

Puerto Rico sues Navient for abusive student loans



San Juan, August 24 (RHC)-- The Puerto Rico Department of Justice is suing student loan and financial services company Navient Corp. for predatory lending and widespread loan servicing failures.

A local senate resolution was filed by Senator Keren Riquelme of the NPP (New Progressive Party). According to the legislator, "The news that the Department of Justice sued Navient Corporation for allegedly providing loans to students with abusive terms raises a flag. We understand that it is worthwhile to initiate an investigation into the causes that led to this lawsuit, and the behavior of this industry in Puerto Rico."

The lawsuit against the company followed a \$1.85 billion settlement last year in 40 states, according to legal news service Law360. Last year's settlement with several states, including Illinois, Washington and Pennsylvania, required Navient to pay \$142.5 million in penalties to the states, provide \$95 million in restitution to approximately 350,000 borrowers and write off the remaining \$1.7 billion owed on loans by more than 66,000 students.

In 2021, Navient reported that it would withdraw from federal student loan servicing and transfer its contract with the U.S. Department of Education to another company.

"The lawsuit highlights that this company has promoted high-risk, high-interest loans, in many cases, knowing that these instruments were not honored. This is to the detriment of our post-secondary students, who comprise the future of Puerto Rico. For this reason, an investigation into this matter is merited,"

added Riquelme. Fifteen charges were filed against the Delaware-based company.

According to the complaint, the company has engaged in practices "that have harmed and continue to harm countless student loan borrowers in Puerto Rico by: (a) promoting high-risk and costly loans that they knew or should have known they would likely default on; and (b) failed to perform basic servicing duties, both of which cause harm to borrowers and cosigners." The government is seeking fines against Navient and other media outlets for alleged violations of various laws.

A student loan is defined as money that an accredited institution lends to individuals to defray expenses associated with post-secondary school, including, academic credit payments, housing, transportation and related electrical equipment. The problem of student debt does not only hit the students themselves. In the U.S., of which Puerto Rico is part with the status of "Commonwealth," 22% of the debt (totaling \$1.6 billion) belongs to adults over 50 years of age. Most of them went into debt because they were seeking to improve their skills in order to get a pay raise or a promotion.

Others borrowed money to pay for their children's education, either by taking out PLUS loans - federal parent loans - or co-signing for another type of loan. Rising tuition costs, which have doubled while there is no correlation with rising family income, make debt a heavy burden.

The situation in Puerto Rico becomes even more delicate due to the low income of the region as well as the lack of adaptation of federal programs to the local reality and the little impact that U.S. educational models have on it.

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