

STATE OF NORTH CAROLINA

FILED IN THE GENERAL COURT OF JUSTICE
SUPERIOR COURT DIVISION

WAKE COUNTY

22 CVS _____

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STATE OF NORTH CAROLINA ex rel.
JOSHUA H. STEIN, ATTORNEY GENERAL, C.S.C.

Plaintiff,

BY 

v.

NAVIENT CORPORATION, NAVIENT SOLUTIONS, LLC, PIONEER CREDIT RECOVERY, INC., and GENERAL REVENUE CORPORATION,

Defendants.

COMPLAINT

I. PLAINTIFF

- 1.1 The Plaintiff is the State of North Carolina.
- 1.2 The Attorney General is authorized to commence this action pursuant to authority found in Chapters 75 and 114 of the North Carolina General Statutes.

II. DEFENDANTS

- 2.1 Navient Corporation (“Navient Corp.”) is a Delaware corporation with its principal executive offices in Wilmington, Delaware.
- 2.2 Navient Solutions, LLC (“Navient”), a wholly-owned subsidiary of Navient Corporation, is a corporation headquartered in Wilmington, Delaware. Navient was formerly known as Sallie Mae, Inc. or Sallie Mae, and was a subsidiary of SLM Corporation (“Former SLM Corporation”) until April 2014. In April 2014, the Former SLM Corporation separated into two publicly traded entities: Navient Corp. and a new SLM Corporation. After the 2014 separation, Sallie Mae, Inc. changed its name to Navient Solutions, Inc. In 2017, Navient Solutions, Inc. changed its name to Navient Solutions, LLC.

2.3 Pioneer Credit Recovery, Inc. (“Pioneer”), a wholly-owned subsidiary of Navient Corporation, is a corporation based in Arcade, New York.

2.4 General Revenue Corporation (“GRC”) is formerly a wholly-owned subsidiary of Navient Corporation and an Ohio corporation with its principal executive offices in Mason, Ohio.

III. JURISDICTION

3.1 The State files this complaint and institutes these proceedings under the provisions of the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, *et seq.*

3.2 Defendants have engaged in the conduct described below in Wake County and elsewhere in the state of North Carolina. This Court has jurisdiction over this matter pursuant to the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, *et seq.*

IV. VENUE

4.1 Venue is proper in Wake County because, at all times relevant hereto, Defendants transacted business in the State of North Carolina and nationwide by servicing and collecting on student loans owed by borrowers in North Carolina and nationwide, and that business is governed by the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, *et seq.*

V. FACTS

5.1 Many students in the State of North Carolina finance their educations in part through federal and/or private student loans.

5.2 The State alleges that before the Former SLM Corporation split, Sallie Mae and its lending affiliates originated subprime student loans that Sallie Mae expected would default at high rates, and which did default at high rates.

5.3 Borrowers and cosigners have complained that Navient's billing and payment systems made it difficult for borrowers and cosigners to control the application and allocation of their payments.

5.4 The State alleges that Navient encouraged federal student loan borrowers to contact it if they experienced difficulty repaying, and represented to borrowers that it would help them make the right decision for their situation.

5.5 The State alleges that in the course of servicing federal student loans, Navient placed some borrowers who were experiencing long-term financial distress or hardship into forbearances or offered forbearances to such borrowers without adequately exploring whether an alternative repayment plan, such as an income-driven repayment ("IDR") plan, would be more appropriate for their circumstances.

5.6 The State alleges that Navient's IDR renewal notifications to federal student loan borrowers did not adequately advise borrowers of the subject matter and urgency of the notifications. The companies improved these notifications in December 2012 and March 2015, respectively, after which they achieved higher levels of IDR recertification.

5.7 The State alleges that Navient misinformed some borrowers and cosigners concerning the qualifications and criteria for cosigner release on some private student loans. Between 2013 and 2016, Navient changed some of its cosigner release procedures and disclosures.

5.8 The State alleges that Pioneer and GRC misinformed some defaulted federal student loan borrowers about certain requirements and consequences of options for getting their loans out of default, rehabilitation and consolidation.

VI. FIRST CAUSE OF ACTION

6.1 The State incorporates Paragraphs 1.1 through 5.8 herein as if set forth in their entirety.

6.2 The State of North Carolina alleges that Defendants' conduct, described above, occurred in trade or commerce, affected the public interest, and that Defendants (or their predecessors) violated the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, *et seq.*, by:

- a. Originating private student loans that defaulted at high rates in order to gain access to federally guaranteed or otherwise more profitable loan volume between 2001 and 2009;
- b. Representing that Navient would help federal student loan borrowers find payment options that fit their circumstances and budget and minimized costs, and then offering or placing borrowers into forbearances without first exploring IDR plans;
- c. Maintaining billing and payment systems that made it difficult for borrowers and cosigners to control the application and allocation of their payments and furnishing incorrect information related to cosigner release; and
- d. Collecting student loans in an unfair or deceptive manner.

VII. PRAYER FOR RELIEF

Wherefore, the State prays for the following relief:

7.1 A declaration that Defendants' acts described above are unfair or deceptive acts or practices in trade or commerce, affecting the public interest, and in violation of the North Carolina Unfair and Deceptive Trade Practices Act, N.C.G.S. §§ 75-1.1, *et seq.*;

7.2 An injunction pursuant to N.C.G.S. §§ 75-14 enjoining Defendants from engaging in any acts that violate the North Carolina Unfair and Deceptive Trade Practices Act, including, but not limited to, the unfair and deceptive acts and practices alleged herein;

7.3 An order necessary to restore to any person an interest in any moneys or property, real or personal, which may have been acquired by means of an act prohibited by the Unfair and Deceptive Trade Practices Act, pursuant to N.C.G.S. §§ 75-1.1, *et seq.*;

7.4 An award of the State's reasonable costs and attorney's fees incurred in this action, pursuant to N.C.G.S. §§ 75-16.1; and

7.5 Any other award the Court determines is just and equitable.

DATED this 13th day of January, 2022.

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