Whereas: An October 2016 Consumer Financial Protection Bureau report detailed trends in student borrowing complaints, including complaints associated with the 1.2 million borrowers with Direct Loans who have defaulted within the past year. And, whereas according to the report "Inability to secure an IDR [Income-Driven Repayment] plan sets these borrowers up for a payment shock in the near-term, and may drive the most economically distressed borrowers back into default". And, whereas an unexpected economic shock could create additional financial hardships for Navient customers, which may negatively impact the company and shareholders; And, whereas Navient touts its ability in "keeping borrowers on the path to successful repayment";

RESOLVED: Shareholders request that the Board issue a report to investors (at reasonable cost, excluding proprietary information, and within a reasonable time) providing a comprehensive review of Navient's ability to adequately service customers in default and at risk of default including efforts to encourage the use of Income Driven Repayment plans, ability to adapt to shifting legal and regulatory standards for loan servicing, and ability to adequately service borrowers in the event of economic shock.

Supporting Statement

Shareholders have good reason to be concerned about risks associated with the student loan industry.

U.S. Department of Education data published in September 2016 shows that a record 8.1 million federal student loan borrowers are in default. Bloomberg estimates that 41.5 million Americans owe $1.3 trillion on federal student loans, and that one in every four borrowers is either delinquent or in default. Defaults could grow to even higher levels in the event that rising interest rates, recession, or other macroeconomic factors strain the personal finances of student loan borrowers.

Regulators are expressing a growing concern that student loan servicers are not adequately protecting borrowers from the stresses that may lie ahead. A May 2016 Government Accountability Office report highlighted the customer service challenges federal student loan borrowers face, and a July 2016 policy memo from the U.S. Department of Education encouraged servicers interested in the procurement of federal student loans to adopt "high touch loan servicing" for borrowers at high risks of default.

These 2016 trends in consumer complaints led the Consumer Financial Protection Bureau to call for enhanced communication between borrowers and servicers and streamlined access to Income Driven Repayment plans.

Between September 1, 2015 and August 31, 2016, Navient was the top complaint recipient of federal student loan complaints filed with the Consumer Financial Protection Bureau.

Given the challenging and uncertain environment for student loan servicers, Navient should review and report on the efforts the company intends to take to assist defaulted borrowers with their transition out of default and into Income Driven Repayment plans, including whether the company has made adequate provisions to prepare for possible regulatory interventions and the potential for a higher levels of financial stress among customers.