



January 18, 2017

ATTORNEY GENERAL MADIGAN SUES NAVIENT AND SALLIE MAE FOR RAMPANT STUDENT LOAN ABUSES

Madigan Alleges Navient and its lending predecessor Sallie Mae Engaged in Widespread Unfair and Deceptive Subprime Lending, Failed to Offer Proper Repayment Options & Engaged in Deceptive Collection Practices

Chicago — Attorney General Lisa Madigan today filed a lawsuit against Navient Corporation, its subsidiaries Navient Solutions Inc., Pioneer Credit Recovery Inc. and General Revenue Corporation and Sallie Mae Bank, over widespread abuses across all aspects of its business, including student lending, student loan servicing and student loan debt collection. Madigan's complaint alleges that Navient's practices harmed borrowers and put the company's profits before the interests of millions of student borrowers across the country.

"My investigation found Sallie Mae put student borrowers into expensive subprime loans that it knew were going to fail," Madigan said. "Navient's actions have led to student borrowers needlessly carrying billions of dollars in debt and the company must be held accountable."

For decades, Navient and Sallie Mae have been involved in the business of student lending – from the origination of loans, to the servicing of those loans for repayment, and the collection of loans that enter into default. In this time, Madigan alleged that Navient grew its student loan company into one of the country's largest by engaging in practices that repeatedly harmed borrowers.

In its loan origination business, Madigan alleges Sallie Mae began peddling risky and expensive "designed to fail" subprime loans to student loan borrowers across the country. Sallie Mae's unfair and deceptive subprime loans carried very high interest rates and fees and, not surprisingly, were mostly given to students at the worst schools – poorly accredited for-profits. Sallie Mae increased its unfair and deceptive subprime lending while disregarding evidence that these loans would likely default at extraordinarily high rates. Sallie Mae's conduct was similar to what Madigan saw years ago when she investigated our country's largest subprime mortgage lenders for their role in the mortgage crisis.

When engaging in servicing student loans, Madigan also alleged Navient failed to perform its core duties. Struggling borrowers in Illinois and nationwide complain that Navient consistently failed to assist borrowers. When borrowers struggling with their federal student loans called Navient for help, the company steered them into successive forbearances that increased the overall cost of their loan instead of telling borrowers about federal income-based repayment plans. When some borrowers were able to finally obtain these repayment plans, Navient failed to provide them with the appropriate information they needed to stay enrolled in these plans every year and avoid costly and unaffordable increases to their payments, according to Madigan's complaint.

"My investigation found that Navient failed to perform core loan servicing duties properly on both federal student loans and private loans," Madigan said. "In spite of encouraging borrowers to call Navient for help when they were struggling to pay their loans, Navient repeatedly failed to tell those borrowers about affordable repayment plans that were available to them."

Madigan's lawsuit also alleged that Navient improperly allocated monthly payments in addition to failing to properly perform many of its other core servicing functions. In addition, Madigan alleged that Navient unfairly and deceptively promoted cosigner release broadly to its borrowers when in fact very few cosigners actually qualified for cosigner release.

Once Navient had failed as a servicer and the student loans were in default, Navient and its subsidiary debt collection companies engaged in deceptive collection practices, Madigan alleged. Navient and its debt collection companies allegedly repeatedly misled borrowers about their options to get their federal loans current through the federal student loan rehabilitation program. In addition, Madigan alleged one of Navient's debt collection companies misrepresented the eligibility requirements for disabled student loan borrowers to have their federal loan debt forgiven entirely.

Madigan’s lawsuit asks the court to provide restitution to all borrowers affected by Navient’s unlawful practices disgorge unlawfully gained profits, impose civil penalties, and rescind or reform all contracts or loan agreements between Navient and any Illinois consumers affected by the company’s unlawful practices.

The lawsuit is being handled by Division Chief Deborah Hagan, Chicago Bureau Chief Susan Ellis and Assistant Attorneys General Vaishali Rao, Michele Casey and Paul Isaac for Madigan’s Consumer Fraud Division.

[Madigan’s Navient Complaint](#) 

-30-

[Return to January 2017 Press Releases](#)

