

UNITED STATES DISTRICT COURT
DISTRICT OF NEBRASKA

WILLIAM SPEARMAN, BRITTNI LINN,
JESSICA ALEXANDER, CHRISTOPHER
SANGMEISTER, TAYLOR VETTER,
NICHOLE ALLOCCA, KAYLI LAZARD,
and BRIDGET CAHILL, individually and on
behalf of all others similarly situated,

Plaintiffs,

v.

NELNET SERVICING, LLC

Defendant.

Case No.

CLASS ACTION COMPLAINT

JURY TRIAL DEMANDED

Plaintiffs William Spearman, Brittni Linn, Jessica Alexander, Christopher Sangmeister, Taylor Vetter, Nichole Allocca, Kayli Lazard, and Bridget Cahill (“Plaintiffs”), on behalf of themselves and all others similarly situated, assert the following against Defendant Nelnet Servicing, LLC (“Nelnet” or “Defendant”) based upon personal knowledge, where applicable, information and belief, and the investigation of counsel.

INTRODUCTION

1. Plaintiffs bring this class action against Nelnet for its (i) failure to properly secure and safeguard highly valuable, protected personally identifiable information, including without limitation, names, addresses, email addresses, phone numbers, and Social Security numbers (collectively “PII”); (ii) failure to comply with industry standards to protect information systems that contain PII; (iii) unlawful disclosure of Plaintiffs’ and Class Members’ PII; and (iv) failure to provide adequate notice to Plaintiffs and other Class Members that their PII had been disclosed and compromised.

2. Nelnet is one of the largest student loan servicers in the United States, servicing 589 billion in student loans for over 17 million borrowers.

3. In addition to servicing student loans, Nelnet provides online technology services such as web portal and payment processing services to other student loan servicers, including EdFinancial and the Oklahoma Student Loan Authority (“OSLA”).

4. On August 26, 2022, Nelnet began publicly notifying state Attorneys General and 2,501,324 impacted current and former Nelnet account holders that the PII of the 2,501,324 impacted individuals had been accessed and stolen by an unauthorized third-party (the “Data Breach”).

5. By August 26, 2022, Nelnet had known of the data breach for over a month but had failed to notify a single impacted individual. Nelnet chose to notify individuals via U.S Mail in letters entitled “Notice of Security Incident.”

6. As a result of Nelnet’s failures and lax security protocols, hackers gained access to Nelnet’s computer systems and/or servers and were able to steal the personal information of millions of customers, including their Social Security numbers, phone numbers, emails, and addresses (the “Data Breach”).

7. The Data Breach was a direct and proximate result of Nelnet’s flawed online system configuration and design and Nelnet’s failure to implement and follow basic security procedures.

8. Because of Nelnet’s failures, unauthorized individuals were able to access and pilfer Plaintiffs’ and Class Members’ PII.

9. As a result, Plaintiffs and Class Members are at substantially increased risk of future identity theft, both currently and for the indefinite future. Plaintiffs’ and Class Members’

PII, including their Social Security numbers, that were compromised by cyber criminals in the Data Breach, is highly valuable because it is readily useable to commit fraud and identity theft.

10. Plaintiffs, on behalf of themselves and all others similarly situated, bring claims for negligence, negligence *per se*, breach of implied contract, unjust enrichment, breach of confidence, invasion of privacy—intrusion upon seclusion, violations of consumer protection statutes of their home states, violations of data protection statutes of their home states, and injunctive relief claims.

11. Plaintiffs seek damages and injunctive relief requiring Nelnet to adopt reasonably sufficient practices to safeguard the PII that remains in Nelnet's custody in order to prevent incidents like the Data Breach from reoccurring in the future.

12. Given that information relating to the Data Breach, including the systems that were impacted, the configuration and design of Defendant's website and systems remain exclusively in Defendant's control, Plaintiffs anticipate additional support for their claims will be uncovered following a reasonable opportunity for discovery.

JURISDICTION AND VENUE

13. This Court has jurisdiction over the subject matter of this action pursuant to 28 U.S.C § 1332(d), because the amount in controversy for the Class and Subclass exceeds \$5,000,000 exclusive of interest and costs, there are more than 100 putative Members of the Class and Subclass defined below, and a significant portion of putative Class and Subclass Members are citizens of a different state than Defendant.

14. This Court has personal jurisdiction over Defendant Nelnet because Defendant Nelnet is a resident of the State of Nebraska.

15. Venue is proper in this District pursuant to 28 U.S.C. § 1391(b)(1) because Defendant Nelnet resides in this District.

16. Plaintiffs' claims arise out of or relate to Nelnet's contacts with California. Nelnet has intentionally created extensive contacts with California through its deliberate marketing and sale of its services in the forum.

PARTIES

17. Plaintiff William Spearman ("Plaintiff Spearman") is a citizen and resident of the State of South Carolina.

18. Plaintiff Brittini Linn ("Plaintiff Linn") is a citizen and resident of the Commonwealth of Pennsylvania

19. Plaintiff Jessica Alexander ("Plaintiff Alexander") is a citizen and resident of the State of California.

20. Plaintiff Christopher Sangmeister ("Plaintiff Sangmeister") is a citizen and resident of the State of California.

21. Plaintiff Taylor Vetter ("Plaintiff Vetter") is a citizen and resident of the State of New York.

22. Plaintiff Nichole Allocca ("Plaintiff Allocca") is a citizen and resident of the State of Connecticut.

23. Plaintiff Kayli Lazard ("Plaintiff Lazard") is a citizen and resident of the State of Colorado.

24. Plaintiff Bridget Cahill ("Plaintiff Cahill") is a citizen and resident of the Commonwealth of Massachusetts.

25. Defendant Nelnet Servicing, LLC (“Nelnet”) is Nebraska limited liability company with its principal place of business located at 121 South 13th Street, Suite 100, Lincoln, Nebraska, 68508.

FACTUAL BACKGROUND

I. Defendant Nelnet Servicing, LLC

26. Nelnet is a Nebraska-based company which primarily “engage[s] in student loan servicing, tuition payment processing and school information systems, and communications” and primarily makes money via “net interest income earned on a portfolio of federally insured student loans.”¹ In other words, Nelnet primarily serves as a student loan servicer for individuals that have taken out federal student loans and makes money via the interest it charges individuals on their student loan balances. As of June 30, 2022, the Nelnet was servicing \$589.5 billion in loans for 17.4 million borrowers.²

27. Nelnet also earns revenue providing technology services such as website portal and payment processing to other student loan and debt servicers,³ such EdFinancial and the Oklahoma Student Loan Authority (“OSLA”).

28. No individual voluntarily engages Nelnet as their student loan servicer or payment portal provider. Instead, Nelnet is given an individuals’ federal loans to service without any choice or input given to the individual or is similarly chosen by a federal student loan servicer such as EdFinancial or OSLA to provide web portal and payment processing services without any input from the individual.

¹ *About Us*, NELNET, <https://www.nelnetinvestors.com/Home/default.aspx> (accessed Sept. 6, 2022).

² *Nelnet 10Q Earnings Release*, NELNET (Aug. 8, 2022) https://s21.q4cdn.com/368920761/files/doc_financials/2022/q2/8K-Exhibit-99.1-8.8.22-10Q-Earnings-Release-FINAL.pdf (accessed Sept. 6, 2022).

³ *Id.*

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