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**IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION**

**AMANDA LUCIANO**, individually, and on  
behalf of all others similarly situated,

Plaintiff,

v.

**NAVIENT CORPORATION d/b/a  
NAVIENT**

and

**NAVIENT SOLUTIONS, LLC,**

Defendants.

Case No.: 2025CH02230

Jury Trial Demanded

**CLASS ACTION COMPLAINT**

Plaintiff Amanda Luciano, nee Ward (“Plaintiff” or “Ms. Luciano”), brings this action on behalf of herself and all others similarly situated (collectively referred to as “the Proposed Class” or “Proposed Class Members”) against Defendants Navient Corporation and Navient Solutions, LLC (“Defendants” or “Navient”). Plaintiff makes these allegations based upon personal information pertaining to herself, and upon information and belief and the investigation of counsel on all other matters.

**PRELIMINARY STATEMENT**

1. Plaintiff Amanda Luciano brings individual and class claims against Defendants for denying their legal rights to a fair, meaningful, and reasoned school misconduct discharge review process. This conduct perpetuates the harm that Defendants’ predecessor-in-interest, Sallie Mae, perpetrated on students like Plaintiff, by virtue of its unscrupulous and greedy business relationships with various predatory for-profit schools.

2. In 2022, Defendants settled a multi-state lawsuit with 39 Attorneys General, including the Illinois Attorney General, over the lending practices of Defendants' predecessor-in-interest, Sallie Mae. The Illinois Attorney General alleged that Sallie Mae "originated subprime private loans to students attending for-profit colleges with low graduation rates, despite knowing that an extremely high percentage of such students would not be able to repay them."<sup>1</sup>

3. Through the settlement, 5,217 Illinois borrowers received \$133 million in debt cancellation on Navient-held, subprime private student loans.<sup>2</sup> The terms of the settlement restricted debt cancellation to borrowers of subprime private student loans between 2003 and 2014 who had more than seven consecutive months of delinquent payments prior to June 30, 2021.<sup>3</sup>

4. Because Plaintiff and Proposed Class Members had been making payments on their loans, or were not delinquent for at least seven months, they did not receive cancellation under the settlement.

5. Plaintiff Amanda Luciano attended a location of International Academy of Design & Technology (IADT), a notoriously predatory for-profit school owned by Career Education Corporation (CEC). Various legislative and law enforcement inquiries into the school chain have documented CEC's widespread fraud, misrepresentation, and abuse against students.

6. At the time Plaintiff attended IADT, Navient's predecessor-in-interest Sallie Mae was a loan originator for many private student loans and had entered into arrangements with many for-profit schools like IADT to be the preferred student lender for their students. These arrangements resulted in these schools steering their students to Sallie Mae loans even when they

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<sup>1</sup> Illinois Attorney General, Attorney General Raoul Announces \$1.85 Billion Settlement With Student Loan Servicer Navient (Jan. 13, 2022), found at [https://illinoisattorneygeneral.gov/dA/7dcd76aad0/202201-13%20ANNOUNCES%20\\$1.85%20BILLION%20SETTLEMENT%20WITH%20STUDENT%20LOAN%20SERVICER%20NAVIENT.pdf](https://illinoisattorneygeneral.gov/dA/7dcd76aad0/202201-13%20ANNOUNCES%20$1.85%20BILLION%20SETTLEMENT%20WITH%20STUDENT%20LOAN%20SERVICER%20NAVIENT.pdf).

<sup>2</sup> *Id.*

<sup>3</sup> Navient AG Multi-State Settlement, 39 State Attorneys General Announce \$1.85 Billion Settlement With Student Loan Servicer Navient (Jan. 13, 2022), found at <https://www.navientagsettlement.com/>

could have received more favorable terms elsewhere. Many of Sallie Mae's loans included hallmarks of predatory lending, including exorbitant interest rates and fees and little or no underwriting standards.

7. In various statements and business dealings, Sallie Mae and its school partners acknowledged that students were highly unlikely to be able to ever afford to repay these loans.

8. Sallie Mae shifted the risk of loss on these loans to its school partners, through arrangements such as credit enhancements and recourse agreements. For example, at the time Ms. Luciano attended IADT, CEC was contractually required to repurchase loans originated to its students after a certain period of time.<sup>4</sup>

9. To CEC, covering losses on Sallie Mae loans was "treated ... as a routine business expense."<sup>5</sup> Like other for-profit colleges, the bulk of CEC's revenue came not from private student loans but from loans backed by the federal government. To access federal student loans, its primary revenue stream, CEC and other partner schools of Sallie Mae had to derive at least ten percent of revenue from outside of the federal student aid program, including the private loans advanced by Sallie Mae<sup>6</sup>

10. These arrangements only could exist because of the distorting effect of the federal student loan program in the market for educational services and student loans.

11. Notwithstanding the foregoing arrangements, Sallie Mae's business arrangements with CEC and other schools exposed Defendants to the risk that a school's consumer fraud and misconduct would render loans made to the students of that school entirely unenforceable.

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<sup>4</sup> Career Education Corp., Quarterly Report (Form 10-Q), at 8, [https://www.sec.gov/Archives/edgar/data/1046568/000110465905051922/a05-17992\\_110q.htm](https://www.sec.gov/Archives/edgar/data/1046568/000110465905051922/a05-17992_110q.htm).  
[https://www.sec.gov/Archives/edgar/data/1046568/000110465905051922/a05-17992\\_110q.htm](https://www.sec.gov/Archives/edgar/data/1046568/000110465905051922/a05-17992_110q.htm).

<sup>5</sup> Stacy Cowley & Jessica Silver-Greenberg, *Loans 'Designed to Fail': States Say Navient Preyed on Students*, NYT (Apr. 9, 2017), available at <https://www.nytimes.com/2017/04/09/business/dealbook/states-say-navient-preyed-on-students.html>.

<sup>6</sup> 34 CFR § 668.28.

12. By regulation, the Federal Trade Commission ensured that certain consumer financial transactions, such as the loans at issue in this case, are exempt from the common-law doctrine that a bona-fide purchaser of a loan instrument enjoys an unfettered right to collect, regardless of any defects in the underlying transaction, as a holder in due course.

13. Ms. Luciano's and Proposed Class Members' private student loans contain or should have contained a notice, in accordance with FTC regulation, that if the seller fails to satisfy its obligations, the borrower can refuse to repay the loan, regardless of who holds the contract.

14. The FTC regulation, known as the Holder Rule, discourages lenders from financing consumer purchases of defective products or unsavory sellers, by making them assume the risk of the seller's failure or misconduct.

15. Sallie Mae willingly and knowingly assumed the risk of loss on loans to students at for-profit schools, and so too have Defendants.<sup>7</sup>

16. For years, Defendants reduced their loss exposure by pretending that this exposure did not exist. They maintained that borrowers had no ability to raise the school-related claims or defenses preserved by the FTC Holder Rule.

17. Finally, in early 2024, in order to meet "changing regulatory expectations related to school misconduct discharges on certain legacy private loans," Defendants recognized borrower rights by creating an application form for a school misconduct discharge.<sup>8</sup>

18. This comes very late in the day for Ms. Luciano and others like her. For decades, she has suffered financial harm and distress from her private student loans, despite receiving

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<sup>7</sup> Letter from Elizabeth Warren to David L. Yowan, President and CEO of Navient Corporation (Apr. 17, 2024) at pg. 4, available at <https://www.warren.senate.gov/imo/media/doc/2024.04.16%20Letter%20to%20Navient%20on%20Cancelling%20Predatory%20Private%20Student%20Loans.pdf>,

<sup>8</sup> Navient Corporation, 2024 Annual Report, pg. 33, available at <https://navientcorporation.gcs-web.com/static-files/9f7a3ef4-a0d9-4d7d-b884-caef6080142e>.

nothing of value for them. And despite having paid approximately \$52,000 on her loans (nearly the entire original principal amount of \$62,000), Defendants assert she still owes more than \$86,000 due to interest capitalization and fees.

19. Guidance from the Consumer Financial Protection Bureau (CFPB), charged with supervision of entities including Defendants, explains that borrowers have a right to challenge their private student loans based on school misconduct, and that lenders and servicers must “maintain and publicize a robust process” for such challenges.<sup>9</sup>

20. Notwithstanding this federal mandate, Defendants have mass-denied applications with cursory and boilerplate language. Where borrowers have asked for clarification, Defendants have refused, insisting their process is proprietary and confidential.

21. After completing an extensive application form under penalty of perjury, Ms. Luciano, along with hundreds of others, was told simply that her circumstances “do not meet the requirements for discharge based on misconduct by your school.”

22. Defendants do not provide borrowers with any explanation of the reason their application was denied or what borrowers might do to address any deficiencies.

23. The absence of individualized and detailed explanations suggests that Defendants did not fairly review the submissions.

24. In many cases, denied applicants like Ms. Luciano attended schools with an extensive and well-documented history of misconduct which has led to the cancellation of federal student loans for former students.

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<sup>9</sup> Consumer Financial Protection Bureau, Supervisory Highlights: Special Edition Student Lending (Dec. 2024), available at [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights-special-ed-student-lending-issue-36-winter\\_2024-12.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights-special-ed-student-lending-issue-36-winter_2024-12.pdf).

25. Defendants' denials are inconsistent with this evidence and, absent explanation, are unfair and reveal an arbitrary review process.

26. Defendants' refusal to discharge those loans or provide an individualized and detailed explanation for its decision causes continued injury to Plaintiff and the Proposed Class Members who are saddled with debts that they are legally entitled to contest, and which are arguably invalid.

27. To remedy these harms, Plaintiff brings this lawsuit on behalf of herself and Proposed Class Members for damages related to Defendants' arbitrary and unreasoned review process and unlawful refusal to explain why it denied each Proposed Class Member's application.

28. Plaintiff also brings this lawsuit individually for damages related to Defendants' breach of contract and for a declaration that her private loans are not enforceable and must be discharged.

#### **I. PARTIES, JURISDICTION AND VENUE**

29. Plaintiff Amanda Luciano is a resident and citizen of Illinois.

30. Defendant Navient Corporation is a Delaware corporation with its principal executive offices located at 123 Justison Street, Wilmington, DE 19801. On information and belief, Navient Corporation does business as Navient at the same business address listed above.

31. Defendant Navient Solutions, LLC is a Delaware limited liability company and a wholly owned subsidiary of Navient Corporation, with its principal executive offices located at 13865 Sunrise Valley Drive, Herndon, VA 20171.

32. Defendants (collectively, "Navient") are all entities or individuals who contributed to or participated in or authorized the acts or conspired together to commit the acts and do the

things complained of which caused injuries and damages to Plaintiff and Proposed Class Members as set forth below.

33. The Circuit Court of Cook County has subject matter jurisdiction over this matter, pursuant to Article 6 of the Constitution of the State of Illinois.

34. The Circuit Court of Cook County has personal jurisdiction over Defendants because Defendants conduct business, and a substantial part of the events took place, in Illinois.

35. Venue is proper, pursuant to 735 ILCS 5/2-101, because the underlying loan transactions took place in Cook County, Illinois, and because no Defendant is a resident of Illinois.

## II. BACKGROUND

### The FTC Holder-in-Due-Course Rule

36. The Federal Trade Commission's longstanding Rule on Preservation of Consumers' Claims and Defenses (referred to as the "Holder Rule") provides a path to relief for defrauded consumers, including borrowers of private student loans. It prevents creditors from profiting from illegal consumer practices while insulating themselves from consumer claims and defenses against sellers. The Holder Rule allows consumers to raise seller-related claims against any holder of their credit agreements by requiring all covered entities, including for-profit colleges, to include the following Notice in every credit agreement:

**ANY HOLDER OF THIS CONSUMER CREDIT CONTRACT IS SUBJECT TO ALL CLAIMS AND DEFENSES WHICH THE DEBTOR COULD ASSERT AGAINST THE SELLER OF GOODS OR SERVICES OBTAINED PURSUANT HERETO OR WITH THE PROCEEDS HEREOF. RECOVERY HEREUNDER BY THE DEBTOR SHALL NOT EXCEED AMOUNTS PAID BY THE DEBTOR HEREUNDER.**

*See* 16 C.F.R. § 433.2; *see also* 40 Fed. Reg. 53,506, 53,524 (Nov. 18, 1975) ("Holder Rule Notice").

37. All of Plaintiff's and Proposed Class Members' private student loan agreements contain, or should have contained, a Holder Rule Notice.

38. Student loan borrowers' rights to assert the Holder Rule as a defense to repayment with respect to their private loans has been recognized by CFPB. For instance, the 2023 Report of the CFPB Education Loan Ombudsman states:

The FTC's Holder-in-Due-Course Rule (Holder Rule) requires all covered transactions, including education financing, to include mandated language acknowledging that if the seller fails to satisfy its obligations, the borrower can refuse to repay the loan, regardless of who holds the contract. Many private student loans thus include a contractual guarantee in the promissory note that the borrower can assert against any subsequent loan holder any claim they have against their school. If borrowers have federal loans discharged under BDR, it will often involve underlying facts and circumstances that demonstrate fraudulent conduct that could be the basis for a claim under the Holder Rule.<sup>10</sup>

39. In a recent report highlighting the CFPB's Supervision efforts, the Bureau again confirmed that the FTC Holder Rule ensures that borrowers can assert school misconduct as a basis for loan discharge. It further noted that lenders engaged in unlawful practices when they failed to consider borrower's challenges to their loans related to school misconduct.<sup>11</sup>

40. To remedy these unfair acts or practices, the CFPB directed private student loan lenders and servicers to take corrective actions. The CFPB required lenders and servicers to "implement a claims-review process that is not unduly burdensome for the borrowers and gives due deference to findings of the U.S Department of Education or courts regarding claims of misconduct, fraud, or misrepresentation by a borrower's school . . . and that ensures any denials

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<sup>10</sup> Consumer Financial Protection Bureau, Report of the CFPB Education Loan Ombudsman, 18 (Oct. 2023) available at [https://files.consumerfinance.gov/f/documents/cfpb\\_annual-education-loan-ombudsman-report\\_2023.pdf](https://files.consumerfinance.gov/f/documents/cfpb_annual-education-loan-ombudsman-report_2023.pdf).

<sup>11</sup> Consumer Financial Protection Bureau, Supervisory Highlights: Special Edition Student Lending (Dec. 2024), available at [https://files.consumerfinance.gov/f/documents/cfpb\\_supervisory-highlights-special-ed-student-lending-issue-36-winter\\_2024-12.pdf](https://files.consumerfinance.gov/f/documents/cfpb_supervisory-highlights-special-ed-student-lending-issue-36-winter_2024-12.pdf).



are *individualized and detailed*.”<sup>12</sup>

41. Furthermore, the CFPB explicitly directed private lenders that, where they had actual notice that the U.S. Department of Education or a court had made a finding of fraud, misconduct, or misrepresentation by a school that resulted in a discharge of federal loans to attend that school, to suspend collections upon a borrower’s assertion of misconduct-related defenses until they provided the borrower with a detailed reason why their private loans did not warrant discharge based on such misconduct.<sup>13</sup>

**Navient’s School Misconduct Discharge Application**

42. On or around January 30, 2024, some students with Navient-held student loans began to receive school misconduct discharge applications (“School Misconduct Discharge Application” or “Discharge Application”) from Navient.

43. This was the first time that Navient had publicly acknowledged a borrower’s right to affirmatively dispute their obligation to repay their private student loan debt based on their school’s misconduct.

44. The Discharge Application informed student borrowers that they may receive discharge of their private student loans “if the school they attended committed certain misconduct outlined within this application.”

45. The 12-page application asks student borrowers to attest to whether they were subject to various types of school misconduct, including, but not limited to: misrepresentations about employment prospects; misrepresentations or omissions about the availability of career services; misrepresentations about the ability to transfer credits to or from other schools; misrepresentations or omissions about educational support services; misrepresentations or

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<sup>12</sup> *Id.* at p. 11 (emphasis added).

<sup>13</sup> *Id.*

omissions about the program costs and/or the nature of loans; and aggressive and/or deceptive recruitment and enrollment practices.

46. The Discharge Application also asks borrowers to provide substantial information and documentation related to their school's misconduct, notwithstanding the fact that there is extensive and publicly available evidence establishing institutional misconduct for predatory for-profit schools, such as IADT.

47. Navient publicly committed to "cancelling all loans that meet the Holder Rule criteria" and has indicated that its School Misconduct Discharge Application is based on Holder Rule principles.<sup>14</sup>

48. Nevertheless, Navient has rejected applications from hundreds of applicants who attended schools where substantial evidence of misconduct has led to discharge of former students' federal student loans. Defendants have provided the same boilerplate rejection in each case:

"Navient carefully considers a variety of factors in determining whether a private loan should be discharged based on school misconduct and you do not meet the requirements for discharge based on misconduct by your school."

49. When a borrower follows up for more information, Navient again provides a boilerplate response:

"A variety of criteria are used to determine eligibility, including, but not limited to, proof of resulting harm, sufficient documentation supporting your claim, date when events occurred or when you experienced harm, etc. Because we review each application holistically, it is not possible to identify specific criteria that caused your application to be denied."

50. Defendants' mass rejections provided this boilerplate language despite the fact that many Proposed Class Members, including Plaintiff, attended schools where significant evidence

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<sup>14</sup> Letter from Senator Elizabeth Warren to Rohit Chopra, Director of the Consumer Financial Protection Bureau and Lina Khan, Chair of the Federal Trade Commission (Dec. 11, 2024), at p. 1, available at <https://business.cch.com/BFLD/Congressional-Democrats-CFPB-FTC-Navient-Letter-12112024.pdf>.

of misconduct led the U.S. Department of Education to discharge federal student loans used to attend those schools. For example, a class action settlement, *Sweet v. Cardona*, has led to discharges for student borrowers who attended schools where the Department has determined that “strong indicia regarding substantial misconduct” entitles those students to presumptive relief.<sup>15</sup>

51. The U.S. Department of Education has also announced multiple group discharges that have resulted in widespread federal student loan cancellation for former students at certain schools that the Department found engaged in substantial misconduct, including schools like the Art Institutes, Corinthian Colleges, and ITT Technical Institute.<sup>16</sup>

### III. PLAINTIFF’S FACTUAL ALLEGATIONS

#### *Plaintiff’s Experience with IADT*

52. After graduating high school in 2004, Plaintiff attended a local community college.

53. Plaintiff was debating between pursuing a bachelor’s degree in education or in fashion merchandising when she learned of the International Academy of Design & Technology, IADT, through a TV commercial.

54. IADT appeared to be a perfect fit. It was in the heart of Chicago and promised a high-quality education that would allow Plaintiff to secure high-paying, coveted jobs in the fashion world. IADT’s employees cemented Plaintiff’s perception when they told her that she would be guaranteed a job at a specific salary so long as she completed all the program’s requirements.

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<sup>15</sup> These discharges were approved as part of the *Sweet v. Cardona* settlement, which said that student borrowers who had filed borrower defense to repayment applications related to schools for which the Department had identified “strong indicia regarding substantial misconduct” were entitled to presumptive relief from their federal student loans. See *Sweet v. Cardona*, No. 3:19-cv-03674-WHA, ECF No. 246 (N.D. Cal., June 22, 2023) (Joint Motion for Preliminary Settlement Approval); see also *Sweet v. Cardona*, 641 F. Supp. 3d 814, 827-28 (N.D. Cal. 2022) (approving the settlement). Earlier in the case, at the request of the Court, the Department filed a document listing investigations and lawsuits against schools, including IADT’s parent company. *Sweet*, No. 3:19-cv-03674-WHA, ECF No. 145 (N.C. Cal., Oct. 14, 2020) (Defendants’ Response Regarding the Court’s Request for Information) and 145-2 (school misconduct list).

<sup>16</sup> See Department of Education, *Borrower Defense Updates*, available at <https://studentaid.gov/announcements-events/borrower-defense-update>.

55. In January of 2006, Plaintiff left her community college and enrolled in IADT.

56. When Plaintiff enrolled, an IADT financial aid counselor suggested she take out private student loans despite Plaintiff being eligible for federal student loans. The counselor told Plaintiff to “just apply for a private student loan through Sallie Mae to cover all of your school costs,” and assured her not to worry about the cost because “you’ll be making more than enough money once you graduate to pay this off.” The counselor never told Plaintiff she was eligible for federal student loans, nor did she explain to Plaintiff that those loans came with critical protections that private student loans lacked. Plaintiff’s private loan interest rates were higher than federal student loan interest rates at the time, and were at a variable rate without any cap.

57. Plaintiff, who was the first in her family to go to college, went along with IADT’s suggestions. The counselor walked Plaintiff through applying for the loans on the phone with Sallie Mae.

58. IADT also misrepresented the total cost of IADT, leading Plaintiff to believe that she would need just two loans to pay for her education. Eventually, Plaintiff discovered during the middle of her enrollment that she would need to take out an additional loan. To avoid having to find another school so late in her studies, and without IADT presenting her with any federal or even private non-Sallie Mae loan alternative, Plaintiff took out an additional loan with Sallie Mae.

59. Plaintiff ultimately took out three private loans with Sallie Mae, Defendants’ predecessor-in-interest, to finance her education: The first on February 14, 2006; the second on October 17, 2006; and the third on September 11, 2007.

60. IADT misrepresented the job training and placement capabilities of its program. For example, Plaintiff’s classes were largely taught by adjunct faculty members, contradicting IADT’s representations. Moreover, IADT’s career services did not help Plaintiff find a fashion

merchandising job. IADT never offered certain promised career services, such as resume editing or interview prep, and the job advertisements they did provide were not in-industry placements.

61. Plaintiff applied for industry positions for two years after her time at IADT, during which time she moved back in with her parents and worked an entry-level retail job that did not require a college degree.

62. After years of no success finding employment in the fashion industry, Plaintiff reenrolled at a local community college in 2011. This required her to take on additional student loans on top of the costly private student loans she had from IADT for a worthless degree.

63. In total, Plaintiff borrowed \$61,000 and currently owes approximately \$86,000, despite making more than \$50,000 in payments. Plaintiff's payments have caused financial harm, forcing her to max out credit cards and cash out retirement accounts early to make the payments.

**Plaintiff's Application for Discharge**

64. In February of 2024, Navient purported to offer Plaintiff a chance to exercise her rights under the Holder Rule when it contacted her about their new School Misconduct Discharge Application.

65. Shortly after receiving Navient's Application, Plaintiff submitted a comprehensive application about her personal experience, corroborated by IADT's and CEC's well documented public record of widespread consumer fraud.

66. Founded in 1977 as the International Academy of Merchandising and Design, the Institution changed its name to IADT in 2001. The college was renamed Sanford-Brown College in 2014.

67. Career Education Corporation (CEC), a notoriously predatory for-profit school operator, owned IADT since 1997, including during the period between 2006 and 2008 when Plaintiff attended IADT's Chicago campus. The Chicago campus of IADT closed in June of 2017.

68. Throughout the years, numerous federal and state agencies investigated CEC and revealed evidence of wrongdoing. These agencies included the Department of Justice, the Consumer Financial Protection Bureau, and the Securities and Exchange Commission. In addition, state agencies in California, New Jersey, New York and Pennsylvania investigated CEC.

69. A 2012 report by the U.S. Senate Health, Education, Labor and Pensions (“HELP”) Committee, stated that Career Education Corporation (CEC) has been under “...near constant scrutiny from accreditors and law enforcement agencies.”<sup>17</sup> The report identified IADT/Sanford-Brown as culpable subsidiaries of CEC.<sup>18</sup>

70. The report went on to note the following about CEC: “The company appears to offer little in the way of student support services and has struggled to address allegations of misleading and deceptive recruiting tactics as well as misrepresentations in its job placement rates. Moreover, the company has a high rate of student loan default, with 21.6 percent of students defaulting within 3 years. This likely reflects an inability on the part of some students to find jobs that allow them to repay the debt they incur.”<sup>19</sup>

71. CEC has entered into numerous settlement agreements with government agencies based on its proven history of malfeasance. In 2019, it settled a lawsuit with 49 Attorneys General alleging that CEC “engaged in unfair and deceptive practices by making misleading statements to prospective students” and specifically lied to students about total costs of enrollment, the transferability of credits, employment prospects, accreditation status, and job placement rate, among other material facts.<sup>20</sup>

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<sup>17</sup> Senate Health, Education, Labor and Pension Committee, *Career Education Corporation*, available at [https://www.help.senate.gov/imo/media/for\\_profit\\_report/PartII/CEC.pdf](https://www.help.senate.gov/imo/media/for_profit_report/PartII/CEC.pdf).

<sup>18</sup> *Id.* at p. 2.

<sup>19</sup> *Id.* at p. 24.

<sup>20</sup> *See*

<https://www.texasattorneygeneral.gov/sites/default/files/images/admin/2019/Press/FINAL%20CEC%20AVC%20attached%20to%20Petition%20wCauseNo.pdf>.

72. Over the years, CEC has also faced a barrage of private litigation based on its pattern of abusive practices. In 2007, Sanford-Brown was sued by 12 former students who alleged that the company had engaged in aggressive and misleading recruiting tactics and lied about the transferability of academic credits and the nature and quality of its curriculum, training, and faculty.<sup>21</sup> Additionally, beginning in 2010, at least 18 lawsuits were filed against Sanford-Brown in Illinois by students who alleged that the company engaged in an “ongoing pattern and practice of deceptive conduct.”<sup>22</sup> These plaintiffs claimed that the college engaged in fraud by selling them career “training” with a promise of gainful employment but which led only to valueless academic credits, worthless degrees, and tens of thousands of dollars in student loan debt.

73. In 2011, Sanford-Brown College was sued more than a dozen times by former students alleging an “ongoing pattern and practice of deceptive conduct” including high-pressure sales tactics, bait-and-switch deceptions, and outright misrepresentations to prospective students.<sup>23</sup>

74. In 2013, CEC paid New York State over \$10 million to settle claims of systemic fraud in its recruiting practices, including by using false job placement statistics to deceive prospective students.

75. CEC also settled with the Federal Trade Commission in 2022, over claims of CEC’s use of fraudulent lead generation websites to attract prospective students.

76. In April 2024, Navient sent Plaintiff a generic denial to her School Misconduct Discharge Application, stating only that they had reviewed her application and found “she did not

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<sup>21</sup> Senate HELP report, *supra* note 7, at p. 21

<sup>22</sup> *Id.*

<sup>23</sup> Sarah Fenske, *Sanford-Brown College Slapped With Dozen-Plus Lawsuits*, RIVER FRONT TIMES (Oct. 12, 2011), available at <https://www.riverfronttimes.com/news/sanford-brown-college-slapped-with-dozen-plus-lawsuits-2596193>.

meet the requirements for discharge based on misconduct by your school.” Plaintiff resubmitted the application in June with additional evidence and requested more information about the grounds for her previous denial. Navient again denied her application and again failed to provide a substantive explanation for the denial, stating that their process was “holistic” and that Defendants “could not identify specific criteria that caused your application to be denied.”

77. In September of 2024, Plaintiff sent a third application providing even more evidence. Navient denied that application as well, providing the same generic explanation that she “did not the meet the requirements for discharge based on misconduct by your school.”

78. After each rejection, Navient informed Plaintiff that her loans were still legally binding and that “payments will soon become due.” Plaintiff has been receiving monthly bills of approximately \$727 on her loans since being denied through Defendants review process.

79. Plaintiff suffered and continues to suffer financial harm and emotional distress because of Defendants conduct. She remains obligated to make her loan payments despite expending considerable time and energy to complete her applications and faces constant stress about the resolution of her dispute with Defendants.

#### IV. CLASS ALLEGATIONS

80. **Class Definition:** Plaintiff brings this action pursuant to 735 ILCS 5/2-801, on behalf of a class of similarly situated individuals and entities (“the Proposed Class”), defined as follows:

All Illinois residents who borrowed private student loans owned by Defendants who applied for School Misconduct Discharge, were denied by Defendants (or their servicer), and received Defendants’ boilerplate and cursory response that their application did not meet the requirement for discharge. The class excludes borrowers whose School Misconduct Discharge application concerned only private student loans containing an arbitration and class action waiver clause.



81. Excluded from the Proposed Class are: (1) Defendants, Defendants' agents, subsidiaries, parents, successors, predecessors, and any entity in which Defendants have a controlling interest, and those entities' current and former employees, officers, and directors; (2) the Judge to whom this case is assigned and the Judge's immediate family; (3) any person who executes and files a timely request for exclusion from the Proposed Class; (4) any persons who have had their claims in this matter finally adjudicated and/or otherwise released; and (5) the legal representatives, successors and assigns of any such excluded person.

82. Plaintiff hereby reserves the right to amend or modify the Proposed Class definition with greater specificity or division after having had an opportunity to conduct discovery.

83. **Numerosity.** The members of the Proposed Class are so numerous that joinder of all members is impractical. The Proposed Class is estimated to consist of dozens of Illinois residents who completed a Discharge Application and were denied without an adequate explanation. A class action is the only feasible method of adjudicating the rights of all Proposed Class Members, and absent allowance of a certification of a class action, a failure of justice will result. The number of Proposed Class Members can be readily ascertained by a review of Defendants' records. Using this information, Proposed Class Members can be identified and ascertained for the purpose of providing notice and ultimate relief.

84. **Commonality and Predominance.** This action involves common questions of law and fact that predominate over any questions affecting individual Proposed Class Members. These common questions are appropriate for class certification because the resolution thereof would substantially advance the disposition of this matter and each party's interests herein. These common questions include:

- a. Whether Plaintiff and Proposed Class Members had loans from Defendants that

lacked an arbitration and class action waiver clause;

- b. Whether Defendants' review process for School Misconduct Discharge Applications was arbitrary and unreasoned;
- c. Whether Defendants or their servicer denied the School Misconduct Discharge Applications of Proposed Class Members with a boilerplate and cursory response, without providing them individualized and detailed reasons for the denial;
- d. Whether Defendants' failure to provide Proposed Class Members individualized and detailed reasons for its denials constitutes an unfair or deceptive business practice under the Illinois Consumer Fraud and Deceptive Business Practices Act, 815 ILCS 505/1, *et seq.*;
- e. Whether Defendants' failure to provide individualized and detailed reasons for its denials to Proposed Class Members violates its obligations under the Illinois Student Loan Servicing Act, 110 ILCS 992/5-5, *et seq.*;
- f. Whether Defendants' arbitrary and unreasoned review process for School Misconduct Applications was an unfair act under the Illinois Consumer Fraud and Deceptive Business Practices Act;
- g. Whether Proposed Class Members were injured and suffered damages or other losses because of Defendants' conduct described herein;
- h. Whether Proposed Class Members are entitled to damages, and the measure and amount of those damages; and
- i. Whether Proposed Class Members are entitled to equitable relief, including an injunction prohibiting the unlawful conduct complained of herein.

85. **Typicality.** Plaintiff's claims are typical of those of Proposed Class Members. Plaintiff borrowed private student loans from Defendants predecessor-in-interest, Sallie Mae, to pay for educational expenses and completed Defendants' School Misconduct Discharge Application to dispute the validity of those loans. Defendants then denied Plaintiff's application and provided the same standard form explanation it provided to all similarly situated applications. As such, Plaintiff's claims arise from the same factual circumstances as the claims of Proposed Class Members, and her damages and injuries are similar to those of Proposed Class Members. Plaintiff seeks relief consistent with the relief sought by the Proposed Class.

86. **Adequacy.** Plaintiff is an adequate representative of the Proposed Class because she is a member of the Proposed Class that she seeks to represent, is committed to pursuing this matter against Defendants to obtain relief for the Proposed Class and has no conflicts of interest with the Proposed Class. Moreover, Plaintiff's attorneys are competent and experienced in litigating class actions such as this one. Plaintiff intends to vigorously prosecute this case and will fairly and adequately protect Proposed Class Members' interests.

87. **Superiority.** A class action is superior to any other available means for the fair and efficient adjudication of this controversy, and no unusual difficulties are likely to be encountered in the management of this class action. The quintessential purpose of the class action mechanism is to permit litigation against wrongdoers even when damages to an individual plaintiff may not be sufficient to justify individual litigation. Here, the damages suffered by Plaintiff and the Proposed Class are relatively small compared to the burden and expense required to individually litigate their claims against Defendants, and thus, individual litigation to redress Defendants' wrongful conduct would be impracticable. Individual litigation by each Proposed Class Member would also strain the Court system. Individual litigation creates the potential for inconsistent or

contradictory judgments and increases the delay and expense to all parties and the Court system. By contrast, the class action device presents far fewer management difficulties and provides the benefits of a single adjudication, economies of scale, and comprehensive supervision by a single Court.

## **V. CAUSES OF ACTION**

### **COUNT I**

#### **Violations of Illinois Consumer Fraud and Deceptive Business Practices Act (815 ILCS 505/1, *et seq.*) *On behalf of the Plaintiff and the Proposed Class***

88. Plaintiff restates all allegations contained in the preceding paragraphs as if fully restated herein.

89. The Illinois Consumer Fraud and Deceptive Businesses Practices Act (815 ILCS 505/1, *et seq.*) prohibits any deceptive, unlawful, unfair, or fraudulent business acts or practices including using deception, fraud, false pretenses, false promises, false advertising, misrepresentation, or the concealment, suppression, or omission of any material fact, or the use or employment of any practice described in Section 2 of the “Uniform Deceptive Trade Practices Act.” 815 ILCS 505/2.

90. The Illinois Consumer Fraud and Deceptive Businesses Practices Act applies to Defendants’ acts and omissions as described herein because it applies to transactions involving the sale of goods or services to consumers.

91. Plaintiff, Proposed Class Members, and Defendants are each a “person,” as defined by 815 ILCS 505/1(c).

92. Plaintiff and Proposed Class Members are each a “consumer” as defined by 815 ILCS 505/1(e).

93. Defendants are engaged in commerce as defined by 815 ILCS 505/1(f) because the loans provided to Plaintiff and Proposed Class Members were for their personal educational use.

94. Under the Illinois Consumer Fraud and Deceptive Business Practices Act (ICFA), 815 Ill. Comp. Stat. Ann. 505/1, *et seq.*, determining whether conduct is unfair relies on three factors: (1) whether the alleged conduct offends public policy, (2) whether the alleged conduct is immoral, unethical, oppressive, or unscrupulous, and (3) whether the alleged conduct causes substantial injury to consumers. The analysis is holistic, and plaintiffs need not prove all three to plead a claim of unfairness under the ICFA. *Higgins v. Yamaha Motor Corporation*, N.D.Ill.2024, 2024 WL 3509760; *see also Cohen v. American Sec. Ins. Co.*, C.A.7 (Ill.) 2013, 735 F.3d 601.

95. Specifically, and without limitation, Defendants have engaged in unfair activities in violation of ICFA because:

- Defendants' arbitrary, unreasoned review of both Plaintiff's and Proposed Class Members' Discharge Applications is immoral, unethical, oppressive, and unscrupulous. Defendants' conduct is particularly unfair given the widespread, documented evidence of fraudulent practices used by IADT and similar schools to lure Plaintiff and Proposed Class Members into enrolling, which Defendants' predecessor-in-interest, Sallie Mae, aided and abetted; and
- Defendants' refusal to provide an individualized and detailed explanation about Plaintiff's and Proposed Class Members' Discharge Applications also offends public policy, as Defendants' opaque communications prevent Plaintiff and Proposed Class Members from effectively asserting their rights under the FTC Holder Rule. Defendants' failure to meaningfully communicate the reasons behind

its denials also contravenes the public policy of Illinois by violating Defendants' obligations under the Illinois Student Loan Servicing Act.

96. As a direct and proximate result of Defendants' unfair refusal to provide an individualized and detailed explanation for its denial of Plaintiff's and her fellow Proposed Class Members' Discharge Applications, Plaintiff and Proposed Class Members have suffered injuries of a personal and pecuniary nature.

97. The acts and omissions of Defendants have been unlawful in nature and, as a proximate result, Plaintiff and Proposed Class Members are entitled to recover actual damages and punitive damages, as well as reasonable attorney's fees and costs and injunctive relief as provided by 815 ILCS 505/10a.

**COUNT II**  
**Violations of Illinois Student Loan Servicing Rights Act**  
**(110 ILCS 992/5-5, *et seq.*)**  
***On behalf of the Plaintiff and the Proposed Class***

98. Plaintiff alleges and incorporates herein every allegation set forth in the preceding paragraphs as though the same were fully rewritten herein.

99. Plaintiff and Proposed Class Members are each a "student loan borrower" as that term is defined in 110 Ill. Comp. Stat. 992/1-5 because they received the student loans at issue in this case for their own educational expense.

100. Plaintiff and Proposed Class Members are each a "requestor" as that term is defined in 110 Ill. Comp. Stat. 992/1-5. Plaintiff and Proposed Class Members submitted a "request for assistance" as that term is defined in the statute when they, among other things, applied for Navient's Discharge Application and when they appealed its denials and requested more information about those denials.

101. Defendants are “student loan servicers” as that term is defined in 110 Ill. Comp. Stat. 992/1-5 because, at all relevant times in the Complaint, they engaged in the business of servicing Plaintiff and other Proposed Class Members’ student loans. On October 21, 2024, Defendants transferred the servicing of the Proposed Class Members’ loans to the Higher Education Loan Authority of the State of Missouri (MOHELA). However, upon information and belief, Defendants’ process for reviewing Discharge Applications, and their communications to borrowers, have not changed and are still being governed by Defendants’ internal policies.

102. Under Article 5 of the Illinois Student Loan Servicing Act (hereafter, the “Student Loan Bill of Rights”), servicers must implement reasonable policies and procedures for accepting, processing, investigating, and responding to requests for assistance in a timely and effective manner. See 110 ILCS 992/5-65.

103. Where a request for assistance contains an account dispute, the servicer must promptly conduct a thorough investigation. *Id.* If a servicer determines as a result of the investigation that the requested changes will not be made, they must provide a written notification to the borrower that includes “a description of its determination and an explanation of the reasons for that determination.” *Id.*

104. Plaintiff and Proposed Class Members submitted a valid request for assistance when they submitted their Student Misconduct Discharge Applications, which disputed the validity of her private student loans. Defendants’ boilerplate and cursory denial of their applications, and Defendants’ refusal to provide any information about their denials, denies Plaintiff and Proposed Class Members of the “description of Defendants determination and an explanation of the reasons for that determination” owed to them under the Student Loan Bill of Rights.

105. Defendants' conduct has and continues to cause harm to Plaintiff and Proposed Class Members.

**COUNT III**  
**Breach of Contract**  
**(Violation of Implied Covenant of Good Faith and Fair Dealing)**  
***On behalf of Plaintiff***

106. Plaintiff alleges and incorporates herein every allegation set forth in the preceding paragraphs as though the same were fully rewritten herein.

107. Plaintiff and Sallie Mae, Defendants' predecessor-in-interest, entered into three valid and enforceable contracts in 2006 and 2007. These agreements are reflected in promissory notes executed by Plaintiff and Sallie Mae. Plaintiff's loan dated February 14th, 2006, does not contain an arbitration or class action waiver clause and it is the only loan for which she brings this and the following individual claims.

108. Plaintiff has complied with her obligations under the contract. She has remained current on her payments and has not breached any nonmonetary terms of the agreement.

109. Plaintiff's student loan contract impliedly includes the FTC Holder Notice, discussed *supra*, which states that any holders of the promissory note (in this case, Defendants) are subject to any claims or defenses that Plaintiff could raise against her school, IADT.

110. Defendants elected to satisfy their obligations under the Holder Rule by inviting Plaintiff to complete the Discharge Application. The application process granted Defendants contractual discretion to hear and adjudicate Plaintiff's claims based on the evidence she presented in her application.

111. Despite Plaintiff submitting substantial evidence of IADT's misconduct, which has led to widespread debt cancellation of student loan debts for former students similarly situated to



Plaintiff, Defendants denied Plaintiff's Discharge Application without any explanation. Defendants also refused to issue any clarification despite multiple requests from Plaintiff.

112. Defendants' handling of Plaintiff's Discharge Application was arbitrary, capricious, and inconsistent with the reasonable expectations of the parties about Plaintiff's rights under the FTC Holder Rule and the contract.

113. Under Illinois law, every contract is construed to have a covenant of good faith and fair dealing. This covenant requires contractual parties to exercise any contractual discretion fairly. *See* 810 ILCS 5/1-304.

114. Defendants' conduct violates their obligations under the Holder Notice incorporated expressly or impliedly into Plaintiff's contract. Defendants' failure to fairly exercise its discretion with regard to Plaintiff's contractual rights under the Holder Notice in her private student loan promissory note violates the implied covenant of good faith and fair dealing.

**COUNT IV**  
**Declaratory Judgment**  
**(735 ILCS 5/2-701)**  
***On behalf of Plaintiff***

115. Plaintiff alleges and incorporates herein every allegation set forth in the preceding paragraphs as though the same were fully rewritten herein.

116. At all relevant times, there was also in effect a declaratory judgment statute in the 735 Ill. Comp. Stat. Ann. 5/2-701.

117. A current and ongoing controversy exists between Plaintiff and Defendants about her right to debt cancellation under the FTC Holder Rule and under the terms of her loan agreement.

118. Under the terms of her private loan promissory note, dated February 14, 2006, which implicitly includes the Holder Notice, the holder of Plaintiff's private loans is subject to all

claims and defenses that Plaintiff could bring against IADT. In addition, because of Navient's predecessor's role in defrauding students, Plaintiff could raise direct claims and defenses against Defendants.

119. In her Discharge Application to Navient, Plaintiff adequately raised a defense to repayment under the Holder Rule based on her school's misconduct. The underlying legal claims supporting Plaintiff's School Misconduct Discharge Application include violations of Illinois consumer protection statutes, including the Illinois Consumer Fraud and Deceptive Business Practices Act. Plaintiff's School Misconduct Discharge Application is also supported by claims of common law negligence, fraud, breach of contract, and the implied covenant of good faith and fair dealing.

120. Despite raising an adequate defense, Defendants rejected Plaintiff's Discharge Application and represented that her obligations under the private student loan agreement were unchanged.

121. Illinois courts "may, in cases of actual controversy, make binding declarations of rights, having the force of final judgements . . . including the determination, at the instance of anyone interested in the controversy, of the construction of any statute . . . governmental regulation, or of any deed, will contract, or other written instrument, and a declaration of the rights of the parties interested." See Ill. Comp. Stat. Ann. 5/2-701(a).

122. Absent a declaration of her rights, Plaintiff would be forced to either continue paying on a disputed debt or stop paying and face credit and financial harms. A declaration in this case will prevent Defendants from exercising unilateral control over whether Plaintiff can exercise her rights.

123. A plaintiff may obtain a declaration of rights, as provided by the declaratory judgment statute, through a pleading seeking such relief. *Id.* at § 2-701(b).

**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff AMANDA LUCIANO, individually and on behalf of the Proposed Class, prays that the Court issue an Order for Judgment against Defendants in Plaintiff's favor, as follows:

- A. Certify this action as a class action, and appoint Plaintiff as the Proposed Class Representative and undersigned counsel as Class Counsel;
- B. Enter judgment in favor of Plaintiff and the Class and against Defendants;
- C. Award actual damages, statutory damages, and statutory penalties, in an amount to be determined, as allowable by law;
- D. Award to Plaintiff and Proposed Class Members their reasonable attorney's fees and costs, pursuant to 815 ILCS 505/10a;
- E. Enter an injunction ordering that Defendants conduct an additional review of Plaintiff's and Proposed Class Members' applications that gives due deference to findings of misconduct by the government or by courts, and ordering Defendants to offer an individualized and detailed explanation for all applicants who receive a denial following this additional review.
- F. Award to Plaintiff a declaratory judgment pursuant to 735 Ill. Comp. Stat. Ann. 5/2-701, that, pursuant to the promissory notes, she has established a defense to repayment such that her private student loans are invalid and not enforceable;
- G. Award pre- and post-judgment interest, to the extent allowable; and
- H. Award such other and further relief as equity and justice may require.

Plaintiff AMANDA LUCIANO, individually, and on behalf of all others similarly situated,

DATED: February 26, 2025

Respectfully submitted,

/s/ Daniel J. Schneider

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