

[Securities Regulation Daily Wrap Up, ENFORCEMENT—Warren calls for SEC investigation into Navient insider trading, \(Oct. 24, 2017\)](#)

Securities Regulation Daily Wrap Up

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Senator Elizabeth Warren (D-Mass) and Congresswoman Suzanne Bonamici have sent a letter urging SEC Chair Jay Clayton to open an investigation into potential insider trading of Navient stock. According to the letter, large trades of Navient stock were made the day before the Department of Education announced that it would terminate an information-sharing partnership with the Consumer Financial Protection Bureau. Warren and Bonamici [request](#) that the SEC investigate who made the trades, whether they were aware of the Department's forthcoming announcement, and from whom they received the tip.

CFPB investigation. The [letter](#) notes that Navient, a student loan servicer, had been sued by the CFPB in January 2017. Among other allegations, the CFPB claimed that Navient systematically steered borrowers away from repayment plans that would result in lower student loan payments. Navient later disclosed in SEC filings that an adverse ruling in this suit could have a materially adverse impact.

MOU terminated. On August 31, 2017, the Department terminated 2011 and 2014 Memoranda of Understanding with the CFPB on the sharing of information in connection with the oversight of the federal student loan program. The CFPB received the letter in the afternoon of September 1, and the House Committee on Education and the Workforce made the letter public later that same afternoon.

The letter states that recent reports indicated that an unknown investor, or investors, bought 872,394 shares of Navient stock at or after 4pm on August 31. The trades represented 24 percent of the trading volume that day and caused a 4 percent increase in Navient's share price. The share price continued to rise after the termination of the MOUs was made public, increasing by almost 18 percent over the next month.

Possible violations. The timing and scope of the trades raise serious questions, the letter says. Because the termination of the MOUs would result in less oversight over Navient's future student loan practices, the plan to end them was material, nonpublic information. The letter says that unlawfully disclosing this information, or trading on it by a government employee would be a clear violation of the federal securities laws. Senator Warren and Congresswoman Bonamici accordingly ask that the SEC investigate: who made the trades on August 31, 2017; whether the buyer, or buyers, were aware of any nonpublic information; how and from whom any nonpublic information was obtained; if anyone outside the Department of Education was aware of the termination prior to its announcement; and if knowledge of the termination was shared with anyone outside of the Department who was not authorized to have that information.

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