



May 21, 2015

## **Navient CEO statement at shareholder meeting**

**WILMINGTON, Del., May 21, 2015**-Jack Remondi, president and CEO of Navient, the nation's leading loan management, servicing and asset recovery company, addressed shareholders at the corporation's 2015 annual meeting. Excerpts of his remarks, made today, are as follows:

### **On Navient's commitment to customer success**

Our mission at Navient is simple: we enable customer success. It's the right thing to do. It's right for customers. It's right for our clients. It's right for the largest investor in higher education, the American taxpayer. It's right for our employees and is a source of great pride. And, it's right for our shareholders-customer success aligns with shareholder success and is a driving force here at Navient.

We help our 12.5 million student loan customers navigate the complex array of options available in the federal loan programs, choose a repayment program that fits their budget and helps them achieve success. Most customers chose the standard repayment option as it fits their budget and costs less over the life of the loan.

For those who need a different solution, our approach starts with customized outreach efforts to improve our ability to connect with the customer. A deep understanding of the data drives our approach and allows us to create highly targeted and effective solutions. The result: nine out of 10 times when we can talk with a federal loan borrower who has fallen behind, we are able to provide a solution that keeps them out of default.

### **On Navient's efforts to enhance the customer experience**

Our customer-first culture drives our customer and client success. In the past year, we have made substantial investments designed to help our customers navigate the path to success. For example, we launched a new mobile website for payments. We created a series of free and award-winning financial literacy webinars. We established feedback panels to better capture the voice of the customer. We formed a class of champions represented by front line customer service team members to guide improvements.

For 2015, we will further enhance customer experience-making it easier for our customers to do business with us the way they want to and to track their positive progress. We're rewriting letters, redesigning monthly billing statements and launching a new online experience. That work has not gone unnoticed. We recently received the ClearMark Award of Distinction for clear customer communications.

### **On Navient's commitment to compliance**

Our compliance culture also drives our customers' success. Our compliance program features multiple layers of responsibility at all levels of the company, including at the top with our Board of Directors. For example, all employees participate in robust training programs. An expanded number of teammates are wholly devoted to compliance, and we have completed comprehensive examinations of our processes and procedures. We actively engage with our regulators, our clients and their regulators, and various other agencies, as well as customers, consumer advocacy groups and veterans groups.

### **On the complex array of choices federal student loan borrowers face**

While we do not set the terms for federal student loan borrowers, our customer-first focus means we work with our customers to find solutions. Many of the programs available are complex, and borrowers report they can be challenging to understand, particularly for those who are struggling. In response, we have created teams of program specialists to assist customers with features like service member benefits or income-driven repayment plans. Our efforts here are driven by more than the need to comply with the rules; they are driven by the desire to do the right thing for our customers.

### **On misperceptions on student loans**

Approximately two-thirds of bachelor's degree recipients borrow to earn a college degree, and of those who do, the average balance due at graduation is approximately \$29,000. Yet, the average loan balance featured in media stories is \$85,000-fewer than 2% of undergraduates owe this amount.

For college graduates, the average monthly payment adjusted for inflation has increased by \$50 since 1999—significantly less than a monthly cell phone bill.

To be clear, there are some who are struggling, and we assist them. But when we look overall, delinquency and default rates peaked due to the Great Recession and now are falling. The Great Recession led to significantly higher unemployment for new college graduates and therefore higher delinquency and default rates. With the slow economic recovery, these numbers improved, but remained historically high until recently. For instance, since 2010, the percentage of new-to-repayment borrowers who became 90-plus days delinquent has fallen by 50 percent.

### **On Navient's success in preventing student loan defaults**

The most recent national three-year cohort default rate fell for the first time in seven years. For federal loans that entered repayment in 2011, the rate fell 7 percent from the previous year. For Navient-serviced loans, it fell 32 percent. Navient-serviced federal loans default at a rate 48 percent lower than those serviced by others.

### **On student debt levels and the areas of challenge**

Today, there are approximately 43 million people with \$1.2 trillion in outstanding student loan debt. These numbers sound big, because they are. They translate, however, to an average balance per borrower of less than \$28,000.

At the same time, more than 67 million people over the age of 25 hold a bachelor's degree, and there are 40 percent more people enrolled in higher education today than in 2000. These numbers drive the demand for student loans and reflect the value Americans place on higher education.

That's because a college degree is one of the best paths to economic growth—both for the individual and the economy as a whole. On average, college graduates have significantly higher levels of employment and life-time income.

Averages, however, do not represent individual borrowers. In a program this large and broad, there are borrowers with challenges. The areas of challenge are particularly noticeable when you break the data into segments.

Students who attend and graduate from four-year programs generally have both reasonable loan balances and the income to support them. On the whole, the success of this group can be seen by the low level of defaults from this segment.

Over the past several years, however, we have seen student loans used for different purposes than to fund a four-year degree earned in four years. The trends show increased borrowing for living expenses, especially at two-year and graduate programs; more borrowing by part-time students where completion rates are lower; and borrowers taking six or more years to graduate, or, worse, not graduating at all. Borrowers in these categories have very different experiences than the average college grad.

In addition, we also see longer repayment terms that increase total finance charges and increased use of payment plans that postpone payments, causing balances to grow rather than decline.

The dominant policy response to these issues, to date, has focused on solutions that lower monthly payments by stretching out payments over a longer period of time. While many federal loan borrowers using income-driven repayment plans will ultimately see balances forgiven in the future, many others will end up paying significantly more interest over the life of the loan.

There are also a number of new proposals to create even more repayment options. Adding new options to the mix without replacing or simplifying others adds to an already too complex program. Several speakers made this point at the CFPB field hearing last week.

### **Navient's recommendations to help lower defaults and increase positive outcomes for students and families**

Our experience and data show that defaults are not driven by the lack of repayment options. As a result, we believe that resources focused on the following four areas would produce positive outcomes for students and families.

#### ***First, start with better lending and borrowing decisions.***

Students and families need tools to help them understand and weigh the financial impacts and requirements of borrowing and to know in advance the total cost of earning a degree.

Students need to know the likely economic benefit and potential of their chosen degree, and discover what they can afford to borrow. At Navient, we have tools that can identify borrowers at higher risk to provide them with targeted and meaningful financial education and insight to help them make informed decisions. We can do this without compromising the public policy goal of encouraging access to higher education; it's time for policies to address this up front,

not after the money has been lent and spent.

***Second, we need to simplify the program.***

In 2015, we'll mark the 50th anniversary of the Higher Education Act. The program grows in complexity virtually every year as new features and programs are added. Complexity can overwhelm and discourage borrowers, creating barriers to success. We can simplify it. It can be done and should be done.

***Third, encourage borrowers to connect with their servicers.***

In the federal loan program, borrowers facing financial challenges do not need to default. Servicers, however, cannot help borrowers unless they can speak with them or connect with them online. At Navient, nine times out of 10 when we reach a struggling borrower we can help them get on a payment plan to successfully manage their loans. In contrast, 90 percent of borrowers who default do not talk to us in the full year it takes to reach default-that means they don't respond to our calls, emails or texts nor have they contacted us throughout the 12-month period. Contact works, let's encourage it!

***Fourth, the program should encourage borrowers to pay off their loans more quickly*** by helping borrowers understand the economic value of paying off their loans early, and by deploying tools like our [Path to Success](#) webinars that increase borrowers' understanding of the financial cost of deferring repayment.

At Navient, we are passionate about success: success for our customers, our clients, our teammates and our shareholders. These are not just words to state at a shareholder meeting. They are backed up by our actions and our results each and every day. We are proud of the work we do to help our customers succeed and the value we deliver. Thank you for listening and thank you for your support.

**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 government and higher education clients rely on Navient for proven solutions to meet their financial goals. Learn more at [navient.com](http://navient.com). Navient began trading on Nasdaq as an independent company on May 1, 2014.

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