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Florida Attorney General's Office News Release

Secures $1.85 Billion Following Multistate Investigation

TALLAHASSEE, Fla.—Attorney General Ashley Moody today secured $1.85 billion from one of the nation's largest student loan servicers for misrepresenting to borrowers the best repayment options available. Attorney General Moody is joined by a coalition of 39 state attorneys general in a multistate action against Navient, formerly d/b/a Sallie Mae. In the proposed consent judgment, Navient will provide relief totaling $1.85 billion to resolve allegations of widespread unfair and deceptive student loan servicing practices and abuses in originating predatory student loans. Florida will receive more than $199 million in relief from the multistate action.

Attorney General Ashley Moody said, "Despite promising to help find the best loan repayment option, this company steered distressed borrowers to costly long-term forbearances—pushing them further into debt and financial hardship. Due to our multistate investigation and aggressive negotiations, this company's predatory lending practices are now at an end, and Floridians harmed will receive millions of dollars in restitution."

If approved by the court, the agreement reached in the proposed consent judgment will resolve claims that, since 2009, Navient failed to properly counsel struggling student loan borrowers, despite representing that it would help borrowers find the best repayment options.

According to investigations conducted by the state attorneys general, the interest that accrued because of Navient's forbearance steering practices added to the borrowers' loan balances, pushing borrowers further into debt.

Navient, while d/b/a Sallie Mae, allegedly originated predatory subprime private loans to students attending for-profit schools and colleges with low graduation rates, even though the company knew that a very high percentage of such borrowers would be unable to repay the loans. Navient allegedly made these risky subprime loans as an inducement to get schools to use Navient as a preferred lender for highly profitable federal and prime private loans, without regard for the potential adverse financial impact on borrowers and families—many of whom were unknowingly ensnared in debts that could never be repaid.

As part of the multistate action, Florida will receive a total of $11,023,208 in restitution payments for 41,352 federal loan borrowers. Additionally, Florida borrowers will receive a total of $187,312,668 in private loan debt cancellation. Florida will receive a grand total of $199,188,490 in relief from the multistate action.

Under the terms of the agreement, Navient will cancel the remaining balance of more than $1.7 billion in subprime private student loan balances owed by approximately 66,000 borrowers nationwide. In addition, Navient will pay $142.5 million to the attorneys general, with

approximately $11.88 million going to the Florida Attorney General's Office, to cover legal and administrative fees, future consumer protection enforcement and education. A total of $95 million in restitution payments of about $260 each will be distributed to approximately 350,000 federal loan borrowers who were placed in certain types of long-term forbearances.

Navient must also explain the benefits of income-driven repayment plans and offer estimated income-driven payment amounts before placing borrowers into optional forbearances. Additionally, Navient must train specialists who will advise distressed borrowers concerning alternative repayment options and counsel public service workers regarding Public Service Loan Forgiveness and related programs. Navient is also prohibited from compensating customer service agents in a manner that incentivizes the loan servicer to minimize time spent counseling borrowers.

The action requires Navient to notify borrowers about the U.S. Department of Education's recently announced PSLF limited waiver opportunity. This temporarily offers millions of qualifying public service workers the chance to have previously nonqualifying repayment periods counted toward loan forgiveness—provided that borrowers consolidate into the Direct Loan Program and file employment certifications by Oct. 31.

Borrowers receiving private loan debt cancellation will receive a notice from Navient by July, along with refunds of any payments made on the canceled private loans after June 30, 2021. Federal loan borrowers who are eligible for a restitution payment of approximately $260 will receive a postcard in the mail from the settlement administrator later this spring.

Federal loan borrowers who qualify for relief under this settlement do not need to take any action, except to update or create a StudentAid.gov account to ensure that the DOE has a current address. For more information, visit NavientAGSettlement.com.

To view a copy of the proposed consent judgment that will be submitted for Court approval, click here.

In addition to Attorney General Moody, the attorneys general from the following states signed on to the agreement: Arizona, Arkansas, California, Colorado, Connecticut, Delaware, the District of Columbia, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, Washington, West Virginia and Wisconsin.