

On May 13, 2014, Navient reached an agreement with the Department of Justice (DOJ) regarding the Servicemembers Civil Relief Act (SCRA), which enables military personnel to receive a 6 percent interest rate cap on loans taken out prior to military service. The following answers frequently asked questions regarding the agreement and the benefits Navient can offer service members.

### Q: What did Navient agree to?

**A:** Under the agreement, Navient provided \$60 million to retroactively compensate eligible members of the military for interest paid above the 6 percent rate cap on their student loans between 2005 and 2014. The Department of Justice determined eligibility with compensation being awarded in two general groups. The largest group of the customers receiving compensation are service members who had not provided a written request and copy of orders calling the service member to active duty, as required by the SCRA and previous guidance from the Department of Education and other government agencies. Approximately 5 percent of customers who were part of the review are receiving compensation for SCRA benefits they did not receive because of other reasons including operational errors made by the company.

### Q: What was the issue?

**A:** The SCRA statute<sup>1</sup> and Department of Education guidance<sup>2</sup> at the time required service members to submit *both* a copy of military orders *and* a written request to receive the 6 percent interest rate benefit. Under the terms of the agreement, Navient no longer needs to require a written request or obtain orders.<sup>3</sup> The agreement authorizes Navient to confirm and extend eligibility for SCRA benefits by using a Department of Defense personnel database. These changes are consistent with recommendations put forward by Navient and other loan servicers after the law made SCRA applicable to federal loans in 2008.

A Department of Education spokesperson addressed the differing requirements in a recent media story: “In its review of Navient’s actions, DOJ applied requirements that were different than those used by the Department. We have since updated our standards to be in line with those used by DOJ...”<sup>4</sup>

### Q: Did the settlement indicate that Navient broke the law?

**A:** No. The settlement was a voluntary agreement between Navient and regulators, and was not a determination that Navient violated the law.

In separate reviews announced in May 2015, the Department of Education found that the four servicers — Navient, Great Lakes, PHEAA and Nelnet — complied in the vast majority of cases with the SCRA as required by the Higher Education Act (HEA). According to the Department of Education, the reviews, which looked at active-duty servicemembers’ SCRA eligibility between 2009 and 2014, show that in less than 1 percent of cases, borrowers were incorrectly denied the 6 percent interest rate cap required by the laws.<sup>5</sup>

### Q: Did Navient “cheat” service members?

**A:** No. Navient and its 6,300 employees are honored to serve our military customers and strongly disagree with this offensive and disparaging claim.

Navient offers a specialized customer service team to help service members and their families learn about and access the benefits available to them, and to assist them with their unique loan servicing needs.

With the new guidance in place, our team of experts can make it even easier for members to qualify for the SCRA interest rate benefits.

In some cases, Navient made operational errors that resulted in a group of service members not receiving their full interest rate benefits. These were human mistakes and do not reflect Navient’s commitment to service members.

We take full responsibility for any mistakes that have occurred and believe the new process authorized in the consent order will significantly reduce operational complexity, in addition to making it easier for service members.

### Q: Why did Navient agree to the settlement?

**A:** The company agreed to settle in order to put this matter behind it and move forward to focus on customer success. We also settled so that the facts could be communicated and misinformation corrected. There was no determination that there was a violation of law or rule, or that any of the claims asserted have merit.

The company could have undertaken a file-by-file review, similar to those undertaken by mortgage servicers. However, the money saved by the file-by-file review would have been more than offset by the cost of the review itself; mortgage servicers have spent tens of millions of dollars on similar file reviews. The company chose to reward service members rather than consultants.

### Q: What does the agreement mean for service members?

**A:** The DOJ determined who is eligible for compensation and how much each individual received. An independent third party, Garden City Group, has been appointed to administer the settlement, distribute compensation checks, and answer customer questions.

Service members who may be eligible include those who:

- Were on active duty between November 2005 and May 2014;

<sup>1</sup> Servicemembers Civil Relief Act (“SCRA”), 50 U.S.C. app. § 527: “the service member shall provide to the creditor written notice and a copy of the military orders calling the service member to military service.”

<sup>2</sup> James W. Runcie, “Letter to Chairman Kline,” U.S. Department of Education, Jan. 30, 2014.

<sup>3</sup> Consent Order, United States District Court District Of Delaware, page 16, May 13, 2014.

<sup>4</sup> Yahoo Finance, Sept. 15, 2015.

<sup>5</sup> U.S. Department of Education news release, May 26, 2015.

- Took out a student loan before<sup>6</sup> joining the military; and
- Had a loan with an interest rate higher than 6 percent and was serviced by Sallie Mae<sup>®</sup> (now Navient).

Navient has and continues to fully cooperate and support the review process to ensure timely notice and payment to eligible customers. For updates, check the website Garden City Group has created to provide information about the settlement at [navientclaimsadministration.com](http://navientclaimsadministration.com).

**Q: Does the guidance apply to all student loan servicers?**

**A:** The terms of the agreement apply only to Navient. However, the Department of Education provided subsequent revised guidance<sup>7</sup> to all servicers. This new guidance directed Department of Education servicers to use the Department of Defense database to confirm military service and to automatically apply the interest rate — without requiring a service member to submit documentation or a request. The guidance also authorizes and encourages other servicers to use the database.<sup>8</sup>

**Q: Will service members who paid off their loans prior to the new guidance be able to receive the benefit?**

**A:** Navient is retroactively providing benefits to service members deemed eligible by DOJ who did not submit the paperwork previously required by statute and Department of Education regulations — even if they had previously paid off their loans. To date, Navient is the only servicer who has agreed to provide the benefit retroactively to customers identified by the DOJ, in many cases as far back as 2008 for federal loans and 2005 for private loans.

**Q: Who bears the cost for SCRA interest rate benefits?**

**A:** Under the settlement, Navient has agreed to pay the cost for federal loans serviced by Sallie Mae from 2008<sup>9</sup> to 2014. However, typically, the government covers the cost of the interest rate benefit for federal student loans. This happens in two ways. For Department of Education-owned loans, the federal government receives all loan payments; when the service member pays a lower interest rate, that represents less revenue to the federal government. For federally guaranteed loans made under the legacy Federal Family Education Loan Program (which discontinued in 2010), lenders refund the government any funds received above a certain maximum in low-interest rate environments such as in recent years. For private education loans not guaranteed by the government, the lender covers the cost.

**Q: Some news articles have said that “excessive rates” were charged to “93 percent” of active duty service members. Is that true?**

**A:** No. Navient’s policy has always been to apply SCRA benefits as soon as the two required forms of documentation (active duty orders and a written request) were received. Between

2005 and 2014, Navient provided SCRA benefits to 41,000 service members. Prior guidance and regulations required service members to provide a “written request and a copy of their military orders.” The company established a dedicated military benefits customer service team, in part, to help service members gather the required documentation.

Navient commissioned a high-level independent review focused specifically on customers who had not already received the interest rate benefit. This review was not a formal audit of approval rates, nor was it a comprehensive file-by-file account review. The review was undertaken to quickly identify the population of customers who may not have already received SCRA benefits and who might be eligible regardless of whether they had submitted a request or all of the required documentation. Of the sample reviewed, 52 percent had submitted partial documentation that under Department of Education guidelines was not sufficient to satisfy the SCRA’s requirements, 32 percent had not submitted any military documents, and 9 percent had provided the required documentation but did not receive the full benefit based on the dates in the Department of Defense database.<sup>10</sup> Seven percent of the review population had received SCRA benefits. In addition, 41,000 individuals had already received SCRA benefits before the review began — and the review, by design, did not focus on these prior SCRA approvals. As a result, thousands of customers who had received SCRA benefits were not counted in the statistics cited.

**Q: How does the company demonstrate its commitment to the military?**

**A:** Navient takes seriously its commitment to service those who serve and has developed a best-in-class system to assist military customers. Navient was the first student loan servicer to launch a dedicated military benefits customer service team, and was also the first student loan servicer to launch a dedicated military benefits website, [Navient.com/military](http://Navient.com/military), and toll-free number, 855-284-4879. The company is also committed to providing more [employment opportunities](#) for veterans.

Navient’s military benefits team responds to all calls from service members and their families to help them access the benefits designed for them, including interest rate benefits and other options. For example team members help service members learn about income-driven repayment plans, Public Service Loan Forgiveness, and military deferment. Counseling includes discussion of the potential costs and benefits of such repayment options.

Our team also has a particular interest in helping military members, as a majority have a loved one who has either served or is currently serving in the military. Of Navient’s 42-member military benefits team, 31 have family members who are veterans or currently on active duty or are veterans themselves.

<sup>6</sup> SCRA statute specifies that only loans taken out prior to entering military service are eligible for the interest rate benefit.

<sup>7</sup> Lynn B. Mahaffie, “Dear Colleague Letter,” U.S. Department of Education, Aug. 8, 2014.

<sup>8</sup> Final guidance is expected to be completed in November 2015, following the completion of the [negotiated rulemaking](#) process, and will likely require FFELP lenders to implement use of the Department of Defense database by July 2016.

<sup>9</sup> SCRA benefits first became eligible for federal student loan borrowers in 2008.

<sup>10</sup> Guidance provided prior to the agreement with the DOJ required processing benefits to be based on dates contained within military orders, which did not always align with dates on the Department of Defense database.