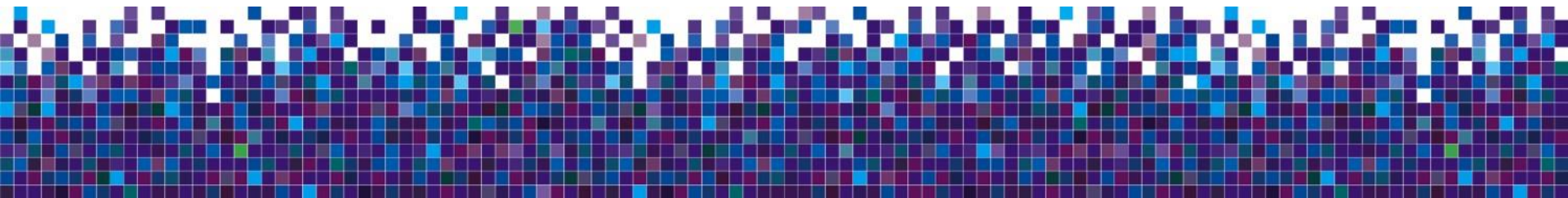




Analysis of Submissions from the CFPB Consumer Response Portal

Federal Fiscal Year 2018





About this report

This report is Navient's third annual analysis of complaints submitted through the Consumer Financial Protection Bureau (CFPB) portal. This report includes submissions received by Navient in federal fiscal year 2018. ⁽¹⁾

This report is prepared to provide greater transparency into student loan servicing and to shed light on the subject and causes of consumers' concerns. It also provides insights into how we utilize the feedback 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 complaint and underlying customer account data to divide the complaints into two categories:

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

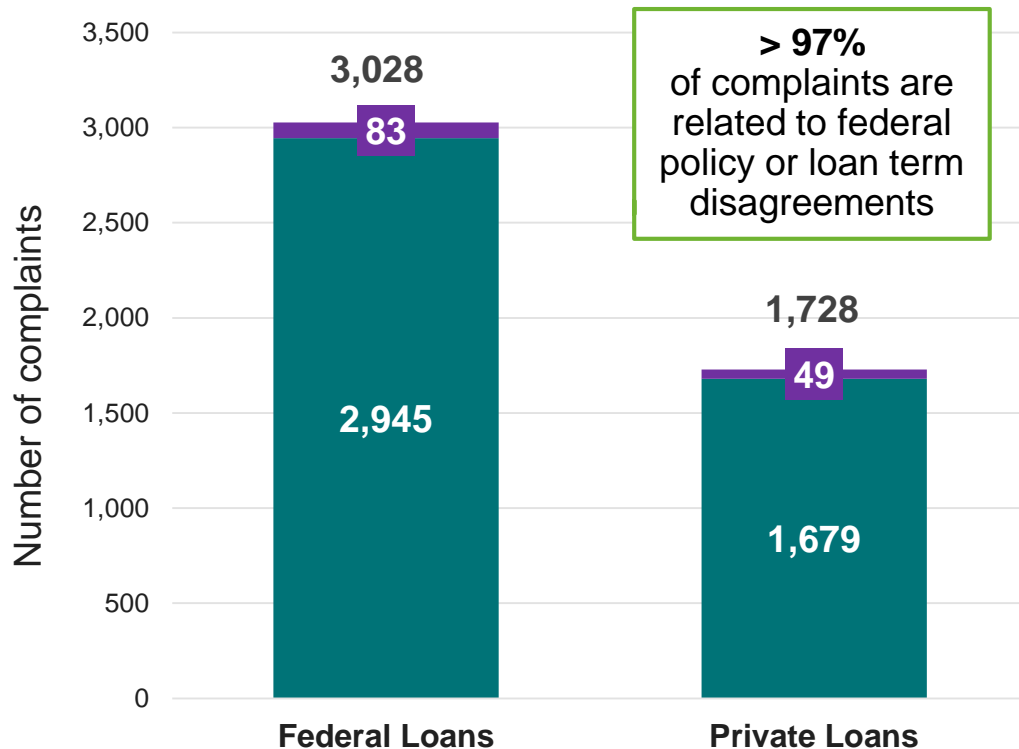
The overwhelming majority of customer submissions again in FFY 2018 were related to federal policy or a term of the loan. Navient has previously recommended that the CFPB differentiate between customer requests that are the result of servicing issues vs. those which require federal regulatory or statutory 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) Federal fiscal year 2018 is from Oct. 1, 2017 through Sept. 30, 2018. 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.

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

Categorization of CFPB complaints, FFY 2018

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



Complaint volume is 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 unique to federal loans.
- Among federal loan complaints made in FFY 2018, 2.74% pertained to servicer error.
- Among non-federal loan complaints in FFY 2018, 2.84% related to servicer error.

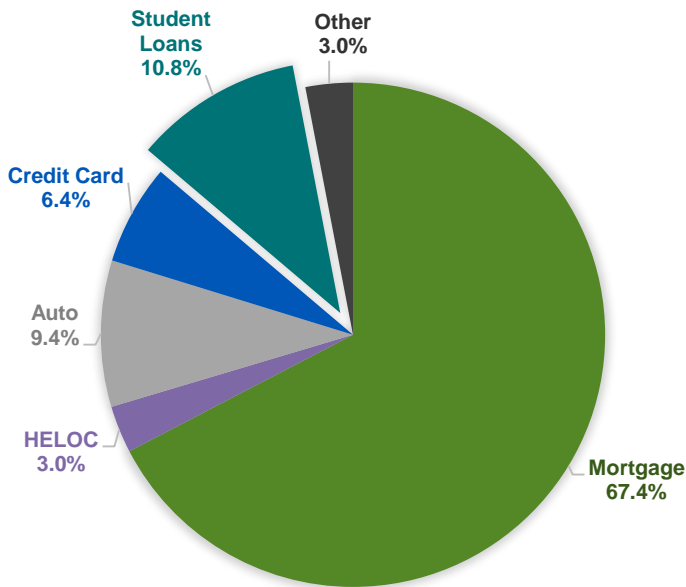
The submissions in this report are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.

Student loans comprise 10.8% of consumer credit and 3.6% of portal complaints

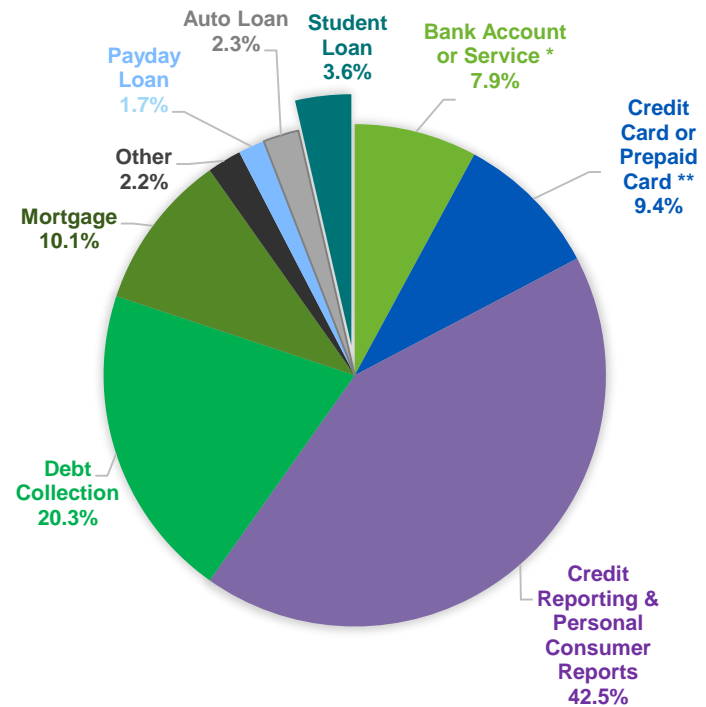
Student loans comprise 10.8% of all outstanding consumer credit...

...but only made up 3.6% of CFPB consumer complaints submitted in FFY 2018

Consumer Credit
% of Total Dollars Outstanding



CFPB Consumer Complaints
% of Total Complaints (FFY 2018)



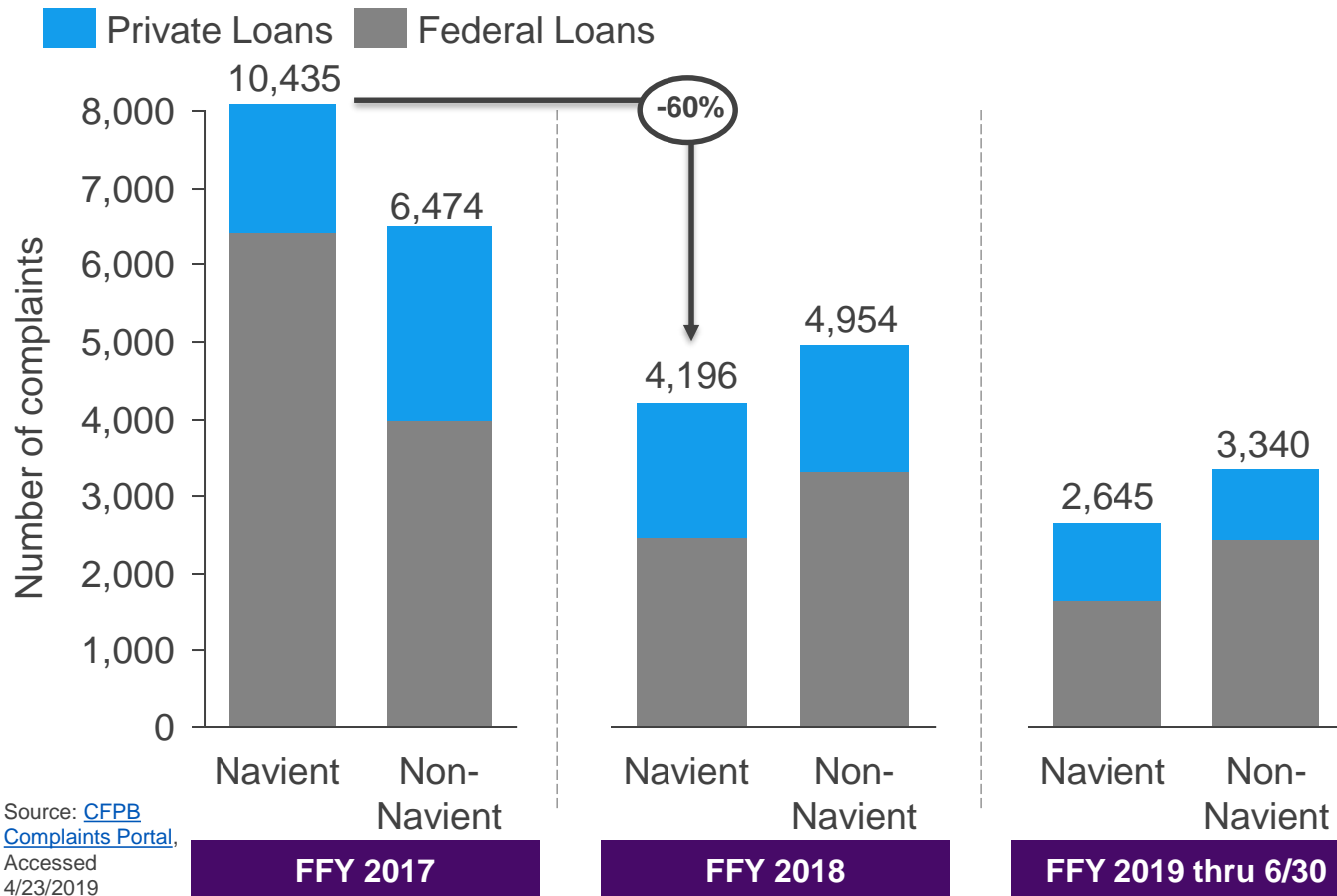
Source: "Quarterly Report On Household Debt And Credit," [Federal Reserve Bank Of New York](#), Accessed 4/23/2019

Source: [CFPB Complaints Database](#), Accessed 4/23/19
 *Includes complaints related to checking and savings accounts;
 **Includes categories for credit card, prepaid card, and credit card or prepaid card



Student loan servicer complaints have declined substantially since 2017

CFPB student loan complaints by fiscal year




Source: [CFPB Complaints Portal](#).
 Accessed 4/23/2019

Navient services loans for approximately 25% of all borrowers. Navient market share of complaints has traditionally been in line with Navient market share of loans in repayment; however, in January 2017 when news coverage of the CFPB's lawsuit against Navient occurred, complaints against all servicers increased but more so for Navient. After the significant increase following the CFPB lawsuit, Navient-related complaints declined by 60% in FFY18 and are on track to fall another 18% in FFY19.

Note: The percentage of Navient's approximately 9.8 million federal loan customers who submitted a query through the CFPB portal in federal fiscal year 2018 was 0.03%. The percentage of Navient's approximately 2 million private loan customers and cosigners who submitted a query in federal fiscal year 2018 was 0.09%. 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 government or other promotion of the complaint portal can impact the volume of incoming submissions.

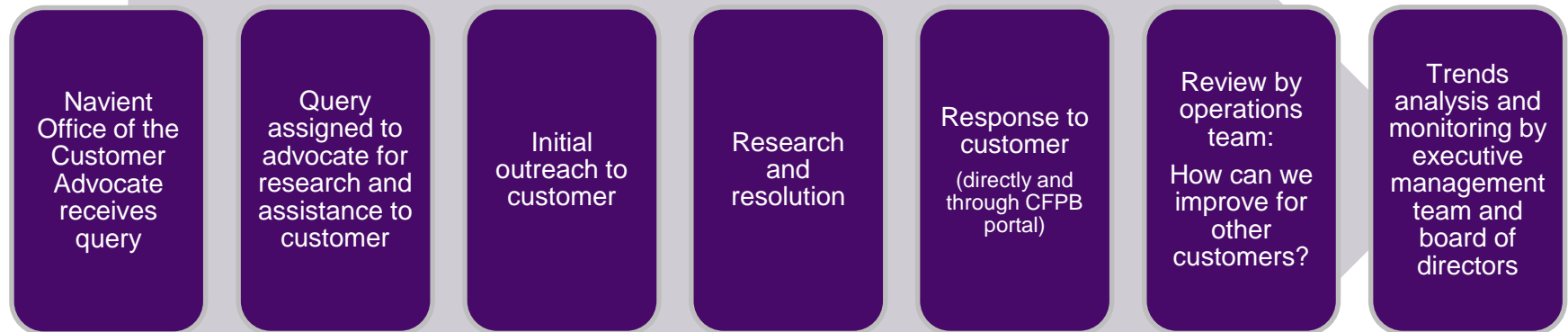




Navient approach to responding to consumer submissions

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.



Based on a review of the requests submitted by Navient customers in the most recent fiscal year, the vast majority of customer communications received through the portal were related to disagreements with federal policy or the terms of the loan—neither of which are set by Navient—not a reflection of dissatisfaction with the service.



Federal Student Loans

Federal Student Loans: Navient Customer Submissions FFY 2018 Top Reasons

Navient-serviced customers submitted a total of 3,028 requests for assistance through the CFPB portal between October 2017 through September 2018. The following lists the top 10 reasons in order by volume.

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity ⁽¹⁾	
Credit Reporting	693	24	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. ⁽²⁾ Includes customers encouraged by Third Party Credit Repair Companies to request credit report 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 Balance	587	4	Inquiry regarding loan balance, interest accrual or capitalization, or the portion of payments applied to principal and interest. (Student loans are consistent with other consumer loans, i.e. payments are applied first to outstanding interest and then to principal.) Account review showed that 583 balances were accurate ⁽³⁾ and four were servicing errors.
Loan Forgiveness	437	2	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. Two instances were servicing errors.

- (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 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 serve the customer and, if so, updates account information.
- (3) 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.

Federal Student Loans: Navient Customer Submissions FFY 2018 Top Reasons (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity	
Repayment Options	368	23	Requests for payment relief, including Income-Driven Repayment options. In many cases, customers had already received information on IDR but had not yet applied, had not provided income documentation, or were dissatisfied with the payment amount calculated by the government formula. In 23 instances, customers were provided incorrect information or had applications processed incorrectly through manual or systemic processing. Navient assisted the customer as needed, including retroactively enrolling into a desired repayment plan.
Payment Allocation (how payments are applied across multiple loans)	148	8	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. Eight 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⁾
Monthly Payment Amount	91	4	Customers expressed dissatisfaction with their monthly payment amount. Account research showed that in 87 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. Four instances were identified as servicing errors.
Forbearance Processing	87	7	Customers expressed dissatisfaction with 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. Seven instances were identified as servicing errors.
Loan Responsibility	83	0	Customers expressed dissatisfaction with loan responsibility; Navient provided the promissory note or other documentation to substantiate the loan.

(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 2018 Top Reasons (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity	
Interest Rate	67	2	Customer expressed dissatisfaction with interest rate—a rate set by loan terms agreed upon at origination. Two instances were servicing errors and interest rate or benefit was adjusted accordingly.
Collection Activity/Call Attempts	63	1	Customers expressed dissatisfaction with collection on a delinquent loan; account research showed that contact attempts were made properly. In one instance, a third party was incorrectly contacted; the non-customer phone number was removed from the account record.
Other	404	8	79 different categories with 1-55 inquiries or complaints in each category.



Private Education Loans

Private Education Student Loans: Navient Submissions FFY 2018 Top Reasons

Navient-serviced private education loan customers submitted a total of 1,728 requests for assistance through the CFPB portal between October 2017 through September 2018. 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	302	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 processing errors or agents did not provide sufficient information regarding loan repayment options. Each repayment option request was expedited and processed accordingly.
Credit Reporting	298	14	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. ⁽²⁾ Includes customers encouraged by Third Party Credit Repair Companies to request credit bureau adjustments that Navient cannot honor. In 14 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 Balance	217	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 consumer loans, i.e. payments are applied first to outstanding interest and then to principal.) All 217 balances were determined to be accurate. ⁽³⁾
Loan Forgiveness	134	1	Customers requested loan(s) to be forgiven. In one instance, a servicing error was identified in which the customer did not receive a response to their initial inquiry (the customer was not eligible for loan forgiveness but should have received a response).

- (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 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.
- (3) 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.

Private Education Student Loans: Navient Submissions FFY 2018 Top Reasons (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity	
Collection Activity/Call Attempts	125	2	Customers expressed dissatisfaction with collection on a delinquent loan; efforts determined to be in compliance with fair debt collections and other rules, for 123 customers. In two instances, non-customers were contacted; the non-customer phone number was removed from the account record.
Interest Rate	103	1	Customer expressed dissatisfaction with interest rate—a rate set by loan terms agreed upon at origination. In one instance a servicing error was identified and the interest rate was adjusted accordingly.
Payment Allocation (how payments are applied across multiple loans)	95	7	Customers expressed concern regarding how payments were allocated across multiple loans. In most instances, no payment instructions were supplied by the customer. Seven 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	69	0	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.
Loan Responsibility	59	0	Customers expressed dissatisfaction with loan responsibility; Navient provided the promissory note or other documentation to substantiate the loan.
Deferment Processing	53	2	Customer expressed dissatisfaction with deferment processing. In most instances, delays in school’s reporting eligibility status created a concern for customers. In two instances, in-school deferment status was removed due to incorrect initial processing of the deferment for a non-eligible school. Both customers were correctly placed back into standard repayment status.
Other	273	16	59 different categories with 1-47 inquiries or complaints in each category.

(1) Navient has separate payment addresses for primary borrowers 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. Customers are encouraged to use our online tool to set up standing instructions to direct any overpayments.





Recommendations

There are solutions to many of the challenges faced by borrowers

5 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 Improve the college completion rate

Just 6 out of 10 bachelor's degree students graduate in six years. Borrowers who struggle the most are often non-completers with low levels of debt. Schools should have some skin in the game when students do not complete and are unable to repay. Many colleges are experimenting with novel approaches to improve graduation rates and should be encouraged and rewarded.

3 Simplify repayment.

Currently, the government offers 16 repayment plans, 9 forgiveness programs, and 33 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.

4 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.

5 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

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 (enacted)

- 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.

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.