

April 17, 2020

Board of Directors  
Navient  
123 Justison Street  
Wilmington, Delaware 19801

Directors:

We write to you amid an unprecedented public health and economic crisis, and in the hope of mitigating the financial fallout it is likely to cause millions of student loan borrowers. In particular, in light of Navient's history of illegal student loan servicing practices, considerable executive compensation, and extensive dividend and buyback schemes, it is imperative that Navient finally prioritize the needs of consumers by taking the actions outlined below. This includes halting buybacks and dividends, restructuring executive and board compensation, and reinvesting in the company's consumer-facing infrastructure to address the coronavirus pandemic and its long-term ramifications. Borrowers nationwide are struggling in the face of layoffs, unexpected costs, and broader social disruptions. Right now, these borrowers cannot afford for Navient to be focused on enriching its board, its executives, and its shareholders while customer service continues to languish.

Over 22 million Americans filed jobless claims in the past four weeks.<sup>1</sup> People from all walks of life have been left to wonder whether their checks will still clear at the end of the month, how long they will be able to continue providing for their families, and whether leaving home simply to stock up on vital necessities could expose them to a life-threatening virus. Indeed, it is likely that our nation will be grappling with the fallout of the coronavirus pandemic far beyond the weeks and months to come.

The current crisis arrived at a time when tens of millions of borrowers were already struggling under the weight of student debt. Last year, a borrower defaulted on a federal student loan every 26 seconds.<sup>2</sup> At the start of 2020, more than 11 percent of aggregate student loan debt was at least 90 days delinquent or in default.<sup>3</sup> And now, millions of additional borrowers are teetering on the edge as the fallout from the global coronavirus pandemic unfolds.

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<sup>1</sup> Rebecca Rainey, *Jobless Claims Reach 22 Million over Four Weeks*, Politico (Apr. 16, 2020, 08:32 AM), <https://www.politico.com/news/2020/04/16/coronavirus-unemployment-claims-numbers-190026>.

<sup>2</sup> Ben Kaufman, *New Data Shows Student Loan Defaults Spiked in 2019 – A Warning to Industry and DeVos Amid Economic Fallout* (Mar. 13, 2020), <https://protectborrowers.org/every-26-seconds/>.

<sup>3</sup> FEDERAL RESERVE BANK OF NEW YORK, HOUSEHOLD DEBT AND CREDIT, 2019:Q4 (Feb. 2020), available at [https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc\\_2019q4.pdf](https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/hhdc_2019q4.pdf) (“[D]elinquency rates for student loans are likely to understate effective delinquency rates because about half of these loans are currently in deferment, in grace periods or in forbearance and therefore temporarily not in the repayment cycle. This implies that among loans in the repayment cycle delinquency rates are roughly twice as high.”).

## The Priorities of Navient's Leadership are Unacceptable in a Time of Crisis

The present downturn came amid a sustained period of lavish spending by Navient on its board, managers, and shareholders. In particular, since spinning off from Sallie Mae in 2014, Navient has spent approximately \$4.5 billion on executive pay, board compensation, and short-term reassurances for the company's investors. This includes:

- \$3.2 billion in stock buybacks, "which has reduced common shares outstanding by over 50%,"<sup>4</sup>
- \$1.2 billion in dividend payments;<sup>5</sup>
- \$93 million in compensation for eight named executive officers;<sup>6</sup> and
- \$16 million in compensation for sixteen members of the board of directors.<sup>7</sup>

Of particular note is the board's remuneration of Navient's Chief Executive Officer, Jack Remondi. Between 2014 and 2019 alone, Mr. Remondi was paid \$38,792,704.<sup>8</sup> Though the relevant data have not yet been made publicly available, we can only presume this breakneck pace of compensation is slated to continue through 2020. Mr. Remondi is also given extensive

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<sup>4</sup> Navient Corporation, Annual Report (Form 10-K), at 4 (Feb. 27, 2020), available at <https://navientcorporation.gcs-web.com/static-files/11a95995-eb08-4374-b0ba-5c372afe1fbc>.

<sup>5</sup> *Id.* at 4 ("In 2019 and 2018, Navient paid \$147 million and \$166 million, respectively, in dividends."); Navient Corporation, Annual Report (Form 10-K), at 5, (Feb. 26, 2018), available at <https://navientcorporation.gcs-web.com/static-files/6f82a782-724f-44ff-aa39-4489cfcdf012> ("For the years ended December 31, 2017 and 2016, Navient paid \$176 million and \$201 million, respectively, in dividends."); Navient Corporation, Annual Report (Form 10-K), at 5, (Feb. 25, 2016), available at <https://navientcorporation.gcs-web.com/static-files/62516ce4-8c5c-4792-ae04-5efb058cf30a> ("For the year ended December 31, 2015, we paid \$240 million in dividends on shares of our common stock."); Navient Corporation, Annual Report (Form 10-K), at 4 (Feb. 27, 2015), available at <https://navientcorporation.gcs-web.com/static-files/56e23b72-82ed-4a17-acf8-a1b81b92f9c4> ("For the year ended December 31, 2014, we paid \$249 million in dividends on shares of our common stock.").

<sup>6</sup> Navient Corporation, Proxy Statement (Schedule 14A), at 73, (Apr. 29, 2019), available at <https://navientcorporation.gcs-web.com/static-files/ea8c8be5-46da-4818-9fd6-1b34d7f3dc0f> (showing executive compensation for FY 2016, 2017, and 2018); Navient Corporation, Proxy Statement (Schedule 14A), at 58, (Apr. 15 2016), available at <https://navientcorporation.gcs-web.com/static-files/1a8de21a-36db-4786-96f1-d1e253d7019a> (showing executive compensation for FY 2014 and 2015).

<sup>7</sup> Navient Corporation, Proxy Statement (Schedule 14A), at 32, (Apr. 9, 2020), available at <https://navient.com/about/investors/stockholderinfo/secfilings/default.aspx> (showing Director Compensation for FY 2019); Navient Corporation, Proxy Statement (Schedule 14A), at 43, (Apr. 29, 2019), available at <https://navientcorporation.gcs-web.com/static-files/ea8c8be5-46da-4818-9fd6-1b34d7f3dc0f> (showing Director Compensation for FY 2018); Navient Corporation, Proxy Statement (Schedule 14A), at 33 (Apr. 13, 2018), available at <https://navientcorporation.gcs-web.com/static-files/ca3e4d78-2dd7-4d47-94ba-bf4e88900d6e> (showing Director Compensation for FY 2017); Navient Corporation, Proxy Statement (Schedule 14A), at 31 (Apr. 13, 2017), available at <https://navientcorporation.gcs-web.com/static-files/91ec24a1-4996-4679-bf0c-ff145bfe864a> (showing Director Compensation for FY 2016); Navient Corporation, Proxy Statement (Schedule 14A), at 34, (Apr. 15, 2016), available at <https://navientcorporation.gcs-web.com/static-files/1a8de21a-36db-4786-96f1-d1e253d7019a> (showing Director Compensation for FY 2015); Navient Corporation, Proxy Statement (Schedule 14A), at 33 (Apr. 10, 2015), available at <https://navientcorporation.gcs-web.com/static-files/c2004458-9cce-483c-976b-8785fce11e56> (showing Director Compensation for FY 2014).

<sup>8</sup> Navient Corporation, Proxy Statement (Schedule 14A), at 51, (Apr. 9, 2020), available at <https://navient.com/about/investors/stockholderinfo/secfilings/default.aspx> (showing realized pay 2015-2019); Navient Corporation, Proxy Statement (Schedule 14A), at 58, (Apr. 15 2016), available at <https://navientcorporation.gcs-web.com/static-files/1a8de21a-36db-4786-96f1-d1e253d7019a> (showing executive compensation for FY 2014).

fringe benefits, including access to a corporate jet for use in flights “between Navient offices in Delaware and Virginia and his three homes in Massachusetts and Florida.”<sup>9</sup>

This plush lifestyle contrasts sharply with the harsh reality that millions of student loan borrowers face every day, especially when it comes to their interactions with Navient. As illustrated in lawsuits from the federal government and states attorneys general across the country,<sup>10</sup> in the untold billions of dollars of unnecessary fees that Navient has unfairly imposed on borrowers,<sup>11</sup> and in thousands of harrowing personal narratives submitted to the Consumer Financial Protection Bureau,<sup>12</sup> Navient has consistently and systematically failed to offer student loan borrowers the quality customer service they desperately need.

These borrowers are not chasing an executive performance bonus, are not worried about Navient’s quarterly earnings, and would likely find little consolation in the news that you, Navient’s board, authorized a new share repurchase program for up to \$1 billion of the company’s outstanding common stock in October.<sup>13</sup> Instead, they simply want to be given accurate information about their loans and the various protections that they are entitled to in repayment. Up to now, though, borrowers of both federal loans that Navient services and private loans that Navient owns have found that the company has regularly failed to meet even their most basic needs.

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<sup>9</sup> Erin Arvedlund, *Navient, Your Student Loan Servicer, Is Under Pressure from an Activist Hedge Fund. Is That Good or Bad for Borrowers?*, the Philadelphia Inquirer (June 2, 2019), <https://www.inquirer.com/business/navient-john-remondi-canyon-partners-joshua-friedman-student-loans-20190602.html>.

<sup>10</sup> *A \$1.5 Trillion Crisis: Protecting Student Borrowers and Holding Student Loan Servicers Accountable Testimony Before the H. Fin. Serv. Comm.*, 115 Cong. 18, n.77 (2019) (statement of Seth Frotman), available at <https://financialservices.house.gov/uploadedfiles/hhrg-116-ba00-wstate-frotmans-20190910.pdf>; see also Aarthi Swaminathan, *Lawsuit: 30,000 Borrowers Are Being Charged for Student Loans That Were Already Discharged*, Yahoo! Finance (Feb. 20, 2020), <https://finance.yahoo.com/news/lawsuit-30000-borrowers-charged-student-loans-discharged-154117235.html>.

<sup>11</sup> See, e.g., Complaint at 23, *Consumer Fin. Prot. Bureau v. Navient Corp. et al.*, No. 3:17-cv-00101-RDM (M.D. Pa. Jan. 18, 2017) (“Navient had added nearly four billion dollars of unpaid interest to the principal balance of their loans. For many of these borrowers, had they been enrolled in an income-driven repayment plan, they would have avoided much or all of their additional charges because the government would have paid the unpaid interest on their subsidized loans in full during the first three years of consecutive enrollment.”).

<sup>12</sup> As of April 16, 2020, Navient and its subsidiaries Earnest and Pioneer Credit Recovery were the subject of 32,195 consumer complaints to the CFPB’s complaint database (<https://bit.ly/2KdyCMo>). Since the Bureau began handling complaints related to all aspects of student lending, servicing, and collections (the CFPB began handling private student loan complaints in March 2012, debt collection complaints in July 2013, and federal student loan complaints in February 2016), Navient has been the primary target of complaints from student loan borrowers. Since March 2016, complaints against Navient account for nearly 46 percent of all complaints from student loan borrowers (student loan borrowers have submitted 48,382 complaints to the CFPB, 22,183 of which are against Navient). See <https://bit.ly/2xyabGu>, <https://bit.ly/3dGC8fl>. In fact, as the most recent annual report of the CFPB’s student loan ombudsman details, Navient was the recipient of more than half of all private student loan complaints submitted between September 2017 and August 2019. See CONSUMER FINANCIAL PROTECTION BUREAU, ANNUAL REPORT OF THE CFPB PRIVATE EDUCATION LOAN OMBUDSMAN, Figure 3, Figure 7, available at [https://files.consumerfinance.gov/f/documents/cfpb\\_annual-report\\_private-education-loan-ombudsman\\_2019.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-report_private-education-loan-ombudsman_2019.pdf). Navient garnered up to 117 percent more federal student loan complaints per borrower than the second most frequently complained about servicer. *Id.* at Table 1.

<sup>13</sup> Navient, *Navient Announces New \$1 Billion Share Repurchase Authority* (Oct. 23, 2019), available at <https://news.navient.com/news-releases/news-release-details/navient-announces-new-1-billion-share-repurchase-authority-0>.

In the best of times, these servicing failures are unacceptable. But now, in light of the coronavirus outbreak, these breakdowns are abhorrent and dangerous.

### **Navient Must Correct Course Now to Meet the Demands of the Current Crisis**

Navient now has a substantial task before it. Congress recently established a six-month moratorium on payments for federally owned student loans, implying that Navient will need to quickly implement a complex set of promised consumer protections including modified repayment schemes on behalf of millions of federal student loan borrowers. When this six-month period ends, Navient will be responsible for navigating borrowers who have still not regained their financial footing toward the affordable repayment options that they are entitled to under law. This is likely to be a sizable demographic.

At the same time, Navient will also have to attend to the unique needs of the untold number of borrowers whose private student loans and commercially-owned FFELP loans fall outside of the Congressionally mandated six-month payment pause.<sup>14</sup> Navient owns tens of billions of dollars of these loans, including many loans that the company itself originated, meaning that countless borrowers under Navient's direct management will be struggling.<sup>15</sup> Offering these borrowers the information they need and the protections they have been promised will be a substantial job, and succeeding there while also providing quality customer service for federal student loan borrowers will demand an unprecedented level of responsiveness and competence from Navient.

Unfortunately, Navient's track record since the outbreak of the coronavirus pandemic has provided little evidence that the company is up to this task. Instead of being offered a path toward relief, borrowers who have attempted to contact Navient in recent weeks have reported being hung up on, ignored, or otherwise denied critically needed protections to which they are legally or contractually entitled.<sup>16</sup>

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<sup>14</sup> Tariq Habash, *The CARES Act Leaves Behind Millions of Student Loan Borrowers* (Mar. 27 2020), <https://protectborrowers.org/the-cares-act-leaves-behind-millions-of-student-loan-borrowers/>.

<sup>15</sup> Navient Corporation, Annual Report (Form 10-K), at 3 (Feb. 27, 2020), available at <https://navientcorporation.gcs-web.com/static-files/11a95995-eb08-4374-b0ba-5c372afe1fbc>.

<sup>16</sup> Wade Davis (@WadeDavis), Twitter (Mar. 21, 2020 11:51 AM), <https://twitter.com/wadesdavis/status/1241392038433693696> (“@Navient Your offices are closed and emails are bouncing back. How do you plan to communicate with customers who may need an extension for student loan payments during this time?”); John Mason (@JohnMason), Twitter (Mar. 14, 2020, 11:36 AM), [https://twitter.com/john\\_mason\\_/status/1238851430972358658](https://twitter.com/john_mason_/status/1238851430972358658) (“The phone system still isn't working”); (@ksledet), Twitter (Mar. 14, 2020, 10:42 AM), <https://twitter.com/ksledet/status/1238837875640356864> (“@Navient web down and apparently inclement weather stopping you from picking up the phones”); Nick Mirarchi (@nick\_um), Twitter (Mar. 14, 2020, 10:18 AM), [https://twitter.com/Nick\\_um/status/1238831923709054976](https://twitter.com/Nick_um/status/1238831923709054976) (“@Navient 'Due to inclement weather we are unavailable to answer your call' - WHAT INCLEMENT WEATHER??? some of us need to print our tax forms and your website login is unavailable and so is your phone support. Completely unacceptable”); Alyson (@jazzysplash), Twitter (Mar. 23, 2020 11:22 AM), <https://twitter.com/Jazzysplash/status/1242109350665224192> (“@Navient please make your website easier to figure out how to defer loans. I've been on hold with you on the phone for hours now”); (@jaerae144), Twitter (Mar. 21, 2020 1:25 PM), <https://twitter.com/jaerae144/status/1241415581791703040> (“Yesterday I tried calling @Navient to defer my loans for 60 days and got an automated phone call saying they were swamped with calls. They also are closed on the weekends. Navient when can I expect to actually talk to someone?”); Student Debt Crisis (@DebtCrisisOrg), Twitter (Mar. 20 2020 12:16 PM), <https://twitter.com/DebtCrisisOrg/status/1241035867306618880>; (@NAShabrou15), Twitter (Mar. 23, 2020, 5:07 PM), <https://twitter.com/NAShabrou15/status/1242196219511758848> (“@Navient tried calling every phone number I have and all of them are disconnected. Are you not taking payments this month?”); Navient,

These ongoing breakdowns are, in part, due to Navient's longstanding failure to invest in front-line systems that could help the tens of millions of borrowers whose financial futures it manages.<sup>17</sup> Accordingly, instead of continuing to generously heap attention and resources upon its board, its executives, and the short-term benefit of its shareholders, we ask that Navient take the following steps to address the impacts of the coronavirus pandemic:

- **Halt all dividends and share buybacks indefinitely.** In recent weeks, dozens of major corporations have announced that they would cancel planned buybacks so that they might shore up their core operations during the coronavirus crisis.<sup>18</sup> Navient should join these companies by indefinitely pausing buybacks, including those authorized through the \$1 billion repurchase authority the Board approved last October, and by immediately suspending any planned dividend payments.
- **Reconsider existing plans for executive and board compensation.** In the wake of the disruptions caused by the coronavirus, executives from companies of every size and industry have recently agreed to defer, forgo, or substantially reduce their salaries and bonus compensation.<sup>19</sup> Noting that, and in light of the wage cuts and layoffs many borrowers serviced by Navient have recently faced, Navient's executives and board, including Mr. Remondi, should accept a pause in their generous levels of compensation for the remainder of the coronavirus pandemic. Millions of student loan borrowers have already been impacted by the economic consequences of this crisis — the least that Navient's executives and board can do is temporarily refrain from enriching themselves at borrowers' expense.
- **Reallocate preserved capital toward investment in customer service.** As discussed above, Navient has consistently chosen not to invest in building the robust customer service capabilities necessary for the company to carry out its mission. In this critical time, the cracks and frailties in Navient's systems have only become more prominent and problematic. But Navient does not have to continue along this path. Instead, Navient's board has both the obligation and the opportunity to redirect capital that might have otherwise been allocated to executives, investors, and itself toward the improvement of the company's consumer-facing capabilities. More than any

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Facebook (Mar. 14, 2020), <https://www.facebook.com/Navient/posts/1795850547224908> (saying that phone lines and automated phone systems are up and working after prior disruptions).

<sup>17</sup> See, e.g., Michael Lewis, *The Seven Minute Rule* (Apr. 9, 2019), <https://luminarypodcasts.com/listen/pushkin-industries/against-the-rules-with-michael-lewis/the-seven-minute-rule/3c28bc78-ce5b-4b09-9fc2-b1e19183ad0b?country=US>.

<sup>18</sup> Shanthy Rexaline, *Companies Suspend Dividends, Buybacks as Pandemic Weakens Market*, Yahoo! Finance (Mar. 26, 2020), <https://finance.yahoo.com/news/companies-suspend-dividends-buybacks-pandemic-201244468.html>.

<sup>19</sup> See, e.g., Ethan Wolff-Mann, *Here's a List of CEOs Taking Pay Cuts Amid The Coronavirus Crisis*, Yahoo! Finance (Mar. 30, 2020), <https://finance.yahoo.com/news/heres-a-list-of-ce-os-taking-pay-cuts-amidst-the-coronavirus-crisis-171206258.html>; Libertina Brandt, *13 Business Leaders Who Have Cut Their Salaries to \$0 to Help Struggling Workers as the Coronavirus Wreaks Havoc on Their Industries*, Business Insider (Mar. 23, 2020), <https://www.businessinsider.com/list-of-business-leaders-giving-up-salaries-during-the-pandemic-2020-3>; Alicia Lee, *Columbia Sportswear CEO Takes Pay Cut to Help Support Employees During Coronavirus Crisis*, CNN Business, (Mar. 29, 2020), <https://www.cnn.com/2020/03/29/business/tim-boyle-columbia-sportswear-salary-coronavirus-trnd/index.html>.

compensation package or buyback program, such an investment might finally allow student loan borrowers to secure the customer service that Navient has so long denied them.

Your company has argued in federal court that it has no obligation to act “in the interest of the consumer.”<sup>20</sup> As described above, this worldview has clearly shaped Navient’s business practices to date. But this should not and cannot remain so.

By taking the steps outlined above, you, the board, can begin finally moving the company toward offering meaningful customer service to the millions of borrowers whose federal, private, or commercially owned FFELP loans the company owns or manages. With millions of borrowers already harmed by Navient’s underinvestment in customer service and millions more likely to turn to the company in the coming months in search of needed relief, there is simply no time to waste.

Sincerely,

Seth Frotman  
Executive Director  
Student Borrower Protection Center

Alexis Goldstein  
Senior Policy Analyst  
Americans for Financial Reform Education Fund

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<sup>20</sup> Brief of Def. Navient Corp. in support of Defs Motion to Dismiss at 21, *Consumer Fin. Prot. Bureau v. Navient Corp. et al.*, No. 3:17-cv-00101-RDM (M.D. Pa. Mar. 24, 2017), available at <https://consumerist.com/consumermediallc.files.wordpress.com/2017/04/gov-uscourts-pamd-110329-29-0.pdf>.