Troubled Servicer Navient to Exit Federal Student Loan System

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Boston - In response to the announcement that the student loan servicer Navient intends to end its federal contract with the Department of Education in December and proposes Maximus Federal Services, Inc. (“Maximus”) as substitute servicer, Persis Yu, director of the National Consumer Law Center’s Student Loan Borrower Assistance Project, issued the following statement:

“For decades, servicing misconduct and carelessness have plagued borrowers, causing too many borrowers to pay more and for longer on their loans. Lawsuits by borrowers, the Consumer Financial Protection Bureau, and numerous state attorneys general have charged Navient with a long history of these practices. Navient’s conduct has left millions of borrowers confused and paying more for longer, and has stopped them from obtaining the relief they are entitled to. While today’s announcement will ensure that those borrowers can no longer be harmed by Navient’s practices, it also demonstrates how irrevocably broken our student loan system is.

“We find it troubling that Navient can appoint its own substitute without being subject to the same rigorous and public solicitation process. This back-room deal is further evidence that the federal student loan system is too big to fail. Maximus is the servicer that operates the Department’s Debt Management and Collection System, known to borrowers as the Default Resolution Group. In December, 2019, the National Consumer Law Center, along with Justice Catalyst and Flitter Milz, P.C., sued Maximus for failing to cease “collection activity” (or continuing to seize borrowers’ tax refunds and wages) after defrauded borrowers had submitted a “Borrower Defense to Repayment” Application to the Department of Education’s Office of Federal Student Aid (“FSA”). That suit is still pending.

“Navient is now the fourth federal student loan servicer to opt out of the government’s servicing contract. But forty-three million federal student loan borrowers do not have the luxury of opting out of a system that has failed to adequately protect them. While servicers have reaped billions of dollars in lucrative contracts, borrowers have been exposed to abusive practices, largely unprotected and, for too long, without adequate remedies. We are heartened to see the Department of Education rescind its Notice of Preemption to help ensure that borrowers have access to protections under state law.

“But more needs to be done. The Department must take bold action to ensure that borrowers are not harmed as it reshuffles loan accounts. Borrowers’ financial futures hang in the balance while the Department decides what to do next and they deserve action that acknowledges the large-scale systemic failures. We call on President Biden to commit to widespread administrative debt cancellation immediately.”