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Attorney General Frosh Announces \$1.85 Billion Settlement with Student Loan Servicer Navient

Settlement Includes \$1.7 Billion in Debt Cancellation and \$95 Million in Restitution; Maryland Borrowers Will Receive over \$37 Million in Relief

BALTIMORE, MD (January 13, 2022) – Maryland Attorney General Brian E. Frosh announced today that Navient Corporation, one of the nation’s largest student loan servicers, will provide relief totaling \$1.85 billion to resolve allegations of unfair and deceptive student loan servicing practices and abuses in originating predatory student loans.

This settlement, joined by a coalition of 39 attorneys general, resolves claims that since 2009, despite representing that it would help borrowers find the best repayment options for them, Navient Corporation steered struggling student loan borrowers into costly long-term forbearances instead of counseling them about the benefits of more affordable income-driven repayment plans. Also parties to the settlement are three of Navient’s Corporation’s subsidiaries, Navient Solutions, LLC, Pioneer Credit Recovery, Inc., and General Revenue Corporation (collectively referred to as Navient). The terms of a settlement are contained in a [Consent Order](#) and Judgment filed today in the Circuit Court for Baltimore City.

“We alleged that Navient’s conduct was illegal and burdened struggling Marylanders with additional student debt,” said Attorney General Frosh. “I am pleased that thousands of Marylanders will receive a significant amount of relief under this settlement.”

In a Complaint that accompanied the Consent Order, the Attorney General alleged that Navient engaged in unfair, deceptive, and abusive trade practices that violated the Consumer Protection Act when it steered students into loan forbearance options that added to their debts and were not in their best interests. Consumers allegedly could have avoided increasing their debts if Navient, as their loan servicer, had steered them to income-driven repayment plans and/or helped them attain forgiveness under the Public Service Loan Forgiveness Program (PSLF). Navient Corporation also allegedly originated predatory subprime private loans to students attending for-profit schools and colleges with low graduation rates, even though it knew that a very high percentage of such borrowers would be unable to repay the loans.

Under the terms of the settlement, Navient will cancel the remaining balance on more than \$1.7 billion in subprime private student loan balances owed by approximately 66,000 borrowers nationwide. In addition, a total of \$95 million in restitution payments will be distributed to approximately 350,000 federal loan borrowers who were placed in certain types of long-term forbearances. More than 1,100 Marylanders will be relieved from having to pay more than \$34 million in student loan debt; 11,836 Marylanders will also be receiving restitution checks totaling \$3,155,124.

The settlement includes an injunction that requires Navient to explain the benefits of income-driven repayment plans and to offer to estimate 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 concerning PSLF and related programs. The Consent Order also prohibits compensating customer service agents in a manner that incentivizes them to minimize time spent counseling borrowers.

The settlement requires Navient to notify borrowers about the U.S. Department of Education's recently announced [PSLF limited waiver opportunity](#), which temporarily offers millions of qualifying public service workers the chance to have previously nonqualifying repayment periods counted toward loan forgiveness – provided that they consolidate into the Direct Loan Program and file employment certifications by October 31, 2022.

Consumers receiving private-loan debt relief under the settlement will receive a notice from Navient. Federal loan borrowers who are eligible for a restitution payment 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 update or create their studentaid.gov account to ensure the U.S. Department of Education has their current address.** For more information, visit www.NavientAGSettlement.com.

Joining Attorney General Frosh in today's settlement are the attorneys general of Arizona, Arkansas, California, Colorado, Connecticut, the District of Columbia, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Vermont, Virginia, West Virginia, Washington, and Wisconsin.

Consumers who had student loans serviced by Navient and have questions about today's settlement may visit <https://bit.ly/3K9e0CP> for Frequently Asked Questions, or contact the Attorney General's Consumer Protection Division at 410-528-8662.

<https://www.marylandattorneygeneral.gov/press/2022/011322.pdf>