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**Attorney General Eric Holder Speaks at Press  
Conference Announcing Law Enforcement Action to  
Protect Military Servicemembers from Unfair Lending  
Practices**

Washington, D.C. ~ Tuesday, May 13, 2014

Good afternoon – and thank you all for being here. I am joined today by Secretary of Education Arne Duncan; Acting Assistant Attorney General Jocelyn Samuels of the Justice Department's Civil Rights Division; and Acting General Counsel for the Department of Education Philip Rosenfelt. We are here to announce a landmark step forward in our effort to achieve justice for victims of improper lending practices – and to protect the men and women of America's armed services from *anyone* who would take advantage of those who wear the uniform.

Today, the Department of Justice filed the first lawsuit involving student loans under the Servicemembers Civil Relief Act – or SCRA. This law helps protect U.S. servicemembers because it caps interest rates on certain types of consumer loans, such as student loans, at six percent.

The intent of this law is to ensure that our servicemembers are not stuck repaying loans under terms that are unaffordable or unfair. That is the least we owe our brave servicemembers who make such great sacrifices for us. But as alleged, the student lender Sallie Mae sidestepped this requirement by charging excessive rates to borrowers who filed documents proving they were members of the U.S. military.

In our complaint, we allege that Sallie Mae engaged in a nationwide practice of failing to provide servicemembers with the six percent interest rate to which they were entitled under law. We further allege that, in some cases, Sallie Mae improperly obtained default judgments against servicemembers who were protected under the SCRA.

Alongside our complaint, the Department also filed a proposed settlement of the lawsuit. This settlement is expansive. It covers the entire portfolio serviced by, or on behalf of, Sallie Mae – from private student loans, to Direct Department of Education Loans, to student loans that originated under the Federal Family Education Loan Program. If approved by the Court, this far-reaching settlement will require Sallie Mae to pay \$60 million to directly compensate victims of these violations. We estimate that these funds will reach approximately 60,000 servicemembers, some of whom were impacted by violations that occurred nearly a decade ago.

By requiring Sallie Mae to compensate its victims, we are sending a clear message to all lenders and servicers who would deprive our servicemembers of the basic benefits and protections to which they are entitled: this type of conduct is more than just inappropriate; it is inexcusable. And it will not be tolerated.

That's why, in addition to direct compensation and a civil penalty, our proposed settlement also requires Sallie Mae to request that all three major credit bureaus delete negative credit history entries suffered by servicemembers due to these interest rate overcharges and improper default judgments. Going forward, the company will be required to streamline the process by which servicemembers may obtain an interest rate reduction – so we can ensure these courageous men and women receive the rights and benefits they deserve.

This matter was brought to our attention by a referral from the Consumer Financial Protection Bureau, in response to complaints by individual members of the armed forces. I would like to thank the CFPB – particularly Assistant Director Holly Petraeus and her team – for communicating these allegations to the Department, as well as every servicemember who stood up and spoke out about the conduct they observed and experienced. I also want to thank the Federal Deposit Insurance Corporation – which announced its own important settlement with these defendants today – as well as Secretary Duncan and his colleagues at the Department of Education, who worked closely with the Justice Department as our investigation unfolded. Together, we were able to ensure that those affected by the violations identified in our complaint will be able to receive appropriate compensation – and a streamlined process to receive the correct interest rate in the future. Finally, I would like to acknowledge the tireless work of Acting Assistant Attorney General Jocelyn Samuels and her colleagues in the Civil Rights Division, along with the U.S. Attorney's Office for the District of Delaware. This action would not have been possible without your leadership.

I am glad to note that Sallie Mae cooperated fully with the Justice Department as our



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investigation unfolded. It is my hope that this groundbreaking settlement – and the actions the defendants will take to remedy the conduct at issue in this case – will spur the rest of the industry to move toward long-term solutions which guarantee that America’s soldiers, sailors, airmen, Marines, and Coast Guardsmen can always receive the protections and benefits to which they are entitled.

With this first-ever settlement in an SCRA case against servicers and owners of student loans, we are taking a firm stand to protect the rights of those who protect our freedoms. But this is only the latest example of the Department’s steadfast commitment to vigorously enforcing federal laws that safeguard members of the armed forces and their families. Over the past five years, the Civil Rights Division has done more civil rights work in more areas on behalf of servicemembers than ever before. And as today’s announcement proves, our determination to complete this work has never been stronger – and our approach has never been more effective.

Once again, I’d like to thank everyone who made this settlement possible. It is now my privilege to turn things over to Secretary Duncan, who will provide additional details.



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- Photo Gallery

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- Veteran Recruitment

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- Privacy Policy
- Legal Policies & Disclaimers

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- Plain Writing
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