UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from to

Commission file number 001-36228

Navient Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**46-4054283**
(State or Other Jurisdiction of Incorporation or Organization)	***(I.R.S. Employer Identification No.)***
123 Justison Street, Wilmington, Delaware 19801	**(302) 283-8000**
(Address of Principal Executive Offices)	***(Telephone Number)***

Securities registered pursuant to Section 12(b) of the Act

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $.01 per share	NAVI	The NASDAQ Global Select Market
6% Senior Notes due December 15, 2043	JSM	The NASDAQ Global Select Market
Preferred Stock Purchase Rights	None	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
Emerging growth company	☐		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2022 was $2.0 billion (based on closing sale price of $13.99 per share as reported for the NASDAQ Global Select Market).

As of January 31, 2023, there were 128,941,323 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement (the "2023 Proxy Statement") relating to the Registrant's 2023 Annual Meeting of Shareholders, to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Auditor Firm ID: 185 Auditor Name: KPMG LLP Auditor Location: McLean, VA

NAVIENT

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Organization of Our Form 10-K

The order and presentation of content in our Form 10-K differs from the traditional Securities and Exchange Commission (SEC) Form 10-K format. Our format is designed to improve readability and to better present how we organize and manage our business. See Appendix B, "Form 10-K Cross-Reference Index" for a cross-reference index to the traditional SEC Form 10-K format.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Annual Report on Form 10-K contains “forward-looking” statements and other information that is based on management’s current expectations as of the date of this report. Statements that are not historical facts, including statements about our beliefs, opinions, or expectations and statements that assume or are dependent upon future events, are forward-looking statements and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” “may,” “could,” “should,” “goals,” or “target.” Such statements are based on management's expectations as of the date of this filing and involve many risks and uncertainties that could cause our actual results to differ materially from those expressed or implied in our forward-looking statements. Such risks and uncertainties are discussed more fully under the section titled “Risk Factors” and include, but are not limited to the following:

- the continuing impacts of the COVID-19 pandemic and related risks;
- general economic conditions, including the potential impact of persistent inflation and increasing interest rates on Navient and its clients and customers and on the creditworthiness of third parties;
- increased defaults on education loans held by us;
- the cost and availability of funding in the capital markets;
- changes in the general interest rate environment, including the availability of any relevant money-market index rate, including LIBOR, or the relationship between the relevant money-market index rate and the rate at which our assets are priced;
- unanticipated repayment trends on education loans including prepayments or deferrals resulting from new interpretations of current laws, rules or regulations or future laws, executive orders or other policy initiatives which operate to encourage or require consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs which may increase the prepayment rates on education loans and accelerate repayment of the bonds in our securitization trusts;
- our unhedged Floor Income is dependent on the future interest rate environment and therefore is variable;
- a reduction in our credit ratings;
- adverse market conditions or an inability to effectively manage our liquidity risk could negatively impact us;
- the interest rate characteristics of our assets do not always match those of our funding arrangements;
- our use of derivatives exposes us to credit and market risk;
- our ability to continually and effectively align our cost structure with our business operations;
- a failure or breach of our operating systems, infrastructure or information technology systems;
- failure by any third party providing us material services or products or a breach or violation of law by one of these third parties;
- changes to applicable laws, rules, regulations and government policies and expanded regulatory and governmental oversight;
- our work with government clients exposes us to additional risks inherent in the government contracting environment;
- shareholder activism;
- shareholders’ percentage ownership in Navient may be diluted in the future;
- reputational risk and social factors;
- obligations owed to parties under various transaction agreements that were executed as part of the spin-off of Navient from SLM Corporation (the Spin-Off); and
- acquisitions or strategic investments that we pursue.

Given these risks and uncertainties, readers are cautioned not to place undue reliance on such forward-looking statements. Readers are urged to carefully review and consider the various disclosures made in this Form 10-Q and in other documents we file from time to time with the SEC that disclose risks and uncertainties that may affect our business.

The preparation of our consolidated financial statements also requires management to make certain estimates and assumptions including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect and actual results could differ materially. All forward-looking statements contained in this report are qualified by these cautionary statements and are made only as of the date of this report. We do not undertake any obligation to update or revise these forward-looking statements except as required by law.

Through this discussion and analysis, we intend to provide the reader with some narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity and cash flows.

AVAILABLE INFORMATION

Our website address is navient.com. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed or furnished pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are filed with the Securities and Exchange Commission (SEC). Copies of these reports, as well as any amendments to these reports, are available free of charge through our website at navient.com/investors, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC. The SEC maintains a website that contains reports, proxy and information statements, and other information regarding our filings at https://www.sec.gov.

In addition, copies of our Board Governance Guidelines, Code of Business Conduct (which includes the code of ethics applicable to our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer) and the governing charters for each committee of our Board of Directors are available free of charge on our website at navient.com/investors/corporate-governance, as well as in print to any shareholder upon request. We intend to disclose any amendments to or waivers from our Code of Business Conduct (to the extent applicable to our Principal Executive Officer or Principal Financial Officer) by posting such information on our website.

Information contained or referenced on the foregoing websites is not incorporated by reference into and does not form a part of this Annual Report on Form 10-K. Further, the Company’s references to the URLs for these websites are intended to be inactive textual references only.

USE OF NON-GAAP FINANCIAL MEASURES

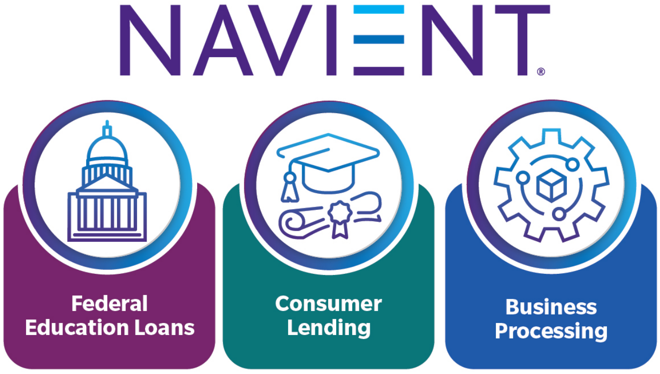
We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present our financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings, which is a non-GAAP financial measure. We provide this Core Earnings basis of presentation on a consolidated basis and for each business segment because this is what we review internally when making management decisions regarding our performance and how we allocate resources. We also include this information in our presentations with credit rating agencies, lenders and investors. Because our Core Earnings basis of presentation is our measure of profit or loss for our segments, we are required by GAAP to provide Core Earnings disclosures in the notes to our consolidated financial statements for our business segments.

In addition to Core Earnings, we present the following other non-GAAP financial measures: Adjusted Core Earnings, Tangible Equity, Adjusted Tangible Equity Ratio, Pro forma Adjusted Tangible Equity Ratio, Earnings before Interest, Taxes, Depreciation and Amortization Expense (EBITDA) (for the Business Processing segment), and Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures” for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

Overview and Fundamentals of Our Business

Navient (Nasdaq: NAVI) provides technology-enabled education finance and business processing solutions that simplify complex programs and help millions of people achieve success. Our customer-focused, data-driven services deliver exceptional results for clients in education, health care and government. Learn more at navient.com.

With a focus on data-driven insights, service, compliance and innovative support, Navient's business consists of:



- **Federal Education Loans**

  We own a portfolio of $43.5 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. As a servicer on our own portfolio and for third parties, we deploy data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

- **Consumer Lending**

  We help students and families succeed through the college journey with innovative planning tools, student loans and refinancing products. Our $18.7 billion Private Education Loan portfolio demonstrates high customer success rates. In 2022, we originated $2.0 billion in Private Education Loans.

- **Business Processing**

  We leverage our loan servicing expertise to provide business processing solutions for approximately 500 public sector and healthcare organizations, and their tens of millions of clients, patients, and constituents. Our suite of omnichannel customer experience, digital processing and revenue cycle solutions enables our clients to deliver better results for the people they serve.

Superior Operational Performance with a Strong Customer Service and Compliance Commitment

We help our customers — both individuals and institutions — navigate the path to financial success through proactive, data-driven, simplified service and innovative solutions.

- **Delivering superior performance.** Whether supporting student loan borrowers in successfully managing their loans, designing and implementing omnichannel contact center solutions for public sector agencies, generating additional revenue for hospitals and medical systems, or helping a state manage communications or recover revenue that funds essential services, Navient delivers value for our clients and customers.

  We leverage our customer service expertise, data-driven insights, technology platforms, and scale to maximize value for our clients.

- **Scalable, data-driven solutions.** Annually, we support tens of millions of people in conducting hundreds of millions of transactions and interactions. Our systems are built for scale and rapid implementation. We harness the power of data to build tailored programs with analytics that optimize our clients' results.

- **Simplifying complex processes.** On our clients' behalf, we help individuals successfully navigate a broad spectrum of complex transactions. Our people and platforms simplify complex programs to help customers and constituents achieve their goals.

- **Improving customer experience and success.** We continually make enhancements to improve the customer experience, drawing from a variety of inputs including customer surveys, research panels, analysis of customer inquiries and activities, complaint data, and regulator commentary. Across our businesses, our customer-facing representatives are trained to provide empathetic, accurate support.

- **Commitment to compliance.** We maintain a robust, multi-layered compliance management system and thoroughly understand and comply with applicable federal, state, and local laws. We use a "Three Lines of Defense" compliance framework, considered best practice by the U.S. Federal Financial Institutions Examination Council (FFIEC). This framework and other compliance protocols ensure we adhere to key industry laws and regulations including: Fair and Accurate Credit Transactions Act (FACTA); Fair Credit Reporting Act (FCRA); Fair Debt Collection Practices Act (FDCPA); Electronic Funds Transfer Act (EFTA); Equal Credit Opportunity Act (ECOA); Federal Information Security Management Act (FISMA); Gramm-Leach-Bliley Act (GLBA); Health Insurance Portability and Accountability Act (HIPAA); IRS Publication 1075; Servicemembers Civil Relief Act (SCRA); Military Lending Act (MLA); Telephone Consumer Protection Act (TCPA); Truth in Lending Act (TILA); Unfair, Deceptive, or Abusive Acts and Practices (UDAAP); state laws; and state and city licensing.

- **Corporate social responsibility.** We are committed to contributing to the social and economic wellbeing of our communities; fostering the success of our customers; supporting a culture of integrity, inclusion and equality in our workforce; and embracing sustainable business practices. Navient has earned recognition from the Forum of Executive Women, Human Rights Campaign Foundation, and military publisher VIQTORY, among other organizations, for our continued commitment to fostering diversity. Our employees are active in our communities, through local and national organizations, including a national partnership with Boys & Girls Clubs of America.

  Navient is committed to a sustainable future. We leverage technology that minimizes energy use in our office buildings and promote widespread adoption of "paperless" digital customer communications. Navient prioritizes the usage of power-saving features to our buildings to reduce energy usage. Energy efficiency and reducing CO_2 and CO_2 equivalents are among the many factors considered in our growth and real estate decisions.

Strong Financial Performance Resulting in a Strong Capital Return

Our 2022 results continue to demonstrate the strength of our business model and our ability to deliver predictable and meaningful cash flow and earnings in all types of economic environments.

Our significant earnings generate significant capital which allows for a strong capital return to our investors. Navient expects to continue to return excess capital to shareholders through dividends and share repurchases in accordance with our capital allocation policy.

By optimizing capital adequacy and allocating capital to highly accretive opportunities, including organic growth and acquisitions, we remain well positioned to pay dividends and repurchase stock, while maintaining appropriate leverage that supports our credit ratings and ensures ongoing access to capital markets.

In December 2021, our Board approved a share repurchase program authorizing the purchase of up to $1 billion of the Company's outstanding common stock. At December 31, 2022, $600 million remained in share repurchase authorization.

To inform our capital allocation decisions, we use the Adjusted Tangible Equity Ratio(1) in addition to other metrics. Our Adjusted Tangible Equity Ratio(1) was 7.7% as of December 31, 2022.

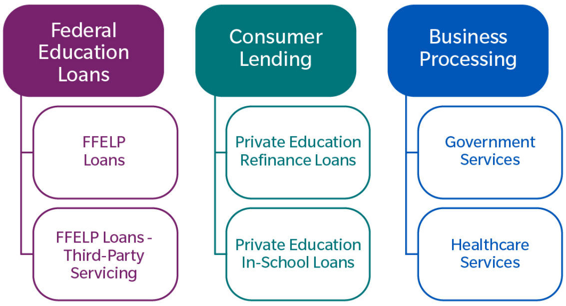
(Dollars and shares in millions)	2022	2021
Shares repurchased	24.8	34.4
Reduction in shares outstanding	15 %	17 %
Total repurchases in dollars	$ 400	$ 600
Dividends paid	$ 91	$ 107
Total Capital Returned(2)	$ 491	$ 707
Adjusted Tangible Equity Ratio(1)	7.7 %	5.9 %

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures."

(2) Capital Returned is defined as share repurchases and dividends paid.

How We Organize Our Business

We operate our business in three primary segments: Federal Education Loans, Consumer Lending and Business Processing.



Federal Education Loans Segment

Navient owns FFELP Loans and performs servicing on this portfolio. We also service FFELP Loans owned by other institutions. Our servicing quality, data-driven strategies and omnichannel education about federal repayment options translate into positive results for the millions of borrowers we serve. We generate revenue primarily through net interest income on our FFELP Loans and servicing-related fee income.

Navient's portfolio of FFELP Loans as of December 31, 2022 was $43.5 billion. We expect this portfolio to have an amortization period in excess of 15 years, with a 7-year remaining weighted average life. The segment net interest margin was 1.01% in 2022. Navient's goal is to support customers to successfully pay off their loans while optimizing the performance of our FFELP Loan portfolio. As a result of the long-term funding strategy used for our FFELP Loan portfolio and the guarantees provided on these loans, the portfolio generally generates consistent and predictable earnings and cash flows. As of December 31, 2022, approximately 92% of the FFELP Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

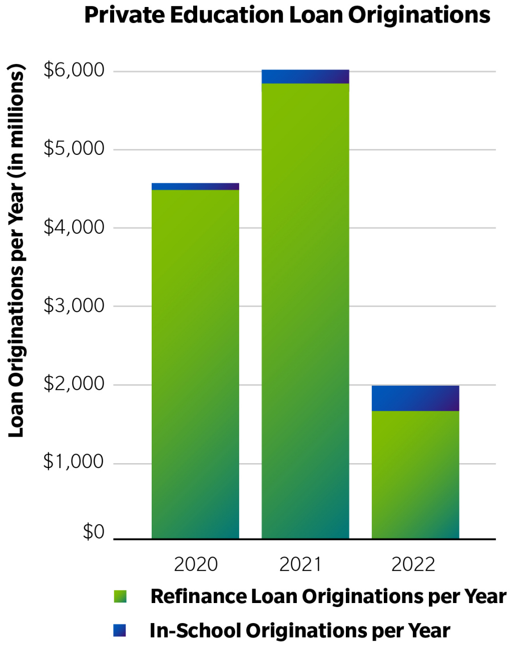
FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guaranty agreements generally cover at least 97% of a FFELP Loan's principal and accrued interest for loans that default. Legislation enacted in 2010 discontinued the FFELP program as of July 1, 2010, while keeping terms and conditions of previous education loans made under the program intact. As a result of the FFELP program being discontinued, this segment is expected to wind down over time.

Consumer Lending Segment

Navient owns, originates and services in-school and refinance Private Education Loans. "In-school" Private Education Loans are loans originally made to borrowers while they are attending school whereas "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

Navient helps students and families through the going-to and paying-for-college journey. Our digital tools empower people to find grants and scholarships, compare financial aid offers and complete the FAFSA. Our Private Education Loans offer easy-to-understand payment options. After graduation, we offer student loan refinancing to help people simplify their repayment and earn a better rate. We believe our 50 years of experience, product design, digital marketing strategies, and origination and servicing platform provide a unique competitive advantage. We see meaningful growth opportunities in originating Private Education Loans, generating attractive long-term, risk-adjusted returns.

Through our Earnest and NaviRefi brands, our refinancing loan products enable college graduates and professionals to refinance their student loans at lower interest rates. At December 31, 2022, Navient held $9.5 billion of Private Education Refinance Loans, with 2022 originations of $1.7 billion compared to $5.8 billion in 2021. The decrease in originations is primarily the result of borrowers with fixed interest rate loans having less of an incentive to refinance in light of the significant increase in interest rates that occurred in 2022. Our Earnest in-school Private Education Loan product offers consumer-friendly features to college students and their cosigners who need additional funding to pursue higher education. We also offer a parent loan to help parents, guardians, or sponsors cover the cost of a child's education. In-school originations increased 52% to $322 million in 2022 compared to $212 million in 2021.



(Dollars in millions)	2020	2021	2022
Refinance loan originations	$ 4,553	$ 5,811	$ 1,680
In-school loan originations	$ 82	$ 212	$ 322
Total loan originations	$ 4,635	$ 6,023	$ 2,002

Navient's total portfolio of Private Education Loans as of December 31, 2022 was $18.7 billion. We expect the portfolio to have an amortization period in excess of 15 years, with a 4-year remaining weighted average life. The segment net interest margin was 2.81% in 2022. Our goal is to support our customers to successfully pay off their loans, while optimizing the performance of our Private Education Loan portfolio.

We carefully manage the credit risk of our portfolio through rigorous underwriting, high-quality servicing and risk mitigation practices, and appropriate use of forbearance and loan modification programs. As of December 31, 2022, approximately 70% of the Private Education Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. We leverage the same expertise and intelligent tools we use to deliver successful results for portfolios we own. Our support enables our clients to ensure better constituent outcomes, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities. Our clients include:

- **Government**: We offer our solutions to federal agencies, state governments, tolling and parking authorities, and other public sector clients.
- **Healthcare**: Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

Navient generated EBITDA[(1)] of $53 million in 2022, down $83 million, or 61%, from 2021. The decrease in EBITDA[(1)] was a result of a $158 million decrease in revenue due to the expected $183 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by a $25 million (or 11%) increase in revenue from services for our traditional services clients. We see meaningful opportunities in these markets. For example, we supported states in providing unemployment benefits and contact tracing and vaccine coordination services in connection with the COVID-19 pandemic. The performance under these contracts demonstrates our ability to leverage our traditional services into new service areas. This performance has led to recently acquiring new clients.

Other Segment

This segment consists of our corporate liquidity portfolio, gains and losses incurred on the repurchase of debt, unallocated expenses of shared services (which includes regulatory expenses) and restructuring/other reorganization expenses.

Human Capital

Employing a talented team is central to Navient's success, and our attractive value proposition for prospective and current employees includes a strong and positive cultural framework, comprehensive benefits and competitive compensation, and a commitment to diversity and fair and equitable treatment. We succeed in delivering business results by attracting, retaining, motivating and developing a skilled and energized workforce.

Core Values and Code of Conduct. Our employees work to enhance the financial success of our customers by delivering innovative solutions and insights with compassion and personalized service. Our employees are guided by our core values:

- *We strive to be the best.* By relentlessly pursuing the right solutions, we deliver on our promises to each other and those we serve.
- *We're stronger together.* We succeed because we're inclusive and authentic, and we know good ideas can come from anywhere and anyone.
- *We earn the trust of our customers and colleagues.* We hold each other accountable and act with integrity.
- *We innovate always and everywhere.* We empower each other to think differently, develop ourselves and grow our Company.

Our Code of Business Conduct provides clear principles and sets high expectations for all Navient employees, officers and directors. We regularly refresh and provide annual training on the Code of Business Conduct.

Community Engagement. Our team also supports the communities where we live and work. The Navient Community Fund supports organizations that work to address the root causes that limit financial success. Navient has partnered with Boys & Girls Clubs of America to provide career- and college-planning resources to youth, including those from under-resourced communities. Through this partnership, we have helped develop digital tools to help youth learn about college and financial aid and explore careers relevant to their unique interests. Navient employees also volunteer at Boys & Girls Clubs in the communities where we live and work, including hosting college fairs, speaking at career days, painting club buildings and organizing back-to-school supply drives.

Navient offers monthly paid time off for employees to volunteer for Navient-supported nonprofit organizations in our communities. Through employee-led fundraising efforts, Team Navient gives back to our local communities by supporting a variety of local nonprofit organizations serving thousands of families each year.

Compensation, Wellness and Benefits. Navient offers competitive, equitable pay designed to attract, retain and motivate highly qualified employees. Our compensation approach includes a mix of fixed and variable elements aligned with the Company's long-term goals. We maintain a comprehensive governance program to administer incentive compensation programs which reward staff and management for the achievement of business results, customer satisfaction, and compliance with regulatory requirements.

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures."

Navient provides a comprehensive and competitive benefits package to meet the needs of employees and their families. We provide our employees with resources to assist in managing their physical, emotional and financial health, such as medical plan choices; a 401(k) savings plan with a company match; an employee stock purchase program; paid time off and holiday schedule; life and disability insurance; parental leave; adoption assistance; tuition reimbursement; and numerous health support and wellness programs. We also offer a combination of in-office, hybrid and remote work schedules to meet the needs of our employees and clients.

Ensuring the health and safety of our employees is a top priority at Navient. See “Management’s Discussion and Analysis of Financial Conditions and Results of Operations – Navient’s Response to COVID-19” for more information on the actions Navient has taken to protect the health and safety of our employees during the COVID-19 pandemic.

Employee Engagement and Development. Navient regularly measures employee engagement and works to build a strong team through career development and succession planning.

- Maintaining strong employee engagement is a priority for Navient, and we routinely conduct engagement surveys via an independent firm enabling us to better understand and increase employee morale, satisfaction, and engagement. We complete a rigorous review of results for each business unit and division, use action planning teams to analyze and interpret results, and address areas of opportunity to improve engagement and retention.
- Navient has been recognized as a Training Top 100 award-winning organization – the premier learning industry awards program recognizing the most successful learning and development programs in the world. We offer opportunities for employees to participate in both internal and external programs to support their growth and development.
- We regularly conduct succession planning and preparation to assess Navient’s bench strength and readiness to backfill for all leadership positions in the top three levels at the company. Development plans guide team members to prepare for future opportunities.

Inclusion, Diversity and Equity. With a commitment to inclusion, diversity and equity, Navient maintains a workplace where employees are welcomed and respected for who they are as individuals. Through our inclusion, diversity and equity programs or initiatives, Navient employees lead and participate in initiatives such as our Inclusion, Diversity & Equity Council and inclusion and diversity awareness campaigns. Our voluntary, staff-led Employee Resource Groups enable individuals to connect based on their common interests, develop leadership opportunities, and promote a culture of inclusion and opportunity for all. To attract a diverse population of potential employees, Navient markets open positions through over 100 diversity job boards, extensive national, state, and community-based alliances, and job banks across the country.

Navient is a member of Employers for Pay Equity; has been recognized by the Human Rights Campaign via its Corporate Equality Index; is a member of the Veterans Jobs Mission; and has been recognized as a Military Friendly Employer and Military Friendly Spouse Employer. We are committed to ensuring each of our employees feels welcomed, valued, and included, and can bring their whole selves to work so they can contribute in a meaningful way. We believe that being deliberately inclusive creates a diverse, highly engaged workforce that drives positive Company performance. We fuel innovation and growth by providing opportunities for employees with diverse perspectives to come together and work toward new solutions to enhance the financial success of our customers, and we provide compassionate, personalized service with a workforce that reflects and understands our diverse customer base.

Team Size. As of December 31, 2022, we had approximately 4,000 employees. None of our employees are covered by collective bargaining agreements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis also contains forward-looking statements and should be read in conjunction with the disclosures and information contained in "Forward-Looking and Cautionary Statements" and "Risk Factors" in this Annual Report on Form 10-K.

The objective of this discussion and analysis is to allow investors to view the company from management's perspective. Accordingly, we provide the reader with narrative context for how our management views our consolidated financial statements, additional context within which to assess our operating results, and information on the quality and variability of our earnings, liquidity and cash flows. The discussion that follows is primarily focused on 2022 versus 2021 results. Discussion and analysis of 2021 results compared to 2020 is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2021 as filed with the SEC on February 25, 2022.

Selected Historical Financial Information and Ratios

(In millions, except per share data)	Years Ended December 31, 2022	2021	2020
GAAP Basis			
Net income[1]	$ 645	$ 717	$ 412
Diluted earnings per common share	$ 4.49	$ 4.18	$ 2.12
Weighted average shares used to compute diluted earnings per share	144	172	195
Return on assets	.87 %	.88 %	.47 %
Dividends per common share	$ .64	$ .64	$ .64
Return on common stockholders' equity	22 %	27 %	17 %
Dividend payout ratio	14 %	15 %	30 %
Average equity/average assets	3.78 %	3.20 %	2.60 %
Total assets	$ 70,795	$ 80,605	$ 87,412
Total borrowings	$ 66,896	$ 76,978	$ 83,945
Total Navient Corporation stockholders' equity	$ 2,977	$ 2,597	$ 2,433
Book value per common share	$ 22.86	$ 16.89	$ 13.06
Core Earnings Basis[2]			
Net income[1][2]	$ 458	$ 551	$ 631
Diluted earnings per common share[2]	$ 3.19	$ 3.21	$ 3.24
Adjusted diluted earnings per common share[2]	$ 3.43	$ 4.45	$ 3.40
Weighted average shares used to compute diluted earnings per share	144	172	195
Net interest margin, Federal Education Loans segment	1.01 %	.99 %	.99 %
Net interest margin, Consumer Lending segment	2.81 %	2.92 %	3.20 %
Return on assets	.62 %	.68 %	.71 %
Education Loan Portfolios			
Ending FFELP Loans, net	$ 43,525	$ 52,641	$ 58,284
Ending Private Education Loans, net	18,725	20,171	21,079
Ending total education loans, net	$ 62,250	$ 72,812	$ 79,363
Average FFELP Loans	$ 49,183	$ 56,018	$ 61,522
Average Private Education Loans	20,524	21,225	22,720
Average total education loans	$ 69,707	$ 77,243	$ 84,242

(1) Regulatory expenses are excluded from Adjusted Core Earnings[2] expenses, and for 2021 included $170 million, on an after-tax basis, related to the resolution of previously disclosed litigation. See "Results of Operations – GAAP Comparison of 2022 Results with 2021" for further details. This expense equaled $0.99 per share for 2021.

(2) Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures – Core Earnings."

The Year in Review

We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings. We provide this Core Earnings basis of presentation on a consolidated basis and for each business segment because this is what we review internally when making management decisions regarding our performance and how we allocate resources. We also include this information in our presentations with credit rating agencies, lenders and investors. Because our Core Earnings basis of presentation corresponds to our segment financial presentations, we are required by GAAP to provide certain Core Earnings disclosures in the notes to our consolidated financial statements for our business segments. See “Non-GAAP Financial Measures — Core Earnings” for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

2022 GAAP net income was $645 million ($4.49 diluted earnings per share), compared with $717 million ($4.18 diluted earnings per share) in the prior year. See “Results of Operations – Comparison of 2022 Results with 2021” for a discussion of the primary contributors to the change in GAAP earnings between periods.

2022 Core Earnings net income was $458 million ($3.19 diluted Core Earnings per share), compared with $551 million ($3.21 diluted Core Earnings per share) for 2021. Full-year 2022 and 2021 adjusted diluted Core Earnings[1] per share were $3.43 and $4.45, respectively. See “Segment Results” for a discussion of the primary contributors to the change in Core Earnings between periods.

The business environment ended 2022 very differently than it started. Inflation pressured operating expenses, rising interest rates and CARES Act extensions significantly reduced demand for student loan refinancing, and various loan forgiveness proposals and programs created uncertainty. In addition, we saw a decline in forecasted economic conditions which is expected to continue through 2023 and possibly further.

A strength of our franchise is our ability to adjust to both expected and unexpected events and deliver for our customers and investors. For example, in 2022 we:

- Grew in-school originations 52%
- Leveraged our Business Processing relationships to win new business
- Adjusted our Refinance Loan marketing spend to reflect reduced demand due to higher rates and the continuation of interest free federal loans
- Implemented hedging strategies and efficient funding programs that mitigated the impact of rising interest rates to our net interest margins
- Successfully reduced operating expense in a high inflationary environment
- Returned significant capital to our shareholders
- Strengthened our capital significantly
- Continued to simplify and de-risk our business

These results demonstrate our ability to deliver strong financial performance even in disruptive economic environments. Navient is focused on delivering exceptional results by executing our strategy: delivering on our growth potential, maximizing our loan portfolio cash flows, continuously improving our operating efficiency and prudent and consistent capital management.

Financial highlights of 2022 include:

Federal Education Loans segment:

- Net income of $407 million.
- Net interest margin of 1.01%.

Consumer Lending segment:

- Net income of $300 million.
- Net interest margin of 2.81%.
- Originated $2.0 billion of Private Education Loans.

Business Processing segment:

- EBITDA[(1)] of $53 million.
- Revenue of $330 million.

Capital, funding and liquidity:

- Adjusted tangible equity ratio[(1)] of 7.7%.
- Repurchased $400 million of common shares. $600 million common share repurchase authority remains outstanding.
- Paid $91 million in common stock dividends.
- Issued $1.7 billion in term ABS.

Expenses:

- Adjusted Core Earnings expenses[(1)] of $769 million, down $205 million from $974 million in the prior year.

Navient's Response to COVID-19

Since its emergence in early 2020, the impacts of COVID-19 have been dynamic and unpredictable. In response to COVID-19, we prioritized the safety of our employees and business partners, while continually striving to support the needs of our customers and communities. During 2021 and 2022, the COVID-19 pandemic and long-lasting changes it has produced have continued to affect our business operations. The future direct and indirect impact of the pandemic on our businesses, results of operations and financial condition remains uncertain. Should current economic conditions deteriorate or if public health worsened due to various factors, such conditions could have an adverse effect on our businesses and results of operations and could adversely affect our financial condition.

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

Results of Operations

GAAP Income Statements

(Dollars in millions, except per share amounts)	Years Ended December 31, 2022	2021	2020	Increase (Decrease) 2022 vs. 2021 $	%	2021 vs. 2020 $	%
Interest income							
FFELP Loans	$ 1,966	$ 1,464	$ 1,837	$ 502	34 %	$ (373)	(20)%
Private Education Loans	1,195	1,181	1,445	14	1	(264)	(18)
Cash and investments	62	3	16	59	1,967	(13)	(81)
Total interest income	3,223	2,648	3,298	575	22	(650)	(20)
Total interest expense	2,102	1,316	2,046	786	60	(730)	(36)
Net interest income	1,121	1,332	1,252	(211)	(16)	80	6
Less: provisions for loan losses	79	(61)	155	140	230	(216)	(139)
Net interest income after provisions for loan losses	1,042	1,393	1,097	(351)	(25)	296	27
Other income (loss):							
Servicing revenue	77	168	214	(91)	(54)	(46)	(21)
Asset recovery and business processing revenue	336	539	458	(203)	(38)	81	18
Other income	32	30	20	2	7	10	50
Gains on sales of loans	—	78	—	(78)	(100)	78	100
Losses on debt repurchases	—	(73)	(6)	73	(100)	(67)	1,117
Gains (losses) on derivative and hedging activities, net	171	64	(256)	107	167	320	125
Total other income	616	806	430	(190)	(24)	376	87
Expenses:							
Operating expenses	776	1,207	964	(431)	(36)	243	25
Goodwill and acquired intangible assets impairment and amortization expense	19	30	22	(11)	(37)	8	36
Restructuring/other reorganization expenses	36	26	9	10	38	17	189
Total expenses	831	1,263	995	(432)	(34)	268	27
Income before income tax expense	827	936	532	(109)	(12)	404	76
Income tax expense	182	219	120	(37)	(17)	99	83
Net income	$ 645	$ 717	$ 412	$ (72)	(10)%	$ 305	74 %
Basic earnings per common share	$ 4.54	$ 4.23	$ 2.14	$ .31	7 %	$ 2.09	98 %
Diluted earnings per common share	$ 4.49	$ 4.18	$ 2.12	$ .31	7 %	$ 2.06	97 %
Dividends per common share	$ .64	$ .64	$ .64	$ —	— %	$ —	— %

GAAP Comparison of 2022 Results with 2021

For the year ended December 31, 2022, net income was $645 million, or $4.49 diluted earnings per common share, compared with net income of $717 million, or $4.18 diluted earnings per common share, for the year-ago period.

The primary contributors to the change in net income are as follows:

- Net interest income decreased by $211 million primarily as a result of the paydown of the FFELP and Private Education in-school loan portfolios and an increase in interest rates. This was partially offset by an increase in net interest income from the Private Education Refinance Loan portfolio as a result of increases in both the portfolio size (average balance) and net interest margin.
- Provisions for loan losses increased $140 million from $(61) million to $79 million:
  - The provision for FFELP Loan losses remained unchanged at $0.
  - The provision for Private Education Loan losses increased $140 million from $(61) million to $79 million.

  The Private Education Loan provision for loan losses of $79 million in the current period included $34 million of provision in connection with loan originations and $45 million related to a reserve build in connection with a decline in forecasted economic conditions. The negative provision of $(61) million in the year-ago period was related to the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans discussed below and $18 million related to a reserve release, partially offset by $64 million of provision related to loan originations.
- Servicing revenue decreased $91 million primarily related to the transfer of the ED servicing contract to a third party in October 2021.
- Asset recovery and business processing revenue decreased $203 million primarily as a result of a $158 million decrease in revenue earned in our Business Processing segment due to the expected $183 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by a $25 million increase in revenue from services for our traditional services clients. The remaining $45 million decrease was related to revenue earned in our Federal Education Loan segment and was due to the CARES Act's impact on collection activities.
- Gains on sales of loans decreased $78 million in connection with the sale of approximately $1.6 billion of Private Education Loans in 2021. There were no such sales in the current period.
- Losses on debt repurchases decreased $73 million. We repurchased $2.6 billion of debt at a $73 million loss in the year-ago period. There were no debt repurchases in the current period.
- Net gains on derivative and hedging activities increased $107 million. The primary factors affecting the change were interest rate fluctuations. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods.
- Excluding net regulatory-related expenses of $7 million and $233 million in 2022 and 2021, respectively, operating expenses were $769 million and $974 million in 2022 and 2021, respectively. This $205 million decrease was primarily related to the transfer of the ED servicing contract and the decline in Business Processing segment pandemic-related revenue. Included in 2021 regulatory expenses was $205 million related to the resolution of previously disclosed litigation.
- During 2022 and 2021, the Company incurred $36 million and $26 million, respectively, of restructuring/other reorganization expenses, primarily due to severance-related costs, facility lease terminations and the impairment of a facility held for sale. Expense in 2022 primarily relates to severance in connection with the Company's decision to exit (primarily the FFELP asset recovery business) and consolidate certain business lines and other efficiency initiatives. Expense in 2021 primarily relates to facility lease terminations and the impairment of a facility that was subsequently sold as the Company reduced and consolidated its facility footprint to become more efficient.

We repurchased 24.8 million and 34.4 million shares of our common stock during 2022 and 2021, respectively. As a result, our average outstanding diluted shares decreased by 28 million common shares (or 16%) from the year-ago period.

Segment Results

Federal Education Loans Segment

The following table presents Core Earnings results for our Federal Education Loans segment.

	Years Ended December 31,			% Increase (Decrease)	
(Dollars in millions)	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
Interest income:					
FFELP Loans	$ 1,955	$ 1,405	$ 1,813	39 %	(23)%
Cash and investments	32	—	7	100	(100)
Total interest income	1,987	1,405	1,820	41	(23)
Total interest expense	1,468	830	1,194	77	(30)
Net interest income	519	575	626	(10)	(8)
Less: provision for loan losses	—	—	13	—	(100)
Net interest income after provision for loan losses	519	575	613	(10)	(6)
Other income (loss):					
Servicing revenue	65	162	208	(60)	(22)
Asset recovery and business processing revenue	6	51	154	(88)	(67)
Other income	31	25	9	24	178
Total other income	102	238	371	(57)	(36)
Direct operating expenses	106	223	287	(52)	(22)
Income before income tax expense	515	590	697	(13)	(15)
Income tax expense	108	136	160	(21)	(15)
Net income	$ 407	$ 454	$ 537	(10)%	(15)%

Highlights of 2022 vs. 2021

- Net income was $407 million compared to $454 million.
- Net interest income decreased $56 million primarily due to the paydown of the portfolio as well as an increase in interest rates. Approximately half of the paydown of the portfolio was the result of borrowers consolidating their loans with ED as part of the Public Services Loan Forgiveness Program.
- Provision for loan losses remained at $0.
  - Net charge-offs were $40 million compared to $26 million.
  - Delinquencies greater than 90 days were $3.3 billion compared to $2.1 billion.
  - Forbearances were $7.6 billion compared to $6.3 billion.
- Other revenue decreased $136 million primarily related to the transfer of the ED servicing contract to a third party in October 2021 as well as a decrease in asset recovery revenue.
- Expenses were $117 million lower as a result of the paydown of the loan portfolio and the decrease in other revenue discussed above.

Key performance metrics are as follows:

(Dollars in millions)	Years Ended December 31, 2022	2021	2020
Segment net interest margin	1.01 %	.99 %	.99 %
FFELP Loans:			
FFELP Loan spread	1.11 %	1.06 %	1.06 %
Provision for loan losses	$ —	$ —	$ 13
Net charge-offs	$ 40	$ 26	$ 49
Net charge-off rate	.10 %	.06 %	.10 %
Greater than 30-days delinquency rate	15.6 %	10.6 %	9.2 %
Greater than 90-days delinquency rate	9.6 %	4.8 %	4.6 %
Forbearance rate	18.1 %	12.4 %	13.8 %
Average FFELP Loans	$ 49,183	$ 56,018	$ 61,522
Ending FFELP Loans, net	$ 43,525	$ 52,641	$ 58,284
(Dollars in billions)			
Number of accounts serviced for ED (in millions)[1]	—	—	5.6
Total federal loans serviced[1]	$ 51	$ 61	$ 284

(1) Closed on the novation and transfer of our ED servicing contract to a third party in October 2021. As of year-end 2022, we serviced $51 billion in FFELP (federally guaranteed) loans.

Net Interest Margin

The following table details the net interest margin.

	Years Ended December 31, 2022	2021	2020
FFELP Loan yield	3.55 %	1.91 %	2.30 %
Floor Income	.42	.60	.65
FFELP Loan net yield	3.97	2.51	2.95
FFELP Loan cost of funds	(2.86)	(1.45)	(1.89)
FFELP Loan spread	1.11	1.06	1.06
Other interest-earning asset spread impact	(.10)	(.07)	(.07)
Net interest margin[1]	1.01 %	.99 %	.99 %

(1) The average balances of the interest-earning assets for the respective periods are:

(Dollars in millions)	Years Ended December 31, 2022	2021	2020
FFELP Loans	$ 49,183	$ 56,018	$ 61,522
Other interest-earning assets	2,110	1,816	1,847
Total FFELP Loan interest-earning assets	$ 51,293	$ 57,834	$ 63,369

As of December 31, 2022, our FFELP Loan portfolio totaled $43.5 billion, comprised of $15.7 billion of FFELP Stafford Loans and $27.8 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of December 31, 2022 was 7 years and 8 years, respectively, assuming a Constant Prepayment Rate (CPR) of 8% and 5%, respectively.

Floor Income

The following table analyzes on a Core Earnings basis the ability of the FFELP Loans in our portfolio to earn Floor Income after December 31, 2022 and 2021, based on interest rates as of those dates.

(Dollars in billions)	December 31, 2022	December 31, 2021
Education loans eligible to earn Floor Income	$ 43.2	$ 52.4
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(20.5)	(24.3)
Less: economically hedged Floor Income	(12.3)	(11.7)
Education loans eligible to earn Floor Income after rebates and economically hedged	$ 10.4	$ 16.4
Education loans earning Floor Income	$ —	$ 11.3

The following table presents a projection of the average balance of FFELP Consolidation Loans for which Fixed Rate Floor Income has been economically hedged with derivatives for the period January 1, 2023 to December 31, 2027.

(Dollars in billions)	2023	2024	2025	2026	2027
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	$ 7.8	$ 2.0	$ 1.0	$ 1.0	$ .3

Servicing Revenue

Servicing revenue decreased $97 million primarily related to the transfer of the ED servicing contract to a third party in October 2021. To aid in the transition, Navient provided limited services in 2022 to the third party through a transition services agreement. As part of the transaction, approximately 700 Navient employees were transferred to the third party. This transaction provided a seamless transition for millions of borrowers ensuring the ongoing servicing capacity for ED through the knowledge transfer and ongoing employment of 700 employees. Additional benefits to Navient of this transaction are the simplification of our business, reducing our overall risk profile and avoiding significant severance expense.

Third-party loan servicing fees in 2022 and 2021 included $0 and $104 million, respectively, of servicing revenue related to the ED servicing contract.

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased $45 million primarily as a result of COVID-19 and the CARES Act's impact on certain collection and processing activities (temporary stoppage or other restrictions on certain activities).

Operating Expenses

Operating expenses for the Federal Education Loans segment primarily include costs incurred to perform servicing and asset recovery activities on our FFELP Loan portfolio and federal education loans held by other institutions. Expenses were $117 million lower, primarily as a result of the decrease in servicing and asset recovery revenue discussed above.

Federal Loan Forgiveness

On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan. The SDR Plan provides up to $20,000 in one-time debt relief to income-qualified recipients with ED held student loans and initially extended the repayment pause on ED held loans through December 31, 2022. This repayment pause has been further extended as detailed below. Privately held FFELP Loans themselves, like ours, do not qualify for debt forgiveness.

Following the initial announcement of the SDR Plan, ED provided more specific guidance on debt relief through its studentaid.gov website on September 29, 2022. Following publication of the SDR Plan, a number of states and private organizations initiated legal challenges to the SDR Plan in various courts throughout the country, which ultimately resulted in the implementation of the SDR Plan being disallowed. The Biden-Harris Administration and ED subsequently appealed both cases to the Supreme Court of the United States which has agreed to hear the cases on February 28, 2023, and a ruling is expected prior to the end of the Supreme Court's current term. If the SDR Plan has not been implemented and the litigation is not resolved by June 30, 2023, payments are scheduled to resume 60 days after that date. While the current version of the SDR Plan provides that borrowers with federal student loans not held by ED cannot obtain one-time debt relief by consolidating those loans into Direct Loans, ED states that they are assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFELP Loans.

We estimate that borrowers with approximately $600 million of FFELP Loans (1% of the FFELP portfolio’s average 2022 balance) had consolidated their loans with ED prior to the deadline to qualify for debt relief established by the SDR Plan.

As a result, there was not a material impact on the Company’s accounting and related 2022 results related to the SDR Plan as currently:

1. Privately held FFELP Loans themselves, like ours, do not qualify for debt forgiveness, and

2. ED required FFELP borrowers to apply to consolidate their loans into the Direct Loan program prior to September 29, 2022, to qualify for their loan forgiveness.

As a result, at this time we do not expect there to be incremental consolidation activity in the future related to potential loan forgiveness under the SDR Plan.

Consumer Lending Segment

The following table presents Core Earnings results for our Consumer Lending segment.

(Dollars in millions)	Years Ended December 31, 2022	2021	2020	% Increase (Decrease) 2022 vs. 2021	2021 vs. 2020
Interest income:					
Private Education Loans	$ 1,195	$ 1,181	$ 1,445	1 %	(18)%
Cash and investments	10	2	3	400	(33)
Interest income	1,205	1,183	1,448	2	(18)
Interest expense	611	541	699	13	(23)
Net interest income	594	642	749	(7)	(14)
Less: provision for loan losses	79	(61)	142	230	(143)
Net interest income after provision for loan losses	515	703	607	(27)	16
Other income (loss):					
Servicing revenue	12	6	6	100	—
Other income	1	—	—	100	—
Gains on sales of loans	—	91	—	(100)	100
Total other income	13	97	6	(87)	1,517
Direct operating expenses	148	162	146	(9)	11
Income before income tax expense	380	638	467	(40)	37
Income tax expense	80	146	107	(45)	36
Net income	$ 300	$ 492	$ 360	(39)%	37 %

Highlights of 2022 vs. 2021

- Originated $2.0 billion of Private Education Loans compared to $6.0 billion.
  - Refinance Loan originations were $1.7 billion compared to $5.8 billion. The decrease in originations is primarily the result of borrowers with fixed interest rate loans having less of an incentive to refinance in light of the significant increase in interest rates that occurred in 2022.
  - In-school loan originations increased 52% to $322 million compared to $212 million.
- Net income was $300 million compared to $492 million.
- Net interest income decreased $48 million primarily due to the paydown of the in-school loan portfolio. This was partially offset by an increase in the net interest margin on the Refinance Loan portfolio.
- Provision for loan losses increased $140 million. The provision for loan losses of $79 million in the current period included $34 million of provision in connection with loan originations and $45 million related to a reserve build in connection with a decline in forecasted economic conditions. The negative provision of $(61) million in the year-ago period was related to the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans and $18 million related to a reserve release, partially offset by $64 million of provision related to loan originations. The increases in charge-offs and delinquencies detailed below are primarily the result of loans that were experiencing repayment difficulties pre-COVID returning to repayment after pandemic relief.
  - Excluding the $30 million and $16 million, respectively, of charge-offs on the expected future recoveries of previously fully charged-off loans, net charge-offs were $313 million compared with $153 million.
  - Private Education Loan delinquencies greater than 90 days: $411 million, up $114 million from $297 million.
  - Private Education Loan forbearances: $401 million, down $134 million from $535 million.
- Gains on sales of loans decreased $91 million in connection with the sale of approximately $1.6 billion of Private Education Loans in 2021. There were no such sales in the current year.
- Expenses decreased $14 million primarily due to a decline in servicing expense.

Key performance metrics are as follows:

	Years Ended December 31,		
(Dollars in millions)	2022	2021	2020
Segment net interest margin	2.81 %	2.92 %	3.20 %
Private Education Loans:			
Private Education Loan spread	2.95 %	3.12 %	3.40 %
Provision for loan losses	$ 79	$ (61)	$ 142
Net charge-offs[1]	$ 313	$ 153	$ 184
Net charge-off rate[1]	1.59 %	.76 %	.88 %
Greater than 30-days delinquency rate	5.0 %	3.2 %	2.6 %
Greater than 90-days delinquency rate	2.2 %	1.5 %	1.0 %
Forbearance rate	2.1 %	2.6 %	3.9 %
Average Private Education Loans	$ 20,524	$ 21,225	$ 22,720
Ending Private Education Loans, net	$ 18,725	$ 20,171	$ 21,079
Private Education Refinance Loans:			
Net charge-offs	$ 20	$ 11	$ 8
Greater than 90-day delinquency rate	.2 %	.1 %	.1 %
Average balance of Private Education Refinance Loans	$ 9,984	$ 8,876	$ 7,700
Ending balance of Private Education Refinance Loans	$ 9,516	$ 9,791	$ 8,202
Private Education Refinance Loan originations	$ 1,680	$ 5,811	$ 4,564

(1) Excludes $30 million, $16 million and $23 million of charge-offs on the expected future recoveries of previously fully charged-off loans in 2022, 2021 and 2020, respectively, as a result of increasing the net charge-off rate on defaulted loans.

Net Interest Margin

The following table details the net interest margin.

	Years Ended December 31,		
	2022	2021	2020
Private Education Loan yield	5.82 %	5.57 %	6.36 %
Private Education Loan cost of funds	(2.87)	(2.45)	(2.96)
Private Education Loan spread	2.95	3.12	3.40
Other interest-earning asset spread impact	(.14)	(.20)	(.20)
Net interest margin[1]	2.81 %	2.92 %	3.20 %

(1) The average balances of the interest-earning assets for the respective periods are:

	Years Ended December 31,		
(Dollars in millions)	2022	2021	2020
Private Education Loans	$ 20,524	$ 21,225	$ 22,720
Other interest-earning assets	644	787	751
Total Private Education Loan interest-earning assets	$ 21,168	$ 22,012	$ 23,471

The decrease in the net interest margin from the prior years is primarily due to the increase in the relative proportion of the higher quality, lower yielding Private Education refinance loan portfolio compared to the non-refinance portfolio.

As of December 31, 2022, our Private Education Loan portfolio totaled $18.7 billion, comprised of $9.5 billion of refinance loans and $9.2 billion of in-school loans. The weighted-average life of this portfolio as of December 31, 2022 was 4 years and 5 years, respectively, assuming a Constant Prepayment Rate (CPR) of 15% and 10%, respectively.

Provision for Loan Losses

The provision for Private Education Loan losses increased $140 million. The provision for loan losses of $79 million in the current period included $34 million of provision in connection with loan originations and $45 million related to a reserve build in connection with a decline in forecasted economic conditions. The negative provision of $(61) million in 2021 was related to the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans and $18 million related to a reserve release, partially offset by $64 million of provision related to loan originations.

Gains on Sales of Loans

Gains on sales of loans in 2022 decreased $91 million in connection with the sale of $1.6 billion of Private Education Loans in 2021. There were no such sales in 2022.

Operating Expenses

Operating expenses for our consumer lending segment include costs to originate, acquire, service and collect on our consumer loan portfolio. Operating expenses decreased $14 million primarily due to a decline in servicing expense.

Business Processing Segment

The following table presents Core Earnings results for our Business Processing segment.

	Years Ended December 31,			% Increase (Decrease)	
(Dollars in millions)	**2022**	**2021**	**2020**	**2022 vs. 2021**	**2021 vs. 2020**
Business processing revenue	$ 330	$ 488	$ 304	(32)%	61 %
Direct operating expenses	280	360	254	(22)	42
Income before income tax expense	50	128	50	(61)	156
Income tax expense	10	29	11	(66)	164
Net income	$ 40	$ 99	$ 39	(60)%	154 %

Highlights of 2022 vs. 2021

- Net income was $40 million compared to $99 million.
- Revenue decreased $158 million due to the expected $183 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by a $25 million increase in revenue from services for our traditional government and healthcare services clients.
- EBITDA[(1)] was $53 million, down $83 million, or 61%. The decrease in EBITDA[(1)] was primarily the result of the revenue decrease discussed above.

Key performance metrics are as follows:

	As of December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Revenue from government services	$ 187	$ 258	$ 191
Revenue from healthcare services	143	230	113
Total fee revenue	$ 330	$ 488	$ 304
EBITDA[(1)]	$ 53	$ 136	$ 57
EBITDA margin[(1)]	16 %	28 %	19 %

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see “Non-GAAP Financial Measures.”

Other Segment

The following table presents Core Earnings results for our Other segment.

	Years Ended December 31,			% Increase (Decrease)	
(Dollars in millions)	2022	2021	2020	2022 vs. 2021	2021 vs. 2020
Net interest loss after provision for loan losses	$ (87)	$ (69)	$ (114)	26 %	(39)%
Other income:					
Other income	—	5	11	(100)	(55)
Losses on debt repurchases	—	(73)	(6)	(100)	1,117
Total other income	—	(68)	5	(100)	(1,460)
Expenses:					
Unallocated shared services expenses:					
Unallocated information technology costs	69	65	87	6	(25)
Unallocated corporate costs	173	397	190	(56)	109
Total unallocated shared services expenses	242	462	277	(48)	67
Restructuring/other reorganization expenses	36	26	9	38	189
Total expenses	278	488	286	(43)	71
Loss before income tax benefit	(365)	(625)	(395)	(42)	58
Income tax benefit	(76)	(131)	(90)	(42)	46
Net income (loss)	$ (289)	$ (494)	$ (305)	(41)%	62 %

Net Interest Loss after Provision for Loan Losses

Net interest loss after provision for loan losses is due to the negative carrying cost of our corporate liquidity portfolio. The amount of the net interest loss is primarily a result of the size of the liquidity portfolio as well as the cost of funds of the debt funding the corporate liquidity portfolio.

Losses on Debt Repurchases

Losses on debt repurchases decreased $73 million. We repurchased $2.6 billion of debt at a $73 million loss in 2021. There were no debt repurchases in 2022.

Unallocated Shared Services Expenses

Unallocated shared services expenses are comprised of costs primarily related to information technology costs related to infrastructure and operations, stock-based compensation expense, accounting, finance, legal, compliance and risk management, regulatory-related expenses, human resources, certain executive management and the board of directors. Regulatory-related expenses include actual settlement amounts as well as third-party professional fees we incur in connection with such regulatory matters and are presented net of any insurance reimbursements for covered costs related to such matters. On an adjusted basis, expenses increased $6 million from the prior year. Adjusted expenses exclude $7 million and $233 million, respectively, of regulatory-related expenses in 2022 and 2021.

Included in 2021 regulatory expenses was $205 million related to the resolution of previously disclosed litigation. See "Note 12 – Commitments, Contingencies and Guarantees" for further discussion.

See "Note 12 – Commitments, Contingencies and Guarantees" for a discussion of legal and regulatory matters where it is reasonably possible that a loss contingency exists. The Company is unable to anticipate the timing of a resolution or the impact that these matters may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Restructuring/Other Reorganization Expenses

During 2022 and 2021, the Company incurred $36 million and $26 million, respectively, of restructuring/other reorganization expenses, primarily due to severance-related costs, facility lease terminations and the impairment of a facility held for sale. Expense in 2022 primarily relates to severance in connection with the Company's decision to exit (primarily the FFELP asset recovery business) and consolidate certain business lines and other efficiency initiatives. Expense in 2021 primarily relates to facility lease terminations and the impairment of a facility that was subsequently sold as the Company reduced and consolidated its facility footprint to become more efficient.

Financial Condition

This section provides information regarding the balances, activity and credit performance metrics of our education loan portfolio.

Summary of our Education Loan Portfolio

Ending Education Loan Balances, net

	December 31, 2022				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school[1]	$ 16	$ —	$ 16	$ 54	$ 70
Grace, repayment and other[2]	15,834	27,897	43,731	19,471	63,202
Total	15,850	27,897	43,747	19,525	63,272
Allowance for loan losses	(159)	(63)	(222)	(800)	(1,022)
Total education loan portfolio	$ 15,691	$ 27,834	$ 43,525	$ 18,725	$ 62,250
% of total FFELP	36 %	64 %	100 %		
% of total	25 %	45 %	70 %	30 %	100 %

	December 31, 2021				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school[1]	$ 20	$ —	$ 20	$ 19	$ 39
Grace, repayment and other[2]	18,379	34,504	52,883	21,161	74,044
Total	18,399	34,504	52,903	21,180	74,083
Allowance for loan losses	(180)	(82)	(262)	(1,009)	(1,271)
Total education loan portfolio	$ 18,219	$ 34,422	$ 52,641	$ 20,171	$ 72,812
% of total FFELP	35 %	65 %	100 %		
% of total	25 %	47 %	72 %	28 %	100 %

	December 31, 2020				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school[1]	$ 30	$ —	$ 30	$ 14	$ 44
Grace, repayment and other[2]	19,771	38,771	58,542	22,154	80,696
Total	19,801	38,771	58,572	22,168	80,740
Allowance for loan losses	(194)	(94)	(288)	(1,089)	(1,377)
Total education loan portfolio	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363
% of total FFELP	34 %	66 %	100 %		
% of total	25 %	49 %	74 %	26 %	100 %

(1) Loans for customers still attending school and are not yet required to make payments on the loan.
(2) Includes loans in deferment or forbearance.

Education Loan Activity

(Dollars in millions)	Year Ended December 31, 2022 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 18,219	$ 34,422	$ 52,641	$ 20,171	$ 72,812
Acquisitions (originations and purchases)[(1)]	1	1	2	2,049	2,051
Capitalized interest and premium/discount amortization	641	731	1,372	208	1,580
Refinancings and consolidations to third parties	(1,851)	(4,709)	(6,560)	(452)	(7,012)
Repayments and other	(1,319)	(2,611)	(3,930)	(3,251)	(7,181)
Ending balance	$ 15,691	$ 27,834	$ 43,525	$ 18,725	$ 62,250

(Dollars in millions)	Year Ended December 31, 2021 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363
Acquisitions (originations and purchases)[(1)]	70	41	111	5,993	6,104
Capitalized interest and premium/discount amortization	666	762	1,428	186	1,614
Refinancings and consolidations to third parties	(906)	(1,819)	(2,725)	(529)	(3,254)
Loan sales	—	—	—	(1,613)	(1,613)
Repayments and other	(1,218)	(3,239)	(4,457)	(4,945)	(9,402)
Ending balance	$ 18,219	$ 34,422	$ 52,641	$ 20,171	$ 72,812

(Dollars in millions)	Year Ended December 31, 2020 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 21,723	$ 42,852	$ 64,575	$ 22,245	$ 86,820
Acquisitions (originations and purchases)	19	18	37	4,604	4,641
Capitalized interest and premium/discount amortization	715	737	1,452	231	1,683
Refinancings and consolidations to third parties	(934)	(1,285)	(2,219)	(578)	(2,797)
Repayments and other	(1,916)	(3,645)	(5,561)	(5,423)	(10,984)
Ending balance	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363

(1) Includes the origination of $390 million, $1.7 billion and $1.0 billion of Private Education Refinance Loans in 2022, 2021 and 2020, respectively, that refinanced FFELP and Private Education Loans that were on our balance sheet.

FFELP Loan Portfolio Performance

	December 31,					
	2022		2021		2020	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 1,772		$ 2,220		$ 2,791	
Loans in forbearance[2]	7,603		6,292		7,725	
Loans in repayment and percentage of each status:						
Loans current	29,004	84.4 %	39,679	89.4 %	43,623	90.8 %
Loans delinquent 31-60 days[3]	1,247	3.6	1,696	3.8	1,374	2.9
Loans delinquent 61-90 days[3]	833	2.4	904	2.0	836	1.7
Loans delinquent greater than 90 days[3]	3,288	9.6	2,112	4.8	2,223	4.6
Total FFELP Loans in repayment	34,372	100 %	44,391	100 %	48,056	100 %
Total FFELP Loans	43,747		52,903		58,572	
FFELP Loan allowance for losses	(222)		(262)		(288)	
FFELP Loans, net	$ 43,525		$ 52,641		$ 58,284	
Percentage of FFELP Loans in repayment		78.6 %		83.9 %		82.0 %
Delinquencies as a percentage of FFELP Loans in repayment		15.6 %		10.6 %		9.2 %
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		18.1 %		12.4 %		13.8 %

(1) Loans for customers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for customers who have requested and qualify for other permitted program deferments such as military, unemployment, or economic hardships.

(2) Loans for customers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

Private Education Loan Portfolio Performance

	December 31,					
	2022		2021		2020	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 354		$ 361		$ 483	
Loans in forbearance[2]	401		535		844	
Loans in repayment and percentage of each status:						
Loans current	17,838	95.0 %	19,634	96.8 %	20,287	97.4 %
Loans delinquent 31-60 days[3]	335	1.8	222	1.1	211	1.0
Loans delinquent 61-90 days[3]	186	1.0	131	.6	126	.6
Loans delinquent greater than 90 days[3]	411	2.2	297	1.5	217	1.0
Total Private Education Loans in repayment	18,770	100 %	20,284	100 %	20,841	100 %
Total Private Education Loans	19,525		21,180		22,168	
Private Education Loan allowance for losses	(800)		(1,009)		(1,089)	
Private Education Loans, net	$ 18,725		$ 20,171		$ 21,079	
Percentage of Private Education Loans in repayment		96.1 %		95.8 %		94.0 %
Delinquencies as a percentage of Private Education Loans in repayment		5.0 %		3.2 %		2.6 %
Loans in forbearance as a percentage of loans in repayment and forbearance		2.1 %		2.6 %		3.9 %
Percentage of Private Education Loans with a cosigner [4]		33 %		35 %		41 %

(1) Loans for customers who are attending school or are in other permitted educational activities and are not yet required to make payments on their loans, e.g., internship periods, as well as loans for customers who have requested and qualify for other permitted program deferments such as various military eligible deferments.

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

(4) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for all periods presented.

Allowance for Loan Losses

	Year Ended December 31, 2022		
(Dollars in millions)	**FFELP Loans**	**Private Education Loans**	**Total**
Allowance at beginning of period	$ 262	$ 1,009	$ 1,271
Total provision	—	79	79
Charge-offs:			
Gross charge-offs	(40)	(370)	(410)
Expected future recoveries on current period gross charge-offs	—	57	57
Total[1]	(40)	(313)	(353)
Adjustment resulting from the change in charge-off rate[2]	—	(30)	(30)
Net charge-offs	(40)	(343)	(383)
Decrease in expected future recoveries on previously fully charged-off loans[3]	—	55	55
Allowance at end of period (GAAP)	222	800	1,022
Plus: expected future recoveries on previously fully charged-off loans[3]	—	274	274
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)[4]	$ 222	$ 1,074	$ 1,296
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate[2]	.10 %	1.59 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[2]	— %	.15 %	
Net charge-offs as a percentage of average loans in repayment	.10 %	1.74 %	
Allowance coverage of charge-offs[4]	5.5	3.1	(Non-GAAP)
Allowance as a percentage of the ending total loan balance[4]	.5 %	5.5 %	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment[4]	.6 %	5.7 %	(Non-GAAP)
Ending total loans	$ 43,747	$ 19,525	
Average loans in repayment	$ 40,332	$ 19,796	
Ending loans in repayment	$ 34,372	$ 18,770	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as “expected future recoveries on previously fully charged-off loans.” For FFELP Loans, the recovery is received at the time of charge-off.

(2) An increase in the net charge-off rate on defaulted Private Education Loans in 2022 resulted in a $30 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

(3) At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as “expected future recoveries on previously fully charged-off loans.” If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	**Year Ended December 31, 2022**
Beginning of period expected future recoveries on previously fully charged-off loans	$ 329
Expected future recoveries of current period defaults	57
Recoveries (cash collected)	(56)
Charge-offs (as a result of lower recovery expectations)	(56)
End of period expected future recoveries on previously fully charged-off loans	$ 274
Change in balance during period	$ (55)

(4) For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see “Non-GAAP Financial Measures.”

(Dollars in millions)	FFELP Loans	Private Education Loans	Total
	Year Ended December 31, 2021		
Allowance at beginning of period	$ 288	$ 1,089	$ 1,377
Provision:			
Reversal of allowance related to loan sales[(1)]	—	(107)	(107)
Remaining provision	—	46	46
Total provision	—	(61)	(61)
Charge-offs:			
Gross charge-offs	(26)	(175)	(201)
Expected future recoveries on current period gross charge-offs	—	22	22
Total[(2)]	(26)	(153)	(179)
Adjustment resulting from the change in charge-off rate[(3)]	—	(16)	(16)
Net charge-offs	(26)	(169)	(195)
Decrease in expected future recoveries on previously fully charged-off loans[(4)]	—	150	150
Allowance at end of period (GAAP)	262	1,009	1,271
Plus: expected future recoveries on previously fully charged-off loans[(4)]	—	329	329
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)[(5)]	$ 262	$ 1,338	$ 1,600
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate[(3)]	.06 %	.76 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[(3)]	— %	.08 %	
Net charge-offs as a percentage of average loans in repayment	.06 %	.84 %	
Allowance coverage of charge-offs[(5)]	10.0	7.9	(Non-GAAP)
Allowance as a percentage of the ending total loan balance[(5)]	.5 %	6.3 %	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment[(5)]	.6 %	6.6 %	(Non-GAAP)
Ending total loans	$ 52,903	$ 21,180	
Average loans in repayment	$ 45,781	$ 20,150	
Ending loans in repayment	$ 44,390	$ 20,284	

(1) In connection with the sale of approximately $1.6 billion of Private Education Loans in 2021.

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

(3) An increase in the net charge-off rate on defaulted Private Education Loans in 2021 resulted in a $16 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

(4) At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Year Ended December 31, 2021
Beginning of period expected future recoveries on previously fully charged-off loans	$ 479
Expected future recoveries of current period defaults	22
Recoveries (cash collected)	(87)
Charge-offs (as a result of lower recovery expectations)	(35)
Reduction in expected recoveries related to regulatory settlement[(6)]	(50)
End of period expected future recoveries on previously fully charged-off loans	$ 329
Change in balance during period	$ (150)

(5) For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

(6) See "Results of Operations – GAAP Comparison of 2022 Results with 2021" for further details.

(Dollars in millions)	Year Ended December 31, 2020 FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 64	$ 1,048	$ 1,112
Transition adjustment made under CECL on January 1, 2020[1]	260	(3)	257
Allowance at beginning of period after transition adjustment to CECL	324	1,045	1,369
Total provision	13	142	155
Charge-offs:			
Gross charge-offs	(49)	(216)	(265)
Expected future recoveries on current period gross charge-offs	—	32	32
Total[2]	(49)	(184)	(233)
Adjustment resulting from the change in charge-off rate[3]	—	(23)	(23)
Net charge-offs	(49)	(207)	(256)
Decrease in expected future recoveries on previously fully charged-off loans[4]	—	109	109
Allowance at end of period (GAAP)	288	1,089	1,377
Plus: expected future recoveries on previously fully charged-off loans[4]	—	479	479
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)[5]	$ 288	$ 1,568	$ 1,856
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate[3]	.10 %	.88 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[3]	— %	.11 %	
Net charge-offs as a percentage of average loans in repayment	.10 %	.99 %	
Allowance coverage of charge-offs[5]	5.9	7.6	(Non-GAAP)
Allowance as a percentage of the ending total loan balance[5]	.5 %	7.1 %	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment[5]	.6 %	7.5 %	(Non-GAAP)
Ending total loans	$ 58,572	$ 22,168	
Average loans in repayment	$ 48,130	$ 20,790	
Ending loans in repayment	$ 48,057	$ 20,841	

(1) For a further discussion of our adoption of CECL, see “Note 2 – Significant Accounting Policies.”

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as “expected future recoveries on previously fully charged-off loans.” For FFELP Loans, the recovery is received at the time of charge-off.

(3) An increase in the net charge-off rate on defaulted Private Education Loans in 2020 resulted in a $23 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

(4) At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as “expected future recoveries on previously fully charged-off loans.” If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans.

(Dollars in millions)	Year Ended December 31, 2020
Beginning of period expected future recoveries on previously fully charged-off loans	$ 588
Expected future recoveries of current period defaults	32
Recoveries (cash collected)	(107)
Charge-offs (as a result of lower recovery expectations)	(34)
End of period expected future recoveries on previously fully charged-off loans	$ 479
Change in balance during period	$ (109)

(5) For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see “Non-GAAP Financial Measures.”

Liquidity and Capital Resources

Funding and Liquidity Risk Management

The following “Liquidity and Capital Resources” discussion concentrates primarily on our Federal Education Loans and Consumer Lending segments. Our Business Processing and Other segments require minimal liquidity and funding.

We define liquidity as cash and high-quality liquid assets that we can use to meet our cash requirements. Our two primary liquidity needs are: (1) servicing our debt and (2) our ongoing ability to meet our cash needs for running the operations of our businesses (including derivative collateral requirements) throughout market cycles, including during periods of financial stress. Secondary liquidity needs, which can be adjusted as needed, include the origination of Private Education Loans, acquisitions of Private Education Loan and FFELP Loan portfolios, acquisitions of companies, the payment of common stock dividends and the repurchase of our common stock. To achieve these objectives, we analyze and monitor our liquidity needs and maintain excess liquidity and access to diverse funding sources including the issuance of unsecured debt and the issuance of secured debt primarily through asset-backed securitizations and/or other financing facilities.

We define our liquidity risk as the potential inability to meet our obligations when they become due without incurring unacceptable losses or to invest in future asset growth and business operations at reasonable market rates. Our primary liquidity risk relates to our ability to service our debt, meet our other business obligations and to continue to grow our business. The ability to access the capital markets is impacted by general market and economic conditions, our credit ratings, as well as the overall availability of funding sources in the marketplace. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including over-the-counter derivatives.

Credit ratings and outlooks are opinions subject to ongoing review by the rating agencies and may change, from time to time, based on our financial performance, industry and market dynamics and other factors. Other factors that influence our credit ratings include the rating agencies’ assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, the level and volatility of earnings, corporate governance and risk management policies, capital position and capital management practices. A negative change in our credit rating could have a negative effect on our liquidity because it might raise the cost and availability of funding and potentially require additional cash collateral or restrict cash currently held as collateral on existing borrowings or derivative collateral arrangements. It is our objective to improve our credit ratings so that we can continue to efficiently access the capital markets even in difficult economic and market conditions. We have unsecured debt totaling $7.0 billion at December 31, 2022. Three credit rating agencies currently rate our long-term unsecured debt at below investment grade.

We expect to fund our ongoing liquidity needs, including the repayment of $1.3 billion of senior unsecured notes that mature in the short term (i.e., over the next 12 months) and the remaining $5.7 billion of senior unsecured notes that mature in the long term (from 2023 to 2043 with 80% maturing by 2029), through a number of sources. These sources include our cash on hand, unencumbered FFELP Loan and Private Education Refinance Loan portfolios (see “Sources of Primary Liquidity” below), the predictable operating cash flows provided by operating activities, the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt.

We originate Private Education Loans (a portion of which is obtained through a forward purchase agreement). We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Loan originations and purchases are part of our ongoing liquidity needs. We repurchased 24.8 million shares of common stock for $400 million in 2022 and have $600 million of unused share repurchase authority as of December 31, 2022.

Sources of Primary Liquidity

	Ending Balances		Average Balances		
	December 31,		Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2022**	**2021**	**2020**
Unrestricted cash and liquid investments	$ 1,535	$ 905	$ 1,157	$ 1,209	$ 1,358
Unencumbered FFELP Loans	68	124	167	220	320
Unencumbered Private Education Refinance Loans	55	383	235	642	582
Total	$ 1,658	$ 1,412	$ 1,559	$ 2,071	$ 2,260

Sources of Additional Liquidity

Liquidity may also be available under our secured credit facilities. Maximum borrowing capacity under the FFELP Loan and Private Education Loan asset-backed commercial paper (ABCP) facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered loans. The following tables detail the additional borrowing capacity of these facilities with maturity dates ranging from June 2023 to April 2024.

	Maximum Additional Capacity			Average Maximum Additional Capacity		
	December 31,			Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**	**2022**	**2021**	**2020**
FFELP Loan ABCP facilities	$ 101	$ 546	$ 506	$ 275	$ 514	$ 482
Private Education Loan ABCP facilities	1,248	2,235	2,221	1,998	2,351	1,586
Total	$ 1,349	$ 2,781	$ 2,727	$ 2,273	$ 2,865	$ 2,068

At December 31, 2022, we had a total of $4.1 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $1.6 billion principal of our unencumbered tangible assets of which $1.5 billion and $68 million related to Private Education Loans and FFELP Loans, respectively. In addition, as of December 31, 2022, we had $5.2 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). Our secured financing facilities include Private Education Loan ABS Repurchase Facilities, which had $0.7 billion outstanding as of December 31, 2022. These repurchase facilities are collateralized by the net assets in previously issued Private Education Loan ABS trusts and have had a cost of funds lower than that of a new unsecured debt issuance.

The following table reconciles encumbered and unencumbered assets and their net impact on total Tangible Equity.

(Dollars in billions)	**December 31, 2022**	**December 31, 2021**
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 3.7	$ 3.8
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	1.5	1.7
Tangible unencumbered assets[1]	4.1	4.5
Senior unsecured debt	(7.0)	(7.0)
Mark-to-market on unsecured hedged debt[2]	.3	(.3)
Other liabilities, net	(.3)	(.8)
Total Tangible Equity[1]	$ 2.3	$ 1.9

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see "Non-GAAP Financial Measures."

(2) At December 31, 2022 and 2021, there were $(285) million and $324 million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

Borrowings

Ending Balances

	December 31, 2022			December 31, 2021			December 31, 2020		
(Dollars in millions)	**Short Term**	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**	**Short Term**	**Long Term**	**Total**
Unsecured borrowings:									
Senior unsecured debt	$ 1,301	$ 5,711	$ 7,012	$ —	$ 7,014	$ 7,014	$ 677	$ 7,714	$ 8,391
Total unsecured borrowings	1,301	5,711	7,012	—	7,014	7,014	677	7,714	8,391
Secured borrowings:									
FFELP Loan securitizations	76	42,675	42,751	—	51,841	51,841	—	54,697	54,697
Private Education Loan securitizations	725	12,744	13,469	543	14,074	14,617	960	13,891	14,851
FFELP Loan ABCP facilities	923	386	1,309	282	150	432	2,053	479	2,532
Private Education Loan ABCP facilities	2,734	—	2,734	1,363	1,152	2,515	2,582	—	2,582
Other	121	—	121	302	—	302	337	—	337
Total secured borrowings	4,579	55,805	60,384	2,490	67,217	69,707	5,932	69,067	74,999
Core Earnings basis borrowings[(1)]	5,880	61,516	67,396	2,490	74,231	76,721	6,609	76,781	83,390
Adjustment for GAAP accounting treatment	(10)	(490)	(500)	—	257	257	4	551	555
GAAP basis borrowings	$ 5,870	$ 61,026	$ 66,896	$ 2,490	$ 74,488	$ 76,978	$ 6,613	$ 77,332	$ 83,945

Average Balances

	Years Ended December 31,					
	2022		2021		2020	
(Dollars in millions)	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**	**Average Balance**	**Average Rate**
Unsecured borrowings:						
Senior unsecured debt	$ 7,010	5.66 %	$ 7,978	4.43 %	$ 9,461	5.05 %
Total unsecured borrowings	7,010	5.66	7,978	4.43	9,461	5.05
Secured borrowings:						
FFELP Loan securitizations	47,528	2.72	53,661	1.27	56,950	1.74
Private Education Loan securitizations	14,252	2.63	14,273	2.40	14,159	2.90
FFELP Loan ABCP facilities	988	3.27	1,012	1.55	3,134	1.67
Private Education Loan ABCP facilities	2,519	3.39	2,429	1.86	3,203	2.53
Other	171	1.68	303	.34	343	.68
Total secured borrowings	65,458	2.73	71,678	1.52	77,789	1.97
Core Earnings basis borrowings[(1)]	72,468	3.02	79,656	1.81	87,250	2.31
Adjustment for GAAP accounting treatment	—	(.12)	—	(.16)	—	.03
GAAP basis borrowings	$ 72,468	2.90 %	$ 79,656	1.65 %	$ 87,250	2.34 %

(1) Item is a non-GAAP financial measure. For a description and reconciliation, see “Non-GAAP Financial Measures.” The differences in derivative accounting give rise to the difference above.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). "Note 2 — Significant Accounting Policies" includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. Actual results may differ from these estimates under varying assumptions or conditions. On a quarterly basis, management evaluates its estimates, particularly those that include the most difficult, subjective or complex judgments and are often about matters that are inherently uncertain. Critical accounting estimates involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of our operations. Our critical accounting policies and estimates are the allowance for loan losses, goodwill impairment assessment, and loan premium and discount amortization.

Allowance for Loan Losses

We measure and recognize an allowance for loan losses that estimates the remaining current expected credit losses (CECL) for financial assets measured at amortized cost held at the reporting date. We have determined that, for modeling current expected credit losses, in general, we can reasonably estimate expected losses that incorporate current and forecasted economic conditions over a "reasonable and supportable" period. For Private Education Loans, we incorporate a reasonable and supportable forecast of various macro-economic variables over the remaining life of the loans. The development of the reasonable and supportable forecast incorporates an assumption that each macro-economic variable will revert to a long-term expectation starting in years 2-4 of the forecast and largely completing within the first five years of the forecast. For FFELP Loans, after a three-year reasonable and supportable period, there is an immediate reversion to a long-term expectation.

The models used to project losses utilize key credit quality indicators of the loan portfolios and predict how those attributes are expected to perform in connection with the forecasted economic conditions. In connection with this methodology, our modeling of current expected credit losses utilizes historical loan repayment experience since 2008 identifying loan variables (key credit quality indicators) that are significantly predictive of loans that will default and predicts how loans will perform in connection with the forecasted economic conditions.

The key credit quality indicators used by the model for Private Education loans are credit scores (FICO scores), loan status, loan seasoning, whether a loan is a TDR, the existence of a cosigner and school type:

- Credit scores are an indicator of the credit risk of a customer and generally the higher the credit score the more likely it is the customer will be able to make all of their contractual payments.
- Loan status affects the credit risk because generally a past due loan is more likely to default than an up-to-date loan. Additionally, loans in a deferred payment status have different credit risk profiles compared with those in current payment status.
- Of the portfolio in repayment, loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments.
- A TDR loan is where an economic concession (forbearance, lower interest rate, extension of term) has been given to a borrower experiencing financial difficulties. A TDR loan is generally more likely to default than a non-TDR loan.
- The existence of a cosigner generally lowers the likelihood of default, thus lowering the credit risk.
- The type of school customers attended can have an impact on their graduation rate and job prospects after graduation and therefore can affect their ability to make payments, which impacts the credit risk.

For FFELP loans, the key credit quality indicators are loan status and loan type (Stafford, Consolidation and Rehab loans).

We project losses over the contractual term of our loans, including any extension options within the control of the borrower. Further, we make estimates regarding prepayments when determining our expected credit losses which are derived in the same manner discussed above.

The forecasted economic conditions used in our modeling of expected losses are provided by a third party. The primary economic metrics we use in the economic forecast are unemployment, GDP, interest rates, consumer loan delinquency rates and consumer income. Several forecast scenarios are provided which represent the baseline economic expectations as well as favorable and adverse scenarios. We analyze and evaluate the alternative scenarios for reasonableness and determine the appropriate weighting of these alternative scenarios based upon the current economic conditions and our view of the likelihood and risks of the alternative scenarios.

We use historical customer payment experience to estimate the amount of future recoveries on defaulted private education loans. We use judgment in determining whether historical performance is representative of what we expect to collect in the future. The amount of expected future recoveries on defaulted FFELP loans is based on the contractual government guarantee (which generally limits the maximum loss to 3% of the loan balance).

Once our loss model calculations are performed, we determine if qualitative adjustments are needed for factors not reflected in the quantitative model. These adjustments may include, but are not limited to, changes in lending, servicing and collection policies and practices as well as the effect of other external factors such as the economy and changes in legal or regulatory requirements that impact the amount of future credit losses.

The provision for 2022 of $79 million included $34 million of provision in connection with loan originations and $45 million related to a reserve build. We evaluated and considered several forecasted economic scenarios when determining our allowance for loan losses and provision. We also considered the characteristics of our loan portfolio and its expected behavior in the forecasted economic scenarios. There has been a decline in the forecasted economic conditions since December 31, 2021 which has been incorporated into our allowance for loan loss as of December 31, 2022. This decline in economic conditions is seen in an increase in forecasted unemployment rates and consumer loan delinquency rates and a decrease in GDP and in consumer income. There is uncertainty as to the ultimate impact to the economy from historically high inflation and the significant increase in interest rates that occurred in 2022. There is also uncertainty related to the potential negative impact on the portfolio from the end of various payment relief and stimulus benefits that previously occurred or are currently forecasted to end in 2023. These conclusions and adjustments were based on an evaluation of current and forecasted economic conditions. If future economic conditions are significantly worse than what was assumed as a part of this assessment, it could result in additional provision for loan loss being recorded in future periods.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates and assumptions that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs and recoveries are significantly different than estimated, or management's assumptions or practices were to change, this could materially affect our estimate of the allowance for loan losses and the related provision for loan losses on our income statement.

Goodwill Impairment Assessment

In determining annually (or more frequently if required) whether goodwill is impaired, we complete a goodwill impairment analysis which may be a qualitative or a quantitative analysis depending on the facts and circumstances associated with the reporting unit. Qualitative factors considered in conjunction with a qualitative analysis include: (1) the amount of cushion that existed the last time a quantitative test was completed which requires performing a valuation of the reporting unit, the resulting value of which is compared to the carrying value of the reporting unit, (2) macroeconomic factors (economy), (3) industry specific factors (growth or deterioration of the market; regulatory/political developments), (4) cost factors (margins), (5) financial performance of the reporting unit itself, (6) other specific items (litigation, change in management or key personnel) and (7) whether a sustained decrease in our share price is indicative of a decline in value of the specific reporting unit. There can be significant judgment involved in assessing these qualitative factors. If, based on a qualitative analysis, we determine it is "more-likely-than-not" that the fair value of a reporting unit is less than its carrying amount, we also complete a quantitative impairment analysis. In lieu of performing a qualitative assessment, we may proceed directly to a quantitative impairment analysis. A quantitative goodwill impairment analysis requires a comparison of the fair value of the reporting unit to its carrying value. If the carrying value of the reporting unit exceeds the reporting unit's fair value (the amount we believe a third party would pay for such reporting unit), the goodwill associated with the reporting unit will be impaired in an amount equal to the difference between the reporting unit's fair value and its carrying value, not to exceed the carrying value of goodwill attributed to the reporting unit. There are significant judgments involved in determining the fair value of a reporting unit, including determining the appropriate valuation approach or approaches to utilize and the assumptions to apply including estimates of projected future cash flows which incorporate estimated future revenues, expenses, net income and capital expenditures from and related to existing and new business activities and appropriate market multiples, discount rates and growth rates. An appropriate resulting control premium is also considered. The reporting units with goodwill for which we estimate fair value are not publicly traded and for some reporting units directly comparable market data may not be available to aid in its valuation.

Navient tests goodwill as of October 1 each year or at interim dates if an event occurs or circumstances exist such that it is determined that it is more likely than not that the fair value of the reporting unit is less than its carrying value (the qualitative test). Such an event or circumstance is a triggering event. If it is concluded that a triggering event has occurred at an interim date, a quantitative impairment test must be performed. During the second and third quarters of 2022, macroeconomic conditions most notably historically high inflation and rising interest rates impacted the industry and markets in which our reporting units with goodwill operate, their cost structures and, to some degree, their expected 2022 financial performance. Additionally, our stock price declined during the second and third quarters compared to March 31, 2022 and December 31, 2021, due primarily to uncertainty associated with these macroeconomic factors and the potential implications of the Biden Administration's proposed Student Debt Relief Plan. As a result of these factors, we assessed whether a triggering event occurred for each of our reporting units with goodwill as of September 30, 2022 and June 30, 2022.

Interim Triggering Event Assessments

For each of our reporting units with goodwill including our FFELP Loans, Private Education Legacy In-School Loans (those which were originated prior to 2014), Private Education Refinance Loans, Private Education Recent In-School Loans (those which were originated in 2020 or later) and Federal Education Loan Servicing reporting units (collectively, the Loan reporting units) and our Government Services and Healthcare Services reporting units (collectively, the Business Processing reporting units), we assessed relevant qualitative factors to determine whether it is "more-likely-than-not" that the fair value of an individual reporting unit is less than its carrying value. We considered the amount of excess fair values for our FFELP Loans, Federal Education Loan Servicing, Private Education Legacy In-School Loans, and Private Education Refinance Loans over their carrying values as of October 1, 2019, the last time an independent appraiser estimated the value of these reporting units, since the fair value of these reporting units was substantially in excess of their carrying amounts. The outlook and cash flows for the FFELP Loans and Private Education Legacy In-School Loans reporting units have not changed significantly since our 2019 assessment despite worsening macroeconomic conditions in 2022. Likewise, the outlooks and cash flows for the Federal Education Loan Servicing components remaining after removing the cash flows attributed to the ED Servicing contract have not changed significantly since 2019.

For the Private Education Refinance Loans reporting unit, although expectations for new refinance loan originations as of June 30. 2022 were reduced and actual new loan originations declined considerably during the second and third quarters due to the impact of the rising rate environment, new origination volume significantly exceeded expectations cumulatively during 2020 and 2021 resulting in the reporting unit holding a significantly higher balance of loans than anticipated in conjunction with the determination of the reporting unit's fair value in 2019. We expect to hold this portfolio for a longer period of time than anticipated in 2019. While new originations declined due to the rising rate environment, prepayment speeds for the reporting unit's portfolio also declined resulting in a more stable interest income stream partially offsetting the impact of the decline in originations. We also considered Navient's strong liquidity position and its ability to issue Private Education Loan ABS comprised entirely of the reporting unit's refinance loans.

For the Business Processing reporting units, we also considered the amount of excess fair value over the carrying values of these reporting units as of October 1, 2020, when we engaged an independent appraiser to estimate the fair value of the reporting units, since the fair values of these reporting units was substantially in excess of their carrying values. We considered the financial performance for both of these reporting units in 2021 and 2022 during which the Government Services and Healthcare Services reporting units significantly outperformed expectations due largely to significant contracts acquired in 2020 and 2021 to implement and administer programs under the CARES Act and perform contact tracing and vaccine administration services. During 2022, these reporting units generated additional revenue from these contracts, leveraged our Business Processing relationships to win new business and benefited from an increase in demand for traditional service offerings. The outlook and long-term cash flow projections for both the Government Services and Healthcare Services reporting units remain favorable and have not changed significantly since our 2020 quantitative impairment assessment despite the economic impact of worsening macroeconomic conditions in 2022.

The goodwill attributed to the Private Education Recent In-School Loans reporting unit is a direct result of our August 2021 acquisition of Going Merry. In the second and third quarters, we considered Going Merry's strong performance in its mission to match students with and assist them to apply for scholarships, institutional aid and government grants as well as private education in-school origination volume, which exceeded expectations.

Based on the qualitative factors we considered in relation to each of our reporting units with goodwill, we concluded it was not "more-likely-than-not" that the fair value of an individual reporting unit was less than its carrying value as of September 30, 2022 and June 30, 2022. As a result, the decline in Navient's stock price in the second and third quarters and worsening macroeconomic conditions including rising interest rates and historically high inflation and their impact on our individual reporting units as we perceived them as of September 30, 2022, and June 30, 2022, did not constitute triggering events. No further impairment testing was performed during interim quarters in 2022.

Annual Goodwill Impairment Testing

We performed annual impairment testing as of October 1, 2022. We retained a third-party appraisal firm to assist in the valuations required to perform a quantitative impairment test of goodwill associated with our FFELP Loans, Federal Education Loan Servicing, Private Education Legacy In-School Loans, Private Education Refinance Loans, Government Services, and Healthcare Services reporting units as of October 1, 2022. No goodwill was deemed impaired in conjunction with these reporting units as a result of the quantitative impairment test as the fair values of the reporting units were substantially greater than their respective carry values. Additionally, fair values resulting from sensitivity analyses factoring in more conservative discount rates and growth rates for each reporting unit also yielded fair values in excess of the carrying values of each reporting unit.

The income approach was the primary approach used to estimate the fair value of each reporting unit. The income approach measures the value of each reporting unit's future economic benefit determined by its discounted cash flows derived from our projections plus an assumed terminal growth rate consistent with what we believe a market participant would assume in an acquisition. These projections are generally five-year projections that reflect the anticipated cash flow fluctuations of the respective reporting units. If a component of a reporting unit is winding down or is assumed to wind down, the projections extend through the anticipated wind-down period and no residual value is ascribed.

Under our guidance, the third-party appraisal firm developed the discount rate for each reporting unit incorporating such factors as the risk-free rate, a market rate of return, a measure of volatility (Beta) and a company-specific and capital markets risk premium, as appropriate, to adjust for volatility and uncertainty in the economy and to capture specific risk related to the respective reporting units. We considered whether an asset sale or an equity sale would be the most likely sale structure for each reporting unit and valued each reporting unit based on the more likely hypothetical scenario. The discount rates reflect market-based estimates of capital costs and are adjusted for our assessment of a market participant's view with respect to execution, source concentration and other risks associated with the projected cash flows of individual reporting units. We reviewed and approved the discount rates provided by the third-party appraiser including the factors incorporated to develop the discount rates for each reporting unit.

We and the third-party appraisal firm also considered a market approach for the Government Services and Healthcare Services reporting units. Market-based multiples related primarily to revenue and EBITDA, for comparable publicly traded companies and similar transactions were evaluated as an indicator of the value of the reporting units to assess the reasonableness of the estimated fair value derived from the income approach.

We employed a qualitative approach considering relevant qualitative factors to test goodwill attributed to the Private Education Recent In-School Loans reporting unit. As discussed above, the goodwill attributed to the Private Education In-School Loans reporting unit is a direct result of our August 2021 acquisition of Going Merry. We and our external appraiser finalized the purchase price allocation for Going Merry in the third quarter of 2022. Since the acquisition, Going Merry has exceeded expectations to successfully enable students to match to and apply for scholarships, institutional aid and government grants. Additionally, in 2022, private education in-school originations grew 52 percent exceeding expectations. In-school originations are expected to remain strong in 2023 with our growth outlook increasing. We considered these qualitative factors and concluded that it is not "more-likely-than-not" that the fair value of the Private Education Recent In-School Loans reporting unit was less than its carrying value at October 1, 2022. Accordingly, goodwill attributed to the Private Education Recent In-School Loans reporting unit was not deemed impaired.

If future economic conditions are significantly worse than what was assumed in the reporting units' long term cash flow projections, specifically related to the highly inflationary economic environment and the implications of student loan forgiveness (as discussed in detail below) and other performance factors do not come to fruition, these factors could result in potential impairment of goodwill in future periods.

Loan Premium and Discount Amortization

The Company had a net unamortized premium balance of $113 million, or 0.18%, in connection with its $63 billion education loan portfolio as of December 31, 2022. The most judgmental estimate for premium and discount amortization on education loans is the Constant Prepayment Rate (CPR), which measures the rate at which loans in the portfolio pay down principal compared to their stated terms. In determining the CPR we only consider payments made in excess of contractually required payments. This would include loans that are refinanced or consolidated and other early payoff activity. These activities are generally affected by changes in our business strategy, changes in our competitors' business strategies, legislative changes including the ability to consolidate, interest rates and changes to the current economic and credit environment. When we determine the CPR, we begin with historical prepayment rates. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustment may be needed to those historical prepayment rates.

In the past (prior to 2008), the consolidation of FFELP Loans and Private Education Loans significantly affected our CPRs and updating those assumptions often resulted in material adjustments to our premium and discount amortization expense. As a result of the passage of the Health Care and Education Reconciliation Act of 2010 (HCERA), there is no longer the ability to consolidate loans under the FFELP although there are other consolidation options with ED and private refinancing options with Navient and other lenders. As a result, we expect CPRs related to our FFELP Loans to remain relatively stable over time, unless there is a regulatory change by ED or legislative change by Congress to either (1) forgive loan balances (which would result in Navient receiving cash for the amounts forgiven resulting in a prepayment of principal) or (2) encourage or force consolidation. Some education loan companies, including Navient, offer Private Education Loans to refinance a borrower's loan (both FFELP and Private Education Loans) and we anticipate more entrants to offer similar products. These products and expectations are built into the CPR assumption we use for FFELP and Private Education Loans. However, it is difficult to accurately project the timing and level at which this activity will continue, and our assumption may need to be updated by a material amount in the future based on changes in the economy, marketplace and legislation.

In 2022, there was a net $21 million decrease in net interest income due to cumulative adjustments related to changes in prepayment speed assumptions used to amortize loan premiums and discounts. This primarily related to the following two items:

- The FFELP Loan CPR was increased specifically related to the limited opportunity waiver to the Public Service Loan Forgiveness Program (PSLF) that was announced in October 2021 and was effective from November 2021 to October 2022. FFELP loan borrowers, during this 12-month period, could consolidate their loans to ED in order to have them subsequently forgiven if they qualify under the PSLF program for loan forgiveness. We estimate that approximately an incremental $4.5 billion of FFELP loans consolidated under this program in 2022.
- The Private Education Refinance Loan CPR was decreased from 20% to 15%. This CPR assumption decrease was primarily a result of borrowers with fixed interest rates having less of an incentive to refinance in light of the significant increase in interest rates that occurred in 2022.

Impact of the Student Debt Relief (SDR) Plan on accounting policies and estimates

On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan. The SDR Plan provides up to $20,000 in one-time debt relief to income-qualified recipients with ED held student loans and initially extended the repayment pause on ED held loans through December 31, 2022. This repayment pause has been further extended as detailed below. Privately held FFELP Loans themselves, like ours, do not qualify for debt forgiveness.

Following the initial announcement of the SDR Plan, ED provided more specific guidance on debt relief through its studentaid.gov website on September 29, 2022. Following publication of the SDR Plan, a number of states and private organizations initiated legal challenges to the SDR Plan in various courts throughout the country, which ultimately resulted in the implementation of the SDR Plan being disallowed. The Biden-Harris Administration and ED subsequently appealed both cases to the Supreme Court of the United States which has agreed to hear the cases on February 28, 2023, and a ruling is expected prior to the end of the Supreme Court's current term. If the SDR Plan has not been implemented and the litigation is not resolved by June 30, 2023, payments are scheduled to resume 60 days after that date. While the current version of the SDR Plan provides that borrowers with federal student loans not held by ED cannot obtain one-time debt relief by consolidating those loans into Direct Loans, ED states that they are assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFELP Loans.

We estimate that borrowers with approximately $600 million of FFELP Loans (1% of the FFELP portfolio’s average 2022 balance) had consolidated their loans with ED prior to the deadline to qualify for debt relief established by the SDR Plan.

As a result, there was not a material impact on the Company’s accounting and related 2022 results related to the SDR Plan as currently:

1. Privately held FFELP Loans themselves, like ours, do not qualify for debt forgiveness, and
2. ED required FFELP borrowers to apply to consolidate their loans into the Direct Loan program prior to September 29, 2022, to qualify for their loan forgiveness.

As a result, at this time we do not expect there to be incremental consolidation activity in the future related to potential loan forgiveness under the SDR Plan.

If the Supreme Court should lift the current injunction and ED implements a broad-based student loan forgiveness plan or any policies or programs that encourage or require borrowers to consolidate their loans into Direct Loans held by ED, the impact to the Company would most likely be material due to increased prepayments on our FFELP Loan portfolio. Despite the significant uncertainty regarding the ultimate impact such SDR Plan changes may have to the Company, under GAAP, the Company would be required to calculate and account for its best estimate of the potential impact (that is, increasing prepayment assumptions in the period the SDR was changed) and record such estimate in its results. As it relates to estimating any potential impact to the Company, the Company does not have sufficient access to:

1. The income levels of its borrowers, which would determine the population of borrowers eligible for SDR
2. Whether its borrowers have received a Pell Grant (which would determine the amount of potential debt forgiveness)

In addition to making estimates regarding these items, the Company would also have to estimate, amongst other items, the following:

1. The application rate of the eligible borrowers
2. How the mix of FFELP vs. ED federal loans of a borrower will impact their need/willingness to consolidate (as balances on loans held by ED are forgiven first and may result in a borrower not needing to consolidate their FFELP Loan)
3. The likelihood that an injunction, stay or other legal prohibition is issued with respect to the SDR Plan or the SDR Plan is terminated or amended due to a lawsuit

These factors would result in significant subjectivity and uncertainty in any estimate recorded related to the potential impact, and, accordingly, actual results may differ significantly.

If the SDR Plan was changed in the future as discussed above, we anticipate that the principal components of the financial items whose recognition would be accelerated through net income as a result of materially increased loan consolidations and/or debt forgiveness would be the amortization of loan premiums and debt deferred financing fees through net interest income, which would reduce net income. These impacts would be partially offset by the benefit to net income from the release of the related allowance for loan losses through provision and revenue from the assessed but previously unrecognized fees that would be recognized in other income. GAAP requires we increase the prepayment assumption used to account for the items below in the period the SDR was changed. This would result in the acceleration of the recognition of those items in the period the prepayment assumption was increased. The table below lists those items and their respective balances related to the FFELP Loans outstanding as of December 31, 2022:

(Dollars in millions)	As of 12/31/22
Loan premium	$ 400
Debt deferred financing fees	311
Allowance for loan borrower benefits	(21)
Allowance for loan losses	(222)
Assessed but previously unrecognized fees	(122)
Servicing asset – off-balance sheet trusts	1
Total net asset on balance sheet	$ 347

In addition, the Company had $232 million of goodwill related to the FFELP business on its balance sheet. The goodwill could be impaired depending on unforeseen changes to the SDR Plan resulting in potential material debt forgiveness or loan consolidation activity.

Non-GAAP Financial Measures

In addition to financial results reported on a GAAP basis, Navient also provides certain performance measures which are non-GAAP financial measures. We present the following non-GAAP financial measures: (1) Core Earnings (as well as Adjusted Core Earnings), (2) Tangible Equity (as well the Adjusted Tangible Equity Ratio and Pro Forma Adjusted Tangible Equity Ratio), (3) EBITDA for the Business Processing segment, and (4) Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans.

1. Core Earnings

We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings. We provide this Core Earnings basis of presentation on a consolidated basis and for each business segment because this is what we review internally when making management decisions regarding our performance and how we allocate resources. We also refer to this information in our presentations with credit rating agencies, lenders and investors. Because our Core Earnings basis of presentation corresponds to our segment financial presentations, we are required by GAAP to provide certain Core Earnings disclosures in the notes to our consolidated financial statements for our business segments.

Core Earnings are not a substitute for reported results under GAAP. We use Core Earnings to manage our business segments because Core Earnings reflect adjustments to GAAP financial results for two items, discussed below, that can create significant volatility mostly due to timing factors generally beyond the control of management. Accordingly, we believe that Core Earnings provide management with a useful basis from which to better evaluate results from ongoing operations against the business plan or against results from prior periods. Consequently, we disclose this information because we believe it provides investors with additional information regarding the operational and performance indicators that are most closely assessed by management. When compared to GAAP results, the two items we remove to result in our Core Earnings presentations are:

(1) Mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness; and

(2) The accounting for goodwill and acquired intangible assets.

While GAAP provides a uniform, comprehensive basis of accounting, for the reasons described above, our Core Earnings basis of presentation does not. Core Earnings are subject to certain general and specific limitations that investors should carefully consider. For example, there is no comprehensive, authoritative guidance for management reporting. Our Core Earnings are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Accordingly, our Core Earnings presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not be able to compare our performance with that of other financial services companies based upon Core Earnings. Core Earnings results are only meant to supplement GAAP results by providing additional information regarding the operational and performance indicators that are most closely used by management, our board of directors, credit rating agencies, lenders and investors to assess performance.

The following tables show Core Earnings for each reportable segment and our business as a whole along with the adjustments made to the income/expense items to reconcile the amounts to our reported GAAP results as required by GAAP and reported in "Note 15 — Segment Reporting."

	Year Ended December 31, 2022								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 1,955	$ 1,195	$ —	$ —	$ 3,150	$ 23	$ (12)	$ 11	$ 3,161
Cash and investments	32	10	—	20	62	—	—	—	62
Total interest income	1,987	1,205	—	20	3,212	23	(12)	11	3,223
Total interest expense	1,468	611	—	107	2,186	8	(92)	(84)	2,102
Net interest income (loss)	519	594	—	(87)	1,026	15	80	95	1,121
Less: provisions for loan losses	—	79	—	—	79	—	—	—	79
Net interest income (loss) after provisions for loan losses	519	515	—	(87)	947	15	80	95	1,042
Other income (loss):									
Servicing revenue	65	12	—	—	77	—	—	—	77
Asset recovery and business processing revenue	6	—	330	—	336	—	—	—	336
Other income (loss)	31	1	—	—	32	(15)	186	171	203
Total other income (loss)	102	13	330	—	445	(15)	186	171	616
Expenses:									
Direct operating expenses	106	148	280	—	534	—	—	—	534
Unallocated shared services expenses	—	—	—	242	242	—	—	—	242
Operating expenses	106	148	280	242	776	—	—	—	776
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	19	19	19
Restructuring/other reorganization expenses	—	—	—	36	36	—	—	—	36
Total expenses	106	148	280	278	812	—	19	19	831
Income (loss) before income tax expense (benefit)	515	380	50	(365)	580	—	247	247	827
Income tax expense (benefit)[2]	108	80	10	(76)	122	—	60	60	182
Net income (loss)	$ 407	$ 300	$ 40	$ (289)	$ 458	$ —	$ 187	$ 187	$ 645

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2022		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 95	$ —	$ 95
Total other income (loss)	171	—	171
Goodwill and acquired intangible asset impairment and amortization	—	19	19
Total Core Earnings adjustments to GAAP	$ 266	$ (19)	247
Income tax expense (benefit)			60
Net income (loss)			$ 187

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments: Reclassi-fications	Adjustments: Additions/ (Subtractions)	Adjustments: Total Adjustments[1]	Total GAAP
	Year Ended December 31, 2021								
Interest income:									
Education loans	$ 1,405	$ 1,181	$ —	$ —	$ 2,586	$ 98	$ (39)	$ 59	$ 2,645
Cash and investments	—	2	—	1	3	—	—	—	3
Total interest income	1,405	1,183	—	1	2,589	98	(39)	59	2,648
Total interest expense	830	541	—	70	1,441	(8)	(117)	(125)	1,316
Net interest income (loss)	575	642	—	(69)	1,148	106	78	184	1,332
Less: provisions for loan losses	—	(61)	—	—	(61)	—	—	—	(61)
Net interest income (loss) after provisions for loan losses	575	703	—	(69)	1,209	106	78	184	1,393
Other income (loss):						—			
Servicing revenue	162	6	—	—	168	—	—	—	168
Asset recovery and business processing revenue	51	—	488	—	539	—	—	—	539
Other income (loss)	25	—	—	5	30	(93)	157	64	94
Gains on sales of loans	—	91	—	—	91	(13)	—	(13)	78
Losses on debt repurchases	—	—	—	(73)	(73)	—	—	—	(73)
Total other income (loss)	238	97	488	(68)	755	(106)	157	51	806
Expenses:						—			
Direct operating expenses	223	162	360	—	745	—	—	—	745
Unallocated shared services expenses	—	—	—	462	462	—	—	—	462
Operating expenses	223	162	360	462	1,207	—	—	—	1,207
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	30	30	30
Restructuring/other reorganization expenses	—	—	—	26	26	—	—	—	26
Total expenses	223	162	360	488	1,233	—	30	30	1,263
Income (loss) before income tax expense (benefit)	590	638	128	(625)	731	—	205	205	936
Income tax expense (benefit)[2]	136	146	29	(131)	180	—	39	39	219
Net income (loss)	$ 454	$ 492	$ 99	$ (494)	$ 551	$ —	$ 166	$ 166	$ 717

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
	Year Ended December 31, 2021		
Net interest income after provisions for loan losses	$ 184	$ —	$ 184
Total other income (loss)	51	—	51
Goodwill and acquired intangible asset impairment and amortization	—	30	30
Total Core Earnings adjustments to GAAP	$ 235	$ (30)	205
Income tax expense (benefit)			39
Net income (loss)			$ 166

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

	Year Ended December 31, 2020								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 1,813	$ 1,445	$ —	$ —	$ 3,258	$ 79	$ (55)	$ 24	$ 3,282
Cash and investments	7	3	—	6	16	—	—	—	16
Total interest income	1,820	1,448	—	6	3,274	79	(55)	24	3,298
Total interest expense	1,194	699	—	120	2,013	39	(6)	33	2,046
Net interest income (loss)	626	749	—	(114)	1,261	40	(49)	(9)	1,252
Less: provisions for loan losses	13	142	—	—	155	—	—	—	155
Net interest income (loss) after provisions for loan losses	613	607	—	(114)	1,106	40	(49)	(9)	1,097
Other income (loss):									
Servicing revenue	208	6	—	—	214	—	—	—	214
Asset recovery and business processing revenue	154	—	304	—	458	—	—	—	458
Other income (loss)	9	—	—	11	20	(40)	(216)	(256)	(236)
Losses on debt repurchases	—	—	—	(6)	(6)	—	—	—	(6)
Total other income (loss)	371	6	304	5	686	(40)	(216)	(256)	430
Expenses:									
Direct operating expenses	287	146	254	—	687	—	—	—	687
Unallocated shared services expenses	—	—	—	277	277	—	—	—	277
Operating expenses	287	146	254	277	964	—	—	—	964
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	22	22	22
Restructuring/other reorganization expenses	—	—	—	9	9	—	—	—	9
Total expenses	287	146	254	286	973	—	22	22	995
Income (loss) before income tax expense (benefit)	697	467	50	(395)	819	—	(287)	(287)	532
Income tax expense (benefit)[2]	160	107	11	(90)	188	—	(68)	(68)	120
Net income (loss)	$ 537	$ 360	$ 39	$ (305)	$ 631	$ —	$ (219)	$ (219)	$ 412

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2020		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ (9)	$ —	$ (9)
Total other income (loss)	(256)	—	(256)
Goodwill and acquired intangible asset impairment and amortization	—	22	22
Total Core Earnings adjustments to GAAP	$ (265)	$ (22)	(287)
Income tax expense (benefit)			(68)
Net income (loss)			$ (219)

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

The following discussion summarizes the differences between Core Earnings and GAAP net income and details each specific adjustment required to reconcile our Core Earnings segment presentation to our GAAP earnings.

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Core Earnings net income	$ 458	$ 551	$ 631
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting	266	235	(265)
Net impact of goodwill and acquired intangible assets	(19)	(30)	(22)
Net income tax effect	(60)	(39)	68
Total Core Earnings adjustments to GAAP	187	166	(219)
GAAP net income	$ 645	$ 717	$ 412

(1) **Derivative Accounting:** Core Earnings exclude periodic gains and losses that are caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, as well as the periodic mark-to-market gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP. Under GAAP, for our derivatives that are held to maturity, the mark-to-market gain or loss over the life of the contract will equal $0 except for Floor Income Contracts, where the mark-to-market gain will equal the amount for which we originally sold the contract. In our Core Earnings presentation, we recognize the economic effect of these hedges, which generally results in any net settlement cash paid or received being recognized ratably as an interest expense or revenue over the hedged item's life.

The accounting for derivatives requires that changes in the fair value of derivative instruments be recognized currently in earnings, with no fair value adjustment of the hedged item, unless specific hedge accounting criteria are met. The gains and losses recorded in "Gains (losses) on derivative and hedging activities, net" and interest expense (for qualifying fair value hedges) are primarily caused by interest rate and foreign currency exchange rate volatility and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment. We believe that our derivatives are effective economic hedges, and as such, are a critical element of our interest rate and foreign currency risk management strategy. However, some of our derivatives, primarily Floor Income Contracts, basis swaps and at times, certain other LIBOR swaps do not qualify for hedge accounting treatment and the stand-alone derivative is adjusted to fair value in the income statement with no consideration for the corresponding change in fair value of the hedged item.

Our Floor Income Contracts are written options that must meet more stringent requirements than other hedging relationships to achieve hedge effectiveness. Specifically, our Floor Income Contracts do not qualify for hedge accounting treatment because the pay down of principal of the education loans underlying the Floor Income embedded in those education loans does not exactly match the change in the notional amount of our written Floor Income Contracts. Additionally, the term, the interest rate index, and the interest rate index reset frequency of the Floor Income Contract can be different than that of the education loans. Under derivative accounting treatment, the upfront contractual payment is deemed a liability and changes in fair value are recorded through income throughout the life of the contract. The change in the fair value of Floor Income Contracts is primarily caused by changing interest rates that cause the amount of Floor Income paid to the counterparties to vary. This is economically offset by the change in the amount of Floor Income earned on the underlying education loans but that offsetting change in fair value is not recognized. We believe the Floor Income Contracts are economic hedges because they effectively fix the amount of Floor Income earned over the contract period, thus eliminating the timing and uncertainty that changes in interest rates can have on Floor Income for that period. Therefore, for purposes of Core Earnings, we have removed the mark-to-market gains and losses related to these contracts and added back the amortization of the net contractual premiums received on the Floor Income Contracts. The amortization of the net contractual premiums received on the Floor Income Contracts for Core Earnings is reflected in education loan interest income. Under GAAP accounting, the premiums received on the Floor Income Contracts are recorded as revenue in the "gains (losses) on derivative and hedging activities, net" line item by the end of the contracts' lives.

Basis swaps are used to convert floating rate debt from one floating interest rate index to another to better match the interest rate characteristics of the assets financed by that debt. We primarily use basis swaps to hedge our education loan assets that are primarily indexed to LIBOR or Prime. The accounting for derivatives requires that when using basis swaps, the change in the cash flows of the hedge effectively offset both the change in the cash flows of the asset and the change in the cash flows of the liability. Our basis swaps hedge variable interest rate risk; however, they generally do not meet this effectiveness test because the index of the swap does not exactly match the index of the hedged assets as required for hedge accounting treatment. Additionally, some of our FFELP Loans can earn interest at either a variable or a fixed interest rate depending on market interest rates and therefore swaps economically hedging these FFELP Loans do not meet the criteria for hedge accounting treatment. As a result, under GAAP, these swaps are recorded at fair value with changes in fair value reflected currently in the income statement.

The table below quantifies the adjustments for derivative accounting between GAAP and Core Earnings net income.

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Core Earnings derivative adjustments:			
Gains (losses) on derivative and hedging activities, net, included in other income	$ 171	$ 64	$ (256)
Plus: Gains (losses) on fair value hedging activity included in interest expense	83	88	(17)
Total gains (losses) in GAAP net income	254	152	(273)
Plus: Reclassification of settlement expense (income) on derivative and hedging activities, net[(1)]	15	93	40
Mark-to-market gains (losses) on derivative and hedging activities, net[(2)]	269	245	(233)
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	(12)	(39)	(55)
Other derivative accounting adjustments[(3)]	9	29	23
Total net impact of derivative accounting	$ 266	$ 235	$ (265)

(1) Derivative accounting requires net settlement income/expense on derivatives that do not qualify as hedges to be recorded in a separate income statement line item below net interest income. Under our Core Earnings presentation, these settlements are reclassified to the income statement line item of the economically hedged item. For our Core Earnings net interest income, this would primarily include (a) reclassifying the net settlement amounts related to our Floor Income Contracts to education loan interest income and (b) reclassifying the net settlement amounts related to certain of our interest rate swaps to debt interest expense. The table below summarizes these net settlements on derivative and hedging activities and the associated reclassification on a Core Earnings basis.

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Reclassification of settlements on derivative and hedging activities:			
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ (23)	$ (98)	$ (79)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	8	(8)	39
Net realized gains (losses) on terminated derivative contracts reclassified to other income	—	13	—
Total reclassifications of settlements on derivative and hedging activities	$ (15)	$ (93)	$ (40)

(2) "Mark-to-market gains (losses) on derivative and hedging activities, net" is comprised of the following:

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Fair value hedges	$ 50	$ 39	$ (26)
Foreign currency hedges	33	49	9
Floor Income Contracts	65	133	(130)
Basis swaps	1	8	3
Other - LIBOR swaps	120	16	(89)
Total mark-to-market gains (losses) on derivative and hedging activities, net	$ 269	$ 245	$ (233)

(3) Other derivative accounting adjustments consist of adjustments related to certain terminated derivatives that did not receive hedge accounting treatment under GAAP but were economic hedges under Core Earnings and, as a result, such gains or losses are amortized into Core Earnings over the life of the hedged item.

Cumulative Impact of Derivative Accounting under GAAP compared to Core Earnings

As of December 31, 2022, derivative accounting has increased GAAP equity by approximately $122 million as a result of cumulative net mark-to-market gains (after tax) recognized under GAAP, but not in Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains and losses related to derivative accounting.

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Beginning impact of derivative accounting on GAAP equity	$ (299)	$ (616)	$ (235)
Net impact of net mark-to-market gains (losses) under derivative accounting[1]	421	317	(381)
Ending impact of derivative accounting on GAAP equity	$ 122	$ (299)	$ (616)

(1) Net impact of net mark-to-market gains (losses) under derivative accounting is composed of the following:

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Total pre-tax net impact of derivative accounting recognized in net income[2]	$ 266	$ 235	$ (265)
Tax and other impacts of derivative accounting adjustments	(65)	(59)	67
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	220	141	(183)
Net impact of net mark-to-market gains (losses) under derivative accounting	$ 421	$ 317	$ (381)

(2) See “Core Earnings derivative adjustments” table above.

Hedging Embedded Floor Income

We use Floor Income Contracts, pay-fixed swaps and fixed rate debt to economically hedge embedded Floor Income in our FFELP Loans. Historically, we have used these instruments on a periodic basis and depending upon market conditions and pricing, we may enter into additional hedges in the future. Under GAAP, the Floor Income Contracts do not qualify for hedge accounting and the pay-fixed swaps are accounted for as cash flow hedges. The table below shows the amount of hedged Floor Income that will be recognized in Core Earnings in future periods based on these hedge strategies.

	December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Total hedged Floor Income, net of tax[(1)(2)]	$ 200	$ 325	$ 401

(1) $254 million, $422 million and $520 million on a pre-tax basis as of December 31, 2022, 2021 and 2020, respectively.

(2) Of the $200 million as of December 31, 2022, approximately $102 million, $40 million, $22 million and $19 million will be recognized as part of Core Earnings in 2023, 2024, 2025 and 2026, respectively.

(2) Goodwill and Acquired Intangible Assets: Our Core Earnings exclude goodwill and intangible asset impairment and the amortization of acquired intangible assets. The following table summarizes the goodwill and acquired intangible asset adjustments.

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Core Earnings goodwill and acquired intangible asset adjustments	$ (19)	$ (30)	$ (22)

Adjusted Core Earnings

Adjusted Core Earnings net income and Adjusted Core Earnings operating expenses exclude restructuring and regulatory-related expenses. Management excludes these expenses as Adjusted Core Earnings is one of the measures we review internally when making management decisions regarding our performance and how we allocate resources, as this presentation is a useful basis for management and investors to further analyze Core Earnings. We also refer to this information in our presentations with credit rating agencies, lenders and investors.

The following table summarizes these expenses which are excluded:

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Restructuring/other reorganization expenses	$ 36	$ 26	$ 9
Regulatory-related expenses[(1)]	7	233	33
Total	$ 43	$ 259	$ 42

(1) The year ended December 31, 2021 includes $205 million related to the resolution of previously disclosed litigation. See “Results of Operations – GAAP Comparison of 2022 Results with 2021” for further details.

2. Adjusted Tangible Equity Ratio

Adjusted Tangible Equity Ratio measures the ratio of Navient's Tangible Equity to its tangible assets. We adjust this ratio to exclude the assets and equity associated with our FFELP Loan portfolio because FFELP Loans are no longer originated and the FFELP Loan portfolio bears a 3% maximum loss exposure under the terms of the federal guaranty. Management believes that excluding this portfolio from the ratio enhances its usefulness to investors. Management uses this ratio, in addition to other metrics, for analysis and decision making related to capital allocation decisions. The Adjusted Tangible Equity Ratio is calculated as:

(Dollars in billions)	December 31, 2022	December 31, 2021
Navient Corporation's stockholders' equity	$ 2,977	$ 2,597
Less: Goodwill and acquired intangible assets	705	725
Tangible Equity	2,272	1,872
Less: Equity held for FFELP Loans	218	263
Adjusted Tangible Equity	$ 2,054	$ 1,609
Divided by:		
Total assets	$ 70,795	$ 80,605
Less:		
Goodwill and acquired intangible assets	705	725
FFELP Loans	43,525	52,641
Adjusted tangible assets	$ 26,565	$ 27,239
Adjusted Tangible Equity Ratio[1]	7.7 %	5.9 %

[1] The following provides the Adjusted Tangible Equity Ratio on a pro forma basis assuming the cumulative net mark-to-market losses related to derivative accounting under GAAP were excluded. These cumulative losses reverse to $0 upon the maturity of the individual derivative instruments. As these losses are temporary, we believe this pro forma presentation is a useful basis for management and investors to further analyze the Adjusted Tangible Equity Ratio.

(Dollars in millions)	December 31, 2022	December 31, 2021
Adjusted Tangible Equity (from above table)	$ 2,054	$ 1,609
Plus: ending impact of derivative accounting on GAAP equity	(122)	299
Pro forma Adjusted Tangible Equity	$ 1,932	$ 1,908
Divided by: adjusted tangible assets (from above table)	$ 26,565	$ 27,239
Pro forma Adjusted Tangible Equity Ratio	7.3 %	7.0 %

3. Earnings before Interest, Taxes, Depreciation and Amortization Expense (EBITDA)

This measures the operating performance of the Business Processing segment and is used by management and equity investors to monitor operating performance and determine the value of those businesses. EBITDA for the Business Processing segment is calculated as:

	Years Ended December 31,		
(Dollars in millions)	2022	2021	2020
Pre-tax income	$ 50	$ 128	$ 50
Plus:			
Depreciation and amortization expense[1]	3	8	7
EBITDA	$ 53	$ 136	$ 57
Divided by:			
Total revenue	$ 330	$ 488	$ 304
EBITDA margin	16 %	28 %	19 %

[1] There is no interest expense in this segment.

4. Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans

The allowance for loan losses on the Private Education Loan portfolio used for the three credit metrics below excludes the expected future recoveries on previously fully charged-off loans to better reflect the current expected credit losses remaining in connection with the loans on balance sheet that have not charged off. That is, as of December 31, 2022, the $1,074 million Private Education Loan allowance for loan losses excluding expected future recoveries on previously fully charged-off loans represents the current expected credit losses that remain in connection with the $19,525 million Private Education Loan portfolio. The $274 million of expected future recoveries on previously fully charged-off loans, which is collected over an average 15-year period, mechanically is a reduction to the overall allowance for loan losses. However, it is not related to the $19,525 million Private Education Loan portfolio on our balance sheet and, as a result, management excludes this impact to the allowance to better evaluate and assess our overall credit loss coverage on the Private Education Loan portfolio. We believe this provides a more meaningful and holistic view of the available credit loss coverage on our non-charged-off Private Education Loan portfolio. We believe this information is useful to our investors, lenders and rating agencies.

Allowance for Loan Losses Metrics – Private Education Loans

	For the Year Ended December 31,		
	2022	2021	2020
(Dollars in millions)			
Allowance at end of period (GAAP)	$ 800	$ 1,009	$ 1,089
Plus: expected future recoveries on previously fully charged-off loans	274	329	479
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)	$ 1,074	$ 1,338	$ 1,568
Ending total loans	$ 19,525	$ 21,180	$ 22,168
Ending loans in repayment	$ 18,770	$ 20,284	$ 20,841
Net charge-offs	$ 343	$ 169	$ 207
Allowance coverage of charge-offs:			
GAAP	2.3	6.0	5.3
Adjustment(1)	.8	1.9	2.3
Non-GAAP Financial Measure(1)	3.1	7.9	7.6
Allowance as a percentage of the ending total loan balance:			
GAAP	4.1 %	4.8 %	4.9 %
Adjustment(1)	1.4	1.5	2.2
Non-GAAP Financial Measure(1)	5.5 %	6.3 %	7.1 %
Allowance as a percentage of the ending loans in repayment:			
GAAP	4.2 %	5.0 %	5.2 %
Adjustment(1)	1.5	1.6	2.3
Non-GAAP Financial Measure(1)	5.7 %	6.6 %	7.5 %

(1) The allowance used for these credit metrics excludes the expected future recoveries on previously fully charged-off loans. See discussion above.

Risk Management

Our Approach

Navient's identification, understanding and effective management of the risks inherent in our business are critical to our continued success. We assign risk oversight, management and assessment responsibilities at various levels within our organization and continuously coordinate these activities. We maintain comprehensive risk management practices to identify, measure, monitor, evaluate, control and report on our significant risks and we routinely evaluate these practices to determine whether they are functioning properly and can be improved.

Risk Management Philosophy

Navient's risk management philosophy is to ensure all significant risks inherent in our business are identified, measured, monitored, evaluated, controlled and reported. In furtherance of these goals, Navient

- maintains a comprehensive and uniform risk management framework;
- follows a "three lines of defense" structure based upon: (1) accountability and ownership at the business area level for risks inherent in their activities (first line of defense); (2) supporting areas, such as Human Resources, Legal, Compliance, Finance and Accounting, Information Technology and Information Security, monitor, guide and advise the business areas in their respective areas of expertise (second line of defense); and (3) Internal Audit independently reviews business and support areas to ensure compliance with applicable laws, regulations and internal policies and procedures (third line of defense);
- provides appropriate reporting to management and our board of directors and their respective committees; and
- trains our employees on our risk management processes and philosophy.

Risk Oversight, Roles and Responsibilities

Responsibility for risk management is assigned at several different levels of our organization, including our board of directors and its committees. Each business area within our organization is primarily responsible for managing its specific risks. In addition, our second line of defense support areas are responsible for providing our business areas with the training, systems and specialized expertise necessary to properly perform their risk management responsibilities.

Board of Directors. The Navient board of directors and its standing committees oversee our strategic direction, including setting our risk management philosophy, tolerance and parameters; and assessing the risks our businesses face as well as our risk management practices. It approves our annual business plan, periodically reviews our strategic approach and priorities and spends significant time considering our capital requirements and our dividend and share repurchase levels and activities. We escalate to our board of directors any significant departures from established tolerances and parameters and review new and emerging risks with them. Standing committees of our board of directors include Executive, Audit, Compensation and Human Resources, Nominations and Governance, and Risk. Charters for each committee providing their specific responsibilities and areas of risk oversight are published on our website together with the names of the directors serving on these committees.

Chief Executive Officer. Our Chief Executive Officer is responsible for establishing our risk management culture and ensuring business areas operate within risk parameters and in accordance with our annual business plan.

Chief Risk and Compliance Officer. Our Chief Risk and Compliance Officer is responsible for ensuring proper oversight, management and reporting to our board of directors and management regarding our risk management practices.

Enterprise Risk and Compliance Committee. Our Enterprise Risk and Compliance Committee is an executive management-level committee where senior management reviews our significant risks, receives reports on adherence to established risk parameters, provides direction on mitigation of our risks and closure of issues and supervises our enterprise risk management program. This committee also oversees regulatory compliance risk management activities including regulatory compliance training, regulatory compliance change management, compliance risk assessment, transactional testing and monitoring, customer complaint monitoring, policies and procedures, privacy and information sharing practices, compliance with the Sarbanes-Oxley Act of 2002, and our Code of Business Conduct. This committee also evaluates risks associated with new or modified business and makes recommendations regarding proposed business initiatives based on their inherent risks and controls.

Credit and Loan Loss Committee. Our Credit and Loan Loss Committee is an executive management-level committee that oversees our credit and portfolio management monitoring and strategies, the sufficiency of our loan loss reserves, and current or emerging issues affecting delinquency and default trends which may result in adjustments in our allowances for loan losses.

Disclosure Committee. Our Disclosure Committee reviews our periodic SEC reporting documents, earnings releases and related disclosure policies and procedures, and evaluates whether modified or additional disclosures are required.

Asset and Liability Committee. Our Asset and Liability Committee oversees our investment portfolio and strategy and our compliance with our investment policy.

Other Management-Level Committees. We have other management-level committees that oversee various other Navient business activities including critical accounting assumptions, human resources management, and incentive compensation governance.

Internal Audit Risk Assessment

Navient's Internal Audit function monitors Navient's various risk management and compliance efforts, identifies areas that may require increased focus and resources, and reports its findings and recommendations to executive management and the Audit Committee of our board of directors. Internal Audit performs an annual risk assessment evaluating the risk of all significant components of our company and uses the results to develop an annual risk-based internal audit plan as well as a multi-year rotational audit schedule.

Risk Appetite Framework

Navient's Risk Appetite Framework establishes the level of risk we are willing to accept within each risk category in pursuit of our business strategy. The Risk Committee of our board of directors reviews our Risk Appetite Framework annually, helping to ensure consistency in our business decisions, monitoring and reporting. Our management-level Enterprise Risk and Compliance Committee monitors approved risk limits and thresholds to ensure our businesses are operating within approved risk limits. Through ongoing monitoring of risk exposures, management identifies potential risks and develops appropriate responses and mitigation strategies.

Risk Categories

Our Risk Appetite Framework segments Navient's risks across nine domains: (1) credit; (2) market; (3) funding and liquidity; (4) operational; (5) compliance; (6) legal; (7) governance; (8) reputational/political; and (9) strategic.

Credit Risk. Credit risk is the risk to earnings or capital resulting from an obligor's failure to meet the terms of any contract with us or otherwise fail to perform as agreed. Navient has credit or counterparty risk exposure with borrowers and cosigners of our Private Education Loans and Private Education Refinance Loans, counterparties with whom we have entered derivative or other similar contracts and entities with whom we make investments. Credit and counterparty risks are overseen by our Chief Risk and Compliance Officer and our management-level Credit and Loan Loss Committee. The credit risk related to our Private Education Loans and Private Education Refinance Loans is managed within a credit risk infrastructure which includes: (i) a well-defined underwriting, asset quality and collection policy framework; (ii) an ongoing monitoring and review process of portfolio concentration and trends; (iii) assignment and management of credit and loss forecasting authorities and responsibilities; and (iv) establishment of an allowance for loan losses. Credit risk related to derivative contracts is managed by reviewing counterparties for credit strength on an ongoing basis and through our credit policies, which place limits on our exposure with any single counterparty and, in most cases, require collateral to secure the position. Our Chief Risk and Compliance Officer reports regularly to both the Risk and Audit Committees of the board on credit risk management.

Market Risk. Market risk is the risk to earnings or capital resulting from changes in market conditions, such as interest rates, index mismatches, credit spreads, commodity prices or volatilities. Navient is exposed to various types of market risk, including mismatches between the maturity/duration of assets and liabilities, interest rate risk and other risks that arise through the management of our investment, debt and education loan portfolios. Market risk exposure is overseen by our Chief Financial Officer and our management-level Asset and Liability Committee, which are responsible for managing market risks associated with our assets and liabilities and recommending limits to be included in our risk appetite and investment structure. These activities are closely tied to those related to the management of our funding and liquidity risks. The Risk Committee of our board of directors periodically reviews and approves the investment, asset and liability management policies, establishes and monitors various tolerances or other risk measurements, as well as contingency funding plans developed and administered by our Asset and Liability Committee. The Risk Committee and our Chief Financial Officer report to the full board of directors on matters of market risk management.

Funding and Liquidity Risk. Funding and liquidity risk is the risk to earnings, capital or the conduct of our business arising from the inability to meet our obligations when they become due without incurring unacceptable losses, such as the ability to fund liability maturities or invest in future asset growth and business operations at reasonable market rates. Our primary liquidity risks are any mismatch between the maturity of our assets and liabilities and the servicing of our indebtedness. Navient's Chief Financial Officer oversees our funding and liquidity management activities and is responsible for planning and executing our funding activities and strategies, analyzing and monitoring our liquidity risk, maintaining excess liquidity and accessing diverse funding sources depending on current market conditions.

Funding and liquidity risks are overseen and recommendations approved primarily through our management-level Asset and Liability Committee. The Risk Committee of our board of directors periodically reviews and approves our funding and liquidity positions and the contingency funding plan developed and administered by our Asset and Liability Committee. The Risk Committee also receives regular reports on our performance against funding and liquidity plans at each of its meetings.

Operational Risk. Operational risk is the risk to earnings or the conduct of our business resulting from inadequate or failed internal processes, people or systems or from external events. Operational risk is pervasive, existing in all business areas, functional units, legal entities and geographic locations, and it includes information technology risk, cybersecurity risk, physical security risk on tangible assets, third-party vendor risk, legal risk, compliance risk and reputational risk. Operational risk exposures are managed by business area management and our second and third lines of defense, with oversight by our management-level committees. The board of directors or the Risk Committee of our board receives operations reports at each regularly scheduled meeting. The board of directors or the Risk Committee of our board also receives business development updates regarding our various business initiatives, receives periodic information security and cybersecurity updates and reviews operational and systems-related matters to ensure their implementation produces no significant internal control issues.

Compliance, Legal and Governance Risk. Compliance, legal and governance risks are subsets of operational risk but are recognized as a separate and complementary risk category given their importance in our business. Compliance risk is the risk to earnings, capital or reputation arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Legal risk is the risk to earnings, capital or reputation manifested by claims made through the legal system and may arise from a product or service, a transaction, a business relationship, property (real, personal or intellectual), conduct of an employee or change in law or regulation. Governance risk is the risk of not establishing and maintaining a control environment that aligns with stakeholder and regulatory expectations, including tone at the top and board performance. These risks are inherent in all of our businesses. The Audit Committee of our board of directors oversees our monitoring and control of legal and compliance risks. The Audit Committee annually reviews our Compliance Plan and significant breaches of our Code of Business Conduct and receives regular reports from executive management responsible for the regulatory and compliance risk management functions. The board of directors and the Audit Committee receive reports on significant litigation and regulatory matters at each regularly scheduled meeting.

Reputational/Political Risk. Reputational risk is the risk to earnings or capital arising from damage to our reputation in the view of, or loss of the trust of, customers and the general public. Political risk is the closely related risk to earnings or capital arising from damage to our relationships with governmental entities, regulators and political leaders and candidates. These risks can arise due to both our own acts and omissions (both real and perceived), and the acts and omissions of other industry participants or other third parties, and they are inherent in all of our businesses. Reputational risk and political risk are managed through a combination of business area management and our second and third lines of defense. The Nominations and Governance Committee of our board of directors oversees our reputational and political risk and regularly receives reports on these matters.

Strategic Risk. Strategic risk is the risk to earnings or capital arising from our potential inability to successfully carry out our strategy. This risk can arise due to both our own acts or omissions, and the acts or omissions of other industry participants or other third parties, and it is inherent in all of our businesses. Strategic risk is managed through a combination of business area management and our second and third lines of defense.

Supervision and Regulation

Regulatory Oversight

We operate in a highly regulated industry where many aspects of our businesses are subject to federal and state regulation and administrative oversight. The following is a summary of the material statutes and regulations currently applicable to us and our subsidiaries. We may become subject to additional laws, rules or regulations in the future. This summary is not a comprehensive analysis of all applicable laws and is qualified by reference to the full text of the statutes and regulations referenced below.

The Dodd-Frank Act was adopted to reform and strengthen regulation and supervision of the U.S. financial services industry. It contains comprehensive provisions that govern the practices and oversight of financial institutions and other participants in the financial markets. It imposes additional regulations, requirements and oversight on almost every aspect of the U.S. financial services industry, including increased capital and liquidity requirements, limits on leverage and enhanced supervisory authority. Some of these provisions apply to Navient and its various businesses and securitization vehicles.

The Consumer Financial Protection Act established the Consumer Financial Protection Bureau (CFPB), which has authority to write regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws and examine financial institutions for compliance. The CFPB is authorized to impose fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. It also has authority to prevent unfair, deceptive or abusive practices. Since its creation, the CFPB has been active in its supervision, examination and enforcement of financial services companies. In January 2017, the CFPB filed a lawsuit against Navient alleging several unfair, deceptive or abusive practices, and other violations of consumer protection statutes. Additional information on the CFPB lawsuit is included in “Note 12 – Commitments, Contingencies and Guarantees” in this Form 10-K.

The Dodd-Frank Act also authorizes state officials to enforce regulations issued by the CFPB and to enforce the Dodd-Frank Act’s general prohibition against unfair, deceptive and abusive practices. The Attorneys General of the State of Illinois, the State of Washington, the Commonwealth of Pennsylvania, the State of California, the State of Mississippi and the State of New Jersey have also filed lawsuits against Navient and some of its subsidiaries containing similar alleged violations of consumer protection laws as those alleged in the CFPB lawsuit as well as several additional areas. These cases were settled by mutual agreement between the Company and various State Attorneys General. Additional information on these lawsuits is included in “Note 12 – Commitments, Contingencies and Guarantees” in this Form 10-K.

Higher Education Act. The HEA is the primary law that authorizes and regulates federal student aid programs for higher education. Navient is subject to the HEA and its education loan operations are periodically reviewed by ED and Guarantors or entities acting on their behalf. As a servicer of federal education loans, Navient is subject to ED regulations regarding financial responsibility and administrative capability that govern all third-party servicers of insured education loans. In connection with its servicing operations on behalf of Guarantor clients, Navient must comply with ED regulations that govern Guarantor activities as well as agreements for reimbursement between ED and our Guarantor clients. While the HEA is required to be reviewed and "reauthorized" by Congress every five years, Congress has not reauthorized the HEA since 2008, choosing to temporarily extend the Act each year since 2013. During the COVID-19 pandemic, the Biden-Harris Administration and ED have relied upon The CARES Act and The HEROs Act to provide the legislative authority necessary to delay or cancel direct student loan payments. We cannot predict whether or when legislation will be passed or how it would impact us.

Federal Financial Institutions Examination Council. As a service provider to financial institutions, Navient is also subject to periodic examination by the Federal Financial Institutions Examination Council (FFIEC). FFIEC is a formal interagency body of the U.S. government empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Federal Reserve Banks (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration, the Office of the Comptroller of the Currency and the CFPB and to make recommendations to promote uniformity in the supervision of financial institutions.

Consumer Protection and Privacy. Navient's Consumer Lending and Federal Education Loan segments are subject to federal and state consumer protection, privacy and related laws and regulations and are subject to supervision and examination by the CFPB and various state agencies. Some of the more significant federal laws and regulations include:

- various laws governing unfair, deceptive or abusive acts or practices;
- the Truth-In-Lending Act and Regulation Z, which govern disclosures of credit terms to consumer borrowers;
- the Fair Credit Reporting Act and Regulation V, which govern the use and provision of information to consumer reporting agencies;
- the Equal Credit Opportunity Act and Regulation B, which prohibit discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Servicemembers Civil Relief Act (SCRA), which applies to all debts incurred prior to commencement of active military service (including education loans) and limits the amount of interest, including certain fees or charges that are related to the obligation or liability; and
- the Telephone Consumer Protection Act (TCPA), which governs communication methods that may be used to contact customers.

Navient's Business Processing segment is subject to federal and state consumer protection, privacy and related laws and regulations, as well as certain activities, supervision and examination by the CFPB and various state agencies. Some of the more significant federal statutes are the Fair Debt Collection Practices Act and additional provisions of the acts listed above, as well as the HEA and the various laws and regulations that pertain to government contractors. These activities are also subject to state laws and regulations similar to the federal laws and regulations listed above.

Regulatory Outlook

In 2023, we expect the regulatory environment for the business in which we operate will continue to be challenging. We anticipate that regulators will be more focused on conducting regulatory audits and initiating enforcement actions.

We anticipate a number of prominent themes will emerge:

- The number and configuration of regulators, particularly the CFPB, State Attorneys General and various state legislators, is likely to change which may add to the complexity, cost and unpredictability of timing for resolution of particular regulatory issues.
- The regulatory, compliance and risk control structures of financial institutions subject to enforcement actions by state and federal regulators are frequently cited, regardless of whether past practices have been changed, and enforcement orders have often included detailed demands for increased compliance, audit and board supervision, as well as the use of third-party consultants or monitors to recommend further changes or monitor remediation efforts.
- Issues first identified with respect to one consumer product class or distribution channel are sometimes applied to other product classes or channels.

We expect that consumer protection regulations, standards, supervision, examination and enforcement practices will continue to evolve in both detail and scope as well as being more unpredictable than in previous periods. This evolution has added and may continue to significantly add to Navient's compliance, servicing and operating costs. We have invested in compliance through multiple steps including realignment of Navient's compliance management system to a lending, servicing, collections and business services business model; dedicated compliance resources for certain topics to focus on consumer expectations; formation of business support operations to enhance risk, control and compliance functions in each business area; additional regulatory training for front-line employees to ensure obligations are understood and followed during interactions with customers, as well as additional regulatory training for our board of directors to enhance their ability to oversee the Company's risk framework and compliance as it and the regulatory environment changes; and expanded oversight and analysis of complaint trends to identify and remediate, if necessary, areas of potential consumer harm. Despite these increased activities, our current operations and compliance processes may not satisfy evolving regulatory standards. Past practices or products may continue to be the focus of examinations, inquiries or lawsuits.

As described in "Management's Discussion and Analysis of Financial Condition and Results of Operations —Risk Management," Navient has implemented a coordinated, formal enterprise risk management system aimed at reducing business and regulatory risks.

Listed below are some of the most significant recent and pending regulatory changes that have the potential to affect Navient.

Education Loan Servicing and Consumer Lending. The CFPB has been active in the education loan industry and undertook a number of initiatives in recent years relative to the private education loan market and education loan servicing. In addition, several states have enacted various state servicing and licensing requirements. We anticipate that these state activities will continue. It is possible that more states will propose or pass similar or different requirements on either holders of education loans or their servicers. Depending on the nature of these laws or rules, they may impose additional or different requirements than Navient faces at the federal level.

Debt Collection Supervision. The CFPB also maintains supervisory authority over larger consumer debt collectors and in late 2021 implemented changes to Regulation F governing the collection of third-party consumer debt. The issuance of the CFPB's rules does not preempt the various and varied levels of state consumer and collection regulations to which the activities of Navient's subsidiaries are currently subject. Navient also utilizes third-party debt collectors to collect defaulted and charged-off education loans and will continue to be responsible for oversight of their procedures and controls.

Oversight of Derivatives. The Dodd-Frank Act created a comprehensive new regulatory framework for derivatives transactions under the Commodity Futures Trading Commission (CFTC), other prudential regulators and the SEC. This framework, among other things, subjects certain swap participants to new capital and margin requirements, recordkeeping and business conduct standards and imposes registration and regulation of swap dealers and major swap participants. The scope of the rules and exemptions continues to be defined through agency rulemakings. Even where Navient or a securitization trust sponsored by Navient qualifies for an exemption, many of its derivatives counterparties are subject to capital, margin and business conduct requirements and therefore Navient's business may be impacted. Where Navient or the securitization trusts it sponsors do not qualify for an exemption, Navient or an existing or future securitization trust sponsored by Navient may be unable to enter into new swaps to hedge interest rate or currency risk or the costs associated with such swaps may increase. With respect to existing securitization trusts, an inability to amend, novate or otherwise materially modify existing swap contracts could result in a downgrade of its outstanding asset-backed securities. As a result, Navient's business, ability to access the capital markets for financing and costs may be impacted by these regulations.

Legal Proceedings

For a discussion of legal matters as of December 31, 2022, please refer to "Note 12 – Commitments, Contingencies and Guarantees" to our consolidated financial statements included in this report, which is incorporated into this item by reference.

RISK FACTORS

We employ an enterprise risk management philosophy and framework which seeks to identify the material risks impacting our business and provides a process for evaluating and quantifying such risks. Our Enterprise Risk and Compliance Committee monitors approved risk limits and thresholds to ensure our businesses are operating within approved risk parameters. Our Risk Appetite Framework segments our risk across nine risk domains: (1) credit; (2) market; (3) funding and liquidity; (4) operational; (5) compliance; (6) legal; (7) governance; (8) reputational/political; and (9) strategic. The risk factors enumerated in this section are presented in a manner that is consistent with this overall risk framework.

Based on current conditions, we believe that the following list identifies the material risk factors that could affect our financial condition, results of operations or cash flows. These risks and risk domains are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial conditions or results of operations in future periods. Material risks that could apply generally to any company are listed below under the caption "General Risk Factors." In addition, our reaction to future developments as well as our competitors' and regulators' reactions to these developments may affect our future results.

COVID-19 RISK.

The continuing impact of COVID-19 and related risks may materially affect our results of operations, financial condition and/or liquidity and such impacts could continue for an unknown length of time.

While many aspects of the economy have returned to pre-pandemic levels, the COVID-19 pandemic continues to impact the macroeconomic environment and our results of operations. Many of the health and safety restrictions previously put into place by state, local, and foreign governments have now been lifted, but there is no guarantee that the emergence of future variants or widespread disease will not result in such orders or restrictions being reimposed. As a result, our results of operations, financial condition and liquidity could be materially affected, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Navient's Response to COVID-19." With respect to our operations, we have drastically modified the manner in which we conduct our business by expanding our work-from-home capabilities and moving the overwhelming majority of our team to a work-from-home or hybrid status. Despite these efforts, the COVID-19 pandemic and its impact remain dynamic. Variants continue to emerge, efforts to mitigate or contain the impacts of the pandemic continue to evolve, and the duration and severity of the impact of the pandemic on our business and results of operations in future periods remain uncertain. If the COVID-19 pandemic or its adverse effects become more severe or prevalent or are prolonged or we experience more pronounced disruptions in our business or operations, or in economic activity and demand for our services generally, our business and results of operations in future periods could be materially adversely affected. We continue to monitor the situation and actively assess further implications for our business.

CREDIT RISK.

Economic conditions and the creditworthiness of third parties could have a material adverse effect on our business, results of operations, financial condition and stock price.

Our success is largely dependent upon the creditworthiness of our customers, especially with respect to our education loans. Our research consistently indicates that borrower unemployment rates and the failure of in-school borrowers to graduate or otherwise complete their education are two of the most significant economic factors that affect loan performance. Any material changes in graduation or completion rates could increase or decrease delinquencies and defaults. Additionally, modifications to the original repayment terms in the form of loan forbearance, deferment, grace periods and the use of payment modification programs, including income-based repayment programs, can individually and cumulatively impact the performance of our loan portfolios. Modifications to private loans may lower the potential return on investment and may have the related effect of delaying defaults which would otherwise have become apparent in the performance of our portfolios.

Defaults on education loans held by us, particularly Private Education Loans, could adversely affect our earnings.

FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are also protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guarantees generally cover at least 97% of a FFELP Loan's principal and accrued interest upon default and, in limited circumstances, 100% of the loan's principal and accrued interest. We are exposed to credit risk on the non-guaranteed portion of the FFELP Loans in our portfolio. In addition, under certain circumstances, if we fail to service FFELP Loans in compliance with HEA we may jeopardize the insurance, guarantees and federal support we receive on these loans. A small percentage of our FFELP Loan portfolio has become permanently uninsured as a result of these regulations and we anticipate this will continue to a limited extent in the future. Under such circumstances, we bear the full credit exposure on such previously insured loans.

We bear the full credit exposure on the loans in our Private Education Loan portfolio. We believe that delinquencies are an important indicator of the potential future credit performance for Private Education Loans. Our delinquencies as a percentage of Private Education Loans in repayment were 5.0% at December 31, 2022. For a complete discussion of our loan delinquencies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition – Private Education Loan Portfolio Performance."

Future defaults could be higher than anticipated due to a variety of factors, such as downturns in the economy, public health crises such as the COVID-19 pandemic, regulatory changes and other unforeseen future trends. During the second half of 2022, global markets experienced significant declines driven by the economic impact of inflation and interest rate increases by the Federal Reserve. As these factors have carried over into 2023, concerns about the risk of recession have increased. According to Company-sponsored independent research, young adults who stopped attending college before earning a degree or certificate are among those most likely to have trouble making payments. Losses on Private Education Loans are also impacted by various risk characteristics that may be specific to individual loans. Loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in which a payment has been made by a customer), underwriting criteria (e.g., credit scores), existence of a cosigner, school type and whether a loan is a TDR are all factors that can impact the likelihood of default. Additionally, general economic and employment conditions, including employment rates for recent college graduates, can have a significant impact on loan delinquency and default rates. If actual loan performance is worse than currently estimated, it could materially affect our estimate of the allowance for loan losses and the related provision for loan losses and as a result adversely affect our results of operations.

The Company has adopted an accounting standard update that resulted in a significant change in how we recognize credit losses.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments — Credit Losses," which replaced the current "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the CECL model. This new CECL standard became effective for us on January 1, 2020. Under the CECL model, we are required to measure and recognize an allowance for loan losses that estimates remaining expected credit losses for financial assets held at the reporting date. This resulted in us presenting certain financial assets carried at amortized cost, such as our loans held for investment, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable economic and other forecasts that affect the collectability of the reported amount. This measurement takes place at the time the financial asset is first added to the balance sheet and quarterly thereafter. This differs significantly from the "incurred loss" model that was required under prior GAAP, which delayed recognition of losses until it was probable a loss had been incurred. Accordingly, the adoption of the CECL model materially changed the way we determine our allowance for loan losses and required us to significantly increase our allowance and reduce shareholders' equity on the January 1, 2020 implementation date. As a result of the adoption of CECL in the first quarter of 2020, we increased our loan loss reserves which resulted in a reduction of our shareholder equity by $620 million. In the future, the CECL model may create more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses, such increase could adversely affect our business, financial condition and results of operations. In addition, the evaluation of our expected credit losses is inherently subjective and requires estimates that may be subject to significant changes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – Allowance for Loan Losses" and "Note 2 – Significant Accounting Policies" for further discussion of the CECL standard and its impact as of the January 1, 2020 adoption date.

Our Consumer Lending segment exposes us to credit underwriting risks based upon the credit model we use to forecast loss rates. If we are unable to effectively forecast loss rates, it could materially adversely affect our operating results.

We acquired Earnest, a leading financial technology and education finance company, in 2017. Since then, Earnest has become one of the leading providers of education refinance loans. In 2019, Earnest entered the "in-school" lending market. We underwrite new Private Education Loans within our Consumer Lending segment based upon our analysis of extensive credit criteria. Criteria reviewed in underwriting consumer loans may include any or all of the following: (i) employment or offer of employment and income; (ii) employment status and career specialization; (iii) qualifying credit history, taking into account credit score; (iv) debt to income ratio; (v) demonstrated ability to pay through free cash flow calculations; (vi) attendance at or graduation from an eligible post-secondary school, or separated from an eligible post-secondary school within a specified period of time and met additional credit requirements, or be the parent of a graduate or student; and (vii) savings. We define free cash flow generally as after-tax monthly income of a borrower minus the sum of rent or mortgage payments, student loan payments and any other fixed expenses of such borrower.

We do not rely on any single factor in making our underwriting decisions. Each of the above factors is reviewed and weighted depending on the individual borrower's or co-borrower's circumstances at the time the underwriting decision is made. If our underwriting process does not effectively forecast our losses, our operating results, cash flow or financial condition may be materially adversely affected.

MARKET, FUNDING & LIQUIDITY RISK.

Our business is affected by changes in interest rates and the cost and availability of funding in the capital markets.

The capital markets may from time-to-time experience periods of significant volatility, such as the volatility we are currently experiencing due to rising interest rates and other economic pressures. This volatility can dramatically and adversely affect financing costs when compared to historical norms or make funding unavailable at any costs. We cannot provide any assurance that the cost and availability of funding in the capital markets will not continue to be impacted by current economic pressures. Other factors that could make financing more expensive or unavailable to us include, but are not limited to, financial losses, events that have an adverse impact on our reputation, changes in the activities of our business partners, events that have an adverse impact on the financial services industry generally, counterparty availability, negative credit rating actions with respect to us, asset-backed securities sponsored by us or the U.S. federal government, changes affecting our assets, the ability of existing or future Navient-sponsored securitization trusts to hedge interest rate and currency risk, corporate and regulatory actions, absolute and comparative interest rate changes, general economic conditions and the legal, regulatory and tax environments governing funding transactions, including existing or future securitization and derivatives transactions. If financing is difficult, expensive or unavailable, our results of operations, cash flow or financial condition could be materially and adversely affected. Further, rising interest rates and expectations of inflation may negatively impact borrower demand for our private education loan products.

The transition away from the LIBOR reference rate to the Secured Overnight Financing Rate (SOFR) may create uncertainty in the capital markets and may negatively impact the value of existing LIBOR based financial instruments and our financial results and business.

The London Interbank Offered Rate, or LIBOR, has historically served as a global benchmark for determining interest rates on commercial and consumer loans, bonds, derivatives and numerous other financial instruments. U.S. Dollar (USD) LIBOR has historically been the reference rate for most of our variable rate student loans, bonds, asset-backed securities (ABS), other financing facilities, and derivatives (financial instruments). As of January 1, 2022, the LIBOR administrator ceased publication of EUR, CHF, JPY and GBP LIBOR for all tenors and one-week and two-month USD LIBOR on a representative basis, and regulated U.S. financial institutions are no longer permitted to enter into new contracts referencing any LIBOR rates. The LIBOR administrator further announced that it will cease publishing the remaining USD LIBOR rates, including one-month and three-month LIBOR, after June 30, 2023.

As of December 31, 2022, we had approximately $127 billion notional of financial instruments indexed to USD one-month or three-month LIBOR, approximately $101 billion of which will mature after June 30, 2023. We are working in concert with regulators, consumer advocates, investors, and industry peers towards a smooth transition. Across our student loan portfolio, approximately 5% of borrowers have their loan payments indexed to LIBOR, as of December 31, 2022.

A significant amount of our financial instruments which are indexed to LIBOR do not include provisions clearly specifying a method for transitioning from LIBOR to an alternative benchmark rate. Further, our financial instruments may require changes to documentation as well as enhancements and modifications to systems, controls, procedures and models, which could present operational and legal challenges for us and our customers, investors and counterparties. There can be no assurance that we will be able to modify all existing financial instruments before the discontinuation of LIBOR. For some of these financial instruments like our ABS, it may be impractical or impossible to modify such instruments due to stringent noteholder consent requirements. Additionally, for the Special Allowance Payment (SAP) paid on our FFELP Loans by ED, legislative action is necessary to modify the SAP formula, which is currently indexed to one-month LIBOR, to be indexed to an alternative benchmark rate. If such financial instruments are not remediated to provide a method for transitioning from LIBOR to an alternative benchmark rate, federal legislation related to the LIBOR transition may provide legal protection against litigation and statutory solutions to implement an alternative benchmark rate.

On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the LIBOR Act) was signed into law. The LIBOR Act provides that for contracts that contain no fallback provision or contain fallback provisions that do not identify a specific USD LIBOR benchmark replacement (including the Special Allowance Payment (SAP) formula for FFELP Loans), a benchmark replacement based on SOFR, as published by the Federal Reserve Bank of New York, including any recommended spread adjustment and benchmark conforming changes, will automatically replace the USD LIBOR benchmark in the contract after June 30, 2023. On December 16, 2022, the Federal Reserve Bank of New York adopted a final rule that implements the LIBOR Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023. Following the enactment and implementation of the LIBOR Act, all of our financial instruments which are currently indexed to USD LIBOR will transition to SOFR by no later than June 30, 2023.

It is difficult to predict the impact that the cessation of LIBOR and transition to SOFR would have on the value and performance of our existing financial instruments and whether a transition to an alternative benchmark rate will be similar to or produce a return that is the economic equivalent of LIBOR. The transition from LIBOR, which has historically been one of the most widely used benchmarks across the world, to SOFR is a novel event and there is also no guarantee that the transition will occur as expected. These uncertainties regarding the LIBOR transition could have a material adverse impact on our funding costs, net interest margin, loan and other asset values, asset-liability management strategies, operations, and other aspects of our business and financial results. Further, our customers, investors and counterparties may be dissatisfied with how SOFR performs compared to LIBOR or with how the transition process occurs. Litigation, disputes or other action may occur as a result of dissatisfied customers, investors and counterparties or a result of or in connection to the interpretation and enforceability of certain fallback language in our LIBOR-based contracts or in the LIBOR Act.

For more information regarding the actions we have taken with respect to the LIBOR transition, see “Quantitative and Qualitative Disclosures about Market Risk — Interest Rate Sensitivity Analysis — LIBOR Transition.”

Prepayments on our loans can materially impact our profitability, results of operations, financial condition, cash flows or future business prospects.

The rate at which borrowers prepay their loans can have a material impact on profitability, results of operations, financial condition, cash flows or future business prospects by affecting our net interest margin, the future cash flows from our loans including loans held by our securitization trusts. Higher or lower prepayments can result from a variety of causes including borrower activity and changes in the education loan market as a result of market conditions, interest rate movements, loan forgiveness or other government sponsored initiatives. FFELP Loans and Private Education Loans may be voluntarily prepaid without penalty by the borrower or refinanced or consolidated with the borrower’s other loans through refinancing. Prepayment rates on education loans are subject to a variety of economic, political, competitive and other factors, including changes in our competitors’ business strategies, changes in interest rates, availability of alternative financings (including refinance and consolidations), legislative, executive and regulatory changes affecting the education loan market and the general economy. Refinance products offered by us, our competitors, and the Federal Government may increase the repayment rate on our FFELP Loans and Private Education Loans.

In particular, new interpretations of current laws, rules or regulations or future laws, executive orders or other policy initiatives which operate to encourage or require consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs also may increase or decrease the prepayment rates on education loans. For example, ED and the Biden-Harris Administration recently announced a set of policy changes and released proposed negotiated rulemaking proposals and executive orders relating to the Defense to Repayment, interest capitalization rules, Public Service Loan Forgiveness program and broad-based student loan forgiveness programs (including the SDR Plan) under its Direct Loan program, which may result in an increase in consolidations of FFELP Loans into Direct Loans (which results in the loan no longer being on our balance sheet). Following publication of the SDR Plan, a number of states and private organizations initiated legal challenges to the SDR Plan in various courts throughout the country, which ultimately resulted in the implementation of the SDR Plan being disallowed. The Biden-Harris Administration and ED appealed both cases to the Supreme Court of the United States which has agreed to hear both cases on February 28, 2023, and a ruling is expected prior to the end of the Supreme Court's current term.

While the current version of the SDR Plan provides that borrowers with federal student loans not held by ED cannot obtain one-time debt relief by consolidating those loans into Direct Loans, it also states that ED is assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFELP Loans. If the Supreme Court should lift the current injunction and ED implements a broad-based student loan forgiveness plan or any policies or programs that encourage or require borrowers to consolidate their loans into Direct Loans held by ED, it will likely result in a significant increase in prepayments of our existing education loan portfolio and could materially and adversely impact our profitability, results of operations, financial condition, cash flows or future business prospects. We cannot predict what (if any) plans or policies regarding broad-based loan forgiveness or other related policies or programs may ultimately be implemented, the timing of when such plans or policies may be implemented, and/or the outcome of such actions.

FFELP Loans may also be repaid after default by the Guarantors of FFELP Loans. Conversely, borrowers might not choose to prepay their education loans, or the terms of their education loans may be extended as a result of grace periods, deferment periods, income-driven repayment plans, or other repayment terms or monthly payment amount modifications agreed to by the servicer, for example. FFELP Loan borrowers may be eligible for various existing income-based repayment programs under which borrowers can qualify for reduced or zero monthly payment or even debt forgiveness after a certain number of years of repayment.

Prolonged introductions of significant amounts of subsidized funding at below market interest rates — whether from federal or private sources — could increase the prepayment rates of our existing Private Education Loans and have a material adverse effect on our profitability, results of operations, financial condition, cash flows or future business prospects.

With respect to our securitization trusts when, as a result of unanticipated prepayment levels, education loans within a securitization trust amortize faster than originally contracted, the trust's pool balance may decline at a rate faster than the prepayment rate assumed when the trust's bonds were originally issued. If the trust's pool balance declines faster than originally anticipated, in most of our securitization structures, the bonds issued by that trust will also be repaid faster than originally anticipated. In such cases, our net interest income may decrease and our future cash flows from the trust may similarly decline. Conversely, when education loans within a securitization trust amortize more slowly than originally contracted, the trust's pool balance may decline more slowly than the prepayment rate assumed when the trust's bonds were originally issued, and the bonds may be repaid more slowly than originally anticipated. In these cases, our net interest income increases and our future cash flows from the trust may increase. It is also possible, if the prepayment rate is especially slow and certain rights of the sellers or the servicer are not exercised or are insufficient or other action is not taken to counter the slower prepayment rate, the trust's bonds may not be repaid by their legal final maturity date(s), which could result in an event of default under the underlying securitization agreements.

Our unhedged Floor Income is dependent on the future interest rate environment and therefore is variable, which may adversely affect our earnings.

FFELP Loans disbursed before April 1, 2006 generally earn interest at the higher of either the borrower rate, which is fixed over a period of time, or a floating rate based on a Special Allowance Payment or SAP formula set by ED. We have generally financed our FFELP Loans with floating rate debt whose interest is matched closely to the floating nature of the applicable SAP formula. Historically, these loans have been indexed to either the Treasury bill, commercial paper or one-month LIBOR rates. The LIBOR Act requires that the SAP formula, which is currently indexed to one-month LIBOR, will transition to SOFR by no later than July 1, 2023.

If a decline in interest rates causes the borrower rate to exceed the SAP formula rate, we will continue to earn interest on the loan at the fixed borrower rate while the floating rate interest on our debt will continue to decline. The additional spread earned between the fixed borrower rate and the SAP formula rate is referred to as "Floor Income." The transition from LIBOR to SOFR as a benchmark rate may have a further detrimental impact on our LIBOR-indexed debt if rates suddenly rise as new market borrowing activity transfers to other benchmark rates. Depending on the type of FFELP Loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate on July 1 of each year. For loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time; for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date. In accordance with legislation enacted in 2006, holders of FFELP Loans are required to rebate Floor Income to ED for all FFELP Loans disbursed on or after April 1, 2006.

Floor Income can be volatile as market rates and the rates on the underlying education loans move up and down. Subject to prevailing market conditions, we generally hedge this risk by using derivatives in an effort to lock in a portion of our Floor Income over the term of the contract. A rise in interest rates will reduce the amount of Floor Income received on the FFELP Loans not presently hedged with derivatives, which will compress our net interest margins. Additionally, net interest margins can be negatively impacted by unusual variances between one-month and three-month LIBOR.

Our credit ratings are important to our liquidity. A reduction in our credit ratings could adversely affect our liquidity, increase our borrowing costs or limit our access to the capital markets.

As of December 31, 2022, Moody's, S&P and Fitch rated our long-term unsecured debt below investment grade. In addition, the capital markets for sub-investment grade companies are not as liquid as those involving investment grade entities. These factors have resulted in a higher cost of funds for us and have caused our senior unsecured debt to trade with greater volatility.

Our unsecured debt totaled $7.0 billion at December 31, 2022. We utilize the unsecured debt markets to help fund our business and refinance outstanding debt. The amount, type and cost of this funding directly affects the cost of operating our business and growing our assets and is dependent upon outside factors, including our credit rating from rating agencies. There can be no assurance that our credit ratings will not be reduced further. A reduction in the credit ratings of our senior unsecured debt could adversely affect our liquidity, increase our borrowing costs, limit our access to the capital markets and place incremental pressure on net interest income.

Adverse market conditions or an inability to effectively manage our liquidity risk could negatively impact our ability to meet our liquidity and funding needs, which could materially and adversely impact our results of operations, cash flow or financial condition.

We must effectively manage our liquidity risk. We require liquidity to meet cash requirements such as day-to-day operating expenses, origination of loans, required payments of principal and interest on borrowings, and distributions to shareholders. We expect to fund our ongoing liquidity needs, including the repayment of $7.0 billion of senior unsecured notes that mature in 2023 to 2043, primarily through our current cash, investments and unencumbered FFELP Loan and Private Education Refinance Loan portfolios, the predictable operating cash flows provided by operating activities, the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt. We may maintain too much liquidity, which can be costly, or may be too illiquid, which could result in financial distress during times of financial stress or capital market disruptions.

The interest rate characteristics of our earning assets do not always match the interest rate characteristics of our funding arrangements, which may have a negative impact on our net interest income and net income.

Net interest income is the primary source of cash flow generated by our portfolios of FFELP Loans and Private Education Loans. At the present, interest earned on FFELP Loans and variable rate Private Education Loans is primarily indexed to one-month LIBOR or Prime Rate. Starting in December 2021, in preparation for the cessation of one-month LIBOR in July 2023, interest earned on all newly originated variable rate Private Education Loans have been indexed to 30-day Average SOFR. In contrast, certain of our debt is indexed to rates other than one-month LIBOR, Prime Rate or 30-day Average SOFR, or if indexed to one-month LIBOR, it has a different repricing frequency.

The different interest rate characteristics of our loan portfolios and the liabilities funding these loan portfolios result in basis risk and repricing risk. It is not economically feasible to hedge all of our exposure to such risks. While the asset and hedge indices are short-term with rate movements that are typically highly correlated, there can be no assurance that the historically high correlation will not be disrupted by capital market dislocations or other factors not within our control. There have been situations in the past in which we experienced widening spreads between one-month and three-month LIBOR and the cost of hedging this variance was prohibitive. Additionally, as we transition away from LIBOR, there may be further basis risk and repricing risk as a result of new SOFR-based indices being instituted in our loan portfolios and liabilities due to the varying performance and functionality of certain SOFR-based indices compared to LIBOR-based indices and other SOFR-based indices. We cannot provide any assurance that such a situation will not occur and if it did occur, it would potentially reduce our net interest margins and net income. In these circumstances, our earnings could be materially adversely affected.

Our use of derivatives to manage interest rate and foreign currency sensitivity exposes us to credit and market risk that could have a material adverse effect on our earnings and liquidity.

We strive to maintain an overall strategy that uses derivatives to minimize the economic effect of interest rate and/or foreign currency changes. However, developing an effective strategy for dealing with these movements is complex, and no strategy can completely avoid the risks associated with these fluctuations. For example, our education loan portfolio is subject to prepayment risk that could result in being under- or over-hedged, which could result in material losses. As a result, there can be no assurance that hedging activities using derivatives will effectively manage our interest rate or foreign currency sensitivity, have the desired beneficial impact on our results of operations or financial condition or not adversely impact our liquidity.

Our use of derivatives also exposes us to market risk and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates, foreign exchange rates and market liquidity. Our Floor Income Contracts and basis swaps we use to manage earnings variability caused by different reset characteristics on interest-earning assets and interest-bearing liabilities do not qualify for hedge accounting treatment. Therefore, the change in fair value, called the “mark-to-market,” of these derivative instruments is included in our statement of income without a corresponding mark-to-market of the economically hedged item. A decline in the fair value of these derivatives could have a material adverse effect on our reported earnings. In addition, a change in the mark-to-market value of these instruments may cause us to have to post more collateral to our counterparty or to a clearing house. If these values change significantly, the increased collateral posting requirement could have a material adverse impact on our liquidity.

Credit risk is the risk that a counterparty will not perform its obligations under a contract. Credit risk is limited to the loss of the fair value gain in a derivative that the counterparty or clearinghouse owes or will owe in the future to us. If a counterparty or clearinghouse fails to perform its obligations, we could, depending on the type of counterparty arrangement, experience a loss of liquidity or an economic loss. In addition, we might not be able to cost effectively replace the derivative position depending on the type of derivative and the current economic environment.

Our securitization trusts, which we consolidate on our balance sheet, had $1.8 billion of Euro denominated bonds outstanding as of December 31, 2022. To convert these non-U.S. dollar denominated bonds into U.S. dollar liabilities, the trusts have entered into foreign-currency swaps with highly rated counterparties. A failure by a swap counterparty to perform its obligations could, if the swap has a positive fair value to us and was not adequately collateralized, materially and adversely affect our earnings.

OPERATIONAL RISKS.

If we do not effectively and continually align our cost structure with our business operations, our results of operations and financial condition could be materially adversely affected.

We continually strive to align our cost structure with our business operations. The ability to properly size our cost structure is dependent upon a number of variables, including our ability to successfully execute on our business plans and growth initiatives and future legislative or regulatory changes. Persistent inflation, as experienced throughout 2022, could significantly increase our ongoing operating costs and reduce our net income. If we undertake cost reductions based on our business plan, those reductions could be too dramatic and could cause disruptions in our business, reductions in the quality of the services we provide or cause us to fail to comply with applicable regulatory standards. Alternatively, we may fail to implement, or be unable to achieve, necessary cost savings commensurate with our business and prospects. In either case, our business, results of operations and financial condition could be adversely affected.

A failure of our operating systems or infrastructure could disrupt our business, cause significant losses, result in regulatory action or damage our reputation.

A failure of our operating systems or infrastructure could disrupt our business. Our business is dependent on the ability to process and monitor large numbers of daily transactions in compliance with contractual, legal and regulatory standards and our own product specifications, both currently and in the future. We have strategic agreements with a third party, the primary provider of technology solutions for servicing our FFELP loans and our Private Education Loans. We, however, maintain the technology solutions for our other lines of business as well as our customer interactive infrastructure. As our processing demands and loan portfolios change, both in volume and in terms and conditions, our ability to develop and maintain our operating systems and infrastructure may become increasingly challenging. There is no assurance that we have adequately or efficiently developed, maintained, acquired or scaled such systems and infrastructure or will do so in the future.

The servicing, financial, accounting, data processing and other operating systems and facilities that support our business may fail to operate properly or become disabled as a result of events that are beyond our control, adversely affecting our ability to timely process transactions. Any such failure could adversely affect our ability to service our clients and result in financial loss or liability to our clients, disrupt our business, and result in regulatory action or cause reputational damage.

Additionally, since the onset of the COVID-19 pandemic, we have drastically modified the manner in which we conduct our business. We continued to significantly reduce our footprint throughout 2022, expanded our work-from-home capabilities and implemented best practices for safety and hygiene. While most of our operations can be successfully performed remotely, there is no guarantee that this will continue in the future.

Despite the plans and facilities we have in place, our ability to conduct business may be adversely affected by a prolonged disruption in the infrastructure that supports our business. This may include a disruption involving electrical, communications, Internet, transportation or other services used by us or third parties with which we conduct business. Despite the steps we have taken to transition to a new working environment, we may experience increased costs and/or disruption as we adapt to hybrid work models and the evolving realities of the workplace.

We depend on secure information technology, and a breach of our information technology systems could result in significant losses, disclosure of confidential customer information and reputational damage, which would adversely affect our business.

Our operations rely on the secure processing, storage and transmission of personal, confidential and other information in our computer systems and networks. Although we take protective measures we deem reasonable and appropriate, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses, malicious attacks, ransomware attacks and other events that could have a security impact beyond our control. These technologies, systems and networks, and those of third parties, may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our customers' confidential, proprietary and other information, the loss of access to our systems and networks or those of third parties we rely upon or otherwise disrupt our business operations or those of our customers or other third parties. Information security risks for institutions that handle large numbers of financial transactions on a daily basis such as Navient have generally increased in recent years, in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties. In addition, our increased use of mobile and cloud technologies could heighten these and other operational risks, and any failure by mobile or cloud technology service providers to adequately safeguard their systems and prevent cyber-attacks could disrupt our operations or those of third parties we rely upon and result in interruptions of services or loss of access or misappropriation, corruption or loss of confidential or propriety information. Moreover, the loss of confidential customer identification information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under state, federal and international laws that protect confidential personal data, resulting in increased costs, loss of revenues and substantial penalties.

If one or more of such events occur, personal, confidential and other information processed and stored in, and transmitted through, our computer systems and networks could be jeopardized or could cause interruptions or malfunctions in our operations that could result in significant losses or reputational damage. We routinely transmit and receive personal, confidential and proprietary information, some of it through third parties. We maintain secure transmission capability and work to ensure that third parties follow similar procedures. Nevertheless, an interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer or third party could result in legal liability, regulatory action and reputational harm. In the event personal, confidential or other information is jeopardized, intercepted, misused or mishandled, or our systems or those of third parties we rely upon suffer interruptions in service or loss of access, we may need to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to fines, penalties, litigation and settlement costs and financial losses that may not be insured or may not be fully covered through insurance. If one or more of such events occur, our business, financial condition or results of operations could be significantly and adversely affected.

We depend on third parties for a wide array of services, systems and information technology applications, and a breach or violation of law by one of these third parties could disrupt our business or provide our competitors with an opportunity to enhance their position at our expense.

We depend on third parties for a wide array of services, systems and information technology applications. Third-party vendors are significantly involved in many aspects of our software and systems development, servicing systems, the timely transmission of information across our data communication network, and for other telecommunications, processing, remittance and technology-related services in connection with our servicing or payment services businesses. In addition to technology applications, we also utilize various third-party debt collectors in the collection of defaulted Private Education Loans and in other areas. If a service provider fails to provide the services required or expected, or fails to meet applicable contractual or regulatory requirements such as service levels or compliance with applicable laws, the failure could negatively impact our business by adversely affecting our ability to process customers' transactions in a timely and accurate manner, otherwise hampering our ability to serve our customers, or subjecting us to litigation and regulatory risk for matters as diverse as poor vendor oversight or improper release or protection of personal information. Such a failure could also adversely affect the perception of the reliability of our networks and services and the quality of our brands, which could materially adversely affect our business and results of operations.

Our work with government clients and servicing for the federal government exposes us to additional risks. Federal funding constraints and spending policy changes triggered by associated federal spending deadlines may result in disruption of payments for services we provide to the government, which could materially and adversely affect our business strategy or future business prospects.

Our clients include federal, state and local governmental entities. This work carries various risks inherent in the government contracting process. These risks include, but are not limited to, the following:

- Government contractors are sometimes affected by the political or budgetary processes of the United States government. Sometimes the political process leads to government shutdown of all parts of the federal or state government. This can lead to temporary work stoppages or payment delays. Contracts may be cancelled or altered due to political or policy priorities.
- Government entities in the United States often reserve the right to audit contract costs and conduct inquiries and investigations of business practices. These entities also conduct reviews and investigations and make inquiries regarding systems, including systems of third parties, used in connection with the performance of the contracts. Negative findings from audits, investigations or inquiries could affect the contractor's future revenues and profitability by preventing them, by operation of law or in practice, (i) from receiving new government contracts for some period of time or (ii) from being paid at the rate they believe is warranted.
- If improper or illegal activities are found in the course of government audits or investigations, the contractor may become subject to various civil and criminal penalties, including those under the civil U.S. False

Claims Act. Additionally, we may be subject to administrative sanctions, which may include termination or non-renewal of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. Due to the inherent limitations of internal controls, it may not be possible to detect or prevent all improper or illegal activities.

The occurrences or conditions described above could affect not only our business with the particular government entities involved, but also our business or potential future business with other entities of the same or other governmental bodies or with commercial clients and could have a material adverse effect on our business or our results of operations.

Additionally, Navient receives payments from the federal government on its FFELP Loan portfolio. Payments for these services may be affected by various factors, including if in the future, the administration and Congress engage in a prolonged debate linking the federal deficit, debt ceiling and other budget issues. If U.S. lawmakers in the future fail to reach agreement on these issues, the federal government could stop or delay payment on its obligations, including those on services Navient provides with respect to the servicing of the FFELP Loan portfolio and other government-related work. Further, legislation to address the federal deficit and spending could impose proposals that would adversely affect the FFELP-related servicing business or other government-related work. A protracted reduction, suspension or cancellation of the demand for the services Navient provides, or proposed changes to the terms or pricing of services provided under existing contracts with the federal government, could have a material adverse effect on Navient's revenues, cash flows, profitability and business outlook, and, as a result, could materially adversely affect its business, financial condition and results of operations. Navient cannot predict how or what programs or policies will be impacted by any actions that the Administration, Congress or the federal government may take.

Our business could be negatively impacted as a result of shareholder activism, including a proxy contest or an unsolicited takeover proposal.

We have been and may continue to be the subject of actions taken by activist shareholders. While we strive to maintain constructive, ongoing communications with all of our shareholders, and welcome their views and opinions with the goal of enhancing value for all shareholders, we may be subject to actions or proposals from activist shareholders that may not align with our business strategies or the interests of our other shareholders. For example, in December 2021, our Board of Directors adopted a short-term rights plan (Rights Plan) and declared a dividend distribution of one preferred share purchase right on each outstanding share of common stock. The purchase rights associated with the Rights Plan expired unexercised on December 22, 2022. The Rights Plan was designed to protect shareholder interests by reducing the likelihood that any person or group would gain control of the Company through the open-market accumulation of the Company's shares without appropriately compensating our shareholders for control. Responding to such actions may be costly and time-consuming, disrupt our business and operations, or divert the attention of our board of directors, management, and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan.

Even if we are successful in a proxy contest or in defending against any unsolicited takeover attempt, our business could be adversely affected by any such proxy contest or unsolicited takeover attempt because:

- perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or other strategic opportunities, and may make it more difficult to attract and retain qualified personnel and business partners;
- if individuals are elected or appointed to our board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our shareholders; and
- if individuals are elected or appointed to our board of directors who do not agree with our strategic plan, the ability of our board of directors to function effectively could be adversely affected, which could in turn adversely affect our business, operating results and financial condition.

Uncertainties related to, or the results of, such actions could cause our stock price to experience periods of volatility. The occurrence of any of the foregoing events could materially adversely affect our business.

We cannot predict, and no assurances can be given, as to the outcome or timing of any matters relating to the foregoing actions by shareholders or the ultimate impact on our business, liquidity, financial condition or results of operations, and any of these matters or any further actions by this or other shareholders may impact and result in volatility or stagnation of the price of our stock.

REGULATORY, COMPLIANCE & LEGAL RISK.

Our businesses are subject to a wide variety of laws, rules, regulations and government policies that may change in significant ways, and changes to such laws and regulations or changes in existing regulatory guidance or their interpretation or enforcement could materially adversely impact our business and results of operations.

Our businesses are subject to a wide variety of U.S. federal and state and non-U.S. laws, rules, regulations and policies. There can be no assurance that these laws, rules, regulations and policies will not be changed in ways that will require us to modify our business models or objectives or in ways that affect our returns on investment by restricting existing activities or services, change how our companies operate or the characteristics of our assets, subjecting them to escalating costs or new or increased taxes or prohibiting them outright.

The CFPB has authority with respect to several aspects of our business. It has authority to write regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws and examine us for compliance. The CFPB also has examination and enforcement authority with respect to various federal consumer financial laws for some providers of consumer financial products and services, including us. New rules if implemented, could have a material effect on our consumer lending or other businesses and may result in significant capital expenditures to develop systems that enable us to comply with the new regulations.

The CFPB is authorized to impose monetary penalties, collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. The CFPB has authority to bring an action to prevent unfair, deceptive or abusive acts or practices and to ensure that all consumers have access to fair, transparent and competitive markets for consumer financial products and services. The review of products and practices to prevent unfair, deceptive or abusive conduct will be a continuing focus of the CFPB. The ultimate impact of this heightened scrutiny is uncertain, but it has resulted in, and could continue to result in, changes to pricing, practices, products and procedures. It has also resulted in, and could continue to result in, increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties.

In addition, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers State Attorneys General and state regulators, under certain circumstances to bring civil actions to remedy violations of state law. If the CFPB or one or more State Attorneys General or state regulators believe that we have violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on us or our business.

The CFPB filed an action against us in January of 2017 which is currently pending. A description of the CFPB action is included in "Note 12 – Commitments, Contingencies and Guarantees." Also, in January 2022, we entered into a series of Consent Judgments and Orders (the “Agreements”) with 40 State Attorneys General to resolve all matters in dispute related to the certain state attorneys general cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators.

Our FFELP loans are subject to the HEA and related laws, rules, regulations and policies. Our servicing operations are designed and monitored to comply with the HEA, related regulations and program guidance; however, ED could determine that we are not in compliance for a variety of reasons, including that we misinterpreted ED guidance or incorrectly applied the HEA and its related laws, rules, regulations and policies. Failure to comply could result in fines, the loss of the insurance and related federal guarantees on affected FFELP Loans, expenses required to cure servicing deficiencies, suspension or termination of our right to participate as a FFELP servicer, negative publicity and potential legal claims. The imposition of significant fines, the loss of the insurance and related federal guarantees on a material number of FFELP Loans, the incurrence of additional expenses and/or the loss of our ability to participate as a FFELP servicer could individually or in the aggregate have a material, negative impact on our business, financial condition or results of operations.

Our businesses are also subject to regulation and oversight by various state and federal agencies, particularly in the area of consumer protection, and are subject to numerous state and federal laws and regulations. Several states have passed or proposed student loan servicing rules or legislation and several others have imposed license or other requirements. Imposition of new laws, rules or regulations or the failure to comply with these laws and regulations may result in significant costs, including litigation costs, and/or business sanctions including but not limited to termination or non-renewal of contracts.

Expanded regulatory and governmental oversight of our businesses will increase our costs and risks.

We are now, and may in the future be subject, to inquiries and audits from state and federal regulators as well as litigation from private plaintiffs. In recent years, we have entered into consent orders and other settlements. We have provided monetary and other relief in connection with the resolution of some of these actions and settlements. We have also enhanced our procedures and controls, expanded the risk and control functions within each line of business, invested in technology and hired additional risk, control and compliance personnel.

If our risk and control procedures and processes fail to meet the heightened expectations of our regulators and other government agencies, we could be required to enter into further orders and settlements, provide additional monetary relief, or accept material regulatory restrictions on our businesses, which could adversely affect our operations and, in turn, our financial results.

We expect heightened regulatory scrutiny and governmental investigations and enforcement actions to continue for us and for the financial services industry as a whole. Such actions can have significant consequences for a financial institution such as ours, including loss of customers and business and the inability to operate certain businesses.

Further, legislative and regulatory responses to COVID-19 have had a significant impact on our education loan portfolios. In compliance with the CARES Act and related executive actions, payments and interest accrual on all loans owned by ED have been suspended since March of 2020. See risk factor entitled "– Prepayments on our loans can materially impact our profitability, results of operations, financial condition, cash flows or future business prospects" for additional information on the SDR Plan.

Due to the uncertainty engendered by these new regulations, legislation, guidance and actions, coupled with the likelihood of additional changes or additions to the local, state and federal statutes, regulations and practices applicable to our business, we are not able to estimate the ultimate impact of changes in law on our financial results, business operations or strategies. We believe that the cost of responding to and complying with these evolving laws and regulations, as well as any guidance from enforcement actions, will continue to increase, as will the risk of penalties and fines from any enforcement actions that may be imposed on our businesses. Our profitability, results of operations, financial condition, cash flows or future business prospects could be materially and adversely affected as a result.

GOVERNANCE RISK.

Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated by-laws may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.

Certain provisions of Delaware law and of our amended and restated certificate of incorporation and second amended and restated by-laws are intended to deter coercive takeover practices and inadequate takeover bids by, among other things, encouraging prospective acquirers to negotiate directly with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- limitations on the ability of our shareholders to call a special meeting such that shareholder-requested special meetings will only be called upon the request of the holders of at least one-third of our capital stock issued and outstanding and entitled to vote at an election of directors;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our board of directors to issue one or more series of preferred stock without shareholder approval;
- the inability of our shareholders to fill vacancies on our board of directors;
- the requirement that the affirmative vote of the holders of at least 75% in voting power of our stock entitled to vote thereon is required for shareholders to amend our amended and restated by-laws; and
- the inability of our shareholders to cumulate their votes in the election of directors.

In addition, in December 2021, our Board of Directors adopted a short-term rights plan (Rights Plan) and declared a dividend distribution of one preferred share purchase right on each outstanding share of common stock. The purchase rights associated with the Rights Plan expired on December 19, 2022. See "Note 9 – Stockholders' Equity" for further discussion. We are also subject to Section 203 of the Delaware General Corporation Law. Section 203 generally provides that, with limited exceptions, persons who acquire, or are affiliated with a person that acquires, 15% or more of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the time at which that person or its affiliates becomes the holder of 15% or more of the corporation's outstanding voting stock. Being subject to Section 203 could cause a delay in or completely prevent a change of control that shareholders may favor.

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of us and our shareholders.

Shareholders' percentage ownership in Navient may be diluted in the future.

In the future, shareholders' percentage ownership in Navient may be diluted as a result of equity issuances for acquisitions, capital market transactions or otherwise, including future equity awards that we may grant to our directors, officers and employees. If made, these awards will have a dilutive effect on our earnings per share, which could adversely affect the market price of shares of our common stock.

In addition, our amended and restated certificate of incorporation permits us to issue, without the approval of our shareholders, one or more series of preferred stock. Our board of directors generally may determine the rights of preferred shareholders including their powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions. If our board were to approve the issuance of preferred stock in the future, the terms of one or more series of such preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of our directors in all circumstances or upon the happening of specified events, or the right to veto specified transactions. Similarly, we could grant the preferred shareholders certain repurchase or redemption rights or liquidation preferences that could affect the value of the common stock.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our shareholders by any of our directors, officers, employees or agents, (iii) any action asserting a claim against us arising under the General Corporation Law of the State of Delaware (DGCL) or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. By becoming a shareholder in our company, holders of our common stock will be deemed to have notice of and have consented to the provisions of our amended and restated certificate of incorporation related to choice of forum. The choice of forum provision in our amended and restated certificate of incorporation may limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

REPUTATIONAL/POLITICAL RISK.

Reputational risk and social factors may impact our results and damage our brand.

Negative public opinion or damage to our brand could occur as a result of actual or alleged conduct in any number of activities or circumstances, including lending practices, regulatory compliance, security breaches (including the use and protection of customer information), corporate governance, and sales and marketing, and from actions taken by regulators or other persons. Such conduct could fall short of our customers' and the public's heightened expectations of companies of our size with rigorous data, privacy and compliance practices, and could further harm our reputation. In addition, third parties with whom we have important relationships may take actions over which we have limited control that could negatively impact perceptions about us or the financial services industry. The proliferation of social media may increase the likelihood that negative public opinion from any of the events discussed above will impact our reputation and business.

RISKS ASSOCIATED WITH OUR SPIN-OFF.

Navient owes obligations, including service and indemnification obligations, to SLM BankCo under various transaction agreements that were executed as part of the Spin-Off. These obligations could be materially disruptive to Navient's business or subject it to substantial liabilities, including contingent liabilities and liabilities that are presently unknown.

In connection with the Spin-Off from SLM BankCo, Navient, SLM Corporation and SLM BankCo entered into various agreements.

The separation and distribution agreement between Navient, SLM Corporation and SLM BankCo provides for, among other things, indemnification obligations designed to make Navient financially responsible for substantially all liabilities that may exist whether incurred prior to or after the Spin-Off, relating to the business activities of SLM Corporation prior to the Spin-Off, other than those arising out of the consumer banking business and expressly assumed by SLM BankCo in the separation and distribution agreement. If Navient is required to indemnify SLM BankCo under the circumstances set forth in the separation and distribution agreement, Navient may be subject to substantial liabilities including liabilities that are accrued, contingent or otherwise and regardless of whether the liabilities were known or unknown at the time of the Spin-Off. SLM BankCo is party to various claims, litigation and legal, regulatory and other proceedings resulting from ordinary business activities relating to its current and former operations. Previous business activities of SLM BankCo, including originations and acquisitions of various classes of consumer loans outside of Sallie Mae Bank, may also result in liability due to future laws, rules, interpretations or court decisions which purport to have retroactive effect, and such liability could be significant. SLM BankCo may also be subject to liabilities related to past activities of acquired businesses. It is inherently difficult, and in some cases impossible, to estimate the probable losses associated with contingent and unknown liabilities of this nature, but future losses may be substantial and may be borne by Navient in accordance with the terms of the separation and distribution agreement.

STRATEGIC RISK.

Net income on our existing FFELP Loan portfolio is declining over time. We may not be able to develop revenue streams to replace the declining revenue from FFELP Loans through increased private credit originations.

In 2010, Congress passed legislation ending the origination of education loans under the FFELP program. Since then, all federal education loans have been originated through the DSLP of the ED. While the 2010 law did not alter or affect the terms and conditions of existing FFELP Loans, it significantly impacted the education loan industry. As a result of this legislation, net income on our FFELP Loan portfolio is declining, and is anticipated to continue to decline, over time as those existing FFELP Loans are paid down, refinanced or repaid after default.

Additionally, our ability to grow is significantly dependent upon our ability to originate new in-school and refinance loans. The student loan refinance market experienced a significant downturn in 2022 as a result of the significant increase in interest rates, the proposed SDR Plan and the extended moratorium on student loan repayments. It is estimated that during 2022, the total education refinance market decreased by 80% as a result of higher interest rates and further extensions of the student loan payment moratorium. These factors have disincentivized some borrowers from refinancing their direct student loans and have negatively impacted our refinancing originations. To the extent that additional measures, such as the SDR Plan, are implemented, such implementation may negatively impact our future student loan origination volume and our profitability, results of operations, financial condition, cash flows or future business prospects could be materially and adversely affected as a result. Additionally, see "– Prepayments on our loans can materially impact our profitability, results of operations, financial condition, cash flows or future business prospects".

Acquisitions or strategic investments that we pursue may not be successful and could harm our business and financial condition.

Our growth strategy has included making opportunistic acquisitions of, or material investments in, loan portfolios and complementary businesses and products.

All acquisitions of companies, operations or loan portfolios involve financial risks as well as operational risks. There may be additional risks if we enter into a line of business in which we have limited experience or which operates in a legal, regulatory or competitive environment with which we are not familiar. The expected benefits of acquisitions and investments also may not be realized for various reasons, including the loss of key personnel, customers or vendors. If we fail to integrate or realize the expected benefits of our acquisitions or investments, we may lose the return on these acquisitions or investments or incur additional transaction costs, and our business and financial condition may be harmed as a result.

GENERAL RISK FACTORS.

Our framework for managing risks may not be effective in mitigating the risk of loss.

Our enterprise risk management framework seeks to mitigate risk and appropriately balance risk and returns. We have established processes and procedures intended to identify, measure, monitor, control and report the types of risk to which we are subject. We seek to monitor and control risk exposure through a framework of policies, procedures, limits and reporting requirements. Management of risks in some cases depends upon the use of analytical and forecasting models. If the models we use to mitigate these risks are inadequate, we may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate risks, we could suffer unexpected losses, and our results of operations, cash flow or financial condition could be materially adversely affected.

We are subject to various legal proceedings and some of these legal proceedings or other contingencies may materially adversely affect our business, financial condition or results from operations.

We are subject to a variety of legal proceedings in virtually every part of our business (see "Note 12 – Commitments, Contingencies and Guarantees" of this Annual Report). While we believe we have adopted appropriate legal and risk management and compliance programs, the diverse nature of our operations, including operations of business we have recently acquired, means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. Some of these legal proceedings or other contingencies may materially adversely affect our business, financial condition or results from operations.

Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect our reported assets, liabilities, income, revenue or expenses.

The preparation of our consolidated financial statements requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income, revenue or expenses during the reporting periods. Incorrect estimates and assumptions by management could adversely affect our reported amounts of assets, liabilities, income, revenue and expenses during the reporting periods. If we make incorrect assumptions or estimates, our reported financial results may be over or understated, which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to attract and retain professionals with strong leadership skills, our business, results of operations and financial condition may be materially adversely affected.

Our success is dependent, in large part, on our ability to attract and retain personnel with the knowledge and skills to lead our business. Experienced personnel in our industry are in high demand, and competition for talent is very high. We must hire, retain and motivate appropriate numbers of talented people with diverse skills in order to serve our clients, respond quickly to rapid and ongoing technology, industry and macroeconomic developments, and grow and manage our business. As our business evolves, we must also hire and retain an increasing number of professionals with different skills and professional expectations than those of the professionals we have historically hired and retained. If we are unable to successfully integrate, motivate and retain these professionals, our ability to continue to secure work in those industries and for our services and solutions may suffer.

Our businesses operate in competitive environments and could lose market share and revenues if competitors compete more aggressively or effectively.

We compete with for-profit and not-for-profit servicing and business processing businesses, many with strong records of performance. We compete based on price, effectiveness and customer service metrics. To the extent our competitors compete aggressively or more effectively than us, we could lose market share to them or our service offerings may not prove to be profitable. Our business and financial condition may be harmed as a result.

Quantitative and Qualitative Disclosures about Market Risk

LIBOR Transition

We continue to work internally as well as with external parties to ensure an orderly transition from one-month and three-month LIBOR to an alternative benchmark rate by the June 30, 2023 transition date. We have established an internal LIBOR transition team whose purpose is to assess impacts, recommend plans and coordinate transition efforts among different business areas. Executive management and the LIBOR transition team provide quarterly reports to our Board of Directors. We have also established internal LIBOR working groups comprised of members from different business areas who meet regularly to assess specific business-level impacts and to implement operational changes necessary to effectuate a successful transition from LIBOR. In addition to our enterprise-wide efforts, we engage with market participants, industry groups and regulators, including the Alternative Reference Rates Committee (the ARRC), to develop plans and documentation to facilitate the transition to an alternative benchmark rate.

We continue to work to align with the ARRC's recommended best practices for completing the transition from LIBOR. All our new variable rate Private Education Loans issued since December 2021 are indexed to SOFR. Also, as of December 31, 2021, we have ceased entering into any other new contracts that are indexed to LIBOR and, where practicable, have engaged with counterparties to modify certain existing contracts to transition the existing reference rate from LIBOR to SOFR. With respect to our legacy variable rate Private Education Loans and other financial contracts that reference USD LIBOR and contain fallbacks provisions that clearly specify a method for the transition from LIBOR, we plan to transition such loans using such existing fallbacks. We have engaged with our IT vendors and impacted internal work groups to prepare and update our systems, procedures and processes to transition LIBOR-indexed contracts to SOFR. With respect to our financial instruments that do not include fallback provisions that clearly specify a method for the transition from LIBOR to an alternative benchmark rate, where practicable and commercially reasonable, we have made efforts to engage with customers, counterparties and investors to modify such instruments. Due to stringent noteholder consent requirements, it may be impracticable or impossible to modify certain financial instruments like certain of our ABS. Further, the SAP formula for our FFELP Loans, which is indexed to one-month LIBOR, cannot be modified without legislative action. Thus, in such instances, we will need to rely on federal legislation to transition to SOFR.

On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the LIBOR Act) was signed into law. The LIBOR Act provides that for contracts that contain no fallback provision or contain fallback provisions that do not identify a specific USD LIBOR benchmark replacement (including the SAP formula for FFELP Loans), a benchmark replacement based on SOFR, as recommended by the Federal Reserve Bank of New York, will automatically replace the USD LIBOR benchmark in the contract after June 30, 2023. On December 16, 2022, the Federal Reserve Bank of New York adopted a final rule that implements the LIBOR Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023. Following the enactment and implementation of the LIBOR Act, all of our financial instruments which are currently indexed to USD LIBOR will transition to SOFR by no later than June 30, 2023. Specifically, after June 30, 2023, the SAP formula for FFELP Loans will transition to 30-day Average SOFR and our LIBOR-indexed FFELP ABS contracts that are subject to the LIBOR Act will transition to 30-day or 90-day Average SOFR. Our LIBOR-indexed Private Education Loan ABS contracts that are subject to the LIBOR Act will transition to 1-month or 3-month Term SOFR. Similarly, our LIBOR-indexed Private Education Loans will transition to 1-month or 3-month Term SOFR. Our LIBOR-indexed derivatives will transition to the Fallback Rate (SOFR) as defined in the ISDA 2020 IBOR Fallbacks Protocol published by the International Swaps and Derivatives Association, Inc. on October 23, 2020.

For a discussion of the risks related to the LIBOR transition, see "Risk Factors – Market, Funding & Liquidity Risk – The transition away from the LIBOR reference rate to the Secured Overnight Financing Rate (SOFR) may create uncertainty in the capital markets and may negatively impact the value of existing LIBOR based financial instruments and our financial results and business."

Interest Rate Sensitivity Analysis

Our interest rate risk management seeks to limit the impact of short-term movements in interest rates on our results of operations and financial position. The following tables summarize the potential effect on earnings over the next 12 months and the potential effect on fair values of balance sheet assets and liabilities at December 31, 2022 and December 31, 2021, based upon a sensitivity analysis performed by management assuming a hypothetical increase and decrease in market interest rates of 100 basis points. The earnings sensitivities assume an immediate increase and decrease in market interest rates of 100 basis points and are applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date and do not take into account any new assets, liabilities or hedging instruments that may arise over the next 12 months.

	As of December 31, 2022 Impact on Annual Earnings If:		As of December 31, 2021 Impact on Annual Earnings If:	
	Interest Rates:		Interest Rates:	
(Dollars in millions, except per share amounts)	Increase 100 Basis Points	Decrease 100 Basis Points	Increase 100 Basis Points	Decrease 100 Basis Points
Effect on Earnings:				
Change in pre-tax net income before mark-to -market gains (losses) on derivative and hedging activities[1]	$ 58	$ (41)	$ 4	$ 40
Mark-to-market gains (losses) on derivative and hedging activities	35	(28)	73	(103)
Increase (decrease) in income before taxes	$ 93	$ (69)	$ 77	$ (63)
Increase (decrease) in net income after taxes	$ 72	$ (53)	$ 59	$ (49)
Increase (decrease) in diluted earnings per common share	$ .55	$ (.41)	$ .38	$ (.31)

(1) If decreasing interest rates by 100 basis points results in a negative interest rate, we assume the interest rate is 0% for this disclosure (as opposed to being a negative interest rate).

(Dollars in millions)	Fair Value	At December 31, 2022 — Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Decrease of 100 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 59,306	$ (81)	—%	$ 120	—
Other earning assets	4,974	—	—	—	—
Other assets	3,571	36	1	(29)	(1)
Total assets gain/(loss)	$ 67,851	$ (45)	—%	$ 91	—
Liabilities					
Interest-bearing liabilities	$ 63,531	$ (250)	—%	$ 272	—
Other liabilities	922	125	14	(134)	(15)
Total liabilities (gain)/loss	$ 64,453	$ (125)	—	$ 138	—

(Dollars in millions)	Fair Value	At December 31, 2021 — Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Decrease of 100 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 74,772	$ (279)	—%	$ 432	1%
Other earning assets	3,845	—	—	—	—
Other assets	3,948	(124)	(3)	263	7
Total assets gain/(loss)	$ 82,565	$ (403)	—%	$ 695	1%
Liabilities					
Interest-bearing liabilities	$ 77,040	$ (356)	—%	$ 386	1%
Other liabilities	1,019	(40)	(4)	193	19
Total liabilities (gain)/loss	$ 78,059	$ (396)	(1)%	$ 579	1%

A primary objective in our funding is to minimize our sensitivity to changing interest rates by generally funding our floating rate education loan portfolio with floating rate debt and our fixed rate education loan portfolio with fixed rate debt although we can have a mismatch at times. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets. In addition, due to the ability of some FFELP Loans to earn Floor Income, we can have a fixed versus floating mismatch in funding if the education loan earns at the fixed borrower rate and the funding remains floating. We use Floor Income Contracts, pay-fixed swaps and fixed rate debt to economically hedge embedded Floor Income in our FFELP loans. Historically, we have used these instruments on a periodic basis and depending upon market conditions and pricing, we may enter into additional hedges in the future. The result of these hedging transactions is to fix the relative spread between the education loan asset rate and the variable rate liability.

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in pre-tax net income before the mark-to-market gains (losses) on derivative and hedging activities is primarily due to the impact of (i) our unhedged FFELP Loans being in a fixed-rate mode due to Floor Income, while being funded with variable rate debt in low interest rate environments; (ii) certain FFELP fixed rate loans becoming variable interest rate loans when variable interest rates rise above a certain level (Special Allowance Payment of "SAP"). When these loans are funded with fixed rate debt (as we do for a portion of the portfolio to economically hedge Floor Income) we earn additional interest income when earning the higher variable rate that is in effect; and (iii) a portion of our variable rate assets being funded with fixed rate liabilities. Item (i) will generally cause income to decrease when interest rates increase and income to increase when interest rates decrease. Item (ii) and (iii) have the opposite effect. The changes due to the interest rate scenarios in the current period are primarily a result of item (ii) having a more significant impact than item (i) as a result of interest rates being significantly higher compared to the prior period. The changes in the prior period are a result of item (i) having a more significant impact than item (ii) primarily as a result of interest rates being significantly lower at that time. In addition, item (iii) had more of an impact in the prior period due to a higher balance of variable rate assets being funded with fixed rate liabilities.

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in mark-to-market gains (losses) on derivative and hedging activities in both periods is primarily due to (i) the notional amount and remaining term of our derivative portfolio and related hedged debt and (ii) the interest rate environment.

In both periods, the mark-to-market gains (losses) are primarily related to derivatives that don't qualify for hedge accounting that are used to economically hedge Floor Income as well as the origination of fixed rate Private Education Refinance loans. As a result of not qualifying for hedge accounting, there is not an offsetting mark- to-market of the hedged item in this analysis. The mark-to-market gains (losses) where interest rates increase and decrease 100 basis points are lower in 2022 than 2021 primarily as a result of 2022's higher interest rate environment's impact on derivatives used to hedge Floor Income and a decline in the notional amount of derivatives outstanding in connection with the decrease in the education loan portfolio over that time period.

In addition to interest rate risk addressed in the preceding tables, we are also exposed to risks related to foreign currency exchange rates. Foreign currency exchange risk is primarily the result of foreign currency denominated debt issued by us. When we issue foreign denominated corporate unsecured and securitization debt, our policy is to use cross currency interest rate swaps to swap all foreign currency denominated debt payments (fixed and floating) to USD LIBOR using a fixed exchange rate. In the tables above, there would be an immaterial impact on earnings if exchange rates were to decrease or increase, due to the terms of the hedging instrument and hedged items matching. The balance sheet interest-bearing liabilities would be affected by a change in exchange rates; however, the change would be materially offset by the cross-currency interest rate swaps in other assets or other liabilities. In certain economic environments, volatility in the spread between spot and forward foreign exchange rates has resulted in mark-to-market impacts to current period earnings which have not been factored into the above analysis. The earnings impact is noncash, and at maturity of the instruments the cumulative mark-to-market impact will be zero. Navient has not issued foreign currency denominated debt since 2008.

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of December 31, 2022. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest margin, as opposed to those reflected in the "gains (losses) on derivatives and hedging activities, net" line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

Management analyzes interest rate risk and in doing so includes all derivatives that are economically hedging our debt whether they qualify as effective hedges or not (Core Earnings basis). Accordingly, we are also presenting the asset and liability funding gap on a Core Earnings basis in the table that follows the GAAP presentation.

GAAP Basis

Index (Dollars in billions)	**Frequency of Variable Resets**	**Assets**	**Funding[1]**	**Funding Gap**
3-month Treasury bill	weekly	$ 2.3	$ —	$ 2.3
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.1	—	.1
Prime	quarterly	1.3	—	1.3
Prime	monthly	4.4	—	4.4
3-month LIBOR	quarterly	.3	18.6	(18.3)
1-month LIBOR	monthly	2.9	26.7	(23.8)
1-month LIBOR	daily	41.0	—	41.0
SOFR[2]	various	.1	.8	(.7)
Non-Discrete reset[2][3]	monthly	—	4.4	(4.4)
Non-Discrete reset[4]	daily/weekly	4.9	.1	4.8
Fixed Rate[5]		13.3	20.2	(6.9)
Total		$ 70.8	$ 70.8	$ —

(1) Funding (by index) includes all derivatives that qualify as hedges.

(2) Funding includes loan repurchase facilities.

(3) Funding consists of auction rate ABS and ABCP facilities.

(4) Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes the obligation to return cash collateral held related to derivatives exposures.

(5) Assets include receivables and other assets (including goodwill and acquired intangibles). Funding includes other liabilities and stockholders' equity.

Core Earnings Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding[1]	Funding Gap
3-month Treasury bill	weekly	$ 2.3	$ —	$ 2.3
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.1	—	.1
Prime	quarterly	1.3	—	1.3
Prime	monthly	4.4	—	4.4
3-month LIBOR	quarterly	.3	3.6	(3.3)
1-month LIBOR	monthly	2.9	40.5	(37.6)
1-month LIBOR	daily	41.0	—	41.0
SOFR[2]	various	.1	.8	(.7)
Non-Discrete reset[2][3]	monthly	—	4.4	(4.4)
Non-Discrete reset[4]	daily/weekly	4.9	.1	4.8
Fixed Rate[5]		13.4	21.5	(8.1)
Total		$ 70.9	$ 70.9	$ —

(1) Funding (by index) includes all derivatives that management considers economic hedges of interest rate risk and reflects how we internally manage our interest rate exposure.

(2) Funding includes loan repurchase facilities.

(3) Funding consists of auction rate ABS and ABCP facilities.

(4) Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes the obligation to return cash collateral held related to derivatives exposures.

(5) Assets include receivables and other assets (including goodwill and acquired intangibles). Funding includes other liabilities and stockholders' equity.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or, when economical, have interest rate characteristics that we believe are highly correlated. Interest earned on our FFELP Loans is primarily indexed to daily one-month LIBOR and our cost of funds is primarily indexed to rates other than daily one-month LIBOR. A source of variability in FFELP net interest income could also be Floor Income we earn on certain FFELP Loans. Pursuant to the terms of the FFELP, certain FFELP Loans can earn interest at the stated fixed rate of interest as underlying debt interest rate expense remains variable. We refer to this additional spread income as "Floor Income." Floor Income can be volatile since it is dependent on interest rate levels. We frequently hedge this volatility to lock in the value of the Floor Income over the term of the contract. Interest earned on our Private Education Refinance Loans is generally fixed rate with the related cost of funds generally fixed rate as well. Interest earned on the remaining Private Education Loans is generally indexed to either one-month Prime or LIBOR rates and our cost of funds is primarily indexed to one-month or three-month LIBOR. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in prior years) can lead to a temporary divergence between indices resulting in a negative impact to our earnings.

Properties

The following table lists the principal facilities owned by us as of December 31, 2022:

Location	Function	Business Segment(s)	Approximate Square Feet
Wilkes-Barre, PA	Loan Servicing Center	Federal Education Loans; Consumer Lending; Business Processing	133,000
Muncie, IN	Processing Center	Federal Education Loans; Consumer Lending; Business Processing	75,400
Big Flats, NY	Pioneer Credit Recovery — Processing Center	Business Processing	60,000
Arcade, NY	Pioneer Credit Recovery — Processing Center	Business Processing	45,000
Perry, NY	Pioneer Credit Recovery — Processing Center	Business Processing	40,000

The following table lists the principal facilities leased by us as of December 31, 2022:

Location	Function	Business Segment(s)	Approximate Square Feet
Fishers, IN(1)	Loan Servicing and Data Center	Federal Education Loans; Consumer Lending; Other	79,000
Herndon, VA	Administrative Offices	Federal Education Loans; Consumer Lending; Business Processing; Other	43,000
Hendersonville, TN(2)	Xtend Healthcare — Revenue Cycle Management	Business Processing	36,000
Moorestown, NJ	Pioneer Credit Recovery — Processing Center	Business Processing	30,000
Wilmington, DE	Headquarters	Federal Education Loans; Consumer Lending; Business Processing; Other	25,500
Milwaukee, WI(3)	Duncan Solutions — Business Processing	Business Processing	22,000
Guaynabo, PR	PAM Puerto Rico — Business Processing	Business Processing	21,000
Irving, TX	Duncan Solutions — Business Processing	Business Processing	21,000
Salt Lake City, UT	Earnest – Loan Originations	Consumer Lending	14,000

(1) Fishers building sold in July 2022 and leased back office and data center space over a 10-year lease term.
(2) Approximately 22,000 square feet was vacated and the lease for this space terminated.
(3) Milwaukee placed in abandonment status in 2022.

None of the facilities that we own is encumbered by a mortgage. We believe that our headquarters, loan servicing centers, data center and other business processing centers are generally adequate to meet our long-term needs and business goals. Our headquarters is currently in leased space at 123 Justison Street, Wilmington, Delaware, 19801.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed and traded on the NASDAQ under the symbol NAVI. As of January 31, 2023, there were 128,941,323 shares of our common stock outstanding and 260 holders of record.

We paid quarterly cash dividends on our common stock of $0.16 per share for each quarter of 2021 and 2022.

Issuer Purchases of Equity Securities

The following table provides information relating to our purchases of shares of our common stock in the three months ended December 31, 2022.

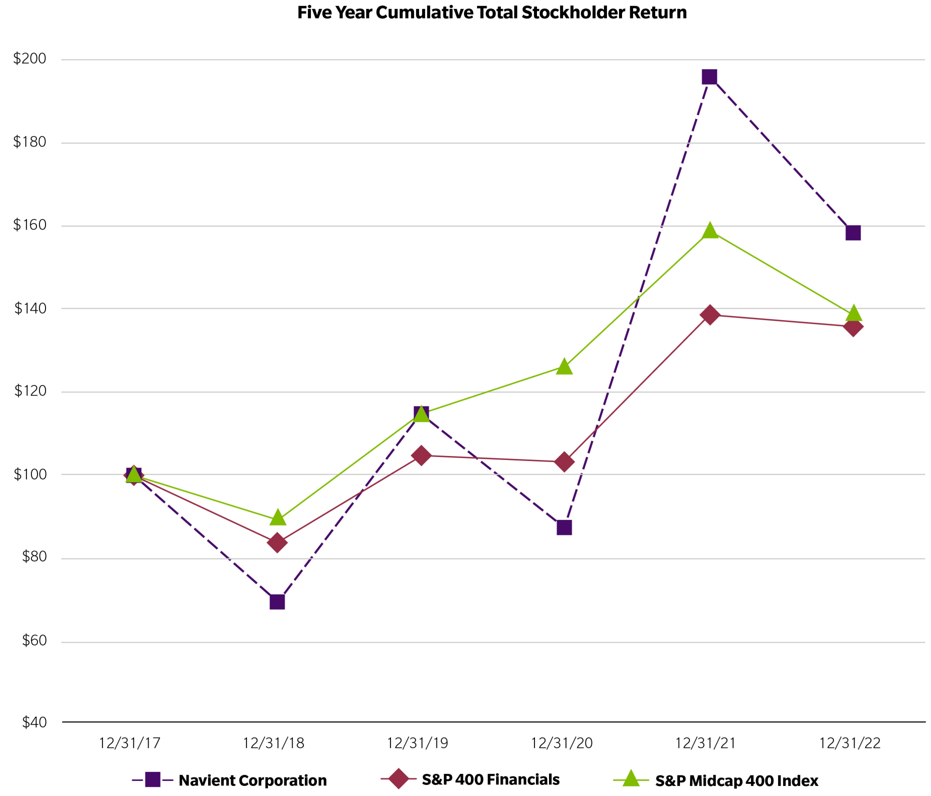
(In millions, except per share data)	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs(2)
Period:				
Oct 1 – Oct 31, 2022	2.2	$ 15.16	2.2	$ 652
Nov 1 – Nov 30, 2022	2.1	15.74	2.1	$ 619
Dec 1 – Dec 31, 2022	1.2	16.75	1.1	$ 600
Total fourth quarter	5.5	$ 15.72	5.4	

(1) The total number of shares purchased includes shares purchased under the stock repurchase program discussed below and tax withholding obligations in connection with vesting of restricted stock and restricted stock units.

(2) In December 2021, our board of directors approved a $1 billion multi-year share repurchase program.

Stock Performance

The following performance graph compares the yearly dollar change in our cumulative total shareholder return on our common stock to that of the S&P 400 Financials and the S&P Midcap 400 Index. The graph assumes a base investment of $100 at December 31, 2017 and reinvestment of dividends through December 31, 2022.



Company/Index	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21	12/31/22
Navient Corporation	$ 100.0	$ 69.6	$ 113.4	$ 87.2	$ 195.4	$ 157.5
S&P 400 Financials	$ 100.0	$ 84.0	$ 106.1	$ 104.3	$ 138.7	$ 133.8
S&P Midcap 400 Index	$ 100.0	$ 88.9	$ 112.2	$ 127.5	$ 159.0	$ 138.2

Source: Bloomberg Total Return Analysis

Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive and Principal Financial Officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of December 31, 2022. Based on this evaluation, our Principal Executive and Principal Financial Officers concluded that, as of December 31, 2022, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to our management, including our Principal Executive and Principal Financial Officers as appropriate, to allow timely decisions regarding required disclosure.

Management's Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2022. In making this assessment, our management used the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management concluded that, as of December 31, 2022, our internal control over financial reporting was effective.

KPMG LLP, an independent registered public accounting firm, audited the effectiveness of the Company's internal control over financial reporting as of December 31, 2022, as stated in their report which appears below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended December 31, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the 2023 Proxy Statement, including in the sections titled “Proposal 1 — Election of Directors,” “Executive Officers,” “Other Matters — Delinquent Section 16(a) Reports" (if applicable) and “Corporate Governance,” and is incorporated herein by reference.

Executive Compensation

The information required by this item will be contained in the 2023 Proxy Statement, including in the sections titled “Executive Compensation” and “Director Compensation,” and is incorporated herein by reference.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the 2023 Proxy Statement, including in the sections titled “Ownership of Common Stock” and “Ownership of Common Stock by Directors and Executive Officers,” and is incorporated herein by reference.

The table below presents information as of December 31, 2022, relating to our equity compensation plans or arrangements pursuant to which grants of options, restricted stock, restricted stock units, stock units or other rights to acquire shares may be granted from time to time.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights [1]	Weighted Average Exercise Price of Outstanding Options and Rights	Average Remaining Life (Years) of Options Outstanding	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders:				
Navient Corporation 2014 Omnibus Incentive Plan:				
Traditional options	—	$ —	—	
Net-Settled Options	145,647	13.63	.1	
RSUs	2,192,517	—	—	
PSUs	1,359,064	—	—	
Total	3,697,228	13.63	.1	13,259,275
ESPP[2]	—	—	—	1,660,310
Total approved by security holders	3,697,228	$ 13.63	.1	14,919,585
Total not approved by security holders	—	$ —	—	—

(1) Upon exercise of a net-settled option, optionees are entitled to receive the after-tax spread shares only. The spread shares equal the gross number of options granted less shares for the option cost. Accordingly, this column reflects the net-settled option spread shares issuable on December 31, 2022, where provided. PSUs granted in 2020 vest after a three-year performance period (2020-2022), with the potential payout ranging from 0% to 150% of the target award. Based on the Company’s actual performance during the three-year performance period relative to pre-established performance goals, these PSUs will vest at 115% of the target amount and will be settled in shares of the Company’s common stock two business days after the Company files its Form 10-K for the year ended December 31, 2022. These 2020 PSUs are shown above as outstanding on December 31, 2022, based on the final achieved amount (i.e., 115% of the target amount).

(2) Number of shares available for issuance under the Navient Corporation ESPP as of December 31, 2022. The ESPP was approved on April 8, 2014 by the company now known as SLM Corporation, then our sole shareholder. The ESPP became effective May 1, 2014. The Company amended the ESPP effective November 1, 2015 to alter the offering period for employees of recently acquired subsidiaries. The Company again amended the ESPP on April 4, 2019, subject to shareholder approval, to increase the shares available for issuance under the plan by 2 million shares. This amendment was approved by the Company’s shareholders on June 6, 2019. The Company again amended the ESPP on May 21, 2020, to eliminate the accrual of interest on individual account balances for periods after July 31, 2020.

Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in the 2023 Proxy Statement, including under “Other Matters — Certain Relationships and Transactions” and “Corporate Governance,” and is incorporated herein by reference.

Principal Accountant Fees and Services

The information required by this item will be contained in the 2023 Proxy Statement, including under “Independent Registered Public Accounting Firm,” and is incorporated herein by reference.

Exhibits and Financial Statement Schedules

(a)

1. Financial Statements

The following consolidated financial statements of Navient Corporation and the Report of the Independent Registered Public Accounting Firm thereon are included:

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

We will furnish at cost a copy of any exhibit filed with or incorporated by reference into this Annual Report on Form 10-K. Oral or written requests for copies of any exhibits should be directed to the Secretary.

4. Appendices

Appendix A — Federal Family Education Loan Program
Appendix B — Form 10-K Cross-Reference Index

(b) Exhibits

2.1	The Agreement and Plan of Merger, dated as of October 16, 2014, between Navient Corporation and Navient, LLC (incorporated by reference to Exhibit 2.1 to Navient Corporation's Current Report on Form 8-K filed on October 17, 2014).
3.1	Amended and Restated Certificate of Incorporation of Navient Corporation (incorporated by reference to Exhibit 3.1 of Amendment No. 3 to Navient Corporation's Registration Statement on Form 10 (File No. 001-36228) filed on March 27, 2014).
3.2	Second Amended and Restated By-Laws of Navient Corporation adopted April 4, 2018 (incorporated by reference to Exhibit 3.1 to Navient Corporation's Current Report on Form 8-K filed on April 9, 2018).
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Navient Corporation (incorporation by reference to Exhibit 3.1 to Navient Corporation's Current Report on Form 8-K filing on December 20, 2021).
4.1*	Description of Registrant's Securities registered under Section 12 of the Exchange Act.
4.2	Indenture, dated as of July 18, 2014, between Navient Corporation and Bank of New York Mellon, as trustee, (incorporated by reference to Exhibit 4.1 to Form S-3ASR filed on July 18, 2014).
4.3	First Supplemental Indenture, dated as of November 6, 2014, between Navient Corporation and Bank of New York Mellon, as trustee, (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on November 11, 2006.
4.4	Second Supplemental Indenture dated as of March 27, 2015 between Navient Corporation and Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on March 27, 2015.

4.5	The Third Supplemental Indenture, dated as of July 29, 2016, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on July 29, 2016).
4.6	The Fourth Supplemental Indenture, dated as of September 16, 2016, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on September 16, 2016).
4.7	The Fifth Supplemental Indenture, dated as of March 7, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on March 7, 2017).
4.8	The Sixth Supplemental Indenture, dated as of March 17, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.3 to Navient Corporation's Current Report on Form 8-K filed on March 7, 2017).
4.9	The Seventh Supplemental Indenture, dated as of May 26, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on May 26, 2017).
4.10	The Eighth Supplemental Indenture, dated as of June 9, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.4 to Navient Corporation's Current Report on Form 8-K filed on June 9, 2017).
4.11	The Ninth Supplemental Indenture, dated as of December 4, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.3 to Navient Corporation's Current Report on Form 8-K filed on December 4, 2017).
4.12	The Tenth Supplemental Indenture, dated as of June 11, 2018 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on June 11, 2018).
4.13	The Eleventh Supplemental Indenture, dated as of January 27, 2020 (this "Supplemental Indenture"), between Navient Corporation, a Delaware corporation (the "Company"), and The Bank of New York Mellon, a New York banking corporation, as trustee (the "Trustee") (incorporated by reference to Exhibit 4.2 on Form 8-K filed on January 27, 2020).
4.14	The Twelfth Supplemental Indenture, dated as of February 2, 2021, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 on Form 8-K filed on February 2, 2021).
4.15	The Thirteenth Supplemental Indenture, dated as of November 4, 2021, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 on Form 8-K filed on November 5, 2021.
4.16	Rights Agreement dated as of December 20, 2021 between Navient Corporation and Computershare Trust Company, N.A., which includes the form of Certificate of Designations as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C (incorporated by reference to Exhibit 4.1 on Form 8-K filed on December 20, 2021).
10.1†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options — 2011 (incorporated by reference to Exhibit 10.22 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).
10.2†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options — 2010 (incorporated by reference to Exhibit 10.23 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).
10.3†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Stock Option Agreement — 2011 (incorporated by reference to Exhibit 10.31 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).
10.4†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Stock Option Agreement — 2010 (incorporated by reference to Exhibit 10.32 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).

10.5†	Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement — Net Settled Options (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on April 28, 2016).
10.6†	Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 27, 2017).
10.7†	Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018).
10.8†	Form of Navient Corporation 2014 Omnibus Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018).
10.9†	Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018).
10.10†	Navient Corporation 2014 Omnibus Incentive Plan, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.11†	Navient Deferred Compensation Plan for Directors, as amended and restated effective October 1, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 10-K (File No. 001-36228) filed on October 30, 2015).
10.12†	Navient Corporation Change in Control Severance Plan for Senior Officers, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.13†	Navient Corporation Executive Severance Plan for Senior Officers, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.4 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.14†	Navient Corporation Deferred Compensation Plan, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.15†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019).
10.16†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019).
10.17†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019).
10.18†	Amended and Restated Navient Corporation Employee Stock Purchase Plan (incorporated by reference to Appendix A to Navient Corporation's Definitive Proxy Statement filed on April 30, 2019.
10.19	Underwriting Agreement dated January 28, 2021 among Navient Corporation and J.P. Morgan Securities LLC, Barclays Capital Inc. and RBC Capital Markets, LLC, as representatives of the underwriters named therein (incorporated by reference to Exhibit 4.2 on Form 8-K filed on February 2, 2021).
10.20†	Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 on Form 10-Q filed on May 1, 2020).
10.21†	Form of Navient Corporation 2014 Omnibus Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 on Form 10-Q filed on May 1, 2020).
10.22†	Form of Navient Corporation 2014 Omnibus Incentive Plan Independent Director Stock Agreement (incorporated by reference to Exhibit 10.3 on Form 10-Q filed on May 1, 2020).

10.23	Underwriting Agreement dated November 1, 2021 among Navient Corporation and J.P. Morgan Securities LLC, Barclays Capital Inc. and RBC Capital Markets, LLC, as representatives of the underwriters named therein (incorporated by reference to Exhibit 1.1 on Form 8-K filed on November 5, 2021).
10.24*	Consent Judgment and Orders dated January 13, 2022 between Navient Corporation, Navient Solutions, LLC and Pioneer Credit Recovery, Inc. and the Attorney General for the State of Washington as a representative example of the Agreement between the Navient Parties and the State Attorneys General for the States (incorporated by reference to Exhibit 10.24 and the list of States and Localities that are a party to the Consent Judgment and Orders included on Exhibit 10.24.1, both exhibits of which are included on Form 10-K filed on February 25, 2022).
10.25†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 28, 2021).
10.26	Nomination and Cooperation Agreement, dated April 14, 2022 by and among Navient Corporation, Mr. Edward J. Bramson, Sherborne Investors Management LP and Newbury Investors LLC (together with Sherborne Investors Management LP and the Sherborne Designee (incorporated by reference to Exhibit 99.1 to the Form 8-K filed on April 18, 2022).
10.27†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 27, 2022).
21.1*	List of Subsidiaries.
23.1*	Consent of KPMG LLP.
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Management Contract or Compensatory Plan or Arrangement

* Filed herewith

** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Dated: February 24, 2023

NAVIENT CORPORATION

By: /s/ JOHN F. REMONDI
John F. Remondi
President and Chief Executive Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN F. REMONDI John F. Remondi	President, Chief Executive Officer and Director (Principal Executive Officer)	February 24, 2023
/s/ JOE FISHER Joe Fisher	Chief Financial Officer (Principal Financial and Accounting Officer)	February 24, 2023
/s/ LINDA A. MILLS Linda A. Mills	Chair of the Board of Directors	February 24, 2023
/s/ FREDERICK ARNOLD Frederick Arnold	Director	February 24, 2023
/s/ EDWARD BRAMSON Edward Bramson	Director	February 24, 2023
/s/ ANNA ESCOBEDO CABRAL Anna Escobedo Cabral	Director	February 24, 2023
/s/ LARRY A. KLANE Larry A. Klane	Director	February 24, 2023
/s/ MICHAEL A. LAWSON Michael A. Lawson	Director	February 24, 2023
/s/ JANE J. THOMPSON Jane J. Thompson	Director	February 24, 2023
/s/ LAURA S. UNGER Laura S. Unger	Director	February 24, 2023
/s/ DAVID L. YOWAN David L. Yowan	Director	February 24, 2023

CONSOLIDATED FINANCIAL STATEMENTS

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Navient Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Navient Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2022 and 2021, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements), and our report dated February 24, 2023 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

McLean, Virginia
February 24, 2023

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Navient Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Navient Corporation and subsidiaries (the Company) as of December 31, 2022 and December 31, 2021, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2022, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022 and December 31, 2021, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2022, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 24, 2023 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses on private education loans

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company's total allowance for loan losses for private education loans (private education ALL) was $800 million as of December 31, 2022. For the private education ALL, the expected credit losses are the product of a transition rate model determining the Company's estimates of probability of default and prepayment as well as loss given default on an undiscounted basis. The Company makes estimates regarding transition rates including prepayments and recoveries on defaults including expected future recoveries on previously fully charged-off loans (expected recoveries). The model used to project losses utilizes key credit quality indicators of the loan portfolio and predicts how those attributes are expected to perform at the loan level in connection with the forecasted economic conditions over the contractual term of the loans including any prepayments and extension options within the control of the borrower. The private education ALL incorporates reasonable and supportable forecasts of various macro-economic variables and several forecast scenarios over the remaining life of the loans. The development of the reasonable and supportable forecasts incorporates an assumption that each macro-economic variable will revert to a long-term expectation. Qualitative adjustments are based on factors not reflected in the quantitative model.

We identified the assessment of the private education ALL as a critical audit matter. A high degree of audit effort, including skills and knowledge, and subjective and complex auditor judgment was involved in the assessment. Specifically, the assessment encompassed an evaluation of the private education ALL methodology including the method and model used to estimate the projected losses and their significant assumptions. Such significant assumptions included (1) the forecasted economic scenarios, including related weightings, (2) the reasonable and supportable forecast periods, (3) the transition rates including estimated prepayments, (4) the expected recoveries, and (5) the qualitative adjustments. The assessment also included an evaluation of the conceptual soundness and performance of the model. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the private education ALL estimate including controls over:

- development of the private education ALL methodology
- continued use and appropriateness of changes made to the model
- identification and determination of significant assumptions used in the model to estimate credit losses
- development of the qualitative adjustments
- performance monitoring of the model
- analysis of private education ALL results, trends, and ratios.

We evaluated the Company's process to develop the private education ALL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized industry knowledge and experience who assisted in:

- evaluating the Company's private education ALL methodology for compliance with U.S. generally accepted accounting principles
- evaluating the judgments made by the Company relative to the assessment and performance testing of the model including transition rates used by the Company by comparing them to relevant Company-specific metrics and trends and the applicable industry and regulatory practices
- assessing the conceptual soundness and performance testing of the model including transition rates by inspecting the model documentation to determine whether the model is suitable for their intended use
- evaluating the selection of the economic forecasted scenarios, including the weighting of the scenarios, and underlying assumptions by comparing it to business environment and relevant industry practices
- evaluating the length of reasonable and supportable forecast periods by comparing them to specific portfolio risk characteristics and trends
- evaluating the expected recoveries by comparing them to relevant Company-specific metrics and trends, the applicable industry and regulatory practices, and to an independently developed expected recoveries range
- evaluating the methodology used to develop the qualitative adjustments and the effect of those adjustments on the private education ALL compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative model.

We also assessed the sufficiency of the audit evidence obtained related to the Company's private education ALL estimate by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimates.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

McLean, Virginia
February 24, 2023

NAVIENT CORPORATION

CONSOLIDATED BALANCE SHEETS

(In millions, except per share amounts)

		December 31, 2022		December 31, 2021
Assets				
FFELP Loans (net of allowance for losses of $222 and $262, respectively)	$	43,525	$	52,641
Private Education Loans (net of allowance for losses of $800 and $1,009, respectively)		18,725		20,171
Investments				
Held-to-maturity		60		74
Other		107		193
Total investments		167		267
Cash and cash equivalents		1,535		905
Restricted cash and cash equivalents		3,272		2,673
Goodwill and acquired intangible assets, net		705		725
Other assets		2,866		3,223
Total assets	$	70,795	$	80,605
Liabilities				
Short-term borrowings	$	5,870	$	2,490
Long-term borrowings		61,026		74,488
Other liabilities		922		1,019
Total liabilities		67,818		77,997
Commitments and contingencies				
Equity				
Series A Junior Participating Preferred Stock, par value $0.20 per share; 2 million shares authorized at December 31, 2021; no shares issued or outstanding		—		—
Common stock, par value $0.01 per share; 1.125 billion shares authorized: 461 million and 459 million shares issued, respectively		4		4
Additional paid-in capital		3,313		3,282
Accumulated other comprehensive loss (net of tax expense (benefit) of $29 and $(45), respectively)		87		(133)
Retained earnings		4,490		3,939
Total Navient Corporation stockholders' equity before treasury stock		7,894		7,092
Less: Common stock held in treasury at cost: 331 million and 305 million shares, respectively		(4,917)		(4,495)
Total Navient Corporation stockholders' equity		2,977		2,597
Noncontrolling interest		—		11
Total equity		2,977		2,608
Total liabilities and equity	$	70,795	$	80,605

Supplemental information — assets and liabilities of consolidated variable interest entities:

		December 31, 2022		December 31, 2021
FFELP Loans	$	43,465	$	52,502
Private Education Loans		17,207		18,147
Restricted cash		3,233		2,649
Other assets, net		1,356		1,522
Short-term borrowings		4,458		2,188
Long-term borrowings		55,598		67,107
Net assets of consolidated variable interest entities	$	5,205	$	5,525

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF INCOME
(In millions, except per share amounts)

	Years Ended December 31, 2022	2021	2020
Interest income:			
FFELP Loans	$ 1,966	$ 1,464	$ 1,837
Private Education Loans	1,195	1,181	1,445
Cash and investments	62	3	16
Total interest income	3,223	2,648	3,298
Total interest expense	2,102	1,316	2,046
Net interest income	1,121	1,332	1,252
Less: provisions for loan losses	79	(61)	155
Net interest income after provisions for loan losses	1,042	1,393	1,097
Other income (loss):			
Servicing revenue	77	168	214
Asset recovery and business processing revenue	336	539	458
Other income	32	30	20
Gains on sales of loans	—	78	—
Gains (losses) on debt repurchases	—	(73)	(6)
Gains (losses) on derivative and hedging activities, net	171	64	(256)
Total other income	616	806	430
Expenses:			
Salaries and benefits	444	569	497
Other operating expenses	332	638	467
Total operating expenses	776	1,207	964
Goodwill and acquired intangible asset impairment and amortization expense	19	30	22
Restructuring/other reorganization expenses	36	26	9
Total expenses	831	1,263	995
Income before income tax expense	827	936	532
Income tax expense	182	219	120
Net income	$ 645	$ 717	$ 412
Basic earnings per common share	$ 4.54	$ 4.23	$ 2.14
Average common shares outstanding	142	170	193
Diluted earnings per common share	$ 4.49	$ 4.18	$ 2.12
Average common and common equivalent shares outstanding	144	172	195
Dividends per common share	$ .64	$ .64	$ .64

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended December 31,		
	2022	2021	2020
Net income	$ 645	$ 717	$ 412
Net changes in cash flow hedges, net of taxes[1]	220	141	(183)
Total comprehensive income	$ 865	$ 858	$ 229

(1) See "Note 7 – Derivative Financial Instruments."

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Common Stock Shares			Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Issued	Treasury	Outstanding								
Balance at December 31, 2019	451,094,879	(235,658,196)	215,436,683	$ 4	$ 3,198	$ (91)	$ 3,664	$ (3,439)	3,336	$ 13	3,349
Cumulative adjustment for the adoption of ASU No. 2016-13	—	—	—	—	—	—	(620)	—	(620)	—	(620)
Comprehensive income:											
Net income	—	—	—	—	—	—	412	—	412	—	412
Other comprehensive income (loss), net of tax	—	—	—	—	—	(183)	—	—	(183)	—	(183)
Total comprehensive income	—	—	—	—	—	—	—	—	229	—	229
Cash dividends:											
Common stock ($.64 per share)	—	—	—	—	—	—	(123)	—	(123)	—	(123)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	2,684,096	—	2,684,096	—	10	—	—	—	10	—	10
Stock-based compensation expense	—	—	—	—	18	—	—	—	18	—	18
Common stock repurchased	—	(30,628,580)	(30,628,580)	—	—	—	—	(400)	(400)	—	(400)
Shares repurchased related to employee stock-based compensation plans	—	(1,189,745)	(1,189,745)	—	—	—	—	(15)	(15)	—	(15)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	1	1
Balance at December 31, 2020	453,778,975	(267,476,521)	186,302,454	$ 4	$ 3,226	$ (274)	$ 3,331	$ (3,854)	$ 2,433	$ 14	$ 2,447

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Common Stock Shares										
	Issued	Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2020	453,778,975	(267,476,521)	186,302,454	$ 4	$ 3,226	$ (274)	$ 3,331	$ (3,854)	$ 2,433	$ 14	$ 2,447
Comprehensive income:											
Net income	—	—	—	—	—	—	717	—	717	—	717
Other comprehensive income (loss), net of tax	—	—	—	—	—	141	—	—	141	—	141
Total comprehensive income	—								858		858
Cash dividends:											
Common stock ($.64 per share)	—	—	—	—	—	—	(107)	—	(107)	—	(107)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)		(2)		(2)
Issuance of common shares	4,850,409	—	4,850,409	—	34	—	—	—	34	—	34
Stock-based compensation expense	—	—	—	—	22	—	—	—	22	—	22
Common stock repurchased	—	(34,371,073)	(34,371,073)	—	—	—	—	(600)	(600)	—	(600)
Shares repurchased related to employee stock-based compensation plans	—	(3,039,019)	(3,039,019)	—	—	—	—	(41)	(41)	—	(41)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at December 31, 2021	458,629,384	(304,886,613)	153,742,771	$ 4	$ 3,282	$ (133)	$ 3,939	$ (4,495)	$ 2,597	$ 11	$ 2,608

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(In millions, except share and per share amounts)

	Common Stock Shares			Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Issued	Treasury	Outstanding								
Balance at December 31, 2021	458,629,384	(304,886,613)	153,742,771	$ 4	$ 3,282	$ (133)	$ 3,939	$ (4,495)	$ 2,597	$ 11	$ 2,608
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	645	—	645	—	645
Other comprehensive income (loss), net of tax	—	—	—	—	—	220	—	—	220	—	220
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	865	—	865
Cash dividends:	—										
Common stock ($.64 per share)	—	—	—	—	—	—	(91)	—	(91)	—	(91)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(3)	—	(3)	—	(3)
Issuance of common shares	2,458,206	—	2,458,206	—	12	—	—	—	12	—	12
Stock-based compensation expense	—	—	—	—	19	—	—	—	19	—	19
Common stock repurchased	—	(24,811,009)	(24,811,009)	—	—	—	—	(400)	(400)	—	(400)
Shares repurchased related to employee stock-based compensation plans	—	(1,180,530)	(1,180,530)	—	—	—	—	(22)	(22)	—	(22)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(11)	(11)
Balance at December 31, 2022	461,087,590	(330,878,152)	130,209,438	$ 4	$ 3,313	$ 87	$ 4,490	$ (4,917)	$ 2,977	$ —	$ 2,977

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31, 2022	2021	2020
Operating activities			
Net income	$ 645	$ 717	$ 412
Adjustments to reconcile net income to net cash provided by operating activities:			
(Gains) on sale of education loans	—	(78)	—
(Gains) losses on debt repurchases	—	73	6
Goodwill and acquired intangible asset impairment and amortization expense	19	30	22
Stock-based compensation expense	19	22	18
Mark-to-market (gains)/losses on derivative and hedging activities, net	(590)	(433)	340
Provisions for loan losses	79	(61)	155
(Increase) decrease in accrued interest receivable	(147)	47	22
Increase (decrease) in accrued interest payable	159	(55)	(113)
Decrease in other assets	387	145	177
(Decrease) increase in other liabilities	(266)	295	(52)
Total adjustments	(340)	(15)	575
Total net cash provided by operating activities	305	702	987
Investing activities			
Education loans originated and acquired	(2,051)	(6,104)	(4,641)
Principal payments on education loans	12,540	11,137	11,179
Proceeds from sales of education loans	—	1,588	—
Other investing activities, net	96	68	(90)
Purchase of subsidiary, net of cash acquired	—	(16)	—
Total net cash provided by investing activities	10,585	6,673	6,448
Financing activities			
Borrowings collateralized by loans in trust - issued	2,243	7,973	7,959
Borrowings collateralized by loans in trust - repaid	(12,581)	(11,163)	(11,858)
Asset-backed commercial paper conduits, net	1,094	(2,169)	(1,915)
Long-term unsecured notes issued	—	1,237	682
Long-term unsecured notes repaid	(15)	(2,702)	(1,832)
Other financing activities, net	89	197	(192)
Common stock repurchased	(400)	(600)	(400)
Common dividends paid	(91)	(107)	(123)
Total net cash used in financing activities	(9,661)	(7,334)	(7,679)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	1,229	41	(244)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	3,578	3,537	3,781
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 4,807	$ 3,578	$ 3,537
Cash disbursements made (refunds received) for:			
Interest	$ 1,904	$ 1,378	$ 2,059
Income taxes paid	$ 30	$ 190	$ 74
Income taxes received	$ (12)	$ (11)	$ —
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:			
Cash and cash equivalents	$ 1,535	$ 905	$ 1,183
Restricted cash and restricted cash equivalents	3,272	2,673	2,354
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 4,807	$ 3,578	$ 3,537
Supplemental cash flow information:			
Non-cash activities			
Investing activity - Held-to-maturity asset backed securities retained related to sales of education loans	$ —	$ 83	$ —
Operating activity - Servicing assets recognized upon sales of education loans	—	21	—

See accompanying notes to consolidated financial statements.

1. Organization and Business

Navient's Business

Navient (Nasdaq: NAVI) provides technology-enabled education finance and business processing solutions that simplify complex programs and help millions of people achieve success. Our customer-focused, data-driven services deliver exceptional results for clients in education, health care and government. Learn more at navient.com.

With a focus on data-driven insights, service, compliance and innovative support, Navient's business consists of:

- Federal Education Loans

  We own a portfolio of $43.5 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. As a servicer on our own portfolio and for third parties, we deploy data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

- Consumer Lending

  We help students and families succeed through the paying-for-college journey with innovative planning tools, student loans and refinancing products. Our $18.7 billion Private Education Loan portfolio demonstrates high customer success rates. In 2022, we originated $2.0 billion in Private Education Loans.

- Business Processing

  We provide business processing solutions for approximately 500 public sector and healthcare organizations, and their tens of millions of clients, patients, and constituents. Our suite of workflow processing, customer experience and revenue cycle solutions enables our clients to focus on their missions, optimize their cash flow and deliver essential services.

2. Significant Accounting Policies

Use of Estimates

Our financial reporting and accounting policies conform to generally accepted accounting principles in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertain and volatile market and economic conditions increase the risk and complexity of the judgments in these estimates and actual results could differ from estimates. Accounting policies that include the most significant judgments, estimates and assumptions include the allowance for loan losses, goodwill and intangible asset impairment assessment and the amortization of loan premiums and discounts using the effective interest rate method.

Consolidation

The consolidated financial statements include the accounts of Navient Corporation and its majority-owned and controlled subsidiaries and those Variable Interest Entities (VIEs) for which we are the primary beneficiary, after eliminating the effects of intercompany accounts and transactions.

2. Significant Accounting Policies (Continued)

We consolidate any VIEs where we have determined we are the primary beneficiary. A VIE is a legal entity that does not have sufficient equity at risk to finance its own operations, or whose equity holders do not have the power to direct the activities that most significantly affect the economic performance of the entity, or whose equity holders do not share proportionately in the losses or benefits of the entity. The primary beneficiary of the VIE is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. As it relates to our securitizations and other secured borrowing facilities that are VIEs as of December 31, 2022 that we consolidate, we are the primary beneficiary as we are the servicer of the related education loan assets and own the Residual Interest of the securitization trusts and secured borrowing facilities.

Fair Value Measurement

We use estimates of fair value in applying various accounting standards for our financial statements. Fair value measurements are used in one of four ways:

- In the balance sheet with changes in fair value recorded in the statement of income;
- In the balance sheet with changes in fair value recorded in the accumulated other comprehensive income section of the statement of changes in stockholders' equity;
- In the balance sheet for instruments carried at lower of cost or fair value with impairment charges recorded in the statement of income; and
- In the notes to the financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, our policy in estimating fair value is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads, relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity and credit spreads. Transaction costs are not included in the determination of fair value. When possible, we seek to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. The types of financial instruments included in level 1 are highly liquid instruments with quoted prices.
- Level 2 — Inputs from active markets, other than quoted prices for identical instruments, are used to determine fair value. Significant inputs are directly observable from active markets for substantially the full term of the asset or liability being valued.
- Level 3 — Pricing inputs significant to the valuation are unobservable. Inputs are developed based on the best information available. However, significant judgment is required by us in developing the inputs.

Loans

Loans, consisting of federally insured education loans and Private Education Loans, that we have the ability and intent to hold for the foreseeable future are classified as held-for-investment and are carried at amortized cost. Amortized cost includes the unamortized premiums, discounts, and capitalized origination costs and fees, all of which are amortized to interest income as further discussed below. Loans which are held-for-investment also have an allowance for loan loss. Any loans we have not classified as held-for-investment are classified as held-for-sale and carried at the lower of cost or fair value. Loans are classified as held-for-sale when we have the intent and ability to sell such loans. Loans which are held-for-sale do not have the associated premium, discount, and capitalized origination costs and fees amortized into interest income. In addition, once a loan is classified as held-for-sale, any allowance for loan losses that existed immediately prior to the reclassification to held-for-sale is reversed through provision.

2. Significant Accounting Policies (Continued)

Allowance for Loan Losses

On January 1, 2020, we adopted ASU No. 2016-13, "Financial Instruments — Credit Losses," which requires measurement and recognition of an allowance for loan loss that estimates the remaining current expected credit losses (CECL) for financial assets measured at amortized cost held at the reporting date. Our prior allowance for loan loss was an incurred loss model. As a result, the new guidance resulted in an increase to our allowance for loan losses. The new standard impacts the allowance for loan losses related to our Private Education Loans and FFELP Loans.

Related to this standard:

- We have determined that, for modeling current expected credit losses, we can reasonably estimate expected losses that incorporate current and forecasted economic conditions over a "reasonable and supportable" period. For Private Education Loans, we incorporate a reasonable and supportable forecast of various macro-economic variables over the remaining life of the loans. The development of the reasonable and supportable forecast incorporates an assumption that each macro-economic variable will revert to a long-term expectation starting in years 2-4 of the forecast and largely completing within the first five years of the forecast. For FFELP Loans, after a three-year reasonable and supportable period, there is an immediate reversion to a long-term expectation. The models used to project losses utilize key credit quality indicators of the loan portfolio and predict how those attributes are expected to perform in connection with the forecasted economic conditions. These losses are calculated on an undiscounted basis. For Private Education Loans, we utilize a transition rate model that estimates the probability of prepayment and default and apply the loss given default. For FFELP Loans, we use historical transition rates to determine prepayments and defaults. The forecasted economic conditions used in our modeling of expected losses are provided by a third party. The primary economic metrics we use in the economic forecast are unemployment, GDP, interest rates, consumer loan delinquency rates and consumer income. Several forecast scenarios are provided which represent the baseline economic expectations as well as favorable and adverse scenarios. We analyze and evaluate the alternative scenarios for reasonableness and determine the appropriate weighting of these alternative scenarios based upon the current economic conditions and our view of the likelihood and risks of the alternative scenarios. We project losses at the loan level and make estimates regarding prepayments, recoveries on defaults and reasonably expected new Troubled Debt Restructurings (TDRs).
- Separately, as it relates to interest rate concessions granted as part of our Private Education Loan modification program, a discounted cash flow model is used to calculate the amount of interest forgiven for loans currently in the program. The present value of this interest rate concession is included in our allowance for loan loss.
- Charge-offs include the discount or premium related to such defaulted loan.
- CECL requires our expected future recoveries on previously fully charged-off loans to be presented within the allowance for loan loss whereas previously, we accounted for our receivable for partially charged-off loans as part of our Private Education Loan portfolio. This change is only a change in classification on the balance sheet and did not impact retained earnings at adoption of CECL or provision and net income post-adoption.
- Once our loss model calculations are performed, we determine if qualitative adjustments are needed for factors not reflected in the quantitative model. These adjustments may include, but are not limited to, changes in lending and servicing and collection policies and practices, as well as the effect of other external factors such as the economy and changes in legal or regulatory requirements that impact the amount of future credit losses.

2. Significant Accounting Policies (Continued)

At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as “expected future recoveries on previously fully charged-off loans.” If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98% reimbursement on all qualifying default claims. For loans disbursed on or after July 1, 2006, we receive 97% reimbursement. For loans disbursed prior to October 1, 1993, we receive 100% reimbursement. We charge off the amount for which we do not receive reimbursement on the defaulted loan balance

Upon adoption of CECL on January 1, 2020, the total allowance for loan losses increased by $802 million (excluding the impact of the balance sheet reclassifications related to the expected future recoveries and PCD portfolio discussed above). This had a corresponding reduction to equity of $620 million.

(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Allowance as of December 31, 2019 (prior to CECL)	$ 64	$ 1,048	$ 1,112
Transition adjustments made under CECL on January 1, 2020:			
Current expected credit losses on non-PCD portfolio[1]	260	542	802
Current expected credit losses on PCD portfolio[2]	—	43	43
Reclassification of the expected future recoveries on previously fully charged-off loans[3]	—	(588)	(588)
Net increase to allowance for loan losses under CECL	260	(3)	257
Allowance as of January 1, 2020 after CECL	$ 324	$ 1,045	$ 1,369

(1) Recorded net of tax through retained earnings. Resulted in a $620 million reduction to equity.

(2) Recorded as an increase in basis of the loans. No impact to equity.

(3) Reclassification of the expected future recoveries on previously fully charged-off loans (previously referred to as the receivable for partially charged-off loans) from the Private Education Loan balance to the allowance for loan losses. No impact to equity.

2. Significant Accounting Policies (Continued)

Investments

Other investments are primarily receivables for cash collateral posted to derivative counterparties.

Cash and Cash Equivalents

Cash and cash equivalents can include term federal funds, Eurodollar deposits, commercial paper, asset-backed commercial paper (ABCP), CDs, treasuries and money market funds with original terms to maturity of less than three months.

Restricted Cash and Investments

Restricted cash primarily includes amounts held in education loan securitization trusts and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the trust assets and when principal and interest is paid on trust liabilities.

Securities pledged as collateral related to our derivative portfolio, where the counterparty has rights to replace the securities, are classified as restricted. When the counterparty does not have these rights, the security is recorded in investments and disclosed as pledged collateral in the notes. Additionally, certain counterparties require cash collateral pledged to us to be segregated and held in restricted cash accounts.

Goodwill and Acquired Intangible Assets

Acquisitions are accounted for under the acquisition method of accounting which results in the Company allocating the purchase price to the fair value of the acquired assets, liabilities and non-controlling interests, if any, with the remaining purchase price allocated to goodwill.

Goodwill is not amortized but is tested periodically for impairment. We test goodwill for impairment annually as of October 1 at the reporting unit level, which is the same as or one level below a business segment. Goodwill is also tested at interim periods if an event occurs or circumstances change that would indicate the carrying amount may be impaired.

We complete a goodwill impairment analysis which may be a qualitative or a quantitative analysis depending on the facts and circumstances associated with the reporting unit. In conjunction with a qualitative impairment analysis, we assess relevant qualitative factors to determine whether it is “more-likely-than-not” that the fair value of a reporting unit is less than its carrying amount. The “more-likely-than-not” threshold is defined as having a likelihood of more than 50%. If, based on first assessing impairment utilizing a qualitative approach, we determine it is “more-likely-than-not” that the fair value of the reporting unit is less than its carrying amount, we will also complete a quantitative impairment analysis. In conjunction with a quantitative impairment analysis, we compare the fair value of the reporting unit to the reporting unit’s carrying value, including goodwill. If the carrying value of the reporting unit exceeds the fair value, goodwill is impaired in an amount equal to the amount by which the carrying value exceeds the fair value of the reporting unit not to exceed the goodwill amount attributed to the reporting unit.

Acquired intangible assets include, but are not limited to, trade names, customer and other relationships, and non-compete agreements. Acquired intangible assets with finite lives are amortized over their estimated useful lives in proportion to their estimated economic benefit. Finite-lived acquired intangible assets are reviewed for impairment using an undiscounted cash flow analysis when an event occurs or circumstances change indicating the carrying amount of a finite-lived asset or asset group may not be recoverable. If the carrying amount of the asset or asset group exceeds the undiscounted cash flows, the fair value of the asset or asset group is determined using an acceptable valuation technique. An impairment loss would be recognized if the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group. The impairment loss recognized would be the difference between the carrying amount and fair value.

2. Significant Accounting Policies (Continued)

Securitization Accounting

Our securitizations use a two-step structure with a special purpose entity that legally isolates the transferred assets from us, even in the event of bankruptcy. Transactions receiving sale treatment are also structured to ensure that the holders of the beneficial interests issued are not constrained from pledging or exchanging their interests, and that we do not maintain effective control over the transferred assets. If these criteria are not met, then the transaction is accounted for as an on-balance sheet secured borrowing. In all cases, irrespective of whether they qualify as accounting sales our securitizations are legally structured to be sales of assets that isolate the transferred assets from us. If a securitization qualifies as a sale, we then assess whether we are the primary beneficiary of the securitization trust (VIE) and are required to consolidate such trust. If we are the primary beneficiary, then no gain or loss is recognized. See "Consolidation" of this Note 2 for additional information regarding the accounting rules for consolidation when we are the primary beneficiary of these trusts.

Irrespective of whether a securitization receives sale or on-balance sheet treatment, our continuing involvement with our securitization trusts is generally limited to:

- Owning equity certificates or other certificates of certain trusts and, in certain cases, securities retained for the purpose of complying with risk retention requirements under securities laws.
- Lending to certain trusts, under a revolving credit, amounts necessary to cover temporary cash flow needs of the trust. These amounts are repaid to us on subordinated basis with interest at a market rate.
- The servicing of the education loan assets within the securitization trusts, on both a pre- and post-default basis.
- Our acting as administrator for the securitization transactions we sponsored, which includes remarketing certain bonds at future dates.
- Our responsibilities relative to representation and warranty violations.
- Temporarily advancing to the trust certain borrower benefits afforded the borrowers of education loans that have been securitized. These advances subsequently are returned to us in the next quarter.
- Certain back-to-back derivatives entered into by us contemporaneously with the execution of derivatives by certain Private Education Loan securitization trusts.
- The option held by us to buy certain delinquent loans from certain Private Education Loan securitization trusts.
- The option to exercise the clean-up call and purchase the education loans from the trust when the asset balance is 10% or less of the original loan balance.
- The option, on some trusts, to purchase education loans aggregating up to 10% of the trust's initial pool balance.
- The option (in certain trusts) to call rate reset notes in instances where the remarketing process has failed.

The investors of the securitization trusts have no recourse to our other assets should there be a failure of the trusts to pay when due. Generally, the only arrangements under which we have to provide financial support to the trusts are representation and warranty violations requiring the buyback of loans.

Under the terms of the transaction documents of certain trusts, we have, from time to time, exercised our options to purchase delinquent loans from Private Education Loan trusts, to purchase the remaining loans from trusts once the loan balance falls below 10% of the original amount, to purchase education loans up to 10% of the trust's initial balance, or to call rate reset notes. Certain trusts maintain financial arrangements with third parties also typical of securitization transactions, such as derivative contracts (swaps).

We do not record servicing assets or servicing liabilities when our securitization trusts are consolidated. As of December 31, 2022, we had $15 million of servicing assets on our balance sheet, recorded in connection with asset sales where we retained the servicing.

2. Significant Accounting Policies (Continued)

Education Loan Interest Income

For loans classified as held-for-investment, we recognize education loan interest income as earned, adjusted for the amortization of premiums (which includes premiums from loan purchases and capitalized direct origination costs), discounts and Repayment Borrower Benefits. These adjustments result in income being recognized based upon the expected yield of the loan over its life after giving effect to expected prepayments (i.e., the effective interest rate method). We amortize premium and discount on education loans using a Constant Prepayment Rate (CPR) which measures the rate at which loans in the portfolio pay down principal compared to their stated terms. In determining the CPR, we only consider payments made in excess of contractually required payments. This would include loan refinancing and consolidations and other early payoff activity. For Repayment Borrower Benefits, the estimates of their effect on education loan yield are based on analyses of historical payment behavior of customers who are eligible for the incentives and its effect on the ultimate qualification rate for these incentives. We regularly evaluate the assumptions used to estimate the prepayment speeds and the qualification rates used for Repayment Borrower Benefits. In instances where there are changes to the assumptions, amortization is adjusted on a cumulative basis to reflect the change since the acquisition of the loan. We do not amortize any premiums, discounts or other adjustments to the basis of education loans when they are classified as held-for-sale.

Interest Expense

Interest expense is based upon contractual interest rates adjusted for the amortization of debt issuance costs, premiums and discounts. Our interest expense is also adjusted for net payments/receipts related to interest rate and foreign currency swap agreements that qualify and are designated as hedges, as well as the mark-to-market impact of derivatives and debt in fair value hedge relationships. Interest expense also includes the amortization of deferred gains and losses on closed hedge transactions that qualified as hedges. Amortization of debt issuance costs, premiums, discounts and terminated hedge-basis adjustments are recognized using the effective interest rate method.

Servicing Revenue

We perform loan servicing functions for third parties in return for a servicing fee. Our compensation is typically based on a per-unit fee arrangement or a percentage of the loans outstanding. We recognize servicing revenues associated with these activities based upon the contractual arrangements as the services are rendered. We recognize late fees on third-party serviced loans as well as on loans in our portfolio according to the contractual provisions of the promissory notes, as well as our expectation of collectability.

Asset Recovery and Business Processing Revenue

We account for certain asset recovery and business processing contract revenue (herein referred to as revenue from contracts with customers) in accordance with ASC 606, “Revenue from Contracts with Customers.” (All Business Processing segment and the majority of the Federal Education Loan segment asset recovery and business processing revenue is accounted for under ASC 606.) Revenue earned by our Federal Education Loans segment is derived from asset recovery activities related to the collection of delinquent education loans on behalf of third parties. Revenue earned by our Business Processing segment is derived from government services, which includes receivables management services and account processing solutions, and healthcare services, which includes revenue cycle management services.

2. Significant Accounting Policies (Continued)

Most of our revenue from contracts with customers is derived from long-term contracts, the duration of which is expected to span more than one year. These contracts are billable monthly, as services are rendered, based on a percentage of the balance collected or the transaction processed, a flat fee per transaction or a stated rate per the service performed. In accordance with ASC 606, the unit of account is a contractual performance obligation, a promise to provide a distinct good or service to a customer. The transaction price is allocated to each distinct performance obligation when or as the good or service is transferred to the customer and the obligation is satisfied.

Distinct performance obligations are identified based on the services specified in the contract that are capable of being distinct such that the customer can benefit from the service on its own or together with other resources that are available from the Company or a third party, and are also distinct in the context of the contract such that the transfer of the services is separately identifiable from other services promised in the contract. Most of our contracts include integrated service offerings that include obligations that are not separately identifiable and distinct in the context of our contracts. Accordingly, our contracts generally have a single performance obligation. A limited number of full-service offerings include multiple performance obligations.

Substantially all our revenue is variable revenue which is recognized over time as our customers receive and consume the benefit of our services in an amount consistent with monthly billings. Accordingly, we do not disclose variable consideration associated with the remaining performance obligation as we have recognized revenue in the amount we have the right to invoice for services performed. Our fees correspond to the value the customer has realized from our performance of each increment of the service (for example, an individual transaction processed or collection of a past due balance).

Transfer of Financial Assets and Extinguishments of Liabilities

Our securitizations and other secured borrowings are generally accounted for as on-balance sheet secured borrowings. See “Securitization Accounting” of this Note 2 for further discussion on the criteria assessed to determine whether a transfer of financial assets is a sale or a secured borrowing. If a transfer of loans qualifies as a sale, we derecognize the loan and recognize a gain or loss as the difference between the carrying basis of the loan sold and liabilities retained and the compensation received.

We periodically repurchase our outstanding debt in the open market or through public tender offers. We record a gain or loss on the early extinguishment of debt based upon the difference between the carrying cost of the debt and the amount paid to the third party and net of hedging gains and losses when the debt is in a qualifying hedge relationship.

We recognize the results of a transfer of loans and the extinguishment of debt based upon the settlement date of the transaction.

Derivative Accounting

Derivative instruments that are used as part of our interest rate and foreign currency risk management strategy include interest rate swaps, cross-currency interest rate swaps, and interest rate floor contracts. The accounting for derivative instruments requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. As more fully described below, if certain criteria are met, derivative instruments are classified and accounted for by us as either fair value or cash flow hedges. If these criteria are not met, the derivative financial instruments are accounted for as trading. Derivative positions are recorded as net positions by counterparty based on master netting arrangements exclusive of accrued interest and cash collateral held or pledged. Many of our derivatives, mainly fixed to variable or variable to fixed interest rate swaps and cross-currency interest rate swaps, qualify as effective hedges. For these derivatives, at the inception of the hedge relationship, the following is documented: the relationship between the hedging instrument and the hedged items (including the hedged risk, the method for assessing effectiveness, and the results of the upfront effectiveness testing), and the risk management objective and strategy for undertaking the hedge transaction. Each derivative is designated to either a specific (or pool of) asset(s) or liability(ies) on the balance sheet or expected future cash flows and designated as either a “fair value” or a “cash flow” hedge. The assessment of the hedge’s effectiveness is performed at inception and on an ongoing basis, generally using regression testing. For hedges of a pool of assets or liabilities, tests are performed to demonstrate the similarity of individual instruments of the pool. When it is determined that a derivative is not currently an effective hedge, ineffectiveness is recognized for the full change in value of the derivative with no offsetting mark-to-market of the hedged item for the current period. If it is also determined the hedge will not be effective in the future, we discontinue the hedge accounting prospectively, cease recording changes in the fair value of the hedged item, and begin amortization of any basis adjustments that exist related to the hedged item.

2. Significant Accounting Policies (Continued)

Fair Value Hedges

Fair value hedges are generally used by us to hedge the exposure to changes in the fair value of a recognized fixed rate asset or liability. We enter into interest rate swaps to economically convert fixed rate assets into variable rate assets and fixed rate debt into variable rate debt. We also enter into cross-currency interest rate swaps to economically convert foreign currency denominated fixed and floating debt to U.S. dollar denominated variable debt. For fair value hedges, we generally consider all components of the derivative's gain and/or loss when assessing hedge effectiveness and generally hedge changes in fair values due to interest rates or interest rates and foreign currency exchange rates. For fair value hedges, both the derivative and the hedged item (for the risk being hedged) are marked-to-market through net interest income with any difference reflecting ineffectiveness.

Cash Flow Hedges

We use cash flow hedges to hedge the exposure to variability in cash flows for a forecasted debt issuance and for exposure to variability in cash flows of floating rate debt or assets. This strategy is used primarily to minimize the exposure to volatility from future changes in interest rates. For cash flow hedges, the change in the fair value of the derivative is recorded in other comprehensive income, net of tax, and recognized in earnings in the same period as the earnings effects of the hedged item. In the case of a forecasted debt issuance, gains and losses are reclassified to earnings over the period which the stated hedged transaction affects earnings. If we determine it is not probable that the anticipated transaction will occur, gains and losses are reclassified immediately to earnings. In assessing hedge effectiveness, generally all components of each derivative's gains or losses are included in the assessment. We generally hedge exposure to changes in cash flows due to changes in interest rates or total changes in cash flow.

Trading Activities

When derivative instruments do not qualify as hedges, they are accounted for as trading instruments where all changes in fair value are recorded through earnings with no consideration for the corresponding change in fair value of the economically hedged item. Some of our derivatives, primarily Floor Income Contracts, basis swaps and certain LIBOR swaps do not qualify for hedge accounting treatment. Regardless of the accounting treatment, we consider these derivatives to be economic hedges for risk management purposes. We use this strategy to minimize our exposure to changes in interest rates.

The "gains (losses) on derivative and hedging activities, net" line item in the consolidated statements of income includes the mark-to-market gains and losses of our derivatives that do not qualify for hedge accounting, as well as the realized changes in fair value related to derivative net settlements and dispositions that do not qualify for hedge accounting.

Accounting for Stock-Based Compensation

We recognize stock-based compensation cost in our statements of income using the fair value-based method. Under this method we determine the fair value of the stock-based compensation at the time of the grant and recognize the resulting compensation expense over the grant's vesting period. We record stock-based compensation expense net of estimated forfeitures and as such, only those stock-based awards that we expect to vest are recorded. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

2. Significant Accounting Policies (Continued)

Restructuring and Other Reorganization Expenses

From time to time we implement plans to restructure our business. In conjunction with these restructuring plans, involuntary benefit arrangements, disposal costs (including contract termination costs and other exit costs), as well as certain other costs that are incremental and incurred as a direct result of our restructuring plans, are classified as restructuring expenses in the consolidated statements of income.

The Company administers the Navient Corporation Employee Severance Plan and the Navient Corporation Executive Severance Plan for Senior Officers (collectively, the Severance Plan). The Severance Plan provides severance benefits in the event of termination of the Company's full-time employees and part-time employees who work at least 24 hours per week. The Severance Plan establishes specified benefits based on base salary, job level immediately preceding termination and years of service upon involuntary termination of employment. The benefits payable under the Severance Plan relate to past service, and they accumulate and vest. Accordingly, we recognize severance expenses to be paid pursuant to the Severance Plan when payment of such benefits is probable and can be reasonably estimated. Such benefits include severance pay calculated based on the Severance Plan, medical and dental benefits, and outplacement services expenses.

Contract termination costs are expensed at the earlier of (1) the contract termination date or (2) the cease use date under the contract. Other exit costs are expensed as incurred and classified as restructuring expenses if (1) the cost is incremental to and incurred as a direct result of planned restructuring activities and (2) the cost is not associated with or incurred to generate revenues subsequent to our consummation of the related restructuring activities.

Other reorganization expenses include certain internal costs and third-party costs incurred in connection with our cost reduction initiatives.

During 2022 and 2021, the Company incurred $36 million and $26 million, respectively, of restructuring/other reorganization expenses, primarily due to severance-related costs, facility lease terminations and the impairment of a facility held for sale. Expense in 2022 primarily relates to severance in connection with the Company's decision to exit (primarily the FFELP asset recovery business) and consolidate certain business lines and other efficiency initiatives. Expense in 2021 primarily relates to facility lease terminations and the impairment of a facility that was subsequently sold as the Company reduced and consolidated its facility footprint to become more efficient.

Income Taxes

We account for income taxes under the asset and liability approach which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of our assets and liabilities. To the extent tax laws change, deferred tax assets and liabilities are adjusted in the period that the tax change is enacted.

"Income tax expense/(benefit)" includes (i) deferred tax expense/(benefit), which represents the net change in the deferred tax asset or liability balance during the year plus any change in a valuation allowance and (ii) current tax expense/(benefit), which represents the amount of tax currently payable to or receivable from a tax authority plus amounts accrued for unrecognized tax benefits. Income tax expense/(benefit) excludes the tax effects related to adjustments recorded in equity.

If we have an uncertain tax position, then that tax position is recognized only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of tax benefit recognized in the financial statements is the largest amount of benefit that is more than 50% likely of being sustained upon ultimate settlement of the uncertain tax position. We recognize interest related to unrecognized tax benefits in income tax expense/(benefit) and penalties, if any, in operating expenses.

Earnings (Loss) per Common Share

We compute earnings (loss) per common share (EPS) by dividing net income allocated to common shareholders by the weighted average common shares outstanding. Diluted earnings per common share is computed by dividing income allocated to common shareholders by the weighted average common shares outstanding plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units, and the outstanding commitment to issue shares under the Employee Stock Purchase Plan. See "Note 10 — Earnings (Loss) per Common Share" for further discussion.

2. Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

Effective in 2020 and Forward

Rate Reform

In March 2020 (and as amended in December 2022), the FASB issued ASU No. 2020-04, "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides optional temporary relief for companies who are preparing for the discontinuation of interest rates indexed to the London Interbank Offered Rate (LIBOR). The ASU provides companies with guidance in the form of expedients and exceptions related to contract modifications and hedge accounting to ease the burden of and simplify the accounting associated with transitioning away from LIBOR. Modifications of qualifying contracts are accounted for as the continuation of an existing contract rather than as a new contract. Modifications of qualifying hedging relationships will not require discontinuation of the existing hedge accounting relationships. One-month and three-month LIBOR will be discontinued after June 30, 2023. Our instruments that are indexed to one-month and three-month LIBOR will be indexed to SOFR after that date. There is $16 billion of debt as of December 31, 2022, that is in either a fair value or cash flow hedge relationship using LIBOR swaps. We will use the hedge accounting expedients in this ASU when those swaps transition to SOFR. As a result, these hedges will not result in the discontinuation of the existing hedge accounting relationships.

Troubled Debt Restructurings

In March 2022, the FASB issued ASU No. 2022-02, "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures," which eliminates the troubled debt restructurings (TDRs) recognition and measurement guidance and instead requires an entity to evaluate whether the modification represents a new loan or a continuation of an existing loan. The ASU also enhances the disclosure requirements for certain modifications of receivables made to borrowers experiencing financial difficulty. This guidance is effective on January 1, 2023. Currently, prior to adopting this new guidance on January 1, 2023, as it relates to interest rate concessions granted as part of our Private Education Loan modification program, a discounted cash flow model is used to calculate the amount of interest forgiven for loans currently in the program and the present value of this interest rate concession is included as a part of the allowance for loan loss. The new guidance no longer requires the measurement and recognition of this element of our allowance for loan loss for new modifications that occur subsequent to January 1, 2023. As of December 31, 2022, the allowance for loan loss included $77 million related to this interest rate concession component of the allowance for loan loss. This $77 million will release in future periods as the borrowers exit their current modification program.

3. Education Loans

Education loans consist of FFELP and Private Education Loans.

There are two principal categories of FFELP Loans: Stafford and Consolidation Loans. Generally, Stafford loans have repayment periods of between 5 and 10 years. Consolidation Loans have repayment periods of 12 to 30 years. FFELP Loans do not require repayment, or have modified repayment plans, while the customer is in-school and during the grace period immediately upon leaving school. The customer may also be granted a deferment or forbearance for a period of time based on need, during which time the customer is not considered to be in repayment. Interest continues to accrue on loans in the in-school, deferment and forbearance period. FFELP Loans obligate the customer to pay interest at a stated fixed rate or a variable rate reset annually (subject to a cap) on July 1 of each year depending on when the loan was originated and the loan type. FFELP Loans disbursed before April 1, 2006 earn interest at the greater of the borrower's rate or a floating rate based on the Special Allowance Payment (SAP) formula, with the interest earned on the floating rate that exceeds the interest earned from the customer being paid directly by ED. For loans disbursed after April 1, 2006, FFELP Loans effectively only earn at the SAP rate, as the excess interest earned when the borrower rate exceeds the SAP rate (Floor Income) is required to be rebated to ED.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed after October 1, 1993 and before July 1, 2006, we receive 98% reimbursement on all qualifying default claims. For loans disbursed on or after July 1, 2006, we receive 97% reimbursement.

3. Education Loans (Continued)

"In-school" Private Education Loans are loans originally made to borrowers while they are attending school whereas "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans. Private Education Loans bear the full credit risk of the customer. Private Education Refinance Loans generally have a fixed interest rate with in-school Private Education Loans generally at a variable rate indexed to LIBOR or Prime indices. The majority of in-school loans in our portfolio are cosigned. Similar to FFELP loans, Private Education Loans are generally non-dischargeable in bankruptcy. Most loans have repayment terms of 10 to 15 years or more, and for loans made prior to 2009, payments are typically deferred until after graduation. However, since 2009 we began to encourage interest-only or fixed payment options while the customer is enrolled in school.

As of December 31, 2022, the balance of in-school loans that had been originated since 2020 was $372 million. These in-school Private Education Loans are generally fixed rate. In early 2020, Navient entered into a loan purchase agreement with a third party whereby Navient provides marketing services to the third party for the purpose of originating in-school loans, and once disbursed in-full those loans are purchased by Navient. The difference between the marketing fee paid to Navient by the third party and the premium paid to the third party by Navient for the loans, is deferred and amortized through loan income over the life of the loans. In October 2022, the agreement was amended to a Participation Agreement, whereby Navient purchases a participation interest in each loan immediately after disbursement, thereby carrying the loans on-balance sheet before holding legal title to the loan. Once the loan is fully disbursed, Navient purchases the remaining interest in the loan from the third party and full legal title to the loan is transferred to Navient.

The estimated weighted average life of education loans in our portfolio was approximately 6 years at December 31, 2022 and 2021. The following table reflects the distribution of our education loan portfolio by program.

	December 31, 2022		Year Ended December 31, 2022	
(Dollars in millions)	**Ending Balance**	**% of Balance**	**Average Balance**	**Average Effective Interest Rate**
FFELP Stafford Loans, net	$ 15,691	25 %	$ 17,475	3.93 %
FFELP Consolidation Loans, net	27,834	45	31,708	4.04
Private Education Loans, net	18,725	30	20,524	5.82
Total education loans, net	$ 62,250	100 %	$ 69,707	4.53 %

	December 31, 2021		Year Ended December 31, 2021	
(Dollars in millions)	**Ending Balance**	**% of Balance**	**Average Balance**	**Average Effective Interest Rate**
FFELP Stafford Loans, net	$ 18,219	25 %	$ 19,270	2.19 %
FFELP Consolidation Loans, net	34,422	47	36,748	2.84
Private Education Loans, net	20,171	28	21,225	5.57
Total education loans, net	$ 72,812	100 %	$ 77,243	3.42 %

As of December 31, 2022 and 2021, 84% and 87%, respectively, of our education loan portfolio was in repayment.

4. Allowance for Loan Losses

Allowance for Loan Losses Rollforward

	Year Ended December 31, 2022		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 262	$ 1,009	$ 1,271
Total provision	—	79	79
Charge-offs:			
Gross charge-offs	(40)	(370)	(410)
Expected future recoveries on current period gross charge-offs	—	57	57
Total[1]	(40)	(313)	(353)
Adjustment resulting from the change in charge-off rate[2]	—	(30)	(30)
Net charge-offs	(40)	(343)	(383)
Decrease in expected future recoveries on previously fully charged-off loans[3]	—	55	55
Allowance at end of period	$ 222	$ 800	$ 1,022
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate[2]	.10 %	1.59 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[2]	— %	.15 %	
Net charge-offs as a percentage of average loans in repayment	.10 %	1.74 %	
Ending total loans	$ 43,747	$ 19,525	
Average loans in repayment	$ 40,332	$ 19,796	
Ending loans in repayment	$ 34,372	$ 18,770	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

(2) An increase in the net charge-off rate on defaulted Private Education Loans in 2022 resulted in a $30 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

(3) At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Year Ended December 31, 2022
Beginning of period expected future recoveries on previously fully charged-off loans	$ 329
Expected future recoveries of current period defaults	57
Recoveries (cash collected)	(56)
Charge-offs (as a result of lower recovery expectations)	(56)
End of period expected future recoveries on previously fully charged-off loans	$ 274
Change in balance during period	$ (55)

4. Allowance for Loan Losses (Continued)

(Dollars in millions)	Year Ended December 31, 2021 FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 288	$ 1,089	$ 1,377
Provision:			
Reversal of allowance related to loan sales[(1)]	—	(107)	(107)
Remaining provision	—	46	46
Total provision	—	(61)	(61)
Charge-offs:			
Gross charge-offs	(26)	(175)	(201)
Expected future recoveries on current period gross charge-offs	—	22	22
Total[(2)]	(26)	(153)	(179)
Adjustment resulting from the change in charge-off rate[(3)]	—	(16)	(16)
Net charge-offs	(26)	(169)	(195)
Decrease in expected future recoveries on previously fully charged-off loans[(4)]	—	150	150
Allowance at end of period	$ 262	$ 1,009	$ 1,271
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate[(3)]	.06 %	.76 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[(3)]	— %	.08 %	
Net charge-offs as a percentage of average loans in repayment	.06 %	.84 %	
Ending total loans	$ 52,903	$ 21,180	
Average loans in repayment	$ 45,781	$ 20,150	
Ending loans in repayment	$ 44,390	$ 20,284	

(1) In connection with the sale of approximately $1.6 billion of Private Education Loans in 2021.

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

(3) An increase in the net charge-off rate on defaulted Private Education Loans in 2021 resulted in a $16 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

(4) At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Year Ended December 31, 2021
Beginning of period expected future recoveries on previously fully charged-off loans	$ 479
Expected future recoveries of current period defaults	22
Recoveries (cash collected)	(87)
Charge-offs (as a result of lower recovery expectations)	(35)
Reduction in expected recoveries related to regulatory settlement[(5)]	(50)
End of period expected future recoveries on previously fully charged-off loans	$ 329
Change in balance during period	$ (150)

(5) See "Note 12 – Commitments, Contingencies and Guarantees" for further discussion.

4. Allowance for Loan Losses (Continued)

See “Note 2 – Significant Accounting Policies” for discussion of the adoption of CECL on January 1, 2020.

	Year Ended December 31, 2020		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 64	$ 1,048	$ 1,112
Transition adjustment made under CECL on January 1, 2020[(1)]	260	(3)	257
Allowance at beginning of period after transition adjustment to CECL	324	1,045	1,369
Total provision	13	142	155
Charge-offs:			
Gross charge-offs	(49)	(216)	(265)
Expected future recoveries on current period gross charge-offs	—	32	32
Total[(2)]	(49)	(184)	(233)
Adjustment resulting from the change in charge-off rate[(3)]	—	(23)	(23)
Net charge-offs	(49)	(207)	(256)
Decrease in expected future recoveries on previously fully charged-off loans[(4)]	—	109	109
Allowance at end of period	$ 288	$ 1,089	$ 1,377
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate[(3)]	.10 %	.88 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[(3)]	— %	.11 %	
Net charge-offs as a percentage of average loans in repayment	.10 %	.99 %	
Ending total loans	$ 58,572	$ 22,168	
Average loans in repayment	$ 48,130	$ 20,790	
Ending loans in repayment	$ 48,057	$ 20,841	

(1) For a further discussion of our adoption of CECL, see “Note 2 – Significant Accounting Policies.”

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans we charge off the estimated loss of a defaulted loan balance by charging off the entire defaulted loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as “expected future recoveries on previously fully charged-off loans.” For FFELP Loans, the recovery is received at the time of charge-off.

(3) An increase in the net charge-off rate on defaulted Private Education Loans in 2020 resulted in a $23 million reduction in the balance of expected future recoveries on previously fully charged-off loans.

(4) At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as “expected future recoveries on previously fully charged-off loans.” If actual periodic recoveries are less than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans.

(Dollars in millions)	Year Ended December 31, 2020
Beginning of period expected future recoveries on previously fully charged-off loans	$ 588
Expected future recoveries of current period defaults	32
Recoveries (cash collected)	(107)
Charge-offs (as a result of lower recovery expectations)	(34)
End of period expected future recoveries on previously fully charged-off loans	$ 479
Change in balance during period	$ (109)

4. Allowance for Loan Losses (Continued)

Troubled Debt Restructurings (TDRs)

We sometimes modify the terms of loans for customers experiencing financial difficulty. Certain Private Education Loans for which we have granted either a forbearance of greater than three months, an interest rate reduction or an extended repayment plan are classified as TDRs. Approximately 77% and 75% of the loans granted forbearance have qualified as a TDR loan at December 31, 2022 and 2021, respectively. The unpaid principal balance of TDR loans that were in an interest rate reduction program as of December 31, 2022 and 2021 was $949 million and $831 million, respectively.

The following table provides the amount of loans modified in the periods presented that resulted in a TDR. Additionally, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the current period within 12 months of the loan first being designated as a TDR. We define payment default as 60 days past due for this disclosure.

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Modified loans[(1)]	$ 250	$ 149	$ 264
Charge-offs[(2)]	$ 280	$ 124	$ 157
Payment default	$ 46	$ 21	$ 47

(1) Represents period ending balance of loans that have been modified during the period and resulted in a TDR.
(2) Represents loans that charged off that were classified as TDRs

4. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

We assess and determine the collectability of our education loan portfolios by evaluating certain risk characteristics we refer to as key credit quality indicators. Key credit quality indicators are incorporated into the allowance for loan losses calculation.

FFELP Loans

FFELP Loans are substantially insured and guaranteed as to their principal and accrued interest in the event of default. The key credit quality indicators are loan status and loan type.

	FFELP Loan Delinquencies			
	December 31, 2022		December 31, 2021	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 1,772		$ 2,220	
Loans in forbearance[2]	7,603		6,292	
Loans in repayment and percentage of each status:				
Loans current	29,004	84.4 %	39,679	89.4 %
Loans delinquent 31-60 days[3]	1,247	3.6	1,696	3.8
Loans delinquent 61-90 days[3]	833	2.4	904	2.0
Loans delinquent greater than 90 days[3]	3,288	9.6	2,112	4.8
Total FFELP Loans in repayment	34,372	100 %	44,391	100 %
Total FFELP Loans	43,747		52,903	
FFELP Loan allowance for losses	(222)		(262)	
FFELP Loans, net	$ 43,525		$ 52,641	
Percentage of FFELP Loans in repayment		78.6 %		83.9 %
Delinquencies as a percentage of FFELP Loans in repayment		15.6 %		10.6 %
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		18.1 %		12.4 %

(1) Loans for customers who may still be attending school or engaging in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation, as well as loans for customers who have requested and qualify for other permitted program deferments such as military, unemployment, or economic hardships.

(2) Loans for customers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

Loan type:

(Dollars in millions)	December 31, 2022	December 31, 2021	Change
Stafford Loans	$ 14,019	$ 16,329	$ (2,310)
Consolidation Loans	25,522	31,873	(6,351)
Rehab Loans	4,206	4,701	(495)
Total loans, gross	$ 43,747	$ 52,903	$ (9,156)

4. Allowance for Loan Losses (Continued)

Private Education Loans

The key credit quality indicators are credit scores (FICO scores), loan status, loan seasoning, whether a loan is a TDR, the existence of a cosigner and school type. The FICO score is the higher of the borrower or co-borrower score and is updated at least every six months while school type is assessed at origination. The other Private Education Loan key quality indicators are updated quarterly.

	Private Education Loan Credit Quality Indicators by Origination Year as of December 31, 2022							
(Dollars in millions)	2022	2021	2020	2019	2018	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 1,721	$ 4,529	$ 1,515	$ 1,426	$ 529	$ 8,107	$ 17,827	91 %
Below 640	35	85	23	41	19	1,495	1,698	9
Total	$ 1,756	$ 4,614	$ 1,538	$ 1,467	$ 548	$ 9,602	$ 19,525	100 %
Loan Status:								
In-school/grace/deferment/forbearance	$ 56	$ 91	$ 29	$ 33	$ 13	$ 533	$ 755	4 %
Current/90 days or less delinquent	1,697	4,514	1,506	1,428	533	8,681	18,359	94
Greater than 90 days delinquent	3	9	3	6	2	388	411	2
Total	$ 1,756	$ 4,614	$ 1,538	$ 1,467	$ 548	$ 9,602	$ 19,525	100 %
Seasoning[(1)]:								
1-12 payments	$ 1,714	$ 860	$ 10	$ 9	$ 1	$ 83	$ 2,677	14 %
13-24 payments	—	3,699	147	31	6	91	3,974	20
25-36 payments	—	—	1,365	452	15	161	1,993	10
37-48 payments	—	—	—	957	132	260	1,349	7
More than 48 payments	—	—	—	—	388	8,790	9,178	47
Loans in-school/grace/deferment	42	55	16	18	6	217	354	2
Total	$ 1,756	$ 4,614	$ 1,538	$ 1,467	$ 548	$ 9,602	$ 19,525	100 %
TDR Status:								
TDR	$ 11	$ 71	$ 34	$ 68	$ 37	$ 6,447	$ 6,668	34 %
Non-TDR	1,745	4,543	1,504	1,399	511	3,155	12,857	66
Total	$ 1,756	$ 4,614	$ 1,538	$ 1,467	$ 548	$ 9,602	$ 19,525	100 %
Cosigners:								
With cosigner[(2)]	$ 122	$ 106	$ 27	$ 10	$ —	$ 6,184	$ 6,449	33 %
Without cosigner	1,634	4,508	1,511	1,457	548	3,418	13,076	67
Total	$ 1,756	$ 4,614	$ 1,538	$ 1,467	$ 548	$ 9,602	$ 19,525	100 %
School Type:								
Not-for-profit	$ 1,655	$ 4,347	$ 1,470	$ 1,366	$ 503	$ 8,026	$ 17,367	89 %
For-profit	101	267	68	101	45	1,576	2,158	11
Total	$ 1,756	$ 4,614	$ 1,538	$ 1,467	$ 548	$ 9,602	$ 19,525	100 %
Allowance for loan losses							(800)	
Total loans, net							$ 18,725	

(1) Number of months in active repayment for which a scheduled payment was received.
(2) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at December 31, 2022.

4. Allowance for Loan Losses (Continued)

	Private Education Loan Credit Quality Indicators by Origination Year as of December 31, 2021							
(Dollars in millions)	2021	2020	2019	2018	2017	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 5,185	$ 1,990	$ 1,862	$ 695	$ 209	$ 9,606	$ 19,547	92 %
Below 640	42	15	37	21	8	1,510	1,633	8
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100 %
Loan Status:								
In-school/grace/deferment/forbearance	$ 41	$ 30	$ 34	$ 17	$ 6	$ 768	$ 896	4 %
Current/90 days or less delinquent	5,184	1,973	1,860	697	211	10,062	19,987	94
Greater than 90 days delinquent	2	2	5	2	—	286	297	2
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100 %
Seasoning[(1)]:								
1-12 payments	$ 5,208	$ 161	$ 27	$ 5	$ 1	$ 133	$ 5,535	26 %
13-24 payments	—	1,824	568	14	3	150	2,559	12
25-36 payments	—	—	1,283	165	9	248	1,705	8
37-48 payments	—	—	—	524	61	380	965	5
More than 48 payments	—	—	—	—	141	9,914	10,055	47
Loans in-school/grace/deferment	19	20	21	8	2	291	361	2
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100 %
TDR Status:								
TDR	$ 2	$ 8	$ 31	$ 28	$ 29	$ 7,158	$ 7,256	34 %
Non-TDR	5,225	1,997	1,868	688	188	3,958	13,924	66
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100 %
Cosigners:								
With cosigner[(2)]	$ 17	$ 33	$ 12	$ —	$ 34	$ 7,266	$ 7,362	35 %
Without cosigner	5,210	1,972	1,887	716	183	3,850	13,818	65
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100 %
School Type:								
Not-for-profit	$ 4,918	$ 1,916	$ 1,771	$ 659	$ 208	$ 9,241	$ 18,713	88 %
For-profit	309	89	128	57	9	1,875	2,467	12
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100 %
Allowance for loan losses							(1,009)	
Total loans, net							$ 20,171	

(1) Number of months in active repayment for which a scheduled payment was received.
(2) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at December 31, 2021.

4. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies			
	TDRs			
	December 31, 2022		December 31, 2021	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 153		$ 194	
Loans in forbearance[2]	321		446	
Loans in repayment and percentage of each status:				
Loans current	5,356	86.5 %	6,023	91.0 %
Loans delinquent 31-60 days[3]	293	4.7	199	3.0
Loans delinquent 61-90 days[3]	167	2.7	120	1.8
Loans delinquent greater than 90 days[3]	378	6.1	274	4.2
Total TDR loans in repayment	6,194	100 %	6,616	100 %
Total TDR loans	6,668		7,256	
TDR loans allowance for losses	(620)		(829)	
TDR loans, net	$ 6,048		$ 6,427	
Percentage of TDR loans in repayment		92.9 %		91.2 %
Delinquencies as a percentage of TDR loans in repayment		13.5 %		9.0 %
Loans in forbearance as a percentage of TDR loans in repayment and forbearance		4.9 %		6.3 %

(1) Loans for customers who are attending school or are in other permitted educational activities and are not yet required to make payments on their loans, e.g., internship periods, as well as loans for customers who have requested and qualify for other permitted program deferments such as various military eligible deferments.

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

	Private Education Loan Delinquencies			
	Non-TDRs			
	December 31, 2022		December 31, 2021	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 201		$ 167	
Loans in forbearance[2]	80		89	
Loans in repayment and percentage of each status:				
Loans current	12,482	99.2 %	13,611	99.6 %
Loans delinquent 31-60 days[3]	42	.3	23	.2
Loans delinquent 61-90 days[3]	19	.2	11	.1
Loans delinquent greater than 90 days[3]	33	.3	23	.1
Total non-TDR loans in repayment	12,576	100 %	13,668	100 %
Total non-TDR loans	12,857		13,924	
Non-TDR loans allowance for losses	(180)		(180)	
Non-TDR loans, net	$ 12,677		$ 13,744	
Percentage of non-TDR loans in repayment		97.8 %		98.2 %
Delinquencies as a percentage of non-TDR loans in repayment		.8 %		.4 %
Loans in forbearance as a percentage of non-TDR loans in repayment and forbearance		.6 %		.6 %

(1) Loans for customers who are attending school or are in other permitted educational activities and are not yet required to make payments on their loans, e.g., internship periods, as well as loans for customers who have requested and qualify for other permitted program deferments such as various military eligible deferments.

(2) Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs, consistent with established loan program servicing policies and procedures.

(3) The period of delinquency is based on the number of days scheduled payments are contractually past due.

5. Business Combinations, Goodwill and Acquired Intangible

Goodwill

The following table summarizes our goodwill for our reporting units and reportable segments.

(Dollars in millions)	As of December 31, 2022	2021
Federal Education Loans reportable segment:		
FFELP Loans	$ 227	$ 227
Federal Education Loan Servicing[1]	5	5
Total	232	232
Consumer Lending reportable segment:		
Private Education Refinance Loans	77	77
Private Education Legacy In-School Loans	106	106
Private Education Recent In-School Loans[2]	13	14
Total	196	197
Business Processing reportable segment:		
Government Services	136	136
Healthcare Services	106	106
Total	242	242
Total goodwill	$ 670	$ 671

(1) We wrote off $8 million of goodwill in connection with the transfer of our ED contract to a third party in October 2021. This goodwill was allocated to the ED Servicing component of the Federal Education Loan Servicing reporting unit based on relative fair value. The $8 million was recorded as part of goodwill and acquired intangible asset impairment and amortization expense.

(2) In 2021 we completed an acquisition for a purchase price of approximately $20 million. The preliminary purchase price allocation resulted in goodwill of $14 million. The final purchase price, which was completed in 2022, resulted in goodwill of $13 million. The remainder of the purchase price was primarily allocated to developed technology.

Interim Triggering Event Assessments

During the second and third quarters of 2022, macroeconomic conditions most notably historically high inflation and rising interest rates, impacted the industry and markets in which our reporting units with goodwill operate, their cost structures and, to some degree, their expected 2022 financial performance. Additionally, our stock price declined during the second and third quarters compared to March 31, 2022 and December 31, 2021, due primarily to uncertainty associated with these macroeconomic factors and the implications of the Biden Administration’s proposed debt forgiveness program. As a result of these factors, we assessed whether a triggering event occurred for each of our reporting units with goodwill as of September 30, 2022 and June 30, 2022.

For each of our reporting units with goodwill including our FFELP Loans, Private Education Legacy In-School Loans (those which were originated prior to 2014), Private Education Refinance Loans, Private Education Recent In-School Loans (those which were originated in 2020 or later) and Federal Education Loan Servicing reporting units (collectively, the Loan reporting units) and our Government Services and Healthcare Services reporting units (collectively, the Business Processing reporting units), we assessed relevant qualitative factors to determine whether it is “more-likely-than-not” that the fair value of an individual reporting unit is less than its carrying value. We considered the amount of excess fair values for our FFELP Loans, Federal Education Loan Servicing, Private Education Legacy In-School Loans, and Private Education Refinance Loans over their carrying values as of October 1, 2019, the last time an independent appraiser estimated the value of these reporting units, since the fair value of these reporting units was substantially in excess of their carrying amounts. The outlook and cash flows for the FFELP Loans and Private Education Legacy In-School Loans reporting units have not changed significantly since our 2019 assessment despite worsening macroeconomic conditions in 2022. Likewise, the outlooks and cash flows for the Federal Education Loan Servicing components remaining after removing the cash flows attributed to the ED Servicing contract have not changed significantly since 2019.

For the Private Education Refinance Loans reporting unit, although expectations for new refinance loan originations as of June 30. 2022 were reduced and actual new loan originations declined considerably during the second and third quarters due to the impact of the rising rate environment, new origination volume significantly exceeded expectations cumulatively during 2020 and 2021 resulting in the reporting unit holding a significantly higher balance of loans than anticipated in conjunction with the determination of the reporting unit’s fair value in 2019. We expect to hold this portfolio for a longer period of time than anticipated in 2019. While new originations declined due to the rising rate environment, prepayment speeds for the reporting unit’s existing portfolio also declined resulting in a more stable interest income stream partially offsetting the impact of the decline in originations. We also considered Navient’s strong liquidity position and its ability to issue Private Education Loan ABS comprised entirely of the reporting unit’s refinance loans.

5. Business Combinations, Goodwill and Acquired Intangible Assets (Continued)

For the Business Processing reporting units, we also considered the amount of excess fair value over the carrying values of these reporting units as of October 1, 2020, when we engaged an independent appraiser to estimate the fair value of the reporting units, since the fair values of these reporting units was substantially in excess of their carrying values. We considered the financial performance for both of these reporting units in 2021 and 2022 during which the Government Services and Healthcare Services reporting units significantly outperformed expectations due largely to significant contracts acquired in 2020 and 2021 to implement and administer programs under the CARES Act and perform contact tracing and vaccine administration services. During 2022, these reporting units generated additional revenue from these contracts, leveraged our Business Processing relationships to win new business and benefited from an increase in demand for traditional service offerings. The outlook and long-term cash flow projections for both the Government Services and Healthcare Services reporting units remain favorable and have not changed significantly since our 2020 quantitative impairment assessment despite the economic impact of worsening macroeconomic conditions in 2022.

The goodwill attributed to the Private Education Recent In-School Loans reporting unit is a direct result of our August 2021 acquisition of Going Merry. In the second and third quarters, we considered Going Merry's strong performance in its mission to match students with and assist them to apply for scholarships, institutional aid and government grants as well as private education in-school origination volume, which exceeded expectations.

Based on the qualitative factors we considered in relation to each of our reporting units with goodwill, we concluded it was not "more-likely-than-not" that the fair value of an individual reporting unit was less than its carrying value as of September 30, 2022 and June 30, 2022. As a result, the decline in Navient's stock price in the second and third quarters and worsening macroeconomic conditions including rising interest rates and historically high inflation, and their impact on our individual reporting units as we perceived them as of September 30, 2022 and June 30, 2022 did not constitute triggering events. No further impairment testing was performed during interim quarters in 2022.

Annual Goodwill Impairment Testing – October 1, 2022

We perform our goodwill impairment testing annually in the fourth quarter as of October 1. As part of the 2022 annual impairment testing, we retained a third-party appraisal firm to assist in the valuations required to perform a quantitative impairment test of goodwill associated with our FFELP Loans, Federal Education Loan Servicing, Private Education Legacy In-School Loans, Private Education Refinance Loans, Government Services, and Healthcare Services reporting units as of October 1, 2022. No goodwill was deemed impaired in conjunction with these reporting units as a result of the quantitative impairment test as the fair values of the reporting units were substantially greater than their respective carry values. Additionally, fair values resulting from sensitivity analyses factoring in more conservative discount rates and growth rates for each reporting unit also yielded fair values in excess of the carrying values of each reporting unit.

The income approach was the primary approach used to estimate the fair value of each reporting unit. The income approach measures the value of each reporting unit's future economic benefit determined by its discounted cash flows derived from our projections plus an assumed terminal growth rate consistent with what we believe a market participant would assume in an acquisition. These projections are generally five-year projections that reflect the anticipated cash flow fluctuations of the respective reporting units. If a component of a reporting unit is winding down or is assumed to wind down, the projections extend through the anticipated wind-down period and no residual value is ascribed.

Under our guidance, the third-party appraisal firm developed the discount rate for each reporting unit incorporating such factors as the risk-free rate, a market rate of return, a measure of volatility (Beta) and a company-specific and capital markets risk premium, as appropriate, to adjust for volatility and uncertainty in the economy and to capture specific risk related to the respective reporting units. We considered whether an asset sale or an equity sale would be the most likely sale structure for each reporting unit and valued each reporting unit based on the more likely hypothetical scenario. The discount rates reflect market-based estimates of capital costs and are adjusted for our assessment of a market participant's view with respect to execution, source concentration and other risks associated with the projected cash flows of individual reporting units. We reviewed and approved the discount rates provided by the third-party appraiser including the factors incorporated to develop the discount rates for each reporting unit.

We and the third-party appraisal firm also considered a market approach for the Government Services and Healthcare Services reporting units. Market-based multiples related primarily to revenue and EBITDA, for comparable publicly traded companies and similar transactions were evaluated as an indicator of the value of the reporting units to assess the reasonableness of the estimated fair value derived from the income approach.

5. Business Combinations, Goodwill and Acquired Intangible Assets (Continued)

We employed a qualitative approach considering relevant qualitative factors to test goodwill attributed to the Private Education Recent In-School Loans reporting unit. As discussed above, the goodwill attributed to the Private Education In-School Loans reporting unit is a direct result of our August 2021 acquisition of Going Merry. We and our external appraiser finalized the purchase price allocation for Going Merry in the third quarter of 2022. Since the acquisition, Going Merry has exceeded expectations to successfully enable students to match to and apply for scholarships, institutional aid and government grants. Additionally, in 2022, private education in-school originations grew 52 percent exceeding expectations. In-school originations are expected to remain strong in 2023 with our growth outlook increasing. In conjunction with our annual goodwill impairment test, we considered these qualitative factors and concluded that it is not “more-likely-than-not” that the fair value of the Private Education Recent In-School Loans reporting unit was less than its carrying value at October 1, 2022. Accordingly, goodwill attributed to the Private Education Recent In-School Loans reporting unit was not deemed impaired after consideration of these qualitative factors.

We also considered the current regulatory and legislative environment, the current economic environment, our 2022 earnings, 2023 expected earnings, market expectations regarding our stock price and our market capitalization in relation to book equity. Although our market capitalization was less than our book equity during 2022, it was concluded that our market capitalization in relation to our book equity does not indicate impairment of our reporting units’ respective goodwill at December 31, 2022.

Acquired Intangible Assets

Acquired intangible assets include the following:

	As of December 31, 2022			As of December 31, 2021		
(Dollars in millions)	**Cost Basis**[3]	**Accumulated Impairment and Amortization**[3][4]	**Net**	**Cost Basis**[3]	**Accumulated Impairment and Amortization**[3][4]	**Net**
Customer, services and lending relationships[1]	$ 218	$ (207)	$ 11	$ 246	$ (223)	$ 23
Software and technology[2]	119	(108)	11	120	(105)	15
Trade names and trademarks	40	(27)	13	40	(23)	17
Total acquired intangible assets	$ 377	$ (342)	$ 35	$ 406	$ (351)	$ 55

(1) In 2022 we impaired a customer relationship asset in the Business Processing reportable segment for $6 million.

(2) In conjunction with the purchase price allocation associated with a 2021 acquisition in the Consumer Lending reportable segment, we recorded $7 million of acquired intangible assets which consisted primarily of developed technology.

(3) Accumulated impairment and amortization include impairment amounts only if the acquired intangible asset has been deemed partially impaired. When an acquired intangible asset is considered fully impaired and no longer in use, the cost basis and any accumulated amortization related to the asset is written off.

(4) We recorded amortization of acquired intangible assets of $14 million, $19 million and $21 million in 2022, 2021 and 2020, respectively. We will continue to amortize our intangible assets with definite useful lives over their remaining estimated useful lives. We estimate amortization expense associated with these intangible assets will be $10 million, $9 million, $6 million, $5 million and $4 million in 2023, 2024, 2025, 2026 and after 2026, respectively.

6. Borrowings

Borrowings consist of secured borrowings issued through our securitization program, borrowings through secured facilities, unsecured notes issued by us, and other interest-bearing liabilities related primarily to obligations to return cash collateral held.

The following table summarizes our borrowings.

	December 31, 2022					December 31, 2021				
(Dollars in millions)	Short Term	Weighted Average Interest Rate[8]	Long Term	Weighted Average Interest Rate[8]	Total	Short Term	Weighted Average Interest Rate[8]	Long Term	Weighted Average Interest Rate[8]	Total
Unsecured borrowings:										
Senior unsecured debt[1]	$ 1,301	5.90 %	$ 5,711	5.82 %	$ 7,012	$ —	— %	$ 7,014	5.83 %	$ 7,014
Total unsecured borrowings	1,301	5.90	5,711	5.82	7,012	—	—	7,014	5.83	7,014
Secured borrowings:										
FFELP Loan securitizations[2][3][4]	76	6.01	42,675	4.96	42,751	—	—	51,841	.85	51,841
Private Education Loan securitizations[5]	725	7.17	12,744	3.11	13,469	543	2.42	14,074	1.82	14,617
FFELP Loan ABCP facilities	923	5.31	386	5.33	1,309	282	.97	150	.97	432
Private Education Loan ABCP facilities	2,734	5.55	—	—	2,734	1,363	1.05	1,152	1.37	2,515
Other[6]	121	4.61	—	—	121	302	0.19	—	—	302
Total secured borrowings	4,579	5.74	55,805	4.54	60,384	2,490	1.24	67,217	1.07	69,707
Total before hedge accounting adjustments[7]	5,880	5.78	61,516	4.66	67,396	2,490	1.24	74,231	1.52	76,721
Hedge accounting adjustments	(10)	.01	(490)	.04	(500)	—	—	257	(.01)	257
Total	$ 5,870	5.78 %	$ 61,026	4.70 %	$ 66,896	$ 2,490	1.24 %	$ 74,488	1.51 %	$ 76,978

(1) Includes principal amount of $1.3 billion and $0 of short-term debt as of December 31, 2022 and 2021, respectively. Includes principal amount of $5.7 billion and $7.0 billion of long-term debt as of December 31, 2022 and 2021, respectively.

(2) Includes $76 million and $0 of short-term debt and $0 and $49 million of long-term debt related to the FFELP Loan ABS repurchase facilities (FFELP Loan Repurchase Facilities) as of December 31, 2022 and 2021, respectively.

(3) Includes $1.8 billion and $2.1 billion of non-U.S. dollar-denominated debt as of December 31, 2022 and 2021, respectively, which has been hedged with swaps converting to U.S. dollars.

(4) Includes defaulted FFELP secured debt tranches with a remaining principal amount of $738 million as of December 31, 2022 as a result of not maturing by their respective contractual maturity dates. Notices were delivered to the trustee, rating agencies and bondholders alerting them to these maturity date defaults. At this time, it is expected the bonds will be paid in full between 2030 and 2035. There is no impact to the principal amount owed or the coupon at which the bonds accrue, and there is no revised contractual maturity date.

(5) Includes $725 million and $543 million of short-term debt related to the Private Education Loan ABS repurchase facilities (Private Education Loan Repurchase Facilities) as of December 31, 2022 and 2021, respectively. Includes $0 and $0 of long-term debt related to the Private Education Loan Repurchase Facilities as of December 31, 2022 and 2021, respectively.

(6) “Other” primarily includes the obligation to return cash collateral held related to derivative exposure.

(7) Includes $44.9 billion and $55.5 billion of long-term floating rate debt as of December 31, 2022 and 2021, respectively, and $16.6 billion and $18.7 billion of long-term fixed rate debt as of December 31, 2022 and 2021, respectively.

(8) Weighted average interest rate is as of end of period.

6. Borrowings (Continued)

As of December 31, 2022, the expected maturities of our long-term borrowings are shown in the following table.

(Dollars in millions)	Expected Maturity: Senior Unsecured Debt	Secured Borrowings[1]	Total[2]
Year of Maturity			
2023	$ —	$ 5,175	$ 5,175
2024	1,353	5,669	7,022
2025	551	4,947	5,498
2026	523	4,676	5,199
2027	691	4,493	5,184
2028-2043	2,593	30,845	33,438
Total before hedge accounting adjustments	5,711	55,805	61,516
Hedge accounting adjustments	(283)	(207)	(490)
Total	$ 5,428	$ 55,598	$ 61,026

(1) We view our securitization trust debt as long-term based on the contractual maturity dates which range from 2023 to 2083. However, we have projected the expected principal paydowns based on our current estimates regarding the loan prepayment speeds for purposes of this disclosure to better reflect how we expect this debt to be paid down over time. The projected principal paydowns in year 2023 include $5.2 billion related to the securitization trust debt.

(2) The aggregate principal amount of debt that matures in each period is $5.2 billion in 2023, $7.1 billion in 2024, $5.5 billion in 2025, $5.2 billion in 2026, $5.2 billion in 2027 and $33.7 billion in 2028-2043.

Variable Interest Entities

We consolidated the following financing VIEs as of December 31, 2022 and 2021, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

	December 31, 2022						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets, Net	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ 76	$ 42,675	$ 42,751	$ 42,148	$ 2,705	$ 1,544	$ 46,397
Private Education Loan securitizations	725	12,744	13,469	14,168	367	105	14,640
FFELP Loan ABCP facilities	923	386	1,309	1,317	39	44	1,400
Private Education Loan ABCP facilities	2,734	—	2,734	3,039	122	(81)	3,080
Total before hedge accounting adjustments	4,458	55,805	60,263	60,672	3,233	1,612	65,517
Hedge accounting adjustments	—	(207)	(207)	—	—	(256)	(256)
Total	$ 4,458	$ 55,598	$ 60,056	$ 60,672	$ 3,233	$ 1,356	$ 65,261

	December 31, 2021						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets, Net	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ —	$ 51,841	$ 51,841	$ 52,066	$ 2,073	$ 1,520	$ 55,659
Private Education Loan securitizations	543	14,074	14,617	15,506	505	150	16,161
FFELP Loan ABCP facilities	282	150	432	436	8	15	459
Private Education Loan ABCP facilities	1,363	1,152	2,515	2,641	63	32	2,736
Total before hedge accounting adjustments	2,188	67,217	69,405	70,649	2,649	1,717	75,015
Hedge accounting adjustments	—	(110)	(110)	—	—	(195)	(195)
Total	$ 2,188	$ 67,107	$ 69,295	$ 70,649	$ 2,649	$ 1,522	$ 74,820

6. Borrowings (Continued)

Secured Facilities and Unsecured Debt

FFELP Loan ABCP Facilities

We have various ABCP borrowing facilities that we use to finance our FFELP Loans. Liquidity is available under these secured credit facilities to the extent we have eligible collateral and available capacity. The maximum borrowing capacity under these facilities will vary and is subject to each agreement's borrowing conditions. These include but are not limited to the facility's size, current usage and the availability and fair value of qualifying unencumbered FFELP Loan collateral. Our borrowings under these facilities are non-recourse. The maturity dates on these facilities range from November 2023 to April 2024. The interest rate on certain facilities can increase under certain circumstances. The facilities are subject to termination under certain circumstances. As of December 31, 2022, there was approximately $1.3 billion outstanding under these facilities, with approximately $1.4 billion of assets securing these facilities. As of December 31, 2022, the maximum unused capacity under these facilities was $101 million and we had $68 million of unencumbered FFELP Loans.

FFELP Loan Repurchase Facilities

We have a FFELP Loan Repurchase Facility that provides liquidity for the acquisition of certain Navient-sponsored auction rate securities. Borrowings under the facility are secured by the auction rate securities. The lenders also have unsecured recourse to Navient Corporation as Guarantor for any shortfall in amounts payable. Because the facility is secured by Navient-sponsored instruments issued in previous securitizations, we show the debt as part of FFELP Loan securitizations in the various borrowing tables above. As of December 31, 2022, there was approximately $76 million outstanding under this facility.

Private Education Loan ABCP Facilities

We have various ABCP borrowing facilities that we use to finance our Private Education Loans. Liquidity is available under these secured credit facilities to the extent we have eligible collateral and available capacity. The maximum borrowing capacity under these facilities will vary and is subject to each agreement's borrowing conditions. These include but are not limited to the facility's size, current usage and the availability and fair value of qualifying unencumbered Private Education Loan collateral. Our borrowings under these facilities are non-recourse. The maturity dates on these facilities range from June 2023 to October 2023. The interest rate on certain facilities can increase under certain circumstances. The facilities are subject to termination under certain circumstances. As of December 31, 2022, there was approximately $2.7 billion outstanding under these facilities, with approximately $3.1 billion of assets securing these facilities. As of December 31, 2022, the maximum unused capacity under these facilities was $1.2 billion and we had $1.5 billion of unencumbered Private Education Loans.

Private Education Loan Repurchase Facilities

These repurchase facilities are collateralized by the net assets in previously issued Private Education Loan ABS trusts. The lenders also have unsecured recourse to Navient Corporation as Guarantor for any shortfall in amounts payable. Because these facilities are secured by the Residual Interests in previous securitizations, we show the debt as part of Private Education Loan securitizations in the various borrowing tables above. As of December 31, 2022, there was approximately $0.7 billion outstanding under these facilities.

Senior Unsecured Debt

We issued $0, $1.3 billion and $700 million of unsecured debt in 2022, 2021 and 2020, respectively.

Debt Repurchases

The following table summarizes activity related to our senior unsecured debt repurchases.

	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Debt principal repurchased	$ —	$ 2,577	$ 768
Gains (losses) on debt repurchases	$ —	$ (73)	$ (6)

7. Derivative Financial Instruments

Risk Management Strategy

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets and liabilities so the net interest margin is not, on a material basis, adversely affected by movements in interest rates. We do not use derivative instruments to hedge credit risk. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. Income or loss on the derivative instruments that are linked to the hedged assets and liabilities will generally offset the effect of this unrealized appreciation or depreciation for the period the item is being hedged. We view this strategy as a prudent management of interest rate sensitivity. In addition, we utilize derivative contracts to minimize the economic impact of changes in foreign currency exchange rates on certain debt obligations that are denominated in foreign currencies. As foreign currency exchange rates fluctuate, these liabilities will appreciate and depreciate in value. These fluctuations, to the extent the hedge relationship is effective, are offset by changes in the value of the cross-currency interest rate swaps executed to hedge these instruments. Management believes certain derivative transactions entered into as hedges, primarily Floor Income Contracts, basis swaps and, at times, certain other LIBOR swaps, are economically effective; however, those transactions do not qualify for hedge accounting under GAAP and thus may adversely impact earnings.

Although we use derivatives to minimize the risk of interest rate and foreign currency changes, the use of derivatives does expose us to both market and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates, foreign exchange rates and market liquidity. Credit risk is the risk that a counterparty will not perform its obligations under a contract and it is limited to the loss of the fair value gain in a derivative that the counterparty owes us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, have no credit risk exposure to the counterparty; however, the counterparty has exposure to us. We minimize the credit risk in derivative instruments by entering into transactions with highly rated counterparties that are reviewed regularly by our Credit Department. We also maintain a policy of requiring that all derivative contracts be governed by an International Swaps and Derivative Association Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements related to Navient Corporation contracts generally are required as well. When we have more than one outstanding derivative transaction with the counterparty, and there exists legally enforceable netting provisions with the counterparty (i.e., a legal right to offset receivable and payable derivative contracts), the “net” mark-to-market exposure, less collateral the counterparty has posted to us, represents exposure with the counterparty. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At December 31, 2022 and 2021, we had a net positive exposure (derivative gain positions to us less collateral which has been posted by counterparties to us) related to Navient Corporation derivatives of $11 million and $9 million, respectively.

Our on-balance sheet securitization trusts have $1.8 billion of Euro denominated bonds outstanding as of December 31, 2022. To convert these non-US dollar denominated bonds into US dollar liabilities, the trusts have entered into foreign-currency swaps with highly rated counterparties. In addition, the trusts have entered into $468 million notional of interest rate swaps which are primarily used to convert Prime received on securitized education loans to LIBOR paid on the bonds. Our securitization trusts with swaps have ISDA documentation with protections against counterparty risk. The collateral calculations contemplated in the ISDA documentation of our securitization trusts require collateral based on the fair value of the derivative which may be adjusted for additional collateral based on rating agency criteria requirements considered within the collateral agreement. The trusts are not required to post collateral to the counterparties. At December 31, 2022 and 2021, the net positive exposure on swaps in securitization trusts was $0 and $0, respectively.

The table below highlights credit exposure related to our derivative counterparties at December 31, 2022.

(Dollars in millions)	Corporate Contracts	Securitization Trust Contracts
Exposure, net of collateral	$ 11	$ —
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody’s Aa3	100 %	— %
Percent of exposure to counterparties with credit ratings below S&P A- or Moody’s A3	— %	— %

7. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments and their impact on net income and other comprehensive income.

Impact of Derivatives on Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Dec. 31, 2022	Cash Flow Dec. 31, 2021	Fair Value[3] Dec. 31, 2022	Fair Value[3] Dec. 31, 2021	Trading Dec. 31, 2022	Trading Dec. 31, 2021	Total Dec. 31, 2022	Total Dec. 31, 2021
Fair Values[1]									
Derivative Assets:									
Interest rate swaps	Interest rate	$ —	$ —	$ 55	$ 222	$ 1	$ 2	$ 56	$ 224
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	—	—	—	—	—	—
Total derivative assets[2]		—	—	55	222	1	2	56	224
Derivative Liabilities:									
Interest rate swaps	Interest rate	—	—	(2)	—	(3)	(5)	(5)	(5)
Floor Income Contracts	Interest rate	—	—	—	—	—	(65)	—	(65)
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(253)	(190)	—	—	(253)	(190)
Total derivative liabilities[2]		—	—	(255)	(190)	(3)	(70)	(258)	(260)
Net total derivatives		$ —	$ —	$ (200)	$ 32	$ (2)	$ (68)	$ (202)	$ (36)

(1) Fair values reported are exclusive of collateral held and pledged and accrued interest. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements and classified in other assets or other liabilities depending on whether in a net positive or negative position.

(2) The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:

(Dollar in millions)	Other Assets December 31, 2022	Other Assets December 31, 2021	Other Liabilities December 31, 2022	Other Liabilities December 31, 2021
Gross position	$ 56	$ 224	$ (258)	$ (260)
Impact of master netting agreements	—	(6)	—	6
Derivative values with impact of master netting agreements (as carried on balance sheet)	56	218	(258)	(254)
Cash collateral (held) pledged	(80)	(244)	62	147
Net position	$ (24)	$ (26)	$ (196)	$ (107)

(3) The following table shows the carrying value of liabilities in fair value hedges and the related fair value hedging adjustments to these liabilities:

(Dollar in millions)	As of December 31, 2022 Carrying Value	As of December 31, 2022 Hedge Basis Adjustments	As of December 31, 2021 Carrying Value	As of December 31, 2021 Hedge Basis Adjustments
Short-term borrowings	$ 1,289	$ (10)	$ —	$ —
Long-term borrowings	$ 6,188	$ (494)	$ 8,503	$ 252

7. Derivative Financial Instruments (Continued)

The above fair values include adjustments when necessary for counterparty credit risk for both when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the asset position at December 31, 2022 and December 31, 2021 by $6 million and $8 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at December 31, 2022 and December 31, 2021 by $1 million and $2 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**	**Dec. 31, 2021**	**Dec. 31, 2022**	**Dec. 31, 2021**
Notional Values:								
Interest rate swaps	$ 8.3	$ 12.1	$ 6.2	$ 6.2	$ 17.4	$ 28.4	$ 31.9	$ 46.7
Floor Income Contracts	—	—	—	—	6.0	12.5	6.0	12.5
Cross-currency interest rate swaps	—	—	1.8	2.1	—	—	1.8	2.1
Total derivatives	$ 8.3	$ 12.1	$ 8.0	$ 8.3	$ 23.4	$ 40.9	$ 39.7	$ 61.3

Mark-to-Market Impact of Derivatives on Statements of Income

	Total Gains (Losses)		
	Years Ended December 31,		
(Dollars in millions)	**2022**	**2021**	**2020**
Fair Value Hedges[2]:			
Interest Rate Swaps			
Gains (losses) recognized in net income on derivatives	$ (610)	$ (310)	$ 301
Gains (losses) recognized in net income on hedged items	660	349	(327)
Net fair value hedge ineffectiveness gains (losses)	50	39	(26)
Cross currency interest rate swaps			
Gains (losses) recognized in net income on derivatives	(63)	104	281
Gains (losses) recognized in net income on hedged items	96	(55)	(272)
Net fair value hedge ineffectiveness gains (losses)	33	49	9
Total fair value hedges[1][2]	83	88	(17)
Cash Flow Hedges:			
Total cash flow hedges[2]	—	—	—
Trading			
Interest rate swaps	130	30	(47)
Floor Income Contracts	41	34	(209)
Total trading derivatives[3]	171	64	(256)
Mark-to-market gains (losses) recognized	$ 254	$ 152	$ (273)

(1) Recorded in interest expense in the consolidated statements of income.
(2) The accrued interest income (expense) on fair value hedges and cash flow hedges is recorded in interest expense and is excluded from this table.
(3) Recorded in “gains (losses) on derivative and hedging activities, net” in the consolidated statements of income.

7. Derivative Financial Instruments (Continued)

Impact of Derivatives on Other Comprehensive Income (Equity)

(Dollars in millions)	Years Ended December 31, 2022	2021	2020
Total gains (losses) on cash flow hedges	$ 194	$ 55	$ (233)
Reclassification adjustments for derivative (gains) losses included in net income (interest expense)[1]	26	86	50
Net changes in cash flow hedges, net of tax	$ 220	$ 141	$ (183)

(1) Includes net settlement income/expense.

Collateral

The following table details collateral held and pledged related to derivative exposure between us and our derivative counterparties.

(Dollars in millions)	December 31, 2022	December 31, 2021
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	$ 80	$ 244
Securities at fair value — corporate derivatives (not recorded in financial statements)[1]	—	—
Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements)[2]	—	1
Total collateral held	$ 80	$ 245
Derivative asset at fair value including accrued interest	$ 85	$ 242
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 62	$ 147
Total collateral pledged	$ 62	$ 147
Derivative liability at fair value including accrued interest and premium receivable	$ 266	$ 271

(1) The Company has the ability to sell or re-pledge securities it holds as collateral.
(2) The trusts do not have the ability to sell or re-pledge securities they hold as collateral.

Our corporate derivatives contain credit contingent features. At our current unsecured credit rating, we have fully collateralized our corporate derivative liability position (including accrued interest and net of premiums receivable) of $0.2 million with our counterparties. Downgrades in our unsecured credit rating would not result in any additional collateral requirements. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings.

8. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	December 31, 2022	December 31, 2021
Accrued interest receivable	$ 2,031	$ 1,881
Benefit and insurance-related investments	452	462
Income tax asset, net	132	369
Derivatives at fair value	56	218
Accounts receivable	83	159
Fixed assets	74	95
Other	38	39
Total	$ 2,866	$ 3,223

9. Stockholders' Equity

Common Stock

Our shareholders have authorized the issuance of 1.125 billion shares of common stock. The par value of Navient common stock is $0.01 per share. At December 31, 2022, 130 million shares were issued and outstanding and 19 million shares were unissued but encumbered for outstanding stock options, restricted stock units, performance stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans.

Dividend and Share Repurchase Program

The following table summarizes our common share repurchases, issuances and dividends paid.

	Years Ended December 31,		
(Dollars and shares in millions, except per share amounts)	2022	2021	2020
Common stock repurchased[1]	24.8	34.4	30.6
Common stock repurchased (in dollars)[1]	$ 400	$ 600	$ 400
Average purchase price per share[1]	$ 16.13	$ 17.46	$ 13.06
Remaining common stock repurchase authority[1]	$ 600	$ 1,000	$ 600
Shares repurchased related to employee stock-based compensation plans[2]	1.2	3.0	1.2
Average purchase price per share[2]	$ 17.84	$ 13.65	$ 12.86
Common shares issued[3]	2.5	4.9	2.7
Dividends paid	$ 91	$ 107	$ 123
Dividends per share	$ .64	$ .64	$ .64

(1) Common shares purchased under our share repurchase program. Our board of directors authorized a $1 billion multi-year share repurchase program in December 2021.

(2) Comprises shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

(3) Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on December 31, 2022 was $16.45.

9. Stockholders' Equity (Continued)

Rights Offering

On December 20, 2021, the Board of Directors declared a dividend of one preferred share purchase right (a Right) for each outstanding share of common stock of the Company, par value $0.01 per share, and adopted a shareholder rights plan dated as of December 20, 2021 (the Rights Agreement). The dividend was paid on December 30, 2021. Each Right allows its holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock (a Preferred Share) for $100 (the Exercise Price), once the Rights become exercisable. The Rights will be exercisable only if a person or group acquires beneficial ownership of 20% or more of Navient common stock (including certain derivative positions), subject to certain exceptions. The Rights expired unexercised on December 19, 2022.

In connection with the adoption of the Rights Agreement, the Board of Directors approved the Certificate of Designations establishing the Preferred Shares and the rights, preferences and privileges thereof. The Company has authorized 2,000,000 of the Preferred Shares, par value $0.20. Such number of shares may be increased or decreased by resolution of the Board of Directors subject to certain limitations set forth in the Certificate of Designations.

10. Earnings (Loss) per Common Share

Basic earnings (loss) per common share (EPS) are calculated using the weighted average number of shares of common stock outstanding during each period. A reconciliation of the numerators and denominators of the basic and diluted EPS calculations on a GAAP basis follows.

	Years Ended December 31,		
(In millions, except per share data)	**2022**	**2021**	**2020**
Numerator:			
Net income	$ 645	$ 717	$ 412
Denominator:			
Weighted average shares used to compute basic EPS	142	170	193
Effect of dilutive securities:			
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units and Employee Stock Purchase Plan ("ESPP")[(1)]	2	2	2
Dilutive potential common shares[(2)]	2	2	2
Weighted average shares used to compute diluted EPS	144	172	195
Basic earnings per common share	$ 4.54	$ 4.23	$ 2.14
Diluted earnings per common share	$ 4.49	$ 4.18	$ 2.12

(1) Includes the potential dilutive effect of additional common shares that are issuable upon exercise of outstanding stock options, restricted stock, restricted stock units, performance stock units and the outstanding commitment to issue shares under applicable ESPPs, determined by the treasury stock method.

(2) For the years ended December 31, 2022, 2021 and 2020, stock options covering approximately 0 million, 0 million and 2 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

11. Fair Value Measurements

We use estimates of fair value in applying various accounting standards in our financial statements. We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. The fair value of the items discussed below are separately disclosed in this footnote.

During 2022, there were no significant transfers of financial instruments between levels, or changes in our methodology used to value our financial instruments.

Education Loans

Our FFELP Loans and Private Education Loans are accounted for at cost or at the lower of cost or market if the loan is held-for-sale. Fair values are determined by modeling loan cash flows using stated terms of the assets using mostly internally developed assumptions that are validated against market transactions when available.

FFELP Loans

The significant assumptions used to determine fair value of our FFELP Loans are prepayment speeds, default rates, cost of funds, discount rate, capital levels and expected Repayment Borrower Benefits to be earned. In addition, the Floor Income component of our FFELP Loan portfolio is valued with option models using both observable market inputs and internally developed inputs. A number of significant inputs into the models are internally derived and not observable in active markets. While the resulting fair value can be validated against market transactions where we are a participant, these markets are not considered active. As such, these are level 3 valuations.

Private Education Loans

The significant assumptions used to determine fair value of our Private Education Loans are prepayment speeds, default rates, recovery rates, cost of funds, discount rate and capital levels. A number of significant inputs into the models are internally derived and not observable in active markets. While the resulting fair value can be validated against market transactions where we are a participant, these markets are not considered active. As such, these are level 3 valuations.

Cash and Investments (Including "Restricted Cash")

Cash and cash equivalents are carried at cost. Carrying value approximates fair value. The fair value of investments in commercial paper, ABCP, or demand deposits that have a remaining term of less than 90 days when purchased are estimated to equal their cost and, when needed, adjustments for liquidity and credit spreads are made depending on market conditions and counterparty credit risks. No additional adjustments were deemed necessary. These investments are level 2 valuations.

Borrowings

Borrowings are accounted for at cost in the financial statements except when denominated in a foreign currency or when designated as the hedged item in a fair value hedge relationship. When the hedged risk is the benchmark interest rate (which for us is LIBOR) and not full fair value, the cost basis is adjusted for changes in value due to benchmark interest rates only. Foreign currency-denominated borrowings are re-measured at current spot rates in the financial statements. Fair value was determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, observable yield curves, foreign currency exchange rates, volatilities from active markets or from quotes from broker-dealers. Fair value adjustments for unsecured corporate debt are made based on indicative quotes from observable trades and spreads on credit default swaps specific to the Company. Fair value adjustments for secured borrowings are based on indicative quotes from broker-dealers. These adjustments for both secured and unsecured borrowings are material to the overall valuation of these items and, currently, are based on inputs from inactive markets. As such, these are level 3 valuations.

11. Fair Value Measurements (Continued)

Derivative Financial Instruments

All derivatives are accounted for at fair value in the financial statements. The fair value of a majority of derivative financial instruments was determined by standard derivative pricing and option models using the stated terms of the contracts and observable market inputs and are therefore classified as level 2 fair values. In some cases, we utilized internally developed inputs that are not observable in the market, and as such, classified these instruments as level 3 fair values. Complex structured derivatives or derivatives that trade in less liquid markets require significant estimates and judgment in determining fair value that cannot be corroborated with market transactions.

When determining the fair value of derivatives, we take into account counterparty credit risk for positions where there is exposure to the counterparty on a net basis by assessing exposure net of collateral held. See “Note 7 – Derivative Financial Instruments” for further discussion on methodology. The net credit risk adjustment (adjustments for our exposure to counterparties net of adjustments for the counterparties’ exposure to us) decreased the valuations at December 31, 2022 by $6 million.

Inputs specific to each class of derivatives disclosed in the table below are as follows:

- Interest rate swaps — Fair value is determined using standard derivative cash flow models. Derivatives that swap fixed interest payments for LIBOR interest payments (or vice versa) and derivatives swapping quarterly reset LIBOR for daily reset LIBOR or one-month LIBOR were valued using the LIBOR swap yield curve which is an observable input from an active market. These derivatives are level 2 fair value estimates in the hierarchy. Other derivatives swapping LIBOR interest payments for another variable interest payment (primarily Prime) are valued using the LIBOR swap yield curve and observable market spreads for the specified index. The markets for these swaps are generally illiquid as indicated by a wide bid/ask spread. The adjustment made for liquidity decreased the valuations by $1 million at December 31, 2022. These derivatives are level 3 fair value estimates.
- Cross-currency interest rate swaps — Fair value is determined using standard derivative cash flow models. Derivatives hedging foreign-denominated bonds are valued using the LIBOR swap yield curve (for both USD and the foreign-denominated currency), cross-currency basis spreads and forward foreign currency exchange rates. These inputs are observable inputs from active markets. In addition, these amortizing notional derivatives (derivatives whose notional amounts change based on changes in the balance of, or pool of, assets or debt) hedging trust debt use internally derived assumptions for the trust assets’ prepayment speeds and default rates to model the notional amortization. Management makes assumptions concerning the extension features of derivatives hedging rate-reset notes denominated in a foreign currency. These inputs are not market observable; therefore, these derivatives are level 3 fair value estimates.
- Floor Income Contracts — Derivatives are valued using an option pricing model. Inputs to the model include the LIBOR swap yield curve and LIBOR interest rate volatilities. The inputs are observable inputs in active markets and these derivatives are level 2 fair value estimates.

The carrying value of borrowings designated as the hedged item in a fair value hedge is adjusted for changes in fair value due to benchmark interest rates and foreign-currency exchange rates. These valuations are determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, and observable yield curves, foreign currency exchange rates and volatilities.

11. Fair Value Measurements (Continued)

The following table summarizes the valuation of our financial instruments that are marked-to-market on a recurring basis. During 2022 and 2021, there were no significant transfers of financial instruments between levels.

	Fair Value Measurements on a Recurring Basis							
	December 31, 2022				December 31, 2021			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivative instruments:[1]								
Interest rate swaps	—	55	1	56	—	223	1	224
Cross-currency interest rate swaps	—	—	—	—	—	—	—	—
Total derivative assets[2]	—	55	1	56	—	223	1	224
Total	$ —	$ 55	$ 1	$ 56	$ —	$ 223	$ 1	$ 224
Liabilities[3]								
Derivative instruments[1]								
Interest rate swaps	$ —	$ (2)	$ (3)	$ (5)	$ —	$ —	$ (5)	$ (5)
Floor Income Contracts	—	—	—	—	—	(65)	—	(65)
Cross-currency interest rate swaps	—	—	(253)	(253)	—	—	(190)	(190)
Total derivative liabilities[2]	—	(2)	(256)	(258)	—	(65)	(195)	(260)
Total	$ —	$ (2)	$ (256)	$ (258)	$ —	$ (65)	$ (195)	$ (260)

(1) Fair value of derivative instruments excludes accrued interest and the value of collateral.
(2) See "Note 7 — Derivative Financial Instruments" for a reconciliation of gross positions without the impact of master netting agreements to the balance sheet classification.
(3) Borrowings which are the hedged item in a fair value hedge relationship and which are adjusted for changes in value due to benchmark interest rates only are not carried at full fair value and not reflected in this table.

11. Fair Value Measurements (Continued)

The following tables summarize the change in balance sheet carrying value associated with level 3 financial instruments carried at fair value on a recurring basis.

	Year Ended December 31, 2022			
	Derivative Instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (4)	$ (190)	$ —	$ (194)
Total gains/(losses):				
Included in earnings(1)	1	(105)	—	(104)
Included in other comprehensive income	—	—	—	—
Settlements	1	42	—	43
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	$ (2)	$ (253)	$ —	$ (255)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 1	$ (63)	$ —	$ (62)

	Year Ended December 31, 2021			
	Derivative Instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (8)	$ (294)	$ —	$ (302)
Total gains/(losses):				
Included in earnings(1)	3	81	—	84
Included in other comprehensive income	—	—	—	—
Settlements	1	23	—	24
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	$ (4)	$ (190)	$ —	$ (194)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 3	$ (157)	$ —	$ (154)

	Year Ended December 31, 2020			
	Derivative Instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (17)	$ (575)	$ (1)	$ (593)
Total gains/(losses):				
Included in earnings(1)	8	231	—	239
Included in other comprehensive income	—	—	—	—
Settlements	1	50	1	52
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	$ (8)	$ (294)	$ —	$ (302)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 5	$ 273	$ 1	$ 279

(1) "Included in earnings" is comprised of the following amounts recorded in the specified line item in the consolidated statements of income:

	Years Ended December 31,		
(Dollars in millions)	2022	2021	2020
Gains (losses) on derivative and hedging activities, net	$ 1	$ 3	$ 8
Interest expense	(105)	81	231
Total	$ (104)	$ 84	$ 239

(2) Recorded in "gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

11. Fair Value Measurements (Continued)

The following table presents the significant inputs that are unobservable or from inactive markets used in the recurring valuations of the level 3 financial instruments detailed above.

(Dollars in millions)	Fair Value at December 31, 2022	Valuation Technique	Input	Range and Weighted Average
Derivatives				
Prime/LIBOR basis swaps	$ (2)	Discounted cash flow	Constant Prepayment Rate	10%
			Bid/ask adjustment to discount rate	0.08
Cross-currency interest rate swaps	(253)	Discounted cash flow	Constant Prepayment Rate	5%
Other	—			
Total	$ (255)			

The significant inputs that are unobservable or from inactive markets related to our level 3 derivatives detailed in the table above would be expected to have the following impacts to the valuations:

- Prime/LIBOR basis swaps — These swaps do not actively trade in the markets as indicated by a wide bid/ask spread. A wider bid/ask spread will result in a decrease in the overall valuation. In addition, the unobservable inputs include Constant Prepayment Rates of the underlying securitization trust the swap references. A decrease in this input will result in a longer weighted average life of the swap which will increase the value for swaps in a gain position and decrease the value for swaps in a loss position, everything else equal. The opposite is true for an increase in the input.
- Cross-currency interest rate swaps — The unobservable inputs used in these valuations are Constant Prepayment Rates of the underlying securitization trust the swap references. A decrease in this input will result in a longer weighted average life of the swap. All else equal in a typical currency market, this will result in a decrease to the valuation due to the delay in the cash flows of the currency exchanges as well as diminished liquidity in the forward exchange markets as you increase the term. The opposite is true for an increase in the input.

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

	December 31, 2022			December 31, 2021		
(Dollars in millions)	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP Loans	$ 41,426	$ 43,525	$ (2,099)	$ 53,632	$ 52,641	$ 991
Private Education Loans	17,880	18,725	(845)	21,140	20,171	969
Cash and investments	4,974	4,974	—	3,845	3,845	—
Total earning assets	64,280	67,224	(2,944)	78,617	76,657	1,960
Interest-bearing liabilities						
Short-term borrowings	5,879	5,870	(9)	2,492	2,490	(2)
Long-term borrowings	57,652	61,026	3,374	74,548	74,488	(60)
Total interest-bearing liabilities	63,531	66,896	3,365	77,040	76,978	(62)
Derivative financial instruments						
Floor Income Contracts	—	—	—	(65)	(65)	—
Interest rate swaps	51	51	—	219	219	—
Cross-currency interest rate swaps	(253)	(253)	—	(190)	(190)	—
Other	—	—	—	—	—	—
Excess of net asset fair value over carrying value			$ 421			$ 1,898

12. Commitments, Contingencies and Guarantees

Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the normal course of business. We believe that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations, except as otherwise disclosed. Most of these matters are claims including individual and class action lawsuits against our servicing or business processing subsidiaries alleging the violation of state or federal laws in connection with servicing or collection activities on their education loans and other debts.

In the ordinary course of our business, the Company and our subsidiaries and affiliates receive information and document requests and investigative demands from various entities including State Attorneys General, U.S. Attorneys, legislative committees, individual members of Congress and administrative agencies. These requests may be informational, regulatory or enforcement in nature and may relate to our business practices, the industries in which we operate, or companies with whom we conduct business. Generally, our practice has been and continues to be to cooperate with these bodies and to be responsive to any such requests.

The number of these inquiries and the volume of related information demands continue to increase and therefore continue to increase the time, costs and resources we must dedicate to timely respond to these requests and may, depending on their outcome, result in payments of restitution, fines and penalties.

Certain Cases

In January 2017, the Consumer Financial Protection Bureau (the CFPB) and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of certain Federal and State consumer protection statutes, including the CFPA, FCRA, FDCPA and various state consumer protection laws. The Attorneys General for the States of Pennsylvania, California, Mississippi, and New Jersey also initiated actions against the Company and certain subsidiaries alleging violations of various state and federal consumer protection laws based upon similar alleged acts or failures to act. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or, in the future, may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the State Attorneys General. In January 2022, we entered into a series of Consent Judgment and Orders (the “Agreements”) with 40 State Attorneys General to resolve all matters in dispute related to the State Attorneys General cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators. These Agreements do not resolve the litigation involving the Company and the CFPB. The Company has cancelled the loan balance of approximately 66,000 borrowers with qualifying Private Education Loans that were originated largely between 2002 and 2010 and later defaulted and charged off. The loans cancelled have aggregate outstanding balances of approximately $1.7 billion. The expense to the Company to cancel these loans was approximately $50 million which represents the amount of expected future recoveries of these charged-off loans on the balance sheet. In addition, the Company agreed to make a one-time payment of approximately $145 million to the states. In the fourth quarter of 2021 when such loss became probable, the Company recognized total regulatory expenses of approximately $205 million related to this matter.

12. Commitments, Contingencies and Guarantees (Continued)

As the Company has previously stated, we believe the allegations in the CFPB suit are false and that they improperly seek to impose penalties on Navient based on new, previously unannounced servicing standards applied retroactively against only one servicer. We therefore have denied these allegations and are vigorously defending against the allegations in that case. At this point in time, it is reasonably possible that a loss contingency exists; however, the Company is unable to anticipate the timing of a resolution or the impact that an adverse ruling in the CFPB case may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with this matter and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

The Company has been named as defendant in a number of putative class action cases alleging violations of various state and federal consumer protection laws including the Telephone Consumer Protection Act (TCPA), the Consumer Financial Protection Act of 2010 (CFPA), the Fair Credit Reporting Act (FCRA), the Fair Debt Collection Practices Act (FDCPA), in adversarial proceedings under the U.S. Bankruptcy Code, and various state consumer protection laws. At this point in time, the Company is unable to anticipate the timing of a resolution or the impact that these legal proceedings may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Regulatory Matters

In addition, Navient and its subsidiaries are subject to examination or regulation by various federal regulatory, state licensing or other regulatory agencies as part of its ordinary course of business including the SEC, CFPB, FFIEC and ED. Items or matters similar to or different from those described above may arise during the course of those examinations. We also routinely receive inquiries or requests from various regulatory entities or bodies or government agencies concerning our business or our assets. Generally, the Company endeavors to cooperate with each such inquiry or request. The Company has received separate CIDs or subpoenas from multiple State Attorneys General, including for the District of Columbia, Kansas, Oregon, Colorado, New Jersey, New York and Indiana that are similar to the CIDs or subpoenas that preceded the lawsuits referenced above. Those CIDs and subpoenas have been resolved as part of the Company's settlement with the State Attorneys General. Nevertheless, we have and, in the future, may receive additional CIDs or subpoenas and other inquiries from these or other Attorneys General with respect to similar or different matters.

Under the terms of the Separation and Distribution Agreement between the Company and SLM BankCo, Navient agreed to indemnify SLM BankCo for claims, actions, damages, losses or expenses that may arise from the conduct of activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in that agreement. Also, as part of the Separation and Distribution Agreement, SLM BankCo agreed to indemnify Navient for certain claims, actions, damages, losses or expenses subject to the terms, conditions and limitations set forth in that agreement. As a result, subject to the terms, conditions and limitations set forth in that agreement, Navient agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank from liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above. In addition, we asserted various claims for indemnification against Sallie Mae and Sallie Mae Bank for such specifically excluded items arising out of the CFPB and the State Attorneys General lawsuits if and to the extent any indemnified liabilities exist now or in the future. Navient has no reserves related to indemnification matters with SLM BankCo as of December 31, 2022.

12. Commitments, Contingencies and Guarantees (Continued)

OIG Audit

The Office of the Inspector General (the OIG) of ED commenced an audit regarding Special Allowance Payments (SAP) on September 10, 2007. In September 2013, we received the final audit determination of Federal Student Aid (the Final Audit Determination) on the final audit report issued by the OIG in August 2009 related to this audit. The Final Audit Determination concurred with the final audit report issued by the OIG and instructed us to make adjustment to our government billing to reflect the policy determination. In August 2016, we filed our notice of appeal to the Administrative Actions and Appeals Service Group of ED, and a hearing was held in April 2017. In March 2019, the administrative law judge hearing the appeal affirmed the audit's findings, holding the then-existing Dear Colleague letter relied upon by the Company and other industry participants was inconsistent with the statutory framework creating the SAP rules applicable to loans funded by certain types of debt obligations at issue. We appealed the administrative law judge's decision to the Secretary of Education given Navient's adherence to ED-issued guidance and the potential impact on participants in any ED program student loan servicers if such guidance is deemed unreliable and may not be relied upon. In January 2021, the Acting Secretary of Education upheld the decision of the administrative law judge. In March 2021, we filed a complaint for declaratory judgment in federal court seeking to set aside the Acting Secretary's decision. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. We filed a lawsuit in federal court challenging the Acting Secretary's decision. On December 16, 2022, the court determined that ED failed to adequately assess our reliance upon the previously issued Dear Colleague letter, granted our Motion for Summary Judgment and ordered that the Acting Secretary's decision dated January 15, 2021 be vacated and remanded to ED for further proceedings. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company first established a reserve for this matter in 2014 and increased the reserve in 2020 in response to the decision by the Acting Secretary. We do not believe, at this time, that an adverse ruling upon remand will have a material effect on the Company as a whole.

Contingencies

In the ordinary course of business, we and our subsidiaries are defendants in or parties to pending and threatened legal actions and proceedings including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damage are asserted against us and our subsidiaries. We and our subsidiaries are also subject to potential unasserted claims by third parties.

In the ordinary course of business, we and our subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. In connection with formal and informal inquiries in these cases, we and our subsidiaries receive requests, subpoenas and orders for documents, testimony and information in connection with various aspects of our regulated activities.

We are required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves.

In view of the inherent difficulty of predicting the outcome of litigation and regulatory matters, we may not be able to predict what the eventual outcome of the pending matters will be, what the timing or the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties, if any, related to each pending matter may be.

Based on current knowledge, reserves have been established for certain litigation, regulatory matters, and unasserted contract claims where the loss is both probable and estimable. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our consolidated financial position, liquidity, results of operations or cash flows, except as otherwise disclosed.

13. Income Taxes

Reconciliations of the statutory U.S. federal income tax rates to our effective tax rate for continuing operations follow:

	Years Ended December 31,		
	2022	2021	2020
Statutory rate	21.0 %	21.0 %	21.0 %
Non-deductible regulatory-related expenses [(1)]	—	1.4	—
Unrecognized tax benefits, state, net of federal benefit	(1.3)	.2	.9
State tax, net of federal benefit	2.2	1.0	.7
Other, net	.1	(.2)	—
Effective tax rate	22.0 %	23.4 %	22.6 %

(1) Regulatory expenses for 2021 include $205 million related to the resolution of State Attorneys General litigation and investigations, of which approximately $50.7 million is non-deductible for income tax purposes. See "Note 12 – Commitments, Contingencies and Guarantees" for further discussion.

Income tax expense consists of:

	December 31,		
(Dollars in millions)	2022	2021	2020
Current provision/(benefit):			
Federal	$ (2)	$ 147	$ 98
State	(25)	19	14
Foreign	1	—	(1)
Total current provision/(benefit)	(26)	166	111
Deferred provision/(benefit):			
Federal	173	56	12
State	35	(3)	(3)
Foreign	—	—	—
Total deferred provision/(benefit)	208	53	9
Provision for income tax expense/(benefit)	$ 182	$ 219	$ 120

13. Income Taxes (Continued)

The tax effect of temporary differences that give rise to deferred tax assets and liabilities include the following:

(Dollars in millions)	December 31, 2022	December 31, 2021
Deferred tax assets:		
Loan reserves	$ 297	$ 381
Education loan premiums and discounts, net	41	40
Accrued expenses not currently deductible	33	49
Operating loss and credit carryovers	12	12
Stock-based compensation plans	5	5
Other	19	23
Total deferred tax assets	407	510
Deferred tax liabilities:		
Market value adjustments on education loans, investments and derivatives	201	30
Acquired intangible assets	22	18
Original issue discount on borrowings	13	12
Other	11	8
Total deferred tax liabilities	247	68
Net deferred tax assets	$ 160	$ 442

Included in operating loss and credit carryovers is a valuation allowance of $79 million and $69 million as of December 31, 2022 and 2021, respectively, against a portion of the Company's federal and state deferred tax assets. The valuation allowance is primarily attributable to deferred tax assets for federal and state net operating loss carryovers and state IRC § 163(j) disallowed interest expense carryovers that management believes it is more likely than not will expire prior to being realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income of the appropriate character (i.e. capital or ordinary) during the period in which the temporary differences become deductible. Factors generally considered by management include (but are not limited to): any changes in economic conditions, the scheduled reversals of deferred tax liabilities, and the history of positive taxable income in evaluating the realizability of the deferred tax assets.

The operating loss and credit carryovers consist of:

	December 31, 2022				
(Dollars in millions)	Gross	Tax-Effected	Expiration	Corresponding Valuation Allowance[1]	Operating Loss and Credit Carryovers
Federal operating loss carryovers	$ 38	$ 8	Begins in 2032	$ 1	$ 7
Federal credit carryovers		3	Begins in 2027	—	3
State operating loss carryovers	523	36	Begins in 2024	34	2
State IRC § 163(j) disallowed interest expense carryovers	2,586	44	Indefinite	44	—
		$ 91		$ 79	$ 12

(1) The valuation allowance attributable to deferred tax assets for federal and state net operating loss carryovers, and state IRC § 163(j) disallowed interest expense carryovers, are amounts that management believes more likely than not will expire prior to being realized.

13. Income Taxes (Continued)

Accounting for Uncertainty in Income Taxes

The following table summarizes changes in unrecognized tax benefits:

(Dollars in millions)	December 31, 2022	2021	2020
Unrecognized tax benefits at beginning of year	$ 58.8	$ 57.9	$ 53.6
Increases resulting from tax positions taken during a prior period	10.8	6.4	7.6
Decreases resulting from tax positions taken during a prior period	(18.6)	(4.2)	—
Increases resulting from tax positions taken during the current period	6.7	6.4	3.5
Decreases related to settlements with taxing authorities	(1.0)	(.3)	(.2)
Increases related to settlements with taxing authorities	—	—	—
Reductions related to the lapse of statute of limitations	(6.0)	(7.4)	(6.6)
Unrecognized tax benefits at end of year [(1)]	$ 50.7	$ 58.8	$ 57.9

(1) Included in the $50.7 million of gross unrecognized tax benefits at December 31, 2022 are $40.1 million of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate.

The Company or one of its subsidiaries files income tax returns at the U.S. federal level, in most U.S. states, and various foreign jurisdictions. All periods prior to 2019 are closed for federal examinations purposes. Various combinations of subsidiaries, tax years, and jurisdictions remain open for review, subject to statute of limitations periods (typically 3 to 4 prior years). We do not expect the resolution of open audits to have a material impact on our unrecognized tax benefits.

14. Revenue from Contracts with Customers Accounted for in Accordance with ASC 606

The following tables illustrate the disaggregation of revenue from contracts accounted for under ASC 606 with customers according to service type and client type by reportable operating segment.

Revenue by Service Type

	Years Ended December 31, 2022			2021			2020		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal Education Loan asset recovery services	$ 2	$ —	$ 2	$ 19	$ —	$ 19	$ 84	$ —	$ 84
Government services	—	187	187	—	258	258	—	191	191
Healthcare services	—	143	143	—	230	230	—	113	113
Total	$ 2	$ 330	$ 332	$ 19	$ 488	$ 507	$ 84	$ 304	$ 388

Revenue by Client Type

	Years Ended December 31, 2022			2021			2020		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal government	$ —	$ 8	$ 8	$ 1	$ 20	$ 21	$ 44	$ 18	$ 62
Guarantor agencies	2	—	2	18	—	18	38	—	38
Other institutions	—	—	—	—	—	—	2	—	2
State and local government	—	116	116	—	183	183	—	122	122
Tolling authorities	—	63	63	—	55	55	—	51	51
Hospitals and other healthcare providers	—	143	143	—	230	230	—	113	113
Total	2	330	332	19	488	507	84	304	388

As of December 31, 2022, 2021, and 2020 there was $67 million, $82 million, and $90 million, respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

15. Segment Reporting

We monitor and assess our ongoing operations and results based on the following four reportable operating segments: Federal Education Loans, Consumer Lending, Business Processing and Other.

These segments meet the quantitative thresholds for reportable operating segments. Accordingly, the results of operations of these reportable operating segments are presented separately. The underlying operating segments are used by the Company's chief operating decision maker to manage the business, review operating performance and allocate resources, and qualify to be aggregated as part of the primary reportable operating segments. As discussed further below, we measure the profitability of our operating segments based on Core Earnings net income. Accordingly, information regarding our reportable operating segments net income is provided on a Core Earnings basis.

Federal Education Loans Segment

Navient owns FFELP Loans and performs servicing on this portfolio. We also service FFELP Loans owned by other institutions. Our servicing quality, data-driven strategies and omnichannel education about federal repayment options translate into positive results for the millions of borrowers we serve. We generate revenue primarily through net interest income on our FFELP Loans and servicing-related fee income.

The following table includes asset information for our Federal Education Loans segment.

	December 31,	
(Dollars in millions)	**2022**	**2021**
FFELP Loans, net	$ 43,525	$ 52,641
Cash and investments[1]	2,746	2,071
Other	2,229	2,183
Total assets	$ 48,500	$ 56,895

(1) Includes restricted cash and investments.

Consumer Lending Segment

Navient owns, originates and services in-school and refinance Private Education Loans. "In-school" Private Education Loans are loans originally made to borrowers while they are attending school whereas "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

Navient helps students and families through the going-to and paying-for-college journey. Our digital tools empower people to find grants and scholarships, compare financial aid offers and complete the FAFSA. Our Private Education Loans offer easy-to-understand payment options. After graduation, we offer student loan refinancing to help people simplify their repayment and earn a better rate. We believe our 50 years of experience, product design, digital marketing strategies, and origination and servicing platform provide a unique competitive advantage.

The following table includes asset information for our Consumer Lending segment.

	December 31,	
(Dollars in millions)	**2022**	**2021**
Private Education Loans, net	$ 18,725	$ 20,171
Cash and investments[1]	617	824
Other	453	815
Total assets	$ 19,795	$ 21,810

(1) Includes restricted cash and investments.

15. Segment Reporting (Continued)

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. We leverage the same expertise and intelligent tools we use to deliver successful results for portfolios we own. Our support enables our clients to ensure better constituent outcomes, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities. Our clients include:

- **Government:** We offer our solutions to federal agencies, state governments, tolling and parking authorities, other public sector clients.
- **Healthcare:** Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

At December 31, 2022 and 2021, the Business Processing segment had total assets of $390 million and $397 million, respectively.

Other Segment

This segment consists of our corporate liquidity portfolio, gains and losses incurred on the repurchase of debt, unallocated expenses of shared services (which includes regulatory expenses) and restructuring/other reorganization expenses.

Unallocated shared services expenses are comprised of costs primarily related to information technology costs related to infrastructure and operations, stock-based compensation expense, accounting, finance, legal, compliance and risk management, regulatory-related expenses, human resources, certain executive management and the board of directors. Regulatory-related expenses include actual settlement amounts as well as third-party professional fees we incur in connection with such regulatory matters and are presented net of any insurance reimbursements for covered costs related to such matters.

At December 31, 2022 and 2021, the Other segment had total assets of $2.1 billion and $1.5 billion, respectively.

15. Segment Reporting (Continued)

Measure of Profitability

We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings. We provide this Core Earnings basis of presentation on a consolidated basis and for each business segment because this is what we review internally when making management decisions regarding our performance and how we allocate resources. We also refer to this information in our presentations with credit rating agencies, lenders and investors. Because our Core Earnings basis of presentation corresponds to our segment financial presentations, we are required by GAAP to provide Core Earnings disclosure in the notes to our consolidated financial statements for our business segments.

Core Earnings are not a substitute for reported results under GAAP. We use Core Earnings to manage our business segments because Core Earnings reflect adjustments to GAAP financial results for two items, discussed below, that can create significant volatility mostly due to timing factors generally beyond the control of management. Accordingly, we believe that Core Earnings provide management with a useful basis from which to better evaluate results from ongoing operations against the business plan or against results from prior periods. Consequently, we disclose this information because we believe it provides investors with additional information regarding the operational and performance indicators that are most closely assessed by management. When compared to GAAP results, the two items we remove to result in our Core Earnings presentations are:

1. Mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness; and
2. The accounting for goodwill and acquired intangible assets.

While GAAP provides a uniform, comprehensive basis of accounting, for the reasons described above, our Core Earnings basis of presentation does not. Core Earnings are subject to certain general and specific limitations that investors should carefully consider. For example, there is no comprehensive, authoritative guidance for management reporting. Our Core Earnings are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Accordingly, our Core Earnings presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not be able to compare our performance with that of other financial services companies based upon Core Earnings. Core Earnings results are only meant to supplement GAAP results by providing additional information regarding the operational and performance indicators that are most closely used by management, our board of directors, credit rating agencies, lenders and investors to assess performance.

15. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

	Year Ended December 31, 2022								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 1,955	$ 1,195	$ —	$ —	$ 3,150	$ 23	$ (12)	$ 11	$ 3,161
Cash and investments	32	10	—	20	62	—	—	—	62
Total interest income	1,987	1,205	—	20	3,212	23	(12)	11	3,223
Total interest expense	1,468	611	—	107	2,186	8	(92)	(84)	2,102
Net interest income (loss)	519	594	—	(87)	1,026	15	80	95	1,121
Less: provisions for loan losses	—	79	—	—	79	—	—	—	79
Net interest income (loss) after provisions for loan losses	519	515	—	(87)	947	15	80	95	1,042
Other income (loss):									
Servicing revenue	65	12	—	—	77	—	—	—	77
Asset recovery and business processing revenue	6	—	330	—	336	—	—	—	336
Other income (loss)	31	1	—	—	32	(15)	186	171	203
Total other income (loss)	102	13	330	—	445	(15)	186	171	616
Expenses:									
Direct operating expenses	106	148	280	—	534	—	—	—	534
Unallocated shared services expenses	—	—	—	242	242	—	—	—	242
Operating expenses	106	148	280	242	776	—	—	—	776
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	19	19	19
Restructuring/other reorganization expenses	—	—	—	36	36	—	—	—	36
Total expenses	106	148	280	278	812	—	19	19	831
Income (loss) before income tax expense (benefit)	515	380	50	(365)	580	—	247	247	827
Income tax expense (benefit)[2]	108	80	10	(76)	122	—	60	60	182
Net income (loss)	$ 407	$ 300	$ 40	$ (289)	$ 458	$ —	$ 187	$ 187	$ 645

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2022		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 95	$ —	$ 95
Total other income (loss)	171	—	171
Goodwill and acquired intangible asset impairment and amortization	—	19	19
Total Core Earnings adjustments to GAAP	$ 266	$ (19)	247
Income tax expense (benefit)			60
Net income (loss)			$ 187

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

15. Segment Reporting (Continued)

	Year Ended December 31, 2021								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 1,405	$ 1,181	$ —	$ —	$ 2,586	$ 98	$ (39)	$ 59	$ 2,645
Cash and investments	—	2	—	1	3	—	—	—	3
Total interest income	1,405	1,183	—	1	2,589	98	(39)	59	2,648
Total interest expense	830	541	—	70	1,441	(8)	(117)	(125)	1,316
Net interest income (loss)	575	642	—	(69)	1,148	106	78	184	1,332
Less: provisions for loan losses	—	(61)	—	—	(61)	—	—	—	(61)
Net interest income (loss) after provisions for loan losses	575	703	—	(69)	1,209	106	78	184	1,393
Other income (loss):						—			
Servicing revenue	162	6	—	—	168	—	—	—	168
Asset recovery and business processing revenue	51	—	488	—	539	—	—	—	539
Other income (loss)	25	—	—	5	30	(93)	157	64	94
Gains on sales of loans	—	91	—	—	91	(13)	—	(13)	78
Losses on debt repurchases	—	—	—	(73)	(73)	—	—	—	(73)
Total other income (loss)	238	97	488	(68)	755	(106)	157	51	806
Expenses:						—			
Direct operating expenses	223	162	360	—	745	—	—	—	745
Unallocated shared services expenses	—	—	—	462	462	—	—	—	462
Operating expenses	223	162	360	462	1,207	—	—	—	1,207
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	30	30	30
Restructuring/other reorganization expenses	—	—	—	26	26	—	—	—	26
Total expenses	223	162	360	488	1,233	—	30	30	1,263
Income (loss) before income tax expense (benefit)	590	638	128	(625)	731	—	205	205	936
Income tax expense (benefit)[2]	136	146	29	(131)	180	—	39	39	219
Net income (loss)	$ 454	$ 492	$ 99	$ (494)	$ 551	$ —	$ 166	$ 166	$ 717

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ 184	$ —	$ 184
Total other income (loss)	51	—	51
Goodwill and acquired intangible asset impairment and amortization	—	30	30
Total Core Earnings adjustments to GAAP	$ 235	$ (30)	205
Income tax expense (benefit)			39
Net income (loss)			$ 166

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

15. Segment Reporting (Continued)

	Year Ended December 31, 2020								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 1,813	$ 1,445	$ —	$ —	$ 3,258	$ 79	$ (55)	$ 24	$ 3,282
Cash and investments	7	3	—	6	16	—	—	—	16
Total interest income	1,820	1,448	—	6	3,274	79	(55)	24	3,298
Total interest expense	1,194	699	—	120	2,013	39	(6)	33	2,046
Net interest income (loss)	626	749	—	(114)	1,261	40	(49)	(9)	1,252
Less: provisions for loan losses	13	142	—	—	155	—	—	—	155
Net interest income (loss) after provisions for loan losses	613	607	—	(114)	1,106	40	(49)	(9)	1,097
Other income (loss):									
Servicing revenue	208	6	—	—	214	—	—	—	214
Asset recovery and business processing revenue	154	—	304	—	458	—	—	—	458
Other income (loss)	9	—	—	11	20	(40)	(216)	(256)	(236)
Losses on debt repurchases	—	—	—	(6)	(6)	—	—	—	(6)
Total other income (loss)	371	6	304	5	686	(40)	(216)	(256)	430
Expenses:									
Direct operating expenses	287	146	254	—	687	—	—	—	687
Unallocated shared services expenses	—	—	—	277	277	—	—	—	277
Operating expenses	287	146	254	277	964	—	—	—	964
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	22	22	22
Restructuring/other reorganization expenses	—	—	—	9	9	—	—	—	9
Total expenses	287	146	254	286	973	—	22	22	995
Income (loss) before income tax expense (benefit)	697	467	50	(395)	819	—	(287)	(287)	532
Income tax expense (benefit)[2]	160	107	11	(90)	188	—	(68)	(68)	120
Net income (loss)	$ 537	$ 360	$ 39	$ (305)	$ 631	$ —	$ (219)	$ (219)	$ 412

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2020		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ (9)	$ —	$ (9)
Total other income (loss)	(256)	—	(256)
Goodwill and acquired intangible asset impairment and amortization	—	22	22
Total Core Earnings adjustments to GAAP	$ (265)	$ (22)	(287)
Income tax expense (benefit)			(68)
Net income (loss)			$ (219)

(2) Income taxes are based on a percentage of net income before tax for the individual reportable segment.

15. Segment Reporting (Continued)

Summary of Core Earnings Adjustments to GAAP

(Dollars in millions)	Years Ended December 31, 2022	2021	2020
Core Earnings net income	$ 458	$ 551	$ 631
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting[1]	266	235	(265)
Net impact of goodwill and acquired intangible assets[2]	(19)	(30)	(22)
Net income tax effect[3]	(60)	(39)	68
Total Core Earnings adjustments to GAAP	187	166	(219)
GAAP net income	$ 645	$ 717	$ 412

(1) **Derivative accounting:** Core Earnings exclude periodic gains and losses that are caused by the mark-to-market valuations on derivatives that do not qualify for hedge accounting treatment under GAAP as well as the periodic mark-to-market gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP. Under GAAP, for our derivatives that are held to maturity, the mark-to-market gain or loss over the life of the contract will equal $0 except for Floor Income Contracts where the mark-to-market gain will equal the amount for which we sold the contract. In our Core Earnings presentation, we recognize the economic effect of these hedges, which generally results in any net settlement cash paid or received being recognized ratably as an interest expense or revenue over the hedged item's life.

(2) **Goodwill and acquired intangible assets:** Our Core Earnings exclude goodwill and intangible asset impairment and amortization of acquired intangible assets.

(3) **Net tax effect:** Such tax effect is based upon our Core Earnings effective tax rate for the year.

APPENDIX A

DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Federal Family Education Loan Program (FFELP) was authorized under Title IV of the Higher Education Act (HEA). No new FFELP loans were authorized to be made after July 1, 2010. The terms and conditions of existing FFELP loans continue to be governed by the HEA statute, implementing regulations, and guidance from the Department of Education (ED).

This appendix describes or summarizes the material provisions of HEA's Title IV, the FFELP and related statutes and regulations, in place as of December 31, 2022. It, however, is not complete and is qualified in its entirety by reference to each actual statute and regulation. Both the HEA and the related regulations have been the subject of extensive amendments over the years. We cannot predict whether future amendments or modifications might materially change any of the programs described in this appendix or the statutes and regulations that implement them.

General

The FFELP provided for loans to students who were enrolled in eligible institutions, or to parents of dependent students who were enrolled in eligible institutions, to finance their educational costs. As further described below, payment of principal and interest on the education loans is insured by a state or not-for-profit guaranty agency against:

- default of the borrower;
- the death, bankruptcy or permanent, total disability of the borrower;
- closing of the borrower's school prior to the end of the academic period;
- false certification of the borrower's eligibility for the loan by the school; and
- an unpaid school refund.

Claims are paid from federal assets, known as "federal student loan reserve funds," which are federal assets but are maintained and administered by state and not-for-profit guaranty agencies. In addition, the holders of education loans are entitled to receive interest subsidy payments and special allowance payments from ED on eligible education loans.

Special allowance payments raise the yield to education loan lenders when the statutory borrower interest rate is below an indexed market value.

Four types of education loans were authorized under the HEA:

- Subsidized Stafford Loans to students who demonstrated requisite financial need;
- Unsubsidized Stafford Loans to students who either did not demonstrate financial need or required additional loans to supplement their Subsidized Stafford Loans;
- Federal PLUS Loans to graduate or professional students (effective July 1, 2006) or parents of dependent students whose estimated costs of attending school exceed other available financial aid; and
- Consolidation Loans, which consolidated into a single loan a borrower's obligations under various federally authorized education loan programs.

Before July 1, 1994, the HEA also authorized loans called "Supplemental Loans to Students" or "SLS Loans" to independent students and, under some circumstances, dependent undergraduate students, to supplement their Subsidized Stafford Loans. The Unsubsidized Stafford Loan program replaced the SLS program.

Special Allowance Payments

HEA provides for quarterly special allowance payments to be made by ED to holders of education loans to the extent necessary to ensure that they receive at least specified market interest rates of return. The rates for special allowance payments depend on statutory formulas that vary according to the type of loan, the date the loan was made and the type of funds, tax-exempt or taxable, used to finance the loan. ED makes a special allowance payment for each calendar quarter, generally within 45 to 60 days after the receipt of a bill from the lender.

The special allowance payment equals the average unpaid principal balance, including interest which has been capitalized, of all eligible loans held by a holder during the quarterly period multiplied by the special allowance percentage.

For education loans disbursed prior to April 1, 2006, if the special allowance formula is below the borrower rate, the special allowance payment is zero. For education loans disbursed on or after April 1, 2006, lenders are required to pay ED any interest paid by borrowers on education loans that exceeds the special allowance support levels applicable to such loans.

Consolidation Loan Fees

Loan Rebate Fee. A loan rebate fee of 1.05% is paid annually on the unpaid principal and interest of each Consolidation Loan disbursed on or after October 1, 1993.

Stafford Loan Program

For Stafford Loans, the HEA provided for:

federal reimbursement of Stafford Loans made by eligible lenders to qualified students;

federal interest subsidy payments on Subsidized Stafford Loans paid by ED to holders of the loans in lieu of the borrowers' making interest payments during in-school, grace and deferment periods or, in certain cases, during enrollment in an income-based repayment plan; and

special allowance payments representing an additional subsidy paid by ED to the holders of eligible Stafford Loans.

We refer to all three types of assistance as "federal assistance."

Interest. The borrower's interest rate on a Stafford Loan can be fixed or variable, depending on the academic year in which the loan was disbursed.

Interest Subsidy Payments. ED is responsible for paying interest on Subsidized Stafford Loans:

- while the borrower is a qualified student,
- during the grace period,
- during prescribed deferment periods, and
- in certain cases, during a borrower's enrollment in an income-based repayment plan.

ED makes quarterly interest subsidy payments to the owner of a Subsidized Stafford Loan in an amount equal to the interest that accrues on the unpaid balance of that loan before repayment begins or during any deferment periods. ED also makes quarterly interest subsidy payments to the owner of a Subsidized Stafford Loan in an amount equal to the unpaid interest payable during up to three consecutive calendar years of a period of financial hardship during enrollment in an income-based repayment plan. The HEA provides that the owner of an eligible Subsidized Stafford Loan has a contractual right against the United States to receive interest subsidy and special allowance payments. However, receipt of interest subsidy and special allowance payments is conditioned on compliance with the requirements of the HEA, including the following:

- satisfaction of need criteria, and
- continued eligibility of the loan for federal insurance or reinsurance.

If the loan is not held by an eligible lender in accordance with the requirements of the HEA and the applicable guarantee agreement, the loan may lose its eligibility for federal assistance.

Lenders generally receive interest subsidy payments within 45 days to 60 days after the submission of the applicable data for any given calendar quarter to ED. However, there can be no assurance that payments will, in fact, be received from ED within that period.

Repayment. Repayment of principal on a Stafford Loan does not begin while the borrower remains a qualified student, but only after a 6-month grace period. In general, each loan must be scheduled for repayment over a period of not more than 10 years after repayment begins. New borrowers on or after October 7, 1998 who accumulated FFELP loans totaling more than $30,000 in principal and unpaid interest are entitled to extend repayment for up to 25 years, subject to minimum repayment amounts. Consolidation Loan borrowers may be scheduled for repayment up to 30 years depending on the borrower's indebtedness. Outlined in the table below are the maximum repayment periods available based on the outstanding FFELP indebtedness.

Outstanding FFELP Indebtedness	Maximum Consolidation Loan Repayment Period
$7,500-$9,999	12 Years
$10,000-$19,999	15 Years
$20,000-$39,999	20 Years
$40,000-$59,999	25 Years
$60,000 or more	30 Years

Note: Maximum repayment period excludes authorized periods of deferment and forbearance.

In addition to the outstanding FFELP indebtedness requirements described above, the HEA currently requires minimum annual payments of $600, unless the borrower and the lender agree to lower payments, except that negative amortization is not allowed, except for loans paid under an income-based repayment plan. The HEA and related regulations require lenders to offer a choice among standard, graduated, income-sensitive, income-based, and extended repayment schedules, if applicable, to all borrowers entering repayment. For borrowers in income-based repayment, ED repays or cancels any outstanding principal and interest under certain criteria after 25 years of qualified payments.

Grace Periods, Deferment Periods and Forbearance Periods. After the borrower stops pursuing at least a half-time course of study, the borrower generally must begin to repay principal of a Stafford Loan following the grace period. However, no principal repayments need be made, subject to some conditions, during deferment and forbearance periods.

For borrowers whose first loans are disbursed on or after July 1, 1993, repayment of principal may be deferred while the borrower returns to school at least half-time. Additional deferments are available, when the borrower is:

- enrolled in an approved graduate fellowship program or rehabilitation program;
- seeking, but unable to find, full-time employment, subject to a maximum deferment of three years; or
- having an economic hardship, as defined in the HEA, subject to a maximum deferment of three years; or
- serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency.
- receiving cancer treatment (for loans that entered repayment on or before September 28, 2018 for periods of treatment that occur on or after September 28, 2018).

The HEA also permits, and in some cases requires, "forbearance" periods from loan collection in some circumstances. Interest that accrues during a forbearance period is never subsidized. When a borrower ends forbearance and enters repayment, the account is considered current. When a borrower exits grace, deferment or forbearance, any interest that has not been subsidized is generally capitalized and added to the outstanding principal amount.

PLUS and SLS Loan Programs

The HEA authorized PLUS Loans to be made to parents of eligible dependent students and graduate and professional students and originally authorized SLS Loans to be made to the categories of students later served by the Unsubsidized Stafford Loan program. Borrowers who had no adverse credit history or who were able to secure an endorser without an adverse credit history were eligible for PLUS Loans, as well as some borrowers with extenuating circumstances. The basic provisions applicable to PLUS and SLS Loans are similar to those of Stafford Loans for federal insurance and reinsurance. However, interest subsidy payments are not available under the PLUS and SLS programs and, in some instances, special allowance payments are more restricted.

Interest. The interest rates for PLUS Loans and SLS Loans depend on the year in which the loans were disbursed.

Repayment; Deferments. Borrowers begin to repay principal on their PLUS and SLS Loans no later than 60 days after the final disbursement, unless they use deferment available for the in-school period and the six-month post enrollment period. Deferment and forbearance provisions, maximum loan repayment periods, repayment plans and minimum payment amounts for PLUS and SLS loans are generally the same as those for Stafford Loans, although income-based repayment is not available for parents borrowing under the PLUS program.

Consolidation Loan Program

Prior to July 1, 2010, HEA authorized a program under which borrowers could consolidate one or more of their education loans into a single Consolidation Loan that is insured and reinsured on a basis similar to Stafford and PLUS Loans. Consolidation Loans were made in an amount sufficient to pay outstanding principal, unpaid interest, late charges and collection costs on all federally reinsured education loans incurred under the FFELP that the borrower selects for consolidation, as well as loans made under various other federal education loan programs and loans made by different lenders. In general, a borrower's eligibility to consolidate federal education loans ends upon receipt of a Consolidation Loan. With the end of new FFELP originations, borrowers with multiple loans, including FFELP loans, may only consolidate their loans under the FDLP.
Consolidation Loans generally bear interest at a fixed rate equal to the weighted average of the interest rates on the unpaid principal balances of the consolidated loans rounded up to the nearest 1/8th of a %, subject to interest rate caps depending on the year in which the consolidation loan was disbursed. Between November 13, 1997 and September 30, 1998 interest rates were variable.

Guaranty Agencies under the FFELP

Under the FFELP, guaranty agencies guarantee loans made by eligible lending institutions, paying claims from "federal student loan reserve funds." The rate of reimbursement depends on the type of claim (death, disability, or default) and can range from 97% to 100%.

These loans are guaranteed as to 100% of principal and accrued interest against death or discharge.

To be eligible for federal reinsurance, FFELP loans must meet HEA requirements and its regulations. Generally, these regulations require that holders must establish repayment terms with the borrower, properly administer deferments and forbearances, credit the borrower for payments made, and report the loan's status to credit reporting agencies. If a borrower becomes delinquent in repaying a loan, a lender must perform collection procedures that vary depending upon the length of time a loan is delinquent. The collection procedures consist of telephone calls, demand letters, skip tracing procedures and requesting assistance from the guaranty agency.

A lender may submit a default claim to the guaranty agency after the related education loan has been delinquent for at least 270 days. The guaranty agency must review and pay the claim within 90 days after the lender filed it. The guaranty agency will pay the lender interest accrued on the loan for up to 450 days after delinquency. The guaranty agency must file a reimbursement claim with ED within 30 days after the guaranty agency paid the lender for the default claim. Following payment of claims, the guaranty agency endeavors to collect the loan. Guaranty agencies also must meet statutory and regulatory requirements for collecting loans.

Education Loan Discharges

FFELP loans are not generally dischargeable in bankruptcy. Under the United States Bankruptcy Code, before an education loan may be discharged, the borrower must demonstrate that repaying it would cause the borrower or his family undue hardship. When a FFELP borrower files for bankruptcy, collection of the loan is suspended during the time of the proceeding. If the borrower files under the "wage earner" provisions of the United States Bankruptcy Code or files a petition for discharge on the grounds of undue hardship, then the lender transfers the loan to the guaranty agency which guaranteed that loan and that agency then participates in the bankruptcy proceeding. When the proceeding is complete, unless there was a finding of undue hardship, the loan is transferred back to the lender and collection resumes.

Education loans are discharged if the borrower dies or becomes totally and permanently disabled. If a school closes while a student is enrolled, or within 120 days after the student withdrew, loans made for that enrollment period are discharged. If a school falsely certifies that a borrower is eligible for the loan, the loan may be discharged, and if a school fails to make a refund to which a student is entitled, the loan is discharged to the extent of the unpaid refund. Effective July 1, 2006, a loan is also eligible for discharge if it is determined that the borrower's eligibility for the loan was falsely certified as a result of a crime of identity theft.

Rehabilitation of Defaulted Loans

ED is authorized to enter into agreements with a guaranty agency under which such guaranty agency may sell defaulted loans that are eligible for rehabilitation to an eligible lender. For a loan to be eligible for rehabilitation the related guaranty agency must have received reasonable and affordable payments originally for 12 months which was reduced to 9 payments in 10 months effective July 1, 2006, and then the borrower may request that the loan be rehabilitated. Because monthly payments may be greater after rehabilitation, not all borrowers opt for rehabilitation. Upon rehabilitation, a borrower is again eligible for all the benefits under the HEA for which the borrower is not eligible as a borrower on a defaulted loan, such as new federal aid, and the negative credit record of default is expunged. No education loan may be rehabilitated more than once.

Department of Education Oversight

If ED determines that a guaranty agency is unable to meet its insurance obligations, the holders of loans insured by that guaranty agency may submit claims directly to ED and ED is required to pay the full reimbursement amounts due, in accordance with claim processing standards no more stringent than those applied by the affected guaranty agency. However, ED's obligation to pay guarantee claims directly in this fashion is contingent upon ED determining a guaranty agency is unable to meet its obligations. While there have been situations where ED has made such determinations regarding affected guaranty agencies, there can be no assurances as to whether ED must make such determinations in the future or whether payments of reimbursement amounts would be made in a timely manner.

APPENDIX B

FORM 10-K CROSS-REFERENCE INDEX

(a) Reference is made to the financial statements listed under the heading “(a) 1. Financial Statements” of Item 15 hereof, which financial statements are incorporated by reference in response to this Item 8.

GLOSSARY

Listed below are definitions of key terms that are used throughout this document. See also Appendix A "Description of Federal Family Education Loan Program" for a further discussion of the FFELP.

Constant Prepayment Rate (CPR) — A variable in life-of-loan estimates that measures the rate at which loans in the portfolio prepay before their stated maturity. The CPR is directly correlated to the average life of the portfolio. CPR equals the percentage of loans that prepay annually as a percentage of the beginning of period balance.

ED — The U.S. Department of Education.

FFELP — The Federal Family Education Loan Program, formerly the Guaranteed Education Loan Program, a program that was discontinued in 2010.

FFELP Consolidation Loans — Under the FFELP, borrowers with multiple eligible education loans may have consolidated them into a single education loan with one lender at a fixed rate for the life of the loan. The new loan is considered a FFELP Consolidation Loan. The borrower rate on a FFELP Consolidation Loan is generally fixed for the term of the loan and was set by the weighted average interest rate of the loans being consolidated, rounded up to the nearest 1/8th of a percent, not to exceed 8.25%. Before October 1, 1998, maximum loan rates could have exceeded 8.25%. Between November 13, 1997 and September 30, 1998, interest rates were variable. Holders of FFELP Consolidation Loans are eligible to earn interest under the Special Allowance Payment (SAP) formula. In April 2008, we suspended originating new FFELP Consolidation Loans.

FFELP Stafford Loans — Education loans to students or parents of students that are guaranteed or reinsured under the FFELP. The loans are primarily Stafford loans but also include PLUS, SLS, Consolidation and HEAL loans. The FFELP was discontinued in 2010.

Fixed Rate Floor Income — Fixed Rate Floor Income is Floor Income associated with education loans with borrower rates that are fixed to term (primarily FFELP Consolidation Loans).

Floor Income — For loans disbursed before April 1, 2006, FFELP Loans generally earn interest at the higher of either the borrower rate, which is fixed over a period of time, or a floating rate based on the SAP formula. We generally finance our education loan portfolio with floating rate debt whose interest is matched closely to the floating nature of the applicable SAP formula. If interest rates decline to a level at which the borrower rate exceeds the SAP formula rate, we continue to earn interest on the loan at the fixed borrower rate while the floating rate interest on our debt continues to decline. In these interest rate environments, we refer to the additional spread it earns between the fixed borrower rate and the SAP formula rate as Floor Income. Depending on the type of education loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time, and for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date. In accordance with legislation enacted in 2006, lenders are required to rebate Floor Income to ED for all FFELP Loans disbursed on or after April 1, 2006.

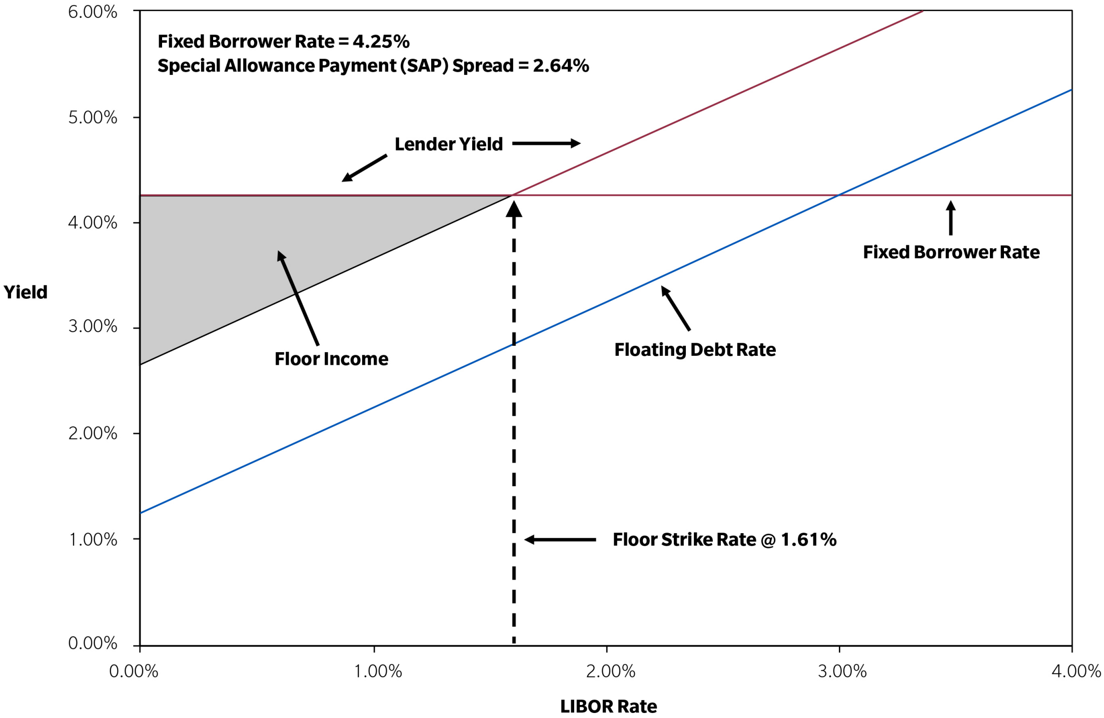
The following example shows the mechanics of Floor Income for a typical fixed rate FFELP Consolidation Loan (with a LIBOR-based SAP spread of 2.64%):

Fixed Borrower Rate	4.25 %
SAP Spread over LIBOR	(2.64)
Floor Strike Rate(1)	1.61 %

(1) The interest rate at which the underlying index (LIBOR, Treasury bill or commercial paper) plus the fixed SAP spread equals the fixed borrower rate. Floor Income is earned anytime the interest rate of the underlying index declines below this rate.

Based on this example, if the quarterly average LIBOR rate is over 1.61%, the holder of the education loan will earn at a floating rate based on the SAP formula, which in this example is a fixed spread to LIBOR of 2.64%. On the other hand, if the quarterly average LIBOR rate is below 1.61%, the SAP formula will produce a rate below the fixed borrower rate of 4.25% and the loan holder earns at the borrower rate of 4.25%.

Graphic Depiction of Floor Income:



Floor Income Contracts — We enter into contracts with counterparties under which, in exchange for an upfront contractual payment representing the present value of the Floor Income that we expect to earn on a notional amount of underlying education loans being economically hedged, we will pay the counterparties the Floor Income earned on that notional amount over the life of the Floor Income Contract. Specifically, we agree to pay the counterparty the difference, if positive, between the fixed borrower rate less the SAP spread and the average of the applicable interest rate index on that notional amount, regardless of the actual balance of underlying education loans, over the life of the contract. The contracts generally do not extend over the life of the underlying education loans. This contract effectively locks in the amount of Floor Income we will earn over the period of the contract. Floor Income Contracts are not considered effective hedges under ASC 815, "Derivatives and Hedging," and each quarter we must record the change in fair value of these contracts through income.

Guarantor(s) — State agencies or non-profit companies that guarantee (or insure) FFELP Loans made by eligible lenders under The Higher Education Act of 1965 (HEA), as amended.

HCERA — The Health Care and Education Reconciliation Act of 2010.

Private Education Loans — Education loans to students or their families that bear the full credit risk of the customer and any cosigner. Private Education Loans are made primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans or students' and families' resources. Private Education Loans include loans for higher education (undergraduate and graduate degrees) and for alternative education, such as career training, private kindergarten through secondary education schools and tutorial schools. Certain higher education loans have repayment terms similar to FFELP Loans, whereby repayments begin after the borrower leaves school while others require repayment of interest or a fixed pay amount while the borrower is still in school. Our higher education Private Education Loans are not dischargeable in bankruptcy, except in certain limited circumstances. Navient owns, originates and services refinance and in-school Private Education Loans.

"Refinance" Private Education Loans are education loans made to certain customers that have simplified their payments by consolidating private and/or federal education loans into a single Private Education Loan. These loans are expected to have low default rates as a result of a number of factors including high FICO scores, employment record and educational history.

"In-school" Private Education Loans are loans originally made to borrowers while they are attending school.

Repayment Borrower Benefits — Financial incentives offered to borrowers based on pre-determined qualifying factors, which are generally tied directly to making on-time monthly payments. The impact of Repayment Borrower Benefits is dependent on the estimate of the number of borrowers who will eventually qualify for these benefits and the amount of the financial benefit offered to the borrower.

Residual Interest — When we securitize education loans, we retain the right to receive cash flows from the education loans sold to trusts that we sponsor in excess of amounts needed to pay derivative costs (if any), other fees, and the principal and interest on the bonds backed by the education loans.

Risk Sharing — When a FFELP Loan first disbursed on and after July 1, 2006 defaults, the federal government guarantees 97% of the principal balance plus accrued interest (98% on loans disbursed on and after October 1, 1993 and before July 1, 2006) and the holder of the loan is at risk for the remaining amount not guaranteed as a Risk Sharing loss on the loan. FFELP Loans originated after October 1, 1993 are subject to Risk Sharing on loan default claim payments unless the default results from the borrower's death, disability, bankruptcy, closed school or false certification.

Variable Rate Floor Income — Variable Rate Floor Income is Floor Income that is earned only through the next date at which the borrower interest rate is reset to a market rate. For FFELP Stafford Loans whose borrower interest rate resets annually on July 1, we may earn Floor Income based on a calculation of the difference between the borrower rate and the then current interest rate.

Exhibit 4.1

**DESCRIPTION OF SECURITIES
REGISTERED PURSUANT TO SECTION 12 OF
THE SECURITIES EXCHANGE ACT OF 1934**

The following summary describes our common stock, par value $0.01 per share, of Navient Corporation, Preferred Stock, par value $0.20 per share, Debt Securities which are registered pursuant to Section 12 of the Securities Exchange Act of 1934. In this summary, the terms “we” and “our” refer to Navient Corporation and its consolidated subsidiaries, unless the context requires otherwise.

DESCRIPTION OF CAPITAL STOCK

Under our amended and restated certificate of incorporation, our authorized capital stock is 1,125,000,000 shares of common stock, $0.01 par value, and 20,000,000 shares of preferred stock, $0.20 par value.

Common Stock

Navient’s authorized capital stock consists of 1,125,000,000 shares of common stock, par value $0.01 per share, and 20 million shares of preferred stock, par value $0.020 per share, all of which shares of preferred stock are undesignated. Navient’s board of directors may authorize the issuance of one or more series of preferred stock and establish, among other things, the rights, preferences and privileges of any such series of preferred stock from time to time without stockholder approval

Each holder of Navient common stock is entitled to one vote for each share on all matters to be voted upon by the common stockholders, and there are no cumulative voting rights. Holders of Navient common stock are not be entitled to vote on any amendment to our amended and restated certificate of incorporation that relates solely to the terms of one or more outstanding series of preferred stock if the holders of such affected series of preferred stock are entitled, either separately or together as a class with the holders of one or more other series of preferred stock, to vote on such amendment pursuant to our amended and restated certificate of incorporation or the General Corporation Law of the State of Delaware (the DGCL).

Subject to any preferential rights of the holders of any outstanding preferred stock, holders of Navient common stock are entitled to receive ratably the dividends, if any, as may be declared from time to time by its board of directors out of funds legally available for that purpose. If there is a liquidation, dissolution or winding up of Navient, holders of its common stock are entitled to share ratably in its assets legally available for distribution after the payment or provision in full of all liabilities and any preferential rights of the holders of any then outstanding preferred stock.

Holders of Navient common stock have no preemptive or conversion rights or other subscription rights, and there are no redemption or sinking fund provisions applicable to shares of Navient common stock. Upon the distribution, all outstanding shares of Navient common stock will be fully paid and non-assessable. The rights, preferences and privileges of the holders of Navient common stock are subject to, and may be adversely affected by, the rights of the holders of shares of any series of preferred stock that Navient may authorize and issue in the future.

Preferred Stock

Under the terms of Navient’s amended and restated certificate of incorporation, its board of directors, or any duly authorized committee thereof, is authorized to issue up to 20 million shares of preferred stock in one or more series without further action by the holders of its common stock. Subject to the limitations prescribed by the DGCL and by Navient’s amended and restated certificate of incorporation, Navient’s board of directors, or any duly authorized committee thereof, may establish the powers, designations, preferences and relative, participating, optional or other rights, and the qualifications, limitations or restrictions thereof, of each such series of preferred stock including voting rights, dividend rights, conversion rights, redemption privileges and liquidation preferences of each such series.

Anti-Takeover Effects of Various Provisions of Delaware Law and Navient’s Amended and Restated Certificate of Incorporation and Amended and Restated By-laws

Provisions of the DGCL and Navient’s amended and restated certificate of incorporation and amended and restated by-laws could make it more difficult to acquire Navient by means of a tender offer, a proxy contest or otherwise, or to remove incumbent officers and directors. These provisions, are intended to discourage certain types of coercive takeover practices and takeover bids that its board of directors may consider inadequate and to encourage persons seeking to acquire control of the company to first negotiate with Navient’s board of directors.

Size of Board and Vacancies. Navient's amended and restated certificate of incorporation and amended and restated by-laws will provide that the number of directors on its board of directors will be fixed exclusively by its board of directors, subject to the rights of the holders of any outstanding preferred stock to elect directors. Any newly created directorship or any vacancy in Navient's board of directors resulting from any increase in the authorized number of directors or the death, disability, resignation, retirement, disqualification, removal from office or other cause will be filled solely by the affirmative vote of a majority of the board of directors then in office, even if less than a quorum, or by a sole remaining director. Any director appointed to fill a vacancy on Navient's board of directors not resulting from an increase in the size of the board will be appointed for the remaining term of his or her predecessor, and until his or her successor has been elected and qualified, subject to his or her earlier death, disqualification, resignation or removal.

DESCRIPTION OF DEBT SECURITIES

The following description briefly sets forth certain general terms and provisions of the debt securities. The particular terms of the debt securities offered by any prospectus supplement and the extent, if any, to which the following general terms and provisions may apply to those debt securities, will be described in the applicable prospectus supplement. Unless otherwise specified in the applicable prospectus supplement, each series of our debt securities will be issued under an indenture to be entered into between us and The Bank of New York Mellon, as trustee. The terms of the debt securities will include those set forth in the indenture and those made a part of the indenture by the Trust Indenture Act of 1939 ("TIA").

The aggregate principal amount of debt securities that may be issued under the indenture is unlimited. The prospectus supplement relating to any series of debt securities that we may offer will contain the specific terms of that series of debt securities. Authorizing resolutions, a certificate or a supplemental indenture will set forth the specific terms of each series of debt securities.

These terms may include, among others, the following:

- the title and aggregate principal amount of the debt securities and any limit on the aggregate principal amount;
- whether the debt securities will be senior, subordinated or junior subordinated;
- any applicable subordination provisions for any subordinated debt securities;
- the maturity date(s) or method for determining same;
- the interest rate(s) or the method for determining same;
- the dates on which interest will accrue or the method for determining dates on which interest will accrue and dates on which interest will be payable and whether interest shall be payable in cash, additional securities or some combination thereof;
- whether the debt securities are convertible or exchangeable into other securities and any related terms and conditions;
- redemption or early repayment provisions;
- authorized denominations;
- if other than the principal amount, the principal amount of debt securities payable upon acceleration;
- place(s) where payment of principal and interest may be made, where debt securities may be presented and where notices or demands upon the company may be made;
- whether such debt securities will be issued in whole or in part in the form of one or more global securities and the date as of which the securities are dated if other than the date of original issuance;
- amount of discount or premium, if any, with which such debt securities will be issued;
- any additions to or changes in the covenants that apply to such debt securities;
- any additions or changes in the defaults and events of default applicable to the particular or series of debt securities being issued;
- the guarantors of each series, if any, and the extent of the guarantees (including provisions relating to seniority, subordination and release of the guarantees), if any;
- the currency, currencies or currency units in which the purchase price for, the principal of and any premium and any interest on, such debt securities will be payable;
- our obligation or right to redeem, purchase or repay debt securities under a sinking fund, amortization or analogous provision;
- any restriction or conditions on the transferability of the debt securities;
- provisions granting special rights to holders of the debt securities upon occurrence of specified events;
- additions or changes relating to compensation or reimbursement of the trustee of the series of debt securities;
- additions or changes to the provisions for the defeasance of the debt securities or to provisions related to satisfaction and discharge of the indenture;
- provisions relating to the modification of the indenture both with and without the consent of holders of debt securities issued under the indenture and the execution of supplemental indentures for such series; and
- any other terms of the debt securities (which terms shall not be inconsistent with the provisions of the TIA, but may modify, amend, supplement or delete any of the terms of the indenture with respect to such series debt securities).

Exhibit 21.1

SUBSIDIARIES OF
NAVIENT CORPORATION

Name	Jurisdiction of Incorporation
Navient Solutions, LLC	Delaware
Navient Credit Finance Corporation	Delaware
Navient Credit Funding, LLC	Delaware
Navient Funding, LLC	Delaware
Riverfront Insurance, LLC	Delaware

- Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Navient Corporation are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements

Form	Registration Number
S-3	333-238750
S-3	333-218415
S-3	333-197516
S-3	333-195540
S-8	333-233188
S-8	333-220003
S-8	333-195539
S-8	333-195538
S-8	333-195536
S-8	333-195535
S-8	333-195533
S-8	333-195529

of our reports dated February 24, 2023, with respect to the consolidated financial statements of Navient Corporation and the effectiveness of internal control over financial reporting.

/s/ KPMG LLP

McLean, Virginia

February 24, 2023

Exhibit 31.1

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, John F. Remondi, certify that:

1. I have reviewed this annual report on Form 10-K of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Basedcts the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
February 24, 2023

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Joe Fisher, certify that:

1. I have reviewed this annual report on Form 10-K of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOE FISHER

Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
February 24, 2023

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Annual Report of Navient Corporation (the "Company") on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Remondi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
February 24, 2023

Exhibit 32.2

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Annual Report of Navient Corporation (the "Company") on Form 10-K for the year ended December 31, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe Fisher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JOE FISHER

Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
February 24, 2023