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May 8, 2024

The Honorable Elizabeth Warren
United States Senate
309 Hart Senate Office Building
Washington, DC 20510

The Honorable Edward J. Markey
United States Senate
255 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Jeffrey Merkley
United States Senate
531 Hart Senate Office Building
Washington, DC 20510

The Honorable Tina Smith
United States Senate
720 Hart Senate Office Building
Washington, DC 20510

The Honorable Richard Blumenthal
United States Senate
706 Hart Senate Office Building
Washington, DC 20510

The Honorable Bernard Sanders
United States Senate
332 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Richard Durbin
United States Senate
711 Hart Senate Building
Washington, DC 20510

The Honorable Ron Wyden
United States Senate
221 Dirksen Senate Office Building
Washington, DC 20510

The Honorable Peter Welch
United States Senate
124 Russell Senate Office Building
Washington, DC 20510

Dear Senator Warren, Senator Markey, Senator Merkley, Senator Smith, Senator Blumenthal, Senator Sanders, Senator Durbin, Senator Wyden, and Senator Welch:

Thank you for your letter. We appreciate the opportunity to provide more information about our work to support borrowers struggling with repayment on their student loans. We hope this letter clarifies these topics.

We take very seriously our role in supporting access to higher education. Navient's role in education finance has evolved significantly over the years since we separated from Sallie Mae in 2014. We own and manage a portfolio of federally guaranteed loans originated through the Federal Family Education Loan Program (FFELP). We also own and manage a portfolio of private education loans. Finally, through our Earnest subsidiary, we currently originate in-school loans to borrowers attending not-for-profit schools, as well as refinance loans to help borrowers lower their interest rate, reduce their monthly payment or both. Since 2021, we no longer service any loans for the U.S. Department of Education.

We recently made the business decision to outsource the servicing operations of our loan portfolios to a third party. After a competitive request-for-proposal process involving each of the main student loan servicers, we selected MOHELA, a leading provider of student loan servicing for government and commercial enterprises. This decision involved evaluations of, among other factors, MOHELA's capabilities, systems, and compliance in servicing FFELP and private education loans—activities that MOHELA has performed for decades. In addition, Navient and MOHELA use the same third-party loan servicing technology platform, so a loan system conversion will not be required. As part of the transition, nearly 900 Navient employees will move to MOHELA to bolster its capacity. We selected MOHELA, in part, because of the continuity of people and systems that we believe will help us provide a seamless experience for borrowers.

To help inform the concerns you expressed, we're sharing important foundational information about this decision. First, Navient remains the loan holder and master servicer for our FFELP and private loan portfolios. As such, we will oversee MOHELA's compliance with applicable rules and a high level of servicer care. Second, Sallie Mae ceased lending to underperforming for-profit schools in 2008-09, years before the federal loan programs stopped lending to them. As such, the vast majority of our portfolio of private education loans are not loans made to borrowers who attended for-profit schools where the loans are subject to the Federal Trade Commission's Holder in Due Course rule. Third, Navient will continue to help private education loan borrowers in need of assistance, including through a school misconduct application process modeled, in part, after the U.S. Department of Education's Defense to Repayment process.

1. ***Navient remains the loan holder and master servicer for our FFELP and private loan portfolios. As such, we will oversee MOHELA's compliance with applicable rules and a high level of servicer care.***

Navient remains the owner and master servicer for our federally guaranteed and private education loan portfolios. Our contract with MOHELA to perform servicing requires that MOHELA live up to a commitment to a high quality and compliant customer experience. The contract explicitly requires MOHELA to comply with all federal and state rules and follow all of our obligations to State Attorneys General. We will follow a rigorous oversight process, including reviewing processes and controls, compliance testing, call monitoring, and audits, to name a few examples.

2. ***Sallie Mae ceased lending to underperforming for-profit schools in 2008-09, years before the federal loan programs stopped lending to them.***

Private student loans are made in good faith with the expectation that students will graduate, obtain employment, and pay off their loans without hardship. Private education loans are underwritten and often include a cosigner. In the vast majority of cases, these programs work well as students complete their degrees, gain the economic benefit of their education, and successfully repay their loans.

In 2008, Sallie Mae observed that a small segment of private education loans at certain for-profit schools did not meet these expectations as the defaults from these schools were appreciably higher than national averages. Accordingly, loan programs at these underperforming schools were ended, years before the federal loan programs stopped lending to the same schools. Sallie Mae continued to support students who were midstream in their educational programs but stopped the issuance of loans to new enrollees at these programs. Many borrowers from these schools were successful in establishing good repayment habits. We have worked with them where needed, using various loan modification programs to support their repayment.

To be clear, we have not originated loans to students attending any for-profit schools since 2014. When we restarted in-school originations in 2019, we designed the loan product to focus exclusively on not-for-profit Title IV degree-granting colleges and universities.

3. ***Navient will continue to help private education loan borrowers in need of assistance, including through an application process to address school misconduct modeled, in part, after the U.S. Department of Education's Defense to Repayment process.***

For many years, we have worked with private education loan borrowers who have struggled with their loans for a variety of reasons. We have offered assistance in the form of interest rate reductions, extended repayment terms, and, in certain instances, balance reductions or write-offs. In addition, some borrowers who have raised Holder Rule claims or defenses have received a discharge of their private student loans. As noted in your letter, we also recently introduced an enhanced process for borrowers to seek discharge under the Holder Rule, but that process is still in its early stages.

In light of the circumstances of some private loan borrowers who attended certain for-profit schools as discussed above, particularly those borrowers who suffered a negative impact from school closures or false promises, we concluded it would be appropriate to develop a simpler process to handle requests for discharge under the Holder Rule — one that would offer an avenue for relief outside of having to assert a legal claim.

This enhanced process and the related application are partially modeled after the process used by the U.S. Department of Education. The enhanced process is designed to assess the applicability of the Holder Rule, including, among other factors, the type of loan involved, the year the loan was originated relative to the time period the school misconduct took place, and whether the required relationship between the lender and the school existed. We are committed to cancelling all loans that meet the Holder Rule criteria.

Further, we modeled the school misconduct application on the federal government's Defense to Repayment application, using essentially identical questions. In the application package we encourage borrowers to call our Customer Advocate Office if they have questions and our advocates are specially trained to help.

As part of this enhanced process, we have started to communicate to borrowers who may qualify. As the process continues to roll out, we expect that more borrowers will submit applications, leading to increased levels of cancellation. We increased our loan loss reserve by $35 million to reflect our anticipated additional impact of this enhanced process on our legacy portfolio. We are committed to addressing valid school misconduct claims and believe we have designed a process to meet our responsibility under the Holder Rule.

We take very seriously our role in supporting student loan borrowers, and we hope this information is helpful.

Sincerely,

David L. Yowan