

**UNITED STATES DISTRICT COURT
DISTRICT OF CONNECTICUT**

SASHA RODRIGUEZ and CATHELYN)
GREGOIRE on behalf of all persons)
similarly situated)

CASE NO.:

Plaintiffs,

vs.

**CLASS ACTION
JURY TRIAL DEMANDED**

SALLIE MAE (SLM) CORPORATION)

DECEMBER 17, 2007

Defendant.

CLASS ACTION COMPLAINT

Plaintiffs bring this action both individually and on behalf of the class of persons defined below against Sallie Mae Corporation and its agents (hereinafter referred to as “Sallie Mae”) and pursuant to their investigation, upon knowledge as to themselves and their own acts and otherwise upon information and belief.

INTRODUCTION

Through this case, Plaintiffs on behalf of themselves and those similarly situated, by and through their undersigned attorneys, against Sallie Mae Corporation (Sallie Mae) and its affiliated entities, demand remediation of Sallie Mae’s systemic discriminatory practices in the underwriting of private student loans. Plaintiffs allege that through its company-wide discriminatory policy Sallie Mae intentionally violated civil rights laws, the Equal Credit Opportunity Act (ECOA), and the Truth in Lending Act (TILA) in the origination or underwriting of private student loans with the goal of increasing its earnings at the expense of minorities. Plaintiffs also allege that Sallie Mae deceptively concealed its discriminatory underwriting practices from minority students in order to continue its

exploitation of minority applicants. Sallie Mae's practices have resulted in minority applicants being charged disproportionately higher interest rates and fees than those charged to similarly situated non-minority applicants. Sallie Mae intentionally discriminated against minority applicants by using specific criteria in its underwriting of private student loans, including consideration of the school a student attends and the student's credit history or the credit history of the student's cosigner. As a result of Sallie Mae's discrimination, Plaintiffs and Class Members faced barriers blocking them from equal access to favorable terms on private student loans. In addition, through its concealed relationships with colleges having high minority populations and its discriminatory underwriting policies and practices, Sallie Mae steered Plaintiffs into substandard private student loans because of their race.

Students face a number of challenges in obtaining a higher education degree. Minority students often encounter even greater challenges than Caucasian students as they are more frequently the first in their family to attend college or their families are less likely than Caucasian families to have the money to pay for their college education. In its 2006 10-K report, Sallie Mae recognized the dilemma students face in paying for higher educations by stating: "Private Education Loans will continue to be an important driver of future earnings growth as the demand for post-secondary education grows and costs increase much faster than increases in federal loan limits." Sallie Mae Corporation 10-K Report at 57. Unfortunately for minority students, Sallie Mae has capitalized on the minority student's plight to maximize the profits available from this "important driver of future earnings growth" by intentionally discriminating against minority applicants in its underwriting of unfair and predatory private student loans. Sallie Mae targeted and exploited young, unsophisticated minority students by taking wrongful advantage of a situation created by socioeconomic forces

tainted by racial discrimination. By exploiting Plaintiffs' and Class Members' great need for education financing, Sallie Mae caused minority applicants to receive private student loans with terms less favorable than those given to similarly situated Caucasians. Finally, as part of its deceptive scheme, and in order to lure minorities into predatory loan agreements, Sallie Mae concealed details of the loan transactions from Class Members in violation of the Truth in Lending Act.

NATURE OF THE CASE

1. This is a class action seeking redress for a common nationwide policy of racial discrimination by Sallie Mae relating to the underwriting of private student loans. Through its nationwide scheme, Sallie Mae steered minorities toward, and subjected them to, unfavorable private loan terms, intending to deny minorities the opportunity to obtain more favorable loans based on their race. As a consequence, Sallie Mae has disadvantaged scores of minorities seeking the same private student loans as those offered to Caucasians.

2. "Minority" and "Minorities" as used in this Complaint refer to Hispanic and African American individuals.

3. The term "underwriting" as used herein shall refer to Sallie Mae's conduct in underwriting loans that it originates as well as loans in which it influenced or controlled the underwriting even if it did not originate the loan.

4. As used in this Complaint, the terms "loans" or "student loans" refers to all private student loans of which Sallie Mae influenced or controlled the underwriting. Such loans include loans funded by Sallie Mae or any of its affiliated entities as well as loans funded by an entity other than Sallie Mae if Sallie Mae influenced or controlled the loan's underwriting. Such loans include

all loans Sallie Mae took part in underwriting on a racially discriminatory basis including loans made to actively enrolled students as well as consolidation loans which are loans from a single lender which are used to pay off the balances of several student loans. The loans discussed herein also include Sallie Mae's "Preferred Channel Originations," which are comprised of 1) student loans that are originated on other platforms by various lenders with forward purchase commitment agreements with Sallie Mae and are committed for sale to Sallie Mae, such that Sallie Mae either owns them from inception or, in most cases, acquires them soon after origination, and 2) loans that are originated by internally marketed Sallie Mae brands. Loans obtained via the "Preferred Channel Origination" are Sallie Mae's most valuable loans because they cost the least to acquire and remain in its portfolio the longest. For example, Sallie Mae has a renewable, multi-year agreement purchasing a large share of Bank One's volume as well as purchasing all loans originated by JP Morgan Chase. Using such lenders, including among others, Stillwater National Bank and Sioux Falls National Bank, Sallie Mae is able to charge disproportionately higher interest rates than it otherwise would be allowed to charge due to the states these banks are located in. Some of Sallie Mae's agreements with lender banks enable Sallie Mae to purchase all loans originated by the lender bank under the Sallie Mae platform, while other agreements limit Sallie Mae to exclusively market loans under a particular lender bank's names. In all of these situations, Sallie Mae influences, directs, or controls the underwriting of the loans.

5. This action is brought by Plaintiffs as a class action pursuant to Rule 23 of the Federal Rules of Civil Procedure on behalf of minority persons, including Hispanics and African Americans, hereinafter referred to as the "Class" or "Class Members", who have or have had a private student loan underwritten by Sallie Mae or one of its agents in accordance with the common course of

discriminatory and deceptive conduct described herein.

6. Plaintiffs seek injunctive, declaratory, and equitable relief, including rescission, and other remedies for Sallie Mae's racially discriminatory, deceptive and unlawful conduct.

JURISDICTION AND VENUE

7. The Court has federal question jurisdiction pursuant to 28 U.S.C. § 1331, 28 U.S.C. § 1343(a)(4) for violations 15 U.S.C. § 1691(a)(1), 15 U.S.C. 42 U.S.C. §1981, and 42 U.S.C. §1982.

8. Venue is proper in this district pursuant to 28 U.S.C. § 1391(b) because Sallie Mae or its affiliates conduct business within the state and in this District. In addition, certain of the named plaintiffs reside in this District and a substantial number of the events that gave rise to Plaintiffs' claims took place in this District.

THE PARTIES

9. Plaintiff Sasha Rodriguez is a Hispanic woman and is a resident of Branford, Connecticut who was steered towards a private student loan by Sallie Mae on which she was charged disproportionately higher rates and fees than those charged to similarly situated Caucasians. Ms. Rodriguez's loan contains an unreasonably high interest rate and additional fees which to this day Ms. Rodriguez does not believe have been adequately and fully disclosed to her.

10. Plaintiff Cathelyn Gregoire is an African American woman and is a resident of Gibsonton, Florida who was steered towards a private student loan by Sallie Mae on which she was charged disproportionately higher rates and fees than those charged to similarly situated Caucasians. Ms. Gregoire's loan contains an unreasonably high interest rate and additional fees which to this day Ms. Gregoire does not believe have been adequately and fully disclosed to her.

11. Sallie Mae Corporation, commonly known as “SLM Corporation” or “Sallie Mae,” is the parent company of a number of college savings, education lending, debt collection, and other subsidiaries. Sallie Mae controls the underwriting practices and policies of all of its subsidiaries. Among these are: Sallie Mae Education Trust; Nellie Mae Corporation; Student Loan Funding Resources; Academic Management Services Corporation; Southwest Student Services Corporation; Student Loan Finance Association; Sallie Mae Bank; SLM Financial Corporation; Sallie Mae Home Loans; SLM Education Credit Finance Corporation; SLM Funding, L.L.C.; Sallie Mae Servicing; Student Assistance Corporation; Pioneer Credit Recovery, Inc.; General Revenue Corporation; Arrow Financial Services (AFS); GRP Financial Services (GRP) Financial Services Corporation; General Revenue Corporation (GRC); Noel-Levitz, Inc.; Sallie Mae Business Office Suite; Collegeanswer.com; Southwest Student Services Corporation; Academic Management Services (AMS); and Hemar Insurance Company.

12. Sallie Mae, along with other Sallie Mae subsidiaries and affiliates, have acted in concert in carrying out the discriminatory conduct alleged herein and will be referred to collectively in this Complaint as “Sallie Mae.” Sallie Mae is organized under the laws of the State of Delaware, and maintains its principal offices in Reston, Virginia.

**SALLIE MAE'S DISCRIMINATORY, DECEPTIVE, AND
OTHER WRONGFUL ACTS**

Violations of Civil Rights Laws and the Equal Credit Opportunity Act

13. For many years, Sallie Mae knowingly and intentionally, and as a matter of corporate practice and/or common course of conduct, engaged in racially discriminatory practices involving the underwriting, pricing, formation, administration and renewal of private student loans in order to

increase its own revenues and profitability to the detriment of Plaintiffs and Class Members.

14. At all material times, Sallie Mae acted with a discriminatory intent and was motivated by racial animus. Sallie Mae knew that the loans it was offering Plaintiffs and Class Members were predatory and discriminatory yet it intentionally targeted its high cost student loans to minorities. Further, at all material times, Sallie Mae acted in a manner that resulted in a disparate impact upon, and the disparate treatment of, non-Caucasians. Sallie Mae continues to discriminate against Plaintiffs and Class Members as alleged below. Sallie Mae's discriminatory conduct includes, *inter alia*, causing non-Caucasians, including Plaintiffs and Class Members, to be charged disproportionately higher interest rates and fees on private student loans than those charged to similarly situated Caucasians.

15. Sallie Mae foists its loans upon students, knowing that a disparate impact or the disparate treatment of minority applicants will result. Often, Sallie Mae works in concert with schools, resulting in the schools' funneling students into Sallie Mae underwritten loans. Generally, the student has no knowledge of certain financial arrangements that possibly exist between the school and Sallie Mae. Many schools' documents represent to students that in order for the student to be approved for admission or in order for the school to help the student achieve his or her financial goals, the student must seek financial aid through Sallie Mae. Sallie Mae provides incentives to these schools for these practices which result in lucrative rewards for Sallie Mae.

16. Sallie Mae has used and continues to use an automated underwriting system to aid in determining the rates and fees charged on a particular loan. Sallie Mae's automated underwriting system is a two step process. First, Sallie Mae determines the rates and fees *available* to a particular

student based on the school the student attends. Second, Sallie Mae considers a student's credit history, or in some instances, the credit history of the student's cosigner to determine the exact rates and fees that will be charged within the ranges available at the student's particular school.

17. Because Sallie Mae uses the school a student attends to determine the rates and fees *available* to a student, often a student attending a school with a high minority population does not have the same rates and fees available to him or her as those available to a similarly situated Caucasian attending a school with a lower minority population.

18. Sallie Mae uses these factors to assess "financial stability" for use in underwriting decisions. The use of these factors in underwriting decisions are used to target minorities and exploit their need for education financing. Sallie Mae's lending of these unfair and predatory loans is done for racially discriminatory purposes.

19. Through the use of a credit scoring algorithm and a system which considers the school attended by the student, Sallie Mae intentionally designed unfair and predatory underwriting practices that discriminated against minority borrowers and which have resulted in a disparate impact on, and the disparate treatment of, minorities who borrowed private student loans underwritten by Sallie Mae.

20. Sallie Mae considers the federal cohort default rate ("cohort rate") of each applicant's school. The cohort rate is released yearly and adjusts according to the percentage of a school's borrowers who default on certain federal student loans during a particular federal fiscal year.

21. The higher a school's cohort rate, the more likely the student is to receive disproportionately higher interest rates as well as add-on fees charged to the private student loan

applicant. The additional fees charged on the loan often include a “prepaid finance” charge, “disbursement” fee, “repayment” fee, insurance premium, or “supplemental” fee. Sallie Mae intentionally and creatively fails to fully disclose these fees to applicants.

22. Sallie Mae knows that a disproportionate number of schools with high minority populations have higher cohort rates than compared with the cohort rates of schools without high minority populations. Using the school a student attends as a factor in underwriting often results in minority students being charged an unjustified interest rate and/or fees simply because of the school the student attends. Despite this knowledge, Sallie Mae continues to use this factor in underwriting its loans.

23. Plaintiffs believe that Sallie Mae may consider additional factors related to the student’s school in underwriting private student loans that are discriminatory in nature; however, because Sallie Mae conceals its discriminatory practices, Plaintiffs cannot be sure of every way in which Sallie Mae discriminates against minorities in underwriting private student loans. Such other discriminatory practices may include taking into account the geographic location of a particular school.

24. Sallie Mae’s automated underwriting process involves the use of a credit score produced by formulas created by Sallie Mae. Sallie Mae conceals from applicants the actuarial basis for its automated underwriting process. In addition, Sallie Mae keeps secret its credit scoring formulas, including the credit factors which impact the resulting score. As a result, the amount a borrower pays for a loan is dependent upon a hidden automated underwriting process allegedly justified by actuarial information not given to borrowers.

25. In reality, Sallie Mae's use of credit history in underwriting private student loans is also done for racially discriminatory reasons. Sallie Mae incorporates credit in underwriting for the purpose of using it as a pretext to give minority borrowers more onerous loan terms than those given to similarly situated Caucasians. Furthermore, Sallie Mae's automated credit scoring program has an adverse impact on minorities. Minorities as a group have lower credit scores than Caucasians. The effect of Sallie Mae's credit scoring system is that minorities are charged higher rates and fees than similarly situated Caucasians.

27. Sallie Mae has achieved its discriminatory goal of charging minorities more for the lending of less desirable loans through use of the artifices described above by systematically and routinely charging minority student borrowers more for private student loans due to aspects of the particular school they attend and due to information obtained in their credit history or their cosigner's history.

28. Plaintiffs and Class Members have lost and face losing millions of dollars in interest and fees overcharged due to Sallie Mae's racial discrimination and concealment of loan terms.

29. Sallie Mae has received millions of dollars in interest and fees by virtue of its discriminatory, fraudulent, deceptive, concealing, and overreaching policy pricing and administration practices.

30. The interest rates, fees, and other important loan terms on Sallie Mae underwritten private student loans are racially discriminatory, excessive, unfair, unconscionable, unlawful and unreasonable and were designed to, and have, yielded a rate of return on these loan products for Sallie Mae which is excessive and unreasonable.

Violations of The Truth in Lending Act and Regulation Z

31. As set forth below, Sallie Mae violated the Truth in Lending Act (TILA) against minority Plaintiffs with private student loans totaling less than \$25,000.00 per loan by failing to deliver accurate disclosures clearly and conspicuously in writing, in a form that the consumer may keep prior to the consummation including, without limitation, failing to disclose interest rates; fees; insurance premiums; repayment terms; and underwriting criteria.

32. Sallie Mae routinely failed to conspicuously disclose its private loan underwriting criteria and the terms of its private student loans prior to consummation of the transactions it engaged in.

33. Sallie Mae routinely waited to make required disclosures to Plaintiffs and Class Members until Plaintiffs and Class Members had already begun classes or until their schools had received the loan funds, at which time Plaintiffs and Class Members had no choice but to accept the loan terms or to forego school for a semester. Often, Sallie Mae never fully disclosed the loan terms to an applicant.

34. Even if Plaintiffs and Class Members were informed of the terms of their loans, by the time that occurred, they effectively had no opportunity to reject the loan in favor of an alternative as it was too late into the semester for Plaintiffs and Class Members to apply for any other student loan.

35. The student loan transaction was effectively consummated at the time Sallie Mae or its affiliated agents provided the Plaintiffs' schools notification that it would fund the student's loan, at which time the schools allowed Plaintiffs to take classes and purchase books, with the agreement

that the school would receive those funds directly from Sallie Mae, or one of Sallie Mae's agents, at a later date.

36. In an effort to conceal the information until after consummation of the transaction, Sallie Mae would not allow students to manage their loans online, where the required information might be found, until *after* the student received the borrowed funds, which was well after the time by which students could reasonably choose to forgo borrowing from Sallie Mae should he or she decide the loan terms were unreasonable.

37. By failing to timely make the required disclosures, Sallie Mae effectively denied Plaintiffs and Class Members a meaningful disclosure of credit terms so that Plaintiffs and Class Members would be able to compare more readily the various credit terms available to them and avoid the uninformed use of credit.

38. Additionally, by failing to comply with disclosure requirements, Sallie Mae systemically decreased its competition among the various financial institutions and other firms engaged in the extension of student loans which would be strengthened by adequate timely disclosures.

39. Sallie Mae also routinely failed to violate other aspects of the Truth in Lending Act, by, among other things, failing to "provide a statement of the consumer's right to obtain, upon written request, a written itemization of the amount financed." Such a statement must "include spaces for a "yes" and "no" indication to be initialed by the consumer to indicate whether the consumer wants a written itemization of the amount financed."

**ACCRUAL, FRAUDULENT CONCEALMENT, CONTINUING VIOLATION AND
EQUITABLE TOLLING**

40. Sallie Mae's intentional discriminatory practices, and their effects, continue even to this day. Plaintiffs and Class Members did not know and could not reasonably have known that they would be charged more interest and fees on private student loans than similarly situated Caucasians. Their claims did not accrue until shortly before the filing of this action.

42. Sallie Mae's discriminatory scheme was, by design and in practice, inherently self-concealing. Sallie Mae knew that Plaintiffs and Class Members could not determine the relationship between the cost and benefit of the loans it was underwriting relative to the types of loan terms available to non-Caucasians. Sallie Mae targeted a disadvantaged segment of the population that was unsophisticated about loan matters and ill equipped to understand the unfamiliar and technical language of loan documents as well as the complex methods of determining loan rates and fees. Sallie Mae knew that the rates and fees charged to non-Caucasians, unbeknownst to non-Caucasians, were disproportionately more expensive than Sallie Mae's rates and fees charged to Caucasians. Sallie Mae also knew that its practices resulted in a disparate impact on, or the disparate treatment of, minorities applying for private student loans. Often, Plaintiffs and Class Members were not even aware that Sallie Mae influenced or controlled the underwriting of their loans and thus could not have discovered its discriminatory practices.

43. Sallie Mae intentionally continues to discriminate and knowingly conceal its racially discriminatory practices. Sallie Mae has actively and fraudulently concealed its discriminatory practices by several methods to ensure that its discriminatory practices are not discovered.

44. At no time did Sallie Mae train or encourage its agents to explain the different

treatment between non-Caucasians and Caucasians to Plaintiffs or Class Members or to notify its non-Caucasian policyholders that they were paying disproportionately higher rates and fees for inferior loans than similarly situated Caucasians.

45. Plaintiffs and Class Members were unable to determine from the face of their loans that the loans uniformly bore disproportionately higher interest rates and fees because of their race. The interest rates, fees, and other important loan terms for Sallie Mae underwritten private student loans have been determined based on a number of undisclosed factors that varied between student borrowers and which were not fully revealed to student borrowers or its agents. Thus, even if Class Members had attempted to inquire about their rates, they could not have discovered Sallie Mae's unfair and illegal practices. In fact, Sallie Mae encouraged its agents to confuse borrowers when inquiries were made.

46. Sallie Mae systematically and uniformly trained its sales force not to disclose the existence of discriminatory rates, fees, and underwriting criteria. Sallie Mae never disclosed its discriminatory practices in any of the materials it provided to Plaintiffs or the Class. Sallie Mae never disclosed to Plaintiffs or Class Members that the rates and fees offered to Caucasians were disproportionately lower than the rates and fees offered to non-Caucasians.

47. Sallie Mae is in possession of its actuarial and rate information concerning these loans, and Sallie Mae considers this information highly confidential and does not and did not disclose this information to Plaintiffs or Class Members.

48. As a result of the foregoing, Plaintiffs and Class Members in the exercise of due diligence could not have reasonably discovered the discriminatory loan terms and other deceptive and discriminatory practices and did not do so until just recently. For the reasons alleged above, the

members of the Class still do not know that they have been and continue to be injured by Sallie Mae's discriminatory conduct.

49. Sallie Mae's discriminatory conduct is continuing in nature, and Sallie Mae has committed discriminatory acts throughout the limitations period.

50. There is a substantial nexus between the acts of discrimination occurring within the limitation periods prior to filing suit and the acts of discrimination before that time. The acts involve the same type of discrimination and are recurring, not isolated, events.

51. Sallie Mae has actively concealed its discriminatory and other wrongful conduct in order to prevent, and indeed has succeeded in preventing, Plaintiffs and Class Members from discovering its racially discriminatory underwriting and fraudulent misconduct. Sallie Mae specifically misled Plaintiffs and Class Members into believing that the terms of its private student loans were fair, reasonable, and the same as offered to Caucasian borrowers, and took steps to conceal its fraudulent and unfair conduct.

52. The statute of limitations applicable to any claims which Plaintiffs or other Class Members have brought or could bring as a result of the unlawful and fraudulent concealment and course of conduct described herein has been tolled as a result of Sallie Mae's fraudulent concealment. In addition, Plaintiffs and the Class did not and could not have discovered their causes of action until recently, thereby tolling any applicable statute of limitations. Sallie Mae, through various devices of concealment and secrecy described above, affirmatively and fraudulently concealed the existence of its unlawful and discriminatory scheme and course of conduct from Plaintiffs and Class Members. Plaintiffs and Class Members had no knowledge of Sallie Mae's scheme and unlawful conduct and did not learn of or discover Sallie Mae's fraudulent course of conduct until the filing of this action.

PLAINTIFFS' ALLEGATIONS

Plaintiff Sasha Rodriguez

53. Plaintiff Sasha Rodriguez is a Hispanic woman who lives at 20 Sunset Hill Drive, Branford, Connecticut 06405 and is a member of the class alleged herein. Plaintiff Sasha Rodriguez lived in Gilford, Connecticut in 2003 when she applied to attend McIntosh College in New Hampshire. Sallie Mae private student loan applications were mailed to Rodriguez's home in Connecticut, where she signed the documents and mailed them back to Sallie Mae. Subsequently, Rodriguez moved to New Hampshire to attend McIntosh College.

54. Prior to moving to New Hampshire, Rodriguez was persuaded by a school representative to apply for specific loans so that she could attend McIntosh College. In order to obtain her Associates of Science degree over the course of 18 months, Rodriguez was coerced into taking \$19,500.00 in private student loans, underwritten by Sallie Mae, as well as approximately \$12,000.00 in federal student loans from Nelnet.

55. Sasha Rodriguez's loans were borrowed on the understanding that the loan terms offered were fair and reasonable. Sallie Mae never disclosed or otherwise informed Ms. Rodriguez that she was charged disproportionately higher rates and fees on these loans based on her race through Sallie Mae's discriminatory underwriting.

56. Ms. Rodriguez currently has two private Signature Student Loans currently with 18.125% interest rates, both underwritten by Sallie Mae. Between October 2003 and March 2005, Ms. Rodriguez borrowed a total of \$19,500.00 in private student loans to fund her education and her loans went into repayment status as of September 2005. As a result of Sallie Mae's discriminatory underwriting, as of November 1, 2007, Sasha Rodriguez's private student loan debt had risen from

\$18,900.00 to over \$33,000.00. Sasha Rodriguez's monthly Sallie Mae bill, which does not even dent her principal balance, is in excess of \$500.00.

57. At the time Sasha Rodriguez took out the private student loans, the true interest rates and fees were never revealed to her by her lender, her loan servicer, or her school. In fact, only upon graduation did Rodriguez realize that her interest rates were double the amount she was initially lead to believe they would be. Additionally, the current interest rates being charged on Rodriguez's private student loans conflict with rates reflected on past statements she received from Sallie Mae. Sallie Mae's fees are so well hidden that Plaintiff still does not have full knowledge as to the exact amount she was charged.

58. Sasha Rodriguez makes \$10.40 per hour as a manager at a Rite Aid pharmacy. Due to the unreasonably high interest rates, fees charged, and payments due on her private student loans, Rodriguez cannot afford to make payments as Sallie Mae demands. As a result of her being unable to make her payments Sallie Mae has harassed Ms. Rodriguez, calling her up to 17 times per day and constantly e-mailing her as well. Sallie Mae has gone so far as to humiliate Ms. Rodriguez by repeatedly calling her work and even calling her landlord. Ms. Rodriguez has given Sallie Mae verbal and written instruction to cease and desist contacting her, her place of business, and her landlord, yet Sallie Mae has disregarded these requests.

59. Sasha Rodriguez's private student loan interest rates and fees were calculated in part on aspects of the school she attended and using her credit history, which resulted in her being given an unfair and predatory loan.

60. Sallie Mae engaged in discrimination both as a result of racial animus and in order to profit at the expense of the non-Caucasian community.

61. As a result of Sallie Mae's racially discriminatory practices alleged above, interest rates and fees on Sasha Rodriguez's private student loan are disproportionately higher than rates and fees charged to similarly situated Caucasian private student loan borrowers.

62. Because Sallie Mae fraudulently concealed its discriminatory and other wrongful conduct, Sasha Rodriguez could not have known: (I) that she was charged disproportionately higher rates and fees because of her race or (ii) that she not offered better, more favorable and affordable loan terms because of her race.

Plaintiff Cathelyn Gregoire

71. Plaintiff Cathelyn Gregoire is an African American woman who lives in Tampa, Florida and is a member of the class alleged herein. Ms. Gregoire attended the International Academy of Design and Technology in Tampa, Florida beginning in July 2003.

72. Cathelyn Gregoire's family did not have the means to fully pay for her college education. In 2003, prior to beginning classes, Ms. Gregoire was given financial aid documents by her school, which she was instructed to sign and return in order to get financial aid. As a result, an application for a Sallie Mae Signature Student Loan was processed on her behalf. Ms. Gregoire was told that she would receive approximately a seven percent (7%) interest rate on any student loans she received.

73. In June 2003, Sallie Mae denied Ms. Gregoire's loan application stating that she could not be approved on a standalone basis because she "did not score a sufficient number of points for approval and/or [she] did not meet the judgmental credit review criteria." In August 2003, Sallie Mae sent Ms. Gregoire a letter from Sallie Mae telling her to send in another application for a CEC Signature Loan. Then in September 2003, almost three months after Ms. Gregoire had begun

classes, she was approved for a \$14,276.00 CEC Signature Loan, which she later found out contained a six percent (6%) “supplemental fee” at disbursement and an index of 5.5% over prime, which now equates to a 13.25% interest rate. Not only is the interest rate discriminatory, the “supplemental fee” is an unjustified fee under the Truth in Lending Act.

74. Between beginning classes in July 2003 and the loan disbursement in September 2003, Ms. Gregoire attended classes on the understanding that she would eventually receive a loan with a seven percent (7%) interest rate and that her credits would be transferrable to a university. Because Sallie Mae was Ms. Gregoire’s only option for student loans and Ms. Gregoire had already attended classes for half of the semester, Gregoire had no choice but to accept the Sallie Mae loan when it was finally awarded.

75. In February 2004, Ms. Gregoire received a letter rejecting her for a CEC signature loan with her sister Jessica Gregoire as coborrower because the “coborrower did not meet certain eligibility requirements.” In February 2004, Sallie Mae sent Ms. Gregoire a letter reminding her to return another loan application. Also in 2004, Ms. Gregoire learned that her course credits from the International Academy of Design and Technology were not transferable to any universities; therefore, she left the school.

76. Sallie Mae took part in underwriting Ms. Gregoire’s 2004 loans through both a credit scoring and judgmental credit review system.

77. Cathelyn Gregoire’s loans were borrowed on the understanding that the loan terms offered were fair and reasonable. Sallie Mae never disclosed or otherwise informed Ms. Gregoire that she was charged disproportionately higher rates and fees on these loans, based on her race through Sallie Mae’s discriminatory underwriting.

78. Since 2004, Sallie Mae has continued to conceal information on the private student loans from Ms. Gregoire as Sallie Mae does not send her regular statements and has blocked her from logging in to the Sallie Mae website to view the status of her loans.

79. Since leaving the International Academy of Design and Technology, Ms. Gregoire obtained her Associates of Arts degree from Tallahassee Community College. She works full-time and has plans to attend the University of South Florida.

80. Ms. Gregoire currently has Sallie Mae underwritten private student loans of approximately \$20,000.00. To her knowledge, Sallie Mae is requesting approximately \$800.00 per month in payments, which she simply cannot afford.

81. Ms. Gregoire was charged a discriminatory interest rate and additional fees on her private student loans.

82. Ms. Gregoire was not made aware of many of the terms of her loans until well after consummation of the transaction. Sallie Mae has still not accurately disclosed all of the fees charged on Ms. Gregoire's private student loans.

83. Cathelyn Gregoire's unreasonably high loan payments are a result of Sallie Mae's discriminatory underwriting practices and were carried out by Sallie Mae's concealment of its discriminatory underwriting practices and concealment of the loan terms from Ms. Gregoire.

84. In underwriting Ms. Gregoire's private student loans, Sallie Mae engaged in discrimination both as a result of racial animus and in order to profit at the expense of the non-Caucasian community.

85. As a result of Sallie Mae's racially discriminatory practices alleged above, Ms. Gregoire was charged disproportionately higher rates and fees on her private student loans than those

charged to similarly situated private student loan applicants of other races.

86. Because Sallie Mae fraudulently concealed its discriminatory and other wrongful conduct, Ms. Gregoire could not have known: (I) that she was charged disproportionately higher rates and fees because of her race or (ii) that she was not offered better, more favorable and affordable loan terms because of her race.

CLASS ACTION ALLEGATIONS

87. This case is brought as a class action pursuant to Rule 23(a) and (b)(2) of the Federal Rules of Civil Procedure because Sallie Mae has acted or refused to act on grounds generally applicable to the Class through Sallie Mae's company-wide underwriting and disclosure policies as generally applied to all minority applicants. In addition, Plaintiffs seek certification of a Rule 23(b)(3) punitive damage class. Plaintiffs seek certification of this action as a class action on behalf of the Class defined above.

88. This action is appropriate as a class action pursuant to Rule 23. Sallie Mae has engaged in a common course of racially discriminatory conduct in the formation, servicing, and underwriting of the private student loans lent to Plaintiffs and Class Members. Furthermore, the issue of liability is common to the class as it rests upon a company-wide policy of underwriting private student loans and failing to timely and adequately disclose required information. Plaintiffs' claims can be readily tested through generalized proof applicable to the class as a whole.

89. Membership in the Class is so numerous that separate joinder of each member is impracticable. The number of Class Members is unknown but can be readily determined from the records of Sallie Mae. Plaintiffs reasonably estimate that there are hundreds of thousands of persons in the Class. Although Plaintiffs do not presently know the names of all Class Members, the Class

is ascertainable and the identities and addresses can be obtained from Sallie Mae's records.

90. Plaintiffs are members of the Class of victims described herein. They were subjected to Sallie Mae's fraudulent and discriminatory scheme and common course of conduct, resulting in loans being based on their race which were discriminatory, excessive, unfair, unconscionable, unlawful, and unreasonable.

91. There are numerous and substantial questions of law and fact common to all Class Members which control this litigation and which predominate over any individual issues. Included within the common questions are:

- a. Whether Sallie Mae discriminated against Plaintiffs and Class Members by charging them disproportionately higher interest rates and fees on private student loans than those charged to similarly situated Caucasians depending on the school Plaintiffs and Class Members attended;
- b. Whether Sallie Mae discriminated against Plaintiffs and Class Members by charging them disproportionately higher rates and fees than those charged to similarly situated Caucasians depending on Plaintiffs and Class Members' credit history or their cosigners credit history;
- c. Whether Sallie Mae's intent in its discriminatory policies and practices were racially motivated;
- d. Whether Sallie Mae maintained a corporate policy to extend private student loans on a racially discriminatory basis by concealing material information from Plaintiffs and Class Members such as the fact that the loans were not extended under the same terms and conditions as those offered to similarly

- situated Caucasians;
- e. Whether Sallie Mae trained, directed or determined that its agents conceal or not disclose Sallie Mae's discriminatory lending practices;
 - f. Whether Sallie Mae devised and deployed a scheme or common course of conduct which acted to defraud or deceive Plaintiffs and Class Members and/or exacted unreasonable, unconscionable and/or discriminatory rates and fees on private student loans by taking advantage of its position of superior knowledge and otherwise;
 - g. Whether Sallie Mae systematically failed to disclose to Plaintiffs and Class Members material information such as the actual basis on which loan terms would be determined;
 - h. Whether Sallie Mae systematically discriminated against Class Members and engaged in a deceptive scheme and common course of conduct in targeting an economically disadvantaged segment of the population for the lending of private student loans;
 - i. Whether Defendant violated the Truth in Lending Act and Regulation Z by failing to make accurate disclosures clearly and conspicuously in writing in a form that the consumer may keep, prior to consummation of the transaction;
 - j. Whether Sallie Mae knew or should have known that its underwriting practices were discriminatory and in violation of the ECOA and the TILA;
 - k. Whether Plaintiffs and Class Members are entitled to specific performance, injunctive relief and/or other equitable relief against Sallie Mae;

- l. Whether Plaintiffs and Class Members are entitled to an award of punitive damages against Sallie Mae; and
- m. Whether Plaintiffs and Class Members have sustained damages and the proper measure of those damages.

92. The claims of Plaintiffs are typical of the claims of the Class, and Plaintiffs have no interests which are adverse to those of the Class. Plaintiffs will fairly and adequately protect the interests of the Class and have retained counsel experienced and competent in the prosecution of insurance class actions and similar types of complex litigation.

93. Plaintiffs seek preliminary and permanent injunctive and equitable relief and punitive damages on behalf of the entire Class because Sallie Mae has acted or refused to act on grounds generally applicable to the entire Class.

94. Certification of a punitive damage Class pursuant to Rule 23(b)(3) meets the superiority and manageability tests required under the Rules of Civil Procedure.

95. A class action is superior to other available methods for the fair and efficient adjudication of this controversy. Absent a class action, Class Members will continue to suffer damage, and Sallie Mae's violations of law will proceed without remedy while Sallie Mae continues to retain the proceeds of its ill-gotten gains.

96. Most individual Class Members have little ability to prosecute an individual action due to the complexity of the issues involved in this litigation, the size and scope of Sallie Mae's uniform lending scheme, the significant costs attendant to litigation on this scale, and the comparatively small, although still significant, damages suffered by individual Class Members. Given the likelihood that Class Members are of limited financial means, it is unlikely that any

individual plaintiff could afford to pursue this type of suit on his or her own.

97. This action will result in an orderly and expeditious administration of Class claims. Economies of time, effort and expense will be fostered and uniformity of decisions will be ensured.

98. This action presents no difficulty that would impede its management by the Court as a class action, and a class action is superior to other available methods for the fair and efficient adjudication of their claims.

99. In addition to actual monetary damages, Plaintiffs' injury in fact is the denial of equal treatment resulting from the imposition of the barrier Sallie Mae has created via its discriminatory underwriting and failure to adequately disclose loan terms to Plaintiffs. As a whole, Sallie Mae's practices limited Plaintiffs' choices in comparison to the choices available to similarly situated Caucasians.

COUNT I

RACIAL DISCRIMINATION 42 U.S.C. § 1981

100. Plaintiffs repeat, reallege, and incorporate the allegations contained in paragraphs 1 through 99 above as if fully set forth herein.

101. Sallie Mae intentionally discriminated against Plaintiffs and Class Members by underwriting loans in a discriminatory manner, resulting in Plaintiffs and Class Members being charged disproportionately higher interest rates and fees than those charged to similarly situated Caucasian private student loan borrowers as set out above. Sallie Mae intended to deprive Plaintiffs and Class members of the opportunity to borrow loans with more favorable terms based on their race.

102. By charging Plaintiffs and Class Members disproportionately higher interest rates and fees than those charged to similarly situated Caucasians, Sallie Mae unlawfully discriminated against Plaintiffs and Class Members in (i) formation of contracts; (ii) making, performance, modification, and termination of contracts; (iii) the enjoyment of all benefits, privileges, terms and conditions of the contractual relationship; and/or (iv) conduct that interferes with the right to establish and enforce contract obligations. Furthermore, Sallie Mae targeted Plaintiffs and Class Members with these predatory loans in violation of 42 U.S.C. § 1981.

103. Sallie Mae's actions violate 42 U.S.C. §1981, as well as the rights of Plaintiffs and the Class under the Fifth, Thirteenth, and Fourteenth Amendments to the Constitution of the United States.

104. Sallie Mae has damaged Plaintiffs and Class Members because Plaintiffs and the Class have suffered economic loss as a result of Sallie Mae's illegal racial discrimination.

105. At no time has Sallie Mae undertaken corrective action to ameliorate its racially discriminatory practices now embedded in the private student loans underwritten by Sallie Mae and taken by Plaintiffs and Class Members. Sallie Mae continues to reap the profits of its discriminatory practices and continues to discriminate against minority applicants.

106. Sallie Mae's conduct as alleged herein was intentional, willful, wanton, reckless, malicious, outrageous or otherwise aggravated beyond mere negligence. As a result, Plaintiffs and Class members are entitled to punitive damages in addition to monetary, injunctive, and other equitable relief.

COUNT II

**RACIAL DISCRIMINATION
42 U.S.C. § 1982**

107. Plaintiffs repeat, reallege, and incorporate the allegations contained in paragraphs 1 through 99 above as if fully set forth herein.

108. A private student loan is personal property within the meaning of 42 U.S.C. § 1982.

109. Sallie Mae has discriminated against Plaintiffs and the Class with respect to the private student loans they borrowed. Plaintiffs and the Class have not had the same right as Caucasians to inherit, purchase, and hold the loans underwritten by Sallie Mae. Sallie Mae has, as a result, violated 42 U.S.C. § 1982.

110. Sallie Mae intended to deprive Plaintiffs and Class Members of the opportunity to take out loans with more favorable terms because of their race. Sallie Mae's violation of 42 U.S.C. § 1982 was intentional and malicious and motivated by racial animus.

111. Plaintiffs and the Class held private student loans within the time period allowed under Plaintiffs' claims.

112. As a proximate result of Sallie Mae's violation of 42 U.S.C. § 1982, Plaintiffs have been damaged. In addition, Sallie Mae's conduct as alleged herein was intentional, willful, wanton, reckless, malicious, outrageous or otherwise aggravated beyond mere negligence. As a result, Plaintiffs and Class members are entitled to punitive damages in addition to monetary, injunctive, and other equitable relief.

COUNT III

EQUAL CREDIT OPPORTUNITY ACT

15 U.S.C. § 1691, *et. seq.*

113. Plaintiffs repeat, reallege, and incorporate the allegations contained in paragraphs 1 through 99 above as if fully set forth herein. This count is brought on behalf of Plaintiffs and Class members.

114. Private student loans and access thereto are covered by the Equal Credit Opportunity Act (ECOA), 15 U.S.C. § 1691 *et seq.*

115. ECOA, 15 U.S.C. § 1691(a)(1) makes it unlawful for any creditor to discriminate against any applicant, with respect to any aspect of a credit transaction, on the basis of race. A creditor “discriminates” against an applicant if the creditor treats an applicant less favorably than other applicants. 12 C.F.R. § 202.2.

116. As a party which participates in the credit decision, Sallie Mae is a “creditor” under ECOA 15 U.S.C. § 1691(a)(e), 12 C.F.R. § 202.(l)-1, pursuant to the implementation of ECOA, Regulation B, 12 C.F.R. § 202.2(1). As debtors or applicants, Plaintiffs and Class Members are protected under the ECOA.

117. Plaintiffs and Class Members are “applicants” pursuant to 15 U.S.C. § 1691a(b) as they applied to Sallie Mae for an extension, renewal, or continuation of credit.

118. Plaintiffs and Class Members are minorities who borrowed private student loans which Sallie Mae participated in underwriting and who have been disproportionately higher interest rates and fees than similarly situation Caucasian as a result of Sallie Mae’s practices.

119. The underwriting criteria used by Sallie Mae, including the school Plaintiffs attended

and their credit history, constituted intentional discrimination and also resulted in a disparate impact on, and the disparate treatment of, minority private student loan borrowers, including Plaintiffs and Class Members who borrowed private student loans underwritten by Sallie Mae.

120. Sallie Mae has a non delegable duty not to discriminate on the basis of race in violation of the ECOA and other civil rights laws, which cannot be avoided by delegating aspects of the financial transaction to other parties.

121. As result of Sallie Mae's violations of the ECOA, Plaintiffs and Class members are entitled to actual and punitive damages in addition declaratory relief, equitable relief, and costs and attorneys' fees pursuant to 15 U.S.C. § 1691e(b)-(d).

COUNT IV

**TRUTH IN LENDING ACT
15 U.S.C. § 1601, *et seq.***

122. Plaintiffs repeat, reallege, and incorporate the allegations contained in paragraphs 1 through 99 above as if fully set forth herein.

123. The Truth in Lending Act was established on Congress's recognition that "economic stabilization would be enhanced and the competition among the various financial institutions and other firms engaged in the extension of consumer credit would be strengthened by the informed use of credit." 15 U.S.C. § 1601(a).

124. The purpose of the Truth in Lending Act is "to assure a meaningful disclosure of credit terms so that the consumer will be able to compare more readily the various credit terms available to him and avoid the uninformed use of credit, and to protect the consumer against inaccurate and unfair credit billing and credit card practices." 15 U.S.C. § 16019(a).

128. Regulation Z, codified in 12 C.F.R. 226, *et. Seq.* was issued by the Board of Governors of the Federal Reserve to implement the federal Truth in Lending Act found in 15 U.S.C. § 1601, *et seq.* 12 C.F.R. § 226.1(a).

125. The purpose of Regulation Z is “to promote the informed use of credit by requiring disclosures about its terms and costs.” 12 C.F.R. § 226.1(b).

126 Sallie Mae’s originating and servicing of private student loans subject it to the Truth in Lending Act.

127. The Plaintiffs’ transactions and the transactions of each member of the Class described herein were consumer transactions within the meaning of TILA, 15 U.S.C. § 1601 *et seq.* and Regulation Z, 12 C.F.R. § 226.

128. At all times material, Sallie Mae, in the ordinary course of business, regularly extended, offered to extend, or arranged for the extension of, credit to the Plaintiffs for which a finance charge is or may be collected, or which, by written agreement is payable in more than four installments, making Sallie Mae a creditor within the meaning of TILA, 15 U.S.C. § 1602(f) and Regulation Z, 12 C.F.R. § 226.2(a)(17).

129. In each transaction and for each member of the class, Sallie Mae violated the Truth in Lending Act and Regulation Z by failing to deliver accurate disclosures clearly and conspicuously in writing in a form that the consumer may keep, prior to the consummation including, without limitation, failing to disclose accurately and timely the following:

(a) the “annual percentage” and how it varies in violation of 15 U.S.C. § 1638(a)(4) and Regulation Z, 12 C.F.R. § 226.18(e) and (l);(b) as required by the Truth in Lending Act and Regulation Z;

(b) the “finance charge” in violation of 15 U.S.C. § 1638(a)(3), and Regulation Z, 12

C.F.R. § 226.18(d) and § 226.4, including the fees identified in 15 U.S.C. § 1605(a)(1)-(5); and

(c) the “amount financed” in violation of 15 U.S.C. § 1638(a)(2) and Regulation Z, 12 C.F.R. § 226.18(e).

130. As result of Sallie Mae’s TILA and Regulation Z violations Plaintiffs and Class Members are entitled to statutory relief.

WHEREFORE, Plaintiffs request judgment and orders against Sallie Mae on behalf of themselves and Class Members as follows:

- (1) An order determining that the action is a proper class action pursuant to Rule 23 of the Federal Rules of Civil Procedure;
- (2) Awarding Plaintiffs and Class Members their costs and disbursements incurred in connection with this action, including reasonable attorneys' fees, expert witness fees and other costs;
- (3) Granting extraordinary equitable and/or injunctive relief as permitted by law or equity, including rescission, reformation, attaching, impounding or imposing a constructive trust upon, or otherwise restricting, the proceeds of Sallie Mae’s ill-gotten funds to ensure that Plaintiffs and Class Members have an effective remedy;
- (4) Awarding punitive damages to Plaintiffs and Class Members;
- (5) Granting declaratory and injunctive relief and all relief that flows from such injunctive and declaratory relief;
- (6) Appointing Plaintiffs as Class Representatives and designating the undersigned counsel as counsel for the Class; and

- (7) Granting such other and further relief as the Court deems just and proper including, but not limited to, recessionary relief and reformation.

JURY DEMAND

Plaintiffs, on behalf of themselves and all others similarly situated, hereby demand trial by jury.

Dated: _____

By: _____

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