

Durbin Joins Colleagues In Pressing Navient To Cancel Loans Of Borrowers Scammed By For Profit Colleges

by Theresa Bordenave
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WASHINGTON – Today, U.S. Senate Majority Whip Dick Durbin (D-IL) joined U.S. Senator Elizabeth Warren (D-MA) and seven of their Senate colleagues in sending a letter to David L. Yowan, President and Chief Executive Officer of student loan servicer Navient, urging the servicer to cancel decades-old private student loans pushed onto borrowers attending fraudulent, for-profit colleges. The letter comes as Navient plans to transfer its 2.7 million student borrower loan portfolio to the Higher Education Loan Authority of the State of Missouri (MOHELA) by the end of the year.

“We write to urge the Navient Corporation to cancel the decades-old, predatory student loans in its portfolio that are governed by the FTC’s ‘Holder Rule’ and subject to claims and defenses based on well-established school misconduct and predatory lending,” wrote the Senators. “our company should provide relief to borrowers immediately,

before the impending servicing transfer of these and other student loans to the Higher Education Loan Authority of the State of Missouri.”

Beginning in 2000, Navient—known then as Sallie Mae—engaged in predatory loan practices with fraudulent, for-profit colleges in exchange for a steady supply of borrowers. Many of these loans still remain in Navient’s portfolio and are eligible for cancellation due to Navient’s misconduct and under the FTC’s Holder-In-Due-Course Rule (Holder Rule), which allows borrowers to raise the same claims and defenses against a loan provider that they could raise against the original seller of the good or service.

Navient is aware of its potential liability to discharge these loans, and has been forced to cancel some of these loans through legal settlements. This year, the servicer set aside \$35 million in anticipation of a liability to cancel predatory legacy loans. While the Department of Education has promised to wipe out over \$18 billion of predatory federal debt from for-profit schools, Navient hides and establishes convoluted pathways to relief for its similar private predatory loans.

Navient is set to transfer its student loan portfolio to MOHELA by the end of 2024. MOHELA is ill suited to facilitate the cancellation of these loans. During the return to repayment, at least 2.5 million MOHELA borrowers were affected by servicing failures like backlogs, payment miscalculations, and late bills.

“Navient should stop making borrowers apply for relief and instead automatically cancel student debt using information the company already has about whether borrowers attended schools that would entitle them to relief,” said the Senators. “Given MOHELA’s failure to follow guidance on canceling predatory federal loans, it is hard to believe that it will behave any better in canceling similar private loans Navient will transfer to them.”

Joining Durbin and Warren in sending the letter were U.S. Senators Richard Blumenthal (D-CT.); Ed Markey (D-MA); Jeff Merkley (D-OR); Bernie Sanders (I-VT); Tina Smith (D-MN); Peter Welch (D-VT); and Ron Wyden (D-OR).

A copy of the letter can be found [here](#).

The letter was endorsed by the Student Borrower Protection Center and the Project on Predatory Student Lending.