

## Federal Deposit Insurance Corporation

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## Press Releases

### FDIC Announces Settlement with Sallie Mae for Unfair and Deceptive Practices and Violations of the Servicemembers Civil Relief Act

**FOR IMMEDIATE RELEASE**  
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The Federal Deposit Insurance Corporation (FDIC) today announced a settlement with Sallie Mae Bank, Salt Lake City, Utah, and Navient Solutions, Inc. (formerly known as Sallie Mae, Inc.), subsidiaries of SLM Corporation and Navient Corporation, respectively, and herein collectively referred to as Sallie Mae, for unfair and deceptive practices related to student loans in violation of Section 5 of the Federal Trade Commission Act (Section 5) and for violations of the Servicemembers Civil Relief Act (SCRA).

This action results from an examination of Sallie Mae by the FDIC regarding Sallie Mae's compliance with federal consumer protection statutes, including Section 5 and SCRA, and a companion investigation by the Department of Justice (DOJ) related to the treatment of servicemembers. As part of the settlement, Sallie Mae stipulated to the issuance of Consent Orders, Orders for Restitution, and Orders to Pay Civil Money Penalty (collectively, FDIC orders). The FDIC orders require these entities to pay civil money penalties totaling \$6.6 million, to pay restitution of approximately \$30 million to harmed borrowers and to fund a \$60 million settlement fund with the DOJ to provide remediation to servicemembers. The DOJ has also taken separate action against the entities with regard to violations of the SCRA.

The FDIC determined that Sallie Mae violated federal law prohibiting unfair and deceptive practices in regards to student loan borrowers through the following actions:

- Inadequately disclosing its payment allocation methodologies to borrowers while allocating borrowers' payments across multiple loans in a manner that maximizes late fees; and
- Misrepresenting and inadequately disclosing in its billing statements how borrowers could avoid late fees.

The FDIC determined that Sallie Mae violated federal laws regarding the treatment of servicemembers (SCRA and Section 5) through the following actions:

- Unfairly conditioning receipt of benefits under the SCRA upon requirements not found in the Act;
- Improperly advising servicemembers that they must be deployed to receive benefits under the SCRA;
- Failing to provide complete SCRA relief to servicemembers after having been put on notice of these borrowers' active duty status.

In addition to the payment of restitution to harmed borrowers and a civil money penalty, the FDIC orders require Sallie Mae to take affirmative steps to ensure that disclosures regarding payment allocation and late fee avoidance are clear and conspicuous, that servicemembers are properly treated under the SCRA, and that all residual violations be remedied to ensure compliance with applicable laws.

Copies of the FDIC's orders are available on the FDIC's website at <http://www.fdic.gov/>.

#### Attachments:

[Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty against Sallie Mae Bank](#) - PDF ([PDF Help](#))

[Consent Order, Order for Restitution, and Order to Pay Civil Money Penalty against Navient Solutions, Inc.](#) - PDF ([PDF Help](#))

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Congress created the Federal Deposit Insurance Corporation in 1933 to restore public confidence in the nation's banking system. The FDIC insures deposits at the nation's banks and savings associations, 6,812 as of December 31, 2013. It promotes the safety and soundness of these institutions by identifying, monitoring and addressing risks to which they are exposed. The FDIC receives no federal tax dollars — insured financial institutions fund its operations.

FDIC press releases and other information are available on the Internet at <http://www.fdic.gov/>, by subscription electronically (go to [www.fdic.gov/about/subscriptions/index.html](http://www.fdic.gov/about/subscriptions/index.html)) and may also be obtained through the FDIC's Public Information Center (877-275-3342 or 703-562-2200). **PR-33-2014**

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