19801

April 18, 2018

The Honorable Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

I am in receipt of your letter regarding our acquisition of Earnest.

The letter expressing concern about that transaction surprised me given that you have raised the topic of refinancing with me and lamented that there weren't more opportunities for refinancing student loans in the private markets.

I was also surprised that you would single out our company among U.S. Department of Education ("ED") student loan servicers since others entered the refinance market or entered servicing relationships with student loan refinance companies well before we did. Indeed, the largest student loan refinancing company has its student loan portfolio serviced by a company that also has a contract with ED. Further, given your encouragement of the refinance product in our previous meetings which were made when you certainly had knowledge of our ED contract, I would have thought you had no concerns about our commitment to keeping the business lines separate and to protect the privacy of all borrower information under our ED contract.

Consistent with the requirements of our ED contract, we keep ED servicing completely independent from all other businesses; no borrower data from the federal student loan servicing contract is ever used outside of the firewall that surrounds our servicing on behalf of the Department. We have adhered and we will continue to adhere to all of the terms of our Department of Education contract, which prohibits us from using ED borrower data for any marketing purpose whatsoever.

Senator Warren, I would be remiss if I did not repeat that we are proud of our work on behalf of the direct student loan program. I am alarmed by your continued mischaracterization of our work in general and specifically our voluntary agreement with the Department of Justice (DOJ) on the Servicemembers Civil Relief Act (SCRA) in 2014. We have discussed this agreement multiple times. I have even written to you specifically on this subject (attached).

Your misrepresentations also ignore the fact that, after the voluntary agreement, the Department of Education conducted six independent reviews to determine whether Navient complied with the SCRA law and implemented Department of Education regulations. **All six reviews have found that Navient complied with the law and Department of Education regulations.** The last review—the largest and most complete review—was published in December 2016; the independent third-party auditor hired by the Department of Education, Deva & Associates, PC, concluded: "In our opinion, Navient complied, in all material respects, with the requirements of SCRA ... that are applicable to Title

IV loans serviced on behalf of DoED-FSA.<sup>1</sup> This audit covered the same period of time that the DOJ settlement covered and confirmed that we followed the law and the Department of Education regulations.

Senator, your statements about our servicing distort the outstanding record that Navient team members deliver to help distressed and struggling borrowers navigate the complex federal program designed by Congress and the Department of Education. We consistently outperform other servicers in helping borrowers enter repayment successfully, especially those who leave school without a degree.<sup>2</sup> Most notably, federal student loan borrowers serviced by Navient have a 37% lower default rate compared to all other servicers. Public data belies your statements that we achieve this success through an overuse of forbearance.<sup>3</sup> Indeed, data from the Department shows that Navient forbearance levels are in line with other servicers while at the same time Navient leads comparable servicers in IDR enrollment, second only to the servicer that manages the Public Student Loan Forgiveness program.<sup>4</sup>

Every day, thousands of my colleagues at Navient come to work with a commitment to do their best for our customers and clients. When factually inaccurate statements are made, no problems are solved, the livelihood of thousands of hard-working employees are put at risk, and an atmosphere is created that is a disservice to the very borrowers we all want to help.

Once again, I invite you to visit our servicing center so you can see first hand how we deliver outstanding results for our customers.

We will continue to find ways to work constructively with all policymakers to improve the federal student loan borrower experience, starting with improved information before borrowing, simplifying the program, promoting graduation, and encouraging contact with servicers.

Sincerely,



Jack Remondi

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<sup>1</sup> Deva & Associates, P.C., Audit of Compliance with Applicable Requirements of the Servicemembers Civil Relief Act of 2003, November 10, 2016

<sup>2</sup> FSA Data Center, Servicer Performance Metrics and Allocations, Segment 4.

<sup>3</sup> FSA Data Center, Federal Student Loan Portfolio, Portfolio by Loan Status, borrowers in forbearance as a percentage of those in repayment, forbearance, and deferment.

<sup>4</sup> FSA Data Center, Federal Student Loan Portfolio, Portfolio by Repayment Plan, borrowers in IDR as a percentage of borrowers in repayment, forbearance, and deferment. PHEAA's IDR enrollment is automatically higher than other servicers because all borrowers who certify they are pursuing Public Service Loan Forgiveness are assigned to PHEAA. Navient leads the non-PSLF servicers in IDR enrollment.

# NAVIENT

Jack Remondi  
President and Chief Executive Officer  
123 S Justison St  
Wilmington, DE. 19801  
Telephone: 302-283-8460  
E-Mail: Jack.Remondi@navient.com

March 18, 2016

The Honorable Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

Your statement from the floor of the United States Senate preceding the vote to confirm Dr. John King as America's next Secretary of Education was unjustly critical of Navient. Unfortunately, whoever did your research did you a disservice. On behalf of Navient's hard-working, dedicated 7,000-plus employees, I must set the record straight. In short, Navient:

- **did not** "cheat" service members, "steal" from service members, or get "caught red-handed ripping off tens of thousands" of service members.
- **did not** get "fined" \$100 million by the Department of Justice and FDIC for breaking the law.
- **did not** "cop" to "ripping off" service members.

What Navient did do was enter into a **voluntary** settlement in order to move forward and complete our company separation from Sallie Mae. As the language of the agreement clearly states, Navient did not admit to wrongdoing. In fact, we were ready to contest each and every one of the allegations.

The Servicemembers Civil Relief Act (SCRA) postpones or suspends certain civil obligations for active duty military personnel in order to relieve pressure on their families and permit them to fully devote themselves to duty. The SCRA provides for a 6% interest rate cap benefit on student loans while deployed. The statute also, very clearly, requires military personnel to apply for this benefit, in writing, along with a copy of their orders.

In drafting the statute, Congress placed the burden of applying for this benefit on the military personnel rather than making it automatic. The language in the Servicemembers Civil Relief Act is straightforward:

*Servicemembers Civil Relief Act ("SCRA"), 50 U.S.C. app. § 527: "the service member shall provide to the creditor written notice and a copy of the military orders calling the service member to military service."*

The Department of Education provided servicers such as Navient with specific written requirements on applying the 6% rate cap:

ED requirements: *"Upon a loan holder's receipt of a written request from a borrower and a copy of the borrower's military orders, the maximum interest rate ... on FFEL or Direct Loan program loans made prior to the borrower entering active duty status is six percent while the borrower is on active duty status."*

Congress instructed the executive branch to require two documents from active duty military personnel: a copy of military orders and a written request for the SCRA benefit. And the Department of Education—reading the plain language of the statute—required borrowers to submit those two documents.

As early as 2011, Navient perceived the needless complications of requiring active duty military personnel to submit both a written request for the rate cap and a copy of their deployment orders, so we joined with other servicers to formally ask the Department of Education for a simpler, more common sense process. The answer was "No," given the clear language of the statute.

Navient followed the statute and the Department of Education regulations, regulations that were also consistent with instructions published by both the CFPB and the Department of Justice. Despite the clarity of the statute, the Department of Justice chose to stake out new thinking about where the burden of application should reside and implement its new interpretation through our company. Under the DOJ's new interpretation of the SCRA, DOJ would disregard the statute and the guidance from ED and no longer require the service member to provide both documents. ***The Department of Justice insisted that Navient adhere to this new standard, held only Navient to that standard, and left us with no choice but to be sued or settle.***

The Department of Education has acknowledged publically that the new DOJ standards differed from their regulations. In fact, DOJ had to provide Navient with a waiver from the Department of Education in order for us to carry out the terms of the settlement. After the settlement was announced, the Department of Education issued new regulations and conducted their own review of servicers. Further, the recent Department of Education Inspector General's report also confirmed that the DOJ's new standard was different.

From the report:

*"According to the consent decree implementing the settlement, the parties agreed that, to resolve the matter efficiently and expeditiously, compensation Navient provides under the settlement may go beyond the SCRA benefits and may be to servicemembers who may not have been eligible for SCRA benefits. As a result of the information we received from Justice, we concluded that we could not use the Justice data to assess the adequacy and accuracy of the Department's program reviews." (emphasis added)*

Your statements also distort the actual findings of the Inspector General with regard to Navient. I have attached more detail on the SCRA issue and the major findings from the Inspector General with regard to Navient.

As a result of our settlement, Navient avoided a protracted legal battle with our client, the United States government, by voluntarily agreeing to make payments to service members, and the government did its part by streamlining the process for deployed military personnel. Navient has sent benefit checks to every service member who had eligible service whether or not they applied for the benefit. In fact, 95 percent of the service members who received a check through our settlement did not apply for the benefit.

Navient takes its commitment to American service members very seriously. Navient was the first servicer to create a dedicated team to support the unique needs of service members. We were the first to create a dedicated website for service members. We were the first to establish a separate toll free number for service members. We led servicers in the development of a guide on benefits for service members, and most recently led servicers to develop a standard semiannual notice to service members reviewing unique benefits available to them. More broadly, Navient leads the servicing industry in preventing defaults and enrolling borrowers in income-driven plans – results that are hugely beneficial to service members and non-service members alike.

All 7,000 of us at Navient come to work each day trying to do the best job possible for our customers and clients. When factually inaccurate statements are made, no problems are solved, the livelihood of thousands of hard-working employees are put at risk, and, in fact, an atmosphere is created that is a disservice to the very borrowers we all want to help.

Nine times out of 10, when we reach a struggling federal student loan borrower, we can help him or her avoid default; conversely, 90 percent of borrowers who default have never responded to our numerous outreach attempts. We need your help—and all policy officials—to encourage struggling federal student loan borrowers to pick up the phone when their servicer calls so that we can help them find the repayment plan, including income-driven repayment options, that works for them.

Senator, in order to avoid a lengthy debate, I invite you to visit our military team at our Indiana servicing center. There, you will be able to listen to the pride and expertise this team brings to their job, their personal connections to service members, and expressions of thanks to service members and family members for their sacrifice for this country. I ask you to present your questions about our treatment of service members to them and to listen to their replies. You can hear firsthand from those working directly with service members how military benefits could be improved. I am constantly impressed by these dedicated men and women, and I believe you will be too.

I look forward to hearing from you. I am happy to meet with you again at your convenience to discuss the facts around these issues and can be reached at any time at 302-283-8460.

Sincerely,



Jack Remondi

CC: Secretary John B. King  
Senator Lamar Alexander  
Senator Patty Murray

# Attachment

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## Summary of Department of Education Review of Navient SCRA Processing

In January 2015, the Department of Education ("ED") completed a review of Navient's SCRA processing. The review was based on a statistically valid random sample of accounts selected by Ernst & Young ("E&Y"). This special review was in addition to the all-servicer reviews conducted by ED of Navient and the other federal loan servicers. The Department's Office of Inspector General ("IG") issued a report in February of 2016, criticizing ED's methodology used in the all-servicer reviews. The IG report could not comment on the validity of the statistical sample selected by E&Y in the special Navient review. We do not know why E&Y did not provide their sampling methodology. As stated in public reports (including the IG report) for the Navient review, ED modified and strengthened procedures for identifying the universe of potential eligible borrowers and expanded the sample size. The following is a summary of the E&Y selection criteria and ED findings for the Navient review based on publicly available information.

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## Summary of Department of Education Navient SCRA Review

### E&Y Selection Criteria

- Loans serviced by Navient on behalf of ED, with an interest rate in excess of 6 percent for the period June 17, 2009 through November 2014, were extracted from the National Student Loan Data System (NSLDS) and matched against the Department of Defense Manpower database (DMDC).
  - This is different from the review of other federal servicers that simply used the NSLDS database<sup>1</sup>.
- This match generated a population of 112,190 loans made to 54,410 borrowers.
- These matched records were provided to E&Y who selected a statistically valid random sample of 300 unique borrowers and an additional 100 borrowers for substitutions if needed. (Navient's sample was three times larger than the other TIVAS.)
- After adjusting for borrowers who only had active duty or notification of active duty start dates (reservists or National Guard members) that began after May 31, 2014, the borrower population was determined to be 52,848 borrowers.
- E&Y then eliminated 7 borrowers who had not been in active duty status prior to June 1, 2014, and replaced them from the substitute population.
- The updated random sample of 300 unique borrowers with a total of 755 loans was used by ED to conduct the review.

### ED Findings Based on the Sample Selected by E&Y

For the 300 borrowers tested:

- 23 borrowers requested the SCRA interest rate cap:
  - Navient correctly granted the SCRA interest rate cap to 16 borrowers.<sup>2</sup>
  - Navient correctly denied the benefit to 6 borrowers
  - Navient incorrectly denied the benefit to 1 borrower. As a corrective action, Navient retroactively applied the SCRA benefit to the account.
- Error rate based on this sample was 4.3%.

### IG Findings

- The IG found that they could not assess the validity of E&Y sampling methodology, but did state that ED "modified and strengthened the procedures for identifying the universe of potential eligible borrowers and expanded the sample size to 300."
- The IG found that Navient's second review included 3 borrowers whose SCRA benefit was processed after the review period. None of these borrowers requested the benefit prior to the review period but their active duty period was concurrent with the review period. Excluding these borrowers from the pool, the results would have been:
  - 20 out of 297 service members in the sample requested SCRA for their student loans
  - Navient processed the benefit to 15 of these service members
  - Navient properly denied the benefit to 4 ineligible service members
  - Navient incorrectly denied the benefit to one borrower (which we have corrected and retroactively applied the benefit to the borrower's account)—resulting in an error rate of 5%. Under the new DMDC matching, which we have advocated since 2011, these errors are eliminated.

---

<sup>1</sup> NSLDS (an ED system used to track loan status and other loan information) only identifies borrowers who had received a military deferment, whereas the Department of Defense Manpower database identifies military borrowers who are in an active duty status.

<sup>2</sup> The May 26, 2015 report originally cited 6 instances where Navient incorrectly granted the benefit – that is, where Navient gave customers the SCRA's interest rate benefit even though they did not qualify for the benefit. The SCRA benefit processing for the loans in question occurred between August 2008 and April 2011 when Navient's written procedures did not require a separate written request from the borrower. However, subsequent to this period, the Department of Education issued requirements for lenders and servicers to secure a separate written request and Navient thereafter updated its written procedures to incorporate the Department's requirements. Following Navient's receipt of the May 26, 2015 report, Navient requested FSA to remove the finding in light of Navient's procedures in place at the time of processing and the provisions of the DOJ consent order. FSA agreed no account adjustments or corrective actions were required.

# NAVIENT

Jack Remondi  
President and Chief Executive Officer  
123 S Justison St  
Wilmington, DE. 19801

June 1, 2017

The Honorable Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren,

This week, you published two opinion pieces that were inappropriately critical of Navient. In both cases, you provided a summary of our SCRA related settlement with the Department of Justice that is wholly inconsistent with the facts. I have previously reviewed these issues with you, and have enclosed two public statements we made relating to this settlement, and a letter I sent to you on this topic in 2016.

As we previously discussed, the SCRA statute uses very specific language to describe the documentation requirements to apply the SCRA benefits to a service member's loan. The Department of Education issued regulations that mirrored the SCRA statute and that servicers were required to follow. Other entities such as the Consumer Finance Protection Bureau and the Department of Defense provided guidance to servicemembers that confirmed these requirements.

The Department of Justice, however, took a new position. Their position did not require the service member to submit both a written request and a copy of their military orders – instead, they took the position that any information confirming service was sufficient to grant the SCRA benefit. Representatives of the DOJ acknowledged to me personally that they did not agree with the law and intended to change it through their discussions with Navient. Ironically, the DOJ preference for a simpler standard for servicemembers was precisely what Navient and the industry requested and was rejected by the Department of Education several years earlier.

As you and I discussed, Navient agreed to settle this not only to avoid a protracted legal battle with the DOJ, but also because of our desire to provide service members with a far easier process to obtain SCRA benefits in the future. In other words, we welcomed the change, but strongly disagree with the assertion that Navient failed to comply with this newly created standard retroactively.

As you and I also discussed, before we could implement the DOJ order, the Department of Education had to issue a waiver that exempted Navient from their regulations. In short, we needed permission from the Department the Education to comply with DOJ's preferred approach. If we broke the law as you assert, no waiver would have been necessary.

I believe we both likely agree that it should not take a threat of legal action to simplify government established rules or remove unnecessary complexity.

I am a strong proponent of clear rules and regulations. I am also an outspoken advocate of simplifying the program to make it easier for borrowers to take advantage of program options or benefits. In fact, I

have publicized and shared with you numerous recommendations to address the real issues impacting student loan borrowers, and have advocated for these common sense changes.

My offer to work with your office to help make these common sense changes a reality still stands. At the same time, I owe it our employees and customers to correct continued misrepresentation of this settlement and of the good work we do every day to assist borrowers and the American taxpayer.

Sincerely,

A handwritten signature in black ink, appearing to read 'J. Remondi', with a stylized flourish at the end.

John. F. Remondi



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Mar 13, 2016 · 5 min read

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## Setting the record straight on SCRA



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A major change occurred nearly two years ago that gave our troops easy and automatic access to reduced interest rates on their student loans. Two years later, however, the rhetoric around the events that led to this change continues to paint a distorted picture that could actually encourage disengagement by the very student borrowers whom advocates want to help. It's time to set the record straight.

In 2014, Navient agreed to a settlement with the Department of Justice (DOJ) under the Servicemembers Civil Relief Act (SCRA). SCRA postpones or suspends certain financial obligations for military personnel in order to relieve pressure on their families and permit them to fully devote themselves to duty. For example, the law provides a 6 percent interest rate cap on student loans, but requires military personnel to apply for this relief, in writing, along with a copy of their orders. This documentation requirement has been the point of much confusion and misinformation.

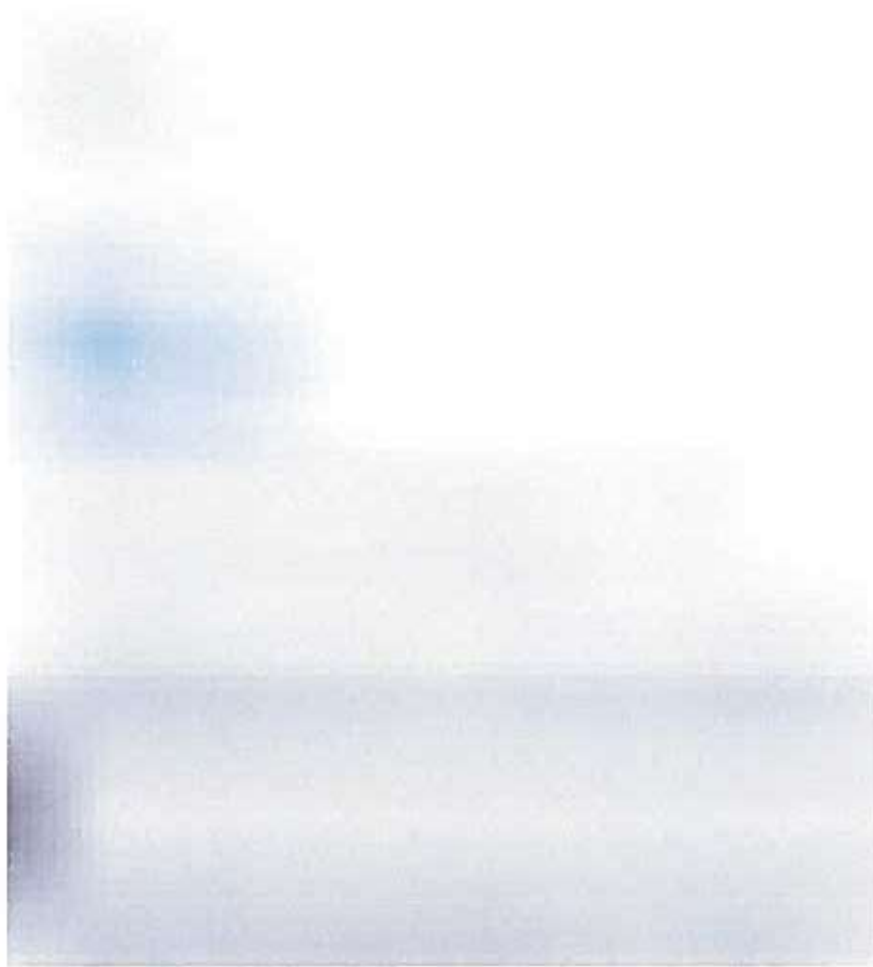


Exhibit 2: CFPB website, accessed March 11, 2016

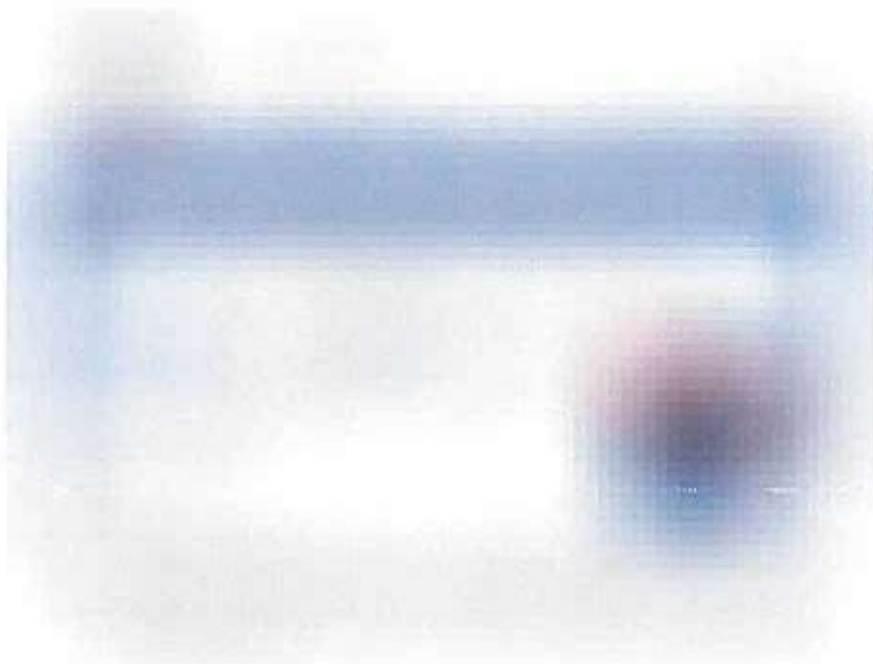


Exhibit 3: Military One Source website, accessed March 11, 2016:

Often, this documentation requirement created a difficult burden for service members. In 2011, we joined with other servicers to formally ask ED to allow a simpler process. We were told “no.”

Despite the clear statutory language and the written requirements from the Department of Education, DOJ staked out its own position. It did not believe the service member should be required to provide both documents.

*The Department of Justice insisted that Navient adhere to this new standard, held that standard only to Navient, and left us with no choice but to be sued or settle and turn the page.*

This new standard was clearly different from existing ED regulation. In fact, in order to implement the terms of the settlement, the Department of Education issued Navient a waiver to allow us to depart from ED's requirements. The recent Office of the Inspector General report also agreed that the requirements between DOJ and ED were different.

Navient avoided a protracted legal battle with the United States government by agreeing to a settlement with the DOJ. As we explained to the Inspector General, we agreed to the settlement because we would rather spend money on service members than a cadre of lawyers and accountants in any prolonging of this dispute.

There is good news for service members that came out of this process. Our agreement with the DOJ was the impetus to resolve the differences between the DOJ and ED and led to new guidance for *all servicers* to follow. Today, military personnel no longer have to submit paperwork to obtain SCRA benefits on their student loans, unlike other consumer credit products. Instead, student loan servicers cross reference a Department of Defense (DOD) database and automatically apply the benefit.

*Service members have easier access to the benefits they deserve, an outcome we should all applaud. It's unfortunate that it took this extraordinary legal*

*approach to create a better solution for service members—a solution that had been proposed by servicers several years earlier.*

More can still be done to simplify service member access to other benefits. Among other reforms, we have advocated for a streamlined approach to help the military personnel who serve in combat zones and, thus, qualify for a zero percent interest rate on certain student loans. Inter-agency cooperation by the ED, DOD, and the Internal Revenue Service can create easier access to this benefit for troops. Student loan servicers cannot fix this data gap, but we can implement the solution.

Unnecessary complexity in the student loan program is not limited to service member benefits. Further reform efforts to benefit all student loan borrowers should focus on simplifying repayment options, improving understanding among families at the “point of purchase,” creating downward pressure on rising tuition, and encouraging borrowers to engage with their servicers on their loans. Instead, well-intentioned advocates are finding it easier to criticize servicers trying to help the very students they are concerned about.

Navient and other federal student loan servicers don’t set the price of college, they don’t set interest rates, they don’t interact with students until after the loan is made, and they don’t set the repayment options available after graduation. Servicers administer the plans available to student borrowers and record payments sent to the Department of Education.

At Navient, we understand the challenges student borrowers face given the incredible complexity of the federal loan program. Our expertise and outreach helps our customers navigate this complexity to find the solution that best meets their financial needs. As a result, our borrowers are 38 percent less likely to default compared to those serviced by others. We are proud of this outstanding result and remain committed to producing that success.

*Jack Remondi is president and CEO of Navient, based in Wilmington, Del., which services student loans for 12 million customers.*

# NAVIENT

## 5 Facts

*In May of 2014, Navient reached a voluntary settlement with the U.S. Department of Justice ("DOJ") related to student loans and Servicemembers Civil Relief Act (SCRA) benefits. The settlement has been mischaracterized and politicized. It's time to face the facts.*

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### **1 Navient did not violate the law or "cheat" service members.**

The DOJ's review of Navient imposed a different standard than the statute and the Department of Education ("ED") required of Navient and its other student loan servicers – a standard ED developed following a public rulemaking process. Navient's policies and procedures followed the law and ED's requirements.

DOJ did not complete an audit nor visit any Navient servicing centers prior to making its assertions or putting forward a settlement amount.

*Navient is the only federal loan servicer that has matched its entire population of student loan borrowers against the Department of Defense (DOD) military personnel database and made payments to service members under the DOJ's new interpretation of the SCRA's interest rate benefit.*

### **2 Navient settled the matter to avoid a protracted legal battle.**

The alternative to settlement was to engage in a lengthy legal battle. This would have been bad for Navient – creating organizational distraction, delaying our corporate strategic separation, and exposing us to on-going reputational risk – but it would have been worse for service members, as it would have delayed implementation of policy changes and remediation payments.

If we had known how significantly others would distort our reasons for entering into this settlement, we would have been much less likely to resolve this without litigation.

### **3 Driven by the Navient settlement agreement, ED changed its rules for processing the SCRA benefit -- a change Navient and the other servicers sought many years ago.**

Following Navient's settlement, ED changed the documentation requirements for SCRA benefits. Under the new process, servicers periodically check their loan portfolios against the DOD database and automatically apply the SCRA benefit for any borrower in active duty status. This change is a win for service members. Servicers requested this new process in 2011 because service members are often not in a position to submit the required documentation, and given the complexity of various military documents.

With this new process, more than 55,000 Navient customers are currently receiving the benefit.

It's unfortunate that it took this extraordinary legal approach to create a better solution for service members - a solution that was proposed by Navient and other federal student loan servicers several years earlier.



## 5 Facts

*Continued*

### **4 Navient's compliance with the Department of Education and the law has been confirmed by multiple independent third party audits.**

ED, multiple guarantors, and other regulatory bodies have reviewed Navient's practices and confirmed Navient's compliance with previous ED's requirements and the law, as well as Navient's compliance with the new standards. A summary of ED's review of Navient based on a statistically valid random sample is attached.

### **5 Navient made some processing errors on a small fraction of accounts.**

No servicer is perfect. While we take every measure to avoid mistakes, processing errors can occur and do not reflect Navient's commitment to service members.

Rather than a time consuming and detailed review of individual borrower accounts that would have resulted in millions of dollars for consultants and lawyers and few dollars to service members, Navient and DOJ jointly agreed to provide compensation to service members based on the active duty dates listed in the DOD, without regard to documentation or dates on documentation in the borrowers' loan files. Compensation was broadly provided to service members including to borrowers where Navient had no prior record of military service; to borrowers who provided documentation but only for a portion of their service period; and to borrowers whose documentation did not meet the requirements set forth by ED and the law (which required a written request and military orders). Navient refunded interest (and based on a formula determined by DOJ, a multiple of the interest paid) even in instances when ED, not Navient, received the interest payments on the loan.

Only 5 percent of borrowers who received compensation under the settlement were determined to have provided the required written request and military orders calling them to active duty service; for some of these customers there was a difference between the dates on the military orders submitted to Navient and the dates in the DOD database.

# Appendix

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## Summary of Department of Education Review of Navient SCRA Processing

In January 2015, the Department of Education (“ED”) completed a review of Navient's SCRA processing. The review was based on a statistically valid random sample of accounts selected by Ernst & Young (“E&Y”). This special review was in addition to the all-servicer reviews conducted by ED of Navient and the other federal loan servicers. The Department’s Office of Inspector General (“IG”) issued a report in February of 2016, criticizing ED’s methodology used in the all-servicer reviews. The IG report could not comment on the validity of the statistical sample selected by E&Y in the special Navient review. We do not know why E&Y did not provide their sampling methodology. As stated in public reports (including the IG report) for the Navient review, ED modified and strengthened procedures for identifying the universe of potential eligible borrowers and expanded the sample size. The following is a summary of the E&Y selection criteria and ED findings for the Navient review based on publicly available information.



## Summary of Department of Education Navient SCRA Review

### E&Y Selection Criteria

- Loans serviced by Navient on behalf of ED, with an interest rate in excess of 6 percent for the period June 17, 2009 through November 2014, were extracted from the National Student Loan Data System (NSLDS) and matched against the Department of Defense Manpower database (DMDC).
  - This is different from the review of other federal servicers that simply used the NSLDS database<sup>1</sup>.
- This match generated a population of 112,190 loans made to 54,410 borrowers.
- These matched records were provided to E&Y who selected a statistically valid random sample of 300 unique borrowers and an additional 100 borrowers for substitutions if needed. (Navient's sample was three times larger than the other TIVAS.)
- After adjusting for borrowers who only had active duty or notification of active duty start dates (reservists or National Guard members) that began after May 31, 2014, the borrower population was determined to be 52,848 borrowers.
- E&Y then eliminated 7 borrowers who had not been in active duty status prior to June 1, 2014, and replaced them from the substitute population.
- The updated random sample of 300 unique borrowers with a total of 755 loans was used by ED to conduct the review.

### ED Findings Based on the Sample Selected by E&Y

For the 300 borrowers tested:

- 23 borrowers requested the SCRA interest rate cap:
  - Navient correctly granted the SCRA interest rate cap to 16 borrowers.<sup>2</sup>
  - Navient correctly denied the benefit to 6 borrowers
  - Navient incorrectly denied the benefit to 1 borrower. As a corrective action, Navient retroactively applied the SCRA benefit to the account.
- Error rate based on this sample was 4.3%.

### IG Findings

- The IG found that they could not assess the validity of E&Y sampling methodology, but did state that ED "modified and strengthened the procedures for identifying the universe of potential eligible borrowers and expanded the sample size to 300."
- The IG found that Navient's second review included 3 borrowers whose SCRA benefit was processed after the review period. None of these borrowers requested the benefit prior to the review period but their active duty period was concurrent with the review period. Excluding these borrowers from the pool, the results would have been:
  - 20 out of 297 service members in the sample requested SCRA for their student loans
  - Navient processed the benefit to 15 of these service members
  - Navient properly denied the benefit to 4 ineligible service members
  - Navient incorrectly denied the benefit to one borrower (which we have corrected and retroactively applied the benefit to the borrower's account)—resulting in an error rate of 5%. Under the new DMDC matching, which we have advocated since 2011, these errors are eliminated.

---

<sup>1</sup> NSLDS (an ED system used to track loan status and other loan information) only identifies borrowers who had received a military deferment, whereas the Department of Defense Manpower database identifies military borrowers who are in an active duty status.

<sup>2</sup> The May 26, 2015 report originally cited 6 instances where Navient incorrectly granted the benefit – that is, where Navient gave customers the SCRA's interest rate benefit even though they did not qualify for the benefit. The SCRA benefit processing for the loans in question occurred between August 2008 and April 2011 when Navient's written procedures did not require a separate written request from the borrower. However, subsequent to this period, the Department of Education issued requirements for lenders and servicers to secure a separate written request and Navient thereafter updated its written procedures to incorporate the Department's requirements. Following Navient's receipt of the May 26, 2015 report, Navient requested FSA to remove the finding in light of Navient's procedures in place at the time of processing and the provisions of the DOJ consent order. FSA agreed no account adjustments or corrective actions were required.



Jack Remondi  
President and Chief Executive Officer  
123 S Justison St  
Wilmington, DE. 19801

July 5, 2016

The Honorable Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

During our recent meeting, you asked for copies of our customer service representative scripts relating to inquiries from borrowers who attended Corinthian College or schools in the Corinthian network. Enclosed is the information you requested.

Borrowers who attended Corinthian College or network schools may qualify for discharge under two provisions – Closed School or Defense to Repayment. I included information on both of these programs. We continue to work closely with Federal Student Aid (FSA) to complete loan discharges once FSA makes discharge determinations on Defense to Repayment applications submitted by former Corinthian students.

Last week FSA announced it is moving forward with a pilot to conduct proactive outreach to borrowers potentially eligible for the Defense to Repayment cancellation benefit. We expect FSA will pick one or more servicers to participate in the pilot. Eligibility criteria and application processes for this cancellation benefit are complex and likely daunting to many borrowers (see attached sample forms). Further, we know that borrowers who did not complete their program of study or who are otherwise at-risk, tend to drop out of communication when they drop out of school. We believe the new proactive outreach campaign being proposed by FSA will greatly assist borrowers access the relief they are entitled to by law.

In our response to FSA on the pilot we will be recommending that the pilot also include borrowers potentially eligible for closed school discharge. Further, we have made numerous recommendations to simplify income driven repayment application processes which we believe can also be applied to the pilot currently being considered for Defense to Repayment, including use of e-signature tools to allow customer service representatives to help borrowers complete and sign the applications in real time during one-on-one counseling sessions.

#### *Overview of Closed School Process for Corinthian Borrowers*

FSA provided Navient and other federal servicers with a list of impacted borrowers from the closing of certain Corinthian schools and campuses. Based on this notice and FSA requirements, Navient notified these borrowers of their potential eligibility for the closed school cancellation benefit and provided the closed school application for discharge. FSA instructions require they notify us of approved customers prior to any outreach. Prior to sending the notice, Navient applied an administrative forbearance to bring the loan current (if the account was in repayment and delinquent) and granted the borrower a prospective administrative forbearance relieving the borrower from payments during the application process. FSA also conducted outreach to these same borrowers. Through incoming and outgoing calls, applications continue to be sent to borrowers potentially eligible for cancellation. Application response rates are higher than expected for this at-risk population but we believe the new outreach pilot can increase the rates even further.



### *Defense to Repayment*

Under existing rules, the Defense to Repayment cancellation benefit for Corinthian borrowers only applies to direct loans or FFELP loans owed to the Department of Education. The proposed regulations would extend the program to commercial FFELP loans but require borrowers to consolidate potentially discharge-eligible loans in order to qualify for the discharge.

FSA conducted various campaigns to notify borrowers of their options for discharge under the defense to Repayment provisions. If we receive an inquiry, we direct the borrower to the [www.studentaid.gov/borrower-defense](http://www.studentaid.gov/borrower-defense) website for more information and also advise that they can contact the Defense to Repayment hotline or contact FSA by email. We encourage use of the FSA website since it has the latest information and has the attestation forms posted where borrowers can download or apply on-line.

Under the current process, FSA provides servicers with a listing of borrowers (at least weekly, often daily). Servicers are required to apply an administrative forbearance to any direct loans or ED-owned FFELP loans. In addition, a borrower is permitted to use discretionary forbearance time on any commercial FFELP loans if they do not want to pay on their loan(s) while their claim is being evaluated – servicers are not permitted to automatically apply an administrative forbearance for commercial FFELP loans. The application mailing and review process is managed by FSA. FSA notifies servicers and borrowers of approvals. In addition, FSA notifies servicers if the administrative forbearance needs to be extended. ED also notifies servicers and borrowers of any denials. Servicers enter approvals and denials on the account history and handle other required actions such as credit bureau adjustments.

### *Disability Discharge*

You also asked about our practices for determining if a borrower qualifies for disability discharge. While we do not routinely ask every customer if they are permanently disabled, we do ask probing questions to understand a customer's current circumstance. For example:

- We ask the customer if they are currently employed. This often leads to information as to whether the customer is working, not working and searching for employment, not working but starting a new job in the near term, working part-time and searching for full-time employment, or not working due to a disabling condition.
- Follow up questions help us understand if the situation is temporary or permanent. Answers to these questions help us determine if solutions are needed for a short term situation (e.g. car trouble this month) or long term situation (work injury, medical condition).
- We also ask questions about the borrower's current source of income. Responses relating to disability income would also trigger discussions on discharge options.

Attached is a copy of the call center scripting flow that is used to help us identify the best option(s) to assist borrowers. This flow helps us identify if a borrower is eligible for a disability discharge benefit or other program option. In addition to the support provided by our call center representatives, information about disability discharge and other program benefits are also on our website, [www.navient.com](http://www.navient.com).

Thank you again for your time. I found the meeting productive and hope you did as well.

Sincerely,



Jack Remondi

Attachments:  
Attestation for Certain Heald College (sample form)  
Draft Application for Defense to Repayment form (subject to public comment)  
Closed School and Defense to Repayment Call Scripting  
Sample Call Flow to Guide Discussions with Borrowers





# UNITED STATES DEPARTMENT OF EDUCATION

## ATTESTATION FOR CERTAIN HEALD COLLEGE STUDENTS APPLICATION FOR BORROWER DEFENSE TO REPAYMENT LOAN DISCHARGE

FORM APPROVED  
OMB NO: 1845-0132  
Exp. 12/31/2015

The Department of Education has found that at various times between 2010 and 2014, Heald College published misleading job placement rates for many of its programs of study. This form is designed to expedite the process of obtaining loan forgiveness based on borrower defense to repayment for loans taken out by Heald College students to enroll in these programs. This form covers federal Direct Loans received on or after July 1, 2010. A list of covered programs and dates of enrollment is available at <https://studentaid.ed.gov/sa/sites/default/files/heald-findings.pdf>. Please fill out this attestation ONLY IF your program and dates of enrollment are included on this list.

Heald College students who did not attend programs where the Department of Education found misleading job placement rates, or whose decision to enroll was not influenced by those job placement rates, may still be eligible for loan forgiveness based on borrower defense to repayment. Additional instructions to file a claim for loan forgiveness can be found at [studentaid.ed.gov](http://studentaid.ed.gov).

**Instructions:** Please complete this form. To sign the form, insert a digital image of your signature in the appropriate field below or print a hard copy of the form and sign. Submit your form and all supplementary documents referenced in question #4 via email to [FSASOperations@ed.gov](mailto:FSASOperations@ed.gov) or mail to Department of Education, PO Box 194407, San Francisco, CA 94119.

### SECTION I: BORROWER INFORMATION

<b>First Name</b>	<b>Middle Name</b>	<b>Last Name</b>	<b>Date of Birth</b>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
<b>Social Security Number (last 4 digits)</b>	<b>Telephone Number</b>	<b>Email Address</b>	
<input type="text"/>	<input type="text"/>	<input type="text"/>	
<b>Home Address</b>	<b>City</b>	<b>State</b>	<b>Zipcode</b>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

I, \_\_\_\_\_, attest to the following:

I am submitting this attestation and additional materials in support of my application for a borrower defense to repayment discharge of my Direct Loans under 34 C.F.R. § 685.206 (c).

### SECTION II: PROGRAM INFORMATION

If you enrolled in more than one covered Heald program, you will need to complete the following for each covered program you attended. For example, if you were a criminal justice student in 2011 and returned in 2012 for an accounting program, you should complete the first Campus Program section based on your enrollment in criminal justice and the second Campus Program section based on your enrollment in accounting. If you have more than one program, click the Add Campus Program button that appears at the bottom of the Campus Program section.

**Note:** This form applies to students who enrolled in a program after misleading placement rates were published for the program. A list of covered programs and dates of enrollment is available at <https://studentaid.ed.gov/sa/sites/default/files/heald-findings.pdf>.

**The earliest enrollment date covered is July 1, 2010.**

**CAMPUS PROGRAM**

Campus	Enrollment Start Date* (MM/YYYY)	Enrollment End Date* (MM/YYYY)
<b>Program Name</b>		<b>Credential</b>

1. Prior to my enrollment in this Heald College program, I received information about job placement rates related to my program of study through one or more of the following ways (check each that applies)
  - Brochures advertising Heald College's academic programs or other printed materials, including those provided by Heald College representatives or recruiters;
  - Emails, online materials, or online disclosures from or by Heald College.
2. I believed that the job placement rates related to my program of study indicated the level of quality a Heald education offered to students. I chose to enroll at Heald based, in substantial part, on the information I received about job placement rates related to my program of study and the quality of education I believed those placement rates represented.
3. I applied for and received a federal Direct Loan to cover the cost of attendance of the Heald program in which I enrolled.
4. As an attachment to this attestation, I have included documents(s) with additional information to confirm that I was enrolled in the program of study at Heald College that I identified above, and was enrolled for the dates I provided above. (Suggested documents include transcripts and registration documents indicating your specific program of study at Heald College and dates of enrollment.) The document(s) I have attached are:

- \*Select the check box if you had multiple periods of enrollment in a program, that is, if you enrolled in a program but subsequently discontinued enrollment, and then reenrolled in the same program at a later date, please provide all start and end dates applicable to this program. (Deselect the check box to remove any enrollment dates added in error.)

<b>Add Campus Program</b>	<b>Remove Campus Program</b>
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**SECTION III: OTHER INFORMATION**

Please provide or attach any other information about your experience at Heald College that you believe is relevant: (2,000 characters max)

## SECTION IV: DIRECT LOAN FORBEARANCE

By completing this form, you are eligible to have all of your federal loans placed into forbearance and for collections on any federal loans in default to stop while your claim is reviewed by the Department of Education. Please read the following information carefully before making your selection below.

During any period that your loans are in forbearance, you do not have to make payments on those loans, and the loans will not go into default. If your loans are already in default, collections will stop. This will continue until the loan discharge review process is completed. Your servicer will notify you when your loan has been placed into forbearance or stopped collections. Until you receive that notice, you should continue to make payments.

The forbearance or stopped collections will affect all of a borrower's federal loans, including loans that are **not** eligible for discharge through this form, such as Federal Family Education Loans (FFEL), loans taken out to attend a Heald College program not on the enclosed list of covered programs, or loans taken out to attend another institution.

**Note that interest will continue to accrue on all of these federal loans, including subsidized loans, during the forbearance or stopped collections period.**

If you want the forbearance or stopped collections to apply only to those loans that may be eligible for a discharge using this form (federal Direct Loans received on or after July 1, 2010 to attend Heald College programs covered by the enclosed list), you must notify your loan servicer. At any time during the forbearance or stopped collections period, you may voluntarily make payments on your loans, including payments for accrued interest, or end the forbearance or stopped collections by contacting your servicer.

If your claim made using this form is successful, your federal Direct Loans borrowed to attend a covered Heald College program will be discharged. Also at that time, the forbearance or stopped collections period for your other federal loans will end. You will be responsible for repaying these other remaining loans, including interest that accrued during the forbearance or stopped collections period, under the terms of your promissory note.

If your claim is denied, you will not receive a discharge of any of your loans and the forbearance or stopped collections period will end for all of your loans. You will be responsible for repaying these loans, including interest that accrued during the forbearance or stopped collections period, under the terms of your promissory note.

- Yes, I want my federal loans to be placed in forbearance and for collections to stop on any loans in default while my loan discharge claim is reviewed.
- No, I do **not** want my federal loans to be placed in forbearance and for collections to stop on any loans in default while my loan discharge claim is reviewed.

## SECTION V: CERTIFICATION

By signing this attestation I certify that:

I have read and understand all of the information in this form.

I agree to provide, upon request, testimony, a sworn statement, or other documentation reasonably available to me that demonstrates to the satisfaction of the Department of Education or its designee that I meet the qualifications for borrower defense to repayment loan discharge.

All of the information I provided is true and complete to the best of my knowledge and I agree, if asked, to provide information reasonably available to me to the Department of Education that will verify the accuracy of my completed attestation.

I understand that the Department of Education has the authority to verify information reported on this application with other federal or state agencies or other entities. I authorize the Department of Education, along with its agents and contractors, to contact me regarding this request at the phone number above using automated dialing equipment or artificial or prerecorded voice or text messages.

I understand that if I purposely provided false or misleading information on this application, I may be subject to the penalties specified in 18 U.S. Code § 1001.

Signature \_\_\_\_\_

Date \_\_\_\_\_



**Privacy Act Notice.** The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you: The authorities for collecting the requested information from and about you are §421 *et seq.*, §451 *et seq.* and §461 *et seq.* of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 *et seq.*, 20 U.S.C. 1087(a) *et seq.*, and 20 U.S.C. 1087(a) *et seq.*, and the authorities for collecting and using your Social Security Number (SSN) are §428B(f) and §484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 20 U.S.C. 1091(a)(4) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, or the Federal Perkins Loan (Perkins Loan) Program, and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate. The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, FFEL, or Perkins Loan Programs, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or defaults. We also use your SSN as an account identifier and to permit you to access your account information electronically. The information in your file may be disclosed, on a case-by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies. In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

**Paperwork Reduction Act Notice.** According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-0132. Public reporting burden for this collection of information is estimated to average 1 hour per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain or retain a benefit (20 U.S.C. 1087e(h)). If you have comments or concerns regarding the status of your individual submission of this application, please contact [FSAOperations@ed.gov](mailto:FSAOperations@ed.gov).

**U.S. DEPARTMENT OF EDUCATION**  
**APPLICATION FOR BORROWER DEFENSE TO LOAN REPAYMENT**

If your school misled you or engaged in other misconduct, you may be eligible for “borrower defense to repayment,” which is the forgiveness of some or all of your federal student loan debt, and may include reimbursement for amounts paid.

**FORM INSTRUCTIONS:** To apply, you must complete and sign this form. Submit this form and any additional documents you believe will help us review your application by email to [FSAOperations@ed.gov](mailto:FSAOperations@ed.gov) or by mail to: U.S. Department of Education, PO Box 194407, San Francisco, CA 94119.

**SECTION I. BORROWER INFORMATION**

Name (Last, First, Middle) \_\_\_\_\_

Date of Birth (mm/dd/yyyy) \_\_\_\_\_

Social Security Number (last 4 digits only - XXXX) \_\_\_\_\_

Telephone Number \_\_\_\_\_

Email Address \_\_\_\_\_

Street Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ ZIP Code \_\_\_\_\_

Are you a PARENT who took out a federal loan on behalf of the student?  Yes  No

If yes, please enter the full name of the student (Last, First, Middle): \_\_\_\_\_

**SECTION II. PROGRAM INFORMATION**

School Name: \_\_\_\_\_

Campus Name: \_\_\_\_\_

Location (City, State): \_\_\_\_\_

Dates of Enrollment: From (Month, Year): \_\_\_\_\_ To (Month, Year): \_\_\_\_\_ (if you are still attending this school/campus, please indicate “still enrolled”)

Program Name or Major (e.g. Nursing, Medical Assistant, Law) \_\_\_\_\_

Credential/Degree Sought (e.g. Certificate, Diploma, Associates, Bachelors, Masters) \_\_\_\_\_

Current Status at school: \_\_\_ Graduated \_\_\_ Transferred \_\_\_ Withdrew \_\_\_ Attending

Have you made any claims for loan relief from anyone else (for example, a tuition recovery program or a closed school discharge from the U.S. Department of Education)?  Yes  No

If yes, please describe the other claim(s), including the amount of any payment or loan relief that you received: \_\_\_\_\_

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### **SECTION III. BASIS FOR BORROWER DEFENSE**

Provide a **detailed** description of why you believe you are entitled to borrower defense:

1. Details about what the school told you or failed to tell you.
2. Details about how the school communicated with you, whether in a brochure, online, over the phone, or in person.
3. The name/title of people who you believe misled you (if known).
4. Details about why you believe you were misled.

You should also attach any documents related to your application. **Please note that you only need to provide information for the sections below that apply to you.**

### **EMPLOYMENT PROSPECTS**

Did the school mislead you (or fail to tell you important information) about future employment, job placement rates, graduation rates, and/or post-graduate earnings?  Yes  No

If yes, please provide detailed information in this section.

Did you choose to enroll in your school based in part on the issues you describe above?  Yes  No

**PROGRAM COST AND NATURE OF LOANS**

Did the school mislead you (or fail to tell you important information) about tuition and fees, how you would repay the loan, the terms of repayment, and/or other issues about the cost of your education?

Yes  No

If yes, please provide detailed information in this section.

Did you choose to enroll in your school based in part on the issues you describe above?  Yes  No

**TRANSFERABILITY OF CREDITS**

Did the school mislead you (or fail to tell you important information) about the transferability of credits?

Yes  No

If yes, please provide detailed information in this section.

Did you choose to enroll in your school based in part on the issues you describe above?  Yes  No

**CAREER SERVICES**

Did the school mislead you (or fail to tell you important information) about the availability of job or career services assistance?  Yes  No

If yes, please provide detailed information in this section.

Did you choose to enroll in your school based in part on the issues you describe above?  Yes  No

**EDUCATIONAL SERVICES**

Did the school mislead you (or fail to tell you important information) about educational services, such as the availability of externships, teachers qualifications, the method of instruction, or other types of educational services?  Yes  No

If yes, please provide detailed information in this section.

Did you choose to enroll in your school based in part on the issues you describe above?  Yes  No

**ADMISSIONS & THE URGENCY TO ENROLL**

Did the school mislead you (or fail to tell you important information) about the importance of enrolling immediately, the consequences of failure to enroll, how difficult it was to be admitted, or anything else about the admission process?  Yes  No

If yes, please provide detailed information in this section.

Did you choose to enroll in your school based in part on the issues you describe above?  Yes  No

**OTHER**

Do you have any other reasons relating to your school that you believe qualify you for borrower defense, such as your school failing to perform its obligations under its contract with you, or that there is a judgment against your school in a Federal court, a State court, or in front of an administrative board? For more information about the basis for borrower defense relief, see [StudentAid.gov/borrower-defense](http://StudentAid.gov/borrower-defense).

If yes, please provide detailed information in this section.

Did you choose to enroll in your school based in part on the issues you describe above?  Yes  No

## **SECTION IV. FORBEARANCE/STOPPED COLLECTIONS**

By completing this form, you may have all of your federal loans placed into forbearance and have collections on any federal loans in default stopped (“stopped collections”) while we review your application. **However, please note that interest will continue to accrue (accumulate) on all of these federal loans, including subsidized loans. If your application for borrower defense is denied, then when you are taken out of forbearance or stopped collections, the interest that accumulated will be added to the amount you owed when you entered forbearance or stopped collections, and the total amount you owe in the future will be higher.**

**You do not have to place your loans in forbearance or stopped collections to apply for borrower defense relief.** Please read the following question and answer (“Q & A”) section carefully before you choose whether you want the U.S. Department of Education to place your loans into forbearance or stopped collections.

**Q. What does forbearance or stopped collections status mean?**

A. During any period that your loans are in forbearance, you do not have to make payments on those loans, and the loans will not go into default. If your loans are already in default, when you enter stopped collections status, collections on your loans will stop. This will continue until the borrower defense review process of your application is completed. Your servicer will notify you when your loan has been placed into forbearance or stopped collections status. Until you receive that notice, you should continue to make payments.

**Q. Which of my loans are eligible to go into forbearance or stopped collections status?**

A. Initially, if you choose forbearance or stopped collections, it will affect all of your federal student loans that are owned by the U.S. Department of Education and are being serviced by a federal loan servicer, including loans that are not eligible for borrower defense loan forgiveness, such as (1) loans taken out to attend another institution, and (2) any loans you have for which you are not asserting borrower defense. If you select forbearance and you have commercially held Federal Family Education Loans (FFEL) loans, the Department will request forbearance on your behalf.

**Q. Can I remove some or all of my loans from forbearance or stopped collections status?**

A. If you want the forbearance or stopped collections to apply only to those loans related to your borrower defense application, you must contact your loan servicer after you hear from them confirming the forbearance or stopped collection. Also, after your loans enter forbearance or stopped collection status, if at any time you want to remove all of your loans from forbearance or stopped collections, you must also contact your loan servicer.

**Q. Can I make payments on my loans that are in forbearance or stopped collections?**

A. Yes. While your federal loans are in forbearance or stopped collections, you are not required to pay your loans. However, you are allowed to make payments on any of your loans that are in forbearance or stopped collections, including payments for accrued interest. As noted above, interest will continue to accrue on all of these loans while they are in forbearance or stopped collections.

**Q. What happens if my borrower defense application against the school noted in Section II (above) is successful?**

A. Your federal loans related to your application may be discharged partially or completely. If you receive a partial discharge, you will be responsible for repaying any amounts that are not discharged through borrower defense. Also at that time, the forbearance or stopped collections period for any of your other federal loans will end. You will be responsible for repaying those other loans, if applicable, including interest that accrued during the forbearance or stopped collections period.

**Q. What happens if my borrower defense application against the school noted in Section II (above) is denied?**

A. You will not receive a discharge of any of your loans and the forbearance or stopped collections period will end for all of your loans. You will be responsible for repaying these loans, including interest that accrued during the forbearance or stopped collections period.

**Are you requesting forbearance or stopped collections?**

**Yes, I want all of my federal loans to be placed in forbearance and for collections to stop on any loans in default while my borrower defense application is reviewed. During this time period, I understand that interest will continue to accrue.**

**No, I do not want all of my federal loans to be placed in forbearance and for collections to stop on any loans in default while my borrower defense application is reviewed. During this time period, I understand that interest will continue to accrue.**

**If you do not select one of the forbearance or stopped collection options immediately above, your federal loans will be placed into forbearance or stopped collection, and the Department will request forbearance or stopped collection for any commercially held FFEL program loans that you have currently.**

## **SECTION V. CERTIFICATION**

By signing this attestation I certify that:

I agree to provide, upon request, testimony, a sworn statement, or other documentation reasonably available to me that demonstrates to the satisfaction of the U.S. Department of Education or its designee that I meet the qualifications for borrower defense.

All of the information I provided is true and complete to the best of my knowledge. Upon request, I agree to provide to the U.S. Department of Education information that is reasonably available to me that will verify the accuracy of my completed attestation.

I certify that I received proceeds of a federal loan, in whole or in part, to attend the school/campus in Section II (above).

I understand that if my application is granted, I am deemed to have assigned my claim to, and relinquished it in favor of, the Secretary of the U.S. Department of Education.



I understand that the U.S. Department of Education has the authority to verify information reported on this application with other federal or state agencies or other entities. I authorize the U.S. Department of Education, along with its agents and contractors, to contact me regarding this request at the phone number above using automated dialing equipment or artificial or prerecorded voice or text messages.

I understand that if I purposely provided false or misleading information on this application, I may be subject to the penalties specified in 18 U.S.C. § 1001. I understand that I may be asked to confirm the truthfulness of the statements in this application to the best of my knowledge under penalty of perjury.

**Signature:** \_\_\_\_\_ **Date:** \_\_\_\_\_

Submit this form and any additional documents you believe will help us review your application by email to [FSAOperations@ed.gov](mailto:FSAOperations@ed.gov) or by mail to: U.S. Department of Education, PO Box 194407, San Francisco, CA 94119.

### **PRIVACY ACT NOTICE**

The Privacy Act of 1974 (5 U.S.C. 552a) requires that the following notice be provided to you: The authorities for collecting the requested information from and about you are §421 *et seq.*, §451 *et seq.* and §461 *et seq.* of the Higher Education Act of 1965, as amended (20 U.S.C. 1071 *et seq.*, 20 U.S.C. 1087a *et seq.*, and 20 U.S.C. 1087aa *et seq.*) and the authorities for collecting and using your Social Security Number (SSN) are §§428B(f) and 484(a)(4) of the HEA (20 U.S.C. 1078-2(f) and 20 U.S.C. 1091(a)(4)) and 31 U.S.C. 7701(b). Participating in the William D. Ford Federal Direct Loan (Direct Loan) Program, the Federal Family Education Loan (FFEL) Program, or the Federal Perkins Loan (Perkins Loan) Program, and giving us your SSN are voluntary, but you must provide the requested information, including your SSN, to participate. The principal purposes for collecting the information on this form, including your SSN, are to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan (such as a deferment, forbearance, discharge, or forgiveness) under the Direct Loan Program, FFEL, or Perkins Loan Programs, to permit the servicing of your loan(s), and, if it becomes necessary, to locate you and to collect and report on your loan(s) if your loan(s) becomes delinquent or defaults. We also use your SSN as an account identifier and to permit you to access your account information electronically. The information in your file may be disclosed, on a case- by-case basis or under a computer matching program, to third parties as authorized under routine uses in the appropriate systems of records notices. The routine uses of this information include, but are not limited to, its disclosure to federal, state, or local agencies, to private parties such as relatives, present and former employers, business and personal associates, to consumer reporting agencies, to financial and educational institutions, and to guaranty agencies in order to verify your identity, to determine your eligibility to receive a loan or a benefit on a loan, to permit the servicing or collection of your loan(s), to enforce the terms of the loan(s), to investigate possible fraud and to verify compliance with federal student financial aid program regulations, or to locate you if you become delinquent in your loan payments or if you default. To provide default rate calculations, disclosures may be made to guaranty

agencies, to financial and educational institutions, or to state agencies. To provide financial aid history information, disclosures may be made to educational institutions. To assist program administrators with tracking refunds and cancellations, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal or state agencies. To provide a standardized method for educational institutions to efficiently submit student enrollment statuses, disclosures may be made to guaranty agencies or to financial and educational institutions. To counsel you in repayment efforts, disclosures may be made to guaranty agencies, to financial and educational institutions, or to federal, state, or local agencies. In the event of litigation, we may send records to the Department of Justice, a court, adjudicative body, counsel, party, or witness if the disclosure is relevant and necessary to the litigation. If this information, either alone or with other information, indicates a potential violation of law, we may send it to the appropriate authority for action. We may send information to members of Congress if you ask them to help you with federal student aid questions. In circumstances involving employment complaints, grievances, or disciplinary actions, we may disclose relevant records to adjudicate or investigate the issues. If provided for by a collective bargaining agreement, we may disclose records to a labor organization recognized under 5 U.S.C. Chapter 71. Disclosures may be made to our contractors for the purpose of performing any programmatic function that requires disclosure of records. Before making any such disclosure, we will require the contractor to maintain Privacy Act safeguards. Disclosures may also be made to qualified researchers under Privacy Act safeguards.

### **PAPERWORK REDUCTION ACT NOTICE**

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless such collection displays a valid OMB control number. The valid OMB control number for this information collection is 1845-NEW. Public reporting burden for this collection of information is estimated to average 1 hour per response, including time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. The obligation to respond to this collection is required to obtain or retain a benefit (20 U.S.C. 1087e(h)). If you have comments or concerns regarding the status of your individual submission of this application, please contact [FSAOperations@ed.gov](mailto:FSAOperations@ed.gov) directly.

4-18-16

Senator Warren,

I understand you have interest in the work we do with service members. As offered in my recent letter, I invite you to visit with our military services team at our service center in Fishers, Indiana. I believe it would be helpful to see the work we do and to meet the dedicated members of our military benefits team. You may recall, we were the first loan servicer to establish dedicated teams exclusively for service members.

I also offer to meet with you at any time of our mutual availability.

Sincerely,  
 Jack 302



Jack Remondi  
President and Chief Executive Officer  
123 S Justison St  
Wilmington, DE. 19801

March 18, 2016

The Honorable Elizabeth Warren  
317 Hart Senate Office Building  
Washington, DC 20510

Dear Senator Warren:

Your statement from the floor of the United States Senate preceding the vote to confirm Dr. John King as America's next Secretary of Education was unjustly critical of Navient. Unfortunately, whoever did your research did you a disservice. On behalf of Navient's hard-working, dedicated 7,000-plus employees, I must set the record straight. In short, Navient:

- **did not** "cheat" service members, "steal" from service members, or get "caught red-handed ripping off tens of thousands" of service members.
- **did not** get "fined" \$100 million by the Department of Justice and FDIC for breaking the law.
- **did not** "cop" to "ripping off" service members.

What Navient did do was enter into a **voluntary** settlement in order to move forward and complete our company separation from Sallie Mae. As the language of the agreement clearly states, Navient did not admit to wrongdoing. In fact, we were ready to contest each and every one of the allegations.

The Servicemembers Civil Relief Act (SCRA) postpones or suspends certain civil obligations for active duty military personnel in order to relieve pressure on their families and permit them to fully devote themselves to duty. The SCRA provides for a 6% interest rate cap benefit on student loans while deployed. The statute also, very clearly, requires military personnel to apply for this benefit, in writing, along with a copy of their orders.

In drafting the statute, Congress placed the burden of applying for this benefit on the military personnel rather than making it automatic. The language in the Servicemembers Civil Relief Act is straightforward:

*Servicemembers Civil Relief Act ("SCRA"), 50 U.S.C. app. § 527: "the service member shall provide to the creditor written notice and a copy of the military orders calling the service member to military service."*

The Department of Education provided servicers such as Navient with specific written requirements on applying the 6% rate cap:

ED requirements: *"Upon a loan holder's receipt of a written request from a borrower and a copy of the borrower's military orders, the maximum interest rate ... on FFEL or Direct Loan program loans made prior to the borrower entering active duty status is six percent while the borrower is on active duty status."*

Congress instructed the executive branch to require two documents from active duty military personnel: a copy of military orders and a written request for the SCRA benefit. And the Department of Education—reading the plain language of the statute—required borrowers to submit those two documents.

As early as 2011, Navient perceived the needless complications of requiring active duty military personnel to submit both a written request for the rate cap and a copy of their deployment orders, so we joined with other servicers to formally ask the Department of Education for a simpler, more common sense process. The answer was "No," given the clear language of the statute.

Navient followed the statute and the Department of Education regulations, regulations that were also consistent with instructions published by both the CFPB and the Department of Justice. Despite the clarity of the statute, the Department of Justice chose to stake out new thinking about where the burden of application should reside and implement its new interpretation through our company. Under the DOJ's new interpretation of the SCRA, DOJ would disregard the statute and the guidance from ED and no longer require the service member to provide both documents. ***The Department of Justice insisted that Navient adhere to this new standard, held only Navient to that standard, and left us with no choice but to be sued or settle.***

The Department of Education has acknowledged publically that the new DOJ standards differed from their regulations. In fact, DOJ had to provide Navient with a waiver from the Department of Education in order for us to carry out the terms of the settlement. After the settlement was announced, the Department of Education issued new regulations and conducted their own review of servicers. Further, the recent Department of Education Inspector General's report also confirmed that the DOJ's new standard was different.

From the report:

*"According to the consent decree implementing the settlement, the parties agreed that, to resolve the matter efficiently and expeditiously, compensation Navient provides under the settlement may go beyond the SCRA benefits and may be to servicemembers who may not have been eligible for SCRA benefits. As a result of the information we received from Justice, we concluded that we could not use the Justice data to assess the adequacy and accuracy of the Department's program reviews." (emphasis added)*

Your statements also distort the actual findings of the Inspector General with regard to Navient. I have attached more detail on the SCRA issue and the major findings from the Inspector General with regard to Navient.

As a result of our settlement, Navient avoided a protracted legal battle with our client, the United States government, by voluntarily agreeing to make payments to service members, and the government did its part by streamlining the process for deployed military personnel. Navient has sent benefit checks to every service member who had eligible service whether or not they applied for the benefit. In fact, 95 percent of the service members who received a check through our settlement did not apply for the benefit.

Navient takes its commitment to American service members very seriously. Navient was the first servicer to create a dedicated team to support the unique needs of service members. We were the first to create a dedicated website for service members. We were the first to establish a separate toll free number for service members. We led servicers in the development of a guide on benefits for service members, and most recently led servicers to develop a standard semiannual notice to service members reviewing unique benefits available to them. More broadly, Navient leads the servicing industry in preventing defaults and enrolling borrowers in income-driven plans – results that are hugely beneficial to service members and non-service members alike.

All 7,000 of us at Navient come to work each day trying to do the best job possible for our customers and clients. When factually inaccurate statements are made, no problems are solved, the livelihood of thousands of hard-working employees are put at risk, and, in fact, an atmosphere is created that is a disservice to the very borrowers we all want to help.

Nine times out of 10, when we reach a struggling federal student loan borrower, we can help him or her avoid default; conversely, 90 percent of borrowers who default have never responded to our numerous outreach attempts. We need your help—and all policy officials—to encourage struggling federal student loan borrowers to pick up the phone when their servicer calls so that we can help them find the repayment plan, including income-driven repayment options, that works for them.

Senator, in order to avoid a lengthy debate, I invite you to visit our military team at our Indiana servicing center. There, you will be able to listen to the pride and expertise this team brings to their job, their personal connections to service members, and expressions of thanks to service members and family members for their sacrifice for this country. I ask you to present your questions about our treatment of service members to them and to listen to their replies. You can hear firsthand from those working directly with service members how military benefits could be improved. I am constantly impressed by these dedicated men and women, and I believe you will be too.

I look forward to hearing from you. I am happy to meet with you again at your convenience to discuss the facts around these issues and can be reached at any time at 302-283-8460.

Sincerely,



Jack Remondi

CC: Secretary John B. King  
Senator Lamar Alexander  
Senator Patty Murray

# Attachment

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## Summary of Department of Education Review of Navient SCRA Processing

In January 2015, the Department of Education (“ED”) completed a review of Navient’s SCRA processing. The review was based on a statistically valid random sample of accounts selected by Ernst & Young (“E&Y”). This special review was in addition to the all-servicer reviews conducted by ED of Navient and the other federal loan servicers. The Department’s Office of Inspector General (“IG”) issued a report in February of 2016, criticizing ED’s methodology used in the all-servicer reviews. The IG report could not comment on the validity of the statistical sample selected by E&Y in the special Navient review. We do not know why E&Y did not provide their sampling methodology. As stated in public reports (including the IG report) for the Navient review, ED modified and strengthened procedures for identifying the universe of potential eligible borrowers and expanded the sample size. The following is a summary of the E&Y selection criteria and ED findings for the Navient review based on publicly available information.



## Summary of Department of Education Navient SCRA Review

### E&Y Selection Criteria

- Loans serviced by Navient on behalf of ED, with an interest rate in excess of 6 percent for the period June 17, 2009 through November 2014, were extracted from the National Student Loan Data System (NSLDS) and matched against the Department of Defense Manpower database (DMDC).
  - This is different from the review of other federal servicers that simply used the NSLDS database<sup>1</sup>.
- This match generated a population of 112,190 loans made to 54,410 borrowers.
- These matched records were provided to E&Y who selected a statistically valid random sample of 300 unique borrowers and an additional 100 borrowers for substitutions if needed. (Navient's sample was three times larger than the other TIVAS.)
- After adjusting for borrowers who only had active duty or notification of active duty start dates (reservists or National Guard members) that began after May 31, 2014, the borrower population was determined to be 52,848 borrowers.
- E&Y then eliminated 7 borrowers who had not been in active duty status prior to June 1, 2014, and replaced them from the substitute population.
- The updated random sample of 300 unique borrowers with a total of 755 loans was used by ED to conduct the review.

### ED Findings Based on the Sample Selected by E&Y

For the 300 borrowers tested:

- 23 borrowers requested the SCRA interest rate cap:
  - Navient correctly granted the SCRA interest rate cap to 16 borrowers.<sup>2</sup>
  - Navient correctly denied the benefit to 6 borrowers
  - Navient incorrectly denied the benefit to 1 borrower. As a corrective action, Navient retroactively applied the SCRA benefit to the account.
- Error rate based on this sample was 4.3%.

### IG Findings

- The IG found that they could not assess the validity of E&Y sampling methodology, but did state that ED “modified and strengthened the procedures for identifying the universe of potential eligible borrowers and expanded the sample size to 300.”
- The IG found that Navient’s second review included 3 borrowers whose SCRA benefit was processed after the review period. None of these borrowers requested the benefit prior to the review period but their active duty period was concurrent with the review period. Excluding these borrowers from the pool, the results would have been:
  - 20 out of 297 service members in the sample requested SCRA for their student loans
  - Navient processed the benefit to 15 of these service members
  - Navient properly denied the benefit to 4 ineligible service members
  - Navient incorrectly denied the benefit to one borrower (which we have corrected and retroactively applied the benefit to the borrower’s account)—resulting in an error rate of 5%. Under the new DMDC matching, which we have advocated since 2011, these errors are eliminated.

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<sup>1</sup> NSLDS (an ED system used to track loan status and other loan information) only identifies borrowers who had received a military deferment, whereas the Department of Defense Manpower database identifies military borrowers who are in an active duty status.

<sup>2</sup> The May 26, 2015 report originally cited 6 instances where Navient incorrectly granted the benefit – that is, where Navient gave customers the SCRA’s interest rate benefit even though they did not qualify for the benefit. The SCRA benefit processing for the loans in question occurred between August 2008 and April 2011 when Navient’s written procedures did not require a separate written request from the borrower. However, subsequent to this period, the Department of Education issued requirements for lenders and servicers to secure a separate written request and Navient thereafter updated its written procedures to incorporate the Department’s requirements. Following Navient’s receipt of the May 26, 2015 report, Navient requested FSA to remove the finding in light of Navient’s procedures in place at the time of processing and the provisions of the DOJ consent order. FSA agreed no account adjustments or corrective actions were required.





Jack Remondl  
President & Chief Executive Officer  
300 Continental Drive  
Newark, DE 19713  
T: 302-283-8460

March 14, 2014

The Honorable Elizabeth Warren  
United States Senate  
Washington, DC 20510-2015

Dear Senator Warren:

Thank you for your letter of February 25, 2014. I welcome the opportunity to demonstrate the success of Sallie Mae's customers. In addition, I appreciate the opportunity to confirm that, indeed, we excel at helping federal student loan customers avoid default by accessing the right repayment plans for them. In that regard, I believe the following facts are helpful:

- **Sallie Mae-serviced customers benefit from a lower default rate.** Americans with federal loans serviced by Sallie Mae are 30 percent less likely to default than others. The cohort default rate for borrowers serviced by Sallie Mae was 7 percent for federal borrowers entering repayment in 2011, compared to the national rate of 10 percent.
- **Sallie Mae-serviced customers enjoy a higher rate of repayment success due to the company's top default prevention performance in the Direct Loan contract.** Since 2009, when its contract to service Direct Loans on behalf of the Department of Education began, customers whose loans are serviced by Sallie Mae have a default rate 22 percent better than the lowest performing servicer and 18 percent better than the next lowest performing servicer.
- **Sallie Mae customers are significantly less likely to use interest-capitalizing forbearance.** As of December 31, 2013, the Department of Education reported that 11.5 percent of federal student loan borrowers (not in school or grace) are postponing their payments through the use of forbearance; whereas fewer Sallie Mae-serviced borrowers, 9.4 percent, chose forbearance, an 18 percent lower rate.
- **Sallie Mae-serviced customers have a substantially higher use of income-based repayment plans.** As of December 31, 2013, the Department of Education reported that 7.7% of all Direct Loan borrowers who were in repayment, forbearance or deferment had signed up for Income-

The Honorable Elizabeth Warren

March x, 2014

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Based Repayment or Pay As You Earn. At the end of December, 9.3% of the Direct Loan borrowers serviced by Sallie Mae on behalf of the Department were using these income-based repayment plans, 21% more than the overall Direct Loan program.

At Sallie Mae, we believe the single most powerful and important consumer protection is helping customers avoid default. We are extremely proud of our track record of helping customers navigate the path to financial success.

We are also proud to share the above results that document this success in relation to the most recent Department of Education data. Some of the information you requested us to disclose publicly, such as call scripts, is proprietary business information based on our 40 years of helping individuals manage their federal student loans. Some of the other information is data that we have as a servicer to the Department of Education and is not ours to release.

We remain committed to developing additional tools, resources and practices that help federal student loan borrowers lower their cost of borrowing, avoid default, and find the right repayment plan that meets their individual circumstances.

Sincerely,



John (Jack) F. Remondi

cc: The Honorable Arne Duncan  
Mr. Jim Runcie, COO, Federal Student Aid



Jack Remondi  
President & Chief Executive Officer  
300 Continental Drive  
Newark, DE 19713

December 26, 2013

The Honorable Elizabeth Warren  
United States Senate  
Washington, DC 20510-2015

Dear Senator Warren:

Thank you for taking time to meet with me recently. I appreciate your willingness to hear from us directly on the ways in which we help our customers succeed. As the country's leading savings-, planning-, and paying-for-college company, Sallie Mae has helped more than 31 million Americans achieve their college dreams over the past 40 years. We are particularly proud of our track record of success in helping our federal and private loan education customers successfully repay their loans. We have designed our products and tools to help students and families plan and pay for the full cost of achieving a degree, one of the keys to borrowing responsibly.

As we discussed in our meeting, Sallie Mae offers private education loan products to bridge the gap between family resources, federal loans, grants and scholarships, and the cost of a college education. Borrowing private education loans for college is a family commitment, not just that of the student. Our approach to helping customers succeed and borrow responsibly is centered on preventing over-borrowing; encouraging in-school payments to lower the cost of borrowing and establish positive repayment habits; providing regular communication; and when needed, working with customers having difficulty paying to build a repayment plan based on an individual customer's financial profile and goals. Our approach is yielding terrific success for our customers – **our charge off rate is under 3%**.

We are equally proud of the work we do on behalf of the Department of Education and the American taxpayer, and of our track record of success in assisting borrowers successfully manage their repayment obligations; a track record that is second to none and one that results in exceptional outcomes for our customers. It bears noting **that last quarter, Sallie Mae -- as a servicer of federal Direct Loans -- was 69% better than the lowest performing servicer in preventing default.**

One of the keys to our default prevention is making sure that borrowers get into the right repayment program. Your staff indicated that you had some additional question about our work on income-based repayment for federal loans and loan modification programs for our private loans. We have seen a significant uptick in the usage of income-driven repayment plans. This usage is especially high in

The Honorable Elizabeth Warren

December 22, 2013

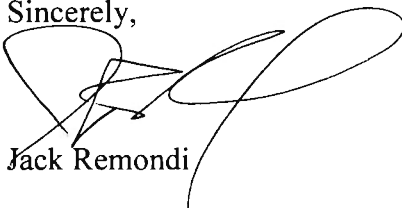
Page 2

borrowers who are just entering repayment. In the first few years of repayment, we see that nearly one in ten of our borrowers who have loans from the Federal Family Education Loan Program (FFELP) are using an income-driven plan. However, most of our borrowers are well into repayment, eight out of 10 borrowers who are in repayment have completed more than four years of repayment. We know that the likelihood of default declines significantly with each year of repayment and thus they are far less likely to need income-based repayment or other repayment alternatives. That said, we do work with borrowers, regardless of how long they have been in repayment, who find themselves in changed financial circumstances to access the appropriate repayment alternative, including income-based repayment.

On private education loans, we have pioneered successful and significant programs to help customers make a successful transition from school to repayment. This is not a single one-size-fits-all program but is a set of programs that are tailored to meet the needs of customers in different circumstances. Sallie Mae designs its tools and products with incentives and programs to reward and encourage repayment and aid those who may be struggling to meet their financial obligations. Our programs focus on helping borrowers in temporary financial hardship to reestablish regular repayment, whether it is simply catching up on past payments or navigating a more significant financial hardship. Our rate reduction program, for those with significant financial hardship, lowers monthly payments considerably, through modifying interest rates combined, in some cases, with term extensions. Currently, we have \$1.5 billion private education loans enrolled in the program. All are designed to help our customers amortize their loan balances not just defer payments. Attached is a fuller description of our approach to helping borrowers who are experiencing financial distress.

Thank you again for your time and interest in the work we do to help customers succeed.

Sincerely,



Jack Remondi

**Attachment**  
**Letter to the Honorable Elizabeth Warren**

**Sallie Mae's Programs for Private Education Loan Borrowers**  
**Experiencing Financial Hardship**

Managing repayment of education loans is critical for students to achieve their educational goals, recognize their full earning potential, and develop a strong credit profile. Our experience has taught us that successful repayment starts at origination and that a one-size-fits-all approach does not work. That is why we have developed a suite of tools and products designed to help students and families build plans that are right for their situations and that will assist them whether college is a long way off or right around the corner. Sallie Mae designs its tools and products with incentives and programs to reward and encourage repayment and aid those who may be struggling to meet their financial obligations.

Sallie Mae was the first private education lender to offer important protections for the family, including tuition insurance, and death and disability loan forgiveness. Most recently, Sallie Mae announced a new graduated repayment period that provides up to one year of interest-only payments to assist recent graduates in good standing as they transition from college to full-time employment. Designed based on customer feedback, this program provides assistance during the transition, establishes important repayment habits, and avoids debt escalation that occurs when payments are postponed.

Sallie Mae works one-on-one with borrowers who have fallen behind in their payments to determine the right program to help them avoid default. For borrowers who have fallen behind but have the ability to make their monthly payments, we have implemented the “3-pay program.” This program is ideal for the borrower who has had a temporary set-back and accumulated a past due balance. Under this program, when the borrower makes three, consecutive, on-time payments the account is brought current through the targeted use of forbearance.

For borrowers who have fallen behind and cannot meet their current monthly payments, we have our “rate reduction program.” For this program, we work collaboratively with the borrower to assess their financial situation, and we may reduce the interest rate on their loan to as low as one percent, so that their monthly payments can fit within their budget. In some cases, we will modify the term as well to reduce the payment even further. Once borrowers make three payments at the modified payment and interest rate level, they are enrolled in the rate reduction program for a 12-month period, and their account is brought current. After 12 months, borrowers may extend at the modified level until their financial circumstances improve.

## Letter to the Honorable Elizabeth Warren

### **Sallie Mae's Programs for Private Education Loan Borrowers Experiencing Financial Hardship**

Currently, we have \$1.5 billion of loans enrolled in the rate reduction program, with the average customer receiving a 40-percent reduction to the monthly payment amount. This program has great value for both Sallie Mae and the borrower. Most of those entering the rate reduction program have been 90 days or more past due. The program allows the borrower to continue to make payments, reduce principal, and avoid the financial costs associated with negative amortization. We are experiencing nearly an 80 percent success rate, meaning most borrowers have successfully completed the 12-month program. The rate reduction program is remarkably successful in helping these borrowers avoid default—after two years, the default rate for borrowers who were severely delinquent before enrolling in the rate reduction program is less than one-third of that for those who do not use the program.