

# United States Senate

WASHINGTON, DC 20510

April 17, 2024

David L. Yowan  
President & Chief Executive Officer  
The Navient Corporation  
123 Justison Street, Suite 300  
Wilmington, DE 19801

Mr. Yowan:

We write to urge the Navient Corporation to cancel the decades-old, predatory student loans in its portfolio that are governed by the FTC’s “Holder Rule” and subject to claims and defenses based on well-established school misconduct and predatory lending. From 2000 to 2007, Navient, then known as Sallie Mae, in coordination with fraudulent for-profit schools, pushed predatory, subprime loans onto borrowers likely to default.<sup>1</sup> These schools lied about their credit transferability, career prospects, and otherwise misled students – while Navient profited off the government backing of the loans students took out to attend them.<sup>2</sup> Because of Navient’s coordination in this process, your company should provide relief to borrowers immediately, before the impending servicing transfer of these and other student loans to the Higher Education Loan Authority of the State of Missouri (MOHELA).

## **Navient Will Soon Transfer Millions of Student Loans to MOHELA**

On January 30, 2024, Navient announced it will outsource the servicing of 2.7 million student loans to MOHELA “in the coming months.”<sup>3</sup> But a large portion of these loans are eligible for cancellation. Navient is aware that borrowers have meritorious defenses to the enforcement and collection of these loans, and has set aside at least \$35 million in anticipation of claims or defenses being brought against Navient for misconduct.<sup>4</sup> But Navient makes it nearly impossible

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<sup>1</sup> New York Times, “The \$1.7 Billion Student Loan Deal That Was Too Good to Be True,” Stacy Cowley, February 17, 2022, <https://www.nytimes.com/2022/02/17/business/navient-student-loan-settlement.html>.

<sup>2</sup> New York Times, “Loans ‘Designed to Fail’: States Say Navient Preyed on Students,” Stacy Cowley and Jessica Silver-Greenberg, April 9, 2017, <https://www.nytimes.com/2017/04/09/business/dealbook/states-say-navient- preyed-on-students.html>.

<sup>3</sup> Forbes, “Navient Outsources Servicing Of 2.7 Million Student Loans To Its Rival MOHELA—Is Your Loan Affected?” Kennedy Edgerton and Dawn Nici, February 6, 2024, <https://www.forbes.com/advisor/student-loans/navient-transfers-servicing-of-student-loan-portfolio/>; Navient Corporation, “Navient announces strategic actions following in-depth business review,” press release, January 30, 2024, [https://images.navient.com/Investors/webcasts/NAVI-Strategic-News-Release\\_final\\_1.30.24.pdf](https://images.navient.com/Investors/webcasts/NAVI-Strategic-News-Release_final_1.30.24.pdf).

<sup>4</sup> Seeking Alpha, “Navient Corporation (NAVI) Q4 2023 Earnings Call Transcript,” January 31, 2024, <https://seekingalpha.com/article/4666471-navient-corporation-navi-q4-2023-earnings-call-transcript>. Joe Fisher stated, “in our private credit provision this quarter, we reserved \$35 million due to internal policy changes we've made to meet new regulatory expectations related to school misconduct discharges on certain legacy private loans. This increase reflects our assessment of the impact to the legacy portfolios, life of loan discharges from potential borrower claims.”

for borrowers to exercise their rights, while holding these predatory loans over the heads of borrowers and, often, their family members.<sup>5</sup> Although Navient recently created a purported pathway to relief, it is burdensome and confusing.<sup>6</sup> Furthermore, the transfer, which is expected to take place over the next two years,<sup>7</sup> will further confuse borrowers, and once in effect, MOHELA's abysmal reputation for hours-long call wait times, paperwork backlogs, and innumerable abuses,<sup>8</sup> will only make things more difficult for defrauded borrowers awaiting justice.

### **Navient Conspired with Fraudulent For-Profit Colleges to Offer Risky and Expensive Loans to Hundreds of Thousands of Borrowers**

Decades-old predatory loans that were pushed onto students when Navient, as Sallie Mae, engaged in predatory loan practices with for-profit, fraudulent colleges make up a significant portion of the Navient student loan profile being transferred.<sup>9</sup>

Since the 1992 revisions to the *Higher Education Act*, for-profit schools that receive federal funding must get at least 10% of their funding from non-federal sources.<sup>10</sup> To meet this requirement, Navient, as Sallie Mae, collaborated with for-profit schools beginning in the year 2000 to cover that gap by issuing private loans to students, in exchange for an assured, steady supply of borrowers for its government-backed loans.<sup>11</sup> Navient itself described these loans as a “baited hook” for the risk-free, profitable federally-backed student loans.<sup>12</sup> Since Navient required credit enhancements or recourse agreements from schools in order to make these private loans,<sup>13</sup> borrowers' ability to repay the loans was “immaterial”: lawsuits later revealed that one set of these predatory Sallie Mae private student loans had default rates ranging “between 50 and 92 percent every year from 2000 to 2007.”<sup>14</sup> These predatory loans were designed to profit off of

<sup>5</sup> Office of the Attorney General of New Jersey, “Acting AG Bruck: New Jersey Student Loan Borrowers to Receive More than \$60 Million in Relief from Settlement with Navient Corp. in State’s Lawsuit Alleging Deceptive, Misleading Tactics by the Student Loan Servicer,” January 13, 2022, <https://www.njoag.gov/acting-ag-bruck-new-jersey-student-loan-borrowers-to-receive-more-than-60-million-in-relief-from-settlement-with-navient-corp-in-states-lawsuit-alleging-deceptive-misleading-tactics/>. Navient “deceptively encouraged borrowers to have family members or others guarantee their loans as cosigners, which increased Navient’s chances of being repaid if the student defaulted.”

<sup>6</sup> See Appendix A.

<sup>7</sup> Forbes, “Navient Outsources Servicing Of 2.7 Million Student Loans To Its Rival MOHELA—Is Your Loan Affected?” Kennedy Edgerton and Dawn Nici, February 6, 2024, <https://www.forbes.com/advisor/student-loans/navient-transfers-servicing-of-student-loan-portfolio/>.

<sup>8</sup> Student Borrower Protection Center “The MOHELA Papers,” February 2024, <https://protectborrowers.org/wp-content/uploads/2024/02/MOHELA-Papers-Report.pdf>.

<sup>9</sup> MarketWatch, “Navient distanced itself from a controversial student-loan portfolio. Meanwhile, borrowers can’t escape,” Jillian Berman, February 22, 2024, [https://www.marketwatch.com/story/navient-distanced-itself-from-a-controversial-student-loan-portfolio-meanwhile-borrowers-cant-escape-859a68ce?=-](https://www.marketwatch.com/story/navient-distanced-itself-from-a-controversial-student-loan-portfolio-meanwhile-borrowers-cant-escape-859a68ce?=).

<sup>10</sup> Higher Education Act, Public Law 89–329, Title IV, §487.

<sup>11</sup> New York Times, “The \$1.7 Billion Student Loan Deal That Was Too Good to Be True,” Stacy Cowley, February 17, 2022, <https://www.nytimes.com/2022/02/17/business/navient-student-loan-settlement.html>.

<sup>12</sup> *Pennsylvania v. Navient Corp.*, No. 3:17-cv-1814-RDM (M.D. Pa. June 19, 2019), complaint.

<sup>13</sup> *Id.*

<sup>14</sup> New York Times, “The \$1.7 Billion Student Loan Deal That Was Too Good to Be True,” Stacy Cowley, February 17, 2022, <https://www.nytimes.com/2022/02/17/business/navient-student-loan-settlement.html>; New York Times, “Loans ‘Designed to Fail’: States Say Navient Preyed on Students,” April 9, 2017,

students, rather than provide them with a quality education—the schools where they were used had low graduation rates, poor job-placement records, and otherwise misled students, all of which was known to Sallie Mae.<sup>15</sup>

The Biden Administration has made a sweeping effort to cancel decades-old predatory federal loans for defrauded borrowers. Much of this progress was made under the Education Department’s Borrower Defense Loan Discharge (borrower defense), which provides debt relief to borrowers who were “misled or defrauded by their school through misrepresentations about key aspects of their program, such as admissions selectivity or career prospects.”<sup>16</sup> This is a powerful tool: the Student Borrower Protection Center calculates that, since June 2021, the Department of Education (ED) has announced loan cancellation for “more than 1.1 million borrowers, promising to wipe out more than \$18 billion of fraudulent and predatory debt from for-profit schools.”<sup>17</sup> But many students with outstanding private loans from some of these very same colleges – including those held by Navient – have still not received relief.<sup>18</sup>

### **Navient Should Cancel Fraudulent Loans Eligible for Relief Under the FTC’s “Holder Rule” and Due to Navient’s Misconduct**

Like millions of federal student loans eligible for cancellation under borrower defense, decades-old predatory private student loans may be eligible for cancellation due to Navient’s misconduct and under the Federal Trade Commission’s (FTC) Holder-In-Due-Course Rule (Holder Rule), a broad rule dating to 1975, and subsequently reaffirmed and updated numerous times by the Commission, allowing borrowers, in some cases, to raise the same claims and defenses against a loan provider that they could raise against the original seller of the good or service.<sup>19</sup>

The Holder Rule is a powerful consumer protection tool, providing relief for customers “when a defective or fraudulent product or service is purchased with credit... arranged by the seller,” including situations where the seller “referred the customer to the creditor, or ... is affiliated with the original creditor.”<sup>20</sup> With regard to student loans, “the borrower may be able to cancel existing debt if a school fraudulently induced the student to enroll and had some relationship

<https://www.nytimes.com/2017/04/09/business/dealbook/states-say-navient-preyed-on-students.html>.

<sup>15</sup> *Id.*

<sup>16</sup> Forbes, “Biden Administration Announces \$72 Million In Student Loan Forgiveness,” Adam S. Minsky, August 30, 2023, <https://www.forbes.com/sites/adamminsky/2023/08/30/biden-administration-announces-72-million-in-student-loan-forgiveness/?sh=2c643a723ae4>; Student Borrower Protection Center, “Delivering Distress: How Student Loan Companies Cheat Borrowers Out of Their Rights,” October 2023, p.53, <https://protectborrowers.org/wp-content/uploads/2023/10/Delivering-Distress-Report.pdf>; Federal Student Aid, “Apply for Borrower Defense Loan Discharge,” <https://studentaid.gov/borrower-defense/>.

<sup>17</sup> Student Borrower Protection Center, “Delivering Distress: How Student Loan Companies Cheat Borrowers Out of Their Rights,” October 2023, p.53, <https://protectborrowers.org/wp-content/uploads/2023/10/Delivering-Distress-Report.pdf>.

<sup>18</sup> MarketWatch, “Navient distanced itself from a controversial student-loan portfolio. Meanwhile, borrowers can’t escape,” Jillian Berman, February 22, 2024, [https://www.marketwatch.com/story/navient-distanced-itself-from-a-controversial-student-loan-portfolio-meanwhile-borrowers-cant-escape-859a68ce?="](https://www.marketwatch.com/story/navient-distanced-itself-from-a-controversial-student-loan-portfolio-meanwhile-borrowers-cant-escape-859a68ce?=).

<sup>19</sup> Federal Trade Commission (FTC), Holder in Due Course Rule, 16 CFR § 433, <https://www.ftc.gov/legal-library/browse/rules/holder-due-course-rule>.

<sup>20</sup> Office of the Minnesota Attorney General, “The Holder Rule,” <https://www.ag.state.mn.us/Brochures/pubHolderRule.pdf>.

with the lender.”<sup>21</sup> In simple terms, the Holder Rule provides an avenue to cancel student loans in many cases where Navient worked directly with fraudulent colleges to provide these loans.

Navient has long known it could be liable for these predatory loans that it pushed onto students. Navient, as Sallie Mae, regularly listed the FTC Holder Rule as an operational risk for its private student loans made to students at for-profit schools. In its 2007 annual report, the company stated: “If a school with which we have a business arrangement with respect to student loans closes or otherwise does not provide the borrower the promised education, the borrower could raise the same claims and defenses against us as the lender as it could against the school. As a result, our ability to collect loan amounts could be materially impaired.”<sup>22</sup> In a January 2024 earnings call, Joe Fisher, Navient’s Executive Vice President and Chief Financial Officer, announced that Navient has reserved \$35 million in anticipation of a liability to discharge “certain legacy private loans.”<sup>23</sup>

As an independent basis, borrowers may also assert the predatory practices of Sallie Mae against Navient as a reason to cancel their loans. Sallie Mae intentionally created subprime lending programs with for-profit colleges for the purpose of facilitating ongoing access of both companies to the federal student lending program.<sup>24</sup> Sallie Mae knew that students were not credit worthy, were unlikely to finish the programs at these for-profit schools, and were highly unlikely to repay their student loans.<sup>25</sup> In fact, Sallie Mae insured itself against this certainty by requiring the for-profit schools to essentially guarantee the subprime private loans.<sup>26</sup> Incredibly, even though Sallie Mae was made whole, and reaped enormous profits from its business relationships, it continues to hold borrowers and their cosigners hostage.<sup>27</sup> This course of conduct could bar Navient from suing on these loans, and their continued collection is unfair.

Navient has already cancelled the debt for some of these loans. In 2022, 39 attorneys general reached a settlement with Navient, in which it agreed to cancel \$1.7 billion in private student loan debt for students defrauded by colleges like the defunct ITT Technical Institute and Corinthian Colleges and other major for-profit colleges including Bridgepoint Education, DeVry

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<sup>21</sup> *Id.*

<sup>22</sup> 2023 Annual Report, Sallie Mae (SLM), p. 25, [https://www.salliemae.com/content/dam/slm/writtencontent/Reports/investors/200710KBOW49222BOW014\\_BITS\\_NFeb292009.pdf](https://www.salliemae.com/content/dam/slm/writtencontent/Reports/investors/200710KBOW49222BOW014_BITS_NFeb292009.pdf).

<sup>23</sup> Seeking Alpha, “Navient Corporation (NAVI) Q4 2023 Earnings Call Transcript,” January 31, 2024, <https://seekingalpha.com/article/4666471-navient-corporation-navi-q4-2023-earnings-call-transcript>. Joe Fisher stated, “in our private credit provision this quarter, we reserved \$35 million due to internal policy changes we've made to meet new regulatory expectations related to school misconduct discharges on certain legacy private loans. This increase reflects our assessment of the impact to the legacy portfolios, life of loan discharges from potential borrower claims.”

<sup>24</sup> New York Times, “The \$1.7 Billion Student Loan Deal That Was Too Good to Be True,” Stacy Cowley, February 17, 2022, <https://www.nytimes.com/2022/02/17/business/navient-student-loan-settlement.html>.

<sup>25</sup> *Id.*

<sup>26</sup> *Pennsylvania v. Navient Corp.*, No. 3:17-cv-1814-RDM (M.D. Pa. June 19, 2019), complaint.

<sup>27</sup> Office of the Attorney General of New Jersey, “Acting AG Bruck: New Jersey Student Loan Borrowers to Receive More than \$60 Million in Relief from Settlement with Navient Corp. in State’s Lawsuit Alleging Deceptive, Misleading Tactics by the Student Loan Servicer,” January 13, 2022, <https://www.njoag.gov/acting-ag-bruck-new-jersey-student-loan-borrowers-to-receive-more-than-60-million-in-relief-from-settlement-with-navient-corp-in-states-lawsuit-alleging-deceptive-misleading-tactics/>.

University and Education Management Corporation.<sup>28</sup> Notably, Navient’s misconduct was a key basis for the lawsuit, with the attorneys general unfair and deceptive student loan servicing practices and abuses in originating predatory student loans.”<sup>29</sup> But the settlement only included borrowers who were in default for at least seven consecutive months before June 20, 2021, meaning that Navient provided relief to only 66,000 of the hundreds of thousands of borrowers who had obtained predatory loans.<sup>30</sup>

### **Navient Has Denied Relief to Hundreds of Thousands of Borrowers**

Although there are hundreds of thousands of loans clearly eligible for cancellation under the FTC Holder Rule and because of the misconduct of Navient’s predecessor, Navient makes it intimidating and difficult for borrowers to solicit relief.<sup>31</sup> While ED established a process for group discharge for borrowers to automatically get relief on predatory federal loans without having to individually apply, Navient opened a school misconduct discharge application that is inordinately lengthy and complex for borrowers.<sup>32</sup> The 12-page application, asks questions seemingly designed to knock out applications, such as when the wrongdoing was discovered, and requires borrowers to include individualized documentation such as “correspondence from the school..., marketing materials, advertisements, course catalogs, manuals, school web messaging,” and other products – all from loans that may be more than two decades old.<sup>33</sup> The application threatens borrowers with “perjury” for providing incomplete information.<sup>34</sup> It asks borrowers if the court has awarded a “favorable judgment against” their school, and if so, to attach the court order and other relevant documents to the application.<sup>35</sup> It requires a narrative explanation of “how [the borrowers’] life has been impacted by” the fraudulent loans and an explanation of “why” the misleading information that the school concealed or omitted from the borrower was important to them at the time of their application.<sup>36</sup>

These conditions are unnecessary and impractical and will prevent thousands of borrowers from obtaining the relief they deserve. Navient should stop making borrowers apply for relief and instead automatically cancel student debt using information the company already has about whether borrowers attended schools that would entitle them to relief. Navient should start by cancelling debt for students making payments on predatory loans that were not provided relief by the 2022 settlement.

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<sup>28</sup> Navient Multi-State Settlement, “39 State Attorneys General Announce \$1.85 Billion Settlement with Student Loan Servicer Navient,” January 13, 2022, <https://www.navientagsettlement.com/Home/portalid/0>.

<sup>29</sup> *Id.*

<sup>30</sup> New York Times, “The \$1.7 Billion Student Loan Deal That Was Too Good to Be True,” Stacy Cowley, February 17, 2022, <https://www.nytimes.com/2022/02/17/business/navient-student-loan-settlement.html>.

<sup>31</sup> *See* Appendix A.

<sup>32</sup> Federal Student Aid, “Apply for Group Borrower Defense Loan Discharge,” <https://studentaid.gov/manage-loans/forgiveness-cancellation/borrower-defense/group-application>; Navient School Misconduct Discharge Application, (Appendix A).

<sup>33</sup> Navient School Misconduct Discharge Application, (Appendix A).

<sup>34</sup> *Id.*

<sup>35</sup> *Id.*

<sup>36</sup> *Id.*

## **Navient Must Cancel the Loans Prior to Transfer to MOHELA**

It is especially important that Navient cancel these loans before transferring them to MOHELA. The change of servicers will complicate the “chain of custody” of the loans, making it even more difficult for borrowers to receive relief than Navient’s actions already have—in 2015, the Consumer Financial Protection Bureau (CFPB) found that changes in loan ownership can result in “lost payments, paperwork processing issues, missing records, and late fees.”<sup>37</sup> Furthermore, MOHELA has repeatedly demonstrated that it is not capable of adequately servicing student loans. After the return to repayment started in 2023, at least 2.5 million borrowers were affected by “servicing failures,” such as a backlog of unprocessed Public Service Loan Forgiveness forms, payment miscalculations, and late bills.<sup>38</sup> And after hundreds of thousands of federal loan borrowers were granted borrower defense relief in September 2023, MOHELA representatives continued to insist that they would have to return to repayment.<sup>39</sup> Given MOHELA’s failure to follow guidance on canceling predatory federal loans, it is hard to believe that it will behave any better in canceling similar private loans Navient will transfer to them. Navient must discharge subprime legacy private loans now before they are transferred to MOHELA.

### **Conclusion and Questions**

Navient has, for decades, aggressively collected payments on loans that it knows are eligible for cancellation.<sup>40</sup> These predatory loans were given to students at subprime rates, while Navient coordinated with colleges that lied to borrowers about course credits, career prospects, and programs. Under the Holder Rule and due to Navient and Sallie Mae’s misconduct, Navient is liable for these predatory loans and should discharge them immediately.

We ask that you answer the following questions no later than May 1, 2024.

1. Of the 2.7 million loans Navient is transferring to MOHELA, how many were granted to attend for-profit colleges? Specifically, how many fit into one of the following three categories, established in the AG settlement:<sup>41</sup>
  - a. Any private education loan with an outstanding balance originated under an Opportunity or Recourse program, and disbursed after 2002;

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<sup>37</sup> Yahoo Finance, “New Student Loan Problems: Prepare for Lost Payments, Surprise Late Fees as Contracts Change Hands,” Dawn Allcot, June 27, 2023, <https://finance.yahoo.com/news/student-loan-problems-prepare-lost-113053325.html>.

<sup>38</sup> Student Borrower Protection Center “The MOHELA Papers,” February 2024, <https://protectborrowers.org/wp-content/uploads/2024/02/MOHELA-Papers-Report.pdf>.

<sup>39</sup> Letter from attorneys representing class members in Sweet v. Cardona to Scott Giles, Chief Executive Officer of MOHELA, September 20, 2023, <https://static1.squarespace.com/static/62d6e418e8d8517940207135/t/650af00a95eba04be642ffbd/1695215626994/Sweet+v+Cardona+Letter+to+MOHELA+09-20-2023.pdf>.

<sup>40</sup> MarketWatch, “Navient distanced itself from a controversial student-loan portfolio. Meanwhile, borrowers can’t escape,” Jillian Berman, February 22, 2024, [https://www.marketwatch.com/story/navient-distanced-itself-from-a-controversial-student-loan-portfolio-meanwhile-borrowers-cant-escape-859a68ce?="](https://www.marketwatch.com/story/navient-distanced-itself-from-a-controversial-student-loan-portfolio-meanwhile-borrowers-cant-escape-859a68ce?=).

<sup>41</sup> *Pennsylvania. v. Navient Corp.*, No. 3:17-cv-1814-RDM (M.D. Pa. June 19, 2019), consent judgment., Appendix A, <https://www.attorneygeneral.gov/wp-content/uploads/2022/01/2022-01-13-Navient-PA-Consent-Judgment.pdf>.

- b. Any private education loan with an outstanding balance disbursed by SLM Corporation lenders, subsidiaries, predecessors, successors, and/or its affiliates after 2002 to a borrower attending a for-profit school, including one owned or operated by, or under one of the trade names:
    - i. ACT, ABC Training Center of Maryland, TCI
    - ii. Alta College
    - iii. Apollo Group
    - iv. ATI Enterprises
    - v. Bridgepoint Education
    - vi. Career Education Corporation
    - vii. Center for Excellence in Higher Education
    - viii. Corinthian Colleges
    - ix. DeVry University
    - x. Education Corporation of America (Willis Stein & Partners III, L.P.)
    - xi. Education Management Corporation
    - xii. Globe University/MN School of Business
    - xiii. Graham Holdings
    - xiv. Infilaw Holdings
    - xv. ITT Technical Institute
    - xvi. Lincoln Tech
    - xvii. Marinello School of Beauty
    - xviii. Premier Education Group;
  - c. Any non-traditional private education loan with an outstanding balance disbursed by SLM Corporation lenders, subsidiaries, predecessors, successors, and/or affiliates after 2002.<sup>42</sup>
2. What is the total value of the private loans granted to attend for-profit colleges as described in question (1) in Navient's portfolio?
  3. How many borrowers has Navient alerted to its School Misconduct Discharge Application? On what basis did it select these borrowers?
  4. How many borrowers have applied for relief using Navient's School Misconduct Discharge Application? How many borrowers have been successful and received full cancellation of their loans from Navient? How many borrower applications have been denied?
  5. During a Navient Corporation Q4 2023 Earnings Call on January 31, 2024, Navient's Executive Vice President and Chief Financial Officer stated, "in our private credit provision this quarter, we reserved \$35 million due to internal policy changes we've made to meet new regulatory expectations related to school misconduct discharges on certain legacy private loans. This increase reflects our assessment of the impact to the legacy portfolios, life of loan discharges from potential borrower claims."<sup>43</sup> How did Navient arrive at this \$35 million figure?
  6. Has Navient discussed with MOHELA the implications of transferring loans that are subject to cancellation under the FTC Holder Rule or other bases related to school

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<sup>42</sup> "Non-traditional" means a private education loan disbursed (1) to a borrower with a FICO score below 670 at origination to attend a private for-profit educational institution; or (2) to a borrower with a FICO score below 640 at origination to attend a public or not-for-profit educational institution.

<sup>43</sup> Seeking Alpha, "Navient Corporation (NAVI) Q4 2023 Earnings Call Transcript," January 31, 2024, <https://seekingalpha.com/article/4666471-navient-corporation-navi-q4-2023-earnings-call-transcript>.

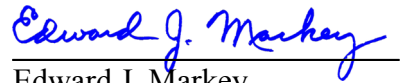
misconduct and/or Navient's lending practices per question (1)? If so, what are MOHELA's plans to assist in the cancellation of these loans as their new servicer and what plans are underway (if any) to ensure adequate data sharing to ensure borrower records are not lost?

7. What, if any, policies or procedures has Navient taken or does it plan to take before collecting on a subprime loan to determine that loan's eligibility for cancellation under the FTC Holder Rule or other bases related to school misconduct and/or Navient's lending practices per question (1)?

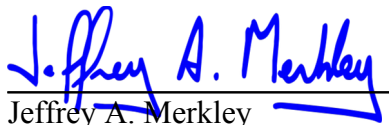
Sincerely,



Elizabeth Warren  
United States Senator



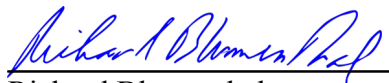
Edward J. Markey  
United States Senator



Jeffrey A. Merkley  
United States Senator



Tina Smith  
United States Senator



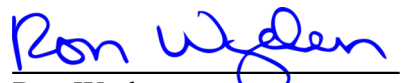
Richard Blumenthal  
United States Senator



Bernard Sanders  
United States Senator

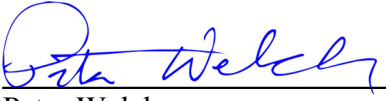


Richard J. Durbin  
United States Senator



Ron Wyden  
United States Senator



A handwritten signature in blue ink, reading "Peter Welch". The signature is written in a cursive style with a large initial "P" and a long horizontal stroke extending across the name.

Peter Welch

United States Senator

# Appendix A. Screenshots of Navient School Misconduct Discharge Application

## School Misconduct Discharge Application

You may be eligible to receive a discharge of your applicable private student loans if the school that you attended committed certain misconduct outlined within this application. This is called a School Misconduct Discharge.

If you believe you may qualify, please complete this application by providing as much detail as possible to support your relevant claim or claims and show the harm you experienced as a result of the school misconduct. Each application is subject to our review and discretion. A variety of criteria are used to determine eligibility, including, but not limited to, proof of resulting harm, sufficient documentation supporting your claim, date when events occurred or when you experienced harm, etc.

**Important:** this application **requires** supporting documentation that directly substantiates your claims (e.g., marketing materials, correspondence from the school, copy of court judgement, enrollment agreement, etc.). If documentation is not provided, your application can not be processed.

Qualifying school misconduct	Description and examples
<p>0-0</p> <p><i>Untruthful or misleading statements</i></p>	<p>The school or its representatives made <b>untruthful or misleading statements</b> while trying to convince you to enroll or to remain enrolled. You must show that this information was important to you when you decided to enroll or remain enrolled and caused you harm.</p> <p>The school's conduct must relate to untruthful or misleading statements concerning one or more of the following areas:</p> <ul style="list-style-type: none"> <li>- Graduates' employment outcomes (e.g., guarantees of employment or that you would earn a certain salary.)</li> <li>- The school's educational programs (e.g., whether completion of a program qualifies you for a specific license or certification; the number, availability, and qualifications of instructors; or your ability to transfer credits to another school)</li> <li>- The school's financial charges (e.g., the school's program cost or the availability or type of financial assistance available to you.)</li> </ul> <p>The school or its representatives could have made these untruthful or misleading statements directly to you, or in marketing materials, websites, or other communications.</p>
<p><i>Concealed, suppressed, or omitted certain information</i></p>	<p>The school <b>concealed, suppressed, or omitted certain information</b> that would have been important to your decision of whether to enroll or remain enrolled, and the concealment caused you harm. This includes conduct such as:</p> <ul style="list-style-type: none"> <li>- A failure to provide important information about any of the three areas described above (e.g., graduates' employment outcomes; the school's educational programs; or the school's financial charges); or</li> <li>- A failure to tell you that certain factors, like a criminal record or the program not being authorized by the appropriate agency, would prevent you from meeting requirements for employment in the program's field.</li> </ul>
<p><i>Aggressive and deceptive recruitment tactics</i></p>	<p>The school engaged in <b>aggressive and deceptive recruitment tactics</b> to convince you to enroll or to remain enrolled and caused you harm. This includes conduct such as:</p> <ul style="list-style-type: none"> <li>- Demanding or pressuring you to enroll immediately, including by falsely claiming you would lose your opportunity to attend if you did not immediately enroll;</li> <li>- Taking unreasonable advantage of your lack of knowledge about higher education or financial aid to pressure you to enroll or take out loans;</li> <li>- Discouraging you prior to enrollment from discussing the decision to enroll with friends, family, or others;</li> <li>- Using threatening or abusive language; or,</li> <li>- Repeatedly contacting you if you asked not to be contacted further.</li> </ul>
<p><i>Lawsuit against the school</i></p>	<p>In some circumstances, a <b>lawsuit against a school</b> may qualify. For the lawsuit to qualify, it must be based on the school's misconduct related to your decision to enroll or remain enrolled. It must have been brought by you, a government agency, or, if it's a class action lawsuit, have you included as a class member. In addition, it must have resulted in a favorable judgment (i.e., a judgment against the school and in favor of the plaintiff).</p>
<p><i>Failure to perform contractual obligations</i></p>	<p>A school's failure to perform its obligations under a contract with you (such as in an enrollment agreement). To qualify, those obligations must have been important to you when you were deciding whether to enroll or remain enrolled and caused you harm.</p>

**By completing this application, you are certifying, under penalty of perjury, that all the information provided is true and complete.**

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**SECTION 1: BORROWER INFORMATION**

Please provide contact information for the borrower.

First Name		Middle Name	Last Name	
Date of Birth ( <i>mm/dd/yyyy</i> )	Social Security Number		Telephone Number	
Email Address				
Street Address		City	State	ZIP Code
Navient Account Number		Are you the borrower or cosigner applying? <input type="checkbox"/> Borrower <input type="checkbox"/> Cosigner		

**Loan information**

*Include the following information for each loan related to this discharge application: loan number, disbursement date, and original principal amount.*

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**SECTION 2: SCHOOL INFORMATION**

School Name:

Campus Name (if you attended a multi-campus system or school):

Campus Location (City, State):

In what state(s) did you live during the enrollment period that is the subject of this claim? Please include the month/year when you lived in each state listed.

Enrollment dates at this school (month/year to month/year):

Are you still enrolled at this school? Yes  No

Are the enrollment dates listed above approximate or exact?  Approximate  Exact:

Program Name or Major (e.g., *Engineering, Law, Nursing*):

Credential/Degree Sought (e.g., *Certificate, Diploma, Associates, Bachelor's, Master's*):

Current enrollment status at school listed above:

Graduated  Transferred Out  Withdrew  Attending

Graduation date if applicable (month/year): \_\_\_\_\_

**Note:** If you are still enrolled at this school, indicate that you are "attending" even if, at the time you complete this application, you are on a scheduled break, an approved leave of absence, or have decided to not attend classes during the current term but plan to resume attendance in the near future.

### SECTION 3: CONDUCT THAT MAY RESULT IN A DISCHARGE APPROVAL

#### Select all that apply

The following are common categories of misconduct alleged by borrowers, including some specific examples. You should only check the boxes that apply to you. If none of the categories apply, there is an "Other" category at the end of Section 3.

**Note:** you must answer additional questions related to these selections and provide required documentation later in the application.

#### EMPLOYMENT PROSPECTS

Did your school misrepresent or fail to tell you about jobs that would be available to you, your prospects of obtaining a job, or the employment outcomes of prior graduates? Please select all that apply:

- My school misled me about my likelihood of obtaining a job, such as by misleading me about the number of graduates who were employed in the field of study the program was preparing them for.
- My school misrepresented its job placement rates.
- My school misrepresented the demand for graduates in my field. My school
- misrepresented its relationships with specific employers.
- My school misled me about my likely earnings after graduation by exaggerating the earnings of graduates.
- My school failed to tell me that obtaining a job or required licensure/certification in my field of study was highly unlikely due to my prior criminal history, a preexisting medical condition, or another circumstance known by my school.

#### CAREER SERVICES

Did your school misrepresent or fail to tell you important information about the scope and availability of the career services support it would provide? Please select all that apply:

- My school promised it would provide career services assistance (including, but not limited to resume writing help, mock interviews, and responding to job listings), but it did not.
- My school promised that it would find me a job when I graduated, but it did not.

## ACCREDITATION AND LICENSURE QUALIFICATIONS

Did your school misrepresent or fail to tell you important information about your school's institutional or programmatic accreditation? Please select all that apply:

- My school misled me regarding whether my program had the accreditation necessary to qualify graduates for required licensure or certification or to sit for a licensing exam.
- My school misled me regarding the passage rate of graduates who sit for licensure or certification exams.
- My school failed to tell me that my school or program lacked proper accreditation or was not authorized by the appropriate agency in my state.
- My school failed to tell me that my school or program lost accreditation prior to or during my enrollment.

## TRANSFERRING CREDITS

Did your school misrepresent or fail to tell you important information about transferring credits into or out of the school? Please select all that apply:

- My school told me that my credits were transferrable to a specific school, but they were not.
- My school told me that the credits I earned at the school were generally transferrable to other schools, but they were not.
- My school failed to tell me that my credits would not transfer to other schools.
- My school told me it would accept credits I had earned elsewhere, but after I enrolled, it told me that it would not accept some or all of my transfer credits.

## EDUCATIONAL SERVICES

Did the school misrepresent or fail to tell you important information about the availability of the educational opportunities or support services it provided? Please select all that apply:

- My school misrepresented the availability of internships or externships or the assistance it would provide in obtaining required internships or externships.
- My school misrepresented the availability, or qualifications of its faculty.
- My school misrepresented the type and availability of any tutoring or specialized instruction or assistance it would provide me before, during, or after completion of a course.
- My school misrepresented how I would be taught (for example, in-person versus online).
- My school misrepresented the prerequisites required for my course of study.
- My school misrepresented how often required courses would be available or when those courses would be scheduled (e.g., you were promised you could complete the program by enrolling on weekends, but later learned that a required course was available only on weekdays during regular business hours when you work).
- My school misrepresented the number of credits required to graduate.
- My school told me I would be able to graduate in a certain amount of time, but then did not offer enough sections of required classes so that I could complete the program on time.
- My school failed to tell me that a different company was providing their curriculum instructional materials.
- My school failed to tell me that a different company was recruiting students on the school's behalf.
- My school misrepresented its status as a for-profit, nonprofit, or public institution.
- My school claimed to be a selective admissions school, but actually had an open-enrollment policy, meaning that they enrolled everyone regardless of their grade point average, test scores, volunteer experiences, or other entrance requirements.

- My school misrepresented its criteria for admission, meaning the basis upon which a school determines who it will admit.

#### PROGRAM COST AND NATURE OF LOANS

Did the school misrepresent or fail to tell you important information about the cost of your program or the nature of your loans? Please select all that apply:

- My school told me I was receiving only grants and scholarships, but I found out later that some or all of those funds were loans.
- My school misrepresented the repayment terms or total cost of the loans that it arranged for me, provided to me, or that were provided to me by a lender the school recommended.
- My school misrepresented the overall cost of my program.
- My school misrepresented what costs were or were not included in the published tuition and fees.
- My school misrepresented the cost of living in campus-owned or campus-operated housing.
- My school offered me a full scholarship when admitting me to the school, but then reduced the scholarship amount or failed to renew the scholarship even though I met the scholarship requirements, such as by maintaining a certain GPA, enrolling in a particular program, performing required community or volunteer service, or some other criteria that I satisfied.

#### AGGRESSIVE AND DECEPTIVE RECRUITMENT

Did the school pressure you to make an enrollment decision immediately, take unreasonable advantage of your lack of knowledge about higher education and financial aid, use abusive language, or repeatedly contact you after you told them to stop? Please select all that apply:

- My school pressured me to enroll or to make loan-related decisions immediately.
- My school told me that I would lose my place or my financial aid if I did not enroll right away.
- My school discouraged me from discussing my decision with family members or reviewing other resources prior to enrolling or making loan-related decisions.
- My school pressured me to enroll or to make loan-related decisions without giving me enough time to review the relevant documents.
- My school took unreasonable advantage of my lack of knowledge about higher education or financial aid to pressure me into enrolling or taking out loans to attend the school.
- My school used abusive or threatening language while trying to get me to enroll.
- My school repeatedly contacted me for the purposes of enrolling or re-enrolling after I asked them to stop.

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#### Provide us more detail

Please answer the following questions in detail to ensure you have a materially complete application. The questions request additional information describing the misconduct selected above, including information like what occurred, when it occurred, how it impacted you, and other details necessary to consider your application.

If the acts or omissions you experienced occurred during different interactions with the school please include detail about each interaction. Be sure to reference how the included supporting documentation validates your claim(s).

*Note: If you need more space than what's provided to sufficiently answer each question, please write your responses on a separate piece of paper and include it with your application.*



- **What** did the school say, write, represent to you, or conceal, suppress, or omit from you and when, where, and how (e.g., e-mail, advertisement, school's website) was it provided or omitted? Who provided or omitted the information? What did the school's actions lead you to believe?

- **Why** was the information provided to you, or concealed, suppressed, or omitted from you, important to you when you decided to enroll or remain enrolled (for example, you chose to attend this school over others or take out student loans because of the information you were provided)?

- **When** did you first become aware that the information was allegedly false or misleading (approximate date or time of year; please be as specific as possible) and how did you determine the information was false/misleading or aggressive/deceptive?

- **(If selected aggressive and deceptive recruitment tactics)** **What** were the aggressive and deceptive recruitment tactics that were used and when, where, and how (e.g., e-mail, advertisement, school's website) did you experience this conduct? Who (if applicable) used these aggressive and deceptive recruitment tactics? How did the conduct influence your decision to enroll (for example, because of the school's conduct, you enrolled without consulting friends and family)?

- **How** has this caused you harm (for example, have you suffered financial harm, lost opportunities, or experienced other harm as a result)?

[Redacted text area]

- Is there any other information you believe is important to this claim(s)? If so, please include in your response.

[Redacted text area]

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### JUDGMENT

Has a court awarded a favorable judgment against your school? Specifically, do any of the following apply to you?

- I filed a lawsuit against my school and won a favorable judgment in a Federal or state court;
- I filed a claim against my school and won a favorable judgment from a Federal or state administrative tribunal;
- I was a class member in a class action lawsuit and won a favorable judgment or I benefited from a government enforcement action where the government won a favorable judgment that related to the making of a covered loan, or the provision of educational services for which the loan was provided.

Yes     No

**Note: A settlement does not qualify you for School Misconduct Discharge relief even if the settlement was favorable to you. A settlement agreement is not a favorable judgment for the purposes of School Misconduct Discharge relief.**

How much was awarded to you in the judgment or court order?

[Redacted text area]

Please attach the judgment (i.e., the court order or opinion) and all relevant documents relating to your judgment(s). If you don't have a copy of the court documents, please provide as much information as you can about the judgment or order, including the approximate date (month and year) it was obtained, the court or tribunal where the case was heard, and the name of the plaintiff(s) if you were not a named plaintiff (for example, in the case of a class action).



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## BREACH OF CONTRACT

*Please attach the contract and all relevant documents.*

Did your school breach a contract with you?

First, did you ever enter into a contract with your school (e.g., did you sign an enrollment agreement when you enrolled? Or, did you sign an agreement regarding a scholarship or other financial aid benefit)?

Yes  No

Second, did your school fail to perform any obligations under the contract?

Yes  No

Describe, in as much detail as you can, the ways in which you believe the school failed to perform its obligations under any contract it entered into with you. Please include when you first became aware that the school failed to perform its obligations under such contract (approximate date or time of year).

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## OTHER

Did your school misrepresent or fail to tell you about important information other than what you have already described in this application?

Yes  No

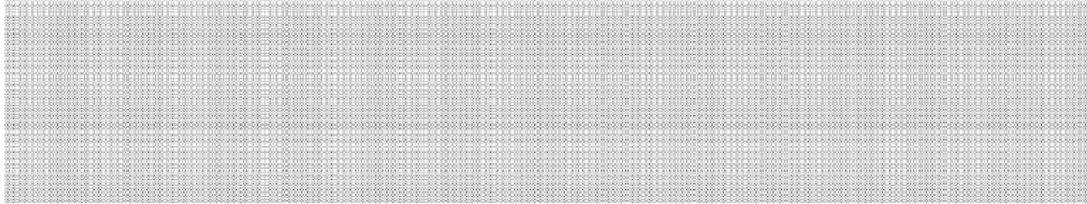
If yes, please identify what the school misrepresented or failed to tell you:

Describe the following information in detail, answering each listed question thoroughly to ensure you have a materially complete application. Be sure to reference how the included supporting documentation validates your claim(s).

*Note: if you need more space than what's provided to sufficiently answer each question, please write your responses on a separate piece of paper and include it with your application.*

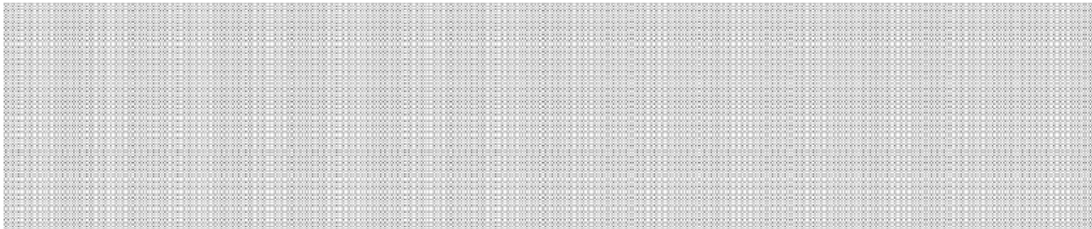
- **What** did the school say, write, represent to you, or conceal, suppress, or omit from you and **when**, **where**, and **how** (e.g., e-mail, advertisement, school's website) was it provided or omitted? Who provided or omitted the information? What did the school's actions lead you to believe?

- **Why** was the information provided to you, or concealed, suppressed, or omitted from you, important to you when you decided to enroll or remain enrolled (for example, you chose to attend this school over others or take out student loans because of the information you were provided)?

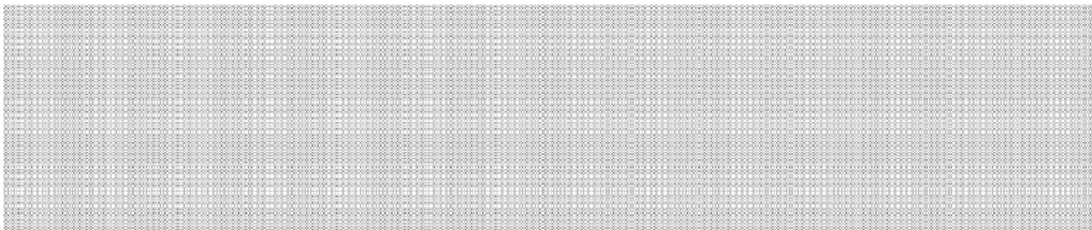
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- **When** did you first become aware that the information was allegedly false or misleading (approximate date or time of year; please be as specific as possible) and how did you determine the information was false or misleading?

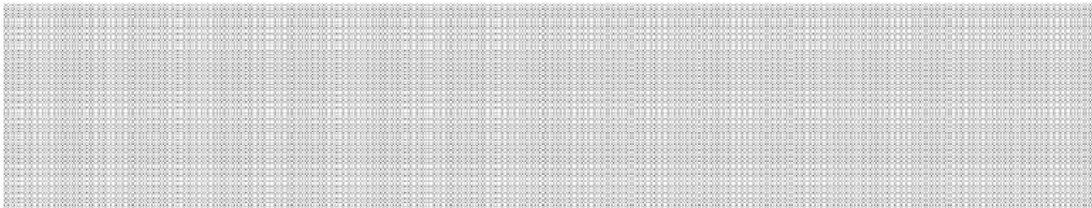
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- **How** has this caused you harm (for example, have you suffered financial harm, lost opportunities, or experienced other harm as a result)?

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- Is there any other information you believe is important to this claim(s)? If so, please include in your response.

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#### SECTION 4: SUPPORTING DOCUMENTATION (REQUIRED)

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Attach/include supporting documentation with your application. Examples may include, but are not limited to: correspondence from the school (letters/emails), marketing materials, advertisements, course catalogs, manuals, school web messaging, court documents/judgement, written agreements/contracts, etc.

Please confirm you have supplied documentation supporting claim(s) made in Section 3.

- Yes, I have included supporting documentation in my application.
- No, I have not included supporting documentation in my application.

Please provide any additional detail needed to explain your supporting documentation:

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#### SECTION 5: HARM

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Above, you were required to explain how each specific type of misconduct by your school caused you harm. Please use the space below to explain how all the misconduct, taken together, caused you harm, and how the misconduct of the school has impacted your life more broadly.

- **What** harm did you experience as a result of the school's statements, acts, or omissions? (For example: because your credits did not transfer you had to start over at a different school; you were unable to find a job when you graduated; you do not have the certification the school promised you would obtain and are now unable to enter your field of study.)

Type text here

- **How** did the school's statements, acts, or omissions cause you this harm? How has your life been impacted by this harm?

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**SECTION 6: OTHER REFUNDS, REMEDIES, LOAN REDUCTION OR TUITION RECOVERY ACTIONS**

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Have you recovered the amount of tuition or fees that you paid to your school or had your student loans forgiven? (For example, did you get a closed school loan discharge, borrower defense to repayment discharge or total and permanent disability discharge from the U.S. Department of Education? Did you get relief as part of a class-action lawsuit or other settlement?)

Yes     No

If yes, please describe this other relief, including the amount of financial relief received, and attach any documentation about the relief, if available.

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**SECTION 7: FORBEARANCE AND STOPPED COLLECTIONS**

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If you are not currently in default, your private loans related to this discharge application will be put into **forbearance** while your application is under review.

If any of your student loans are in default, your loans will be put into a **stopped collections status** while your application is under review. "Stopped collections status" means that we will not attempt to collect on the defaulted loan(s) while your application is pending.

**It's important to understand that interest will continue to accumulate on all your student loans regardless of their status.**

If your application is denied, you will be responsible for the unpaid accrued interest, which will not be capitalized (added to your Unpaid Principal) at the end of this forbearance period. While interest will not be capitalized at the end of this forbearance, any unpaid accrued interest may be capitalized at the end of a deferment or forbearance you request in the future (as permitted by law and your loan agreement). You can shorten or cancel this forbearance at any time.

You do not have to place your loans in forbearance or stopped collections to apply for this discharge. Instead, you may continue making payments on your loans.

*Note:* even though payment will not be due while in forbearance, you can choose to make payments to help lower your loan costs.

**If you do not wish to have your loans placed into forbearance, meaning that you will need to continue making student loan payments while your application is being reviewed, please check the box below:**

**I DO NOT wish to have my loans placed into forbearance or stopped collections.**

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**SECTION 8: CERTIFICATION**

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By signing this attestation, I certify, under penalty of perjury, that: all of the information that I provided is true and complete.

Any person who knowingly makes a false statement or misrepresentation on this form or on any accompanying document is subject to penalties that may include fines, imprisonment, or both, under the U.S. Criminal Code. I sign this application under penalty of perjury.

I also agree to the following: to provide additional information that is reasonably available to me that will verify the accuracy of my completed attestation and to provide, upon request, testimony, a sworn statement, or other documentation reasonably available to me that demonstrates to the satisfaction of my servicer or its designee that I meet the qualifications for School Misconduct Discharge relief.

I also certify that I received proceeds of a student loan, in whole or in part, to attend the school/campus identified in Section 2 above.

I also certify that I relied upon the misrepresentations and/or omissions identified in Section 3 above when enrolling at the school, and that the misrepresentations and/or omissions were material to my decision to enroll.

I also certify that I have not received a refund, tuition recovery, settlement, or other financial restitution to repay the loans that are the subject of this School Misconduct claim, except as otherwise disclosed in my application.

I agree to allow the school that is the subject to this School Misconduct Discharge application to provide my servicer with items from my student educational record relevant to this application.

I agree that Navient and their agents and contractors may contact me regarding my School Misconduct Discharge application or my loan(s) at any telephone number I provide now or in the future using automated dialing equipment or artificial or prerecorded voice or text messages.

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Signature	Date
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