

Lawsuits Allege that Navient Cheated Millions

By Roslyn Akel, J.D. Candidate 2019 | February 6, 2017

Navient is the largest student loan servicer in the country. It has serviced over twelve million students with loans totaling over three hundred billion dollars. Navient operates under a contract with the U.S. Department of Education and provides services for both public and private loans.

On January 18th, 2017, the Consumer Financial Protection Bureau (“CFPB”) [filed a lawsuit against Navient](#). Navient is alleged to have created a system of barriers to repayment in their loan servicing system in order to force borrowers to pay more than needed. The allegations include processing the payments incorrectly, failing to act when borrowers complained, deceiving private loan borrowers, and [cheating borrowers of their right to lower payments](#).

Three separate charges brought by the CFPB and two state attorneys general against the company come after years of investigation into Navient’s internal operations. Additionally, the [CFPB’s allegations are central to separate lawsuits](#) filed by Illinois Attorney General Lisa Madigan and Washington Attorney General Bob Ferguson.

CFPB Director Richard Cordray stated “[a]t every stage of repayment, Navient chose to shortcut and deceive consumers to save on operating costs. Too many [borrowers paid more](#) for their loans because Navient illegally cheated them and today’s action seeks to hold them accountable.” One allegation states that Navient incentivized employees to [encourage borrowers to postpone payments](#). Navient’s questionable business tactics also include pushing borrowers towards plans that were actually not in their benefit. Worse, in the CFPB’s investigation, they found that [disabled Veterans](#) who are eligible for loan forgiveness programs were being inaccurately reported as having defaulted on their payments. The CFPB estimates that Navient accrued four billion dollars from excess interest rate charges as a result of this practice.

Navient has been aware that it is under investigation as well as the likelihood of resulting lawsuits. In August 2015, they [warned investors in a regulatory filing](#) that it was under investigation by the CFPB and could face legal action.

Navient has responded to the allegations and denied wrongdoing—charging that this lawsuit is politically motivated. The CFPB brought these charges in the last few days of the Obama administration—a move that Navient Spokeswoman Patricia Nash Christel, asserts “[reflects their political motivations](#).”

When asked about the allegations against Navient and how this will affect their relationship, one spokesperson from the Department of Education stated that the Department would continue to administer its contracts “to ensure the interests of the government and of [student borrowers are protected](#).”

This is not the first time that Navient’s business practices have come into question. In 2014, the company was similarly being investigated for overcharging military families. This investigation resulted in a sixty-million-dollar settlement.

The future of the CFPB is unclear under the new presidential administration. Republican representatives have voiced criticisms against the CFPB, with some calling to [fire its director, Richard Cordray](#). It is equally unclear how consumers can be protected from potential abuses such as those allegedly committed by Navient with potential changes on the horizon for regulatory agencies.