

STATE OF WISCONSIN,

Plaintiff,

v.

Case No. 2022-CX-_____

Complex Forfeiture: 30109

NAVIENT CORPORATION;
NAVIENT SOLUTIONS, LLC;
PIONEER CREDIT
RECOVERY, INC.; AND
GENERAL RECOVERY
CORPORATION,

Defendants.

COMPLAINT

The Plaintiff, State of Wisconsin, by Joshua L. Kaul, the Attorney General of Wisconsin, brings this action against Defendants, Navient Corporation, Navient Solutions, LLC, Pioneer Credit Recovery, Inc., and General Recovery Corporation, and states as follows:

I. PLAINTIFF

1. Plaintiff, the State of Wisconsin (“State”) maintains its seat of government at the State Capitol in the City of Madison. The State is represented in this action by the Wisconsin Attorney General, Josh Kaul, and Assistant Attorney General Laura E. McFarlane.

II. DEFENDANTS

2. Navient Corporation (“Navient Corp.”) is a Delaware corporation with its principal executive offices in Wilmington, Delaware.

3. 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.

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

5. 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

6. The State files this complaint and institutes these proceedings under the provisions of Wis. Stat. § 100.18.

7. Defendants have engaged in the conduct described below in Dane County and elsewhere in the State of Wisconsin. This Court has jurisdiction over this matter pursuant to Wis. Stat. § 801.05(1)(d).

IV. VENUE

8. Venue is proper in Dane County pursuant to Wis. Stat. § 801.50(2)(a) and (c) because it is the county where the claim arose and a county in which Defendants have done substantial business.

V. FACTS

9. Many students in the State of Wisconsin finance their educations in part through federal and/or private student loans.

10. 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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

Wis. Stat. § 100.18(1)

17. The State incorporates Paragraphs 1 through 16 herein as if set forth in their entirety.

18. The State of Wisconsin alleges that Defendants' conduct, described above, occurred in trade or commerce, affected the public interest, and that Defendants (or their predecessors) violated Wis. Stat. § 100.18(1) by, among other things:

- a. 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;

- b. Misinforming borrowers and cosigners on the qualifications and criteria for cosigner release on some private student loans;
- c. Misinforming defaulted federal student borrowers about requirements and consequences of options for getting their loans out of default, rehabilitation and consolidation; and
- d. Collecting student loans in an unfair or deceptive manner.

VII. PRAYER FOR RELIEF

Wherefore, the State prays for the following relief:

A. A declaration that Defendants' acts described above are in violation of Wis. Stat. § 100.18(1);

B. An injunction pursuant to Wis. Stat. § 100.18(11)(d) enjoining Defendants from engaging in any acts that violate Wis. Stat. § 100.18, including, but not limited to, the untrue, deceptive, and misleading representations alleged herein;

C. 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 Wis. Stat. § 100.18, pursuant to Wis. Stat. § 100.18(11)(d);

D. An award of a forfeiture for each and every violation of Wis. Stat. § 100.18(1), pursuant to Wis. Stat. § 100.26(4);

E. An award of the State's reasonable costs and attorney's fees incurred in this matter, pursuant to Wis. Stat. § 100.263; and

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

Dated this 13th day of January, 2022.

JOSHUA L. KAUL
Attorney General of Wisconsin

Electronically signed by:

s/ Laura E. McFarlane
LAURA E. MCFARLANE
Assistant Attorney General
State Bar #1089358

Attorneys for State of Wisconsin

Wisconsin Department of Justice
Post Office Box 7857
Madison, Wisconsin 53707-7857
(608) 266-8911
(608) 266-2250 (Fax)
mcfarlanele@doj.state.wi.us