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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2021

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 *(State or other jurisdiction of incorporation or organization)*	**46-4054283** *(I.R.S. Employer Identification No.)*
123 Justison Street, Wilmington, Delaware *(Address of principal executive offices)*	**19801** *(Zip Code)*

(302) 283-8000
(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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, a 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.

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 is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☑

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

As of March 31, 2021, there were 179,513,282 shares of common stock outstanding.

NAVIENT

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Organization of Our Form 10-Q

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

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FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This Quarterly Report on Form 10-Q 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” in our 2020 Annual Report on Form 10-K (the 2020 Form 10-K) and include, but are not limited to the following:

- the continuing impacts of the COVID-19 pandemic and related risks;
- the economic conditions and the creditworthiness of third parties;
- increased defaults on education loans held by us;
- the cost and availability of funding in the capital markets;
- the transition away from the LIBOR reference rate to an alternative reference rate;
- higher or lower than expected prepayments of loans could change the expected net interest income we receive or cause the bonds issued by a securitization trust to be paid at a differently speed than anticipated;
- 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 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;
- federal funding constraints and spending policy changes may result in disruption of federal payments for services we provide to the government;
- 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.

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 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 corresponds to our segment financial presentations, 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 non-GAAP financial measures: Tangible Equity, Adjusted Tangible Equity Ratio, Pro forma Adjusted Tangible Equity Ratio, and Earnings before Interest, Taxes, Depreciation and Amortization Expense (EBITDA) (for the Business Processing segment). See “Management’s Discussion and Analysis – 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 is a leading provider of education loan management and business processing solutions for education, healthcare, and government clients at the federal, state, and local levels. We help our clients and millions of Americans achieve success through technology-enabled financing, services and support.

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 $56.9 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. We service and provide asset recovery services on this portfolio and for third parties, deploying data-driven approaches to support the success of our customers.

  We service federal education loans for approximately 5.6 million customers on behalf of the U.S. Department of Education (ED). Our flexible and scalable infrastructure manages large volumes of complex transactions with continued customer experience and efficiency improvements.

- **Consumer Lending**

  We own, service and originate Private Education Loans that enable students to pursue higher education and economic opportunities. Our $19.7 billion private loan portfolio demonstrates high customer success rates. Our loan origination business assists borrowers in refinancing their education loan debt and supports students and families in financing their higher education. In first-quarter 2021, we originated $1.7 billion in Private Education Loans.

- **Business Processing**

  We provide business processing solutions to a variety of public sector and health care organizations. We support over 500 clients – and their millions of clients, patients, and citizens – through a suite of solutions that leverages our scale, technology and customer experience expertise. Our data driven solutions enable our clients to focus on their missions and optimize their cash flow, and they enable individuals to successfully navigate complex programs, transactions, and decisions.

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 service and innovative solutions.

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

  For example, in our education loan segments, we support approximately 10 million borrowers to navigate their path to successful repayment. We leverage our multichannel communication platform, predictive analytics, and decades of insight to stay in touch with borrowers and address challenges that may arise. As the COVID-19 pandemic hit, we quickly implemented payment relief options for millions of borrowers.

  In our Business Processing segment, using cloud-based solutions, we rapidly staffed, trained, and activated several call centers of thousands of remote staff for states needing urgent support during the COVID-19 pandemic.

  Across all our businesses, we use real-time dashboards and data visualization tools to monitor performance metrics and identify, track, and address trends and opportunities.

- **Simplify complex processes.** On our clients' behalf, we help individuals successfully navigate a broad spectrum of complex transactions.

  For example, our staff and systems strive to streamline and simplify the student loan repayment process, so borrowers can more easily understand their available choices and make informed decisions for their situation. We simplified the government's process for enrolling in federal income-driven repayment plans by creating an agent-assisted e-sign enrollment process, greatly increasing completion.

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

  - **Repayment plan education and outreach:** We help federal student loan borrowers understand the wide range of repayment options so they can make informed choices about the plans that align with their financial circumstances and goals. We continue to lead in enrolling customers in affordable repayment plans.

  - **Advocating for enhancements to student loans:** Navient has been a leader in recommending policy reforms that would enhance the student loan outcomes. For example, we have recommended improving financial literacy before borrowing, simplifying federal loan repayment options and encouraging college completion — reforms that we believe would make a meaningful difference for millions of Americans.

  - **Office of the Customer Advocate:** Our Office of the Customer Advocate, established in 1997, offers escalated assistance to customers. We are committed to working with customers and appreciate customer comments, which, combined with our own customer communication channels, help us improve the ways we assist our customers.
  - **Private loan modification program:** In 2009, we pioneered the creation of a loan modification program to help Private Education Loan borrowers needing additional assistance. As of March 31, 2021, $831 million of our Private Education Loans were enrolled in this interest rate reduction program, helping customers through more affordable monthly payments while making progress in repaying their principal loan balance.
  - **Serving military customers:** Navient was the first student loan servicer to launch a dedicated military benefits customer service team, website (Navient.com/military), and toll-free number. Navient's military benefits team supports service members and their families to access the benefits designed for them, including interest rate benefits, deferment and other options.

  - **Financial literacy:** We also continue to offer free resources to help customers and the general public build knowledge on personal finance topics, including videos, articles and online tools.

- **Commitment to compliance.** Our rigorous compliance posture ensures adherence with laws and regulations and helps protect our clients, customers, employees and shareholders. 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); 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); Unfair, Deceptive, or Abusive Acts and Practices (UDAAP); state laws; and state and city licensing.

- **Deliver superior performance.** Navient delivers value for our clients and customers. Whether supporting student loan borrowers to successfully manage their loans, delivering new citizen services for public sector agencies, or helping a state manage backlogs or recover revenue to support essential services, we deliver results.

  Federal loans serviced by Navient achieved a Cohort Default Rate (CDR) 26% better than our peers as calculated from the most recent CDR released by ED in September 2020. During the COVID-19 pandemic, we quickly and accurately delivered assistance to student loan borrowers. We are consistently a top performer in our asset recovery business and deliver superior service to our public and private sector clients. We regularly leverage data-driven insights, scale, technology and customer service to deliver value to our clients.

  Our Business Processing segment regularly outperforms our clients' expectations and the results delivered by our competition. For example:

  - For one client, we delivered efficiency results 30% higher than our client's other vendors.
  - We have increased our transportation clients' revenue by up to 15%.

- **Corporate Social Responsibility.** We are committed to contributing to the social and economic wellbeing of our local communities, to fostering the success of our customers, to supporting a culture of integrity, inclusion and equality in our workforce, and to integrating environmental responsibility into our business. More information about our environmental, social and governance commitments is available at about.Navient.com.

Strong Financial Performance Resulting in a Strong Capital Return

Our first-quarter 2021 results continue to build upon our previous year's results demonstrating the strength of our business model and our ability to deliver predictable and meaningful cash flow and earnings in all types of economic environments. Adjusted Core Earnings(1) per share grew 235% over the year-ago quarter.

Our significant earnings generate significant capital which results in 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.

(Dollars and shares in millions)	Q1-21	Q1-20
Shares repurchased	8.2	23.0
Reduction in shares outstanding	4%	10%
Total repurchases in dollars	$ 100	$ 335
Dividends paid	$ 29	$ 31

At March 31, 2021, $500 million remained in share repurchase authorization.

To inform our capital allocation decisions, we use the Adjusted Tangible Equity Ratio, in addition to other metrics. As anticipated, the implementation of ASU No. 2016-13, "Financial Instruments – Credit Losses" (CECL), on January 1, 2020, reduced our capital ratios, which we have been rebuilding throughout 2020 and 2021. In addition, our GAAP equity was reduced in 2020 as a result of the net mark-to-market losses related to derivative accounting primarily due to the significant decline in interest rates. Our Pro forma Adjusted Tangible Equity Ratio(1) at March 31, 2021, which excludes the cumulative net mark-to-market losses related to derivative accounting that will reverse to zero as the contracts mature, was 8.1%.

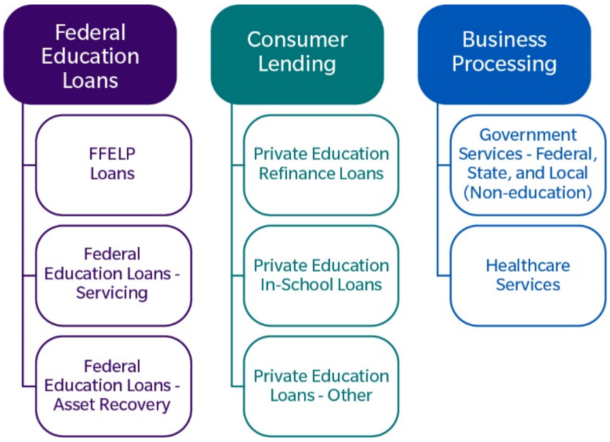
(Dollars in millions)	Q1-20	Q2-20	Q3-20	Q4-20	YTD-20	Q1-21
Capital Returned(2)	$ 366	$ 31	$ 96	$ 30	$ 523	$ 129
Adjusted Tangible Equity Ratio(1)	3.2%	3.6%	4.1%	5.0%	5.0%	6.2%
Pro forma Adjusted Tangible Equity Ratio(1)	5.3%	6.0%	6.4%	7.1%	7.1%	8.1%

(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

In this segment, Navient owns FFELP Loans and performs servicing and asset recovery services on this portfolio. We also service and perform asset recovery services on federal education loans owned by ED and other institutions. Our servicing quality, data-driven strategies, and multichannel education about federal repayment options translate into positive results for the millions of borrowers we serve.

Consumer Lending Segment

In this segment, Navient owns, originates, acquires and services high-quality private education loans. We believe our more than 45 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 to financially responsible consumers, generating attractive long-term risk adjusted returns. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

Business Processing Segment

In this segment, Navient performs business processing services for over 500 government and healthcare clients.

- **Government services**: We provide state governments, agencies, court systems, municipalities, and parking and tolling authorities with expert service, leveraging our scale, integrated technology solutions and data-driven approach. Our support enables our clients to better serve their constituents, meet rapidly changing needs, reduce their operating expenses, manage risk and maximize revenue opportunities.

- **Healthcare services**: We perform revenue cycle outsourcing, accounts receivable management, extended business office support, consulting engagements and public health programs. We offer customizable solutions for our clients that include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and departments of public health.

Other Segment

Our Other segment consists of our corporate liquidity portfolio, gains and losses incurred on the repurchase of debt, unallocated expenses of shared services and restructuring/other reorganization expenses.

Selected Historical Financial Information and Ratios

(In millions, except per share data)	Three Months Ended March 31, 2021	2020
GAAP Basis		
Net income (loss)	$ 370	$ (106)
Diluted earnings (loss) per common share	$ 2.00	$ (.53)
Weighted average shares used to compute diluted earnings per share	185	200
Return on assets	1.78%	(.47)%
Core Earnings Basis(1)		
Net income	$ 305	$ 93
Diluted earnings per common share	$ 1.65	$ .46
Adjusted diluted earnings per common share(1)	$ 1.71	$ .51
Weighted average shares used to compute diluted earnings per share	185	202
Net interest margin, Federal Education Loans segment	.97%	.81%
Net interest margin, Consumer Lending segment	2.99%	3.31%
Return on assets	1.46%	.41%
Education Loan Portfolios(2)		
Ending FFELP Loans, net	$ 56,873	$ 62,492
Ending Private Education Loans, net	19,742	22,338
Ending total education loans, net	$ 76,615	$ 84,830
Average FFELP Loans	$ 58,078	$ 63,894
Average Private Education Loans	22,143	23,112
Average total education loans	$ 80,221	$ 87,006

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

(2) Balances are the same for GAAP and Core Earnings basis.

The Quarter 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.

First-quarter 2021 GAAP net income was $370 million ($2.00 diluted earnings per share), compared with a net loss of $106 million ($0.53 diluted loss per share) for the year-ago quarter. See "Results of Operations – Comparison of First-Quarter 2021 Results with First-Quarter 2020" for a discussion of the primary contributors to the change in GAAP earnings between periods.

First-quarter 2021 Core Earnings net income was $305 million ($1.65 diluted Core Earnings per share), compared with $93 million ($0.46 diluted Core Earnings per share) for the year-ago quarter. First-quarter 2021 and 2020 adjusted diluted Core Earnings(1) per share were $1.71 and $0.51, respectively. See "Segment Results" for a discussion of the primary contributors to the change in Core Earnings between periods.

Financial highlights of first-quarter 2021 versus first-quarter 2020 include:

Federal Education Loans segment:

- Net income decreased $7 million, or 6%, from $119 million to $112 million.
- Net interest income increased 9%.
- FFELP Loan delinquency rate decreased 21% from 10.5% to 8.3%.

Consumer Lending segment:

- Net income increased $180 million, or 333%, from $54 million to $234 million.
- Sold $1.6 billion of Private Education Loans, resulting in: (1) gains on sales of $89 million; and (2) the reversal of $102 million of allowance for loan losses through provision.
- Originated $1.7 billion of Private Education Refinance Loans.
- Private Education Loan delinquency rate decreased 36% from 3.6% to 2.3%.

Business Processing segment:

- EBITDA(1) increased $32 million, or 800%, from $4 million to $36 million, primarily due to revenue earned from contracts to support states in providing unemployment benefits, contact tracing and vaccine administration services.
- Revenue increased $68 million, or 119%, to $125 million.

Capital, funding and liquidity:

- Adjusted Tangible Equity Ratio(1) of 6.2%. Pro forma Adjusted Tangible Equity Ratio(1) of 8.1%.
- Repurchased $100 million of common shares.
- Paid $29 million in common stock dividends.
- $500 million common share repurchase authority remains outstanding.
- Issued $2.8 billion in term asset-backed securities (ABS) and $500 million in unsecured debt.
- On April 5, 2021, retired $627 million of the remaining unsecured debt scheduled to mature in 2021.

Expenses:

- Adjusted Core Earnings expenses(1) increased $7 million to $251 million. This increase was a result of a $37 million increase in expenses in the Business Processing segment in connection with the $68 million increase in related revenue, with an offsetting $30 million decrease in expenses primarily in the Federal Education Loans and Other segments.

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

Navient's Response to COVID-19

The World Health Organization first declared the COVID-19 outbreak a pandemic on March 13, 2020 by which time the economic impact of the crisis was beginning to take hold, impacting the global economy and our results of operations. The COVID-19 pandemic was subsequently declared a national emergency. In response to the COVID-19 pandemic, many state, local, and foreign governments have put in place quarantines, executive orders, shelter-in-place orders, and restrictions in order to control the spread of the disease. Such orders or restrictions have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions, and cancellation or postponement of events. They have also led to a general decline in economic activity and consumer confidence and increases in job losses and unemployment. While certain COVID-19 vaccines have been approved and have become widely available for use in the United States, we are unable to predict how widely utilized the vaccines will be or how effective they will be in preventing the spread of COVID-19. As a result, although the economy has improved since the pandemic began, it is still uncertain when or if normal pre-pandemic economic activity and business operations will resume. In this section, we will highlight our response to the global pandemic and its continuing impact on our business and operations. We suggest that the information below should be read in conjunction with our risk factors included in "Risk Factors — The Impact of COVID-19 and Related Risk" in our 2020 Form 10-K.

Our Team Members

As this crisis evolved, we took early action to protect the health and safety of our employees. We expanded our work-from-home capabilities and implemented best practices in our facilities with regard to safety and hygiene to protect those who were unable to work remotely. We were able to quickly and successfully enable 90% of our team to work from home. As of March 31, 2021, approximately 85% of our team remains on work-from-home status. As a result of these steps, the pandemic has not adversely affected our ability to maintain our operations or service our customers and borrowers. We currently anticipate that some of our team members will begin returning to the office later this year. As we plan for the return to office process, it is likely to take place in stages and we anticipate that the environment may require a continuation of various safety protocols.

Customers and Education Loan Performance

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law. In compliance with the CARES Act and through subsequent legislative and executive actions, we have been instructed to place all loans owned by ED into forbearance and suspend payments and interest accrual until September 30, 2021. While the CARES Act applies only to loans owned by ED, our FFELP and Private Education Loan portfolios have also been impacted by the pandemic and we have offered COVID-19 relief options such as the use of forbearance to those borrowers. Private Education Loans in forbearance decreased to $797 million or 3.9% of the portfolio at March 31, 2021, after peaking at $3.4 billion or 14.7% during the second quarter of 2020 due to the COVID-19 forbearance granted to borrowers. This compared to $604 million or 2.7% of the portfolio at December 31, 2019, prior to the impact of COVID-19. Despite the COVID-19 crisis, we have seen most borrowers continue to make payments according to their payment plans. And while forbearance rates are slightly higher today than they were pre-pandemic, the balance of loans delinquent has declined – our Private Education Loan delinquency rate declined from 4.6% at December 31, 2019 to 2.6% as of December 31, 2020 and further to 2.3% as of March 31, 2021. Our Private Education Loan charge-offs declined 49% to $184 million for the full year of 2020 compared with $364 million in full year 2019. This decline was due to the strength of the economy heading into March 2020 as well as a result of the COVID-19 forbearance granted to borrowers. We see this continued decline with charge offs of $35 million in first-quarter 2021 compared to $68 million in the year-ago quarter. We do expect defaults to begin to increase in 2021 and 2022 given the default timing impact of the use of forbearance which our allowance for loan losses captures. Our total reserves were $1.73 billion (excluding the expected future recoveries on charged-off loans) at March 31, 2021, which represent reserves equal to 7.0% of our Private Education Loans and 0.5% of our FFELP Loan portfolio. While we are paying close attention to the needs of our customers, it is too early to know the full impact of this crisis or the path and timing of the recovery.

In the first quarter of 2020, our Private Education Refinance Loan originations of $1.9 billion represented a 92% increase over the year-ago quarter. With the onset of the crisis in March 2020, we reduced our marketing efforts and tightened credit until we had greater visibility into the uncertainty and volatility in the capital markets and the overall economic outlook. This resulted in second-quarter 2020 originations of $238 million. With improved visibility in both credit and funding costs, we restarted marketing efforts in the third quarter of 2020 and increased third-quarter and fourth-quarter originations to $1.3 billion and $1.1 billion, respectively. Total originations were $4.6 billion in 2020 compared to $4.9 billion in 2019. First-quarter 2021 originations were $1.7 billion. We expect 2021 originations to be higher than 2020 if the economy continues to improve.

Clients and Business Processing Segment Performance

In our Business Processing Segment (BPS), EBITDA[1] increased to $36 million from $4 million in the year-ago quarter. This increase is a result of being able to transition hundreds of our experienced BPS colleagues and adapt our technology enabled solutions to support state clients working to help residents access unemployment benefits implemented in the CARES Act, as well as to perform contact tracing and vaccine administration services. These new services have generated revenue in 2020 and the first quarter of 2021 that more than offset the negative revenue impact BPS is experiencing as a result of COVID-19 which includes lower transaction-related placements in both government services and health care revenue cycle management. In 2021, we expect the revenue from the unemployment contracts related to the CARES Act and contact tracing and vaccine administration contracts to decline as the economy recovers and the need decreases. We also expect revenue from the core parts of the business to continue to improve to pre-COVID-19 levels if the economy continues to improve.

Liquidity, Financings and Capital

The impact of the COVID-19 crisis on the capital markets was significant during the early part of the crisis, decreasing the number of transactions brought to market and increasing the pricing of those that were successfully marketed. However, in the second half of 2020 the capital markets began to improve with ready access to the markets, albeit at a higher cost than pre-COVID-19 levels. In first-quarter 2021, we issued $500 million of unsecured debt and $2.8 billion of ABS below pre-COVID-19 cost of funds levels. Throughout the crisis we have maintained a strong liquidity position. As of March 31, 2021, we had $2.7 billion of primary sources of liquidity, $1.5 billion of which was cash. We also had, as of March 31, 2021, additional capacity in our funding facilities of $2.8 billion for Private Education Loans and $826 million for FFELP Loans. In addition, cash flow from our loan portfolio and services contracts remains strong as our very seasoned loan portfolio experiences lower levels of stress.

We ended the quarter with an Adjusted Tangible Equity Ratio[1] of 6.2% compared to 5.0% as of December 31,2020. In 2020, our GAAP equity was reduced due to the implementation of CECL on January 1, 2020 as well as a result of the net mark-to-market losses related to derivative accounting as a result of the significant decrease in interest rates. These mark-to-market losses recognized under GAAP cumulatively totaled $499 million (after tax) as of March 31, 2021. This decrease will reverse over time as these derivatives mature. The resulting Pro forma Adjusted Tangible Equity Ratio[1], which excludes these cumulative mark-to-market losses, was 8.1% at March 31, 2021. We expect our capital levels to continue to rebuild over the course of 2021.

Other Matters

From an accounting, reporting and disclosure perspective, COVID-19 and the related work-from-home policies did not negatively impact our ability to close our books, manage our financial systems, or maintain our internal control over financial reporting and our disclosure controls and procedures. See “Critical Accounting Policies and Estimates” in our 2020 Form 10-K for a discussion of how COVID-19 impacted our allowance for loan loss and our conclusion of goodwill not being impaired.

We have successfully implemented our business continuity plans in response to COVID-19. We do not foresee requiring material expenditures to continue to operate in a work-from-home environment nor do we expect material expenditures to return to work in the office. We do not anticipate a material adverse impact of COVID-19 on our supply chain and we do not expect the anticipated impact of COVID-19 to materially change the relationship between costs and revenues. We have not been adversely impacted by travel restrictions and border closures nor do we anticipate that our operations will be materially impacted by any constraints on our human capital resources and productivity.

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

Results of Operations

GAAP Income Statements (Unaudited)

(In millions, except per share data)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	Increase (Decrease) $	Increase (Decrease) %
Interest income:				
FFELP Loans	$ 373	$ 571	$ (198)	(35)%
Private Education Loans	319	404	(85)	(21)
Cash and investments	—	12	(12)	(100)
Total interest income	692	987	(295)	(30)
Total interest expense	329	714	(385)	(54)
Net interest income	363	273	90	33
Less: provisions for loan losses	(87)	95	(182)	(192)
Net interest income after provisions for loan losses	450	178	272	153
Other income (loss):				
Servicing revenue	53	58	(5)	(9)
Asset recovery and business processing revenue	139	110	29	26
Other income (loss)	—	7	(7)	(100)
Gains on sales of loans	76	—	76	100
Gains (losses) on derivative and hedging activities, net	36	(223)	259	116
Total other income (loss)	304	(48)	352	733
Expenses:				
Operating expenses	259	251	8	3
Goodwill and acquired intangible assets impairment and amortization expense	5	5	—	—
Restructuring/other reorganization expenses	6	5	1	20
Total expenses	270	261	9	3
Income (loss) before income tax expense (benefit)	484	(131)	615	469
Income tax expense (benefit)	114	(25)	139	556
Net income (loss)	$ 370	$ (106)	$ 476	449%
Basic earnings (loss) per common share	$ 2.02	$ (.53)	$ 2.55	481%
Diluted earnings (loss) per common share	$ 2.00	$ (.53)	$ 2.53	477%
Dividends per common share	$ .16	$ .16	$ —	—%

Comparison of First-Quarter 2021 Results with First-Quarter 2020

For the three months ended March 31, 2020, net income was $370 million, or $2.00 diluted earnings per common share, compared with a net loss of $106 million, or $0.53 diluted loss per common share, for the year-ago period.

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

- Net interest income increased by $90 million, primarily as a result of a $54 million increase in mark-to-market gains on fair value hedges recorded in interest expense. Also contributing to the increase is a favorable interest rate environment with lower interest rates and the growth in the Private Education Refinance Loan portfolio. Partially offsetting this increase is the continued natural paydown of the FFELP and non-refinance Private Education Loan portfolios.
- Provisions for loan losses decreased $182 million from $95 million to $(87) million:
    - The provision for FFELP loan losses decreased $6 million to $0.
    - The provision for Private Education Loan losses decreased $176 million from $89 million to $(87) million.

  There was not a significant change in the credit quality of the loan portfolio or in the current and forecasted economic conditions since December 31, 2020. The negative provision of $(87) million in the first quarter of 2021 was primarily related to the reversal of $102 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans discussed below. This was partially offset by provision related to loan originations. The provision in the year-ago quarter primarily related to an increase in expected losses due to COVID-19's negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020
- Asset recovery and business processing revenue increased $29 million primarily as a result of $68 million of revenue earned in our Business Processing segment from contracts to support states in providing unemployment benefits, contact tracing and vaccine administration services in connection with COVID-19. This was partially offset by the wind-down of the ED asset recovery contract in the Federal Education Loan segment and the impact of COVID-19 (temporary stoppage or other restrictions on certain collection and processing activities, and lower volume in the transportation business).
- Gains of sales of loans increased $76 million in connection with the sale of approximately $1.6 billion of Private Education Loans in first-quarter 2021. There were no such sales in the year-ago quarter. The sale of Private Education Loans was comprised of two separate transactions:
    - Approximately $560 million of non-Refinance Loans, resulting in a $46 million gain on sale; and
    - Approximately $1.03 billion of Refinance Loans, resulting in a $30 million gain on sale. In addition, there was a $13 million gain related to derivatives that were used to hedge this transaction that did not qualify for hedge accounting. As a result, this gain related to the derivatives was included as a part of "gains (losses) on derivative and hedging activities, net" on the income statement.
- Net gains on derivative and hedging activities increased $259 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of derivative instruments including Floor Income Contracts, basis swaps and foreign currency hedges during each period. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates, credit risk, foreign currency fluctuations 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 $8 million and $7 million in the first quarters of 2021 and 2020, respectively, operating expenses were $251 million and $244 million in the first quarters of 2021 and 2020, respectively. This $7 million increase was a result of a $37 million increase in expenses in the Business Processing segment in connection with the $68 million increase in segment revenue, with an offsetting $30 million decrease in expenses primarily in the Federal Education Loans and Other segments as a result of the decrease of Federal Education Loan asset recovery revenue discussed above as well as improvements in operating efficiencies.
- During the three months ended March 31, 2021 and 2020, respectively, the Company incurred $6 million and $5 million, respectively of restructuring/other reorganization expenses in connection with an effort to reduce costs and improve operating efficiency. These charges were primarily due to facility lease terminations and severance-related costs.

We repurchased 8.2 million and 23.0 million shares of our common stock during the first quarters of 2021 and 2020, respectively. As a result of repurchases, our average outstanding diluted shares decreased by 15 million common shares (or 8%) from the year-ago period.

Segment Results

Federal Education Loans Segment

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

(Dollars in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	% Increase (Decrease) 2021 vs. 2020
Interest income:			
FFELP Loans	$ 359	$ 582	(38)%
Cash and investments	—	6	(100)
Total interest income	359	588	(39)
Total interest expense	215	456	(53)
Net interest income	144	132	9
Less: provision for loan losses	—	6	(100)
Net interest income after provision for loan losses	144	126	14
Other income:			
Servicing revenue	52	56	(7)
Asset recovery and business processing revenue	14	53	(74)
Other income (loss)	—	4	(100)
Total other income	66	113	(42)
Direct operating expenses	63	83	(24)
Income before income tax expense	147	156	(6)
Income tax expense	35	37	(5)
Core Earnings	$ 112	$ 119	(6)%

Comparison of First-Quarter 2021 Results with First-Quarter 2020

- Core Earnings were $112 million compared to $119 million.
- Net interest income increased $12 million (9%) primarily due to a favorable interest rate environment as a result of the decrease in interest rates, even as the average loan balance declined 9%.
- Provision for loan losses decreased $6 million.
  - Charge-offs were $6 million compared with $19 million.
  - Delinquencies greater than 30 days were $3.8 billion compared with $5.3 billion.
  - Forbearances were $8.5 billion, down $546 million from $9.0 billion. Forbearances have declined by approximately $8.7 billion from the COVID-19 peak in second-quarter 2020.
- Other revenue decreased $47 million primarily due to a $39 million decrease in asset recovery revenue, which was primarily a result of the wind-down of the ED asset recovery contract as well as the impact of COVID-19 on certain collection activities.
- Expenses were $20 million lower primarily as a result of the decrease in asset recovery revenue discussed above as well as improvements in operating efficiencies.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2021	2020
Segment net interest margin	.97%	.81%
FFELP Loans:		
FFELP Loan spread	1.03%	.87%
Provision for loan losses	$ —	$ 6
Charge-offs	$ 6	$ 19
Charge-off rate	.06%	.15%
Greater than 30-days delinquency rate	8.3%	10.5%
Greater than 90-days delinquency rate	3.5%	5.4%
Forbearance rate	15.5%	15.1%
Average FFELP Loans	$ 58,078	$ 63,894
Ending FFELP Loans, net	$ 56,873	$ 62,492
(Dollars in billions)		
Number of accounts serviced for ED (in millions)	5.6	5.6
Total federal loans serviced	$ 285	$ 285
Contingent collections receivables inventory	$ 10.9	$ 13.6

Net Interest Margin

The following table details the net interest margin.

	Three Months Ended March 31, 2021	2020
FFELP Loan yield	1.92%	3.07%
Hedged Floor Income	.40	.37
Unhedged Floor Income	.18	.22
FFELP Loan net yield	2.50	3.66
FFELP Loan cost of funds	(1.47)	(2.79)
FFELP Loan spread	1.03	.87
Other interest-earning asset spread impact	(.06)	(.06)
Net interest margin(1)	.97%	.81%

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

(Dollars in millions)	Three Months Ended March 31, 2021	2020
FFELP Loans	$ 58,078	$ 63,894
Other interest-earning assets	1,794	1,910
Total FFELP Loan interest-earning assets	$ 59,872	$ 65,804

As of March 31, 2021, our FFELP Loan portfolio totaled $56.9 billion, comprised of $19.2 billion of FFELP Stafford Loans and $37.7 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of March 31, 2021 was 6 years and 7 years, respectively, assuming a Constant Prepayment Rate (CPR) of 9% 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 March 31, 2021 and 2020, based on interest rates as of those dates.

(Dollars in billions)	March 31, 2021	March 31, 2020
Education loans eligible to earn Floor Income	$ 56.4	$ 62.0
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(25.9)	(28.3)
Less: economically hedged Floor Income	(13.5)	(18.2)
Education loans eligible to earn Floor Income after rebates and economically hedged	$ 17.0	$ 15.5
Education loans earning Floor Income	$ 12.0	$ 9.4

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 April 1, 2021 to December 31, 2025.

(Dollars in billions)	April 1, 2021 to December 31, 2021	2022	2023	2024	2025
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	$ 13.2	$ 11.6	$ 7.0	$ 1.3	$ .4

Provision for Loan Losses

The provision for FFELP Loan Losses was $0 in first-quarter 2021, down $6 million from the year-ago quarter.

Servicing Revenue

The Company services loans for approximately 5.6 million and 5.6 million customer accounts under its ED servicing contract as of March 31, 2021 and 2020, respectively. Third-party loan servicing fees in the three months ended March 31, 2021 and 2020 included $34 million and $36 million, respectively, of servicing revenue related to the ED servicing contract.

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased $39 million primarily as a result of the wind-down of the ED asset recovery contract as well as the impact of COVID-19 on certain collection and processing activities (temporary stoppage or other restrictions on certain activities).

Other Revenue

Other revenue decreased $4 million primarily as a result of the wind-down of certain transition services provided.

Operating Expenses

Expenses were $20 million lower primarily as a result of the decrease in asset recovery revenue discussed above as well as improvements in operating efficiencies.

Consumer Lending Segment

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

(Dollars in millions)	Three Months Ended March 31, 2021	2020	% Increase (Decrease) 2021 vs. 2020
Interest income:			
Private Education Loans	$ 319	$ 404	(21)%
Cash and investments	—	2	(100)
Interest income	319	406	(21)
Interest expense	150	210	(29)
Net interest income	169	196	(14)
Less: provision for loan losses	(87)	89	(198)
Net interest income after provision for loan losses	256	107	139
Other income:			
Servicing revenue	1	2	(50)
Gains on sales of loans	89	—	100
Total other income	90	2	4,400
Direct operating expenses	41	39	5
Income before income tax expense	305	70	336
Income tax expense	71	16	344
Core Earnings	$ 234	$ 54	333%

Comparison of First-Quarter 2021 Results with First-Quarter 2020

- Originated $1.7 billion of Private Education Refinance Loans compared to $1.9 billion.
- Core Earnings were $234 million compared to $54 million.
- Net interest income decreased $27 million primarily due to the natural paydown of the non-refinance loan portfolio.
- Provision for loan losses decreased $176 million. There was not a significant change in the credit quality of the loan portfolio or in the current and forecasted economic conditions since December 31, 2020. The negative provision of $(87) million in the first quarter of 2021 was primarily related to the reversal of $102 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans discussed below. This was partially offset by provision related to loan originations The provision in the year-ago quarter primarily related to an increase in expected losses due to COVID-19's negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020.
  - Charge-offs were $35 million compared with $68 million.
  - Private Education Loan delinquencies greater than 90 days: $181 million, down $166 million from $347 million.
  - Private Education Loan delinquencies greater than 30 days: $460 million, down $309 million from $769 million.
  - Private Education Loan forbearances: $797 million, down $786 million from $1.6 billion. Forbearances have declined by approximately $2.6 billion from the COVID-19 peak in second-quarter 2020.
- Gains on sales of education loans (included in "Other revenue") were $89 million in connection with the sale of approximately $1.6 billion of Private Education Loans in first-quarter 2021. There were no such sales in the year-ago quarter. The sales of Private Education Loans were comprised of two separate transactions:
  - Approximately $560 million of non-Refinance Loans, resulting in a $46 million gain on sale; and
  - Approximately $1.03 billion of Refinance Loans, resulting in a $43 million gain on sale.
- Expenses were $2 million higher.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2021	2020
Segment net interest margin	2.99%	3.31%
Private Education Loans (including Refinance Loans):		
Private Education Loan spread	3.21%	3.51%
Provision for loan losses	$ (87)	$ 89
Charge-offs	$ 35	$ 68
Charge-off rate	.68%	1.27%
Greater than 30-days delinquency rate	2.3%	3.6%
Greater than 90-days delinquency rate	.9%	1.6%
Forbearance rate	3.9%	6.9%
Average Private Education Loans	$ 22,143	$ 23,112
Ending Private Education Loans, net	$ 19,742	$ 22,338
Private Education Refinance Loans:		
Charge-offs	$ 3	$ 2
Greater than 90-days delinquency rate	.1%	.1%
Average Private Education Refinance Loans	$ 8,604	$ 7,149
Ending Private Education Refinance Loans	$ 7,882	$ 7,722
Private Education Refinance Loan originations	$ 1,671	$ 1,890

Net Interest Margin

The following table details the net interest margin.

	Three Months Ended March 31, 2021	2020
Private Education Loan yield	5.84%	7.04%
Private Education Loan cost of funds	(2.63)	(3.53)
Private Education Loan spread	3.21	3.51
Other interest-earning asset spread impact	(.22)	(.20)
Net interest margin[(1)]	2.99%	3.31%

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

(Dollars in millions)	Three Months Ended March 31, 2021	2020
Private Education Loans	$ 22,143	$ 23,112
Other interest-earning assets	822	752
Total Private Education Loan interest-earning assets	$ 22,965	$ 23,864

As of March 31, 2021, our Private Education Loan portfolio totaled $19.7 billion. The weighted-average life of this portfolio as of March 31, 2021 was 5 years assuming a CPR of 11%.

Provision for Loan Losses

The provision for loan losses decreased from $89 million to $(87) million. There was not a significant change in the credit quality of the education loan portfolio or in the current and forecasted economic conditions since December 31, 2020. The negative provision of $(87) million in the first quarter of 2021 was primarily related to the reversal of $102 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans discussed below. This was partially offset by provision related to loan originations. The provision in the year-ago quarter primarily related to an increase in expected losses due to COVID-19’s negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020.

Gains on Sales of Loans

Gains on sales of education loans were $89 million in connection with the sale of approximately $1.6 billion of Private Education Loans in first-quarter 2021. There were no such sales in the year-ago quarter. The sales of Private Education Loans were comprised of two separate transactions:

- Approximately $560 million of non-Refinance Loans, resulting in a $46 million gain on sale; and
- Approximately $1.03 billion of Refinance Loans, resulting in a $43 million gain on sale.

Operating Expenses

Operating expenses were $2 million higher Primarily related to increased marketing spend.

Business Processing Segment

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

(Dollars in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	% Increase (Decrease) 2021 vs. 2020
Business processing revenue	$ 125	$ 57	119%
Direct operating expenses	91	54	69
Income before income tax expense	34	3	1,033
Income tax expense	8	1	700
Core Earnings	$ 26	$ 2	1200%

Comparison of First-Quarter 2021 Results with First-Quarter 2020

- Core Earnings were $26 million compared to $2 million.
- Revenue increased $68 million, or 119%, primarily as a result of revenue earned from contracts to support states in providing unemployment benefits, contact tracing and vaccine administration services. These increases were partially offset by the impact of COVID-19 (temporary stoppage or other restrictions on certain collection/processing activities and lower volume in the transportation business).
- EBITDA was $36 million, up $32 million, or 800%. The increase in EBITDA is primarily the result of the revenue increase discussed above. The EBITDA margin increased to 29% from 7%.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Revenue from government services	$ 63	$ 33
Revenue from healthcare services	62	24
Total fee revenue	$ 125	$ 57
EBITDA(1)	$ 36	$ 4
EBITDA margin(1)	29%	7%
Contingent collections receivables inventory (in billions)	$ 18.7	$ 15.1

(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.

(Dollars in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020	% Increase (Decrease) 2021 vs. 2020
Net interest loss after provision for loan losses	$ (18)	$ (31)	(42)%
Other income	—	3	(100)
Expenses:			
Unallocated shared services expenses:			
Unallocated information technology costs	21	21	—
Unallocated corporate costs	43	54	(20)
Total unallocated shared services expenses	64	75	(15)
Restructuring/other reorganization expenses	6	5	20
Total expenses	70	80	(13)
Loss before income tax benefit	(88)	(108)	(19)
Income tax benefit	(21)	(26)	(19)
Core Earnings (loss)	$ (67)	$ (82)	(18)%

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 decrease in the net interest loss is primarily a result of a decrease in the cost of funds of the debt funding the corporate liquidity portfolio.

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 decreased $12 million from the year-ago quarter. Adjusted expenses exclude $8 million and $7 million, respectively, of regulatory-related expenses in the first quarters of 2021 and 2020.

See “Note 9 – 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 the first quarters of 2021 and 2020, the Company incurred $6 million and $5 million, respectively, of restructuring/other reorganization expenses in connection with an effort to reduce costs and improve operating efficiency. The charges were due primarily to facility lease terminations and severance-related costs.

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

	March 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)	$ 28	$ —	$ 28	$ 21	$ 49
Grace, repayment and other(2)	19,381	37,746	57,127	20,713	77,840
Total	19,409	37,746	57,155	20,734	77,889
Allowance for loan losses	(191)	(91)	(282)	(992)	(1,274)
Total education loan portfolio	$ 19,218	$ 37,655	$ 56,873	$ 19,742	$ 76,615
% of total FFELP	34%	66%	100%		
% of total	25%	49%	74%	26%	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%

	March 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)	$ 40	$ —	$ 40	$ 17	$ 57
Grace, repayment and other(2)	21,066	41,697	62,763	23,404	86,167
Total	21,106	41,697	62,803	23,421	86,224
Allowance for loan losses	(206)	(105)	(311)	(1,083)	(1,394)
Total education loan portfolio	$ 20,900	$ 41,592	$ 62,492	$ 22,338	$ 84,830
% of total FFELP	33%	67%	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)	Three Months Ended March 31, 2021 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
Beginning balance	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363
Acquisitions (originations and purchases) (1)	2	2	4	1,730	1,734
Capitalized interest and premium/discount amortization	191	210	401	45	446
Refinancings and consolidations to third parties	(248)	(432)	(680)	(139)	(819)
Loan sales	—	—	—	(1,465)	(1,465)
Repayments and other	(334)	(802)	(1,136)	(1,508)	(2,644)
Ending balance	$ 19,218	$ 37,655	$ 56,873	$ 19,742	$ 76,615

(Dollars in millions)	Three Months Ended March 31, 2020 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
Beginning balance	$ 21,723	$ 42,852	$ 64,575	$ 22,245	$ 86,820
Acquisitions (originations and purchases) (1)	6	5	11	1,910	1,921
Capitalized interest and premium/discount amortization	187	187	374	71	445
Refinancings and consolidations to third parties	(272)	(320)	(592)	(152)	(744)
Repayments and other	(744)	(1,132)	(1,876)	(1,736)	(3,612)
Ending balance	$ 20,900	$ 41,592	$ 62,492	$ 22,338	$ 84,830

(1) Includes the origination of $593 million and $320 million of Private Education Refinance Loans in the first quarters of 2021 and 2020, respectively, that refinanced FFELP and Private Education Loans that were on our balance sheet.

FFELP Loan Portfolio Performance

(Dollars in millions)	March 31, 2021 Balance	March 31, 2021 %	December 31, 2020 Balance	December 31, 2020 %	March 31, 2020 Balance	March 31, 2020 %
Loans in-school/grace/deferment[1]	$ 2,781		$ 2,791		$ 3,291	
Loans in forbearance[2]	8,452		7,725		8,998	
Loans in repayment and percentage of each status:						
Loans current	42,127	91.7%	43,623	90.8%	45,216	89.5%
Loans delinquent 31-60 days[3]	1,377	3.0	1,374	2.9	1,631	3.2
Loans delinquent 61-90 days[3]	813	1.8	836	1.7	969	1.9
Loans delinquent greater than 90 days[3]	1,605	3.5	2,223	4.6	2,698	5.4
Total FFELP Loans in repayment	45,922	100%	48,056	100%	50,514	100%
Total FFELP Loans	57,155		58,572		62,803	
FFELP Loan allowance for losses	(282)		(288)		(311)	
FFELP Loans, net	$ 56,873		$ 58,284		$ 62,492	
Percentage of FFELP Loans in repayment		80.3%		82.0%		80.4%
Delinquencies as a percentage of FFELP Loans in repayment		8.3%		9.2%		10.5%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		15.5%		13.8%		15.1%

(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, 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 Portfolio Performance

(Dollars in millions)	March 31, 2021 Balance	March 31, 2021 %	December 31, 2020 Balance	December 31, 2020 %	March 31, 2020 Balance	March 31, 2020 %
Loans in-school/grace/deferment[1]	$ 457		$ 483		$ 603	
Loans in forbearance[2]	797		844		1,583	
Loans in repayment and percentage of each status:						
Loans current	19,020	97.7%	20,287	97.4%	20,466	96.4%
Loans delinquent 31-60 days[3]	179	.9	211	1.0	265	1.3
Loans delinquent 61-90 days[3]	100	.5	126	.6	157	.7
Loans delinquent greater than 90 days[3]	181	.9	217	1.0	347	1.6
Total Private Education Loans in repayment	19,480	100%	20,841	100%	21,235	100%
Total Private Education Loans	20,734		22,168		23,421	
Private Education Loan allowance for losses	(992)		(1,089)		(1,083)	
Private Education Loans, net	$ 19,742		$ 21,079		$ 22,338	
Percentage of Private Education Loans in repayment		94.0%		94.0%		90.7%
Delinquencies as a percentage of Private Education Loans in repayment		2.3%		2.6%		3.6%
Loans in forbearance as a percentage of loans in repayment and forbearance		3.9%		3.9%		6.9%
Percentage of Private Education Loans with a cosigner[4]		40%		41%		43%

(1) Deferment includes customers who have returned to school or are engaged 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.

(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

(Dollars in millions)	Three Months Ended March 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]	—	(102)	(102)
Remaining provision	—	15	15
Total provision	—	(87)	(87)
Charge-offs[2]	(6)	(35)	(41)
Decrease in expected future recoveries on charged-off loans[3]	—	25	25
Allowance at end of period	282	992	1,274
Plus: expected future recoveries on charged-off loans[3]	—	454	454
Allowance at end of period excluding expected future recoveries on charged-off loans[4]	$ 282	$ 1,446	$ 1,728
Charge-offs as a percentage of average loans in repayment (annualized)	.06%	.68%	
Allowance coverage of charge-offs (annualized)[4]	10.7	10.2	
Allowance as a percentage of the ending total loan balance[4]	.5%	7.0%	
Allowance as a percentage of ending loans in repayment[4]	.6%	7.4%	
Ending total loans	$ 57,155	$ 20,734	
Average loans in repayment	$ 47,044	$ 20,883	
Ending loans in repayment	$ 45,922	$ 19,480	

(1) In connection with the sale of approximately $1.6 billion of Private Education Loans. See "Consumer Lending Segment" for a further discussion.

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, at the time of charge-off, the expected recovery amount is transferred from the education loan balance to the allowance for loan loss and is referred to as the "expected future recoveries on charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

(3) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the expected future recoveries on charged-off loans. If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries on 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 charged-off loans:

(Dollars in millions)	Three Months Ended March 31, 2021
Receivable at beginning of period	$ 479
Expected future recoveries of current period defaults	5
Recoveries	(25)
Charge-offs	(5)
Receivable at end of period	$ 454
Change in balance during period	$ (25)

(4) The allowance used for these metrics excludes the expected future recoveries on charged-off loans to better reflect the current expected credit losses remaining in the portfolio.

(Dollars in millions)	Three Months Ended March 31, 2020 FFELP Loans	Private Education Loans	Total
Allowance as of December 31, 2019	$ 64	$ 1,048	$ 1,112
Transition adjustment made under CECL on January 1, 2020(1)	260	(3)	257
Allowance as of January 1, 2020 after transition adjustment to CECL	324	1,045	1,369
Total provision	6	89	95
Charge-offs(2)	(19)	(68)	(87)
Decrease in expected future recoveries on charged-off loans(3)	—	17	17
Allowance at end of period	311	1,083	1,394
Plus: expected future recoveries on charged-off loans(3)	—	571	571
Allowance at end of period excluding expected future recoveries on charged-off loans(4)	$ 311	$ 1,654	$ 1,965
Charge-offs as a percentage of average loans in repayment (annualized)	.15%	1.27%	
Allowance coverage of charge-offs (annualized)(4)	4.1	6.0	
Allowance as a percentage of the ending total loan balance(4)	.5%	7.1%	
Allowance as a percentage of ending loans in repayment(4)	.6%	7.8%	
Ending total loans	$ 62,803	$ 23,421	
Average loans in repayment	$ 52,460	$ 21,601	
Ending loans in repayment	$ 50,514	$ 21,235	

(1) For a further discussion of our adoption of CECL, see "Note 2 – Significant Accounting Policies" in our 2020 Annual Report on Form 10-K.

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, at the time of charge-off the expected recovery amount is transferred from the education loan balance to the allowance for loan loss and is referred to as the "expected future recoveries on charged-off loans." For FFELP Loans, the recovery is received at the time of charge-off.

(3) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the expected future recoveries on charged-off loans. If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries on 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 charged-off loans.

(Dollars in millions)	Three Months Ended March 31, 2020
Receivable at beginning of period	$ 588
Expected future recoveries of current period defaults	13
Recoveries	(28)
Charge-offs	(2)
Receivable at end of period	$ 571
Change in balance during period	$ (17)

(4) The allowance used for these metrics excludes the expected future recoveries on charged-off loans to better reflect the current expected credit losses remaining in the portfolio.

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. See “Navient’s Response to COVID-19” for a discussion of COVID-19’s impact on liquidity and capital resources.

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 ratings 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 ratings 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 $8.8 billion at March 31, 2021. 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 $1.4 billion of senior unsecured notes that mature in the short term (i.e., over the next 12 months, of which $627 million was retired in April 2021) and the remaining $7.4 billion of senior unsecured notes that mature in the long term (from 2022 to 2043 with 85% maturing by 2029), primarily through our current cash, investments and unencumbered FFELP Loan and Private Education Refinance Loan portfolios (see “Sources of Liquidity” below), the predictable operating cash flows provided by operating activities ($179 million in the three months ended March 31, 2021), 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. We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Those originations and purchases are part of our ongoing liquidity needs. We purchased 8.2 million shares of common stock for $100 million in first-quarter 2021. We had $500 million of remaining share repurchase authority as of March 31, 2021.

Sources of Primary Liquidity

(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Ending Balances:			
Total unrestricted cash and liquid investments	$ 1,497	$ 1,183	$ 1,084
Unencumbered FFELP Loans	259	208	209
Unencumbered Private Education Refinance Loans	936	274	427
Total	$ 2,692	$ 1,665	$ 1,720

	Quarters Ended		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Average Balances:			
Total unrestricted cash and liquid investments	$ 1,198	$ 1,365	$ 1,151
Unencumbered FFELP Loans	276	387	336
Unencumbered Private Education Refinance Loans	752	572	694
Total	$ 2,226	$ 2,324	$ 2,181

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 additional borrowing capacity of these facilities with maturity dates ranging from June 2021 to April 2023.

(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Ending Balances			
FFELP Loan ABCP facilities	$ 826	$ 506	$ 768
Private Education Loan ABCP facilities	2,844	2,221	539
Total	$ 3,670	$ 2,727	$ 1,307

	Quarters Ended		
(Dollars in millions)	March 31, 2021	December 31, 2020	March 31, 2020
Average Balances			
FFELP Loan ABCP facilities	$ 656	$ 542	$ 852
Private Education Loan ABCP facilities	2,420	2,138	886
Total	$ 3,076	$ 2,680	$ 1,738

At March 31, 2021, we had a total of $6.1 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $3.0 billion principal of our unencumbered tangible assets of which $2.8 billion and $0.3 billion related to Private Education Loans and FFELP Loans, respectively. In addition, as of March 31, 2021, we had $5.8 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). Since the fourth quarter of 2015, we have closed on $4.3 billion of Private Education Loan ABS Repurchase Facilities with $0.8 billion outstanding as of March 31, 2021. These repurchase facilities are collateralized by Residual Interests in previously issued Private Education Loan ABS trusts. These repurchase facilities are collateralized by Residual Interests in previously issued Private Education Loan ABS trusts. These are examples of how we can effectively finance previously encumbered assets to generate additional liquidity in addition to the unencumbered assets we traditionally have encumbered in the past. Additionally, these repurchase facilities 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)	March 31, 2021	December 31, 2020
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 3.8	3.9
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	2.0	2.1
Tangible unencumbered assets[1]	6.1	5.4
Senior unsecured debt	(8.8)	(8.4)
Mark-to-market on unsecured hedged debt[2]	(.5)	(.7)
Other liabilities, net	(.6)	(.6)
Total Tangible Equity [1]	$ 2.0	$ 1.7

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

(2) At March 31, 2021 and December 31, 2020, there were $437 million and $634 million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

Borrowings

Ending Balances

	March 31, 2021			December 31, 2020		
(Dollars in millions)	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings:						
Senior unsecured debt	$ 1,375	$ 7,436	$ 8,811	$ 677	$ 7,714	$ 8,391
Total unsecured borrowings	1,375	7,436	8,811	677	7,714	8,391
Secured borrowings:						
FFELP Loan securitizations	—	54,469	54,469	—	54,697	54,697
Private Education Loan securitizations	848	13,235	14,083	960	13,891	14,851
FFELP Loan ABCP facilities	1,323	169	1,492	2,053	479	2,532
Private Education Loan ABCP facilities	1,889	—	1,889	2,582	—	2,582
Other	232	—	232	337	—	337
Total secured borrowings	4,292	67,873	72,165	5,932	69,067	74,999
Core Earnings basis borrowings[1]	5,667	75,309	80,976	6,609	76,781	83,390
Adjustment for GAAP accounting treatment	17	365	382	4	551	555
GAAP basis borrowings	$ 5,684	$ 75,674	$ 81,358	$ 6,613	$ 77,332	$ 83,945

Average Balances

	Three Months Ended March 31,			
	2021		2020	
(Dollars in millions)	Average Balance	Average Rate	Average Balance	Average Rate
Unsecured borrowings:				
Senior unsecured debt	$ 8,675	4.60%	$ 9,819	5.98%
Total unsecured borrowings	8,675	4.60	9,819	5.98
Secured borrowings:				
FFELP Loan securitizations	54,533	1.28	58,991	2.64
Private Education Loan securitizations	14,644	2.55	13,839	3.43
FFELP Loan ABCP facilities	2,043	1.49	3,387	2.65
Private Education Loan ABCP facilities	2,355	2.08	3,506	2.98
Other	283	.32	341	1.84
Total secured borrowings	73,858	1.56	80,064	2.79
Core Earnings basis borrowings[1]	82,533	1.88%	89,883	3.14
Adjustment for GAAP accounting treatment	—	(.27)	—	.06
GAAP basis borrowings	$ 82,533	1.61%	$ 89,883	3.20%

(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). A discussion of our critical accounting policies, which includes the allowance for loan losses, goodwill, and premium and discount amortization, can be found in our 2020 Form 10-K. There were no significant changes to these critical accounting policies during the three months ended March 31, 2021.

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, (2) Adjusted Tangible Equity Ratio and (3) EBITDA for the Business Processing segment.

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 12 — Segment Reporting.”

	Three Months Ended March 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	$ 359	$ 319	$ —	$ —	$ 678	$ 23	$ (9)	$ 14	$ 692
Cash and investments	—	—	—	—	—	—	—	—	—
Total interest income	359	319	—	—	678	23	(9)	14	692
Total interest expense	215	150	—	18	383	(1)	(53)	(54)	329
Net interest income (loss)	144	169	—	(18)	295	24	44	68	363
Less: provisions for loan losses	—	(87)	—	—	(87)	—	—	—	(87)
Net interest income (loss) after provisions for loan losses	144	256	—	(18)	382	24	44	68	450
Other income (loss):									
Servicing revenue	52	1	—	—	53	—	—	—	53
Asset recovery and business processing revenue	14	—	125	—	139	—	—	—	139
Other income (loss)	—	—	—	—	—	(11)	47	36	36
Gains on sales of loans	—	89	—	—	89	(13)	—	(13)	76
Total other income (loss)	66	90	125	—	281	(24)	47	23	304
Expenses:									
Direct operating expenses	63	41	91	—	195	—	—	—	195
Unallocated shared services expenses	—	—	—	64	64	—	—	—	64
Operating expenses	63	41	91	64	259	—	—	—	259
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	5	5	5
Restructuring/other reorganization expenses	—	—	—	6	6	—	—	—	6
Total expenses	63	41	91	70	265	—	5	5	270
Income (loss) before income tax expense (benefit)	147	305	34	(88)	398	—	86	86	484
Income tax expense (benefit)(2)	35	71	8	(21)	93	—	21	21	114
Net income (loss)	$ 112	$ 234	$ 26	$ (67)	$ 305	$ —	$ 65	$ 65	$ 370

(1) Core Earnings adjustments to GAAP:

	Three Months Ended March 31, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 68	$ —	$ 68
Total other income (loss)	23	—	23
Goodwill and acquired intangible asset impairment and amortization	—	5	5
Total Core Earnings adjustments to GAAP	$ 91	$ (5)	86
Income tax expense (benefit)			21
Net income (loss)			$ 65

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

(Dollars in millions)	Three Months Ended March 31, 2020 Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 582	$ 404	$ —	$ —	$ 986	$ 3	$ (14)	$ (11)	$ 975
Cash and investments	6	2	—	4	12	—	—	—	12
Total interest income	588	406	—	4	998	3	(14)	(11)	987
Total interest expense	456	210	—	35	701	7	6	13	714
Net interest income (loss)	132	196	—	(31)	297	(4)	(20)	(24)	273
Less: provisions for loan losses	6	89	—	—	95	—	—	—	95
Net interest income (loss) after provisions for loan losses	126	107	—	(31)	202	(4)	(20)	(24)	178
Other income (loss):									
Servicing revenue	56	2	—	—	58	—	—	—	58
Asset recovery and business processing revenue	53	—	57	—	110	—	—	—	110
Other income (loss)	4	—	—	3	7	4	(227)	(223)	(216)
Total other income (loss)	113	2	57	3	175	4	(227)	(223)	(48)
Expenses:									
Direct operating expenses	83	39	54	—	176	—	—	—	176
Unallocated shared services expenses	—	—	—	75	75	—	—	—	75
Operating expenses	83	39	54	75	251	—	—	—	251
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	5	5	5
Restructuring/other reorganization expenses	—	—	—	5	5	—	—	—	5
Total expenses	83	39	54	80	256	—	5	5	261
Income (loss) before income tax expense (benefit)	156	70	3	(108)	121	—	(252)	(252)	(131)
Income tax expense (benefit)(2)	37	16	1	(26)	28	—	(53)	(53)	(25)
Net income (loss)	$ 119	$ 54	$ 2	$ (82)	$ 93	$ —	$ (199)	$ (199)	$ (106)

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Three Months Ended March 31, 2020 Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ (24)	$ —	$ (24)
Total other income (loss)	(223)	—	(223)
Goodwill and acquired intangible asset impairment and amortization	—	5	5
Total Core Earnings adjustments to GAAP	$ (247)	$ (5)	(252)
Income tax expense (benefit)			(53)
Net income (loss)			$ (199)

(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.

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Core Earnings net income	$ 305	$ 93
Core Earnings adjustments to GAAP:		
Net impact of derivative accounting	91	(247)
Net impact of goodwill and acquired intangible assets	(5)	(5)
Net income tax effect	(21)	53
Total Core Earnings adjustments to GAAP	65	(199)
GAAP net income	$ 370	$ (106)

(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 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.

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Core Earnings derivative adjustments:		
Gains (losses) on derivative and hedging activities, net, included in other income	$ 36	$ (223)
Plus: Gains (losses) on fair value hedging activity included in interest expense	45	(9)
Total gains(losses)	81	(232)
Plus: Reclassification of settlement expense (income) on derivative and hedging activities, net(1)	11	(4)
Mark-to-market gains (losses) on derivative and hedging activities, net(2)	92	(236)
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	(9)	(14)
Other derivative accounting adjustments(3)	8	3
Total net impact of derivative accounting	$ 91	$ (247)

(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.

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Reclassification of settlements on derivative and hedging activities:		
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ (23)	$ (3)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	(1)	7
Net realized gains (losses) on terminated derivative contracts reclassified to other income	13	—
Total reclassifications of settlements on derivative and hedging activities	$ (11)	$ 4

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

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Floor Income Contracts	$ 37	$ (180)
Basis swaps	4	33
Foreign currency hedges	30	10
Other	21	(99)
Total mark-to-market gains (losses) on derivative and hedging activities, net	$ 92	$ (236)

(3) Other derivative accounting adjustments consist of adjustments related to: (1) foreign currency denominated debt that is adjusted to spot foreign exchange rates for GAAP where such adjustments are reversed for Core Earnings and (2) 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 March 31, 2021, derivative accounting has decreased GAAP equity by approximately $499 million as a result of cumulative net mark-to-market losses (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.

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Beginning impact of derivative accounting on GAAP equity	$ (616)	$ (235)
Net impact of net mark-to-market gains (losses) under derivative accounting(1)	117	(394)
Ending impact of derivative accounting on GAAP equity	$ (499)	$ (629)

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

	Three Months Ended March 31,	
(Dollars in millions)	**2021**	**2020**
Total pre-tax net impact of derivative accounting recognized in net income(2)	$ 91	$ (247)
Tax and other impacts of derivative accounting adjustments	(22)	62
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	48	(209)
Net impact of net mark-to-market gains (losses) under derivative accounting	$ 117	$ (394)

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

Hedging Embedded Floor Income

Net Floor premiums received on Floor Income Contracts that have not been amortized into Core Earnings as of the respective period-ends are presented in the table below. These net premiums will be recognized in Core Earnings in future periods. As of March 31, 2021, the remaining term of the Floor Income Contracts was approximately 2 years. Historically, we have sold Floor Income Contracts on a periodic basis and depending upon market conditions and pricing, we may enter into additional Floor Income Contracts in the future. The balance of unamortized Floor Income Contracts will increase as we sell new contracts and decline due to the amortization of existing contracts.

In addition to using Floor Income Contracts, we also use pay-fixed interest rate swaps to hedge the embedded Floor Income within FFELP Loans. These interest rate swaps qualify as GAAP hedges and are accounted for as cash flow hedges of variable rate debt. For GAAP, gains and losses on these hedges are recorded in accumulated other comprehensive income. Hedged Floor Income from these cash flow hedges that has not been recognized into Core Earnings and GAAP as of the respective period-ends is presented in the table below. This hedged Floor Income will be recognized in Core Earnings and GAAP in future periods and is presented net of tax. As of March 31, 2021, the remaining term of these pay-fixed interest rate swaps was approximately 6 years. Historically, we have used pay-fixed interest rate swaps on a periodic basis to hedge embedded Floor Income and depending upon market conditions and pricing, we may enter into swaps in the future. The balance of unrecognized hedged Floor Income will increase as we enter into new swaps and decline as revenue is recognized

(Dollars in millions)	March 31, 2021	March 31, 2020
Unamortized net Floor premiums, net of tax	$ 31	$ 66
Unrecognized hedged Floor Income related to pay-fixed interest rate swaps, net of tax	333	437
Total hedged Floor Income, net of tax(1)(2)	$ 364	$ 503

(1) $476 million and $658 million on a pre-tax basis as of March 31, 2021 and March 31, 2020, respectively.

(2) Of the $364 million as of March 31, 2021, approximately $129 million, $115 million and $85 million will be recognized as part of Core Earnings net income in the remainder of 2021, 2022 and 2023, 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.

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Core Earnings goodwill and acquired intangible asset adjustments	$ (5)	$ (5)

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 it 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:

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Restructuring/other reorganization expenses	$ 6	$ 5
Regulatory-related expenses	8	7
Total	$ 14	$ 12

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 portfolio because FFELP Loans are no longer originated and the FFELP 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 millions)	March 31, 2021	March 31, 2020
Navient Corporation's stockholders' equity	$ 2,723	$ 2,035
Less: Goodwill and acquired intangible assets	731	752
Tangible Equity	1,992	1,283
Less: Equity held for FFELP Loans	284	312
Adjusted Tangible Equity	$ 1,708	$ 971
Divided by:		
Total assets	$ 84,957	$ 93,245
Less:		
Goodwill and acquired intangible assets	731	752
FFELP Loans	56,873	62,492
Adjusted tangible assets	$ 27,353	$ 30,001
Adjusted Tangible Equity Ratio(1)	6.2%	3.2%

(1) The following provides a pro forma of what the Adjusted Tangible Equity Ratio would be if 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)	March 31, 2021	March 31, 2020
Adjusted Tangible Equity (from above table)	$ 1,708	$ 971
Plus: ending impact of derivative accounting on GAAP equity	499	629
Pro forma Adjusted Tangible Equity	$ 2,207	$ 1,600
Divided by: adjusted tangible assets (from above table)	$ 27,353	$ 30,001
Pro forma Adjusted Tangible Equity Ratio	8.1%	5.3%

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:

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Core Earnings pre-tax income	$ 34	$ 3
Plus:		
Depreciation and amortization expense(1)	2	1
EBITDA	$ 36	$ 4
Divided by:		
Total revenue	$ 125	$ 57
EBITDA margin	29%	7%

(1) There is no interest expense in this segment.

Legal Proceedings

For a discussion of legal matters as of March 31, 2021, please refer to “Note 9 – Commitments and Contingencies” to our consolidated financial statements included in this report, which is incorporated into this item by reference.

Risk Factors

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2020 (the “Form 10-K”) should be considered together with information included in this Quarterly Report on Form 10-Q for the quarter ended March 31, 2021. These are not the only risks to which we are exposed. The following information amends and restates in its entirety the previously disclosed risk factor in our Form 10-K relating to the transition away from the LIBOR reference rate. Except for such additional information, we believe there have been no material changes from the risk factors previously disclosed in our Form 10-K.

The transition away from the LIBOR reference rate to an alternative reference rate may create uncertainty in the capital markets and may negatively impact the value of existing LIBOR based financial instruments.

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. LIBOR is the reference rate for most of our student loans, bonds, asset-backed securities (ABS), other financing facilities, and derivatives (financial instruments). On July 27, 2017, the Chief Executive Officer of the United Kingdom Financial Conduct Authority (FCA) announced that by the end of 2021, LIBOR would no longer be sustained through the FCA’s efforts to compel banks’ participation in setting the benchmark. The FCA’s original intention was that after 2021, it will no longer be necessary for the FCA to ask, or to require, banks to submit contributions to LIBOR. On March 5, 2021, the ICE Benchmark Administration Limited (the “IBA”), which took over administration of LIBOR on February 1, 2014, published the results of a consultation confirming its intention to cease the publication of (i) EUR, CHF, JPY and GBP LIBOR for all tenors and one-week and two-month U.S. Dollar LIBOR immediately following the publication of such rates on December 31, 2021, and (ii) the remaining U.S. Dollar LIBOR rates, including one-month and three-month LIBOR, immediately following the publication of such rates on June 30, 2023. Also on March 5, 2021, FCA announced that it does not intend to sustain LIBOR by requiring panel banks to continue providing quotations of LIBOR beyond the dates for which they have notified their departure from IBA’s LIBOR quotation scheme, or to require IBA to publish LIBOR beyond such dates. As a result, immediately after December 31, 2021 and June 30, 2023, respectively, LIBOR will no longer be representative of the underlying market and economic reality that the rates are intended to measure. As of December 31, 2021, we had approximately $200 billion notional of financial instruments indexed to LIBOR. Most of these financial instruments do not include provisions clearly specifying a method for transitioning from LIBOR to an alternative benchmark rate, and it is not yet known how courts or regulators will view the transition away from LIBOR to an alternative benchmark rate. As a result, it is difficult to predict the impact that a cessation of LIBOR would have on the value and performance of our existing financial instruments. These uncertainties regarding the possible cessation of LIBOR or their resolution could have a material adverse impact on our funding costs, net interest margin, loan and other asset values, asset-liability management strategies, and other aspects of our business and financial results.

Quantitative and Qualitative Disclosures about Market Risk

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 March 31, 2021 and 2020, 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. There is the possibility that the Federal Reserve may use negative interest rates if economic conditions warrant which could potentially affect the success of our asset and liability management activities and negatively affect our financial condition and results of operations.

	As of March 31, 2021 Impact on Annual Earnings If:		As of March 31, 2020 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]	$ (34)	$ 13	$ (63)	$ 41
Mark-to-market gains (losses) on derivative and hedging activities	115	(153)	145	(243)
Increase (decrease) in income before taxes	$ 81	$ (140)	$ 82	$ (202)
Increase (decrease) in net income after taxes	$ 62	$ (108)	$ 63	$ (156)
Increase (decrease) in diluted earnings per common share	$ .35	$ (.60)	$ .33	$ (.80)

[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 March 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	$ 79,405	$ (393)	—	$ 604	1%
Other earning assets	4,405	—	—	—	—
Other assets	3,937	(193)	(5)	273	7
Total assets gain/(loss)	$ 87,747	$ (586)	(1)%	$ 877	1%
Liabilities					
Interest-bearing liabilities	$ 81,300	$ (368)	—%	$ 399	—%
Other liabilities	862	(185)	(21)	290	34
Total liabilities (gain)/loss	$ 82,162	$ (553)	(1)%	$ 689	1%

(Dollars in millions)	Fair Value	At December 31, 2020 Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Decrease of 100 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 81,579	$ (419)	(1)%	$ 669	1%
Other earning assets	3,822	—	—	—	—
Other assets	4,227	(248)	(6)	300	7
Total assets gain/(loss)	$ 89,628	$ (667)	(1)%	$ 969	1%
Liabilities					
Interest-bearing liabilities	$ 83,345	$ (373)	—%	$ 406	—%
Other liabilities	1,020	(274)	(27)	358	35
Total liabilities (gain)/loss	$ 84,365	$ (647)	(1)%	$ 764	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. During 2021 and 2020, certain FFELP Loans were earning Floor Income and we locked in a portion of that Floor Income through the use of derivative contracts. The result of these hedging transactions was 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; and (ii) 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) has the opposite effect. The increase and decrease in income in both periods when interest rates increase and decrease 100 basis points is due primarily to item (i) above. The relative changes in the impacts between 2021 and 2020 related to a decrease in interest rates are primarily a result of interest rates being significantly lower in 2021 compared to 2020.

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 2021 and 2020 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 2021 and 2020 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 2021 than 2020 primarily as a result of 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 U.S. dollar 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 March 31, 2021. 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	$ 2.8	$ —	$ 2.8
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.2	—	.2
Prime	quarterly	1.8	—	1.8
Prime	monthly	6.1	—	6.1
3-month LIBOR	quarterly	.3	25.7	(25.4)
3-month LIBOR(2)	monthly	—	.6	(.6)
3-month LIBOR(2)	daily	—	.2	(.2)
1-month LIBOR	monthly	4.0	33.4	(29.4)
1-month LIBOR	daily	53.8	—	53.8
Non-Discrete reset(2)(3)	monthly	—	4.4	(4.4)
Non-Discrete reset(4)	daily/weekly	4.4	.2	4.2
Fixed Rate(5)		11.4	20.5	(9.1)
Total		$ 85.0	$ 85.0	$ —

(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	$ 2.8	$ —	$ 2.8
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.2	—	.2
Prime	quarterly	1.8	—	1.8
Prime	monthly	6.1	—	6.1
3-month LIBOR	quarterly	.3	6.7	(6.4)
3-month LIBOR[2]	monthly	—	.6	(.6)
3-month LIBOR[2]	daily	—	.2	(.2)
1-month LIBOR	monthly	4.0	51.8	(47.8)
1-month LIBOR	daily	53.8	—	53.8
Non-Discrete reset[2][3]	monthly	—	4.4	(4.4)
Non-Discrete reset[4]	daily/weekly	4.4	.2	4.2
Fixed Rate[5]		11.1	20.8	(9.7)
Total		$ 84.7	$ 84.7	$ —

(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 with derivatives which 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.

Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchases

The following table provides information relating to our purchases of shares of our common stock in the three months ended March 31, 2021.

(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:				
January 1 — January 31, 2021	3.6	$ 11.25	3.0	$ 567
February 1 — February 28, 2021	4.0	12.16	2.5	$ 536
March 1 — March 31, 2021	2.8	13.31	2.7	$ 500
Total first-quarter 2021	10.4	$ 12.16	8.2	

(1) The total number of shares purchased includes: (i) shares purchased under the stock repurchase program discussed below and (ii) shares of our common stock tendered to us to satisfy the exercise price in connection with cashless exercise of stock options, and tax withholding obligations in connection with exercise of stock options and vesting of restricted stock and restricted stock units.

(2) Our board of directors approved a $1 billion multi-year share repurchase program in October 2019.

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 March 31, 2021. Based on this evaluation, our Principal Executive and Principal Financial Officers concluded that, as of March 31, 2021, 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.

Changes in Internal Control over Financial Reporting

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 March 31, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Exhibits

10.1†*	Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement.
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

NAVIENT CORPORATION

CONSOLIDATED BALANCE SHEETS
(In millions, except per share amounts)
(Unaudited)

	March 31, 2021	December 31, 2020
Assets		
FFELP Loans (net of allowance for losses of $282 and $288, respectively)	$ 56,873	$ 58,284
Private Education Loans (net of allowance for losses of $992 and $1,089, respectively)	19,742	21,079
Investments		
Held-to-maturity	64	15
Other	239	270
Total investments	303	285
Cash and cash equivalents	1,497	1,183
Restricted cash and cash equivalents	2,605	2,354
Goodwill and acquired intangible assets, net	731	735
Other assets	3,206	3,492
Total assets	$ 84,957	$ 87,412
Liabilities		
Short-term borrowings	$ 5,684	$ 6,613
Long-term borrowings	75,674	77,332
Other liabilities	862	1,020
Total liabilities	82,220	84,965
Commitments and contingencies		
Equity		
Common stock, par value $0.01 per share, 1.125 billion shares authorized: 457 million and 454 million shares issued, respectively	4	4
Additional paid-in capital	3,255	3,226
Accumulated other comprehensive loss (net of tax benefit of $75 and $90, respectively)	(226)	(274)
Retained earnings	3,670	3,331
Total Navient Corporation stockholders' equity before treasury stock	6,703	6,287
Less: Common stock held in treasury at cost: 278 million and 267 million shares, respectively	(3,980)	(3,854)
Total Navient Corporation stockholders' equity	2,723	2,433
Noncontrolling interest	14	14
Total equity	2,737	2,447
Total liabilities and equity	$ 84,957	$ 87,412

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

	March 31, 2021	December 31, 2020
FFELP Loans	$ 56,605	$ 58,068
Private Education Loans	16,962	18,658
Restricted cash	2,567	2,322
Other assets, net	1,483	1,420
Short-term borrowings	4,060	5,595
Long-term borrowings	67,746	68,900
Net assets of consolidated variable interest entities	$ 5,811	$ 5,973

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended March 31,	
	2021	2020
Interest income:		
FFELP Loans	$ 373	$ 571
Private Education Loans	319	404
Cash and investments	—	12
Total interest income	692	987
Total interest expense	329	714
Net interest income	363	273
Less: provisions for loan losses	(87)	95
Net interest income after provisions for loan losses	450	178
Other income (loss):		
Servicing revenue	53	58
Asset recovery and business processing revenue	139	110
Other income (loss)	—	7
Gains on sales of loans	76	—
Gains (losses) on derivative and hedging activities, net	36	(223)
Total other income (loss)	304	(48)
Expenses:		
Salaries and benefits	149	124
Other operating expenses	110	127
Total operating expenses	259	251
Goodwill and acquired intangible asset impairment and amortization expense	5	5
Restructuring/other reorganization expenses	6	5
Total expenses	270	261
Income (loss) before income tax expense (benefit)	484	(131)
Income tax expense (benefit)	114	(25)
Net income (loss)	$ 370	$ (106)
Basic earnings (loss) per common share	$ 2.02	$ (.53)
Average common shares outstanding	183	200
Diluted earnings (loss) per common share	$ 2.00	$ (.53)
Average common and common equivalent shares outstanding	185	200
Dividends per common share	$ .16	$ .16

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended March 31,	
	2021	2020
Net income (loss)	$ 370	$ (106)
Net changes in cash flow hedges, net of taxes[1]	48	(209)
Total comprehensive income (loss)	$ 418	$ (315)

(1) See “Note 4 – 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)
(Unaudited)

	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, 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 (loss):											
Net income (loss)	—	—	—	—	—	—	(106)	—	(106)	—	(106)
Other comprehensive income (loss), net of tax	—	—	—	—	—	(209)	—	—	(209)	—	(209)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	(315)	—	(315)
Cash dividends:											
Common stock ($.16 per share)	—	—	—	—	—	—	(31)	—	(31)	—	(31)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	2,271,554	—	2,271,554	—	5	—	—	—	5	—	5
Stock-based compensation expense	—	—	—	—	9	—	—	—	9	—	9
Common stock repurchased	—	(22,975,880)	(22,975,880)	—	—	—	—	(335)	(335)	—	(335)
Shares repurchased related to employee stock-based compensation plans	—	(900,277)	(900,277)	—	—	—	—	(12)	(12)	—	(12)
Balance at March 31, 2020	453,366,433	(259,534,353)	193,832,080	$ 4	$ 3,212	$ (300)	$ 2,905	$ (3,786)	$ 2,035	$ 13	$ 2,048
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 (loss):											
Net income (loss)	—	—	—	—	—	—	370	—	370	—	370
Other comprehensive income (loss), net of tax	—	—	—	—	—	48	—	—	48	—	48
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	418	—	418
Cash dividends:	—										
Common stock ($.16 per share)	—	—	—	—	—	—	(29)	—	(29)	—	(29)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	3,624,586	—	3,624,586	—	19	—	—	—	19	—	19
Stock-based compensation expense	—	—	—	—	10	—	—	—	10	—	10
Common stock repurchased	—	(8,178,100)	(8,178,100)	—	—	—	—	(100)	(100)	—	(100)
Shares repurchased related to employee stock-based compensation plans	—	(2,235,658)	(2,235,658)	—	—	—	—	(26)	(26)	—	(26)
Balance at March 31, 2021	457,403,561	(277,890,279)	179,513,282	$ 4	$ 3,255	$ (226)	$ 3,670	$ (3,980)	$ 2,723	$ 14	$ 2,737

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Operating activities		
Net income (loss)	$ 370	$ (106)
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gains) on sales of education loans	(76)	—
Goodwill and acquired intangible asset impairment and amortization expense	5	5
Stock-based compensation expense	10	9
Mark-to-market (gains)/losses on derivative and hedging activities, net	(198)	441
Provisions for loan losses	(87)	95
Decrease in accrued interest receivable	80	79
Decrease in accrued interest payable	(45)	(70)
Decrease in other assets	111	51
Increase (decrease) in other liabilities	9	(51)
Total adjustments	(191)	559
Total net cash provided by operating activities	179	453
Investing activities		
Education loans acquired and originated	(1,734)	(1,921)
Proceeds from payments on education loans	3,009	3,020
Proceeds from sales of education loans	1,588	—
Other investing activities, net	22	(114)
Total net cash provided by investing activities	2,885	985
Financing activities		
Borrowings collateralized by loans in trust - issued	1,828	1,976
Borrowings collateralized by loans in trust - repaid	(2,846)	(3,065)
Asset-backed commercial paper conduits, net	(1,735)	281
Long-term unsecured notes issued	495	682
Long-term unsecured notes repaid	(78)	(718)
Other financing activities, net	(34)	(241)
Common stock repurchased	(100)	(335)
Common dividends paid	(29)	(31)
Total net cash used in financing activities	(2,499)	(1,451)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	565	(13)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	3,537	3,781
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 4,102	$ 3,768
Cash disbursements made (refunds received) for:		
Interest	$ 362	$ 712
Income taxes paid	$ 1	$ 2
Income taxes received	$ —	$ —
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 1,497	$ 1,084
Restricted cash and restricted cash equivalents	2,605	2,684
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 4,102	$ 3,768
Supplemental cash flow information:		
Noncash activity:		
Investing activity - Held-to-maturity asset backed securities retained related to sales of education loans	$ 53	$ —
Operating activity - Servicing assets recognized upon sales of education loans	$ 20	$ —

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of Navient have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of Navient 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. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2021 are not necessarily indicative of the results for the year ending December 31, 2020 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2020 (the 2020 Form 10-K). Definitions for certain capitalized terms used but not otherwise defined in this Quarterly Report on Form 10-Q can be found in our 2020 Form 10-K.

2. Allowance for Loan Losses

Allowance for Loan Losses Metrics

(Dollars in millions)	Three Months Ended March 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]	—	(102)	(102)
Remaining provision	—	15	15
Total provision	—	(87)	(87)
Charge-offs[2]	(6)	(35)	(41)
Decrease in expected future recoveries on charged-off loans[3]	—	25	25
Allowance at end of period	282	992	1,274
Plus: expected future recoveries on charged-off loans[3]	—	454	454
Allowance at end of period excluding expected future recoveries on charged-off loans[4]	$ 282	$ 1,446	$ 1,728
Charge-offs as a percentage of average loans in repayment (annualized)	.06%	.68%	
Allowance coverage of charge-offs (annualized)[4]	10.7	10.2	
Allowance as a percentage of the ending total loan balance[4]	.5%	7.0%	
Allowance as a percentage of ending loans in repayment[4]	.6%	7.4%	
Ending total loans	$ 57,155	$ 20,734	
Average loans in repayment	$ 47,044	$ 20,883	
Ending loans in repayment	$ 45,922	$ 19,480	

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

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, at the time of charge-off, the expected recovery amount is transferred from the education loan balance to the allowance for loan loss and is referred to as the expected future recoveries on charged-off loans. For FFELP Loans, the recovery is received at the time of charge-off.

(3) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the “expected future recoveries on charged-off loans.” If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries for 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 charged-off loans:

(Dollars in millions)	Three Months Ended March 31, 2021
Beginning of period expected recoveries	$ 479
Expected future recoveries of current period defaults	5
Recoveries	(25)
Charge-offs	(5)
End of period expected recoveries	$ 454
Change in balance during period	$ (25)

(4) The allowance used for these metrics excludes the expected future recoveries on charged-off loans to better reflect the current expected credit losses remaining in the portfolio.

2. Allowance for Loan Losses (Continued)

	Three Months Ended March 31, 2020		
(Dollars in millions)	**FFELP Loans**	**Private Education Loans**	**Other Loans**
Allowance as of December 31, 2019	$ 64	$ 1,048	$ 1,112
Transition adjustment made under CECL on January 1, 2020(1)	260	(3)	257
Allowance as of January 1, 2020 after transition adjustment to CECL	324	1,045	1,369
Total provision	6	89	95
Charge-offs(2)	(19)	(68)	(87)
Decrease in expected future recoveries on charged-off loans(3)	—	17	17
Allowance at end of period	311	1,083	1,394
Plus: expected future recoveries on charged-off loans(3)	—	571	571
Allowance at end of period excluding expected future recoveries on charged-off loans(4)	$ 311	$ 1,654	$ 1,965
Charge-offs as a percentage of average loans in repayment (annualized)	.15%	1.27%	
Allowance coverage of charge-offs (annualized)(4)	4.1	6.0	
Allowance as a percentage of the ending total loan balance(4)	.5%	7.1%	
Allowance as a percentage of ending loans in repayment(4)	.6%	7.8%	
Ending total loans	$ 62,803	$ 23,421	
Average loans in repayment	$ 52,460	$ 21,601	
Ending loans in repayment	$ 50,514	$ 21,235	

(1) For a further discussion of our adoption of CECL, see "Note 2 – Significant Accounting Policies" in our 2020 Annual Report on Form 10-K.

(2) Charge-offs are reported net of expected recoveries. For Private Education Loans, at the time of charge-off, the expected recovery amount is transferred from the education loan balance to the allowance for loan loss and is referred to as the expected future recoveries on charged-off loans. For FFELP Loans, the recovery is received at the time of charge-off.

(3) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the "expected future recoveries on charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries for 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 charged-off loans:

(Dollars in millions)	**Three Months Ended March 31, 2020**
Beginning of period expected recoveries	$ 588
Expected future recoveries of current period defaults	13
Recoveries	(28)
Charge-offs	(2)
End of period expected recoveries	$ 571
Change in balance during period	$ (17)

(4) The allowance used for these metrics excludes the expected future recoveries on charged-off loans to better reflect the current expected credit losses remaining in the portfolio.

2. 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 73% and 72% of the loans granted forbearance have qualified as a TDR loan at March 31, 2021 and December 31, 2020, respectively. The unpaid principal balance of TDR loans that were in an interest rate reduction program as of March 31, 2021 and December 31, 2020 was $831 million and $948 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.

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Modified loans	$ 40	$ 95
Charge-offs	$ 26	$ 58
Payment default	$ 5	$ 21

2. 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					
	March 31, 2021		December 31, 2020		March 31, 2020	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 2,781		$ 2,791		$ 3,291	
Loans in forbearance[2]	8,452		7,725		8,998	
Loans in repayment and percentage of each status:						
Loans current	42,127	91.7%	43,623	90.8%	45,216	89.5%
Loans delinquent 31-60 days[3]	1,377	3.0	1,374	2.9	1,631	3.2
Loans delinquent 61-90 days[3]	813	1.8	836	1.7	969	1.9
Loans delinquent greater than 90 days[3]	1,605	3.5	2,223	4.6	2,698	5.4
Total FFELP Loans in repayment	45,922	100%	48,056	100%	50,514	100%
Total FFELP Loans	57,155		58,572		62,803	
FFELP Loan allowance for losses	(282)		(288)		(311)	
FFELP Loans, net	$ 56,873		$ 58,284		$ 62,492	
Percentage of FFELP Loans in repayment		80.3%		82.0%		80.4%
Delinquencies as a percentage of FFELP Loans in repayment		8.3%		9.2%		10.5%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		15.5%		13.8%		15.1%

(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)	March 31, 2021	March 31, 2020	Change
Stafford Loans	$ 17,327	$ 18,829	$ (1,502)
Consolidation Loans	34,961	38,796	(3,835)
Rehab Loans	4,867	5,178	(311)
Total	$ 57,155	$ 62,803	$ (5,648)

2. 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							
	March 31, 2021							
(Dollars in millions)	March 31, 2021	2020	2019	2018	2017	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 1,485	$ 2,835	$ 2,553	$ 929	$ 291	$ 10,736	$ 18,829	91%
Below 640	10	12	35	24	9	1,815	1,905	9
Total	$ 1,495	$ 2,847	$ 2,588	$ 953	$ 300	$ 12,551	$ 20,734	100%
Loan Status:								
In-school/grace/ deferment/forbearance	$ 6	$ 29	$ 45	$ 23	$ 8	$ 1,143	$ 1,254	6%
Current/90 days or less delinquent	1,489	2,817	2,541	929	291	11,232	19,299	93
Greater than 90 days delinquent	—	1	2	1	1	176	181	1
Total	$ 1,495	$ 2,847	$ 2,588	$ 953	$ 300	$ 12,551	$ 20,734	100%
Seasoning(1):								
1-12 payments	$ 1,491	$ 2,517	$ 131	$ 6	$ 1	$ 159	$ 4,305	21%
13-24 payments	—	314	2,330	54	5	198	2,901	14
25-36 payments	—	—	105	823	28	327	1,283	6
37-48 payments	—	—	—	58	251	512	821	4
More than 48 payments	—	—	—	—	12	10,955	10,967	53
Loans in-school/ grace/deferment	4	16	22	12	3	400	457	2
Total	$ 1,495	$ 2,847	$ 2,588	$ 953	$ 300	$ 12,551	$ 20,734	100%
TDR Status:								
TDR	$ —	$ 2	$ 18	$ 25	$ 31	$ 7,742	$ 7,818	38%
Non-TDR	1,495	2,845	2,570	928	269	4,809	12,916	62
Total	$ 1,495	$ 2,847	$ 2,588	$ 953	$ 300	$ 12,551	$ 20,734	100%
Cosigners:								
With cosigner(2)	$ 3	$ 32	$ 13	$ 1	$ 43	$ 8,249	$ 8,341	40%
Without cosigner	1,492	2,815	2,575	952	257	4,302	12,393	60
Total	$ 1,495	$ 2,847	$ 2,588	$ 953	$ 300	$ 12,551	$ 20,734	100%
School Type:								
Not-for-profit	$ 1,408	$ 2,718	$ 2,416	$ 879	$ 287	$ 10,417	$ 18,125	87%
For-profit	87	129	172	74	13	2,134	2,609	13
Total	$ 1,495	$ 2,847	$ 2,588	$ 953	$ 300	$ 12,551	$ 20,734	100%
Allowance for loan losses							(992)	
Total loans, net							$ 19,742	

(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 March 31, 2021.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Credit Quality Indicators by Origination Year							
	March 31, 2020							
(Dollars in millions)	March 31, 2020	2019	2018	2017	2016	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 1,852	$ 4,108	$ 1,506	$ 497	$ 102	$ 12,574	$ 20,639	88%
Below 640	13	33	25	11	3	2,697	$ 2,782	12
Total	$ 1,865	$ 4,141	$ 1,531	$ 508	$ 105	$ 15,271	$ 23,421	100%
Loan Status:								
In-school/grace/deferment/forbearance	$ 45	$ 209	$ 86	$ 32	$ 6	$ 1,808	$ 2,186	9%
Current/90 days or less delinquent	1,820	3,930	1,443	475	99	13,121	20,888	89
Greater than 90 days delinquent	—	2	2	1	—	342	347	2
Total	$ 1,865	$ 4,141	$ 1,531	$ 508	$ 105	$ 15,271	$ 23,421	100%
Seasoning(1):								
1-12 payments	$ 1,862	$ 3,935	$ 23	$ 2	$ —	$ 224	$ 6,046	26%
13-24 payments	—	189	1,380	20	2	299	1,890	8
25-36 payments	—	—	116	458	9	509	1,092	5
37-48 payments	—	—	—	24	92	747	863	4
More than 48 payments	—	—	—	—	—	12,927	12,927	55
Loans in-school/grace/deferment	3	17	12	4	2	565	603	2
Total	$ 1,865	$ 4,141	$ 1,531	$ 508	$ 105	$ 15,271	$ 23,421	100%
TDR Status:								
TDR	$ —	$ 2	$ 21	$ 30	$ 12	$ 8,826	$ 8,891	38%
Non-TDR	1,865	4,139	1,510	478	93	6,445	14,530	62
Total	$ 1,865	$ 4,141	$ 1,531	$ 508	$ 105	$ 15,271	$ 23,421	100%
Cosigners:								
With cosigner(2)	$ 2	$ 15	$ 1	$ 61	$ 27	$ 10,015	$ 10,121	43%
Without cosigner	1,863	4,126	1,530	447	78	5,256	13,300	57
Total	$ 1,865	$ 4,141	$ 1,531	$ 508	$ 105	$ 15,271	$ 23,421	100%
School Type:								
Not-for-profit	$ 1,764	$ 3,873	$ 1,419	$ 486	$ 104	$ 12,618	$ 20,264	87%
For-profit	101	268	112	22	1	2,653	3,157	13
Total	$ 1,865	$ 4,141	$ 1,531	$ 508	$ 105	$ 15,271	$ 23,421	100%
Allowance for loan losses							(1,083)	
Total loans, net							$ 22,338	

(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 March 31, 2020.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies					
	TDRs					
	March 31, 2021		December 31, 2020		March 31, 2020	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 255		$ 280		$ 345	
Loans in forbearance[2]	668		703		1,057	
Loans in repayment and percentage of each status:						
Loans current	6,477	94.0%	6,952	93.4%	6,808	90.9%
Loans delinquent 31-60 days[3]	160	2.3	185	2.5	227	3.0
Loans delinquent 61-90 days[3]	92	1.3	114	1.5	139	1.9
Loans delinquent greater than 90 days[3]	166	2.4	197	2.6	315	4.2
Total TDR loans in repayment	6,895	100%	7,448	100%	7,489	100%
Total TDR loans	7,818		8,431		8,891	
TDR loans allowance for losses	(857)		(929)		(951)	
TDR loans, net	$ 6,961		$ 7,502		$ 7,940	
Percentage of TDR loans in repayment		88.2%		88.3%		84.2%
Delinquencies as a percentage of TDR loans in repayment		6.0%		6.6%		9.1%
Loans in forbearance as a percentage of TDR loans in repayment and forbearance		8.8%		8.6%		12.4%

(1) Deferment includes customers who have returned to school or are engaged 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.

(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.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies					
	Non-TDRs					
	March 31, 2021		December 31, 2020		March 31, 2020	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 202		$ 203		$ 258	
Loans in forbearance[2]	129		141		526	
Loans in repayment and percentage of each status:						
Loans current	12,543	99.7%	13,335	99.6%	13,658	99.4%
Loans delinquent 31-60 days[3]	19	.1	26	.2	38	.3
Loans delinquent 61-90 days[3]	8	.1	12	.1	18	.1
Loans delinquent greater than 90 days[3]	15	.1	20	.1	32	.2
Total non-TDR loans in repayment	12,585	100%	13,393	100%	13,746	100%
Total non-TDR loans	12,916		13,737		14,530	
Non-TDR loans allowance for losses	(135)		(160)		(132)	
Non-TDR loans, net	$ 12,781		$ 13,577		$ 14,398	
Percentage of non-TDR loans in repayment		97.4%		97.5%		94.6%
Delinquencies as a percentage of non-TDR loans in repayment		.3%		.4%		.6%
Loans in forbearance as a percentage of non-TDR loans in repayment and forbearance		1.0%		1.0%		3.7%

(1) Deferment includes customers who have returned to school or are engaged 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.

(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.

3. Borrowings

The following table summarizes our borrowings.

(Dollars in millions)	March 31, 2021 Short Term	March 31, 2021 Long Term	March 31, 2021 Total	December 31, 2020 Short Term	December 31, 2020 Long Term	December 31, 2020 Total
Unsecured borrowings:						
Senior unsecured debt(1)	$ 1,375	$ 7,436	$ 8,811	$ 677	$ 7,714	$ 8,391
Total unsecured borrowings	1,375	7,436	8,811	677	7,714	8,391
Secured borrowings:						
FFELP Loan securitizations(2)	—	54,469	54,469	—	54,697	54,697
Private Education Loan securitizations(3)	848	13,235	14,083	960	13,891	14,851
FFELP Loan ABCP facilities	1,323	169	1,492	2,053	479	2,532
Private Education Loan ABCP facilities	1,889	—	1,889	2,582	—	2,582
Other(4)	232	—	232	337	—	337
Total secured borrowings	4,292	67,873	72,165	5,932	69,067	74,999
Total before hedge accounting adjustments	5,667	75,309	80,976	6,609	76,781	83,390
Hedge accounting adjustments	17	365	382	4	551	555
Total	$ 5,684	$ 75,674	$ 81,358	$ 6,613	$ 77,332	$ 83,945

(1) Includes principal amount of $1.4 billion and $678 million of short-term debt as of March 31, 2021 and December 31, 2020, respectively. Includes principal amount of $7.5 billion and $7.8 billion of long-term debt as of March 31, 2021 and December 31, 2020, respectively.

(2) Includes $156 million and $157 million of long-term debt related to the FFELP Loan asset-backed securitization repurchase facilities ("FFELP Loan Repurchase Facilities") as of March 31, 2021 and December 31, 2020, respectively.

(3) Includes $848 million and $960 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facilities ("Private Education Loan Repurchase Facilities") as of March 31, 2021 and December 31, 2020, respectively. Includes $0 and $260 million of long-term debt related to the Private Education Loan Repurchase Facilities as of March 31, 2021 and December 31, 2020, respectively.

(4) "Other" primarily includes the obligation to return cash collateral held related to derivative exposures.

3. Borrowings (Continued)

Variable Interest Entities

We consolidated the following financing VIEs as of March 31, 2021 and December 31, 2020, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

	March 31, 2021						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ —	$ 54,469	$ 54,469	$ 55,130	$ 1,762	$ 1,462	$ 58,354
Private Education Loan securitizations	848	13,235	14,083	14,890	680	184	15,754
FFELP Loan ABCP facilities	1,323	169	1,492	1,475	30	46	1,551
Private Education Loan ABCP facilities	1,889	—	1,889	2,072	95	26	2,193
Total before hedge accounting adjustments	4,060	67,873	71,933	73,567	2,567	1,718	77,852
Hedge accounting adjustments	—	(127)	(127)	—	—	(235)	(235)
Total	$ 4,060	$ 67,746	$ 71,806	$ 73,567	$ 2,567	$ 1,483	$ 77,617

	December 31, 2020						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ —	$ 54,697	$ 54,697	$ 55,535	$ 1,606	$ 1,438	$ 58,579
Private Education Loan securitizations	960	13,891	14,851	15,823	606	187	16,616
FFELP Loan ABCP facilities	2,053	479	2,532	2,533	36	76	2,645
Private Education Loan ABCP facilities	2,582	—	2,582	2,835	74	27	2,936
Total before hedge accounting adjustments	5,595	69,067	74,662	76,726	2,322	1,728	80,776
Hedge accounting adjustments	—	(167)	(167)	—	—	(308)	(308)
Total	$ 5,595	$ 68,900	$ 74,495	$ 76,726	$ 2,322	$ 1,420	$ 80,468

4. Derivative Financial Instruments

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 Mar 31, 2021	Cash Flow Dec 31, 2020	Fair Value(4) Mar 31, 2021	Fair Value(4) Dec 31, 2020	Trading Mar 31, 2021	Trading Dec 31, 2020	Total Mar 31, 2021	Total Dec 31, 2020
Fair Values(1)									
Derivative Assets:									
Interest rate swaps	Interest rate	$ —	$ —	$ 240	$ 323	$ 4	$ 6	$ 244	$ 329
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	11	28	—	—	11	28
Total derivative assets(2)		—	—	251	351	4	6	255	357
Derivative Liabilities:									
Interest rate swaps	Interest rate	—	—	—	—	(11)	(14)	(11)	(14)
Floor Income Contracts	Interest rate	—	—	—	—	(160)	(197)	(160)	(197)
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(236)	(322)	—	—	(236)	(322)
Other(3)	Interest rate	—	—	—	—	—	—	—	—
Total derivative liabilities(2)		—	—	(236)	(322)	(171)	(211)	(407)	(533)
Net total derivatives		$ —	$ —	$ 15	$ 29	$ (167)	$ (205)	$ (152)	$ (176)

(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 March 31, 2021	Other Assets December 31, 2020	Other Liabilities March 31, 2021	Other Liabilities December 31, 2020
Gross position	$ 255	$ 357	$ (407)	$ (533)
Impact of master netting agreements	(41)	(50)	41	50
Derivative values with impact of master netting agreements (as carried on balance sheet)	214	307	(366)	(483)
Cash collateral (held) pledged	(231)	(336)	199	234
Net position	$ (17)	$ (29)	$ (167)	$ (249)

(3) “Other” includes derivatives related to our Total Return Swap Facility.

(4) 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 March 31, 2021 Carrying Value	As of March 31, 2021 Hedge Basis Adjustments	As of December 31, 2020 Carrying Value	As of December 31, 2020 Hedge Basis Adjustments
Short-term borrowings	$ 1,392	$ 17	$ 631	$ 4
Long-term borrowings	$ 9,662	$ 356	$ 11,017	$ 541

4. 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 March 31, 2021 and December 31, 2020 by $7 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 March 31, 2021 and December 31, 2020 by $4 million and $5 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	Mar 31, 2021	Dec 31, 2020	Mar 31, 2021	Dec 31, 2020	Mar 31, 2021	Dec 31, 2020	Mar 31, 2021	Dec 31, 2020
Notional Values:								
Interest rate swaps	$ 16.4	$ 16.7	$ 8.0	$ 7.5	$ 30.3	$ 26.8	$ 54.7	$ 51.0
Floor Income Contracts	—	—	—	—	12.5	17.0	12.5	17.0
Cross-currency interest rate swaps	—	—	2.7	3.7	—	—	2.7	3.7
Total derivatives	$ 16.4	$ 16.7	$ 10.7	$ 11.2	$ 42.8	$ 43.8	$ 69.9	$ 71.7

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

	Total Gains (Losses)	
	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Fair Value Hedges:		
Interest Rate Swaps		
Gains (losses) recognized in net income on derivatives	$ (197)	$ 410
Gains (losses) recognized in net income on hedged items	212	(429)
Net fair value hedge ineffectiveness gains (losses)	15	(19)
Cross currency interest rate swaps		
Gains (losses) recognized in net income on derivatives	70	(91)
Gains (losses) recognized in net income on hedged items	(40)	101
Net fair value hedge ineffectiveness gains (losses)	30	10
Total fair value hedges(1)(2)	45	(9)
Cash Flow Hedges:		
Total cash flow hedges(2)	—	—
Trading:		
Interest rate swaps	22	(41)
Floor income contracts	14	(182)
Cross currency interest rate swaps	—	—
Other	—	—
Total trading derivatives(3)	36	(223)
Mark-to-market gains (losses) recognized	$ 81	$ (232)

(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.

4. Derivative Financial Instruments (Continued)

Impact of Derivatives on Other Comprehensive Income (Equity)

(Dollars in millions)	Three Months Ended March 31, 2021	Three Months Ended March 31, 2020
Total gains (losses) on cash flow hedges	$ 27	$ (209)
Reclassification adjustments for derivative (gains) losses included in net income (interest expense)(1)	21	—
Net changes in cash flow hedges, net of tax	$ 48	$ (209)

(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)	March 31, 2021	December 31, 2020
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	$ 231	$ 336
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)	55	78
Total collateral held	$ 286	$ 414
Derivative asset at fair value including accrued interest	$ 226	$ 351
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 199	$ 234
Total collateral pledged	$ 199	$ 234
Derivative liability at fair value including accrued interest and premium receivable	$ 381	$ 504

(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 $132 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. At March 31, 2021 and December 31, 2020, 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 $16 million and $13 million, respectively. The trusts are not required to post collateral to the counterparties. At March 31, 2021 and December 31, 2020, the net positive exposure on swaps in securitization trusts was $11 million and $28 million, respectively.

The table below highlights credit exposure related to our derivative counterparties at March 31, 2021.

(Dollars in millions)	Corporate Contracts	Securitization Trust Contracts
Exposure, net of collateral	$ 16	$ 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	—%	—%

5. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	March 31, 2021	December 31, 2020
Accrued interest receivable	$ 1,843	$ 1,933
Benefit and insurance-related investments	467	469
Income tax asset, net	325	454
Derivatives at fair value	214	307
Accounts receivable	147	118
Fixed assets, net	113	116
Other	97	95
Total	$ 3,206	$ 3,492

6. Stockholders' Equity

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

	Three Months Ended March 31,	
(Dollars and shares in millions, except per share amounts)	2021	2020
Common stock repurchased[1]	8.2	23.0
Common stock repurchased (in dollars)[1]	$ 100	$ 335
Average purchase price per share[1]	$ 12.23	$ 14.61
Remaining common stock repurchase authority[1]	$ 500	$ 665
Shares repurchased related to employee stock-based compensation plans[2]	2.2	.9
Average purchase price per share[2]	$ 11.91	$ 13.69
Common shares issued[3]	3.6	2.3
Dividends paid	$ 29	$ 31
Dividends per share	$ .16	$ .16

(1) Common shares purchased under our share repurchase program. Our board of directors authorized a $1 billion multi-year share repurchase program in October 2019.

(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 March 31, 2021 was $14.31.

7. 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.

	Three Months Ended March 31,	
(In millions, except per share data)	2021	2020
Numerator:		
Net income (loss)	$ 370	$ (106)
Denominator:		
Weighted average shares used to compute basic EPS	183	200
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	—
Dilutive potential common shares(2)	2	—
Weighted average shares used to compute diluted EPS	185	200
Basic earnings (loss) per common share	$ 2.02	$ (.53)
Diluted earnings (loss) per common share	$ 2.00	$ (.53)

(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 three months ended March 31, 2021 and 2020, securities covering approximately 2 million and 7 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

8. 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. See “Note 11 – Fair Value Measurements” in our 2020 Form 10-K for a full discussion.

During the three months ended March 31, 2021, there were no significant transfers of financial instruments between levels, or changes in our methodology used to value our financial instruments.

8. Fair Value Measurements (Continued)

The following table summarizes the valuation of our financial instruments that are marked-to-market on a recurring basis. During first quarter 2021 and 2020, there were no significant transfers of financial instruments between levels.

	Fair Value Measurements on a Recurring Basis							
	March 31, 2021				December 31, 2020			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivative instruments:(1)								
Interest rate swaps	$ —	$ 240	$ 4	$ 244	$ —	$ 323	$ 6	$ 329
Cross-currency interest rate swaps	—	—	11	11	—	—	28	28
Total derivative assets(2)	—	240	15	255	—	323	34	357
Total	$ —	$ 240	$ 15	$ 255	$ —	$ 323	$ 34	$ 357
Liabilities(3)								
Derivative instruments(1)								
Interest rate swaps	$ —	$ —	$ (11)	$ (11)	$ —	$ —	$ (14)	$ (14)
Floor Income Contracts	—	(160)	—	(160)	—	(197)	—	(197)
Cross-currency interest rate swaps	—	—	(236)	(236)	—	—	(322)	(322)
Other	—	—	—	—	—	—	—	—
Total derivative liabilities(2)	—	(160)	(247)	(407)	—	(197)	(336)	(533)
Total	$ —	$ (160)	$ (247)	$ (407)	$ —	$ (197)	$ (336)	$ (533)

(1) Fair value of derivative instruments excludes accrued interest and the value of collateral.

(2) See "Note 4 – 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.

8. 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.

	Three Months Ended March 31,							
	2021				2020			
	Derivative instruments				Derivative instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (8)	$ (294)	$ —	$ (302)	$ (17)	$ (575)	$ (1)	$ (593)
Total gains/(losses):								
Included in earnings[1]	1	62	—	63	4	(112)	1	(107)
Included in other comprehensive income	—	—	—	—	—	—	—	—
Settlements	—	7	—	7	1	21	—	22
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Balance, end of period	$ (7)	$ (225)	$ —	$ (232)	$ (12)	$ (666)	$ —	$ (678)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date[2]	$ 1	$ (91)	$ —	$ (90)	$ 2	$ (91)	$ 1	$ (88)

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

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Gains (losses) on derivative and hedging activities, net	$ 1	$ 5
Interest expense	62	(112)
Total	$ 63	$ (107)

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

8. 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 March 31, 2021	Valuation Technique	Input	Range and Weighted Average
Derivatives				
Prime/LIBOR basis swaps	$ (7)	Discounted cash flow	Constant Prepayment Rate	9%
			Bid/ask adjustment to discount rate	.08%
Cross-currency interest rate swaps	(225)	Discounted cash flow	Constant Prepayment Rate	5%
Other	—			
Total	$ (232)			

The following table summarizes the fair values of our financial assets and liabilities, including derivative financial instruments.

(Dollars in millions)	March 31, 2021 Fair Value	March 31, 2021 Carrying Value	March 31, 2021 Difference	December 31, 2020 Fair Value	December 31, 2020 Carrying Value	December 31, 2020 Difference
Earning assets						
FFELP Loans	$ 58,299	$ 56,873	$ 1,426	$ 59,117	$ 58,284	$ 833
Private Education Loans	21,106	19,742	1,364	22,462	21,079	1,383
Cash and investments	4,405	4,405	—	3,822	3,822	—
Total earning assets	83,810	81,020	2,790	85,401	83,185	2,216
Interest-bearing liabilities						
Short-term borrowings	5,707	5,684	(23)	6,626	6,613	(13)
Long-term borrowings	75,593	75,674	81	76,719	77,332	613
Total interest-bearing liabilities	81,300	81,358	58	83,345	83,945	600
Derivative financial instruments						
Floor Income Contracts	(160)	(160)	—	(197)	(197)	—
Interest rate swaps	233	233	—	315	315	—
Cross-currency interest rate swaps	(225)	(225)	—	(294)	(294)	—
Other	—	—	—	—	—	—
Excess of net asset fair value over carrying value			$ 2,848			$ 2,816

9. Commitments and Contingencies

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

During the first quarter of 2016, Navient Corporation, certain Navient officers and directors, and the underwriters of certain Navient securities offerings were sued in three putative securities class action lawsuits filed on behalf of certain investors in Navient stock or Navient unsecured debt. These three cases, which were filed in the U.S. District Court for the District of Delaware, were consolidated by the District Court, with Lord Abbett Funds appointed as Lead Plaintiff. The caption of the consolidated case is *Lord Abbett Affiliated Fund, Inc., et al. v. Navient Corporation, et al.* The plaintiffs filed their amended and consolidated complaint in September 2016. In September 2017, the Court granted the Navient defendants' motion and dismissed the complaint in its entirety with leave to amend. The plaintiffs filed a second amended complaint with the court in November 2017 and the Navient defendants filed a motion to dismiss the second amended complaint in January 2018. In January 2019, the Court granted-in-part and denied-in-part the Navient defendants' motion to dismiss. The Navient defendants deny the allegations and intend to vigorously defend against the allegation in this lawsuit. Discovery is on-going. Additionally, two putative class actions have been filed in the U.S. District Court for the District of New Jersey captioned *Eli Pope v. Navient Corporation, John F. Remondi, Somsak Chivavibul and Christian Lown,* and *Melvin Gross v. Navient Corporation, John F. Remondi, Somsak Chivavibul and Christian M. Lown,* both of which allege violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. After the cases were consolidated by the Court in February 2018 under the caption *In Re Navient Corporation Securities Litigation*, the plaintiffs filed a consolidated amended complaint in April 2018 and the Company filed a motion to dismiss in June 2018. In December 2019, the Court denied the Company's motion to dismiss and discovery is on-going. The Company continues to deny the allegations and intends to vigorously defend itself.

In addition, 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) and various other 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 discussed above 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.

9. Commitments and Contingencies (Continued)

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. In October 2017, the Attorney General for the Commonwealth of Pennsylvania initiated a civil action against Navient Corporation and Navient Solutions, LLC (Solutions), containing similar alleged violations of the CFPA and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. The Attorneys General for the States of California, Mississippi and, in October 2020, New Jersey have 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. We refer to the Illinois, Pennsylvania, Washington, California, Mississippi and New Jersey Attorneys General collectively as the “State Attorneys General.” 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. As the Company has previously stated, we believe the suits improperly seek to impose penalties on Navient based on new, previously unannounced servicing standards applied retroactively against only one servicer, and that the allegations are false. We therefore have denied these allegations and are vigorously defending against the allegations in each of these cases. 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 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 subsequently received separate CIDs or subpoenas from the Attorneys General 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. 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. We expect these various indemnification claims to be resolved at a future date as the cases move toward conclusion. Navient has no reserves related to indemnification matters with SLM BankCo as of March 31, 2021.

9. Commitments and Contingencies (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. The Company first established a reserve for this matter in 2014 and increased the reserve in 2020 in response to the recent decision by the Acting Secretary. We do not believe, at this time, that an adverse ruling 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.

10. 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

	Three Months Ended March 31,					
	2021			2020		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal Education Loan asset recovery services	$ 5	$ —	$ 5	$ 31	$ —	$ 31
Government services	—	63	63	—	33	33
Healthcare services	—	62	62	—	24	24
Total	$ 5	$ 125	$ 130	$ 31	$ 57	$ 88

Revenue by Client Type

	Three Months Ended March 31,					
	2021			2020		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal government	$ 1	$ 8	$ 9	$ 18	$ 5	$ 23
Guarantor agencies	4	—	4	13	—	13
Other institutions	—	—	—	—	—	—
State and local government	—	42	42	—	16	16
Tolling authorities	—	13	13	—	12	12
Hospitals and other healthcare providers	—	62	62	—	24	24
Total	$ 5	$ 125	$ 130	$ 31	$ 57	$ 88

As of March 31, 2021 and March 31, 2020, there was $113 million and $67 million, respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

11. 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

In this segment, Navient owns FFELP Loans and performs servicing and asset recovery services on this portfolio. We also service and perform asset recovery services on federal education loans owned by ED and other institutions. Our servicing quality, data-driven strategies, and multichannel education about federal repayment options translates into positive results for the millions of borrowers we serve.

We generate revenue primarily through net interest income on the FFELP Loan portfolio as well as servicing and asset recovery services revenue. This segment is expected to generate significant earnings and cash flow over the remaining life of the portfolio.

The following table includes asset information for our Federal Education Loans segment.

(Dollars in millions)	March 31, 2021	December 31, 2020
FFELP Loans, net	$ 56,873	$ 58,284
Cash and investments[1]	1,836	1,685
Other	2,126	2,241
Total assets	$ 60,835	$ 62,210

(1) Includes restricted cash and investments.

Consumer Lending Segment

In this segment, Navient owns, originates, acquires and services high-quality private education loans. We believe our more than 45 years of experience, product design, digital marketing strategies, and origination and servicing platform provide a unique competitive advantage. We see meaningful opportunities in originating Private Education Loans to financially responsible consumers, generating attractive long-term risk adjusted returns. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

The following table includes asset information for our Consumer Lending segment.

(Dollars in millions)	March 31, 2021	December 31, 2020
Private Education Loans, net	$ 19,742	$ 21,079
Cash and investments[1]	1,017	828
Other	834	964
Total assets	$ 21,593	$ 22,871

(1) Includes restricted cash and investments.

11. Segment Reporting (Continued)

Business Processing Segment

In this segment, Navient performs business processing services for over 500 government and healthcare clients.

- **Government services**: We provide state governments, agencies, court systems, municipalities, and parking and tolling authorities with expert service, leveraging our scale, integrated technology solutions and data-driven approach. Our support enables our clients to better serve their constituents, meet rapidly changing needs, reduce their operating expenses, manage risk and maximize revenue opportunities.

- **Healthcare services**: We perform revenue cycle outsourcing, accounts receivable management, extended business office support, consulting engagements and public health programs. We offer customizable solutions for our clients that include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and departments of public health.

At March 31, 2021 and December 31, 2020, the Business Processing segment had total assets of $436 million and $425 million, respectively.

Other Segment

This segment primarily consists of our corporate liquidity portfolio, gains and losses incurred on the repurchase of debt, unallocated expenses of shared services 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 March 31, 2021 and December 31, 2020, the Other segment had total assets of $2.1 billion and $1.9 billion, respectively.

11. 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.

11. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

	Three Months Ended March 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	$ 359	$ 319	$ —	$ —	$ 678	$ 23	$ (9)	$ 14	$ 692
Cash and investments	—	—	—	—	—	—	—	—	—
Total interest income	359	319	—	—	678	23	(9)	14	692
Total interest expense	215	150	—	18	383	(1)	(53)	(54)	329
Net interest income (loss)	144	169	—	(18)	295	24	44	68	363
Less: provisions for loan losses	—	(87)	—	—	(87)	—	—	—	(87)
Net interest income (loss) after provisions for loan losses	144	256	—	(18)	382	24	44	68	450
Other income (loss):									
Servicing revenue	52	1	—	—	53	—	—	—	53
Asset recovery and business processing revenue	14	—	125	—	139	—	—	—	139
Other income (loss)	—	—	—	—	—	(11)	47	36	36
Gains on sales of loans	—	89	—	—	89	(13)	—	(13)	76
Total other income (loss)	66	90	125	—	281	(24)	47	23	304
Expenses:									
Direct operating expenses	63	41	91	—	195	—	—	—	195
Unallocated shared services expenses	—	—	—	64	64	—	—	—	64
Operating expenses	63	41	91	64	259	—	—	—	259
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	5	5	5
Restructuring/other reorganization expenses	—	—	—	6	6	—	—	—	6
Total expenses	63	41	91	70	265	—	5	5	270
Income (loss) before income tax expense (benefit)	147	305	34	(88)	398	—	86	86	484
Income tax expense (benefit)(2)	35	71	8	(21)	93	—	21	21	114
Net income (loss)	$ 112	$ 234	$ 26	$ (67)	$ 305	$ —	$ 65	$ 65	$ 370

(1) Core Earnings adjustments to GAAP:

	Three Months Ended March 31, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 68	$ —	$ 68
Total other income (loss)	23	—	23
Goodwill and acquired intangible asset impairment and amortization	—	5	5
Total Core Earnings adjustments to GAAP	$ 91	$ (5)	86
Income tax expense (benefit)			21
Net income (loss)			$ 65

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

11. Segment Reporting (Continued)

	Three Months Ended March 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	$ 582	$ 404	$ —	$ —	$ 986	$ 3	$ (14)	$ (11)	$ 975
Cash and investments	6	2	—	4	12	—	—	—	12
Total interest income	588	406	—	4	998	3	(14)	(11)	987
Total interest expense	456	210	—	35	701	7	6	13	714
Net interest income (loss)	132	196	—	(31)	297	(4)	(20)	(24)	273
Less: provisions for loan losses	6	89	—	—	95	—	—	—	95
Net interest income (loss) after provisions for loan losses	126	107	—	(31)	202	(4)	(20)	(24)	178
Other income (loss):									
Servicing revenue	56	2	—	—	58	—	—	—	58
Asset recovery and business processing revenue	53	—	57	—	110	—	—	—	110
Other income (loss)	4	—	—	3	7	4	(227)	(223)	(216)
Total other income (loss)	113	2	57	3	175	4	(227)	(223)	(48)
Expenses:									
Direct operating expenses	83	39	54	—	176	—	—	—	176
Unallocated shared services expenses	—	—	—	75	75	—	—	—	75
Operating expenses	83	39	54	75	251	—	—	—	251
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	5	5	5
Restructuring/other reorganization expenses	—	—	—	5	5	—	—	—	5
Total expenses	83	39	54	80	256	—	5	5	261
Income (loss) before income tax expense (benefit)	156	70	3	(108)	121	—	(252)	(252)	(131)
Income tax expense (benefit)(2)	37	16	1	(26)	28	—	(53)	(53)	(25)
Net income (loss)	$ 119	$ 54	$ 2	$ (82)	$ 93	$ —	$ (199)	$ (199)	$ (106)

(1) Core Earnings adjustments to GAAP:

	Three Months Ended March 31, 2020		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ (24)	$ —	$ (24)
Total other income (loss)	(223)	—	(223)
Goodwill and acquired intangible asset impairment and amortization	—	5	5
Total Core Earnings adjustments to GAAP	$ (247)	$ (5)	(252)
Income tax expense (benefit)			(53)
Net income (loss)			$ (199)

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

11. Segment Reporting (Continued)

Summary of Core Earnings Adjustments to GAAP

	Three Months Ended March 31,	
(Dollars in millions)	2021	2020
Core Earnings net income	$ 305	$ 93
Core Earnings adjustments to GAAP:		
Net impact of derivative accounting[1]	91	(247)
Net impact of goodwill and acquired intangible assets[2]	(5)	(5)
Net tax effect[3]	(21)	53
Total Core Earnings adjustments to GAAP	65	(199)
GAAP net income (loss)	$ 370	$ (106)

(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.

SIGNATURES

Pursuant to the requirements 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.

NAVIENT CORPORATION
(Registrant)

By: /s/ JOE FISHER
Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)

Date: April 28, 2021

APPENDIX A

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Navient Corporation 2014 Omnibus Incentive Plan
Performance Stock Unit Agreement

Pursuant to the terms and conditions of the Navient Corporation 2014 Omnibus Incentive Plan, amended and restated as of May 24, 2018 (the "Plan"), the Compensation and Personnel Committee (the "Committee") of the Navient Corporation Board of Directors ("Board") hereby grants to ________________ (the "Grantee") on _____________, 2021 (the "Grant Date") an award (the "Award") of __________ shares of Performance Stock Units ("PSUs"), which represent the right to acquire shares of common stock of Navient Corporation (the "Corporation") subject to the following terms and conditions of this Performance Stock Unit Agreement (the "Agreement"):

1. Vesting Schedule. Unless vested earlier as set forth below, the PSUs will vest, and will be settled in shares of the Corporation's common stock, based on the following vesting terms:

- Subject to the other provisions of this Section 1, a specified percentage of the total PSUs granted shall vest (subject to application of the rTSR Modifier defined below) based on the Corporation's performance for fiscal years 2021, 2022 and 2023 in the aggregate, as shown in the following performance chart (which reflects the Return on Equity performance target and range for 2021 only):

Performance Metric*	**Weight**	**Percentage of PSUs Vesting****			
		0%	**50%**	**100%**	**150%**
Net Student Loan Cash Flows	70%	Less than $7.079 billion	$7.079 billion	$8.014 billion	$9.016 billion or greater
Return on Equity	10% / 10% / 10%	Less than 16.0%	16.0%	18.0%	20.0%

* Net Student Loan Cash Flows performance targets and range for 2021-2023 in the aggregate. Return on Equity (ROE) performance target and range for 2021 only. ROE performance targets and range for 2022 and 2023 to be established by the Committee at the beginning of each respective year, with each year's performance counting 1/3 towards the total 30% weight. Vesting of any PSUs earned based on ROE performance for a given year remain subject to Grantee's continued employment through the Vesting Date, subject to the terms below.

** For points between each performance level, the vesting percentages will be interpolated. Subject to application of rTSR Modifier (defined below).

- The vesting percentage determined above shall be multiplied by the rTSR Modifier, which is a vesting modifier based on where the Corporation's total shareholder return ("TSR"), as that term is defined below, for the period commencing with the start of fiscal year 2021 and ending with the end of fiscal year 2023 (the “Performance Period”) ranks as a percentile compared to the TSRs for the companies in the Comparator Group (as defined below) for the Performance Period, as shown in the following performance chart:

Corporation’s TSR Percentile Rank*	rTSR Modifier
75th or higher	120%
70th	116%
65th	112%
60th	108%
55th	104%
50th	100%
45th	96%
40th	92%
35th	88%
30th	84%
25th or lower	80%

* For points between each performance level, the vesting modifier will be interpolated.

For example, if the vesting percentage based on Net Student Loan Cash Flows and Return on Equity as determined above is 100%, and if the Corporation’s TSR for the Performance Period ranks in the 60th percentile when compared to the TSRs of the Comparator Group for the Performance Period, then 108% of the PSUs would vest.

“Total shareholder return” or “TSR” shall equal the quotient of ((X – Y) + Z) / Y, where X equals the average closing price of a share of stock during December 2023, including any dividends paid on a share of stock in the underlying entity reinvested on the ex-dividend date, Y equals the average closing price of a share of stock during December 2020, including any dividends paid on a share of stock in the underlying entity reinvested on the ex-dividend date, and Z equals the total value of dividends paid on a share of stock during the period from the start of the beginning average period through the end of the Performance Period as if reinvested on the ex-dividend date, subject to adjustments for stock splits and other similar events.

The Corporation’s “Comparator Group” shall mean all companies in the S&P 400 Financials Index as of the first day of the Performance Period (“Peer Companies”), modified to take into account mergers, acquisitions, spin-offs and other similar events as follows:

1) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company;
2) In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another company that is not a Peer Company, but where the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company;
3) In the event of a merger, acquisition or business combination transaction of a Peer Company by or with another company that is not a Peer Company, or in

the event of a "going private transaction" involving the Peer Company, in each case where the Peer Company will not be the surviving entity or will otherwise no longer be publicly traded, the company shall cease to be a Peer Company;

4) In the event of a stock distribution from a Peer Company consisting of the shares of a new publicly-traded company (a "spin-off"), the Peer Company shall remain a Peer Company and the stock distribution shall be treated as a dividend from the Peer Company based on the closing price of the shares of the spun-off company on its first day of trading. The performance of the shares of the spun-off company shall not thereafter be tracked for purposes of calculating TSR; and

5) In the event of a bankruptcy, liquidation or delisting of a Peer Company, such company shall remain a Peer Company.

- Each vested PSU will be settled in shares of the Corporation's common stock. PSUs shall vest on the second business day after the Corporation's annual report on Form 10-K for the fiscal year 2023 is filed, and in no event later than March 15, 2024. Except as provided below in cases of death or Disability, shares of the Corporation's common stock issued in settlement of vested PSUs shall be subject to a mandatory holding period of one year from the date of issuance, during which period the Grantee may not sell, transfer, or otherwise dispose of the shares, other than to cover required withholding taxes due upon the settlement of the vested PSUs.
- "Net Student Loan Cash Flows" shall mean the Corporation's aggregate cash flows net of secured borrowings from student loans realized for the fiscal years 2021, 2022 and 2023, including student loan cash flows realized from new acquisitions, but excluding the impact of cash flows for fiscal years beyond 2023 that are accelerated through securitizing or pledging unencumbered student loans or through loan sales and excluding regulatory and restructuring related charges.
- "Return on Equity" shall mean a percentage equal to the Corporation's "core earnings" net income for each of fiscal years 2021, 2022 and 2023, divided by average stockholder's equity for each such year (determined using the average balance of stockholder's equity on a "core earnings" basis for each quarter in a given year), using yearly "core earnings" net income as shown in the segment reporting footnote in the Corporation's audited financial statements as published in the Corporation's annual report on Form 10-K, excluding the impact of any regulatory and restructuring costs.
- The Committee may adjust performance results for certain extraordinary items identified by the Committee, such as changes in accounting, the regulatory environment, strategic corporate transactions, impacts of new federal student loan debt forgiveness and other unusual or unplanned events.

2. Employment Termination; Death; Disability. Except as provided below, if the Grantee ceases to be an employee of the Corporation (or a Subsidiary) for any reason, he/she shall forfeit any portion of the Award that has not vested as of the date of such termination of employment.

If not previously vested, the Award will continue to vest, and will be settled in shares of the Corporation's common stock, subject to the original performance goals and Performance Period set forth above, and on the original vesting terms and vesting dates set forth above, in the event that the Grantee's employment is terminated by the Corporation (or a Subsidiary) for any reason other than for Cause.

If not previously vested, a portion of the Award (as determined below) will continue to vest, and will be settled in shares of the Corporation's common stock, subject to the original performance goals and Performance Period set forth above, and on the original vesting terms and vesting dates set forth above, in the event that the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) due to Retirement. For purposes of the immediately preceding sentence: (i) the entire Award will continue to vest if the Grantee ceases employment on or after the third anniversary of the Grant Date; (ii) two-thirds of the Award will continue to vest if the Grantee ceases employment on or after the second anniversary (but before the third anniversary) of the Grant Date; (iii) one-third of the Award will continue to vest if the Grantee ceases employment on or after the first anniversary (but before the second anniversary) of the Grant Date; and (iv) no portion of the Award will vest if the Grantee ceases employment before the first anniversary of the Grant Date.

If not previously vested, the Award will vest, and will be settled in shares of the Corporation's common stock, at the target levels set forth above, upon death or Disability (provided that such Disability qualifies as a "disability" within the meaning of Treasury Regulation Section 1.409A-3(i)(4)). Shares of the Corporation's common stock issued in settlement of PSUs that vest upon death or Disability will not be subject to the mandatory one-year holding period described above.

The Award shall be forfeited upon termination of employment due to Cause.

3. Change in Control. Notwithstanding anything to the contrary in this Agreement:

- In the event of a Change in Control described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall vest based on the level of achievement of the performance goals in Section 1 through the end of the month immediately preceding or coinciding with the date of the Change in Control, and shall be converted into shares of common stock as of immediately prior to the consummation of the Change in Control. The Committee shall proportionately reduce the "Net Student Loan Cash Flows" and the "Return on Equity" performance goals in Section 1 above based on the portion of the Performance Period elapsed through the end of the month immediately preceding or coinciding with the date of the Change in Control.
- In the event of either (x) a Change in Control described in clause (a) of the definition thereof, or (y) a Change in Control described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction assumes or continues

outstanding Awards, no acceleration of vesting shall occur upon such Change in Control, and the Award shall continue to vest in accordance with Section 1 hereof; provided, however, that if Grantee's employment shall terminate within twenty-four months following such a Change in Control for any reason other than (i) by the Corporation (or a Subsidiary), or the surviving or acquiring entity in the transaction (as the case may be), for Cause, or (ii) by Grantee's voluntary termination of employment that is not a Retirement or a termination of employment for Good Reason, any portion of the Award not previously vested shall immediately become vested at the 100% target level set forth in the vesting schedules herein, and shall be settled in shares of the Corporation's common stock, upon such employment termination. Upon any termination of employment during such twenty-four month period described in clause (i) or (ii) of the preceding sentence, any unvested portion of the Award shall be forfeited. Upon any termination of employment occurring after the end of such twenty-four month period, vesting and settlement of any remaining unvested portion of the Award shall be governed by Section 2 hereof.

- Notwithstanding anything stated herein, the Plan or in the Navient Corporation Change in Control Severance Plan for Senior Officers, this Award shall not be subject to the terms set forth in the Navient Corporation Change in Control Severance Plan for Senior Officers.

4. <u>Taxes; Dividends</u>. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Committee hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on an unvested Award will not be paid currently. Instead, amounts equal to such dividends will be credited to an account established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("Dividend Equivalents"). Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject. Upon vesting of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (and any fractional share amount) will also vest and will be converted into shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash).

5. <u>Section 409A</u>. For purposes of Section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "<u>Section 409A</u>"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all PSUs provided under this Agreement and shares issuable hereunder comply with the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the PSUs is to be accelerated in connection with the

Grantee's termination of service, such accelerated PSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the PSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such PSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such PSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), such PSUs will be settled.

6. Clawback Provision. Notwithstanding anything to the contrary herein, the Award shall be subject to any recoupment or clawback policy that is adopted by the Corporation, including any policy that is adopted after the Grant Date, or any recoupment or clawback policy that becomes applicable to the Corporation pursuant to any requirement of law or any exchange listing requirement, in either case to the extent provided therein.

7. Securities Law Compliance. The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of the Corporation's common stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.

8. Data Privacy. As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite

transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing Grantee's consent may adversely affect Grantee's ability to participate in the Plan.

9. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation (or one of its subsidiaries) and thereafter until withdrawn in writing by Grantee.

10. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.

11. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.

12. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.

14. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Corporation to:

Navient Corporation
Attn: Human Resources, Equity Plan Administration
123 Justison Street
Wilmington, DE 19801

If to the Grantee, to (i) the last address maintained in the Corporation's Human Resources files for the Grantee or (ii) the Grantee's mail delivery code or place of work at the Corporation (or its subsidiaries).

15. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan.

16. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to Grantee, including federal and state securities reporting laws.

NAVIENT CORPORATION

By:

Jack Remondi
President and Chief Executive Officer

Accepted by:

Date

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 quarterly report on Form 10-Q 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/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
April 28, 2021

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 quarterly report on Form 10-Q 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)
April 28, 2021

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 Quarterly Report of Navient Corporation (the “Company”) on Form 10-Q for the quarter ended March 31, 2021 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)
April 28, 2021

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 Quarterly Report of Navient Corporation (the “Company”) on Form 10-Q for the quarter ended March 31, 2021 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)
April 28, 2021