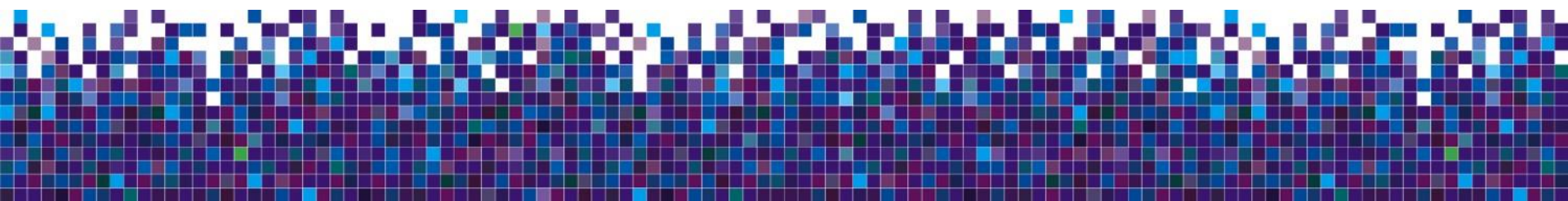




CFPB Consumer Response Portal

*Summary of Navient Customer Submissions
Through the CFPB Student Loan Complaint Portal
October 1, 2016 - September 30, 2017*

March 2018





About this report

This report is Navient's second annual analysis of submissions made through the Consumer Financial Protection Bureau (CFPB) complaint portal in federal fiscal year 2017. ⁽¹⁾

This report provides greater transparency into student loan servicing and sheds light on the subject and causes of consumers' concerns. It also provides insights into how we utilize feedback including that provided through the CFPB portal to help identify and correct servicing errors, to make service improvements, and to inform policymakers on reforms to enhance customer success.

For the report, Navient analyzed the submission and underlying customer account data to divide into two categories:

1. Issues caused by servicing error
2. Issues tied to federal policy, loan term disagreements, or other issues unrelated to servicing quality.

Similar to the FFY 2016 analysis, the overwhelming majority (greater than 98%) of customer submissions in FFY 2017 were related to federal policy or a term of the loan. (The total number of submissions from Navient customers in FFY 2017 was elevated given media coverage surrounding the CFPB lawsuit⁽²⁾ announced in January 2017.) Navient has previously recommended that the CFPB differentiate between customer submissions that are the result of servicing issues vs. those that require federal regulatory or statutory changes and are outside the control of loan servicers. By making such delineations, policymakers and others will have a more accurate understanding of the issues faced by borrowers to better focus resources on the most critical issues that impact student loan borrowers.

(1) In this report, we use the term "complaint" or "submission" interchangeably. Federal fiscal year 2017 is from Oct. 1, 2016 through Sept. 30, 2017. Among other factors, the timing of when a complaint is received by a company and when a complaint is posted publicly in the CFPB portal accounts for some differences in company and public data. In addition, the CFPB Annual Ombudsman Report issued in October 2017 covered the period Sept. 1, 2016 through Aug. 31, 2017, thus is a slightly different period than this report.

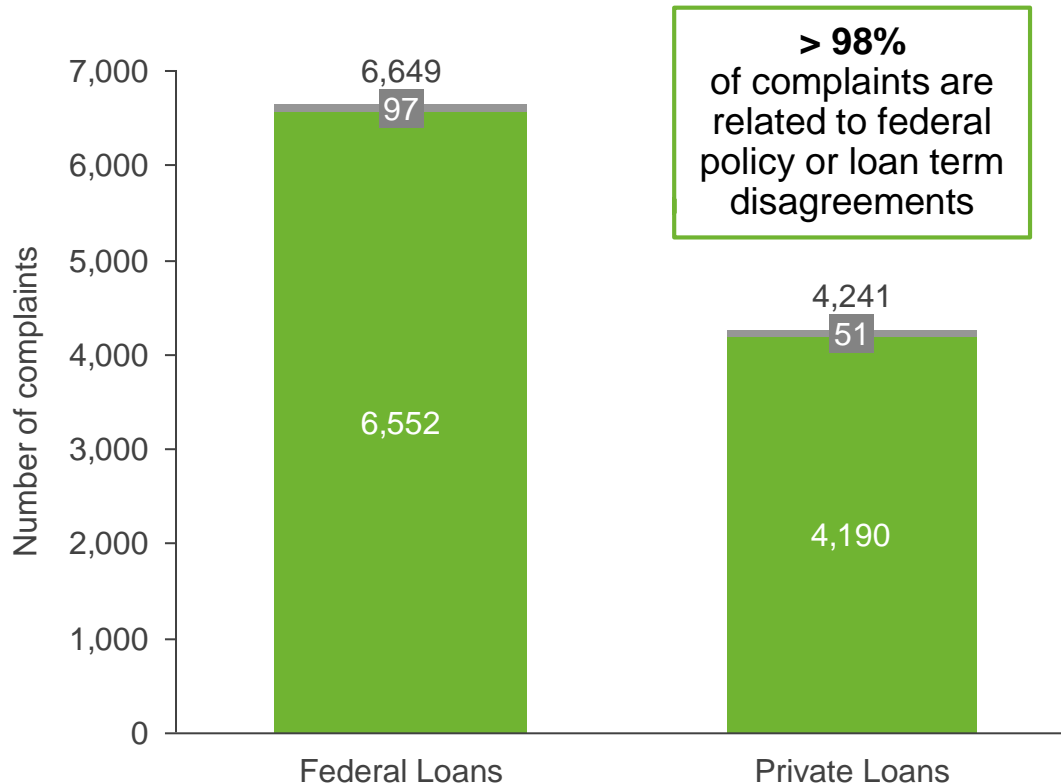
(2) Navient disagrees with the allegations made in the CFPB lawsuit and is defending against them through the court process. For more information, please see Navient's fact sheet responding to the allegations, available at navient.com/legalfacts.



The vast majority of complaints are related to federal policy or loan term disagreements, not servicer error

Categorization of CFPB complaints, FFY 2017

- Complaints relating to loan term, federal policy, other
- Complaints relating to servicer error



Complaints are primarily driven by federal policies and loan term disagreements.

- On federal loans, the majority of issues relate to federal policy and terms, including loan balance, repayment options, loan forgiveness and federal requirements on credit reporting.
- On private loans, the top issue relates to requests for lower payments, including requests for repayment options available only on federal loans.
- Among federal loan complaints made in FFY 2017, 1.46% related to servicer error.
- Among non-federal loan complaints in FFY 2017, 1.20% related to servicer error.

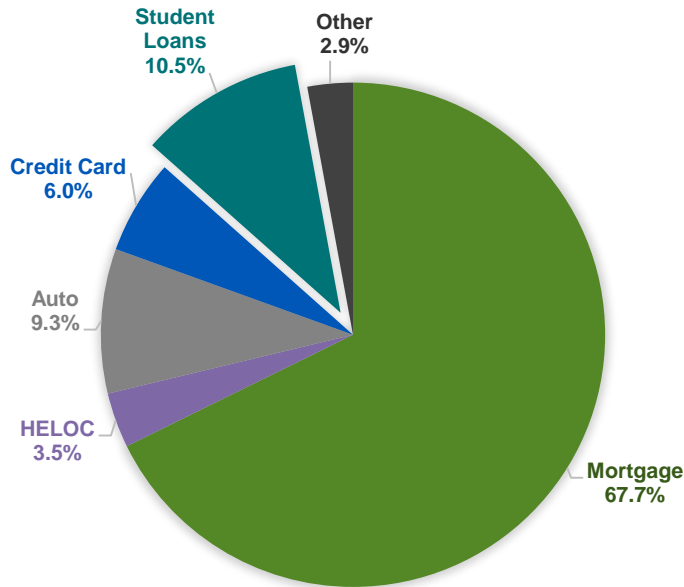
The submissions in this report are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.

Student loans comprise 10.5% of consumer credit and 7.3% of portal complaints

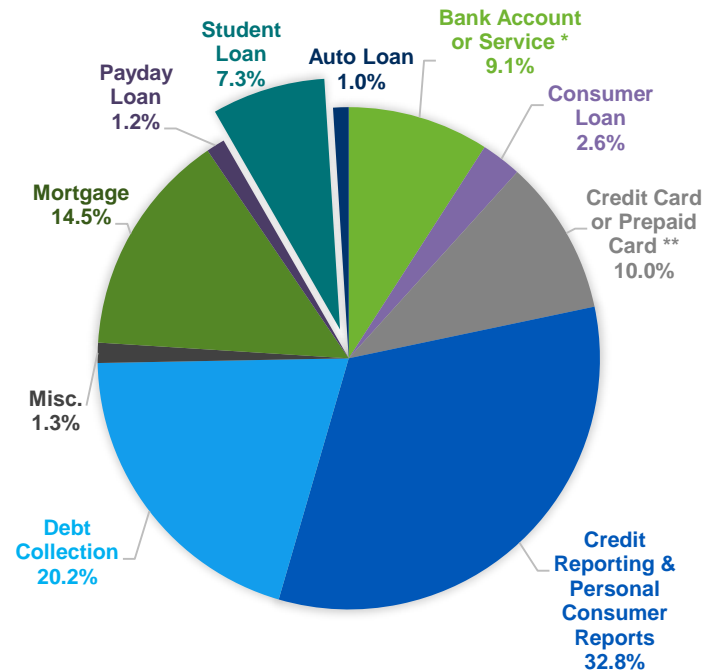
Student loans comprise 10.5% of all outstanding consumer credit...

...but only made up 7.3% of CFPB consumer complaints submitted in FFY 2017

Consumer Credit
% of Total Dollars Outstanding



CFPB Consumer Complaints
% of Total Complaints (FFY 2017)



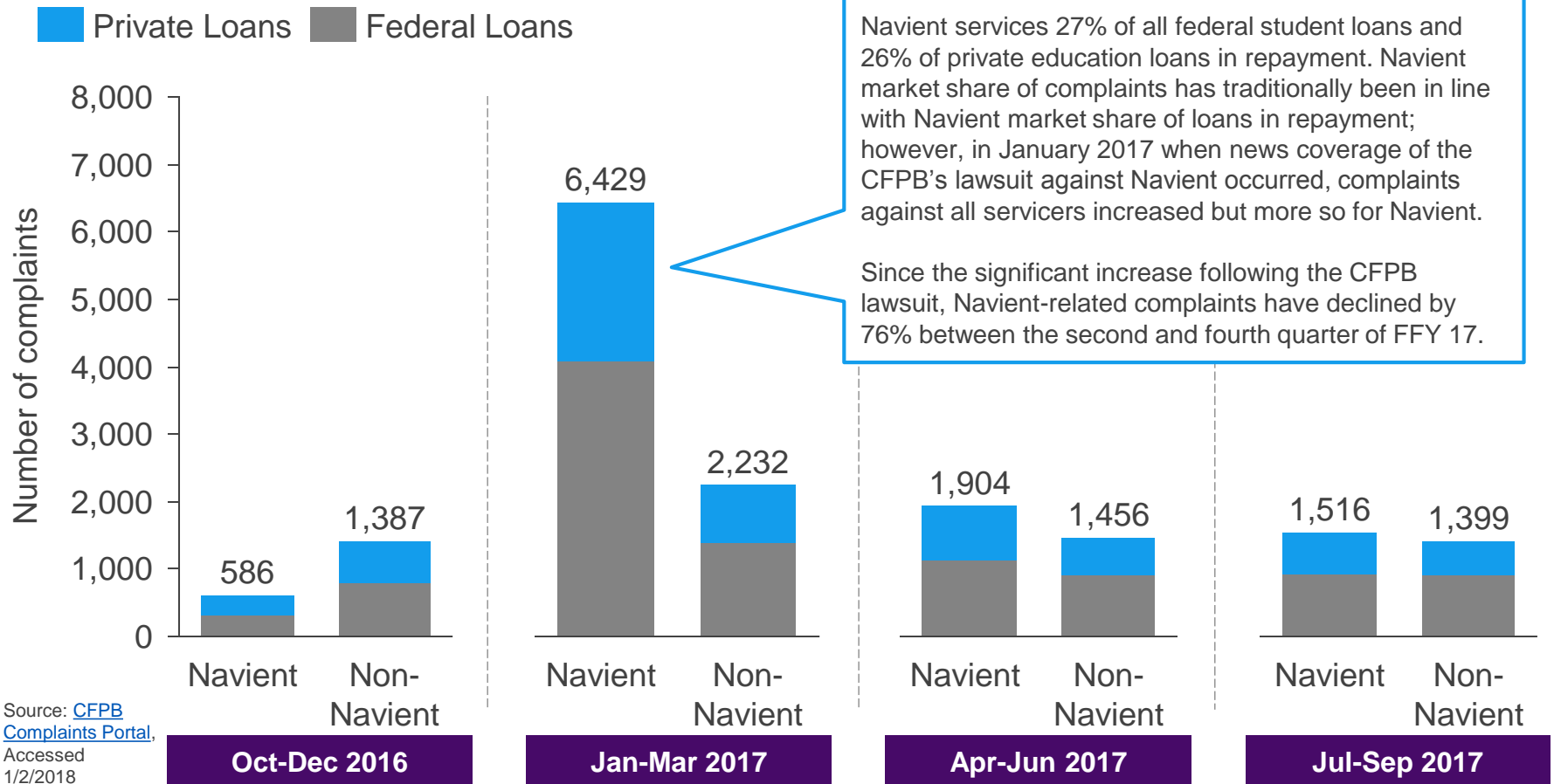
Source: "Quarterly Report On Household Debt And Credit," [Federal Reserve Bank Of New York](#), 08/2017

Source: [CFPB Complaints Database](#), Accessed 11/9/17
*Includes complaints related to checking and savings accounts;
**Includes categories for credit card, prepaid card, and credit card or prepaid card




Navient and all student loan servicer complaints rose due to lawsuit publicity, but have since declined

CFPB student loan complaints by quarter, FFY 17



Note: The percentage of Navient's approximately 10.32 million federal loan customers who submitted a query through the CFPB portal in federal fiscal year 2017 was 0.06%. The percentage of Navient's approximately 2.049 million private loan customers and cosigners who submitted a query in federal fiscal year 2017 was 0.21%. Timing, date of access and other factors can account for differences in comparisons. Other factors such as portfolio composition (i.e. age of portfolio, percentage of borrowers who attended open enrollment schools such as community colleges or proprietary schools) as well as volume of news coverage and promotion can impact the volume of incoming submissions.

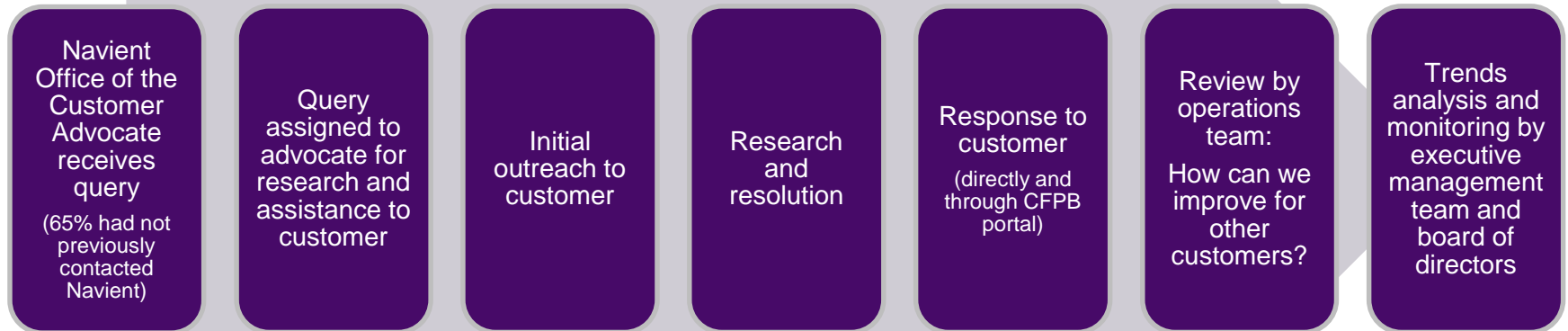




Navient approach to responding to consumer submissions

A Navient customer advocate works one-on-one with each customer filing a complaint

We take seriously all customer comments, including those received through the CFPB portal. Designated, experienced team members in Navient's Office of the Customer Advocate work one-on-one with customers to resolve their questions and concerns. Using a case management system to track each submission individually, advocates reach out directly to customers, listen to their questions and concerns, and work with each customer until all questions are answered or concerns are addressed.



The majority of submissions made through the portal are from customers who had not previously contacted Navient to ask for assistance. Further, virtually all are disagreements with federal policy or the terms of the loan—neither of which are set by Navient—and are not a reflection of dissatisfaction with the service.



Federal Student Loans

Federal Student Loans: Navient Customer Submissions FFY 2017 Top Reasons

Navient-serviced federal loan customers made 6,649 submissions through the CFPB portal in FFY 2017. Of those 97 represented a servicing error or opportunity. The following lists the top 10 reasons in order by volume.

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity ⁽¹⁾	
Loan Balance	1,405	5	Submission regarding loan balance, interest accrual or capitalization, or the portion of payments applied to principal and interest. (Student loans are consistent with other simple interest consumer loans where payments are applied to late fees, if applicable, and outstanding interest and then to principal.) Account review showed that 1,400 balances were accurate ⁽²⁾ and five were servicing errors.
Repayment Options	1,193	20	Requests for payment relief. See slide 13.
Loan Forgiveness	872	5	Customer requests for general loan forgiveness with no reference to a specific federal program or requests for forgiveness due to Defense to Repayment, Closed School or other federal program. Account review showed that the majority had not previously requested assistance to explore a federal loan forgiveness program. Five instances were servicing errors.
Credit Reporting	741	33	Consumer reporting disputes or requests to delete or change information on credit history, a request that is not permitted by the Fair Credit Reporting Act when the information reported is accurate. ⁽³⁾ Includes customers encouraged by Third Party Credit Repair Companies to request credit report adjustments that Navient cannot honor. In 33 instances, a servicing failure or an opportunity to better serve the customer was identified; therefore, Navient revised or retracted credit reporting as requested by the customer.

- (1) The submissions in this report are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.
- (2) Navient provided customers the requested documentation and confirmed the account balance was accurate. Navient has developed online tools and videos to educate customers on how interest accrues and how payments are applied to interest and principal.
- (3) Navient has proposed a change to the Fair Credit Reporting Act to allow servicers to grant a courtesy one-time credit bureau retraction for customers who may have been late in the past but have subsequently established an on-time payment history. In addition, upon receipt of a dispute or request for deletion of information reported, Navient reviews the account to determine if there was an error or opportunity to better service the customer and, if so, updates account information.

Federal Student Loans: Navient Customer Submissions FFY 2017 Top Reasons (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity	
Payment Allocation (how payments are applied across multiple loans)	394	12	Customers expressed concern about how payments were allocated across multiple loans. In most instances, our account research confirmed no payment instructions were supplied to Navient by the customer. Twelve accounts were identified as an opportunity to better serve customers. Navient reallocated the payment as requested by the customer whether or not a service error had been identified. ⁽¹⁾
Interest Rate	187	0	Customer expressed dissatisfaction with the interest rate on their loan—a rate established at the time of origination and set by Congress.
Forbearance Processing	160	1	Customers expressed dissatisfaction with prior forbearance processing. Forbearance processing often occurs after repayment options were discussed and borrowers require forbearance to bring their loan current to qualify for IDR, or a short term forbearance to complete the required application for IDR. Other than one instance, in which a customer request for forbearance was not processed due to the customer replying to a non-reply email, all forbearance processing was administered appropriately upon customer consent.
Monthly Payment Amount	155	1	Customers expressed dissatisfaction with their monthly payment amount. Account research showed that in 154 cases the payment amount was accurate and our customer advocate worked with borrowers to help them understand how the payment is calculated and where they could enroll in another payment plan. One instance was identified as a servicing error.

(1) Navient maintains separate payment addresses for customers with FFELP loans and Department of Education loans. Payments sent to FFELP address are processed and allocated by Navient. Payments sent to the Department of Education payment address are processed by the Department and a payment posting file is transmitted to Navient.



Federal Student Loans: Navient Customer Submissions FFY 2017 Top Reasons (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity	
CFPB Lawsuit Inquiry	120	0	120 customers had no specific complaint but simply requested information about the CFPB lawsuit.
Collection Activity/Call attempts	114	3	Customers expressed dissatisfaction with collection on a delinquent loan; efforts determined to be in compliance with policy for 111 customers. In three instances non-customers were contacted; the non-customer phone number was removed from the account record.
Other	1,308	17	96 different categories with 1-108 submissions in each category.

Federal Repayment Options – Breakout of Submissions

In FFY 2017, 1,193 Navient-serviced federal loan customers submitted complaints related to payment options, of which 20 were identified as servicer error or opportunity for better service. We performed additional analysis on those accounts as well as a randomly selected sample of 280 accounts (for a total of 300) to determine the underlying repayment option issue. The following is a summary of the details for the sample of 300, in order of frequency of occurrence.

Repayment Options Commentary

Customer expressed difficulties making payments and customer had previously received information on IDR options but had not taken action to apply. Upon submission of the complaint, Navient again provided information on IDR and options to apply; thereafter 29% completed enrollment and 71% did not.

Customer previously submitted IDR application but the application was incomplete. Navient provided notice of the missing documentation (i.e., proof of income, signatures) to the customer, but the customer did not respond. Upon submission of the complaint, Navient again advised of need to submit additional information and no additional action was taken by customer.

Customer expressed disagreement with federal policy on IDR (disagreements include requirement to include spouse's income in calculation, income does not support lower payment, disagrees with IDR renewal process, calculation does not include expenses or private loans, should not have to be serving in public service to qualify for 10-year forgiveness period).

Customer was previously enrolled in IDR program, was sent communications about renewal and no action was taken by the customer; therefore the IDR program expired.

Customer had not previously expressed difficulty making payments or requested help to enroll in IDR until complaint was filed.

Customer requested payment lower than payment as calculated under IDR rules.

Customer requested IDR plan, already in IDR.

Customer wanted lower payment, had already submitted income-driven repayment (IDR) application and was still within the 15-day application processing period at the time the submission was made to the portal. ⁽¹⁾

Customer disagreed with eligibility or valid denial due to account containing loans that are ineligible under IDR program.

IDR previously denied incorrectly, manual processing error.⁽²⁾

Customer disagreed with interest accrual on account while in IDR plan.

Customer submitted inquiry regarding repayment options, returned to CFPB as incorrect company due to no loans serviced with Navient.

Customer inquired about monthly payments increasing on graduated repayment option.

IDR incorrect information provided, agent error. ⁽²⁾

Customer approved for IDR, Auto Pay incorrectly extracted lesser than approved IDR amount, processing error was corrected.⁽²⁾

IDR processed outside of standard timeframes. ^(1,2)

Customer wants increased payment amount under IDR plan.

- (1) Navient's internal IDR application processing service level standard is 15 business days; the Department of Education established a federal standard of 15 business days in 2016. Navient processed 2.7 million income-driven repayment (IDR) work related items in 2017 (an increase of 19% over the same period in 2016), with an average processing time of 6.9 business days down from 10.8 days in 2016. Some data needed to process the application is not available from the National Student Loan Data System until day 4 of the 15-day service.
- (2) Indicates a servicing error or an opportunity to better serve customers. Any serviced accounts where IDR was processed out-of-standard (whether or not a complaint or inquiry was submitted) are reviewed and if necessary, account adjustments made to retroactively correct the account (interest capitalization, IDR payment counters etc.)



Private Education Loans

Private Education Student Loans: Navient Submissions FFY 2017 Top Reasons

Navient-serviced private education loan customers made 4,241 submissions through the CFPB portal in FFY 2017. Of those 51 represented a servicing error or opportunity. The following lists the top 10 reasons in order by volume.

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity ⁽¹⁾	
Repayment Options	713	6	Request for payment relief, including customers requesting federal income-driven repayment plans for private loans, an option available on federal student loans only. In some cases, depending on customer circumstances, a loan modification rate reduction program may be offered. In six instances, analysis showed that agents did not provide sufficient information regarding private loan repayment options. Each repayment option request was expedited and processed accordingly.
Loan Balance	552	0	Dispute of loan balance, interest accrual or capitalization, or the application of a payment to principal and interest. (Student loans are consistent with other simple interest consumer loans where payments are applied to late fees, if applicable, and outstanding interest and then to principal.) 552 balances were determined to be accurate. ⁽²⁾
Credit Reporting	364	24	Consumer reporting disputes or requests to delete or change reported information on credit history, a request not permitted by the Fair Credit Reporting Act when the information reported is accurate. ⁽³⁾ Includes customers encouraged by Third Party Credit Repair Companies to request credit bureau adjustments that Navient cannot honor. In 24 instances, a servicing failure or an opportunity to better serve the customer was identified, therefore, Navient revised or retracted credit reporting as requested by the customer.
Loan Forgiveness	310	0	Customers requested loan(s) to be forgiven.
Interest Rate	289	0	Customer expressed dissatisfaction with interest rate—a rate set by the terms of the loan agreed upon at point of origination.

(1) The submissions in this report are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.

(2) Navient provided customers the requested documentation and confirmed the account balance was accurate. Navient has developed online tools and videos to educate customers on how interest accrues and how payments are applied to interest and principal.

(3) Navient has proposed a change to the Fair Credit Reporting to allow servicers to grant a courtesy one-time credit bureau retraction for customers who may have been late in the past but have subsequently established an on-time payment history. In addition, upon receipt of a dispute or request for deletion of information reported, Navient reviews the account to determine if there was an error or opportunity to better service the customer and if so will update account information.

Private Education Student Loans: Navient Submissions FFY 2017 Top Reasons (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity	
Inability to Pay	272	0	Customer expressed difficulty making payment due to being unemployed or underemployed. While there were no servicing errors, advocates worked with the customer to identify available options based on each customer's hardship situation.
Collection Activity/Call attempts	262	5	Customers expressed dissatisfaction with collection on a delinquent loan; efforts determined to be in compliance with policy, which is consistent with fair debt collections and other rules, for 257 customers. In five instances, non-customers were contacted; the non-customer phone number was removed from the account record.
Payment Allocation (how payments are applied across multiple loans)	224	12	Customers expressed concern regarding how payments were allocated across multiple loans. In most instances, no payment instructions were supplied by the customer. Twelve accounts were identified as an opportunity to better serve customers. Navient reapplied the payment as requested by the customer whether or not a service error had been identified. ⁽¹⁾
Cosigner Release	164	1	Customers wanted their cosigners released and disagreed with Navient's policy, such as the requirement to have a track record of 12 consecutive on-time full payments, a demonstrated ability to repay the loan, and satisfactory credit. Of the 164 submissions, 1 included a servicing error.
Monthly Payment Amount	124	0	Customers expressed dissatisfaction with their monthly payment amount, which our research showed was accurate and based on the terms of the loan agreed upon at point of origination.
Other	967	3	78 different categories with 1-106 submissions in each category. Note: 106 customers had no specific complaint but simply requested information about the CFPB lawsuit.

(1) Navient has separate payment addresses for customers and cosigners. Payments sent to the customer payment address are allocated to the loan indicated in the instructions, and if no instructions are provided, are allocated pro rata to all loans in the billing group. Payments sent to the cosigner address are allocated to the specific loan listed on the remittance slip or, if no remittance slip, only to the loans the customer cosigned.



Recommendations

There are solutions to many of the challenges faced by borrowers

4 recommendations to improve student loan program success:

1. Provide more front-end resources to improve decision making.

Students and their families need tools to understand how much they'll need to borrow to earn the degree—not simply the current semester—and to assess the likely economic benefits of a chosen field. This kind of information will help students and parents make a more informed assessment about what they can afford.

2. Simplify repayment.

Currently, the government offers 16 repayment plans, eight forgiveness programs, and 32 deferment and forbearance options—each with its own nuances, payment schedules, qualifications, and complex enrollment criteria. They should be and can be simplified. For example, collapsing the multiple income-driven repayment options into one plan with the most appropriate borrower-friendly terms would be a good start.

3. Help borrowers pay off early.

In the rush to help student borrowers, too many have trumpeted lower payments over longer periods as the universal solution despite the higher interest costs many borrowers will pay. We need programs that help struggling borrowers through short-term and long-term challenges, but anyone enrolling should understand the trade-offs to be able to make the right choice for their financial circumstances.

4. Encourage borrowers to engage with their loan servicers.

Default is avoidable, but borrower contact is key. As a servicer, we've found that nine times out of 10, when we reach struggling federal loan borrowers we are able to help them avoid default by getting them into a repayment plan that works for them. Contact works; let's encourage it.

navient.com/views
#studentloansuccess

NAVIENT.

Navient recommendations for reform are informed by customer feedback, including:

Allow courtesy credit bureau retractions

- Allow courtesy removal of adverse credit bureau information once a borrower has established an on-time payment track record.

Simplify income-driven repayment enrollment process

- Enable streamlined options for enrollment and renewing, particularly for at-risk borrowers. See next page for detailed recommendations.

Increase federal student loan rehabilitation success

- Create a single loan rehabilitation and income-driven repayment plan application to help borrowers who rehabilitate their loans to transition more easily to an affordable repayment plan.

Create a private education loan rehabilitation program

- Create a pathway out of default for private education loan borrowers, similar to the federal student loan rehabilitation program.

Enact bankruptcy reform

- 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 and still experience financial difficulty.

Require disclosures for debt relief and credit repair entities

- Require such entities to prominently display a disclosure on all communications, advertisements, and customer calls that such services are available for free from their loan servicer.

Navient discusses additional details on these and other recommendations, in responses to the CFPB's requests for information in 2015 and 2016, available at Navient.com/facts.

Federal loan borrowers would benefit from simpler income-driven repayment enrollment processes

IDR: Phone enrollment

- Establish a real-time enrollment process that can be carried out over the phone, with income validation.

IDR: Apply from loan account

- Enable borrowers to apply online for IDR directly from their loan accounts with instant approvals.

IDR: Multi-year enrollment

- Develop a multi-year IDR enrollment process to allow borrowers to enroll for multiple years with a single, simplified automated process

IDR: Zero income exemption

- Permit verbal IDR enrollment for borrowers with zero income (approximately 25 percent of IDR borrowers today)

IDR: Expedited enrollment for at-risk borrowers

- Develop an expedited IDR enrollment process for delinquent or at-risk borrowers, such as a “Reply Yes” mechanism, where a borrower can quickly enroll via text, email, or phone.

Navient discusses additional details on these and other recommendations, in responses to the CFPB's requests for information in 2015 and 2016, available at Navient.com/facts.

Giving borrowers better information leads to smarter higher education financing decisions

Program-Long Award Letter

Issue: Students currently receive financial aid award information one year at a time, fostering a piecemeal approach to financing decisions.



Solution: Give borrowers and families an estimate of the full cost of the degree, expected financial aid and family contributions, and projected student loan borrowing and costs.

Clear Loan Disclosures

Issue: Federal borrowers lack a clear understanding about total costs and repayment responsibilities before borrowing.



Solution: Borrowers should receive market-tested loan disclosures similar to Truth in Lending standards used by mortgages, private student loans, and auto loans.

Improved Counseling

Issue: The current federal loan counseling program lacks depth and targeted support for at-risk borrowers.



Solution: Increase federal government investment in a robust, customized counseling program with a special focus on at-risk students, leveraging data families provided during FAFSA process.



NAVIENT.