

UNITED STATES OF AMERICA
BEFORE THE FEDERAL TRADE COMMISSION

COMMISSIONERS: **Joseph J. Simons, Chairman**
 Noah Joshua Phillips
 Rohit Chopra
 Rebecca Kelly Slaughter
 Christine S. Wilson

In the Matter of

**SOCIAL FINANCE, INC., a corporation, also
d/b/a SOFI, and**

**SOFI LENDING CORP., a corporation, also
d/b/a SOFI.**

DOCKET NO.

COMPLAINT

The Federal Trade Commission, having reason to believe that Social Finance, Inc., a corporation, also doing business as SoFi, and SoFi Lending Corp., a corporation, also doing business as SoFi (collectively, “Respondents” or “SoFi”) have violated the provisions of the Federal Trade Commission Act, and it appearing to the Commission that this proceeding is in the public interest, alleges:

1. Respondent Social Finance, Inc., also doing business as SoFi, is a Delaware corporation with its principal office or place of business at One Letterman Drive, Building A, San Francisco, California 94129.
2. Respondent SoFi Lending Corp., also doing business as SoFi, is a California corporation with its principal office or place of business at 375 Healdsburg Avenue, Suite 280, Healdsburg, CA 95448. SoFi Lending Corp. is a wholly owned subsidiary of Respondent Social Finance, Inc.
3. Respondents have marketed, advertised, offered, and originated a variety of credit products to consumers, including unsecured loans for the purposes of refinancing consumers’ student loans. Respondents have disseminated or have caused to be disseminated advertisements promoting such student loan refinances.
4. The acts and practices of Respondents alleged in this complaint have been in or affecting commerce, as “commerce” is defined in Section 4 of the Federal Trade Commission Act.

Respondents' Claims Regarding the Average Savings Achieved by Consumers

5. Since at least April 2016, Respondents' Internet, television, and direct mail advertisements have represented that consumers who obtain a student loan refinance from Respondents have saved, on average, specific large amounts of money over the lifetime of their loans or each month.

6. In fact, in numerous instances, Respondents' representations inflate the average savings consumers have actually achieved – sometimes even doubling the actual savings – by selectively excluding large categories of consumers. For example, in numerous instances, Respondents have promoted average lifetime savings amounts in their advertisements that exclude all consumers whose loans with Respondents have a longer term than the previous student loans that consumers refinanced. Most of these excluded consumers actually pay *more* money – thousands of dollars, on average – as a result of their loans with Respondents over the lifetime of those loans.

7. Additionally, in numerous instances, Respondents have promoted average monthly savings amounts in their advertisements that exclude all consumers, on the flip side, whose loans with Respondents have a shorter term than the previous student loans that the consumers refinanced. Most of these excluded consumers actually pay *more* money each month – hundreds of dollars, on average – as a result of their loan with Respondents.

8. In numerous instances, Respondents' Internet advertisements have made prominent, unqualified claims regarding the average lifetime or monthly savings achieved by consumers who have obtained a student loan refinance from Respondents. For example, these advertisements, copies of which are attached as Exhibits A through E, have included the following statements:

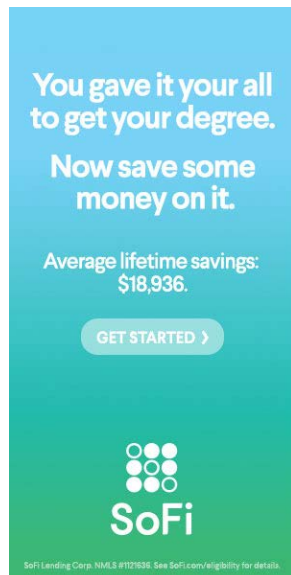


Exhibit A

Refi your Student Loans today

Members save an average of \$19k

SoFi 

FIND MY RATE >

SoFi Lending Corp. NMLS #1121636. See sofi.com/eligibility for details

This advertisement features a green-to-blue gradient background. The headline 'Refi your Student Loans today' is in large white font. Below it, the text 'Members save an average of \$19k' is in a smaller white font. The SoFi logo, consisting of the word 'SoFi' and a grid of white circles, is positioned on the left. To the right is a white button with the text 'FIND MY RATE >'. At the bottom, in small white text, it says 'SoFi Lending Corp. NMLS #1121636. See sofi.com/eligibility for details'.

Exhibit B

Refinancing student loans saves \$22,359 on average.

FIND YOUR RATE >

SoFi 

Loans originated by SoFi Lending Corp. CFL #805461Z. Terms and conditions apply see sofi.com/legal

This advertisement is a vertical banner. The top section has a red-to-orange gradient background with the text 'Refinancing student loans saves \$22,359 on average.' in white. Below this is a white button with the text 'FIND YOUR RATE >'. The middle section features a photograph of a smiling woman with long blonde hair, wearing a wide-brimmed hat and sunglasses. The SoFi logo, including the word 'SoFi' and the grid icon, is overlaid on the bottom of the photo. At the very bottom, in small white text, it reads 'Loans originated by SoFi Lending Corp. CFL #805461Z. Terms and conditions apply see sofi.com/legal'.

Exhibit C

Start saving
on your
student loans.

Average monthly savings:
\$292.

FINISH YOUR APP >

SoFi Lending Corp. NMLS #1127636. See sofi.com/eligibility for details.

This advertisement features a vertical rectangular layout with a blue-to-green gradient background. The text is white and centered. At the bottom, there is a white button with a right-pointing chevron. The SoFi logo, consisting of a 3x3 grid of circles above the word 'SoFi', is positioned in the lower half. A small line of text at the very bottom provides the company name and NMLS number, along with a link to the eligibility page.

Exhibit D

Saving our
members an average
of \$316/month.

FIND MY RATE

Proud Partner of the Florida Gators
SoFi Lending Corp. NMLS #1127636. Terms and conditions apply at sofi.com/legal

This advertisement has a dark blue background with white text. A prominent orange button with white text is located in the middle. The bottom section features the SoFi logo on the left and the Florida Gators logo on the right, separated by a vertical line. Below the logos, the text identifies SoFi as a proud partner of the Florida Gators and includes the company name and NMLS number, along with a link to the legal page.

Exhibit E

9. Respondents have made similar claims in television advertisements. For example, the visual component of a television advertisement broadcast during the fall 2017 Major League Baseball playoffs, attached as Exhibit F, prominently represents the following about consumers' average lifetime savings:

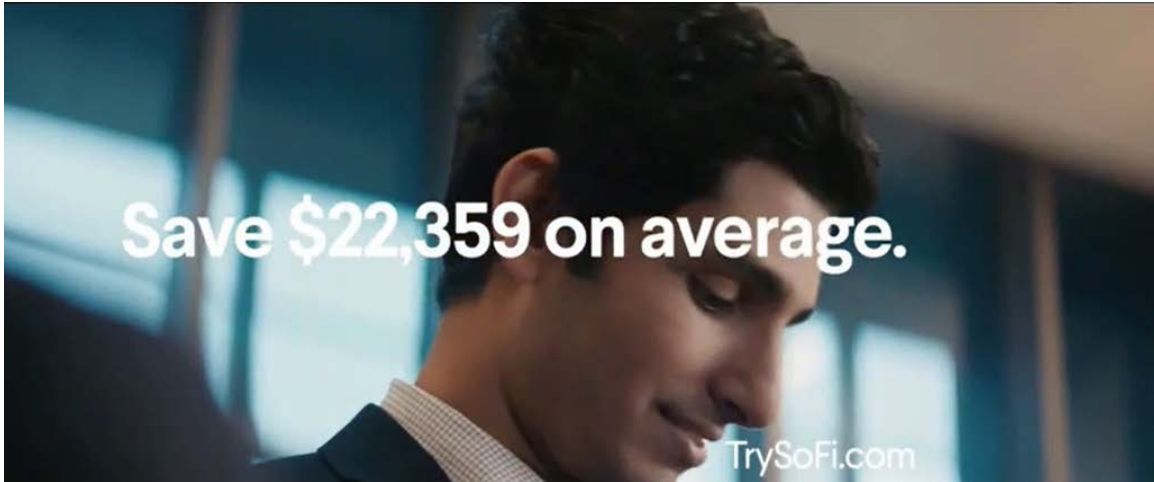


Exhibit F

10. Respondents have also made similar claims in their direct mail advertisements. A copy of one such advertisement is attached as Exhibit G.

A. The front of the first page of the direct mailer makes the following representations:

How much can you save?

SoFi customers average over \$18,936[^] in savings during the lifetime of their loan by refinancing. That's cash in your pocket – available for investing, vacations, buying a home, whatever.

Exhibit G at 2

B. At the bottom of the reverse side of this page – buried beneath descriptions of the frequently asked questions, terms and conditions, and prescreen opt-out notices – the mailer contains the following fine print disclaimer:

[^]Lifetime Savings

Average savings calculation is based on all SoFi members who refinanced their student loans between 1/1/15 and 12/31/15. The savings calculation is derived by taking the estimated lifetime cost of existing student loans minus the lifetime cost of SoFi loans upon refinancing for SoFi members who refinanced their student loans. SoFi's average savings methodology for student loan refinancing assumes 1) members' interest rates do not change over time (projections for variable rates are static at the time of the refinancing and do not reflect actual movement of rates in the future), 2) members make all payments on time, 3) members do not prepay loans, 4) members take advantage of AutoPay, which enables them to lower the APR of their loan by 0.25%. SoFi's average savings methodology for student loan refinancing excludes refinancings in which 1) members elect SoFi loans with longer maturity than their existing student loans, 2) the term length of the SoFi loan is greater than 25 years, 3) the member did not provide correct or complete information regarding his or her outstanding balance, loan type, APR, or current monthly payment. SoFi excludes the above refinancings in an effort to maximize transparency on how we calculate our average savings amount and to minimize the risk of member data error skewing the average savings amount.

Exhibit G at 3

This fine print disclaimer, in a buried provision, reveals that consumers had not, in fact, saved the average lifetime amount prominently promoted on the front of this direct mailer. Instead, it acknowledges on the fifth and sixth lines of fine print text that, among other things, “SoFi’s average savings methodology for student loan refinancing excludes refinancings in which . . . members elect SoFi loans with longer maturity than their existing student loans.”

11. Consumers who view one of Respondents’ Internet or television advertisements, or who receive one of Respondents’ direct mail advertisements, can apply for prequalification by visiting one of Respondents’ website landing pages. In numerous instances, these landing pages again prominently promote the average savings amounts represented to consumers in Respondents’ advertisements. Examples of such landing pages are attached as Exhibits H and I. The following statements have been featured at or near the top of these landing pages:



Exhibit H

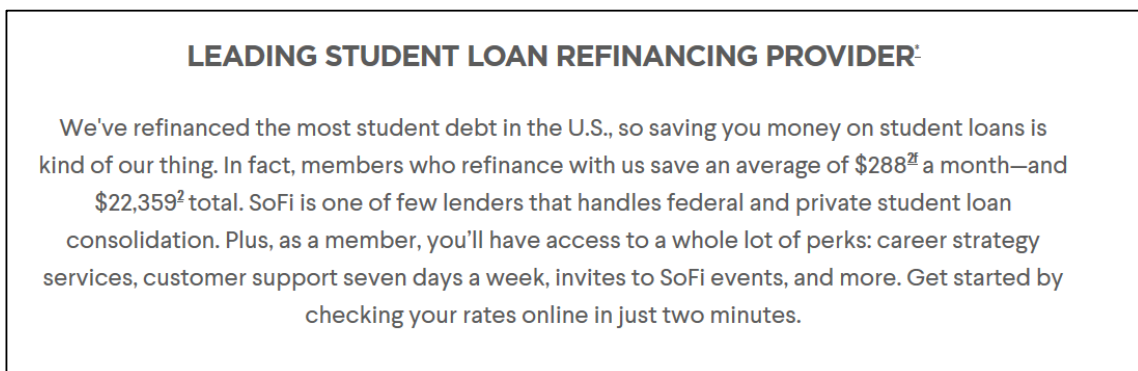


Exhibit I

12. To the extent Respondents' websites reveal that the prominently-touted average savings are not actually the average savings, that information is buried.

- A. For example, if consumers who view the landing page in Exhibit I above notice and click on the small number ^{“2f”} that follows the statement “members who refinance with us save an average of \$288,” they have been directed to a separate webpage titled “Disclosures & Disclaimers” – an example of which is attached as Exhibit J. This webpage contains a lengthy list of buried disclaimers. Among those many disclaimers is the following:

2f. Member Monthly Savings – Average monthly savings calculation of **\$288** is based on all SoFi members who refinanced their student loans between 8/16/2012 and 6/30/2016. The calculation is derived by averaging the monthly savings of SoFi members, which is calculated by taking the monthly student loan payments prior to refinancing minus the monthly student loan payments after refinancing with SoFi. SoFi's monthly savings methodology for student loan refinancing assumes 1) members' interest rates do not change over time (**PROJECTIONS FOR VARIABLE RATES ARE STATIC AT THE TIME OF REFINANCING AND DO NOT REFLECT ACTUAL MOVEMENT OF RATES IN THE FUTURE**) 2) members make all payments on time. SoFi's monthly savings methodology for student loan refinancing excludes refinancings in which 1) members elect a SoFi loan with a shorter term than their prior student loan term(s) 2) the term length of the SoFi member's prior student loan(s) was shorter than 5 years or longer than 30 years 3) the SoFi member did not provide correct or complete information regarding his or her outstanding balance, loan type, APR, or current monthly payment. SoFi excludes the above refinancings in an effort to maximize transparency on how we calculate our monthly savings amount and to minimize the risk of member data error skewing the monthly savings amount.

Exhibit J at 2

This disclaimer, in a buried provision, reveals that consumers had not, in fact, saved the average monthly savings amount prominently promoted on the landing pages and Respondents' other advertisements. Instead, it acknowledges on the sixth and seventh lines of text that, among other things, “SoFi's monthly savings methodology for student loan refinancing excludes refinancings in which . . . members elect a SoFi loan with a shorter term than their prior student loan term(s).”

- B. If consumers who view the landing page in Exhibit I above notice and click on the small number ^{“2”} in the statement “members who refinance with us save an average . . . \$22,359² total,” they have also been directed to the separate webpage titled “Disclosures & Disclaimers” – attached as Exhibit J. Among the lengthy list of buried disclaimers is the following:

2. Member Lifetime Savings – Average member lifetime savings calculation of **\$22,359** is based on all SoFi members who refinanced their student loans between 8/16/2012 and 6/30/2016. The savings calculation is derived by taking the estimated lifetime cost of existing student loans minus the lifetime cost of SoFi loans upon refinancing for SoFi members who refinanced their student loans. SoFi's lifetime savings methodology for student loan refinancing assumes 1) members' interest rates do not change over time (**PROJECTIONS FOR VARIABLE RATES ARE STATIC AT THE TIME OF REFINANCING AND DO NOT REFLECT ACTUAL MOVEMENT OF RATES IN THE FUTURE**) 2) members make all payments on time 3) members make monthly payments for the full duration of their loan 4) members take advantage of AutoPay, which enables them to lower the APR of their loan by 0.25%. SoFi's average savings methodology for student loan refinancing excludes refinancings in which 1) members elect SoFi loans with longer maturity than their existing student loans 2) the term length of the member's original student loan(s) is greater than 30 years 3) the member did not provide correct or complete information regarding his or her outstanding balance, loan type, APR, or current monthly payment. SoFi excludes the above refinancings in an effort to maximize transparency on how we calculate our average lifetime savings amount and to minimize the risk of member data error skewing the average lifetime savings amount.

Exhibit J at 1

This disclaimer, in a buried provision, reveals that consumers had not, in fact, saved the average lifetime savings amount prominently promoted on the landing pages and Respondents' other advertisements. Instead, it acknowledges on the seventh and eighth lines of text that, among other things, "SoFi's average savings methodology for student loan refinancing excludes refinancings in which ... members elect SoFi loans with longer maturity than their existing student loans."

13. From the landing pages described in Paragraph 11 above, in many instances consumers can apply for prequalification for a loan by clicking on a button or link, such as the "Find My Rate" button in Exhibit H above.
14. After consumers click on the button or link, they can apply for prequalification. In order to apply for prequalification, in numerous instances, consumers have had to create an online account with Respondents, and then fill out an online application. In numerous instances, the application has required that consumers enter a variety of personal information, including name, contact information, date of birth, income, citizenship status, employment information, and educational history.
15. After consumers are prequalified for a loan online, in numerous instances Respondents' website directs consumers to a webpage alerting them that they prequalify and displaying the available loan options for which they prequalify (based on information consumers can input regarding their current student loans). An example of such a webpage is attached as Exhibit K. As shown in Exhibit K, this webpage provides the consumer's estimated individual savings for a select group of loans, while excluding the individual estimated savings or losses for other available loans, as discussed below:
 - A. To the extent a consumer seeking a fixed rate loan would pay *more* over the lifetime of a loan or each month, the webpage does not inform the consumer how much more money the consumer would pay. Instead, it falsely states that the consumer's lifetime or monthly savings would be "\$0.00."
 - B. To the extent a consumer seeking a variable rate loan would pay *more* each month, the website does not inform the consumer how much more money the consumer would pay. Instead, it falsely states that the consumer's monthly savings would be "\$0.00."
16. Respondents' prominent representations, in Paragraphs 8 through 11 above, that consumers have saved, on average, large amounts of money over the lifetime of their loans or each month are false. In fact, these representations significantly inflate the average savings consumers have actually achieved – sometimes even doubling the actual savings – by selectively excluding large categories of consumers. Further, none of Respondents' advertisements, buried disclaimers, or application information, as described in Paragraphs 8 through 15 above, shows consumers who were exposed to Respondents' deceptive savings claims the actual, dramatically-lower average lifetime or monthly savings Respondents' consumers have received. In fact, as

noted above, most of the consumers excluded from Respondents' savings claims pay more money over the relevant time periods – losing thousands of dollars (on average) over the lifetime of their loans, or paying hundreds of dollars more (on average) in monthly payments.

FEDERAL TRADE COMMISSION ACT VIOLATION

Count I

False, Misleading, or Unsubstantiated Claims Regarding the Amount of Money Saved by Consumers

17. In connection with the advertising, marketing, promotion, or offering of student loans, Respondents have represented, directly or indirectly, expressly or by implication, that:

- A. Consumers who obtain a refinance of student loans from Respondents have saved a specific, large average amount over the lifetime of these loans, such as “\$18,936” or “\$22,359”;
- B. Consumers who obtain a refinance of student loans from Respondents have saved a specific, large average monthly amount, such as “\$292” or “\$316”; and
- C. Consumers who prequalify for a refinance of student loans from Respondents will not lose money over the lifetime of one or more of Respondents' refinance loans, or each month.

18. In numerous instances, the representations set forth in Paragraph 17 were false or misleading, or were not substantiated at the time the representations were made.

19. Therefore, Respondents' practices constitute deceptive acts or practices in or affecting commerce in violation of Section 5(a) of the FTC Act, 15 U.S.C. §45(a).

THEREFORE, the Federal Trade Commission this twenty-sixth day of October, 2018, has issued this Complaint against Respondents.

By the Commission.

Donald S. Clark
Secretary

SEAL: