IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS
COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS Plaintiff, v. NAVIENT CORPORATION, SALLIE MAE BANK, NAVIENT SOLUTIONS, INC., PIONEER CREDIT RECOVERY, INC., and GENERAL REVENUE CORPORATION, Defendants.	NO. COMPLAINT

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CALENDAR/ROOM 06
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Injunction

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CIRCUIT COURT OF COOK COUNTY, ILLINOIS
CHANCERY DIV
DOROTHY BROWN
CLERK

COMPLAINT

The Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by LISA MADIGAN, Attorney General of the State of Illinois, brings this action against Defendants, Navient Corporation, as well as its subsidiaries Navient Solutions, Inc., General Revenue Corporation, Pioneer Credit Recovery, Inc., and Sallie Mae Bank, for violating the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS § 505/1-1 *et seq.* ("Consumer Fraud Act").

I. SUMMARY OF THE CASE

Navient Solutions, Inc. is a student loan servicer that was formerly known as Sallie Mae, Inc.[1] For decades, Sallie Mae and Navient have been involved in the business of student lending—from the origination of loans for borrowers across the country, including in Illinois, to the servicing of those loans for repayment, and the collection of loans that enter into default. During this time, Navient's push to grow into one of the country's largest student loan companies in the pursuit of its own profits has repeatedly resulted in harm to borrowers.

[1] For the purposes of this introduction, Navient Solutions, Inc. and Sallie Mae, Inc. will be referred to as "Navient" and "Sallie Mae", respectively.

Beginning over 15 years ago, Sallie Mae began peddling risky and expensive subprime loans to student loan borrowers as loss leaders in order to dramatically boost its student loan portfolio with schools across the country. In the process of offering schools complete packages of loans, Sallie Mae included subprime loans as the [redacted] to gain access to its more profitable federal loan and prime loan volume. Over a six-year period alone, from 2000 to 2006, Sallie Mae drastically increased its subprime lending while disregarding evidence that these loans defaulted at extraordinarily high rates, especially at for-profit schools. In fact, over this time period, Sallie Mae increased subprime lending to students attending for-profit schools [redacted], saddling these borrowers with billions of debt they could not pay. While providing these risky loans to vulnerable borrowers, Sallie Mae shifted some of the risk of those high defaults by entering into agreements with schools to cover portions of its losses. At the same time, Sallie Mae (and later Navient) refused to provide many of those struggling borrowers with adequate repayment options.

As a student loan servicer, Navient failed to perform its core duties. Navient is currently the largest servicer of student loans, servicing over $300 billion in student loans for more than 12 million borrowers. As the primary contact and provider of information to federal student loan borrowers, Navient is charged with assisting borrowers in repaying their loans, including providing them with information on alternative repayment options. Navient failed to inform struggling borrowers about the available repayment options at the critical time that the borrower needed to know about the options—while the borrower was on the phone with Navient. When speaking to these borrowers, Navient incented its employees to get off calls quickly by offering the easiest fix to someone unable to pay their loans, a forbearance plan. Instead of taking more time to discuss other options with borrowers, such as income-driven repayment plans, Navient

saved itself money and cost borrowers millions of dollars in added interest on their loans by steering them into forbearances.

When some borrowers finally applied and were approved for repayment plans to help lower their monthly payments, Navient failed to provide them the appropriate information they needed to stay enrolled in the programs and avoid unaffordable increases in their payments.

For borrowers who defaulted on their student loans, Navient and its subsidiary debt collection companies continued to engage in unfair and deceptive practices in collecting on the balance of defaulted loans. They repeatedly misled borrowers about their options to bring their loans current and the waiver of fees associated with one of the borrower's options to get out of default, the loan rehabilitation program. In addition, they misrepresented the eligibility requirements to disabled borrowers who may have been eligible to have their federal loan debt forgiven entirely.

II. PUBLIC INTEREST

1. The Illinois Attorney General believes this action to be in the public interest of the citizens of the State of Illinois and brings this lawsuit pursuant to Section 7 of the Consumer Fraud Act, 815 ILCS § 505/7(a).

III. JURISDICTION AND VENUE

2. This action is brought for and on behalf of THE PEOPLE OF THE STATE OF ILLINOIS by LISA MADIGAN, Attorney General of the State of Illinois, pursuant to the provisions of the Consumer Fraud Act and her common law authority as Attorney General to represent the People of the State of Illinois.

3. Venue for this action properly lies in Cook County, Illinois, pursuant to Section 2-101 and 2-102(a) of the Illinois Code of Civil Procedure, 735 ILCS § 5/1-10 *et seq.*, in that some of the transactions out of which this cause of action arises took place in Cook County, Illinois.

IV. BACKGROUND

4. Just one decade ago, the amount of outstanding student loan debt in the United States was approximately $450 billion. This figure has now surged to nearly $1.4 trillion.

5. Student debt has surpassed credit card debt, car loan debt and home equity lines of credit, and is currently the largest source of consumer debt behind mortgages in the United States.

6. Nearly 20 million Americans attend college each year. Of that 20 million, more than 70%, or approximately 14 million people, borrow annually to help cover costs.

7. When consumers need to finance higher education and have exhausted funding from scholarships, grants or help from family members, they rely on two primary sources of funding: federal student loans and private student loans.

A. Federal Student Loans

8. Federal student loans are loans funded or guaranteed by the federal government.

9. Congress has passed numerous pieces of legislation over time to expand access to higher education through federal loan programs.

10. For example, The Servicemen's Readjustment Act of 1944 (the GI Bill) provided grants to cover the expenses of college for persons completing two years of service in the armed forces. As a result, millions of veterans endeavored to attend college, necessitating Congressional attention to funding for higher education.

11. In 1965 Congress passed the Higher Education Act, Title IV of which addressed financial assistance to students. Specifically, The Guaranteed Student Loan Program was created, which later transformed into what is now called the "Stafford Loan."

12. The 1972 reauthorization of the Higher Education Act set forth more measures to expand access to education. For example, the term "postsecondary education" replaced "higher education" in order to expand aid to students entering junior colleges as well as trade schools and career colleges.

13. Through these legislative efforts, and many others, the federal government has set forth various student loan policies to ensure the stability and success of the United States. Two of those policies are: fostering competitive advantages in the global economy by creating a highly-skilled workforce; and ensuring low-income, middle-income, and minority borrowers have access to quality higher education.

14. Consequently, federal student loans carry certain characteristics unique from most other loan products in order to achieve the government's policies.

15. One such unique characteristic of federal student loans is that they are primarily need-based and made to borrowers regardless of credit history; approval is automatic if the student meets program requirements.

16. Another attribute is that the federal student loan interest rate is capped by the federal government. And, federal student loans have a variety of repayment options available to borrowers, including options that are keyed to the borrower's income.

17. Because federal student loans come with lower, capped, interest rates and better repayment options, borrowers typically access federal student loans before private student loans.

18. Federal student loans make up nearly 90% of the student loan market.

1. Origination

19. Over time, the method by which the federal government has provided student loans to borrowers has changed. Until approximately 1994, federal loans were almost exclusively originated and funded by private lenders, and guaranty agencies insured those funds, which were, in turn, reinsured by the federal government. This means that though the loans are funded by private lenders, if the borrower does not pay back the money, the lender will be reimbursed by the guaranty agency, who will, in turn, be reimbursed by the federal government. This public-private partnership was established under the Federal Family Education Loan Program. The federal student loans given to borrowers through that program are called FFEL loans. When borrowers make payments on FFEL loans, the lender receives those payments.

20. In 1994, through the enactment of the William D. Ford Direct Student Loan Program, the federal government began originating loans directly to borrowers, eliminating private entities as the middlemen. The federal student loans given to borrowers through that program are called Direct Loans.

21. The ramp-up of the Direct Loan program (and wind down of the FFEL program) lasted until approximately 2010, when FFEL loans were eliminated as a federal loan program.

22. When borrowers make payments on Direct loans, the federal government receives those payments.

23. Thus, while federal student loan origination is currently handled directly and exclusively by the federal government, throughout many years, private entities like Defendants have played a major role in federal student loan origination.

24. Loans made through the FFEL system of lending still constitute more than 20% of outstanding student loans today, which equates to approximately $335 billion.

25. For undergraduate education, federal student loans come in two main forms: subsidized loans and unsubsidized loans.

26. Generally, on subsidized loans, the government pays the interest while the borrower is in school. On unsubsidized loans, the borrower accrues and pays all of the interest. The amounts of both subsidized and unsubsidized federal loans available to borrowers are limited.

2. Repayment

27. No matter what kind of federal student loan a borrower has, and no matter the channel by which the government provided the loan to the borrower, the management or "servicing" of federal student loans is administered by private entities, with which the Department of Education contracts, like Defendant Navient Solutions, Inc.

28. Federal student loan servicers handle a multitude of issues for borrowers, including: collecting payments, providing repayment options to borrowers, facilitating the loan's payoff, and collecting on delinquent and defaulted loans.

29. Sometimes, after borrowers leave school, they cannot meet their monthly payment obligation under the original terms set in the promissory note.

30. Federal student loans come with a vast array of repayment options to fit a borrower's short-term and long-term goals.

31. In particular, there are repayment plans based on a borrower's income that cap the monthly payment between 10% and 20% of the borrower's discretionary income. In these repayment plans, depending on the specific plan, after a borrower has made 20 or 25 years of payments, the balance of the loan will be forgiven.

3. Default

32. If a borrower does not make payments on a federal student loan for 270 days, the loan is considered in default.

33. Once a federal loan defaults, it is typically assigned to a private debt collection firm, such as Defendants Pioneer Credit Recovery and General Revenue Corporation, to begin debt collection activity.

34. Borrowers sometimes have the opportunity to remove federal loans from their defaulted status using processes called "rehabilitation" or "consolidation."

35. Although federal student loans offer borrowers significant advantages, the federal government also has unique powers in collecting on defaulted federal loans, such as garnishing a borrower's wages without a court order and offsetting federal benefits to which the borrower is entitled and relies upon, such as social security income.

36. Additionally, federal student loans can only be discharged in bankruptcy in extremely limited circumstances.

B. Private Student Loans

37. Private student loans are very different from federal loans.

38. Private student loans are not tied to, or guaranteed by the federal government. Rather, they are loans made by private institutions, usually to cover the gap between the cost of higher education and the federal aid available to a borrower.

1. Origination

39. Private student loans are extended to borrowers by private institutions, such as Defendant Sallie Mae Bank, based on the lender's assessment of the borrower's likelihood of repaying the loan. Private student loan lenders have to more fully evaluate a potential

borrower's likelihood of repaying the loan because the loans are not guaranteed by the federal government – if a borrower does not repay the loan, the lenders lose money.

40. The market for private student loans is substantially smaller than federal student loans. Private student loans constitute approximately 10-12% of the student loan market.

41. However, private student loans are almost always more expensive than federal loans. They almost always have interest rates that are substantially higher than federal student loans.

42. In contrast to the federal student loan interest rates set by Congress, private student loan interest rates fluctuate based on financial indexes such as the Prime rate or LIBOR.

43. In many instances, private student loans come with variable, rather than fixed, interest rates.

44. Today, most private student loan borrowers are required to get a cosigner on the loan. A cosigner is an additional borrower who is equally responsible for the payments on the loan. Cosigners are affected in the same way as the borrower if the payment obligations are not met on the loan.

45. Defendant Sallie Mae, Inc. securitized many of the private loans it originated, including for example, SLM Student Loan Trust 2010-B, containing 6,819 Illinois loans.

2. Repayment

46. As with federal loans, the management of payments on the loan is handled by a servicer. In this case, Defendant Navient Solutions, Inc. is also a servicer of private student loans.

47. In contrast to federal loans, there are no standard repayment plans for private student loan borrowers.

48. If a borrower is offered a repayment plan, the private loan repayment plan is provided at the discretion of the servicer, sometimes with parameters set by the lender or current owner of the debt.

3. Default

49. For private loans, the window in which the borrower can miss payments before defaulting is typically shorter than with federal loans. The lender or servicer sets that time period for private loans.

50. In the case of Defendant Navient Solutions, Inc., a private loan borrower has 212 days before the borrower is considered in default, in contrast to 270 days on a federal loan.

51. Once a private loan borrower defaults, the loan is often sent to a debt collector to attempt to collect on the loan.

52. Besides paying on the loan or agreeing to a settlement of the debt, there are no standard options to get out of default once a private loan borrower defaults on the loan unless additional options are offered by the servicer, lender or current owner of the debt.

53. If a lender, servicer or debt collector decides to, it can sue a borrower or cosigner to collect on the private student loan debt.

54. Though private student loans do not have the same repayment options available as federal loans, private loans, just as federal loans, can only be discharged in bankruptcy in very limited circumstances. Thus, when private student loan borrowers are struggling to make payments, they have very limited options.

V. PARTIES

55. Plaintiff, THE PEOPLE OF THE STATE OF ILLINOIS, by LISA MADIGAN, the Attorney General of the State of Illinois, is authorized to enforce the Consumer Fraud Act, 815 ILCS § 505/7(a).

56. Defendants have a long history of selling student loans, and managing the collection of payments on those loans, in the United States.

57. In 1972, Congress created the Student Loan Marketing Association (nicknamed Sallie Mae), a government sponsored enterprise ("GSE"). It was designed to support the guaranteed student loan program created by the Higher Education Act of 1965.

58. In 1984, the GSE Sallie Mae became a publicly-traded company, trading under the ticker symbol SLM, the same one they trade under today.

59. By 1987, the GSE Sallie Mae owned 24% of outstanding student loans and serviced 2 million accounts. Today the entity responsible for servicing, Navient, services more than $300 billion in student loans for more than 12 million borrowers.

60. The establishment of Direct Loans in 1994, and subsequent shift away from FFEL loans, contributed to Sallie Mae giving up its GSE status.

61. From approximately 1997-2004, Sallie Mae underwent the process of transitioning to a private company.

62. As part of that process, in or around 1997, SLM Holding Corporation was incorporated. SLM Holding Corporation eventually became SLM Corporation.

63. By 2004, Sallie Mae became fully privatized with SLM Corporation as the parent company and Sallie Mae, Inc. as one of its primary subsidiaries, responsible for most of the company's servicing and collections businesses.

64. From 2004 until April 2014, SLM Corporation conducted the full spectrum of student lending business activities, from origination to servicing to collection, under one corporate structure. In 2014, these business activities were split among two separate corporate structures.

65. From at least 2000 until the present, SLM Corporation and several of its subsidiaries, including Sallie Mae, Inc. and Sallie Mae Bank, were responsible for various facets of originating both FFEL and private student loans, including setting lending policies, implementing those policies, marketing the loans to schools and borrowers, and funding and distributing the loans.

66. Specifically, in 2005, Sallie Mae Bank, a wholly-owned subsidiary of SLM Corporation, was established as a state-chartered bank under the laws of the state of Utah. In January 2006, Sallie Mae Bank began funding and originating student loans.

67. Defendant Sallie Mae Bank is a Utah Corporation with its principal place of business at 175 South West Temple, Salt Lake City, UT 84101.

68. Due to the 2010 federal legislation that ended the origination of FFEL loans, Sallie Mae Bank currently originates and funds only private student loans.

69. Prior to the 2014 split, Sallie Mae Inc., a wholly-owned subsidiary of SLM Corporation was responsible for servicing of student loans.

70. In April 2014, SLM Corporation legally separated into two distinct publicly-traded entities: the servicing and debt collection business, Navient Corporation, and a student lending business, SLM Corporation.

71. Defendant Navient Corporation ("Navient Corp.") is a Delaware corporation with its principal executive offices located at 123 Justison Street, Wilmington, Delaware 19801. Navient Corp. is a publicly-traded corporation, trading under the ticker symbol, NAVI.

72. As part of this split, Sallie Mae, Inc. was transferred to Navient Corp. and its subsidiaries. Sallie Mae, Inc. then changed its name to Navient Solutions, Inc.

73. Defendant Navient Solutions, Inc. ("NSI"), formerly Sallie Mae, Inc., is a Delaware corporation. NSI is now a wholly-owned subsidiary of Navient Corp. NSI is the main servicing subsidiary of Navient Corp.

74. For clarity and context, allegations in this Complaint may be made against either Sallie Mae, Inc. or NSI, but all such allegations are attributable to named Defendant NSI.

75. After the 2014 corporate split, the student loan origination business was transferred to a newly-created SLM Corporation and its subsidiaries.

76. However, pursuant to the terms of the split, the old SLM Corporation merged into what is now Defendant Navient Corp., and Navient Corp. assumed responsibility for liabilities resulting from certain pre-split conduct of old SLM Corporation and its subsidiaries. Included in the liabilities assumed by Defendant Navient Corp. are much of the loan origination conduct, and all of the servicing and debt collection conduct described in this Complaint. Thus, Defendant Navient Corp. is included in this Complaint for origination, servicing, and collection-related conduct prior to 2014.

77. In 2002 SLM Corporation purchased two companies engaged in the collection of defaulted student loans: Pioneer Credit Recovery, Inc. ("Pioneer") and General Revenue Corporation ("GRC"), which became indirect subsidiaries of SLM Corporation with Asset Performance Group, LLC as their direct parent.

78. As part of the 2014 split, Pioneer and GRC were transferred to and became indirect subsidiaries of Navient Corporation with Asset Performance Group, LLC as their direct parent.

79. Defendant Pioneer is a Delaware corporation with its principal executive offices at 26 Edward Street, Arcade New York, 14009. Pioneer conducts collection activities on behalf of the federal government and guarantors who hold defaulted FFEL loans.

80. Defendant Pioneer is a licensed collection agency in Illinois, and is authorized under the Business Corporations Act to transact business in Illinois.

81. Defendant GRC is an Ohio corporation with its principal executive offices at 4660 Duke Dr. Suite 300 Mason, Ohio 45040. GRC conducts collection activities on behalf of guarantors who hold defaulted FFEL loans.

82. Defendant GRC is a licensed collection agency in Illinois, and is authorized under the Business Corporations Act to transact business in Illinois.

83. Navient Corp. consents to, has knowledge of, directs and controls the business policies and activities of NSI, Pioneer and GRC.

84. There is significant overlap between the corporate governance and management of Navient Corp. and NSI. This overlap allows Navient Corp. to direct and control key policies and business decisions at NSI. As of August 2014:

a. John Remondi simultaneously served as President and Chief Executive Officer for both Navient Corp. and NSI. John Remondi also serves on Navient Corp.'s Board of Directors.

b. John Kane simultaneously served as Chief Operating Officer for both Navient Corp. and NSI.

c. Somsak Chivavibul simultaneously served as Chief Financial Officer for both Navient Corp. and NSI.

d. Timothy Hynes simultaneously served as Chief Risk Officer for both Navient Corp. and NSI.

e. Stephen O'Connell simultaneously served as Senior Vice President and Treasurer for both Navient Corp. and NSI.

f. Eric Watson simultaneously served as Vice President and Secretary for Navient Corp. and Vice President, Associate General Counsel and Assistant Secretary for NSI.

85. There is also significant overlap between the corporate governance and management of Navient Corp. and Pioneer and GRC. This overlap allows Navient Corp. to direct and control key policies and business decisions at Pioneer and GRC:

a. Jack Frazier, the current Director of Pioneer and GRC, also serves as Senior Vice President for Navient Corp.

b. Jeff Mersmann, the current President of Pioneer, also serves as Vice President of Operations for Navient Corp.

86. Navient Corp. issues consolidated annual reports and SEC filings which include NSI, Pioneer and GRC. In addition Navient Corp. issues consolidated financial statements and balance sheets for itself, and its subsidiaries including NSI, Pioneer and GRC.

87. Navient Corp. owns or leases the offices used by its subsidiaries, including NSI, Pioneer and GRC.

88. Navient Corp. controls and directs the hiring of employees for its subsidiaries, including NSI, Pioneer and GRC. For instance, the websites for Pioneer and GRC,

www.pioneercreditrecovery.com and www.generalrevenue.com, respectively, both direct job candidates to Navient Corp.'s website to search and apply for open positions.

89. In addition to Navient Corp.'s direction and control of NSI, Pioneer and GRC, Navient Corp. often makes no meaningful distinction between Navient Corp. and its subsidiaries. Instead, it conflates the entities, naming only "Navient" in at least the following ways:

a. Both Navient Corp. and NSI utilize the same website, www.navient.com. The website is registered to NSI but is identified as Navient Corp.'s website, including in Navient Corp.'s filings with the Securities and Exchange Commission. Indeed, the website provides corporate information relating to Navient Corp., including a "For Investors" page, with links to reports and filings relating to the publicly-traded Navient Corp. ;

b. The company has one publicly-available Code of Business Conduct that is addressed generically to "Navient Employee[s]" and refers throughout to all Navient companies, including Navient Corporation, NSI, Pioneer and GRC as "Navient";

c. At least certain personnel at Navient Corp., NSI, and Pioneer all use "navient.com" email addresses;

d. Navient's Corp.'s SEC filings repeatedly hold out "Navient" as the "leading loan management, servicing and asset recovery company" rather than NSI, Pioneer or GRC.

90. For purposes of this Complaint, any references to the acts and practices of Defendants Navient Corp., NSI, Pioneer, GRC and Sallie Mae Bank shall mean that such acts

and practices are by and through the acts of Defendants' members, owners, directors, employees, salespersons, representatives and/or other agents.

91. Defendant Navient Corp., formulated, directed, controlled and had knowledge of the acts and practices of Defendants NSI, Pioneer and GRC.

92. To adhere to the fiction of separate corporate existence between Defendants Navient Corp., NSI, Pioneer and GRC would serve to sanction fraud and promote injustice.

VI. TRADE AND COMMERCE IN ILLINOIS

93. Subsection 1(f) of the Consumer Fraud Act, 815 ILCS § 505/1(f), defines "trade" and "commerce" as follows:

> The terms 'trade' and 'commerce' mean the advertising, offering for sale, sale, or distribution of any services and any property, tangible or intangible, real, personal, or mixed, and any other article, commodity, or thing of value wherever situated, and shall include any trade or commerce directly or indirectly affecting the people of this State.

94. Defendants are at all times relevant hereto engaged in trade and commerce in the State of Illinois by offering, selling, marketing and promoting student loans to Illinois consumers and by servicing Illinois consumers' student loans and collecting that debt.

95. In the course of trade or commerce, Defendants have engaged in acts and practices declared unlawful under the Illinois Consumer Fraud Act. Defendants' conduct, described in more detail below, is ongoing and has the potential to impact Illinois consumers.

DEFENDANTS' UNFAIR AND DECEPTIVE ACTS AND PRACTICES

96. Any examples of specific consumer experiences provided herein do not represent, and should not be construed to represent, the only instance in which a consumer was harmed or could potentially be harmed by unlawful acts engaged in by any of the Defendants named herein.

VII. SALLIE MAE UNFAIRLY AND DECEPTIVELY ORIGINATED PRIVATE STUDENT LOANS

97. The relevant time period for the allegations contained in these paragraphs 97 through 215 is 2000 through 2009.

98. During the relevant time period, SLM Corporation, acting through its subsidiaries Sallie Mae, Inc. and Sallie Mae Bank, originated both FFEL and private student loans nationwide, including in Illinois. As part of the origination of these loans SLM Corporation set lending policies, implemented those policies, marketed the loans to schools and borrowers, and funded and disbursed the loans.

99. As part of the April, 2014 spin-off, SLM Corporation merged into what is now Defendant Navient Corp., and assumed responsibility for liabilities resulting from much of the loan origination conduct prior to April 2014 described in this Complaint.

100. Thus, the relevant Defendants in this Section are Navient Corporation, Navient Solutions, Inc. and Sallie Mae Bank.

101. For purposes of this Complaint, these Defendants shall be referred to collectively as "Origination Defendants," or "Sallie Mae."

102. Over the relevant time period, private loans were a vital component of Sallie Mae's business. In its 2005 Annual Report, Sallie Mae made the following statements about the importance of its private loan portfolio to its market dominance: "With college costs rising and federal loan limits not keeping pace, private education loans are the fastest-growing segment of our loan business...In 2005, Private Education Loans contributed 25 percent of the overall net interest income after provisions, up from 17% in 2004."

103. From 2006 to 2007, Sallie Mae claimed 42% of the private student loan market.

104. In creating such a dominant market position, Sallie Mae implemented an unfair and deceptive subprime lending strategy—one that included providing expensive loans to vulnerable borrowers even though Sallie Mae knew many of those loans would default simply to maintain lucrative relationships with schools to boost its bottom line.

105. Although Sallie Mae held itself out as a trusted resource for students who just needed some help to advance their economic position in life, in reality, borrowers had no idea the private loans Sallie Mae originated were likely to fail.

106. While Sallie Mae had the benefit of writing off these loans as a business expense, thousands of borrowers, including borrowers in Illinois, are living with and struggling to repay these debts and have virtually no way to discharge them in bankruptcy.

A. The Preferred Lending Era

107. Until approximately 2007, financial aid offices at schools typically maintained a list of "preferred lenders" to provide guidance to students facing the daunting task of choosing between different companies offering federal and private student loans.

108. Assuming that such a list represented the distilled wisdom of the financial aid office, students typically borrowed from lenders on that list.

109. Establishing itself at the top of a preferred lending list was vital to Sallie Mae's success. The lenders listed on a school's Preferred Lender Lists typically received between 90 to 100% of the loan volume taken out by the institution's students and their parents, giving Sallie Mae near-exclusive access to a school's population of borrowers.

110. After 2007, new regulations were imposed on preferred lending due to the many known and unmanaged conflicts of interest between lenders and financial aid offices, which proved detrimental to student borrowers.

111. When Sallie Mae marketed loans to schools in order to become a preferred lender, it constructed custom loan packages for schools—both public and private, not-for-profit and for-profit schools.

112. These packages consisted of a suite of loan products designed to cover all of a student's financing needs: FFEL loans; private loans for borrowers who qualified for Sallie Mae's standard private student loan products (prime loans); and private loans for borrowers who were ineligible for Sallie Mae's standard private student loan products (subprime loans).

113. Marketing private loans as part of a package deal was appealing to both schools and lenders. For schools, it meant a streamlined way to ensure the most students could get funding to attend their school. For lenders, it meant securing FFEL volume.

114. FFEL volume was valuable to Sallie Mae for two main reasons: First, FFEL loans made up a much larger part of the market than private loans; and, second, the government insured almost 100% of the loan's value, allowing Sallie Mae to make money off the interest income generated by the loan while receiving the protection of a government guarantee if the loan defaulted.

115. Prime private student loan volume was also valuable to Sallie Mae because private student loans typically had significantly higher interest rates than FFEL loans, and those interest rates were not capped.

116. Subprime private loans, on the other hand, had virtually no intrinsic value to Sallie Mae. Rather, these loans were used to close deals with schools in order to secure placement on a school's preferred lender list.

B. Sallie Mae's Subprime Private Student Loan Strategy

117. Over the relevant time period, Sallie Mae's primary private student loan product was called the Signature Student loan.

118. As it described in its 2006 Annual Report, Sallie Mae additionally sold a Career Training loan to borrowers in "alternative learning programs."

119. Career Training loans comprised a smaller portion of Sallie Mae's private student loan portfolio. Borrowers who attended trade or vocational schools were more likely to receive a Career Training loan than a Signature Student loan.

120. Additionally, Sallie Mae created loans specific to individual schools. An example of these loans is the [redacted]

121. Sallie Mae's subprime lending program included: "Opportunity" Loans, "Recourse/Risk Share" Loans, [redacted]

122. These subprime lending programs were generally subsets of either the Signature Student loan, Career Training loan, or school-specific loans.

123. Borrowers receiving private student loans had no indication whether the loan came from one of Sallie Mae's prime or subprime lending programs.

124. The specific subprime lending programs changed over time, but Sallie Mae generally defined subprime loans as "loans with FICO scores less than 640."

125. The features of each of the subprime programs were different, but they all had one thing in common: They were unconventional loan programs designed to extend credit to borrowers who Sallie Mae would not otherwise consider for traditional private loan financing in order to market lucrative complete loan packages to schools.

126. Sallie Mae's subprime products had another commonality: high variable interest rates and origination fees.

127. In some cases, these interest rates were as high as Prime +9% or Prime +10%.

128. In June of 2007, an interest rate of Prime +10% equated to a 15.75% interest rate.

129. In addition to high interest rates, some of the loans came with origination fees as high as 9%. The origination fee was often added to the principal balance of the loan at disbursement.

130. The high interest rates and high origination fees worked in concert to significantly increase the cost of the loan.

131. In fact, in 2006, a loan made to an Illinois borrower attending a for-profit school owned by Career Education Corporation carried an interest rate of Prime +9.875%. In 2007, Sallie Mae's Career Training loan for borrowers with a "Fair" credit score carried an interest rate of Prime +10%, and an origination fee of 9%.

132. A loan with a $10,000 balance and a 9% origination fee would have a balance at disbursement of $10,900. If, as was true of one of Sallie Mae's subprime loans, that loan also carried an interest rate of Prime +10%, the borrower paid an extraordinarily high interest rate on a larger balance over the life of the loan.

133. As explained further below, Sallie Mae unfairly and deceptively engaged in a series of acts and practices to facilitate originating expensive, risky loans to many borrowers who had virtually no chance of repaying them.

1. The Use of Loss Leaders to Draw in FFEL Volume

134. In February 2007, Sallie Mae described its subprime lending strategy and implications as follows: [redacted]

135. The strategy to use subprime loans to bring in the profitable (and guaranteed) FFEL volume worked, in part, because of the method Sallie Mae used to value the deals it made with schools.

136. As long as the overall package of loan products made to a school was profitable, Sallie Mae did not require each loan included in the package to be profitable.

137. In other words, repayment by borrowers on these subprime loans was only a secondary concern for Sallie Mae.

138. One example of a subprime loan product originated by Sallie Mae and used as a loss leader was the Opportunity Loan.

139. Sallie Mae used Opportunity Loans to spike its growth in the subprime lending market. In 2003, Sallie Mae provided approximately [redacted]. By 2006, these figures had [redacted] with Sallie Mae providing approximately [redacted]

140. [redacted]

141. A January 17, 2007 Sallie Mae email entitled [redacted] describes Opportunity Loans as [redacted]

142. According to a Sallie Mae document describing the features of its subprime products, one of the stated "[p]ros" of Opportunity Loans included, [redacted]

143. A 2007 investigation by the U.S. Senate Committee on Health, Education, Labor & Pensions (HELP Committee) into preferred lending relationships, including Sallie Mae's Opportunity Loans, cited in its "Second Report on Marketing in the Federal Family Education Loan Program":

> Sallie Mae calculations...show for Opportunity Loans offered to a particular college an expected default rate of 70%, an expected yield of negative 9%, and an estimated return on equity of negative 3%. Clearly, these funds are considered a marketing expense rather than a profit center....Internal Sallie Mae documents show that the company used Opportunity Loan funds as a bargaining chip to trade for expanded FFEL market share.

144. The report also revealed that Sallie Mae's Opportunity Loans were provided "in exchange for expanded FFEL market share..." for several years.

145. [redacted]

146. A January 24, 2007, internal Sallie Mae document entitled [redacted] reveals, [redacted]

147. [redacted]

2. Loosening Credit Standards to Give Expensive Loans to People Who Could Not Afford Them

148. In order to have access to a school's traditional prime students and FFEL volume, Sallie Mae provided the school packages that would cover non-prime students. To do this, Sallie Mae loosened its credit standards by expanding the required credit criteria downward.

149. For example, in academic year 2001/2002, Sallie Mae's Creative Education Loan product had [redacted] qualifying credit tiers: [redacted]

150. The following year from academic year 2002/2003 Sallie Mae [redacted] to that same product.

151. In contrast to the [redacted] which carried an interest rate of [redacted] loans given to borrowers in the [redacted]

152. In the subsequent academic year, 2003/2004, Sallie Mae [redacted]

153. Sallie Mae [redacted] which carried an interest rate of [redacted]

154. [redacted] in 2003/2004 for the Creative Education Loan [redacted] which carried an interest rate of [redacted]

155. Sallie Mae loosened underwriting criteria to obtain as much profitable FFEL and prime lending volume as possible.

156. It did this regardless of the school's graduation rate, a key indicator of loan performance.

157. For example, Sallie Mae lent to borrowers attending schools at which less than 50% of the students graduated.

158. In a January 23, 2008 investor earnings call, Sallie Mae explained the importance of graduation rate to loan performance. "...Graduation is critical. Sallie Mae has lent too much

money to students who have gone to schools without very good graduation records. Such students at such schools are virtually singly responsible for 60% of the '07 credit losses..."

159. In the years after 2007, Sallie Mae was sued in various capacities for certain practices, including a lack of appropriate underwriting. One such lawsuit filed in 2009 in the Southern District of New York, *In Re SLM Litigation*, alleged that the then CEO, Thomas Fitzpatrick, in an internal SLM executive meeting in early 2007, summarized Sallie Mae's private education loan underwriting standards by stating "If the borrower can create condensation on a mirror, they need to get a loan this year."

160. Indeed, to effectuate its subprime lending strategy, Sallie Mae had to lower its standards, saddling borrowers with expensive loans unlikely to be repaid in the process.

3. Sallie Mae's Subprime Strategy Caused a Spike in Subprime Lending, Which Resulted in Extraordinarily High Default Rates

161. Even though Sallie Mae's prime originations grew steadily over the relevant time period, Sallie Mae's subprime originations grew substantially more.

162. In 2000, Sallie Mae originated Signature Student loans to approximately [redacted]. By 2006, Sallie Mae originated that loan to over [redacted], an increase of [redacted]

163. The Career Training product experienced a similar—though smaller—boom in originations. In 2000, Sallie Mae originated the Career Training loan to [redacted] and by 2006 those originations had jumped to [redacted].

164. But the real and much higher jump in Sallie Mae's originations were to the vulnerable subprime population of borrowers who attended schools with low graduation rates.

165. In 2000, the number of borrowers given the Signature Student loan who attended for-profit schools with graduation rates less than 50% and with FICO scores of 640 or less, and

were given interest rates at Prime +6% or higher (or a LIBOR equivalent) or origination fees added to their loans of 9% or higher was approximately [redacted].

166. By 2006, Sallie Mae increased its subprime originations to borrowers exhibiting those same characteristics to approximately [redacted], nearly a [redacted].

167. Similarly, Sallie Mae gave subprime loans to people exhibiting those same characteristics except attending nonprofit schools with graduation rates less than 50% to [redacted] in 2000. In 2006, Sallie Mae made those loans to [redacted].

168. Similar trends exist for the Career Training loan (though the percentage increases are not nearly as steep).

169. The numbers paint a stark picture: Sallie Mae steadily and successfully implemented its subprime strategy and increased its expensive loan originations to risky subprime borrowers attending poor-performing schools over the relevant time period.

170. Unsurprisingly, year after year, beginning in at least 2000, Sallie Mae's high-cost loans made to borrowers at poor performing schools defaulted at extraordinarily high rates.

171. In every year from 2000 to 2007, either on the Signature Student loan or Career Training loan, the loans defaulted at rates between [redacted] and [redacted].

172. For example, in 2006, the overall percentage of borrowers who defaulted on a Signature Student loan was approximately [redacted], yet the percentage of borrowers who attended for-profit schools with less than 50% graduation rates with FICOs less than 640 who were given loans with high interest rates or fees was approximately [redacted].

173. Although borrowers given risky subprime loans over the relevant time period had no idea that they were far more likely to default than pay back their loans, this fact was no secret to Sallie Mae.

174. For example, the document describing the features of Sallie Mae's subprime products states that one of the "cons" of Opportunity Loans was [redacted]

175. Senior personnel at Sallie Mae even discussed not disclosing these high default rates to schools.

176. [redacted]

177. [redacted]

[redacted]

178. In other instances, however, Sallie Mae openly discussed high default rates with schools. [redacted]:

[redacted]

[redacted]

4. Sallie Mae's Strategy to Weather the High Default Rates While Borrowers are Left Holding the Bill

179. Although borrowers were fully liable for the repayment of their high cost, predatory loans, Sallie Mae insulated itself from much of the risk these defaults presented to the company.

180. Though Sallie Mae was willing to accept losses on its subprime volume in order to gain the lucrative prime and FFEL volume, Sallie Mae still took efforts to protect itself from losses on the subprime loans. Sallie Mae shifted the risk of default on particular loans using a variety of different tools, including "credit enhancement" or "recourse" arrangements.

a. Credit Enhancement

181. In a credit enhancement scenario, the school provided a portion of the money to fund the loan upfront.

182. [redacted]

183. According to an August 22, 2007 memo entitled [redacted]

184. The memo further describes, [redacted]

185. Finally, the memo states, [redacted]

186. In the credit enhancement scenario, unbeknownst to the borrower, Sallie Mae has made a deal with the borrower's school to cover a portion of the borrower's loan because Sallie Mae is betting the borrower can't repay it, all the while attempting to collect the full amount from the borrower.

b. Recourse Agreements

187. In a school recourse loan scenario, the school agreed to cover a certain percentage of default for the amount financed.

188. Sallie Mae also entered into "recourse agreements" with some schools.

189. According to the terms of those recourse agreements, the school agreed to bear some of the risk of default for the private student loans Sallie Mae originated.

190. For example, Sallie Mae had a recourse agreement with the for-profit school parent company Career Education Corporation (CEC).

191. According to the terms of that recourse agreement, CEC agreed to pay for 20% of the defaults on private student loans Sallie Mae provided to its students.

192. As with the credit enhancement arrangement described above, Sallie Mae entered into this recourse agreement, unbeknownst to borrowers, to cover itself from the high likelihood of default, all the while providing little to nothing to borrowers to help them avoid default.

D. Sallie Mae's Unfair & Deceptive Acts and Practices Negatively Impacted Illinois Consumers

193. Once Sallie Mae saddled borrowers with these risky loans it originated as part of its subprime lending strategy, and the borrowers were struggling to repay them, Sallie Mae did nothing to assist them with finding feasible repayment options.

1. Consumer Example 1

194. One Illinois consumer enrolled at the cooking and hospitality program at Le Cordon Bleu, a for-profit school in Chicago in 2006. Le Cordon Bleu's parent company is Career Education Corporation (CEC).

195. The consumer interacted with the financial aid office at Le Cordon Bleu over the phone.

196. Before discussing the details of the school's program, the financial aid representative directed her to Sallie Mae's website, where she filled out an application for a loan and was approved.

197. This loan was a "CEC Signature Loan" from Sallie Mae for approximately $12,500. The variable interest rate on this loan at that time exceeded 17%.

198. The consumer also took out a federal student loan to help cover the cost of attending Le Cordon Bleu.

199. After graduation, the consumer struggled to make payments on her private loan. She contacted Sallie Mae to work out a repayment option she could afford. When she did not

receive the help she needed, she contacted the Illinois Attorney General's Office on October 10, 2014.

> I am sending this letter to you today because I am looking for guidance. Something has to be done about the Student Loan issue. Your constituents are drowning in student loan debt.
>
> The first troubling incident with student loans came when I attended culinary school at the Cooking and Hospitality Institute of Chicago in their Le Cordon Blue program. I attended beginning in 2005 and completing my degree in 2007. From the moment I began inquiring about the program, I was contacted repeatedly by the Financial Aid department. The Financial Aid department led me to the Sallie Mae website and suggested I apply for private loans. The suggestion was made several times to take out extra loans to cover my living expenses, I declined the loans for living expenses. In discussing the loans with my fellow students I discovered they too were pushed into taking out additional funds on their student loans. It actually got to the point that I questioned whether my Financial Aid advisor worked for Sallie Mae or Le Cordon Bleu. At the time it struck me as odd and I remember thinking they must be getting financial incentive from Sallie Mae, however, my focus was on obtaining a degree. I do not know how my fellow students who took out additional loans were able to make the payments.
>
> Now I am in the process of paying back my loans. I am grateful for my education. I understand that I made a choice to sign a contract for student loans. I am very well aware of the decision I made. By all means, I don't want to suggest that anyone else is responsible for my actions. However, my private student loans are currently at $689monthly. I also have a Department of Education loan serviced through Sallie Mae that is on a rate reduction program, otherwise it would be $285 a month. This is just not a feasible payment. I have one private student loan at 13% interest. I called and asked them to lower the payment on my private student loans. I was told by a Sallie Mae representative to make my July payment and the private loans would be lowered to $610 monthly by the August payment. I was not told there was a further approval process. I was told this was going to happen. Further, the representative suggested to get the loan amounts lowered further, I should not pay and after 15 – 20 days past my payment date I would receive calls from Sallie Mae and they would negotiate a lower cost without affecting my credit score. I paid my bill in July, I paid my $689 in August, and then I called. Why had my payment not been lowered? I was told

> sorry, your request was denied. Here is my issue, isn't Sallie Mae in breach of a verbal agreement then? If I decided to ignore a verbal agreement to pay I would be taking hits to my credit score and receiving liens on my taxes. Why is Sallie Mae exempt from the same laws I have to follow?
>
> I am tired of letting Sallie Mae get away with what I believe to be a giant scam. I am happy to pay back my student loans, I took out the loans, I received my education and I am grateful. I need them to stop making it impossible to do so. I also need for Sallie Mae to have consequences for their actions. If I will receive consequences for not paying, that shouldn't they receive consequences for false statements and price gouging?
>
> I don't know that anything can be done. I have signed a contract, but I am not without hope. I can't stress enough, I want to pay back my loans. Do you have any guidance? Do I have any recourse?
>
> Please help your constituents in obtaining an education without being under the yoke of high interest student loans for the rest of their lives. Please stop colleges and universities from receiving kickbacks for being loan salesmen. Please hold these organizations accountable for their actions. Thank you for reading my letter.

200. After the consumer complained to the Illinois Attorney General's Office, Navient responded that the consumer's loans "are private student loans and do not have the same entitlements as federal student loans. Modifications to her loans are at the lender's discretion." Navient notes that the consumer's modification request was denied "due to her loans not being within the first 60 months of repayment." Navient enclosed financial worksheets the borrower could complete and stated it would review the consumer's private loans for other options.

201. However, further attempts on the consumer's part led to aggressive requests from Navient for not only her financial information but her mother's financial information. The consumer's mother is a cosigner on her student loans. The consumer's mother is retired and on a fixed income and the consumer did not want to drag her mother into her private student loan dispute.

202. The consumer has given up on trying to modify her private student loans with Navient.

2. Consumer Example 2

203. Another Illinois consumer took out a Career Training Loan from SLM Financial Corporation on March 28, 2005 for approximately $8,200.

204. The interest rate on her loan was over 13%.

205. The consumer took out the loan in order to attend Westwood College of Technology.

206. When applying to Westwood College of Technology, the consumer was told she needed to take out a loan in order to graduate. The consumer's paperwork was handled by the school's financial aid office, but the consumer was never told her SLM Financial Career Training loan was a private loan.

207. The consumer also took out federal loans.

208. The consumer stated she was pressured into getting "several other loans through Sallie Mae, which has me in over $60,000 in debt."

209. The consumer contacted the Illinois Attorney General's Office on February 1, 2016 to request assistance getting out of debt and "maybe getting some of my money back."

210. Navient responded that it serviced the consumer's 2005 Career Training loan, and "we cannot forgive or return a portion of the funds."

211. Navient further stated that when the consumer signed the promissory note for her Career Training loan, "she stated that she had read and agreed to all the terms therein."

212. According to Navient, any concerns the consumer had about her school "must be addressed by her directly with the school."

213. Navient also noted it no longer serviced the consumer's federal loans, which had been consolidated.

214. Navient did not offer the consumer any information about repayment options that could be available for her private loan.

215. In summary, Sallie Mae benefited from these loans when originated, but did nothing to help borrowers grapple with the high monthly payments these loans required after Sallie Mae got what it wanted in the first place – access to FFEL and private prime loan volume at schools.

VIII. UNFAIR AND DECEPTIVE SERVICING OF FEDERAL AND PRIVATE STUDENT LOANS

216. The relevant time period for the allegations contained in these paragraphs 216 through 419 is 2010 to the present.

217. The Servicing Defendants, Navient Corporation and NSI shall be collectively referred to as "Navient" for purposes of this section.

218. For the purposes of this complaint, Defendant Navient Solutions, Inc., formerly known as Sallie Mae Inc., ("NSI") is liable for conduct relating to the servicing of student loans from 2010 to the present.

219. After a consumer takes out a student loan, the consumer's student loan servicer is the main contact the consumer has regarding her student loan. Amongst other things, the servicer collects payments, sends bills, informs consumers if they are late on a payment, and interacts with borrowers over the phone regarding available repayment plans. The servicer's policies and practices can substantially affect the borrower's performance on the loan and the resulting cost the borrower will pay over the life of the loan.

220. Navient has utilized servicing policies, practices, and mechanisms affecting borrowers all around the country, including in Illinois.

A. Instead of Offering the Federal Loan Repayment Options To Which Borrowers Are Entitled, Defendants Steer Borrowers into Costly Forbearances

221. Navient has failed to perform its core duties in the servicing of student loans, violating the Illinois Consumer Fraud Act.

222. Navient is the largest servicer of federal student loans, servicing over $275 billion in federal loan volume.

223. From at least 2010 to the present, Navient represented to borrowers that they should call Navient, and Navient would help them make the right decision for their situation.

224. Navient, as a servicer of federal loans, is charged by the government with the responsibility to assist borrowers with managing their loans. As the Department of Education's website states:

> A loan servicer is a company that handles the billing and other services on your federal student loan. The loan servicer will work with you on repayment plans and loan consolidation and will assist you with other tasks related to your federal student loan. It is important to maintain contact with your loan servicer. If your circumstances change at any time during your repayment period, your loan servicer will be able to help.

225. Most federal student borrowers have a right under federal law to set their monthly student loan payment as a share of their income, an arrangement that can offer borrowers extended payment relief and other significant benefits.

226. Despite assuring borrowers that it would help them find the right repayment option for their circumstances, Navient routinely steered borrowers experiencing long-term financial hardship, including Illinois borrowers, into costly payment relief designed for

borrowers experiencing short-term financial problems, before or instead of affordable long-term repayment options that were more beneficial to them in light of their financial situation.

227. The U.S. Department of Education offers numerous repayment plans to eligible borrowers with federal student loans, which are designed to help borrowers manage their student loan debt and make monthly repayment of these loans more affordable. These repayment plans include several income-driven repayment plans, such as Income-Based Repayment (IBR) and Pay As You Earn Repayment (PAYE).

228. Most types of federal student loans are eligible for at least one income-driven repayment plan.

229. The monthly amount that the borrower will pay under the income-driven repayment plans is set at an amount that is intended to be more affordable based on the borrower's income and family size, and may be as low as $0 per month.

230. In addition to providing a more affordable monthly payment, most income-driven repayment plans offer several other benefits for federal student loan borrowers, especially borrowers experiencing long-term financial hardship.

231. For example, for borrowers with subsidized loans whose monthly payment amount does not fully cover accrued interest, the federal government will pay any unpaid interest that accrues on those loans during the first three consecutive years of enrollment in the plan. This interest subsidy can be a significant benefit to such borrowers because they generally have no obligation to ever pay the interest that accrues during those three years. Furthermore, because that interest is paid in full by the federal government, it is not added to the principal balance of the loan.

232. When interest is added to the principal balance of the loan, it is called capitalization.

233. When interest is not paid, it can be capitalized; additional interest is then charged on the new capitalized balance of the loan, which could significantly increase the total amount repaid over the life of the loan.

234. The interest subsidy available to many borrowers enrolled in income-driven repayment plans can reduce these additional costs, mitigating the financial strain on those borrowers.

235. Another benefit available to borrowers who are enrolled in an income-driven repayment plan is forgiveness of the remaining balance of their federal loan, after making the required number of qualifying payments into the plan, usually lasting 20 or 25 years.

236. Federal student loans are generally also eligible for forbearance, which is a short-term postponement of payment. With forbearance, a borrower experiencing financial hardship or illness may be able to stop making payments or reduce her monthly payment for a defined period of time.

237. Navient's website states that forbearance is appropriate for borrowers who "have a problem making on-time payments due to a temporary financial difficulty."

238. The website also states: "Forbearance is intended to help you out in times of temporary need."

239. Forbearance is typically not suitable for borrowers experiencing financial hardship or distress that is not short-term. Borrowers who enroll in forbearance face significant costs, which generally increase the longer the borrower is in forbearance. These include the

accumulation of unpaid interest and the addition of that unpaid interest to the principal balance of the loan.

240. In addition, in some cases, following forbearance, a loan may be reamortized, where the monthly payments are recalculated, which can lead to an increase in the borrower's monthly payment amount.

241. As a result of these costs, long-term enrollment in forbearance can dramatically increase the total amount due each month after the forbearance period ends and over the repayment term for a borrower's federal loans.

242. Because income-driven repayment plans enable borrowers to avoid or reduce these costs associated with forbearance, for borrowers whose financial hardship is long-term, enrolling in an income-driven repayment plan is usually a significantly better option than forbearance.

243. The U.S. Department of Education has publicly encouraged borrowers to consult their federal student loan servicer to determine the best repayment option for that borrower.

244. In several places on its website, the U.S. Department of Education has advised borrowers to contact their student loan servicer before applying for any alternative repayment plan or forbearance, with statements like "Work with your loan servicer to choose a federal student loan repayment plan that's best for you" and "Before you apply for an income-driven repayment plan, contact your loan servicer if you have any questions. Your loan servicer will help you decide whether one of these plans is right for you" and "Always contact your loan servicer immediately if you are having trouble making your student loan payment."

245. Likewise, Navient, as a servicer of federal loans and contractor for the U.S. Department of Education, has repeatedly encouraged borrowers experiencing financial hardship

to contact Navient for assistance in evaluating the various alternative repayment options available to them. For example, Navient's website has included the following statements (emphasis added):

a. "[I]f you're having trouble, there are options for assistance, including income-driven repayment plans, deferment, forbearance, and solutions to help you avoid delinquency and prevent default .... **We can work with you to help you get back on track,** and are sometimes able to offer new or temporarily reduced payment schedules. Contact us at 800-722-1300 and **let us help you make the right decision for your situation**."

b. "If you're experiencing problems making your loans payments, **please contact us. Our representatives can help you by identifying options and solutions**, so you can make the right decision for your situation."

c. "Navient is here to help. We've found that, 9 times out of 10, **when we can talk to a struggling federal loan customer** we can help him or her get on an affordable payment plan and avoid default."

246. For many years, Navient's website has included other, similar statements. For example, its website previously stated that it was "committed to giving you the information and tools you need to understand and evaluate your student loan payment options. We can help you find an option that fits your budget, simplifies payment, and minimizes your total interest cost."

247. Navient's written training materials reflect this approach [redacted]

248. [redacted]

[redacted]

249. Further, Navient's written training materials stress that forbearance should be offered to borrowers as a last resort. [redacted]

250. [redacted]

251. Nevertheless, from at least January 2010 through the present, despite publicly inviting borrowers to call Navient and talk to representatives for assistance identifying an appropriate, affordable repayment plan, and despite Navient's internal training guidelines, Navient has routinely steered borrowers experiencing long-term distress or hardship into forbearance.

252. Until at least the fall of 2014, Navient's compensation policies for its customer service representatives have incentivized them to push numerous borrowers into forbearance without adequately offering income-drive repayment plans to those borrowers, and in some cases, without even mentioning income-driven repayment plans at all.

253. Because of the number and complexity of repayment options available for federal loans, a live conversation about alternative repayment plans such as income-driven repayment and the borrower's financial situation is usually time-consuming.

254. Moreover, the process of enrolling a borrower in income-driven repayment plans sometimes requires multiple, lengthy conversations with the borrower, due to the detailed nature of those plans and the paperwork required.

255. Navient, however, has compensated its customer service personnel, in part, based on average call time. As a result, engaging in detailed conversations with borrowers about their particular financial situation and trying to determine the income-driven repayment plan that is most appropriate for each borrower would have been financially detrimental for those employees.

256. Navient uses a comprehensive set of employee incentive compensation plans for its customer service and pre-default collections employees, including those making calls to Illinois consumers. An incentive compensation plan ("ICP") is a reward strategy that uses a documented plan to compensate employees based on criteria other than salary or hourly pay for time worked. An ICP is designed to supplement base pay and drive behaviors and performance that align the employee with the overall strategy of the company.

257. [redacted]

258. [redacted]

259. [redacted]

260. [redacted]

261. [redacted]

262. [redacted]

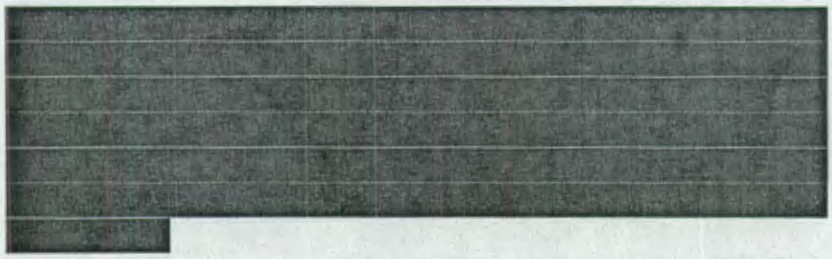
263. [redacted]

264. [redacted]

265. [redacted]

266. [redacted]

267. [redacted]



268. In sum, counseling borrowers over the phone and assisting borrowers regarding income-driven repayment plans is costly for Navient and its employees.

269. In contrast, enrollment in forbearance can often be completed over the phone, in a matter of minutes, and generally without the submission of any paperwork.

270. As compared to the staff resources and time expenditure required to offer borrowers income-driven repayment plans, enrolling borrowers in forbearance is less expensive for Navient.

271. As a result of the incentives imposed by Navient's compensation policies, Navient employees have routinely failed to invest the time and effort necessary to talk to financially distressed borrowers and help them identify affordable repayment plans most appropriate for their financial situation at the time the borrower is on the phone with Navient.

272. A former Navient employee, who was a loan servicing specialist in Newark, Delaware from 2011-2012, described the pressure to have short call times as follows:

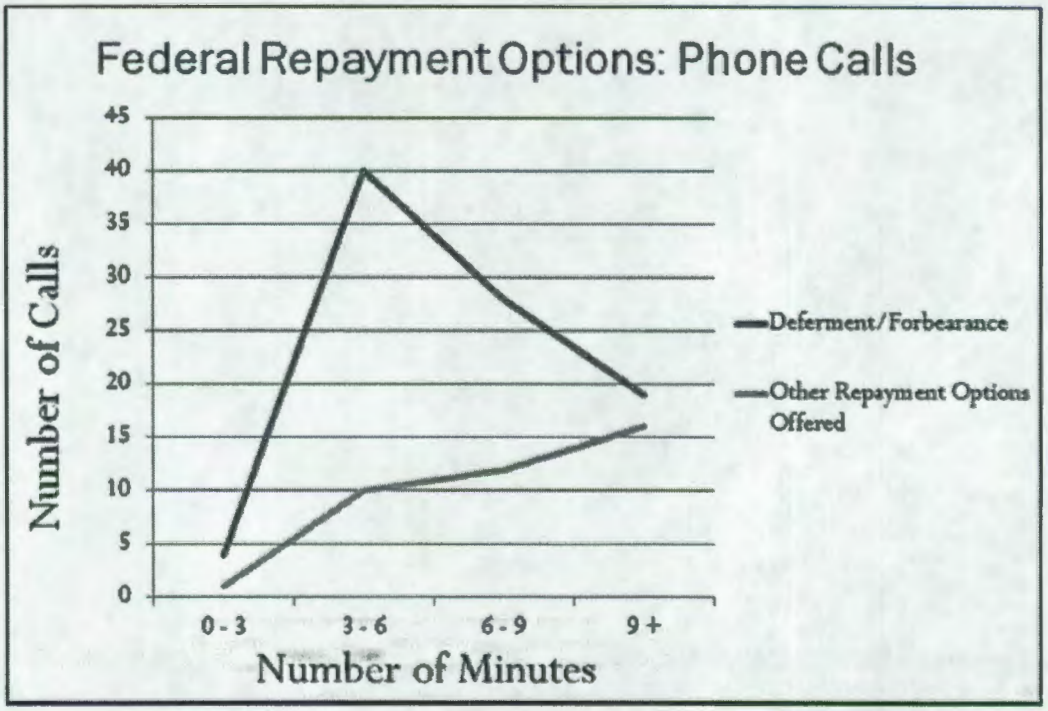
> I never made a bonus over the time I worked at Sallie Mae. I noticed that other people who would hang up on customers or have short call times would make bonuses. The maximum call time to bonus was about 6 minutes. My call times were often about 10 minutes because I tried to see if the borrower qualified for lower payments. I often got pulled aside and talked to because of my higher call times.

273. The following line graph represents a sample of average call times of calls during which Navient mentions income-driven repayment options, and deferment and forbearance with

callers. The blue line represents calls where Navient representatives mention only deferment or forbearance and no repayment plans. The green line represents calls where Navient representatives mention income-driven repayment plans, either solely or in addition to deferment or forbearance plans. Calls during which Navient makes any mention of income-driven repayment are included in the green line on the graph.

274. Up until approximately a call of six minutes in length, the number of deferments/forbearances offered by Navient increases. [redacted].

275. As the length of the call increases, the number of income-driven repayment options offered by Navient employees increases.



276. Thus, as the former Navient employee explained, [redacted] Navient employees are incented to make short phone calls,

during which they typically only have the time to counsel borrowers on options for temporary suspension of payments, rather than long-term repayment options.

277. Phone calls and complaints that the Illinois Attorney General's Office has reviewed during the course of this investigation demonstrate that Navient's compensation policies drive the behavior of Navient employees, resulting in short call times and representatives failing to explain income-driven repayment plans, and Navient's failure to abide by its own internal training guidelines.

278. Navient contacts consumers across the country, including Illinois consumers, by phone in order to discuss consumer accounts.

279. A review of a sample of 200 calls revealed that despite Navient's assurances to borrowers that it would offer assistance regarding repayment options, when on the phone with borrowers it offered deferments or forbearances without mentioning any other options over 50% of the time.

280. On these calls, when offering deferments or forbearances, Navient rarely inquired into whether borrowers were experiencing long-term or short-term distress.

281. Despite Navient's statements to borrowers to contact them so they can "identify options and solutions" and "help you make the right decision for your situation", it did no such thing for borrowers.

282. Since at least 2010, the number of borrowers that Navient enrolled in forbearance has generally greatly exceeded the number of borrowers enrolled in income-driven repayment plans. For example, in December 2010, around 9% of borrowers with FFEL loans serviced by Navient were enrolled in discretionary forbearance, while just 1% of borrowers with the same loan type were enrolled in income-driven repayment.

283. Similarly, in December 2012, approximately 7% of Navient borrowers with FFEL loans were enrolled in discretionary forbearance, while just 2% of borrowers with the same loan type were enrolled in income-driven repayment.

284. Navient representatives sometimes initially responded to borrowers' inability to make a payment by placing them in voluntary forbearance without adequately advising them about available income-driven repayment plans, even though it is likely that a large number of those borrowers would have qualified instead for a $0 payment in an income-driven repayment plan at that time.

285. For example, between January 1, 2010 and March 31, 2015 [redacted] of borrowers serviced by Navient who ultimately enrolled in income-driven repayment with a $0 payment were enrolled in voluntary forbearance within the twelve-month period immediately preceding their enrollment in income-driven repayment.

286. Similarly, during that same time period, [redacted] of borrowers who ultimately enrolled in PAYE with a $0 payment were enrolled in forbearance within the twelve-month period immediately preceding their enrollment in PAYE.

287. The majority of these borrowers were enrolled in voluntary forbearance more than three months prior to their enrollment in the income-driven repayment plan, which suggest that forbearance was not merely offered to these borrowers as a three-month waiting period while their application in an income-driven repayment plan was pending.

288. Because they were placed into forbearance before ultimately enrolling in an income-driven repayment plan with a $0 payment, these borrowers had delayed access to the benefits of the income-driven repayment plan. They were also subject to the negative consequences of forbearance, including the addition of unpaid interest to the principal balance of

the loan, which they potentially could have avoided had they been enrolled in the income-driven repayment plan from the start.

289. Navient also enrolled an immense number of borrowers in multiple consecutive forbearances, even though they had clearly demonstrated a long-term inability to repay their loans.

290. For example, between January 1, 2010 and March 31, 2015, Navient enrolled [redacted] nationwide, including borrowers in Illinois, in two or more consecutive forbearances totaling twelve months or longer. More than [redacted] of these borrowers were enrolled in three consecutive forbearances, and more than [redacted] of them were enrolled in four or more consecutive forbearances.

291. For borrowers enrolled in three or more consecutive forbearances, each forbearance period lasted, [redacted]. Therefore, as a result of Navient's practices, [redacted] consumers nationwide, including consumers in Illinois, were continuously enrolled in forbearance for a period of two or three years, or more.

292. Regardless of why these borrowers did not enroll in an income-driven repayment plan from the start, their long-term inability to repay was increasingly clear as each forbearance period expired.

293. By enrolling them in multiple consecutive forbearances, and failing to inform those borrowers about income-driven repayment plans at the time of live contact, Navient placed borrowers in serial forbearances, which imposed a staggering financial cost on this group of borrowers. At the conclusion of those forbearances, Navient had added nearly four billion dollars of unpaid interest to the principal balance of their loans.

294. Had Navient talked to those borrowers about getting on an affordable payment plan, as it promised to do on its website, those borrowers would not have incurred those costs.

295. For many of these borrowers, had they been enrolled in an income-driven repayment plan, they would have avoided much or all of their additional charges because the government would have paid the unpaid interest on their subsidized loans in full during the first three years of consecutive enrollment.

296. Another Illinois consumer reached out to Navient when her job was eliminated, and she was collecting unemployment benefits. When the consumer first exited school, she consolidated her federal loans with Sallie Mae in order to get a lower interest rate. The consumer subsequently entered into a graduated repayment plan, which meant the consumer's payments initially went only to interest. In order to get ahead on her loan, the consumer began making overpayments, which Sallie Mae applied in a manner that confused the consumer.

297. After several years of making payments, the consumer lost her job. At that time, she contacted Navient, and was told by different representatives that she would be placed into a "deferment" or a "forbearance" but in either instance the "government would pay" her interest until she got back on her feet. Navient did not inform her of or counsel her on income-driven repayment options. Navient notified the consumer that after a year, she would need to resume payments.

298. Navient, a student loan servicer tasked with the responsibility to inform struggling borrowers about the available repayment options, including income-driven repayment options, cut its costs at the critical moment of live borrower contact by incenting its employees to offer the easiest fix to someone unable to pay their loans—a forbearance. This approach saved Navient money, but was very costly for borrowers.

B. Navient Engaged in Unfair and Deceptive Practices Related to Recertification in Income-Driven Repayment Plans

299. Federal student loan borrowers enrolled in an income-driven repayment plan must certify their income and family size to qualify for the income-driven repayment payment amount, which is based on those certifications.

300. In addition to the paperwork required to enroll a borrower in an income-driven repayment plan, a borrower in such a plan must also complete an annual recertification form each year to document his/her current income and family size, which is then used to adjust the borrower's payment amount.

301. This income-driven payment applies for a period of twelve months.

302. At the end of this twelve-month period, the income-drive payment expires unless the borrower renews enrollment in the plan before the expiration date.

303. To renew, borrowers must "recertify" their income and family size each year by submitting updated information, including documentation of income, in order to maintain the income-driven payment amount.

304. If the twelve-month period expires before the borrower has timely recertified income and family size, several negative consequences are likely to occur: (1) The borrower's monthly payment amount will immediately increase from the income-driven payment to one that is substantially higher; (2) Any unpaid interest that has accrued will be capitalized into the loan's principal balance; (3) The applicable interest subsidy provided by the federal government for the first three years of enrollment in an income-driven repayment plan for each month until the borrower renews her enrollment will be lost; and (4) For some borrowers who enroll in forbearance when the twelve-month period expires, progress towards loan forgiveness will be

delayed because the borrower is no longer making qualifying payments that count towards loan forgiveness. These consequences are all irreversible.

305. Since at least January 1, 2010, federal student loan servicers, including Navient, have been required to send at least one written notice concerning the annual renewal requirements to borrowers in advance of their renewal deadline.

306. An initial disclosure notice provided to borrowers at the time of enrollment in the income-driven repayment plan, Navient advised consumers: "You'll be notified in advance when your loan(s) is up for renewal for the [income-driven repayment] plan. At that time, you'll be provided with a date to submit a new application."

307. However, between at least January 1, 2010 and December 2012, Navient's annual renewal notices for IDR plans sent through U.S. mail did not inform borrowers of the actual date by which they had to submit the renewal application, including documentation of income, to avoid expiration of the twelve-month period.

308. Instead, Navient's notices between at least January 1, 2010 and December 2012 stated vaguely that the borrower's income-driven repayment period would "expire in approximately 90 days".

309. By stating that the plan would expire in "approximately 90 days," Navient provided no date certain by which borrowers needed to submit their required paperwork for renewal in order to avoid the negative consequences that would ensue.

310. The notices Navient sent between at least January 1, 2010 and December 2012 misrepresented the consequences of submitting incorrect or incomplete information.

311. The notices simply warned borrowers that "by providing incorrect or incomplete information the [renewal] process will be delayed." Thus, Navient falsely implied that the only

consequence a borrower would face in providing incorrect or incomplete information was a delay in the renewal process, when in fact, the borrower would face many more serious consequences such as an increased payment amount.

312. For borrowers who have consented to receiving electronic communications, Navient has sent electronic renewal notices instead of notices by U.S. mail.

313. More than 75% of Navient's federal student loan borrowers have consented to receiving electronic communications.

314. Between at least mid-2010 and March 2015, Navient advised borrowers of the availability of the electronic renewal notice by sending them an email with a hyperlink to its website.

315. These borrowers then had to log in to Navient's secure website with their user ID and password to view the contents of the electronic renewal notice.

316. However, neither the subject line of the email Navient sent borrowers nor its contents provided any indication of the purpose of the notice.

317. From at least January 1, 2010 through November 15, 2012, the subject line of the email simply read: "Your Sallie Mae Account Information."

318. Likewise, from at least November 16, 2012 through March 18, 2015, the subject line of the email was: "New Document Ready to View."

319. The body of the email did not provide any greater detail. Until mid-2015, the body of the email stated only that "a new education loan document is available. Please log in to your account to view it."

320. In stark contrast, during the same time period, other emails sent by Navient described the content or purpose of the referenced document. For example, the subject line of

one such email was "Your Sallie Mae – Department of Education Statement is Available," and the body of the email stated "Your monthly statement is now available. Please log in to your account at Sallie Mae.com to view and pay your bill."

321. Another email regarding loan terms had a subject line that read "Change in Loan Terms," and the text of which stated "The payment term for your loan(s) has changed. Please log in to your account to view the document with your updated payment schedule."

322. Navient tracks the number of borrowers who click on the hyperlink in the emails that Navient sends. Between at least July 21, 2011 and March 2015, the percentage of borrowers who did not timely renew their enrollment in income-driven repayment plans regularly exceeded 60%.

323. Still, knowing the grave consequences and potentially irreversible financial harm that failing to recertify would cause a borrower, Navient did not make significant changes to its emails regarding electronic renewal notices until in or around March 2015.

324. At that time, Navient made several enhancements to its emails. It changed the subject line to read "Your Payment Will Increase Soon!" and the text of the email now states: "[I]n order to keep your lower payment amount, it's important that you apply soon to renew your repayment plan."

325. Since Navient made these enhancements to its electronic notices, the renewal rate has more than doubled.

C. Navient Engaged in Unfair and Deceptive Practiced Related to Application and Allocation of Borrowers' Loan Payments

325. One of Navient's primary responsibilities as a student loan servicer is to process payments made by borrowers and cosigners on their student loan accounts.

326. However, Navient does not have adequate processes and procedures in place to sufficiently address certain errors it makes in the processing of payments received from borrowers and cosigners or to prevent errors from recurring.

327. In fact, borrowers nationwide, including borrowers in Illinois, have to call Navient month after month, requesting Navient fix the same errors on their accounts concerning payment application and allocation.

328. Some borrowers and cosigners do not submit payments through Navient's online portal, but instead submit their payments by mailing a check or through an external bill payment system (such as a bill payment service operated by the bank where the borrower has a checking account).

329. Since at least July 2011, many borrowers and cosigners, primarily those who pay by mailing a check or through an external bill payment system, have complained that Navient misallocated or misapplied submitted payments.

330. Errors in the *allocation* of payments relate to how a payment is distributed across multiple loans. Errors in the *application* of payments relate to how a payment is applied to a specific loan or loans based on the terms of each loan's promissory note; for example, the payment might be applied first to unpaid fees, then to unpaid interest, and then to unpaid principal.

331. By way of example, in some instances, Navient has misallocated payments intended and/or designated for a specific loan(s) among some or all of a borrower's other loans. Sometimes, the payment was a lump sum payment intended to pay off a specific loan, but Navient allocated the payment to all of the loans in the borrower's account, thereby not paying off the loan that the borrower intended to pay off. In other cases, Navient has disregarded

borrower or cosigner instructions about how to divide a payment among loans, or incorrectly allocated payments made by cosigners to all of the loans in the borrower's account instead of only the loans which they cosigned.

332. Each year Navient receives thousands of complaints and inquiries relating to payment misapplication or misallocation that are escalated beyond a first-level customer service representative.

333. As an example of a type of complaint, while a borrower or cosigner could submit written instructions with a paper check as to how a payment should be processed, Navient's mail reading equipment did not always properly detect the presence of such instructions. And even where the instructions were detected and acted upon by a Navient representative, the Navient representative did not always implement the instructions properly.

334. One Illinois consumer had repeated trouble over a period of several months trying to get Sallie Mae to correct how payments were applied to her account.

335. The consumer filed a complaint with the Illinois Attorney General's Office on November 3, 2007.

336. After making one late payment immediately upon graduating, the consumer began sending in payments of $150, more than the $129.76 monthly payment that was required.

337. The consumer and her cosigner received repeated harassing phone calls from Sallie Mae, even after the consumer's check cleared her bank account:

> I told them it was cleared through my bank to stop harassing us, they said they will continue to call till they show on their end and even though it was already taken out and I told them I had proof. These people didn't care, were rude and thought of it as a joke and it was funny for them because we were getting aggravated and [they] would laugh at us – literally. Nicole was one of them that says even though it shows the money was taken out – it still takes 5 days for them to post it, so they will

> continue to call me till their part is done. I requested numerous times to talk to a supervisor and they would never give me one and would then call my sister, my co-signor, and ask for payment from her again. Beth [another rep] had stated payments could be lost on their end, I said how, it shows my check cleared and the electronic deposit was already withdrawn. Finally after 2-3 weeks I actually spoke with a nice lady, Mary, based out of Muncie, Indiana [who] actually understood my concern and was pleasant and told me about sending my info to research department and [they] will try to have them take me off the call list.
>
> For the past 10 days I haven't received a call from them finally. I did my electronic payment 2 days before my due date this month, but I am receiving statements that my account is still past due, which it isn't. I don't know how or why they are even having such a problem getting this under control on their end…
>
> I would like them to straighten my account out, make corrective measures on their end with the way they process their loan payments, reconfigure their style and rights that they have to harass people when they've received their money and the treatment they give to us customers. [etc.]

338. Sallie Mae responded to the Attorney General that the consumer's first payment was applied to her cosigner's account because the cosigner's social security number was written on the check.

339. With respect to the consumer's other misapplied payments, Sallie Mae stated one of the consumer's payments had been "located and transferred to her account."

340. Sallie Mae also stated payments take two days to post, and that calls to the consumer and her consigner continued during the period of time the consumer's loan was designated as delinquent in Sallie Mae's system.

341. Thus, borrowers who did not use Navient's online portal to submit payments had to call if they discovered, as was sometimes the case, that their payment processing instructions had not been honored or had not been implemented properly.

342. Errors made by Navient in the processing of payments received from borrowers and cosigners have resulted in borrowers and cosigners incurring improper late fees, increased

interest charges, the furnishing of inaccurate negative information to consumer reporting agencies, and the loss of certain benefits.

343. Many borrowers and cosigners have complained that a payment processing error was not an isolated event, but rather that the same payment processing error recurred time and again, even after they contacted Navient to correct the error.

344. For example, a consumer in New York was enrolled in a rate reduction program on her private loan. She made payments of over $1100 each month.

345. Navient consistently misallocated her payments across her loans.

346. As a result of this misallocation, the consumer received notices and calls regarding a delinquency on her account, when in fact, the consumer was not delinquent.

347. Navient's representatives acknowledged the repeated errors that occurred each month but offered no solutions (emphasis added):

> I was told my account would show delinquency because that's how [Navient's] system works, but I would not be reported to the credit bureau. I called Navient and spoke to a representative because I found out that Navient reported me to the credit bureau as being late in June, 2014. My credit report said according to Navient I was 60 days late, the representative told me I was 60 days late, but Navient sent me a letter stating that I was 90 days late. I called Navient back and spoke with another representative about why my account was showing that I owed around $450 when I pay $1,137.01 a month. He was unable to give me a solid answer. He said it was complicated. He said payments were being misapplied because the reps apply more than they are supposed to to one loan and when they get to the last loan, there isn't enough money to apply to the loan so they have to reverse the payments on each loan. I asked to speak with the supervisor…I explained to her all of the issues I have been having with Navient. **She told me that I was 100% correct and I shouldn't have to call every month to tell them how to do their job…Her exact words were 'It's like we are chasing our own tail'**…I shouldn't have to pay, call and complain about my account being inaccurate, and worry about my credit being damaged because of their inconsistencies. They shouldn't be in business if they can't handle it…**I entrusted Sallie Mae to handle my loans but they have been nothing but trouble since the beginning. They need a better system.**

348. After the consumer complained to the Consumer Financial Protection Bureau, Navient responded that the consumer's payments had been misapplied to her loans, and Navient had reallocated the payments, reversed the late fees, and removed negative credit reporting on the consumer's account.

349. While Navient might correct a specific error if a consumer contacts Navient to report it, if the error is not escalated beyond a first-level customer service representative, Navient does not necessarily identify and fix the underlying issue causing the error to prevent it from recurring. As a result, some consumers have suffered the same payment processing error in multiple months.

350. Moreover, Navient does not categorize most non-escalated consumer inquiries about payment processing errors. When borrowers and cosigners with non-escalated consumer inquiries contact Navient about payment processing errors, Navient personnel generally record details about the error in a freeform, narrative style in notes in the consumer's account, but those personnel are unable to use any codes or tags to categorize the inquiry or concern.

351. Navient, thus, is unable to systematically search and/or aggregate these non-escalated inquiries. As a result, Navient has been unable to effectively understand many of the problems that consumers are experiencing with respect to payment processing and take action to prevent these problems from recurring or from impacting the same consumer again and again.

352. Navient's ad hoc system is unfair to borrowers because borrowers have the reasonable expectation that their student loan servicer will have an adequate system in place to identify and fix recurring problems, so that borrowers do not have to bear the burden of repeatedly correcting errors.

D. Sallie Mae Touted A Cosigner Release to Lure Borrowers into Taking Out Private Student Loans and then Sallie Mae and Navient Failed to Provide a Meaningful Opportunity for Release

353. From at least approximately 2009 to the present, Sallie Mae prominently promoted the use of cosigners on private loans.

354. Cosigners assume equal responsibility for the repayment of a private loan.

355. Adding a cosigner on a private student loan reduces the risk the loan will default because cosigners tend to have more established earning power. Reducing the risk of default on the loan can be a benefit both to the lender and the borrower.

356. Today, more than 90% of private loans are cosigned.

357. Sallie Mae encouraged borrowers to get a cosigner on their loan to receive credit approval, lower interest rates, and lower fees.

358. Until at least August 2013, Sallie Mae encouraged borrowers to cast a wide net when choosing a cosigner. "**Who should you ask to be a cosigner?** A wide range of individuals can be a cosigner as long as they are creditworthy, understand and accept the responsibilities of being a cosigner, and meet any specific cosigner requirements of the lender."

359. The same web page goes on to suggest, "**You may want to ask**:

- A parent or guardian
- A relative such as a grandparent, aunt, uncle, or cousin
- Your spouse
- Another individual who is supportive of your higher education goals.

Still not sure? Consider this: Who's the first person you'd invite to your graduation? That person might be the one you ask to be the cosigner."

360. Until at least August, 2013, Sallie Mae's website coached borrowers on how to convince a friend or family member to cosign their student loans: "**How should you ask someone to be a cosigner?** Be confident. Tell your potential cosigner what you plan to do with

the education you receive and let him or her know that cosigning will help you achieve one of your life's goals. Remind your cosigner that he or she could also help you qualify for a better interest rate on your loan."

361. As part of the benefits of adding a cosigner, Sallie Mae touted the potential and availability of a cosigner release.

362. Until at least August, 2013, Sallie Mae's website included a similar statement about how "A cosigner can really pay off: Easier cosigner release. You can apply to release your cosigner after you graduate and make 12 consecutive, on-time principal and interest payments."

363. Until at least August, 2013, Sallie Mae's website included a cosigner release as an important part of Sallie Mae's recommendation regarding asking someone to be a cosigner: **Be sure to remind your cosigner about Sallie Mae's cosigner release.** After you graduate and demonstrate that you can handle principal and interest payments, you can apply to release your cosigner from your loan. If approved, your cosigner has helped you when you needed it the most and is now released from the responsibility of the remainder of the loan."

364. Sallie Mae's website also included a footnote that read as follows: "The release of a cosigner is at the sole discretion of Sallie Mae. The borrower must have a satisfactory history of making principal and interest payments, meet age of majority requirements and meet underwriting requirements when the request for cosigner release is processed. The borrower's account must remain current until the request for release is processed and the borrower must be a U.S. citizen or permanent resident at the time the cosigner release is processed. For Sallie Mae's private higher education loan programs other than the Career Training loan program, the cosigner release option is available upon successful completion of a borrower's education. For

Career Training Loan Programs, the cosigner release option is available after 24 consecutive on-time payments of principal and interest."

365. Sallie Mae's footnote contains no additional information, however, about how Sallie Mae defines consecutive on-time payments of principal and interest.

366. Despite repeated representations regarding the availability of a cosigner release, Sallie Mae (and later, Navient) set up various hurdles such that cosigner release was deceptively difficult, to obtain.

367. In fact, on certain loans, a cosigner release was not even a contractual right provided for in the borrower's promissory note.

368. By way of example, one cosigner complains that he cosigned on his son's private loan, but cannot get a cosigner release. He explains, "I was told I would be removed after 2 years if my son continued to make payments on time. It has been 4 years, I am still on [the] loan. They refuse to remove me from the loan."

369. In its response to the consumer Navient states, "[T]he Promissory Note for the Career Training Loan you cosigned for [your son] does not have a provision for cosigner release. We sincerely apologize for any misinformation you may have received when speaking with our agents in the past."

370. Indeed, keeping cosigners on loans is a benefit to Navient since another person is liable on the loan if the borrower fails to pay.

371. Before Navient releases a cosigner from a loan, the borrower must first meet certain eligibility factors (non-judgmental criteria), and subsequently undergo an underwriting process (judgmental criteria) to ensure the borrower is creditworthy on his or her own, without the cosigner.

372. Although the non-judgmental criteria have changed slightly over time, Navient has generally put in place the following requirements consistently: proof of graduation, no delinquencies for a period of time, no student loans in default, no student loans in hardship forbearance or modified repayment programs, be a U.S. citizen or permanent resident, and meet the age of majority requirements. Importantly, the eligibility factors have always included a requirement that the borrower make a certain number of consecutive, on-time, principal and interest payments.

373. Navient, while touting the cosigner release to many borrowers, in fact provided cosigner relief to few borrowers, due to its deceptive policies regarding consecutive on-time payments required to qualify for cosigner release.

374. Navient misrepresented the meaning of consecutive, on-time, full principal and interest payments in two main ways: advancing the due date, and grace periods on monthly due dates.

1. Advancing the Due Date

375. When a borrower makes a full month's overpayment, Navient advances the borrower's due date, absent contrary instructions.

376. Advancing the due date means that instead of applying the overage to the outstanding principal, Navient pays the upcoming month's bill. As a result, when Navient has advanced a borrower's due date, a borrower is "paid ahead."

377. Advancing the due date is Navient's default methodology if a borrower makes a full month's overpayment. For Navient to apply a borrower's full month overpayment to principal instead of advancing the due date, the borrower would need to instruct Navient otherwise.

378. In spite of a borrower paying more than her monthly payment, when Navient advances a borrower's due date, Navient does not treat these advance payments as "on time" for cosigner release.

379. Instead, if a borrower has paid ahead, the months during which the borrower is placed in paid-ahead status do not count as part of a borrower's 12 consecutive, on-time principal and interest payments, thereby increasing the number of payments a borrower must actually make to qualify for cosigner release.

380. During each month a borrower is in paid-ahead status, Navient sends the borrower a bill that lists the payment due for that month as $0. Navient does not disclose that by complying with this bill and paying $0 that month, a borrower will not be able to count that month towards the payments required for cosigner release.

381. Thus, by complying with her bill, the borrower unknowingly stops making progress towards cosigner release.

382. Until at least mid-2015, the months a borrower was placed in paid-ahead status restarted the clock and interrupted the ability of the borrower to meet the "consecutive" payment requirement, thereby further increasing the number of payments a borrower would have to make to qualify for cosigner release.

383. For example, if a borrower with a $100 payment has made three payments that qualify for cosigner release, and then makes a payment for $300, the borrower will be placed into paid-ahead status for two months unless the borrower instructs otherwise.

384. During those two months, the borrower will receive a bill stating that the required payment on the account is $0.

385. If the borrower complies with the bill, and makes no payments during those months, the borrower will stop making progress towards cosigner release. When the borrower resumes monthly payments, the borrower will need to make 12 consecutive on-time payments, rather than nine consecutive on-time payments.

386. Borrowers are unaware of this paid-ahead policy surrounding advancement of the due date, which serves only to help Navient keep cosigners on the loan.

387. In fact, Navient's letters to customers explaining advancement of the due date make no mention of the negative consequences for cosigner release.

388. Navient's website has stated: "You can apply to release your cosigner after you graduate and **demonstrate that you can handle** principal and interest payments."

389. A borrower would reasonably believe by making payments ahead of time, they are more than demonstrating that they can handle their payments. By using this paid-ahead policy, and not informing borrowers of the consequences for paying ahead, Navient leads responsible borrowers into a trap to have to make more payments to qualify for cosigner release. Thus, Navient does not disclose to borrowers that paying more than their regular monthly payment will negatively affect their ability to qualify for cosigner release. There is no way a borrower could determine that she needs to exercise caution when overpaying on her loan based on Navient's disclosure that a borrower must be able to "handle principal and interest payments."

390. A consumer complaint demonstrates the problem. In filing a complaint on behalf of her son and husband, one consumer stated:

> My husband…co-signed several student signature loans with Sallie Mae for my son's college education….My son has made extra payments on his loans and has made payments since November 2010. From November 2010 to May 2012 he has made twenty three payments, often paying more than the minimum due and more than one payment per month. My son submitted an

> application to request release of Cosigner on May 13, 2012, today I spoke with [a] Sallie Mae representative...she advised me that the co-signer release was denied because my son did not make 12 consecutive on time payments. I replied that he made multiple extra payments and prepaid, how could his payment no[t] be on-time. She responded that prepaid payments were not considered "on-time." Between 11/16/10 and 5/4/12 my son has made twenty three (23) payments to Sallie Mae on his student signature loans over the past nineteen (19) months. The ONLY month he did not make payment was December 2011, at that time he was already several payment[s] ahead on this loans. Sallie Mae is manipulating payments to avoid releasing a co-signer....THIS IS ANOTHER EXAMPLE OF THE BANKING INSTITUTION HURTING STUDENTS AND THEIR FAMILIES.

391. This consumer, who made 24 on-time payments during a 19-month period, would reasonably assume that his timely payment history would satisfy Navient's 12 consecutive, on-time payments requirement according to Navient's deceptive policy, when in fact, the consumer's payments do not satisfy the requirement.

2. Grace Period on Monthly Due Date

392. Until May 2015, Navient did not consider payments made during the loan's monthly "grace period" but after the due date "on time" for the purposes of cosigner release.

393. When borrowers submit a late payment but it is within the allowable grace period, Navient does not consider the borrower delinquent. On the other hand, when borrowers submit this same type of payment (late but within the allowable grace period), it is considered delinquent for purposes of cosigner release.

394. Navient never disclosed to borrowers that if they made a payment within the grace period such that they would not incur a late fee, that same payment would not be considered timely for purposes of the consecutive payment requirement for cosigner release.

395. A consumer complaint demonstrates this problem. A borrower and his wife complained that: "[Sallie Mae] required a co-signer, so our friend...signed. We were told after 2

[years] we could apply to have her taken off. Every time we apply they change the rules. This has gone on since 2009. When we meet one rule they come up with another one."

396. The complaint goes on to state: "Our [payment] is due on the 4th of each month with no late charges until the 14th of [that] month. We have met that for 1 year of on time payments; but they are now saying we were late in April 2014 ([paid] on 11th)."

397. The consumers explain: "We were told before as long as we pay before the 14th- it's not late; now they're changing the rules AGAIN!"

398. Thus, this consumer, who made a year's worth of timely payments, would have no reason to know that his timely payment history would somehow disqualify him from having met Navient's 12 consecutive, on time payments requirement according to Navient's policy.

399. Borrowers are aware that Navient considers a payment "on time" when made during the monthly grace period for the purpose of assessing late fees.

400. Borrowers are not aware, however, that Navient does not use this same definition when evaluating whether a payment is "on time" for the purpose of cosigner release.

401. In summary, Navient's deceptive communications regarding "on-time consecutive payments" requirements give borrowers who pay ahead or pay during the grace period the mistaken impression that they are on their way to satisfying this cosigner release requirement, when in fact they are not.

402. [redacted]

403. In spite of borrowers' confusion about the consecutive payment requirements to qualify for release, when borrowers are denied cosigner release, the denial letter they receive contains a general statement that the borrower has not made the required consecutive on time principal and interest payments, but no further detail regarding the meaning of that generic statement or ways in which to cure the defect is provided to borrowers.

404. Sallie Mae encouraged borrowers to get cosigners, in part by misrepresenting the possibility and the requirements for cosigner release. Once borrowers have cosigners on their loans, Navient uses deceptive and misleading information about what borrowers must do to obtain cosigner release, leaving borrowers in the dark on how to get this valuable relief for their parents, grandparents, friends and relatives.

F. Navient Misrepresented the Amount Necessary to Bring Delinquent Borrowers Current, Simply to Collect More Money Faster

405. When borrowers are past due on their accounts, but prior to their accounts defaulting, Navient begins collection calls to borrowers and cosigners.

406. Instead of simply collecting the amount the borrower is past due to bring the account current, Navient instructs employees to collect the borrower's next month's payment in addition to the past due amount.

407. Navient attempts to collect this higher amount without telling the borrower they are collecting more than the amount necessary to simply bring the borrower current.

408. [redacted]

409. [redacted]

410. [redacted]

411. [redacted]

412. [redacted].

413. [redacted]

414. [redacted]

415. [redacted]

416. [redacted] Until borrowers catch on to the fact that the amount Navient is seeking is more than the amount they are delinquent, Navient does not attempt to explain that the Present Amount Due captures the next month's payment and may not be due immediately on the day of the call.

417. In summary, Navient represents to delinquent borrowers that the "Present Amount Due" is the amount due that day, when in fact, the Present Amount Due is the past due amount plus the next monthly payment.

418. Navient's own training manual acknowledges that [redacted] But, because their goal is to get the most they can from a borrower, Navient uses the deceptive term Present Amount Due in order to confuse and make borrowers believe they need to pay that larger amount to Navient on that day during that call.

419. Borrowers who pay the Present Amount Due are unaware it is possible for them to pay a lesser amount in order to clear the delinquency on their account.

IX. NAVIENT, PIONEER CREDIT RECOVERY, AND GENERAL REVENUE CORPORATION'S UNFAIR AND DECEPTIVE DEBT COLLECTION PRACTICES

420. The relevant time period for the allegations contained in these paragraphs 420 through 465 is 2009 to 2014.

421. Despite the array of repayment options that are available to borrowers who are struggling with their student loan payments, more than $120 billion of the outstanding $1.3 trillion of student loan debt is in default.

423. The consequences for defaulted borrowers are drastic: negative credit reporting, the assessment of collection fees, and extraordinary collection remedies such as wage garnishment without a court order and the offset of social security benefits and income tax refunds, remedies which are unavailable for virtually every other type of debt.

424. Unlike other types of debt, federal law provides defaulted student loan borrowers with various ways to resolve their defaults with the owner of the loan.

425. Federal student loan borrowers are entitled to receive accurate information from collectors about how to resolve their defaulted student loans.

426. Nevertheless, Defendants Pioneer and GRC have made misrepresentations to borrowers about the federal loan rehabilitation program and its benefits. Pioneer also made misrepresentations to disabled borrowers about the requirements for applying for a discharge of their federal loan debt based on their disabled status.

427. By failing to provide accurate information, Pioneer and GRC have impeded federal student loan borrowers' ability to assess the costs and benefits of their post-default options and hindered their ability to apply for discharges to which they may have been entitled.

428. A federal loan generally defaults at 270 days of non-payment. At that time, the loan is typically sent to a private debt collector for collection.

429. At that point, a federal student loan borrower has the right to return a defaulted federal loan to good standing by two primary methods: rehabilitating or consolidating the loan. In some instances, borrowers are eligible for the discharge of their loan entirety.

430. To complete the federal government's rehabilitation program, the borrower makes nine reasonable and affordable payments to the holder of the defaulted loan to demonstrate a good payment history. After the series of monthly payments is complete, the borrower's loan is restored to good standing and collection activity ceases.

431. To be considered for a disability discharge, borrowers must complete an application certifying the details of their disability to the Department of Education.

432. Defendant Pioneer is a contingency debt collector that contracts with Federal Student Aid (FSA) to collect defaulted student loans on behalf of the federal government. Collectors that enter into these federal contracts are known as Private Collection Agencies

(PCAs).

433. Pioneer collects on defaulted loans originated by the federal government under the Direct Loan program as well as loans originated under the FFEL program that are currently owned by the Department of Education. As part of this contract with FSA, Pioneer is tasked with accurately explaining the terms of rehabilitation and disability discharge to borrowers.

434. Loans originated by private lenders under the FFEL program that are held by guaranty agencies are referred to as Commercial FFEL. Guaranty agencies also contract with entities like Defendants GRC and Pioneer to collect their defaulted Commercial FFEL loans. Guarantors and those who collect on their behalf are also required to accurately present borrowers with their post-default options.

435. In some cases, Navient Corp. serves as an intermediary between guarantors and debt collectors to manage the collection of defaulted Commercial FFEL loans. Navient contracts with guarantors and then subcontracts with collection agencies to collect the defaulted loans for which the guarantor has paid the guarantee. Through this arrangement, Navient is able to control the conduct of numerous collectors, including Pioneer and GRC, by managing their account placements, determining their policies and procedures, designing and proscribing communications, and providing them access to Navient's information systems for the purposes of collecting defaulted loans.

436. For purposes of this Section, Defendants Navient Corp., Pioneer and GRC shall be collectively referred to as Debt Collection Defendants.

437. At all times relevant to this complaint, Debt Collection Defendants directed debt collection calls at Illinois consumers to telephone numbers with Illinois area codes, sent debt collection letters to Illinois consumers at Illinois addresses, and took payments from Illinois

consumers in satisfaction of their student loans.

438. The PCA system has been plagued by problems involving debt collectors' conduct.

439. In March 2014, for instance, the Government Accountability Office noted significant problems with PCAs including, "providing borrowers with inaccurate or misleading information about rehabilitation program requirements and options."

440. The Inspector General of the Department of Education echoed similar concerns, finding in July 2014 that there was inadequate assurance PCAs were abiding by federal debt collection laws and the related terms of their contracts.

441. In 2015, the contracts of five debt collectors, including Pioneer, were terminated for making materially inaccurate statements while enrolling borrowers in the federal loan rehabilitation program.

442. Announcing the termination, Department of Education Undersecretary Ted Mitchell stated that federal borrowers "are entitled to accurate information as they make critical choices to manage their debt…Every company that works for the Department must keep consumers' best interests at the heart of their business practices by giving borrowers clear and accurate guidelines."

B. Pioneer Misrepresented the Amount of Collection Fees that would be Waived After a Successful Rehabilitation

443. Rehabilitation restores a defaulted Direct or FFEL loan to good standing once the borrower makes nine voluntary reasonable and affordable payments that are received within twenty days of each due date within a ten month period.

444. After a loan defaults, collection fees are calculated based on a formula of about 25% of the outstanding principal and interest, which is added to the borrower's total balance.

445. When a borrower makes a rehabilitation payment, the PCA applies part of the payment to pay down the 25% in assessed fees while the rest of the payment is applied towards outstanding interest and principal. For example, about 20% of a $50 payment, or $10, is used to satisfy collection fees and the remaining $40 is applied towards the defaulted principal and interest.

446. After the borrower submits her ninth rehabilitation payment, any collection fees remaining on the 25% collection fee at that time are waived by the Department of Education.

447. From at least 2012 to 2014, Pioneer's collectors routinely made false statements about collection fee waivers made by the Department of Education.

448. [redacted]

C. Pioneer and GRC Misrepresented the Impact of Rehabilitation on Credit Reporting

449. Pioneer and GRC's collectors made misrepresentations to borrowers about the credit reporting benefits of rehabilitation.

450. As part of a successful rehabilitation, once nine rehabilitation payments are received, the loan holder must remove the record of default from the borrowers' credit report.

451. For loans that PCAs collect, FSA requests the consumer reporting agencies delete the default notation that the Department of Education initially placed on the borrower's credit report after the loan defaulted.

452. For loans that guarantors collect, the guarantor requests the deletion of the tradeline it created after it paid the guarantee.

453. While such default notations are removed from the borrowers' credit report, any negative payment history that was previously reported as part of the tradeline created by the creditor at the time of default still remains.

454. Specifically, the holder of the loan before the default would have reported the months a borrower was previously delinquent, and those credit reporting marks are not deleted from a borrower's report as part of a successful rehabilitation.

455. [redacted]

456. Similarly, GRC's collectors told some borrowers that [redacted]

457. In reality, while some default notations are deleted, all records related to the default will not be erased and some derogatory entries remain on the borrower's credit report.

D. Pioneer Misrepresented the Requirements of Disability Discharge

458. From at least 2012 to 2014, Pioneer made false statements to borrowers about the requirements of federal disability discharge.

459. At all times relevant to this complaint, the disability discharge standard for a federal student loan applies to borrowers who are unable to engage in any substantial gainful activity by reason of a medically determinable physical or mental impairment that can be expected to result in death, last a continuous period of 60 months, or has lasted for a continuous period of over 60 months. Substantial gainful activity means a level of work performed for pay or profit that involves doing significant physical or mental activities or a combination of both.

Work is, therefore, not prohibited entirely.

460. [redacted]

461. For example, one Illinois borrower complained that even after telling Pioneer that he was unemployed and on permanent disability, Pioneer did not direct him to appropriate information regarding permanent disability discharge.

462. On at least one collection call, [redacted]

463. By representing, directly or at least impliedly, an inaccurate and unduly restrictive discharge standard, Pioneer obstructed borrowers from obtaining a possible discharge to which they may have otherwise been entitled.

464. In summary, Pioneer and GRC failed in key instances to provide borrowers with clear and accurate information about the requirements and benefits of the federal programs available to remove their loans from default. Instead, collectors illegally mislead borrowers into thinking all fees would be waived, their credit reports would be wiped clean, and their loans were not eligible for discharge.

465. In the process, borrowers enrolled in rehabilitation plans based on false information and potentially disabled borrowers were directed to make payments to Pioneer when they should have been directed to consider whether the loans were eligible to be discharged in their entirety.

X. APPLICABLE STATUTES

466. Section 2 of the Consumer Fraud and Deceptive Business Practices Act provides, in relevant part:

> **§ 2 Unlawful practices; construction with Federal Trade Commission Act**
>
> Unfair methods of competition and unfair or deceptive acts or practices, including but not limited to the use or employment of any deception fraud, false pretense, false promise, misrepresentation or the concealment, suppression or omission of any material fact, with intent that others rely upon the concealment, suppression or omission of such material fact, or the use or employment of any practice described in Section 2 of the "Uniform Deceptive Trade Practices Act", approved August 5, 1965 [815 ILCS 510/2], in the conduct of any trade or commerce are hereby declared unlawful whether any person has in fact been misled, deceived or damaged thereby. In construing this section consideration shall be given to the interpretations of the Federal Trade Commission and the federal courts relating to Section 5(a) of the Federal Trade Commission Act.

815 ILCS 505/2.

XI. VIOLATIONS

467. The allegations contained in paragraphs 1 to 466 of the Complaint are re-alleged and incorporated herein by reference.

468. While engaged in trade or commerce, the Origination Defendants committed the following unfair and/or deceptive acts or practices, with intent that consumers rely on such acts or practices declared unlawful under Section 2 of the Consumer Fraud Act, 815 ILCS 505/2:

a. Deceptively offering and originating risky, expensive subprime loans to borrowers in spite of the high likelihood those loans would default, and leaving borrowers in debt, for the purpose of gaining access to federal loan volume, while shifting a portion of the default risk to schools through contractual arrangements;

b. Failing to disclose to borrowers the existence of contractual arrangements Origination Defendants had with schools to protect themselves from some of the losses they knew were likely to occur due to defaults on risky subprime loans they made to borrowers;

c. Unfairly and deceptively originating risky loans to: (1) borrowers with low credit scores; (2) who were attending schools with low graduation rates; (3) which carried high interest rates and origination fees; (4) had a high likelihood of default; (5) for which there were no set repayment options for borrowers unable to repay; and (6) for which there is little to no chance for borrowers to discharge in bankruptcy; and

d. Failing to disclose to borrowers that it was highly likely the loan they were taking out would default.

469. While engaged in trade or commerce, the Servicing Defendants committed the following unfair and/or deceptive acts or practices, with intent that consumers rely on such acts or practices declared unlawful under Section 2 of the Consumer Fraud Act, 815 ILCS 505/2:

a. Misrepresenting the federal loan repayment options that are available to borrowers struggling with their payments;

b. In many instances, failing to disclose to borrowers struggling to make their payments who call Servicing Defendants that the federal government offers income-driven repayment plans to help borrowers avoid default;

c. Misrepresenting that Servicing Defendants would "work with" borrowers struggling to pay their loans, "help [borrowers] make the right decision for [their] situation"; and "help [borrowers] by identifying options and

solutions, so [borrowers] can make the right decision for [their] situation" when, in fact, Servicing Defendants in many instances did not do so;

d. Deceptively offering forbearances to borrowers who express a long-term inability to repay, when in fact a forbearance is intended for a temporary hardship;

e. Failing to disclose a date certain by which a borrower must submit materials to recertify an income driven repayment plan;

f. Representing that Navient will provide a date certain by which a borrower must submit materials to recertify an income driven repayment plan, when in fact, no such date is provided;

g. Representing, expressly or by implication, that the only consequence a borrower will face in failing to submit a timely income driven repayment plan recertification is a delay in processing, when in fact, the borrower will likely face the following consequences: (1) The borrower's monthly payment amount will immediately increase from the income-driven payment to one that is substantially higher; (2) A capitalization event of any unpaid interest that has accrued; (3) The loss of an applicable interest subsidy provided by the federal government for the first three years of enrollment in an income-driven repayment plan for each month until the borrower renews her enrollment; and (4) Delayed progress towards loan forgiveness because the borrower is no longer making qualifying payments that count towards loan forgiveness;

h. Unfairly failing to adequately notify borrowers who consented to receive electronic communications of the existence of the renewal notice because the email it sent to them that purportedly provided such notice included no information about the purpose or contents of the notice in the subject line or body of the email;

i. Unfairly making errors, sometimes month after month, in misallocating and misapplying payments made by consumers, while failing to implement adequate processes and procedures to prevent the same errors from recurring, or to prevent the same errors from impacting other consumers;

j. Unfairly and deceptively promoting cosigner release broadly to ensure loan repayment, when, in fact, very few cosigners actually qualify for the release;

k. Unfairly and deceptively promoting cosigner release broadly to potential borrowers and cosigners, when, in fact, neither the borrower nor the cosigner has a contractual right to seek a release;

l. Misrepresenting the consecutive, on time, full principal and interest payments requirement for cosigner release, specifically as it relates to: a) paid ahead status; and b) grace period payments;

m. Failing to disclose the specific reasons borrowers are denied for cosigner release such that a borrower cannot cure those defects to successfully reapply for release;

n. Representing to delinquent borrowers that the "present amount due" is the amount required to bring the borrower's account current, when in fact, the present amount due is the past due amount plus the next monthly payment.

470. Debt Collection Defendants committed the following unfair and/or deceptive acts or practices declared unlawful under Section 2 of the Consumer Fraud Act, 815 ILCS 505/2:

a. Representing to borrowers that rehabilitation will result in the borrower's credit report appearing as if the defaulted loan never existed, when in fact, some derogatory payment history will likely remain on the borrower's credit report;

b. As to Defendant Pioneer, representing to borrowers that to qualify for disability discharge, the borrower must be one hundred percent disabled and never able to work again, when in fact, that is not the proper standard for discharge;

c. As to Defendant Pioneer, representing to borrowers Pioneer would waive all collection fees if a borrower successfully rehabilitates their loan, when in fact, the fees the borrower has already paid are not waived.

XII. REMEDIES

471. Section 7 of the Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/7, provides:

> (a) Whenever the Attorney General has reason to believe that any person is using, has used, or is about to use any method, act or practice declared by the Act to be unlawful, and that proceedings would be in the public interest, he may bring an action in the name of the State against such person to restrain by preliminary or permanent injunction the use of such method, act or practice. The Court, in its discretion, may exercise all powers necessary, including but not limited to: injunction, revocation, forfeiture or

suspension of any license, charter, franchise, certificate or other evidence of authority of any person to do business in this State; appointment of a receiver; dissolution of domestic corporations or association suspension or termination of the right of foreign corporations or associations to do business in this State; and restitution.

(b) In addition to the remedies provided herein, the Attorney General may request and this Court may impose a civil penalty in a sum not to exceed $50,000 against any person found by the Court to have engaged in any method, act or practice declared unlawful under this Act. In the event the court finds the method, act or practice to have been entered into with intent to defraud, the court has the authority to impose a civil penalty in a sum not to exceed $50,000 per violation.

XIII. PRAYER FOR RELIEF

WHEREFORE, the Plaintiff prays that this Honorable Court enter an Order:

A. Finding that Defendants have engaged in trade or commerce within the meaning of Section 2 of the Consumer Fraud Act;

B. Finding that the Defendants have violated Section 2 of the Consumer Fraud Act, 815 ILCS 505/2, by the unlawful acts and practices alleged herein;

C. Preliminarily and permanently enjoining Defendants and their employees; officers, directors, agents, successors, assigns, affiliates, merged or acquired predecessors, parent or controlling entities, subsidiaries, and any and all persons acting in concert of participation with Defendants, from continuing the unlawful methods, acts, and practices described above;

D. Assessing a civil penalty of $50,000.00 if the Court finds the Defendants have engaged in methods, acts or practices declared unlawful by the Act without the intent to defraud; if the Court finds Defendants have engaged in methods, acts or practices declared unlawful by the Act with the intent to defraud, then assessing a statutory civil penalty of $50,000.00 per violation, all as provided in Section 7 of the Consumer Fraud Act, 815 ILCS 505/7;

E. Rescinding or reforming all contracts, loan agreements, notes or other evidences of indebtedness between Defendants and all Illinois consumers who were affected by the use of the above-mentioned unlawful acts and practices,

F. Requiring the Defendants to make restitution to all Illinois consumers affected by the use of the above-mentioned unlawful acts and practices;

G. Disgorging all revenues, profits, and gains achieved in whole or in part through the deceptive or unfair acts or practices complained of herein;

H. Requiring the Defendants to pay all costs for the prosecution and investigation of this action, as provided by Section 10 of the Consumer Fraud Act, 815 ILCS 505/10; and

I. Providing such other relief as justice and equity may require.

Respectfully Submitted,

THE PEOPLE OF THE STATE OF
ILLINOIS, by LISA MADIGAN
ATTORNEY GENERAL OF ILLINOIS

BY: _____
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_____

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