

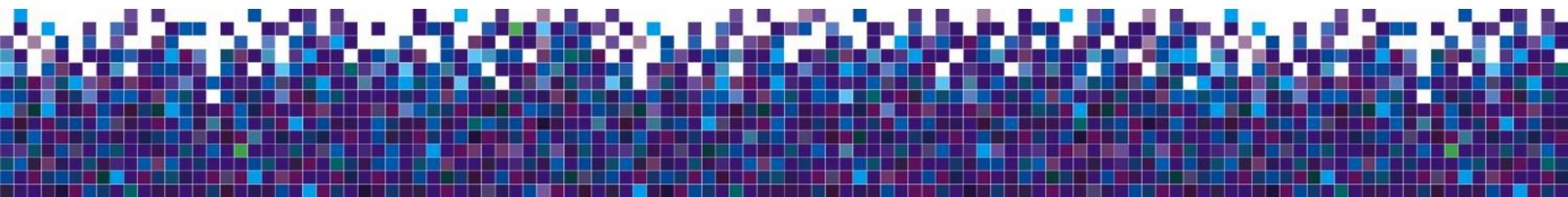


Analysis of CFPB Consumer Response Portal Submissions

*Summary of Navient Customer Submissions
Through the CFPB Student Loan Complaint Portal
October 1, 2015 - September 30, 2016*

Loan Servicing

March 2017





About this report

This report is a snapshot of the top topics submitted by Navient student loan customers through the Consumer Financial Protection Bureau in federal fiscal year 2016. Navient analyzed the responses provided to customers to assess whether the complaint related to a servicing error or whether it was related to policy or loan term disagreement or other issues.

The report was prepared to provide greater transparency into student loan servicing and to shed light on the subject and causes of consumers' concerns. It also provides insights into how we utilize the feedback provided through the portal to help identify and correct servicing errors, use customer feedback to make service improvements, and help policymakers establish priorities for reforms to enhance customer success.

Unless otherwise noted, the report analyzes student loan servicing customer submissions made through the CFPB portal and received by Navient during the 2016 federal fiscal year (October 1, 2015 through September 30, 2016.)⁽¹⁾

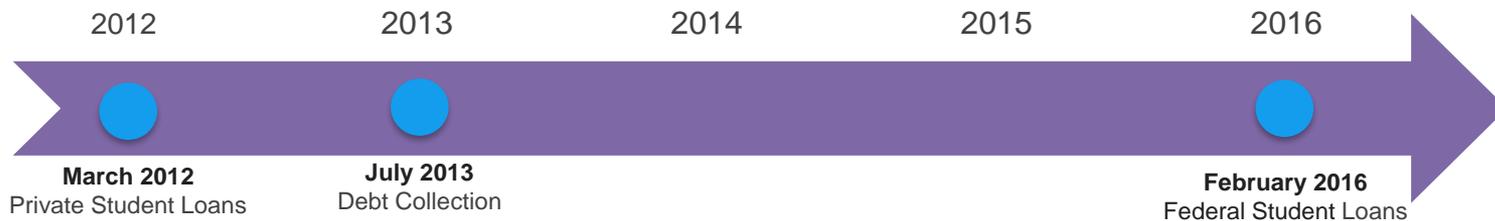
Read also Navient CEO Jack Remondi's article on Medium, "[What CFPB Consumer Data Prescribes for Student Loans](https://medium.com/@JackRemondi/what-cfpb-consumer-data-prescribes-for-student-loans)"

<https://medium.com/@JackRemondi>

(1) Timing differences can account for slight differences from the information included in the CFPB public complaint database. The CFPB Annual Ombudsman Report issued in October 2016 covered the period September 1, 2015, through August 31, 2016, thus is a slightly different period than this report.

Overview of CFPB consumer complaint portal

- In March of 2012, the Consumer Financial Protection Bureau began accepting private student loan complaints, followed by debt collection complaints (including student loan related) in July 2013.
- Until February 2016, the CFPB directed federal student loan complaints to the Department of Education. In February 2016, the CFPB expanded the use of its portal to accept federal student loans. With the February 2016 change, federal student loan consumers may request assistance through the CFPB portal, the Department of Education, or both.



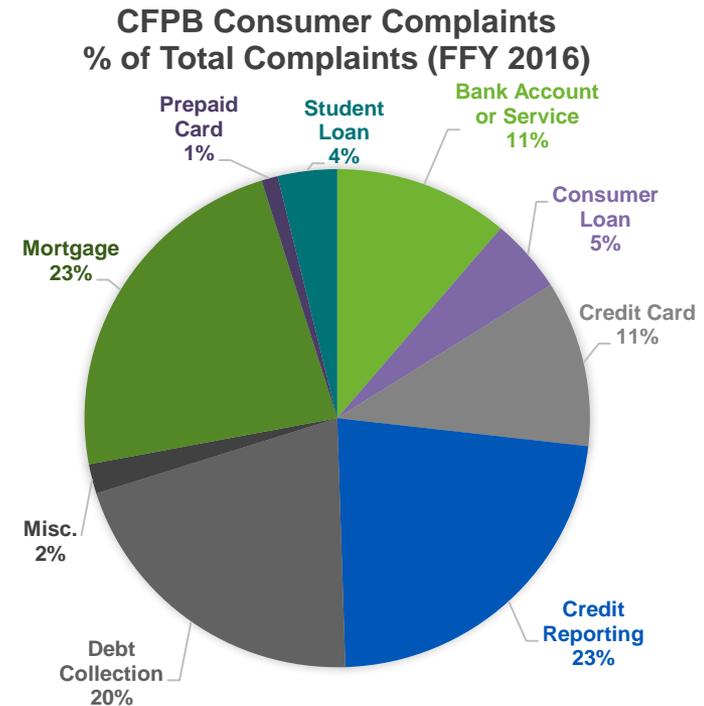
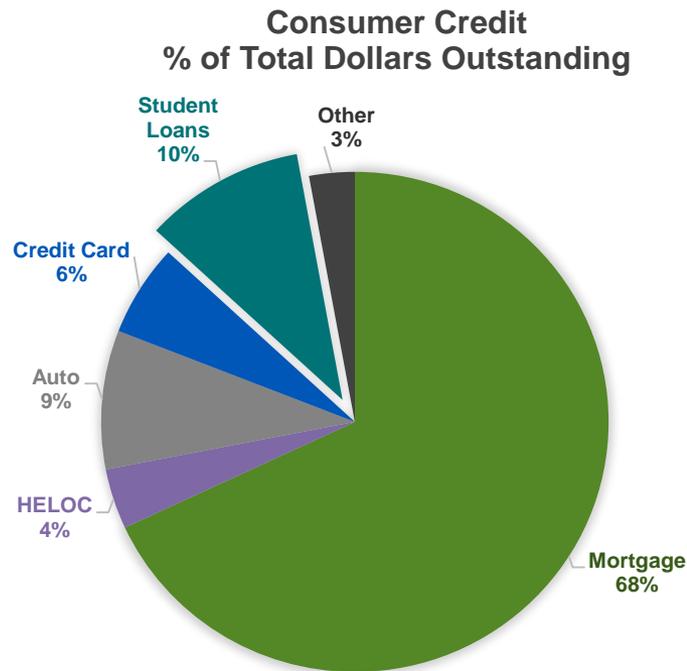
- The CFPB “submit a complaint” portal is a gateway for consumers to submit a request for assistance. CFPB does not take steps to validate or confirm any of the information submitted, other than to confirm that there is a business relationship between the consumer and lender/servicer. Further, the CFPB does not differentiate a submission attributable to a service failure from a dispute of a policy, law, or loan term which a lender or servicer is required to follow. Submissions through the CFPB portal are transmitted to the relevant company for the company to work directly with the customer.

CFPB Definition: *Consumer complaints are submissions that express dissatisfaction with, or communicate suspicion of wrongful conduct by, an identifiable entity related to a consumer’s personal experience with a financial product or service.*

When a consumer goes to CFPB’s website, the following is displayed: *Have an issue with a financial product or service? We’ll forward your complaint to the company and work to get a response from them.*

Student loans represent 4% of complaints, 10% of credit

Student loans are the second largest asset class in terms of total dollars outstanding—second only to mortgages and comprising nearly 10% of consumer debt outstanding. Conversely, student loans were 4% of submissions through the CFPB complaint portal in FFY 2016.

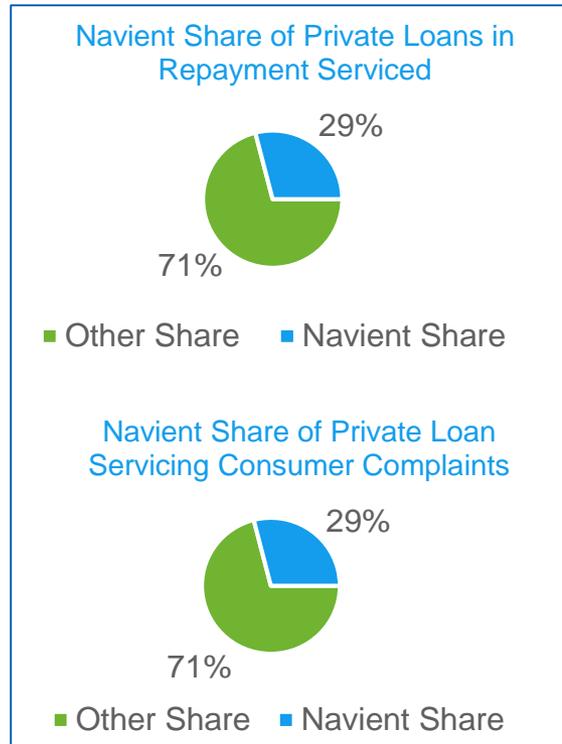
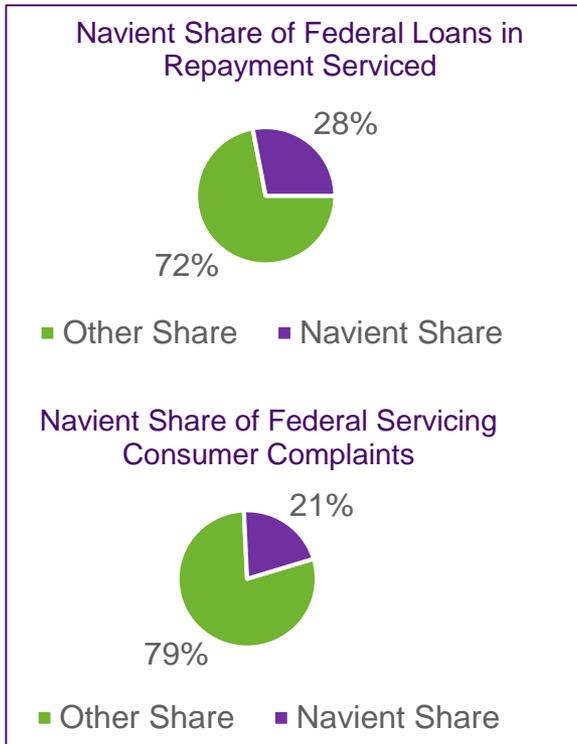


Source: CFPB public complaint database as of October 15, 2016; query included all complaints received by CFPB from October 1, 2015, through September 30, 2016. Total dollars outstanding by asset class from the Federal Reserve Bank of New York based on 2Q 2016 data.

*Miscellaneous includes: money transfer, other financial services, pay day loan, and virtual currency.

Navient submissions are in line with market share

Navient services 28% of all federal student loans and 29% of private education loans in repayment. Navient market share of complaints has been in line with loans in repayment market share.



Less than one-tenth of 1% of customers filed a complaint.

% of federal loan customers who filed a complaint:
0.0081%

% of private loan customers who filed a complaint:
0.07%

Source: According to the October 2016 CFPB Student Loan Ombudsman report, Navient-serviced federal loan borrowers submitted a total of 812 requests for assistance through the CFPB portal between March and August 2016. The percentage of Navient's approximately 10 million federal loan customers who submitted a query through the CFPB portal over the six-month period was 0.0081%. With respect to private education loans, according to the CFPB Student Loan Ombudsman report, Navient-serviced private education loan borrowers submitted a total of 1,613 requests for assistance between October 2015 and September 2016. The percentage of Navient's approximately 2.3 million private loan customers and cosigners who submitted a query over the 12-month period was 0.07%.

Source: Navient market share of loans in repayment is based on publicly available information from FSA data center for federal loans (Servicer Loan Portfolio by Loan Status; Location of FFELP Loans), Measure One report on private education loan performance and Navient 10Q for private education loans.

Note: Beyond size of the customer base, a number of factors such as portfolio composition (age of portfolio, percentage of borrowers who attended open enrollment schools such as community colleges or proprietary schools) as well as volume of news coverage and promotion can impact the volume of incoming submissions.

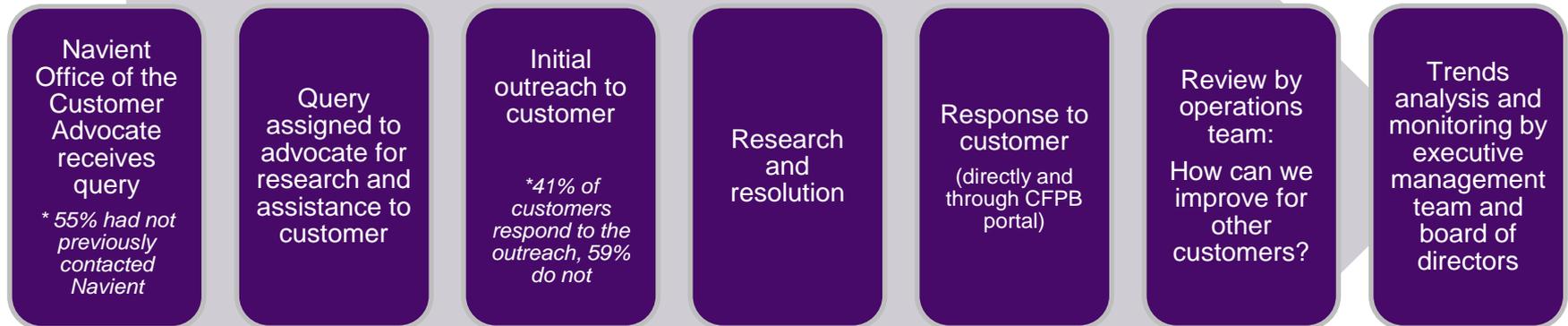




Navient approach to responding to consumer submissions

A Navient customer advocate works one-on-one with each customer filing a complaint

- We take seriously all customer comments, including those received through the CFPB portal. Designated, experienced team members in Navient’s Office of the Customer Advocate work one-on-one with customers to resolve their questions and concerns. Using a case management system to track each submission individually, advocates reach out directly to customers, listen to their questions and concerns, and work with each customer until all questions are answered or concerns are addressed.

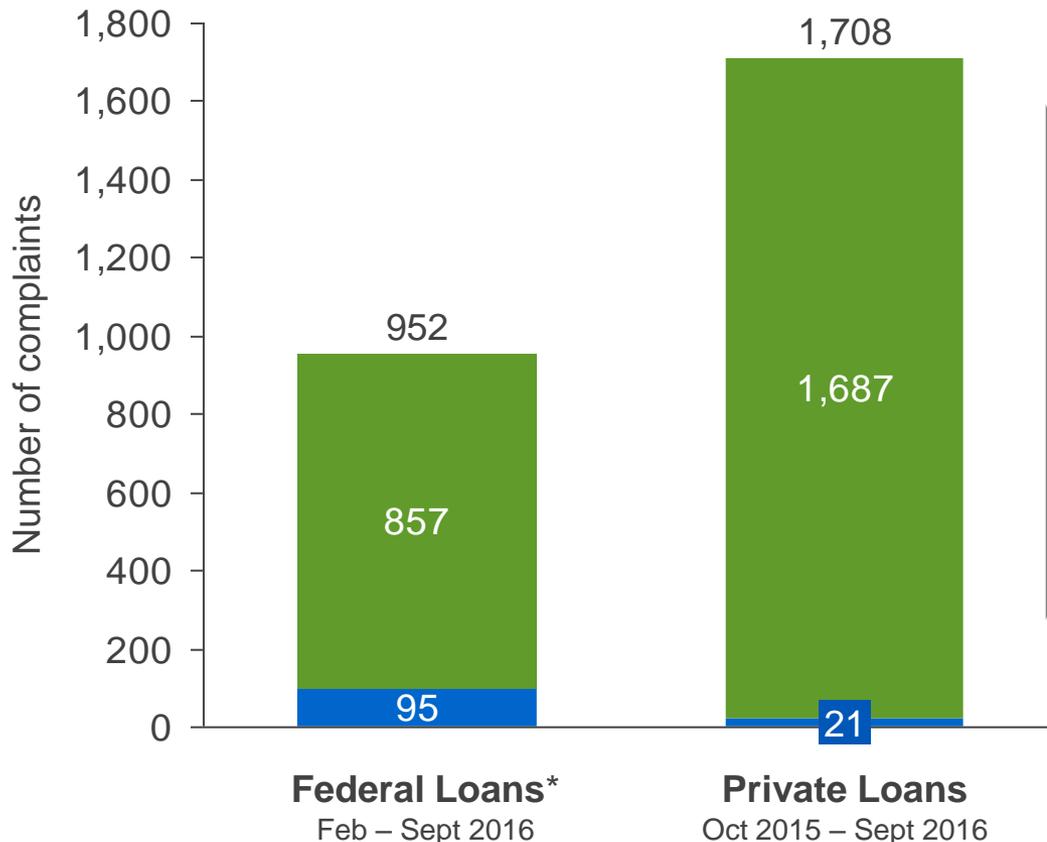


Based on a review of the requests submitted by Navient customers in the most recent fiscal year, the vast majority of customer communications received through the portal are requests for assistance from customers who had previously not contacted Navient for assistance, or disagreement with federal policy or the terms of the loan—neither of which are set by Navient—not a reflection of dissatisfaction with the service.

The vast majority of complaints are related to federal policy or loan term disagreements, not servicer error

Federal fiscal year 2016

■ Servicing error or opportunity ■ Federal policy, loan terms or other



Complaint volume is driven by federal policies, loan term disagreements, and other issues.

- On federal loans, the majority of issues relate to federal policy, including federal requirements on credit reporting, repayment options, and loan forgiveness.
- On private loans, the top issue relates to requests for lower payments, including requests for repayment options unique to federal loans.
- Among federal loan complaints made in FFY 2016*, 10% pertained to servicer error.
- Among non-federal borrowers complaints in FFY 2016, 1% related to servicer error.

The submissions in this deck are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.

*Federal loan complaints were accepted starting end of February 2016.



Federal student loans

Federal student loans: Navient customer submissions FFY 2016 top topics

Navient-serviced borrowers submitted a total of 952 requests for assistance through the CFPB portal between the end of February and end of September 2016. The following list of topics is in order by volume.

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity ⁽¹⁾	
Credit Reporting	158	11	Consumer reporting disputes or requests to delete or change accurately reported delinquency information on the credit report, a request not permitted by the Fair Credit Reporting Act. ⁽²⁾
Repayment Options	150	12	Requests for payment relief. See page 12.
Loan Forgiveness Requests	131	1	Requests for loan forgiveness. See page 13.
Loan Balance	90	0	Loan balance dispute or request for loan balance documentation. Balances were determined to be accurate. ⁽³⁾
Payment amount change	56	56	Request for assistance on payment amount change created by a one-time issue in which a print job did not run. Navient identified the print failure and impacted customers were notified.

- (1) The submissions in this deck are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.
- (2) Navient has proposed a change to the Fair Credit Reporting Act to allow servicers to grant a courtesy one-time credit bureau retraction for borrowers who may have been late in the past but have subsequently established an on-time payment history. In addition, upon receipt of a dispute or request for deletion of information reported, Navient reviews the account to determine if there was an error or opportunity to better service the customer and, if so, updates account information.
- (3) Navient provided customers the requested documentation and confirmed the account balance was accurate. Navient has developed online tools and videos to educate customers on how interest accrues and how payments are applied to interest and principal.



Federal student loans: Navient customer submissions FFY 2016 top topics (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity ⁽¹⁾	
Payment Allocation (which loans payment was applied)	51	4	Customers expressed concern regarding how payments were allocated across multiple loans. In most instances, research showed no payment instructions were supplied to Navient by the customer. 4 accounts were identified as an opportunity to better serve customers. In all cases, Navient reapplied the payment as requested by the customer whether or not a service error had been identified. ⁽²⁾
Collection Activity/Call attempts	33	5	Customers expressed dissatisfaction with collection on a delinquent loan; efforts determined to be in compliance with policy for 28 customers. In 5 instances non-customers were contacted; the non-customer phone number was removed from the account record.
Payment Application (portion of payment that went to principal and interest)	20	0	Customers expressed dissatisfaction with payment application. Application of a payment to principal and interest is consistent with all simple interest forms of consumer credit; payments are applied first to outstanding interest and then to principal.
Default or Charged Off Loan	18	0	Customers expressed dissatisfaction with default due to non-payment; often requested the default be reversed.
Delinquency	15	0	Customers expressed dissatisfaction with delinquency; delinquency confirmed due to non-payment.
Other	230	6	75 different categories with 1-15 inquiries or complaints in each category.

(1) The submissions in this deck are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.

(2) Navient maintains separate payment addresses for borrowers with FFELP loans and Department of Education loans. Payments sent to the FFELP address are processed and applied by Navient. Payments sent to the Department of Education payment address are processed by the Department and a payment posting file is transmitted to Navient.



Federal student loans: Repayment options summary

Repayment Options Commentary	Reason Count
Customer wants lower payment, had already submitted income-driven repayment (IDR) application and was still within the 15-day application processing period at the time the submission was made to the portal ⁽¹⁾	29
Customer expresses disagreement with federal policy on IDR (disagreements include requirement to include spouse's income in calculation, income does not support lower payment, disagrees with IDR renewal process, calculation does not include expenses or private loans, should not have to be serving in public service to qualify for 10-year forgiveness period)	26
Customer requested payment lower than payment as calculated under IDR rules	25
Customer expressed difficulties making payments where borrower had previously received information on IDR options with no action taken by customer	18
Customer request for enrollment in IDR plan but had not previously requested assistance due to difficulties making payments prior to the CFPB inquiry	13
Customer was previously enrolled in IDR program, was sent communications about renewal and no action was taken by the customer	9
Customer requested IDR plan, already in IDR	8
Customer previously submitted IDR application where the application was incomplete due to missing documentation (i.e., proof of income, signatures), advised of need to submit additional information and no additional action taken by customer	6
IDR processed outside of standard timeframes and opportunity to service customer better ⁽²⁾	6
IDR incorrect information provided, agent error ⁽²⁾	3
IDR previously denied incorrectly, manual processing error ⁽²⁾	3
Customer wants to exit IDR	2
Customer was previously enrolled in IDR program, renewal could not be sent due to bad address on file	1
Customer wants increased payment amount	1
Total Repayment Options Submissions (including 12 servicing errors or opportunity to better serve customers)	150

(1) Navient's internal IDR application processing service level standard is 15 business days; the Department of Education established a federal standard of 15 business days in 2016. Navient processed 2.3 million income-driven repayment (IDR) work related items in 2016 (an increase of 29% over 2015), with an average processing time of 10.8 business days down from 12.2 days in 2015. Some data needed to process the application is not available from the National Student Loan Data System until day 4 or 6 of the 15-day service standard.

(2) Indicates a servicing error or an opportunity to better serve customers. Any serviced accounts where IDR was processed out-of-standard (whether or not a complaint or inquiry was submitted) are reviewed and if necessary, account adjustments made to avoid customer harm (interest capitalization, IDR payment counters etc.)

Federal student loans: Loan forgiveness summary

131 customers submitted requests for forgiveness through the CFPB portal

Loan Forgiveness Commentary	Reason Count
Customer request for loan forgiveness, pursuant to a specific federal discharge program (e.g., death, disability, closed school) or Defense to Repayment due to school issue; no service failure identified	52
Customer request for loan forgiveness with no specific program referenced; no service failure identified	39
Customer disagrees with loan forgiveness eligibility requirements set by FSA ⁽¹⁾	29
Customer request for loan forgiveness due to non-Navient servicer issue	7
Customer request for discharge due to past military service	2
Customer submitted teacher loan forgiveness and was previously denied due to representative error ⁽²⁾ ; we retroactively corrected the account and applied loan forgiveness	1
Customer request for loan forgiveness via settlement of balance for less than amount due	1
Total Option Submissions (including 1 servicing error or opportunity to better serve customers)	131

(1) 15 submissions were on Public Service Loan Forgiveness eligibility, 12 on Teacher Loan Forgiveness eligibility, and 2 on Loan Forgiveness programs offered.

(2) Indicates a servicing error or an opportunity to better serve customers.



Private education loans

Private education loans: Navient customer submissions FFY 2016 top topics

Navient-serviced private education loan borrowers submitted a total of 1,708 requests for assistance between October 2015 and September 2016.

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity ⁽¹⁾	
Inability to Pay	358	0	Requests for payment relief, including customers requesting income-driven repayment plans for private loans, a benefit unique to federal student loans. In some cases, depending on customer circumstances, a loan modification rate reduction program may be offered.
Collection Activity/Call attempts	236	2	Customer expressed dissatisfaction with collection calls on delinquent loans or that calls were made to the cosigner of a delinquent loan. These efforts were determined to be in compliance with policy and fair debt collections and other rules for 234 customers. In 2 instances, non-customers were contacted; the non-customer numbers were removed from account records.
Credit Bureau Reporting	201	2	Consumer reporting disputes or requests to delete or change accurately reported delinquency information on the credit record, a request not permitted by the Fair Credit Reporting Act. ⁽²⁾
Loan Forgiveness	177	0	Customers requested loan to be forgiven due to hardship or requested a federal loan forgiveness program not available for private education loans.
Loan Balance	128	0	Loan balance dispute or request for loan balance documentation. Balances were determined to be accurate. ⁽³⁾

(1) The submissions in this deck are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.

(2) Navient has proposed a change to the Fair Credit Reporting to allow servicers to grant a courtesy one-time credit bureau retraction for borrowers who may have been late in the past but have subsequently established an on-time payment history. In addition, upon receipt of a dispute or request for deletion of information reported, Navient reviews the account to determine if there was an error or opportunity to better service the customer and if so will update account information.

(3) Navient provided customers the requested documentation and confirmed the account balance was accurate. Navient has developed online tools and videos to educate customers on how interest accrues and how payments are applied to interest and principal.

Private education loans: Navient customer submissions FFY 2016 top topics (cont.)

Category	Summary of Submissions		Commentary
	Total Submissions	Servicing Error or Opportunity ⁽¹⁾	
Payment Allocation (which loans payment was applied)	72	6	Customers expressed concern regarding how payments were allocated across multiple loans. In most instances, research confirmed the customer did not provide instructions with their payments or mailed their payment to the incorrect payment address. Six accounts were identified as having a servicing error or as an opportunity to better serve customer. In all cases, where permitted, Navient reapplied the payment as requested by the customer whether or not a service failure had been identified. ⁽²⁾
Loan Responsibility	46	0	Customers expressed dissatisfaction with loan responsibility; Navient provided the promissory note or other documentation to substantiate the debt.
Cosigner Release	35	0	Customers wanted their cosigners released and disagreed with Navient's policy including but not limited to our requirement for 12 on-time payments or the borrower demonstrate ability to repay the loan or have satisfactory credit.
Default or Charged Off Loan	23	0	Customers expressed dissatisfaction with default due to non-payment; often requested the default be reversed.
Interest Rate	20	0	Customers expressed dissatisfaction with the interest rate on their loan.
Other	412	11	82 different categories with 1-18 inquiries or complaints in each category.

(1) The submissions in this deck are not a representative sample of loan servicing activities. As such, it is not accurate to use the data in this report to calculate a servicing error rate.

(2) Navient has separate payment addresses for borrowers and cosigners. Payments sent to the borrower payment address are allocated to the loan indicated in the instructions, and if no instructions are provided, are allocated pro rata to all loans in the billing group. Payments sent to the cosigner address are allocated to the specific loan listed on the remittance slip or, if no remittance slip, only to the loans the customer cosigned.



Recommendations

Navient recommendations for reform are informed by customer feedback including:

Allow courtesy credit bureau retractions

- Allow courtesy removal of adverse credit bureau information once a borrower has established an on-time payment track record.

Simplify income-driven repayment enrollment process

- Enable streamlined options for enrollment and renewing, particularly for at-risk borrowers. See next page for detailed recommendations.

Increase federal student loan rehabilitation success

- Create a single loan rehabilitation and income-driven repayment plan application to help borrowers who rehabilitate their loans to transition more easily to an affordable repayment plan.

Create a private education loan rehabilitation program

- Create a pathway out of default for private education loan borrowers, similar to the federal student loan rehabilitation program.

Enact bankruptcy reform

- Allow federal and private student loans to be dischargeable in bankruptcy for those who have made a good-faith effort to repay their student loans and still experience financial difficulty.

Navient discusses additional details on these and other recommendations, in responses to the CFPB's requests for information in 2015 and 2016, available at Navient.com/facts.

Federal loan borrowers would benefit from simpler income-driven repayment enrollment processes:

IDR: Phone enrollment

- Establish a real-time enrollment process that can be carried out over the phone, with income validation.

IDR: Apply from loan account

- Enable borrowers to apply online for IDR directly from their loan accounts with instant approvals.

IDR: Multi-year enrollment

- Develop a multi-year IDR enrollment process to allow borrowers to enroll for multiple years with a single, simplified automated process

IDR: Zero income exemption

- Permit verbal IDR enrollment for borrowers with zero income (approximately 25 percent of IDR borrowers today)

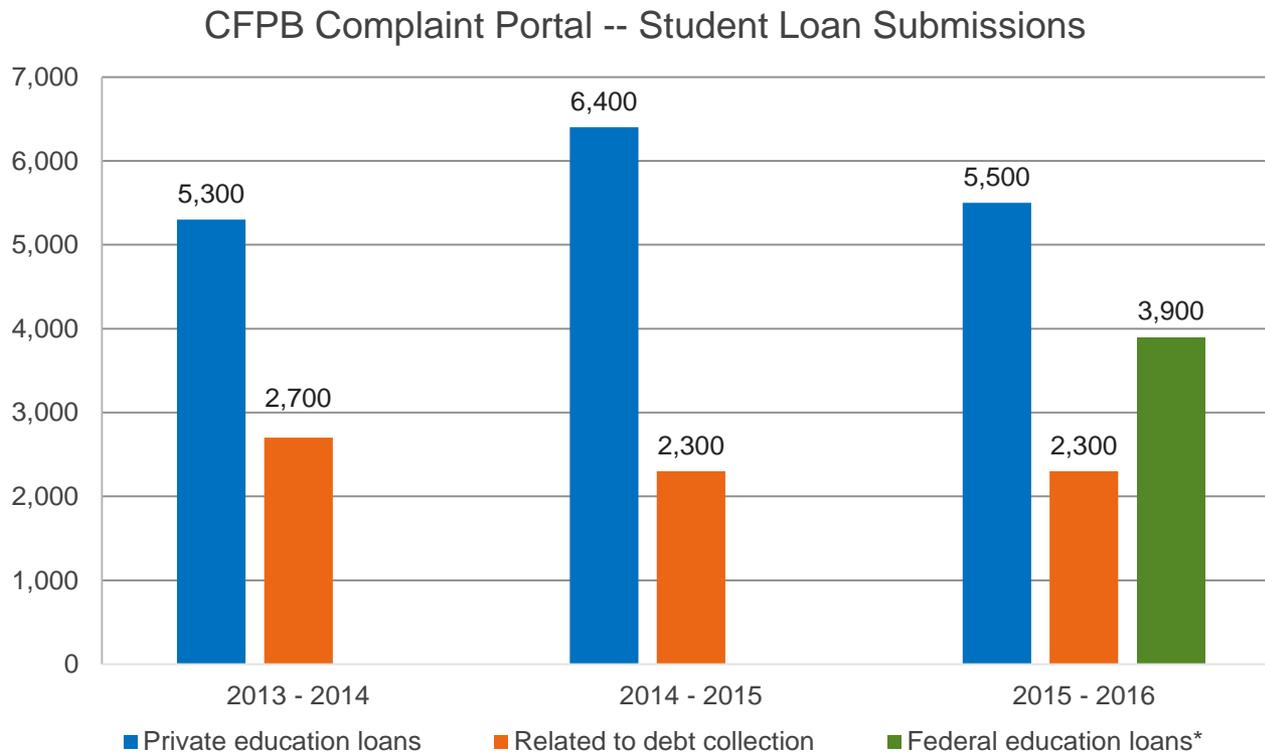
IDR: Expedited enrollment for at-risk borrowers

- Develop an expedited IDR enrollment process for delinquent or at-risk borrowers, such as a “Reply Yes” mechanism, where a borrower can quickly enroll via text, email, or phone.

Appendix

Private loan complaint volume declined year over year in 2016, federal volume is new

Student loan submissions increased in 2016 because the CFPB began accepting federal student loan complaints

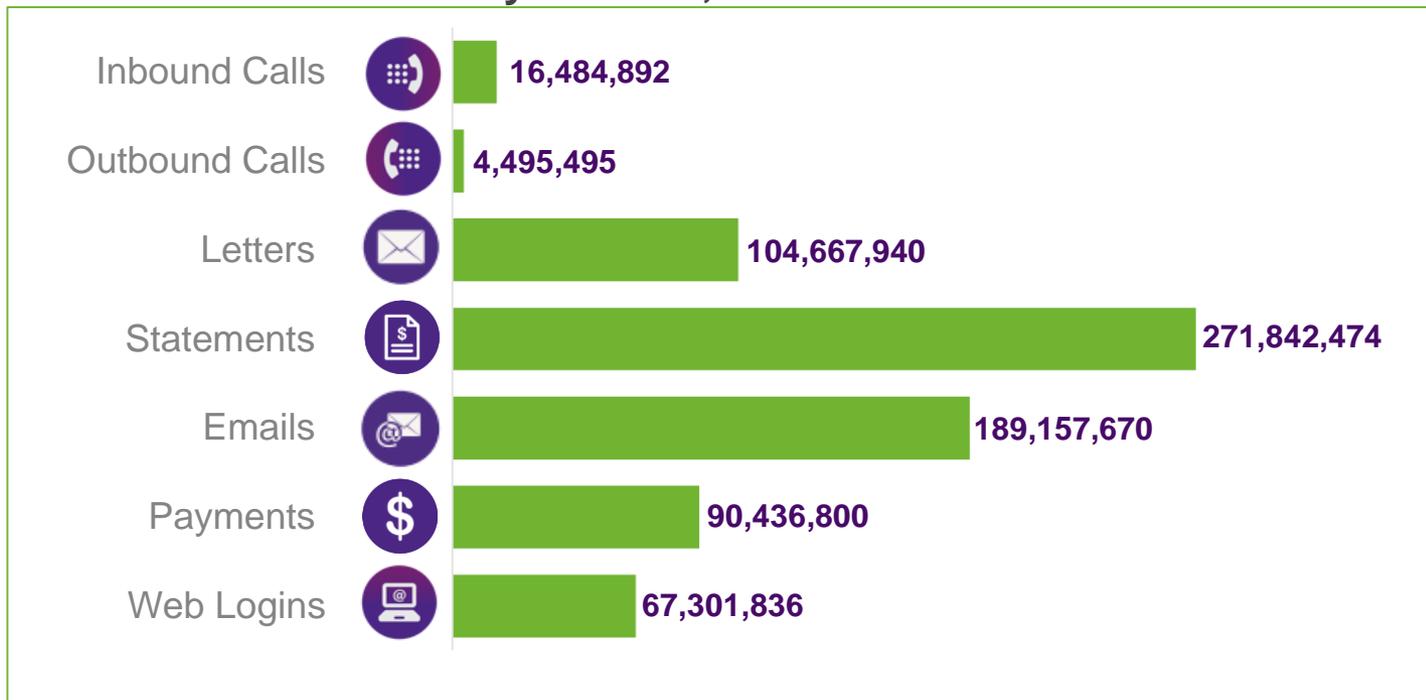


CFPB reporting year is September 1 to August 31

*** CFPB began collecting federal student loan complaints on February 25, 2016**

Navient's successful engagement with borrowers involves nearly 750 million borrower interactions per year

Customer interactions by channel, 2016





Navient practices are aimed at making sure borrowers receive information on alternative repayment options

170 million

- Communications promoting repayment options, including IDR, sent annually

Contact is key

- In 2015, Navient sought telephone contact with 1.2 million non-IDR-enrolled borrowers who never responded to our outreach

1 in 4
borrowers

- 49% percent of Department of Education balances serviced by Navient are enrolled in IDR

163% increase

- In the percentage of Department of Education borrowers enrolled in IDR since 2013; growth driven by Navient outreach strategies and expansion in program eligibility



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