

The Honorable Arne Duncan
Secretary
U.S. Department of Education
400 Maryland Ave, SW
Washington, D.C. 20202

Dear Secretary Duncan:

We write to applaud the Department of Education's termination of the loan servicing contracts of five private collection agencies, including Sallie Mae/Navient subsidiary Pioneer Credit Recovery. However, in light of these recent contractual violations and a history of mistreating student loan borrowers, we ask that you use the Department's authority to further protect student loan borrowers by canceling all federal loan servicing contracts with Sallie Mae/Navient.

Sallie Mae/Navient has a history of skirting federal consumer protection law at the expense of students and their families. In 2006, Sallie Mae/Navient improperly overcharged 60,000 active-duty servicemembers on their student loans and manipulatively handled their payments to maximize late fees. Attorney General Eric Holder said that Sallie Mae/Navient's "conduct [was not] just inappropriate, it's inexcusable." The violation resulted in a \$97 million fine for the company's violation of several consumer protection laws.

Sallie Mae/Navient also violated several contractual obligations it had agreed to with the Department. In 2013, the Inspector General for the Department found that Sallie Mae/Navient failed to report the number of verbal complaints the company's representatives received from borrowers. The Inspector General also found that Sallie Mae/Navient miscategorized debts payments so as to increase the percentage the company could retain as profit. As a result, the Inspector General concluded that Sallie Mae/Navient overcharged the federal government \$22.3 million.

Federal loan servicers act on behalf of the Department when interacting with student loan borrowers. Yet too often financial incentives motivate companies like Sallie Mae/Navient at the expense of students and their families. For-profit servicers that fail to treat borrowers fairly should be ineligible for federal contracts.

As the federal agency that contracts with Sallie Mae/Navient to service student loan borrowers, we request a response to the following questions:

1. Will the Department reach out to borrowers serviced by Coast Professional, Enterprise Recovery Systems, National Recoveries, West Asset Management, and Pioneer Credit Recovery to directly correct misinformation? Will the Department assess whether these borrowers suffered financial harm and whether borrowers are owed restitution?
2. Will Sallie Mae/Navient's eligibility for future federal contracts be affected by the Department's findings that the company failed to adhere to its contractual obligations? Will Sallie Mae/Navient's eligibility for future federal contracts be affected by its history of violating consumer protection laws?

3. After Sallie Mae/Navient was sanctioned by the Department of Justice and the FDIC for the mistreatment of military servicemembers, you ordered a 120-day review of the company's servicing operation. On September 10, 2014, the Chief Business Officer for Federal Student Aid reported to Congress that the review would be completed on time. What were the results of this review?

4. In September 2013, the Department of Education issued a final determination that Sallie Mae/Navient inappropriately charged taxpayers \$22.3 million. According to the company's financial statements, it has not yet paid the taxpayers back. Will the Department be assessing interest and penalties on Sallie Mae/Navient, just as it does to student loan borrowers?

The Department of Education should stand with student loan borrowers and hold Sallie Mae/Navient accountable for its actions. The Department was right to end its relationship with Pioneer Credit Recovery, and it is past time for the Department to terminate the federal loan servicing contract with Sallie Mae/Navient.

Sincerely,

Higher Ed, Not Debt
Campaign for America's Future
Student Debt Crisis
The Other 98%
One Wisconsin Now
Connecticut Citizen Action Group
Generation Progress