

**IN THE CIRCUIT COURT OF COLE COUNTY
STATE OF MISSOURI**

STATE OF MISSOURI, ex rel.
ERIC S. SCHMITT,
ATTORNEY GENERAL
Plaintiff,

v.

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

PETITION FOR INJUNCTIVE AND OTHER RELIEF

Plaintiff, the State of Missouri, through Missouri Attorney General Eric S. Schmitt (hereinafter, “Attorney General”), brings this action against Navient Corporation, Navient Solutions, LLC, and Pioneer Credit Recovery, Inc. (collectively the “Navient Parties”), and General Revenue Corporation (collectively with the “Navient Parties”, the “Defendants”) for Defendants’ unfair and deceptive acts and practices in violation of the Missouri Merchandising Practices Act, Chapter 407 RSMo (the “MMPA”). In support of this Petition, the Attorney General alleges:

PARTIES

1. The Plaintiff is the State of Missouri, acting through the Attorney General. The Attorney General is charged with, among other things, enforcing and seeking redress for violations of the MMPA.

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, 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.

JURISDICTION AND VENUE

6. This Court has jurisdiction over the subject matter of this action pursuant to Article V, Section 14 of the Missouri Constitution.

7. This Court has jurisdiction over Defendants pursuant to Section 506.500 RSMo because at all times relevant to this Petition, Defendants engaged in the conduct described below in Cole County and elsewhere in the State of Missouri in violation of the MMPA.

8. Venue is appropriate in this Court pursuant to Section 407.100.7 RSMo because violations alleged herein occurred in connection with the sale or advertisement of merchandise in Cole County.

ALLEGATIONS

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

10. The Attorney General 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 Attorney General 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 Attorney General 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 Attorney General 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.

15. The Attorney General alleges that Navient misinformed some borrowers and cosigners concerning the qualifications and criteria for cosigner release on some private student loans.

16. The Attorney General 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.

COUNT I
VIOLATION OF THE MISSOURI MERCHANDISING PRACTICES ACT

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

18. The Missouri Merchandising Practices Act, in Section 407.020.1 RSMo, provides that:

The act, use or employment by any person of any deception, fraud, false pretense, false promise, misrepresentation, unfair practice or the concealment, suppression, or omission of any material fact in connection with the sale or advertisement of any merchandise in trade or commerce . . . in or from the state of Missouri, is declared to be an unlawful practice Any act, use or employment declared unlawful by this subsection violates this subsection whether committed before, during or after the sale, advertisement or solicitation.

19. In connection with its advertisement and sale of loans and loan servicing within Missouri and to Missouri consumers and residents, Defendants engaged in unlawful acts and practices in violation of Section 407.020 RSMo. Such conduct includes but is not limited to:

- 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 while failing to fully inform borrowers of the risky nature of those loans;
- 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.

20. Section 407.100 RSMo, provides:

1. Whenever it appears to the attorney general that a person has engaged in, is engaging in, or is about to engage in any method, act, use, practice or solicitation, or any combination thereof, declared to be unlawful by this chapter, the attorney general may seek and obtain, in an action in a circuit court, an injunction prohibiting such person from continuing such methods, acts, uses, practices, or solicitations, or any combination thereof, or engaging therein, or doing anything in furtherance thereof.

* * * * *

3. If the court finds that the person has engaged in, is engaging in, or is about to engage in any method, act, use, practice or solicitation, or any combination thereof, declared to be unlawful by this chapter, it may make such orders or judgments as may be necessary to prevent such person from employing or continuing to employ, or to prevent the recurrence of, any prohibited methods, acts, uses, practices or solicitations, or any combination thereof, declared to be unlawful by this chapter.

4. The court, in its discretion, may enter an order of restitution, payable to the state, as may be necessary to restore to any person who has suffered any ascertainable loss, including, but not limited to, any moneys or property, real or personal, which may have been acquired by means of any method, act, use, practice or solicitation, or any combination thereof, declared to be unlawful by this chapter
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6. The court may award to the state a civil penalty of not more than one thousand dollars per violation

21. Section 407.140.3 RSMo provides that in addition to restitution, the Court may award an “amount as may be agreed upon by the parties or awarded by the court, which amount shall be paid into the state treasury to the credit of the merchandising practices revolving fund.”

22. Section 407.130 RSMo provides that in any action brought under Section 407.100, “the attorney general is entitled to recover as costs, in addition to normal court costs, the cost of the investigation and prosecution of any action to enforce the provisions of this chapter.”

WHEREFORE, the Attorney General requests that this Court enter judgment against Defendants:

- A. Declaring that Defendants’ acts described above are unfair or deceptive acts or practices in connection with the sale or advertisement of merchandise and in violation of the Missouri Merchandising Practices Act (“MMPA”), Section 407.020 RSMo;
- B. Enjoining Defendants from engaging in any acts that violate the MMPA, including, but not limited to, the unfair and deceptive acts and practices alleged herein, pursuant to Section 407.100 RSMo;
- C. Ordering Defendants to pay civil penalties in the amount of up to \$1,000 per violation, as provided in Section 407.100 RSMo;
- D. Ordering Defendants to pay restitution in an amount necessary to restore to any person any moneys or property, real or personal, that may have been acquired by means of an act prohibited by the MMPA, pursuant to Section 407.100 RSMo;
- E. Ordering Defendants to pay an amount of not less than 10% of the restitution awarded to the credit of the Merchandising Practices Revolving Fund, pursuant to pursuant to Section 407.140 RSMo;
- F. Ordering Defendants to pay all costs for the prosecution and investigation of this action, as provided by Section 407.130 RSMo; and
- G. Any other award the Court determines is just and equitable.

Respectfully submitted,

ERIC S. SCHMITT
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