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Navient CEO shares student loan borrower stories, advocates for policy ideas to address student debt

WILMINGTON, Del., May 26, 2016 (GLOBE NEWSWIRE) -- Jack Remondi, president and CEO of Navient, the nation's leading loan management, servicing and asset recovery company, delivered remarks at the company's 2016 Annual Meeting of Shareholders. Excerpts of his remarks on the cost of college and student debt are as follows:

On the cost of higher education

Student debt is a hot-button issue this election season. Unfortunately, today's political environment means much of the discussion has focused on polarizing sound bites, creating an incomplete and inaccurate description of the issues.

College cost is an issue that needs to be discussed and addressed. For seemingly forever, the sticker price of a college education has risen at more than twice the rate of inflation. With family incomes flat or rising much slower, it's no wonder that Americans are very concerned about their ability to send their sons and daughters to college.

Higher cost, growth in the number of people pursuing higher education, and programs that extend repayment terms have all contributed to the growth in outstanding loan balances. We have also seen a significant increase in borrowing for living expenses and from non-traditional students.

Most borrow wisely, others do not. As a result, we see a very wide range of experiences and outcomes. In fact, the best predictor of success or its inverse, default, is not how much one owes, but whether or not the borrower has earned their degree. Borrowers who do not graduate are significantly more likely to default versus those who graduate.

The student debt debate has often turned from the cause—the cost of higher education—to the symptom—the amount of student debt. In the need to find a villain, some have taken to blame servicers. Servicers are, however, the last stop on a borrower's journey with federal student loans. Servicers don't determine the price of college, set interest rates, determine how much one can borrow, or evaluate the value of the program of study. Instead, a servicer's relationship with a borrower begins only after the student has already borrowed and the funds have been spent.

On helping customers on the path to repayment

At Navient, we use our experience and data to create highly effective tools that assist our customers as they navigate the path to repayment. Let me share with you a few stories:

Bria is one of our 1,000-plus customers who successfully pay off their last loan each day of the year. Here is how she paid off her $26,000 in student debt just six years after graduation.

"First, I stopped ignoring my student debt," she says. "I collected all my documents and synced my loans to a budget app. It was a great feeling to see them decline over time. I moved across the country to give up paying rent and lived with my grandmother for a time. After 13 months, I had paid off a significant chunk of my loans, bought a car and managed to build up savings too."

Bria continues, "I applied for every promotion I could get and over the next two years I doubled my income, my savings, and my loan payments. Then, I paid off two smaller loans so that the feeling of accomplishment would inspire me to work towards that next 'Paid in Full' letter. Then, I paid off the loans with the highest interest rate first and finished up the remaining loans. To celebrate, I took myself on a trip to a new country I'd never been to and I backpacked for a week on my own."

Let me tell another story about a borrower we'll call Jennifer. This customer enrolled in a community college but then left school without a degree. Early on, she read a few of our emails that encouraged her to contact us to discuss her payment options, but otherwise did not engage. When she missed her first payment, we reached out several times. When she missed her second payment, we reached out, again several times. In fact, during a 12-month period of missed payments, we attempted to contact her more than 250 times, through email, letters, phone calls and text messages. After a year of zero payments, despite our multiple efforts, we could not reach her to help her.

Nationally, the default rate is on the decline, but when it does occur we find some common themes: no graduation, low balance, and no contact. We're continually enhancing our contact strategies to reach these at-risk borrowers, helping to reduce default rates.

And finally, I'll share a story about Kam. She was in and out of the state university a few times. When she missed her first payment, we reached out. When she missed her second payment, we reached out. Finally, at nine months past-due, our outreach paid off. Kam spoke with Navient team member Michelle in our Fishers, Ind., servicing center. Michelle explained how income-driven repayment works and how to apply. Kam is now enrolled in the REPAYE program with a reduced monthly payment of $18.

Helping customers avoid default is the most important work we do. The only borrower we can't help is the borrower we can't talk to. Customer contact is key. When we can engage with a federal loan borrower who has missed payments—even multiple months of payments—nine times out of 10, we help the borrower avoid default.

On behalf of Team Navient, I'm proud of our industry leading work in this space.

In fact, if all other major federal servicers performed at our level, 300,000 fewer borrowers would have defaulted last year. That's nearly 20 percent of all federal serviced loans that defaulted last year.

Students, families and taxpayers—all of whom share in the cost of the student loan program—deserve an approach based on data and facts, not political rhetoric.

On advancing policy to improve the federal student loan program

As a leader in our field, we regularly advance policy ideas and innovations to improve the federal student loan program. Our top recommendations are as follows:

- First, Congress should fund services that help students and families understand the total cost of college—before they select a school and start to borrow. Too many borrowers tell us they wished they had this information before they borrowed. Good information upfront helps students make informed decisions about debt, and would increase the likelihood of graduation.

- Second, policymakers should simplify the number of repayment plans. We can consolidate the myriad plans into the most borrower-friendly options and make it easier to enroll, increasing the likelihood borrowers will engage.

- Third, if they can, borrowers should be encouraged to pay off their loans earlier rather than delay. We provide a suite of free tools to help borrowers better understand how interest works and model how paying a little extra each month can save a lot over time.

- Finally, we need more voices of encouragement to the millions of student loan borrowers who have received financial assistance from the American taxpayer. All borrowers, and especially those facing financial strain, should be encouraged to engage directly with their servicer. As our results demonstrate, contact works. Let's encourage it.

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About Navient
As the nation's leading loan management, servicing and asset recovery company, Navient (Nasdaq:NAVI) helps customers navigate the path to financial success. Servicing more than $300 billion in student loans, the company supports the educational and economic achievements of more than 12 million Americans. A growing number of public and private sector clients rely on Navient for proven solutions to meet their financial goals. Learn more at navient.com.

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