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 June 30, 2018

or

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

For the transition period from to

Commission File Number: 001-36228

Navient Corporation

(Exact name of registrant as specified in its charter)

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
(Do not check if a smaller reporting company)		Emerging growth company	☐

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☑ No ☐

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding at June 30, 2018
Common Stock, $0.01 par value	264,627,306 shares

NAVIENT CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NAVIENT CORPORATION

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

	June 30, 2018	December 31, 2017
Assets		
FFELP Loans (net of allowance for losses of $82 and $60, respectively)	$ 76,609	$ 81,703
Private Education Loans (net of allowance for losses of $1,297 and $1,297, respectively)	22,568	23,419
Investments		
Available-for-sale	2	2
Other	360	386
Total investments	362	388
Cash and cash equivalents	1,622	1,518
Restricted cash and cash equivalents	3,386	3,128
Goodwill and acquired intangible assets, net	798	810
Other assets	3,604	4,025
Total assets	$ 108,949	$ 114,991
Liabilities		
Short-term borrowings	$ 4,752	$ 4,771
Long-term borrowings	98,690	105,012
Other liabilities	1,762	1,723
Total liabilities	105,204	111,506
Commitments and contingencies		
Equity		
Common stock, par value $0.01 per share, 1.125 billion shares authorized: 445 million and 440 million shares issued, respectively	4	4
Additional paid-in capital	3,134	3,077
Accumulated other comprehensive income (net of tax expense of $65 and $36, respectively)	203	61
Retained earnings	3,114	3,004
Total Navient Corporation stockholders’ equity before treasury stock	6,455	6,146
Less: Common stock held in treasury at cost: 180 million and 177 million shares, respectively	(2,741)	(2,692)
Total Navient Corporation stockholders’ equity	3,714	3,454
Noncontrolling interest	31	31
Total equity	3,745	3,485
Total liabilities and equity	$ 108,949	$ 114,991

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

	June 30, 2018	December 31, 2017
FFELP Loans	$ 73,107	$ 77,710
Private Education Loans	19,827	20,886
Restricted cash	3,326	3,091
Other assets, net	1,245	1,160
Short-term borrowings	2,251	2,906
Long-term borrowings	85,310	89,317
Net assets of consolidated variable interest entities	$ 9,944	$ 10,624

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Interest income:				
FFELP Loans	$ 760	$ 668	$ 1,483	$ 1,298
Private Education Loans	442	386	873	760
Other loans	1	6	2	10
Cash and investments	24	10	41	17
Total interest income	1,227	1,070	2,399	2,085
Total interest expense	929	719	1,773	1,394
Net interest income	298	351	626	691
Less: provisions for loan losses	112	105	199	212
Net interest income after provisions for loan losses	186	246	427	479
Other income (loss):				
Servicing revenue	71	70	140	146
Asset recovery and business processing revenue	99	111	207	210
Other income (loss)	13	6	1	(1)
Losses on debt repurchases	(7)	—	(8)	—
Gains (losses) on derivative and hedging activities, net	(40)	(25)	8	(41)
Total other income	136	162	348	314
Expenses:				
Salaries and benefits	125	124	259	253
Other operating expenses	76	106	217	216
Total operating expenses	201	230	476	469
Goodwill and acquired intangible asset impairment and amortization expense	6	6	16	11
Restructuring/other reorganization expenses	2	—	9	—
Total expenses	209	236	501	480
Income before income tax expense	113	172	274	313
Income tax expense	30	60	64	113
Net income attributable to Navient Corporation	$ 83	$ 112	$ 210	$ 200
Basic earnings per common share attributable to Navient Corporation	$ .31	$ .40	$ .79	$ .70
Average common shares outstanding	265	280	264	284
Diluted earnings per common share attributable to Navient Corporation	$ .31	$ .39	$ .78	$ .69
Average common and common equivalent shares outstanding	269	285	269	291
Dividends per common share attributable to Navient Corporation	$ .16	$ .16	$ .32	$ .32

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Net income	$ 83	$ 112	$ 210	$ 200
Other comprehensive income (loss):				
Gains (losses) on derivatives	42	(24)	173	1
Reclassification adjustments for derivative (gains) losses included in net income (interest expense)	(1)	—	(1)	—
Total gains (losses) on derivatives	41	(24)	172	1
Income tax (expense) benefit	(11)	9	(43)	—
Other comprehensive income (loss), net of tax expense (benefit)	30	(15)	129	1
Total comprehensive income attributable to Navient Corporation	$ 113	$ 97	$ 339	$ 201

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares					Accumulated			Total		
				Common	Additional Paid-In	Other Comprehensive	Retained	Treasury	Stockholders'	Noncontrolling	Total
	Issued	Treasury	Outstanding	Stock	Capital	Income (Loss)	Earnings	Stock	Equity	Interest	Equity
Balance at March 31, 2017	438,832,176	(153,891,120)	284,941,056	$ 4	$ 3,047	$ 22	$ 2,930	$ (2,355)	$ 3,648	$ 24	$ 3,672
Comprehensive income:											
Net income	—	—	—	—	—	—	112	—	112	—	112
Other comprehensive income (loss), net of tax	—	—	—	—	—	(15)	—	—	(15)	—	(15)
Total comprehensive income	—	—	—	—	—	—	—	—	97	—	97
Cash dividends:			—								
Common stock ($.16 per share)	—	—	—	—	—	—	(45)	—	(45)	—	(45)
Issuance of common shares	355,802	—	355,802	—	3	—	—	—	3	—	3
Stock-based compensation expense	—	—	—	—	6	—	—	—	6	—	6
Common stock repurchased	—	(10,936,715)	(10,936,715)	—	—	—	—	(165)	(165)	—	(165)
Shares repurchased related to employee stock-based compensation plans	—	(255,875)	(255,875)	—	—	—	—	(4)	(4)	—	(4)
Balance at June 30, 2017	439,187,978	(165,083,710)	274,104,268	$ 4	$ 3,056	$ 7	$ 2,997	$ (2,524)	$ 3,540	$ 24	$ 3,564
Balance at March 31, 2018	444,739,212	(180,132,708)	264,606,504	$ 4	$ 3,127	$ 173	$ 3,073	$ (2,740)	$ 3,637	$ 31	$ 3,668
Comprehensive income:											
Net income	—	—	—	—	—	—	83	—	83	—	83
Other comprehensive income (loss), net of tax	—	—	—	—	—	30	—	—	30	—	30
Total comprehensive income	—	—	—	—	—	—	—	—	113	—	113
Cash dividends:											
Common stock ($.16 per share)	—	—	—	—	—	—	(42)	—	(42)	—	(42)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	—	—	—	—	—
Issuance of common shares	113,171	—	113,171	—	1	—	—	—	1	—	1
Stock-based compensation expense	—	—	—	—	6	—	—	—	6	—	6
Common stock repurchased	—	—	—	—	—	—	—	—	—	—	—
Shares repurchased related to employee stock-based compensation plans	—	(92,369)	(92,369)	—	—	—	—	(1)	(1)	—	(1)
Balance at June 30, 2018	444,852,383	(180,225,077)	264,627,306	$ 4	$ 3,134	$ 203	$ 3,114	$ (2,741)	$ 3,714	$ 31	$ 3,745

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(Dollars 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, 2016	436,037,666	(145,173,548)	290,864,118	$ 4	$ 3,022	$ 6	$ 2,890	$ (2,223)	$ 3,699	$ 24	$ 3,723
Comprehensive income:											
Net income	—	—	—	—	—	—	200	—	200	—	200
Other comprehensive income (loss), net of tax	—	—	—	—	—	1	—	—	1	—	1
Total comprehensive income	—	—	—	—	—	—	—	—	201	—	201
Cash dividends:											
Common stock ($.32 per share)	—	—	—	—	—	—	(91)	—	(91)	—	(91)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	3,150,312	—	3,150,312	—	15	—	—	—	15	—	15
Stock-based compensation expense	—	—	—	—	19	—	—	—	19	—	19
Common stock repurchased	—	(18,300,007)	(18,300,007)	—	—	—	—	(275)	(275)	—	(275)
Shares repurchased related to employee stock-based compensation plans	—	(1,610,155)	(1,610,155)	—	—	—	—	(26)	(26)	—	(26)
Balance at June 30, 2017	439,187,978	(165,083,710)	274,104,268	$ 4	$ 3,056	$ 7	$ 2,997	$ (2,524)	$ 3,540	$ 24	$ 3,564
Balance at December 31, 2017	439,718,145	(176,667,573)	263,050,572	$ 4	$ 3,077	$ 61	$ 3,004	$ (2,692)	$ 3,454	$ 31	$ 3,485
Comprehensive income:											
Net income	—	—	—	—	—	—	210	—	210	—	210
Other comprehensive income (loss), net of tax	—	—	—	—	—	129	—	—	129	—	129
Total comprehensive income	—	—	—	—	—	—	—	—	339	—	339
Cash dividends:											
Common stock ($.32 per share)	—	—	—	—	—	—	(85)	—	(85)	—	(85)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	5,134,238	—	5,134,238	—	39	—	—	—	39	—	39
Stock-based compensation expense	—	—	—	—	18	—	—	—	18	—	18
Common stock repurchased	—	—	—	—	—	—	—	—	—	—	—
Shares repurchased related to employee stock-based compensation plans	—	(3,557,504)	(3,557,504)	—	—	—	—	(49)	(49)	—	(49)
Reclassification from adoption of ASU No. 2018-02	—	—	—	—	—	13	(13)	—	—	—	—
Balance at June 30, 2018	444,852,383	(180,225,077)	264,627,306	$ 4	$ 3,134	$ 203	$ 3,114	$ (2,741)	$ 3,714	$ 31	$ 3,745

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in millions)
(Unaudited)

	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Operating activities		
Net income	$ 210	$ 200
Adjustments to reconcile net income to net cash provided by operating activities:		
Losses on debt repurchases	8	—
Goodwill and acquired intangible asset impairment and amortization expense	16	11
Stock-based compensation expense	18	19
Mark-to-market (gains) losses on derivative and hedging activities	(63)	21
Provision for losses	199	212
(Increase) decrease in accrued interest receivable	(121)	28
Increase in accrued interest payable	86	17
Decrease in other assets	160	99
(Decrease) increase in other liabilities	(31)	23
Total net cash provided by operating activities	482	630
Investing activities		
Education loans acquired	(1,555)	(5,711)
Reduction of education loans:		
Installment payments	7,340	7,751
Other investing activities, net	(38)	(180)
Proceeds from maturities of other securities	9	15
Total net cash provided by investing activities	5,756	1,875
Financing activities		
Borrowings collateralized by loans in trust — issued	5,443	4,090
Borrowings collateralized by loans in trust — repaid	(6,791)	(7,190)
Asset-backed commercial paper conduits, net	(3,449)	367
Long-term notes issued	495	1,353
Long-term notes repaid	(1,443)	(818)
Other financing activities, net	(46)	(37)
Common stock repurchased	—	(275)
Common dividends paid	(85)	(91)
Total net cash used in financing activities	(5,876)	(2,601)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	362	(96)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	4,646	4,712
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 5,008	$ 4,616
Cash disbursements made (refunds received) for:		
Interest	$ 1,618	$ 1,379
Income taxes paid	$ 24	$ 103
Income taxes received	$ (2)	$ —
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 1,622	$ 1,153
Restricted cash and restricted cash equivalents	3,386	3,463
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 5,008	$ 4,616

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 and six months ended June 30, 2018 are not necessarily indicative of the results for the year ending December 31, 2018 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, 2017 (the "2017 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 2017 Form 10-K.

Reclassifications

Certain reclassifications have been made to the balances as of and for the three and six months ended June 30, 2017 to be consistent with classifications adopted for 2018, and had no effect on net income, total assets, or total liabilities.

Recently Issued Accounting Pronouncements

Effective in 2018

Revenue Recognition

As of January 1, 2018, we adopted Accounting Standard Codification ("ASC") 606, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. The contract transaction price is allocated to each distinct contractual performance obligation and recognized as revenue at a point in time or over time when or as the good or service is provided to the customer and the performance obligation is satisfied. Generally, our performance obligations are satisfied over time. In conjunction with our implementation plan, we identified revenue streams related to asset recovery and other business processing within our Federal Education Loans and Business Processing segments that are within the scope of the new standard and reviewed related contracts. We determined there was no material change in the timing of our recognition of our asset recovery and business processing revenue or expenses and we did not record a cumulative adjustment as of January 1, 2018 as a result of the adoption of ASC 606. In connection with adopting ASC 606, we recognized $9 million of revenue and $6 million of expenses in the six months ended June 30, 2018 related to a contract in our Business Processing segment that would have not been recognized under the prior accounting standard until later in 2018.

1. Significant Accounting Policies (Continued)

The new guidance does not apply to financial instruments and transfers and servicing that are accounted for under other U.S. GAAP. Accordingly, the new revenue recognition guidance does not have an impact on our recognition of revenue and costs associated with our loan portfolios, investments, derivatives and servicing contracts. However, we considered the ASC 606 principal versus agent guidance with respect to certain asset recovery guarantor servicing contracts pursuant to which we serve in a portfolio management role and use third-party collection agencies. We determined that we are required under the new accounting standard to reflect payments to third-party collection agencies as revenue and operating expense. Under the prior accounting standards, we netted payments to third-party collection agencies against revenue. We adopted the new accounting standard using the "cumulative effect transition adjustment" which results in prospectively making this change in 2018. This change in accounting policy resulted in both asset recovery revenue and operating expense in the Federal Education Loan segment being $18 million higher for the six months ended June 30, 2018, with no impact on net income. See "Note 11 – Revenue from Contracts with Customers" for the new required disclosures.

Classification and Measurement

On January 5, 2016, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2016-01, "Recognition and Measurement of Financial Assets and Financial Liabilities," which reconsiders the classification and measurement of financial instruments. The new standard requires certain equity instruments be measured at fair value, with fair value changes recognized in earnings. In addition, the standard requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. It was effective for the Company as of January 1, 2018. The adoption of this new accounting standard is immaterial to our consolidated financial statements and footnote disclosures.

Intra-Entity Transfer of Assets

On October 24, 2016, the FASB issued ASU No. 2016-16, "Income Taxes — Intra-Entity Transfer of Assets Other and Inventory," which requires recognition of the income tax consequences of an intra-entity transfer of non-inventory assets when the transfer occurs. The new standard was effective for the Company as of January 1, 2018. The adoption of this new accounting standard is immaterial to our consolidated financial statements and footnote disclosures.

Income Taxes

On February 14, 2018, the FASB issued ASU No. 2018-02, "Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income," which allows reclassification from Accumulated Other Comprehensive Income (Loss) ("AOCI"), as required by ASC No. 740, "Income Taxes," to retained earnings for the residual tax effects resulting from the Tax Cuts and Jobs Act ("TCJA") enacted on December 22, 2017. The new standard is effective for the Company as of January 1, 2019. However, early adoption is permitted and the Company adopted the standard on January 1, 2018, resulting in a decrease of $13 million to retained earnings due to the reclassification of AOCI to retained earnings.

1. Significant Accounting Policies (Continued)

Effective in 2019

Leases

On February 25, 2016, the FASB issued ASU No. 2016-02, "Leases," which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve-month term, these arrangements must be recognized as assets and liabilities on the balance sheet of the lessee. A right-of-use asset and lease obligation will be recorded for all leases with a term exceeding twelve months, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption must be calculated using the applicable incremental borrowing rate at the date of adoption. The standard allows the option to apply the new guidance prospectively at the effective date, without adjustment to comparative periods presented with certain practical expedients available. It will be effective for the Company as of January 1, 2019. Early adoption is permitted. We continue to assess the impact that adopting this new accounting standard will have on our consolidated financial statements and footnote disclosures, but expect it to be immaterial.

Hedging Activities

On August 28, 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging," which is intended to better align risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The amendments expand and refine hedge accounting for both nonfinancial and financial risk components and are intended to better align the recognition and presentation of the effects of the hedging instrument and the hedged item in the financial statements. The new standard will be effective for the Company as of January 1, 2019. We are currently assessing the impact this new standard will have on our consolidated financial statements and footnote disclosures, but expect it to be immaterial.

Effective in 2020

Allowance for Loan Losses

On June 16, 2016, the FASB issued ASU No. 2016-13, "Financial Instruments — Credit Losses," which requires measurement and recognition of an allowance for loan loss that estimates remaining expected credit losses for financial assets held at the reporting date. Our current allowance for loan loss is an incurred loss model. As a result, we expect the new guidance will result in an increase to our allowance for loan losses. The standard is to be applied through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. The standard is effective for the Company as of January 1, 2020, and will primarily impact the allowance for loan losses related to our Private Education Loans and FFELP Loans. Early adoption is permitted on January 1, 2019. This standard represents a significant departure from existing GAAP, and may result in material changes to the Company's accounting for the allowance for loan losses. We are currently evaluating the impact of adopting this accounting standard on our consolidated financial statements and footnote disclosures.

2. Allowance for Loan Losses

Our provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred probable losses, net of expected recoveries, in the held-for-investment loan portfolios. The evaluation of the provisions for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We segregate our Private Education Loan portfolio into two classes of loans in monitoring and assessing credit risk — Troubled Debt Restructurings ("TDRs") and Non-TDRs. We believe that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios.

2. Allowance for Loan Losses (Continued)

Allowance for Loan Losses Metrics

	Three Months Ended June 30, 2018			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 59	$ 1,298	$ 10	$ 1,367
Total provision	40	72	—	112
Charge-offs(1)	(17)	(75)	—	(92)
Reclassification of interest reserve(2)	—	2	—	2
Ending balance	$ 82	$ 1,297	$ 10	$ 1,389
Allowance Ending Balance:				
Individually evaluated for impairment — TDR	$ —	$ 1,142	$ 9	$ 1,151
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	82	155	1	238
Purchased Non-Credit Impaired Loans acquired at a discount(3)	—	—	—	—
Purchased Credit Impaired Loans(3)	—	—	—	—
Ending total allowance	$ 82	$ 1,297	$ 10	$ 1,389
Loans Ending Balance:				
Individually evaluated for impairment — TDR	$ —	$ 10,679	$ 28	$ 10,707
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	73,018	11,411	51	84,480
Purchased Non-Credit Impaired Loans acquired at a discount(3)	3,034	2,386	—	5,420
Purchased Credit Impaired Loans(3)	—	236	—	236
Ending total loans(4)	$ 76,052	$ 24,712	$ 79	$ 100,843
Charge-offs as a percentage of average loans in repayment	.11%	1.34%	2.63%	
Allowance coverage of charge-offs	1.2	4.3	5.1	
Allowance as a percentage of the ending total loan balance	.11%	5.25%	12.54%	
Allowance as a percentage of the ending loans in repayment	.13%	5.85%	12.54%	
Ending total loans(4)	$ 76,052	$ 24,712	$ 79	
Average loans in repayment	$ 64,238	$ 22,289	$ 73	
Ending loans in repayment	$ 62,952	$ 22,174	$ 79	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be recovered and any shortfalls in what was actually recovered in the period. See "Receivable for Partially Charged-Off Private Education Loans" for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(3) The Purchased Credit Impaired Loans' losses are not provided for by the allowance for loan losses in the above table as these loans are separately reserved for, if needed. No allowance for loan losses has been established for these loans as of June 30, 2018. The losses of the Purchased Non-Credit Impaired Loans acquired at a discount are not provided for by the allowance for loan losses in the above table as the remaining purchased discount associated with the FFELP and Private Education Loans of $40 million and $362 million, respectively, as of June 30, 2018 is greater than the incurred losses and as a result no allowance for loan losses has been established for these loans as of June 30, 2018.

(4) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

2. Allowance for Loan Losses (Continued)

	Three Months Ended June 30, 2017			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 64	$ 1,311	$ 16	$ 1,391
Total provision	10	95	—	105
Charge-offs(1)	(13)	(122)	(1)	(136)
Reclassification of interest reserve(2)	—	2	—	2
Ending balance	$ 61	$ 1,286	$ 15	$ 1,362
Allowance Ending Balance:				
Individually evaluated for impairment — TDR	$ —	$ 1,153	$ 10	$ 1,163
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	61	133	5	199
Purchased Non-Credit Impaired Loans acquired at a discount(3)	—	—	—	—
Purchased Credit Impaired Loans(3)	—	—	—	—
Ending total allowance	$ 61	$ 1,286	$ 15	$ 1,362
Loans Ending Balance:				
Individually evaluated for impairment - TDR	$ —	11,020	31	$ 11,051
Collectively evaluated for impairment				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	81,984	12,467	174	94,625
Purchased Non-Credit Impaired Loans acquired at a discount(3)	3,463	2,755	—	6,218
Purchased Credit Impaired Loans(3)	—	261	—	261
Ending total loans(4)	$ 85,447	$ 26,503	$ 205	$ 112,155
Charge-offs as a percentage of average loans in repayment	.08%	2.25%	2.37%	
Allowance coverage of charge-offs	1.1	2.6	3.3	
Allowance as a percentage of the ending total loan balance	.07%	4.85%	7.49%	
Allowance as a percentage of the ending loans in repayment	.09%	5.45%	7.49%	
Ending total loans(4)	$ 85,447	$ 26,503	$ 205	
Average loans in repayment	$ 68,915	$ 21,621	$ 197	
Ending loans in repayment	$ 70,095	$ 23,613	$ 205	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be recovered and any shortfalls in what was actually recovered in the period. See “Receivable for Partially Charged-Off Private Education Loans” for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan’s principal balance.

(3) The Purchased Credit Impaired Loans’ losses are not provided for by the allowance for loan losses in the above table as these loans are separately reserved for, if needed. No allowance for loan losses has been established for these loans as of June 30, 2017. The losses of the Purchased Non-Credit Impaired Loans acquired at a discount are not provided for by the allowance for loan losses in the above table as the remaining purchased discount associated with the FFELP and Private Education Loans of $47 million and $419 million, respectively, as of June 30, 2017 is greater than the incurred losses and as a result no allowance for loan losses has been established for these loans as of June 30, 2017.

(4) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

2. Allowance for Loan Losses (Continued)

	Six Months Ended June 30, 2018			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 60	$ 1,297	$ 10	$ 1,367
Total provision	50	149	—	199
Charge-offs(1)	(28)	(153)	—	(181)
Reclassification of interest reserve(2)	—	4	—	4
Ending balance	$ 82	$ 1,297	$ 10	$ 1,389
Allowance Ending Balance:				
Individually evaluated for impairment - TDR	$ —	$ 1,142	$ 9	$ 1,151
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	82	155	1	238
Purchased Non-Credit Impaired Loans acquired at a discount(3)	—	—	—	—
Purchased Credit Impaired Loans(3)	—	—	—	—
Ending total allowance	$ 82	$ 1,297	$ 10	$ 1,389
Loans Ending Balance:				
Individually evaluated for impairment - TDR	$ —	$ 10,679	$ 28	$ 10,707
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	73,018	11,411	51	84,480
Purchased Non-Credit Impaired Loans acquired at a discount(3)	3,034	2,386	—	5,420
Purchased Credit Impaired Loans(3)	—	236	—	236
Ending total loans(4)	$ 76,052	$ 24,712	$ 79	$ 100,843
Charge-offs as a percentage of average loans in repayment	.09%	1.37%	1.13%	
Allowance coverage of charge-offs	1.5	4.2	11.9	
Allowance as a percentage of the ending total loan balance	.11%	5.25%	12.21%	
Allowance as a percentage of the ending loans in repayment	.13%	5.85%	12.21%	
Ending total loans(4)	$ 76,052	$ 24,712	$ 79	
Average loans in repayment	$ 64,940	$ 22,474	$ 72	
Ending loans in repayment	$ 62,952	$ 22,174	$ 79	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be recovered and any shortfalls in what was actually recovered in the period. See "Receivable for Partially Charged-Off Private Education Loans" for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(3) The Purchased Credit Impaired Loans' losses are not provided for by the allowance for loan losses in the above table as these loans are separately reserved for, if needed. No allowance for loan losses has been established for these loans as of June 30, 2018. The losses of the Purchased Non-Credit Impaired Loans acquired at a discount are not provided for by the allowance for loan losses in the above table as the remaining purchased discount associated with the FFELP and Private Education Loans of $40 million and $362 million, respectively, as of June 30, 2018 is greater than the incurred losses and as a result no allowance for loan losses has been established for these loans as of June 30, 2018.

(4) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

2. Allowance for Loan Losses (Continued)

	Six Months Ended June 30, 2017			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 67	$ 1,351	$ 15	$ 1,433
Total provision	20	190	2	212
Charge-offs(1)	(26)	(259)	(2)	(287)
Reclassification of interest reserve(2)	—	4	—	4
Ending balance	$ 61	$ 1,286	$ 15	$ 1,362
Allowance Ending Balance:				
Individually evaluated for impairment - TDR	$ —	$ 1,153	$ 10	$ 1,163
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	61	133	5	199
Purchased Non-Credit Impaired Loans acquired at a discount(3)	—	—	—	—
Purchased Credit Impaired Loans(3)	—	—	—	—
Ending total allowance	$ 61	$ 1,286	$ 15	$ 1,362
Loans Ending Balance:				
Individually evaluated for impairment - TDR	$ —	$ 11,020	$ 31	$ 11,051
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	81,984	12,467	174	94,625
Purchased Non-Credit Impaired Loans acquired at a discount(3)	3,463	2,755	—	6,218
Purchased Credit Impaired Loans(3)	—	261	—	261
Ending total loans(4)	$ 85,447	$ 26,503	$ 205	$ 112,155
Charge-offs as a percentage of average loans in repayment	.08%	2.40%	2.22%	
Allowance coverage of charge-offs	1.2	2.5	3.7	
Allowance as a percentage of the ending total loan balance	.07%	4.85%	7.49%	
Allowance as a percentage of the ending loans in repayment	.09%	5.45%	7.49%	
Ending total loans(4)	$ 85,447	$ 26,503	$ 205	
Average loans in repayment	$ 69,108	$ 21,706	$ 185	
Ending loans in repayment	$ 70,095	$ 23,613	$ 205	

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be recovered and any shortfalls in what was actually recovered in the period. See “Receivable for Partially Charged-Off Private Education Loans” for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan’s principal balance.

(3) The Purchased Credit Impaired Loans’ losses are not provided for by the allowance for loan losses in the above table as these loans are separately reserved for, if needed. No allowance for loan losses has been established for these loans as of June 30, 2017. The losses of the Purchased Non-Credit Impaired Loans acquired at a discount are not provided for by the allowance for loan losses in the above table as the remaining purchased discount associated with the FFELP and Private Education Loans of $47 million and $419 million, respectively, as of June 30, 2017 is greater than the incurred losses and as a result no allowance for loan losses has been established for these loans as of June 30, 2017.

(4) Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

2. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

FFELP Loans are substantially insured and guaranteed as to their principal and accrued interest in the event of default. The key credit quality indicator for this portfolio is loan status. The impact of changes in loan status is incorporated quarterly into the allowance for loan losses calculation.

	FFELP Loan Delinquencies			
	June 30, 2018		December 31, 2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 4,372		$ 4,711	
Loans in forbearance[2]	8,728		8,533	
Loans in repayment and percentage of each status:				
Loans current	54,780	87.0%	59,264	87.3%
Loans delinquent 31-60 days[3]	2,344	3.7	2,638	3.9
Loans delinquent 61-90 days[3]	1,110	1.8	1,763	2.6
Loans delinquent greater than 90 days[3]	4,718	7.5	4,188	6.2
Total FFELP Loans in repayment	62,952	100%	67,853	100%
Total FFELP Loans, gross	76,052		81,097	
FFELP Loan unamortized premium	639		666	
Total FFELP Loans	76,691		81,763	
FFELP Loan allowance for losses	(82)		(60)	
FFELP Loans, net	$ 76,609		$ 81,703	
Percentage of FFELP Loans in repayment		82.8%		83.7%
Delinquencies as a percentage of FFELP Loans in repayment		13.0%		12.7%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		12.2%		11.2%

(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.

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

2. Allowance for Loan Losses (Continued)

For Private Education Loans, the key credit quality indicators are FICO scores, school type, the existence of a cosigner, the loan status and loan seasoning. The FICO scores and school type are assessed at origination. The other Private Education Loan key quality indicators can change and are incorporated quarterly into the allowance for loan losses calculation. The following table highlights the principal balance (excluding the receivable for partially charged-off loans) of our Private Education Loan portfolio stratified by the key credit quality indicators.

	Private Education Loan Credit Quality Indicators TDR			
	June 30, 2018		December 31, 2017	
(Dollars in millions)	Balance(2)	% of Balance	Balance(2)	% of Balance
Credit Quality Indicators				
Original Winning FICO Scores:				
FICO 640 and above	$ 9,436	92%	$ 9,647	92%
FICO below 640	860	8	889	8
Total	$ 10,296	100%	$ 10,536	100%
School Type:				
Not-for-profit	$ 8,096	79%	$ 8,247	78%
For-profit	2,200	21	2,289	22
Total	$ 10,296	100%	$ 10,536	100%
Cosigners:				
With cosigner	$ 6,340	62%	$ 6,441	61%
Without cosigner	3,956	38	4,095	39
Total	$ 10,296	100%	$ 10,536	100%
Seasoning(1):				
1-12 payments	$ 412	4%	$ 506	5%
13-24 payments	542	5	644	6
25-36 payments	792	8	947	9
37-48 payments	1,108	11	1,271	12
More than 48 payments	6,993	68	6,691	63
Not yet in repayment	449	4	477	5
Total	$ 10,296	100%	$ 10,536	100%

(1) Number of months in active repayment for which a scheduled payment was received.

(2) Balance equals the gross Private Education Loans.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Credit Quality Indicators			
	Non-TDR			
	June 30, 2018		December 31, 2017	
(Dollars in millions)	Balance(2)	% of Balance	Balance(2)	% of Balance
Credit Quality Indicators				
Original Winning FICO Scores:				
FICO 640 and above	$ 13,144	96%	$ 13,752	96%
FICO below 640	548	4	592	4
Total	$ 13,692	100%	$ 14,344	100%
School Type:				
Not-for-profit	$ 11,817	86%	$ 12,431	87%
For-profit	1,875	14	1,913	13
Total	$ 13,692	100%	$ 14,344	100%
Cosigners:				
With cosigner	$ 8,020	59%	$ 9,193	64%
Without cosigner	5,672	41	5,151	36
Total	$ 13,692	100%	$ 14,344	100%
Seasoning(1):				
1-12 payments	$ 2,004	15%	$ 1,424	10%
13-24 payments	637	5	437	3
25-36 payments	355	2	466	3
37-48 payments	537	4	867	6
More than 48 payments	9,679	71	10,566	74
Not yet in repayment	480	3	584	4
Total	$ 13,692	100%	$ 14,344	100%

(1) Number of months in active repayment for which a scheduled payment was received.

(2) Balance equals the gross Private Education Loans.

2. Allowance for Loan Losses (Continued)

	TDR Private Education Loan Delinquencies			
	June 30, 2018		December 31, 2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 449		$ 477	
Loans in forbearance[2]	690		681	
Loans in repayment and percentage of each status:				
Loans current	8,041	87.8%	8,333	88.9%
Loans delinquent 31-60 days[3]	370	4.1	351	3.7
Loans delinquent 61-90 days[3]	215	2.3	207	2.2
Loans delinquent greater than 90 days[3]	531	5.8	487	5.2
Total TDR loans in repayment	9,157	100%	9,378	100%
Total TDR loans, gross	10,296		10,536	
TDR loans unamortized discount	(220)		(225)	
Total TDR loans	10,076		10,311	
TDR loans receivable for partially charged-off loans	383		385	
TDR loans allowance for losses	(1,142)		(1,171)	
TDR loans, net	$ 9,317		$ 9,525	
Percentage of TDR loans in repayment		88.9%		89.0%
Delinquencies as a percentage of TDR loans in repayment		12.2%		11.1%
Loans in forbearance as a percentage of TDR loans in repayment and forbearance		7.0%		6.8%

(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, 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)

	Non-TDR Private Education Loan Delinquencies			
	June 30, 2018		December 31, 2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	$ 480		$ 584	
Loans in forbearance(2)	195		214	
Loans in repayment and percentage of each status:				
Loans current	12,826	98.5%	13,257	97.9%
Loans delinquent 31-60 days(3)	83	.6	120	.9
Loans delinquent 61-90 days(3)	37	.3	59	.4
Loans delinquent greater than 90 days(3)	71	.6	110	.8
Total non-TDR loans in repayment	13,017	100%	13,546	100%
Total non-TDR loans, gross	13,692		14,344	
Non-TDR loans unamortized discount	(627)		(699)	
Total non-TDR loans	13,065		13,645	
Non-TDR loans receivable for partially charged-off loans	341		375	
Non-TDR loans allowance for losses	(155)		(126)	
Non-TDR loans, net	$ 13,251		$ 13,894	
Percentage of non-TDR loans in repayment		95.1%		94.4%
Delinquencies as a percentage of non-TDR loans in repayment		1.5%		2.1%
Loans in forbearance as a percentage of non-TDR loans in repayment and forbearance		1.5%		1.6%

(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, 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)

Receivable for Partially Charged-Off Private Education Loans

At the end of each month, for loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. We refer to the remaining loan balance as the "receivable for partially charged-off loans." Actual recoveries are applied against this receivable balance. If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses.

The following table summarizes the activity in the receivable for partially charged-off Private Education Loans.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2018	2017
Receivable at beginning of period	$ 741	$ 800	$ 760	$ 815
Expected future recoveries of current period defaults(1)	19	29	38	63
Recoveries(2)	(36)	(40)	(74)	(84)
Charge-offs(3)	—	(5)	—	(10)
Receivable at end of period	$ 724	$ 784	$ 724	$ 784

(1) Represents our estimate of the amount to be collected in the future.

(2) Current period cash collections.

(3) Represents the current period recovery shortfall — the difference between what was expected to be collected and what was actually collected. These amounts are included in total charge-offs as reported in the "Allowance for Private Education Loan Losses" table.

Troubled Debt Restructurings ("TDRs")

We sometimes modify the terms of loans for customers experiencing financial difficulty. Where we have granted either a forbearance of greater than three months, an interest rate reduction or an extended repayment plan, these are classified as TDRs. Approximately 63 percent and 61 percent of the loans granted forbearance have qualified as a TDR loan at June 30, 2018 and December 31, 2017, respectively.

2. Allowance for Loan Losses (Continued)

At June 30, 2018 and December 31, 2017, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

(Dollars in millions)	June 30, 2018	December 31, 2017
Recorded investment(1)	$ 10,655	$ 10,890
Total ending loans(2)	$ 10,679	$ 10,921
Related allowance	$ 1,142	$ 1,171

(1) Recorded investment is equal to the unpaid principal balance (which includes the receivable for partially charged-off loans), accrued interest and unamortized discount.
(2) Total ending loans includes the receivable for partially charged-off loans.

The following tables provide the average recorded investment and interest income recognized for our TDR loans.

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2018	2017
Average recorded investment	$ 10,733	$ 11,012	$ 10,794	$ 11,052
Interest income recognized	$ 187	$ 176	$ 367	$ 348

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 June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2018	2017
Modified loans(1)	$ 137	$ 203	$ 307	$ 418
Charge-offs(2)	$ 60	$ 94	$ 120	$ 200
Payment default	$ 33	$ 47	$ 70	$ 101

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

2. Allowance for Loan Losses (Continued)

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans.

(Dollars in millions)	Total	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
June 30, 2018			
TDR	$ 198	$ 27	$ 22
Non-TDR	167	4	1
Total	$ 365	$ 31	$ 23
December 31, 2017			
TDR	$ 196	$ 20	$ 20
Non-TDR	187	4	6
Total	$ 383	$ 24	$ 26

3. Borrowings

The following table summarizes our borrowings.

	June 30, 2018			December 31, 2017		
(Dollars in millions)	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings:						
Senior unsecured debt(1)	$ 2,235	$ 10,771	$ 13,006	$ 1,306	$ 12,624	$ 13,930
Total unsecured borrowings	2,235	10,771	13,006	1,306	12,624	13,930
Secured borrowings:						
FFELP Loan securitizations	—	69,786	69,786	—	71,208	71,208
Private Education Loan securitizations(2)	960	12,507	13,467	686	12,646	13,332
FFELP Loan — other facilities	593	4,533	5,126	1,536	6,830	8,366
Private Education Loan — other facilities	698	1,485	2,183	684	1,710	2,394
Other(3)	276	—	276	538	—	538
Total secured borrowings	2,527	88,311	90,838	3,444	92,394	95,838
Total before hedge accounting adjustments	4,762	99,082	103,844	4,750	105,018	109,768
Hedge accounting adjustments	(10)	(392)	(402)	21	(6)	15
Total	$ 4,752	$ 98,690	$ 103,442	$ 4,771	$ 105,012	$ 109,783

(1) Includes principal amount of $2.2 billion and $1.3 billion of short-term debt as of June 30, 2018 and December 31, 2017, respectively. Includes principal amount of $10.9 billion and $12.7 billion of long-term debt as of June 30, 2018 and December 31, 2017, respectively.

(2) Includes $960 million and $686 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facilities (“Repurchase Facilities”) as of June 30, 2018 and December 31, 2017, respectively. Includes $1.8 billion and $1.3 billion of long-term debt related to the Repurchase Facilities as of June 30, 2018, and December 31, 2017, respectively.

(3) “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 June 30, 2018 and December 31, 2017, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

	June 30, 2018						
	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	$ —	$ 69,786	$ 69,786	$ 70,574	$ 2,472	$ 1,452	$ 74,498
Private Education Loan securitizations[1]	960	12,507	13,467	16,868	656	218	17,742
FFELP Loan — other facilities	593	1,907	2,500	2,533	102	74	2,709
Private Education Loan — other facilities	698	1,485	2,183	2,959	96	28	3,083
Total before hedge accounting adjustments	2,251	85,685	87,936	92,934	3,326	1,772	98,032
Hedge accounting adjustments	—	(375)	(375)	—	—	(527)	(527)
Total	$ 2,251	$ 85,310	$ 87,561	$ 92,934	$ 3,326	$ 1,245	$ 97,505

	December 31, 2017						
	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	$ —	$ 71,208	$ 71,208	$ 72,145	$ 2,335	$ 1,078	$ 75,558
Private Education Loan securitizations[1]	686	12,646	13,332	17,739	484	237	18,460
FFELP Loan — other facilities	1,536	3,999	5,535	5,565	204	156	5,925
Private Education Loan — other facilities	684	1,710	2,394	3,147	68	31	3,246
Total before hedge accounting adjustments	2,906	89,563	92,469	98,596	3,091	1,502	103,189
Hedge accounting adjustments	—	(246)	(246)	—	—	(342)	(342)
Total	$ 2,906	$ 89,317	$ 92,223	$ 98,596	$ 3,091	$ 1,160	$ 102,847

(1) Includes $960 million of short-term debt, $1.8 billion of long-term debt and $170 million of restricted cash related to the Repurchase Facilities as of June 30, 2018. Includes $686 million of short-term debt, $1.3 billion of long-term debt and $96 million of restricted cash related to the Repurchase Facilities as of December 31, 2017.

4. Derivative Financial Instruments

Our risk management strategy and use of and accounting for derivatives have not materially changed from that discussed in our 2017 Form 10-K. Please refer to "Note 7 — Derivative Financial Instruments" in our 2017 Form 10-K for a full discussion.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at June 30, 2018 and December 31, 2017, and their impact on other comprehensive income and earnings for the three and six months ended June 30, 2018 and 2017.

4. Derivative Financial Instruments (Continued)

Impact of Derivatives on Consolidated Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Jun 30, 2018	Cash Flow Dec 31, 2017	Fair Value Jun 30, 2018	Fair Value Dec 31, 2017	Trading Jun 30, 2018	Trading Dec 31, 2017	Total Jun 30, 2018	Total Dec 31, 2017
Fair Values(1)									
Derivative Assets:									
Interest rate swaps	Interest rate	$ —	$ 95	$ 168	$ 290	$ 8	$ 7	$ 176	$ 392
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	24	88	—	—	24	88
Total derivative assets(2)		—	95	192	378	8	7	200	480
Derivative Liabilities:									
Interest rate swaps	Interest rate	—	(16)	(59)	(102)	(64)	(71)	(123)	(189)
Floor Income Contracts	Interest rate	—	—	—	—	(40)	(74)	(40)	(74)
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(553)	(410)	(39)	(44)	(592)	(454)
Other(3)	Interest rate	—	—	—	—	(12)	(18)	(12)	(18)
Total derivative liabilities(2)		—	(16)	(612)	(512)	(155)	(207)	(767)	(735)
Net total derivatives		$ —	$ 79	$ (420)	$ (134)	$ (147)	$ (200)	$ (567)	$ (255)

(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 June 30, 2018	Other Assets December 31, 2017	Other Liabilities June 30, 2018	Other Liabilities December 31, 2017
Gross position	$ 200	$ 480	$ (767)	$ (735)
Impact of master netting agreements	(31)	(42)	31	42
Derivative values with impact of master netting agreements (as carried on balance sheet)	169	438	(736)	(693)
Cash collateral (held) pledged	(268)	(536)	217	235
Net position	$ (99)	$ (98)	$ (519)	$ (458)

(3) "Other" includes derivatives related to our Total Return Swap Facility, as well as a forward contract outstanding as of June 30, 2018 to purchase $60 million of our common shares outstanding. This forward contract was entered into in May 2018 and settled on July 2, 2018. At settlement, Navient delivered $60 million cash in exchange for 4.3 million common shares.

4. Derivative Financial Instruments (Continued)

The above fair values at June 30, 2018 reflect rule changes adopted by clearing organizations that require entities to treat derivative assets, liabilities and the related variation margin as a settlement of the derivative position for legal and accounting purposes, rather than recording these positions on a gross basis with a related collateral receivable or payable. As a result, the tables above reflect a reduction of $274 million of derivative assets and $203 million of derivative liabilities as of June 30, 2018, that previously were reported on a gross basis but are now settled and not subject to collateral.

The above fair values also 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 June 30, 2018 and December 31, 2017 by $16 million and $6 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 June 30, 2018 and December 31, 2017 by $24 million and $30 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017	Jun 30, 2018	Dec 31, 2017
Notional Values:								
Interest rate swaps	$ 25.7	$ 24.1	$ 11.7	$ 12.4	$ 76.3	$ 72.0	$ 113.7	$ 108.5
Floor Income Contracts	—	—	—	—	27.9	21.9	27.9	21.9
Cross-currency interest rate swaps	—	—	4.8	6.7	.3	.3	5.1	7.0
Other(1)	—	—	—	—	.4	.5	.4	.5
Total derivatives	$ 25.7	$ 24.1	$ 16.5	$ 19.1	$ 104.9	$ 94.7	$ 147.1	$ 137.9

(1) "Other" includes derivatives related to our Total Return Swap Facility, as well as a forward contract outstanding as of June 30, 2018 to purchase $60 million of our common shares outstanding.

4. Derivative Financial Instruments (Continued)

Impact of Derivatives on Consolidated Statements of Income

	Total Gains (Losses) (1)			
	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2018	2017
Fair Value Hedges: (2)				
Interest Rate Swaps				
Gains (losses) recognized in net income on derivatives	$ (71)	$ 18	$ (258)	$ (66)
Gains (losses) recognized in net income on hedged items	66	(38)	290	23
Net fair value hedge ineffectiveness gains (losses)	(5)	(20)	32	(43)
Cross currency interest rate swaps				
Gains (losses) recognized in net income on derivatives	(283)	459	(207)	577
Gains (losses) recognized in net income on hedged items	257	(442)	128	(604)
Net fair value hedge ineffectiveness gains (losses)	(26)	17	(79)	(27)
Total fair value hedges	(31)	(3)	(47)	(70)
Cash Flow Hedges: (2)				
Interest rate swaps(3)	—	—	—	—
Total cash flow hedges	—	—	—	—
Trading				
Interest rate swaps	(4)	(3)	18	10
Floor income contracts	10	(5)	33	28
Cross currency interest rate swaps	(14)	(6)	2	5
Other	(1)	(8)	2	(14)
Total trading derivatives	(9)	(22)	55	29
Gains (losses) on derivative and hedging activities, net	$ (40)	$ (25)	$ 8	$ (41)

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

(2) The accrued interest income (expense) on fair value hedges and cash flow hedges is recorded in net interest income (expense) and is excluded from this table.

(3) Represents ineffectiveness related to cash flow hedges.

4. Derivative Financial Instruments (Continued)

Collateral

Collateral held and pledged related to derivative exposures between us and our derivative counterparties are detailed in the following table:

(Dollars in millions)	June 30, 2018	December 31, 2017
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	$ 268	$ 536
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)	109	297
Total collateral held	$ 377	$ 833
Derivative asset at fair value including accrued interest	$ 204	$ 618
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 217	$ 235
Total collateral pledged	$ 217	$ 235
Derivative liability at fair value including accrued interest and premium receivable	$ 684	$ 659

(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 $112 million with our counterparties. Downgrades in our unsecured credit rating would not result in any additional collateral requirements, except to increase the frequency of collateral calls. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings.

5. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	June 30, 2018	December 31, 2017
Accrued interest receivable, net	$ 1,945	$ 1,965
Benefit and insurance-related investments	485	481
Income tax asset, net current and deferred	293	380
Derivatives at fair value	169	438
Fixed assets, net	144	156
Accounts receivable	104	108
Other loans, net	69	59
Other	395	438
Total	$ 3,604	$ 4,025

6. Business Combinations, Goodwill and Acquired Intangible Assets

Acquisitions are accounted for under the acquisition method of accounting as defined in ASC 805, “Business Combinations.” The Company allocates the purchase price to the fair value of the acquired tangible assets, liabilities and identifiable intangible assets as of the acquisition date as determined by an independent appraiser.

Goodwill resulting from our acquisitions is assigned to a reporting unit or units. A reporting unit is the same or one level below an operating segment. As discussed in “Note 12 – Segment Reporting," we have the following new reportable operating segments effective first-quarter 2018: Federal Education Loans, Consumer Lending, Business Processing and Other. As a result of this change in our reporting structure, our reporting units with goodwill as of June 30, 2018 include (1) FFELP Loans within the Federal Education Loans reportable operating segment, (2) Private Education Loans (Other) and Private Education Refinance Loans (inclusive of what formerly constituted our Earnest reporting unit), both of which are included in our Consumer Lending reportable operating segment, and (3) Government Services (formerly our Gila reporting unit) and Healthcare Services, both of which are included in our Business Processing reportable operating segment. There was no change in our allocation of goodwill as a result of this change in reportable operating segments and reporting units.

Acquisition of Earnest

In November 2017, Navient acquired a 95 percent majority controlling interest in Earnest for approximately $149 million in cash. Earnest is a leading financial technology and education finance company that originates Private Education Refinance Loans. We have engaged an independent appraiser to assist in the valuation of the assets acquired and liabilities assumed including identifiable intangible assets, primarily the trade name and developed technology. We anticipate the purchase price allocation will be completed in the third quarter 2018. The preliminary estimate of goodwill is $89 million. The results of operations of Earnest have been included in Navient’s consolidated financial statements since the acquisition date and are reflected in Navient’s Consumer Lending segment and its Private Education Refinance Loans reporting unit. Navient has not disclosed the pro forma impact of this acquisition to the results of operations for the three and six months ended June 30, 2018 and 2017, as the pro forma impact was deemed immaterial.

Acquisition of Duncan Solutions

In July 2017, Navient acquired a 100 percent controlling interest in Duncan Solutions for approximately $86 million in cash. Duncan Solutions is a leading transportation revenue management company serving municipalities and toll authorities, offering a range of technology-enabled products and services to support its clients’ parking and tolling operations. We engaged an independent appraiser to assist in the valuation of the assets acquired and liabilities assumed including identifiable intangible assets, primarily customer relationships, the trade name and developed technology. In July 2018, the Company finalized its purchase price allocation for Duncan Solutions, which resulted in an excess purchase price over the fair value of net assets acquired, or goodwill, of $39 million. The results of operations of Duncan Solutions have been included in Navient’s consolidated financial statements since the acquisition date and are reflected in Navient’s Business Processing segment and its Government Services reporting unit. Navient has not disclosed the pro forma impact of this acquisition to the results of operations for the three and six months ended June 30, 2018 and 2017, as the pro forma impact was deemed immaterial.

7. Stockholders' Equity

The following table summarizes common share repurchases and issuances.

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Common stock repurchased[1]	—	10,936,715	—	18,300,007
Average purchase price per share	$ —	$ 15.10	$ —	$ 15.04
Shares repurchased related to employee stock-based compensation plans[2]	92,369	255,875	3,557,504	1,610,155
Average purchase price per share	$ 14.53	$ 15.70	$ 13.77	$ 15.58
Common shares issued[3]	113,171	355,802	5,134,238	3,150,312

(1) Common shares purchased under our share repurchase program.
(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 June 29, 2018 was $13.03.

Dividend and Share Repurchase Program

In June 2018, we paid a common stock dividend of $0.16 per share.

As of June 30, 2018, the remaining common share repurchase authority was $160 million. We entered into a derivative contract in May 2018 to purchase $60 million of common shares. We settled this contract in July 2018 by delivering $60 million in cash in exchange for 4.3 million common shares, resulting in a remaining common share repurchase authority of $100 million.

In the six months ended June 30, 2017, we repurchased 18.3 million shares of common stock for $275 million.

8. Earnings per Common Share

Basic earnings 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 follows.

(In millions, except per share data)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Numerator:				
Net income attributable to Navient Corporation	$ 83	$ 112	$ 210	$ 200
Denominator:				
Weighted average shares used to compute basic EPS	265	280	264	284
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units, derivative contracts and Employee Stock Purchase Plan ("ESPP")(1)	4	5	5	7
Dilutive potential common shares(2)	4	5	5	7
Weighted average shares used to compute diluted EPS	269	285	269	291
Basic earnings per common share attributable to Navient Corporation	$ .31	$ .40	$ .79	$ .70
Diluted earnings per common share attributable to Navient Corporation	$ .31	$ .39	$ .78	$ .69

(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, and derivative contracts determined by the reverse treasury stock method.

(2) For the three months ended June 30, 2018 and 2017, securities covering approximately 10 million and 5 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the six months ended June 30, 2018 and 2017, securities covering approximately 10 million and 5 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive

9. 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. Please refer to "Note 12 — Fair Value Measurements" in our 2017 Form 10-K for a full discussion.

During the three and six months ended June 30, 2018, there were no significant transfers of financial instruments between levels, or changes in our methodology or assumptions used to value our financial instruments.

9. Fair Value Measurements (Continued)

The following table summarizes the valuation of our financial instruments that are marked-to-market on a recurring basis.

	Fair Value Measurements on a Recurring Basis							
	June 30, 2018				December 31, 2017			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale investments:								
Agency residential mortgage-backed securities	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other	—	2	—	2	—	2	—	2
Total available-for-sale investments	—	2	—	2	—	2	—	2
Derivative instruments:(1)								
Interest rate swaps	—	169	7	176	—	388	4	392
Cross-currency interest rate swaps	—	—	24	24	—	—	88	88
Total derivative assets(2)	—	169	31	200	—	388	92	480
Total	$ —	$ 171	$ 31	$ 202	$ —	$ 390	$ 92	$ 482
Liabilities(3)								
Derivative instruments(1)								
Interest rate swaps	$ —	$ (83)	$ (40)	$ (123)	$ —	$ (144)	$ (45)	$ (189)
Floor Income Contracts	—	(40)	—	(40)	—	(74)	—	(74)
Cross-currency interest rate swaps	—	(39)	(553)	(592)	—	(44)	(410)	(454)
Other	—	(4)	(8)	(12)	—	—	(18)	(18)
Total derivative liabilities(2)	—	(166)	(601)	(767)	—	(262)	(473)	(735)
Total	$ —	$ (166)	$ (601)	$ (767)	$ —	$ (262)	$ (473)	$ (735)

(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 items 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 are not reflected in this table.

9. 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 June 30,							
	2018				2017			
	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	$ (37)	$ (246)	$ (12)	$ (295)	$ (42)	$ (1,125)	$ (16)	$ (1,183)
Total gains/(losses):								
Included in earnings(1)	3	(314)	3	(308)	(7)	430	(8)	415
Included in other comprehensive income	—	—	—	—	—	—	—	—
Settlements	1	31	1	33	1	29	2	32
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Balance, end of period	$ (33)	$ (529)	$ (8)	$ (570)	$ (48)	$ (666)	$ (22)	$ (736)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 4	$ (283)	$ 4	$ (275)	$ (6)	$ 459	$ (6)	$ 447

	Six Months Ended June 30,							
	2018				2017			
	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	$ (41)	$ (322)	$ (18)	$ (381)	$ (46)	$ (1,243)	$ (13)	$ (1,302)
Total gains/(losses):								
Included in earnings(1)	6	(265)	6	(253)	(5)	519	(13)	501
Included in other comprehensive income	—	—	—	—	—	—	—	—
Settlements	2	58	4	64	3	58	4	65
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Balance, end of period	$ (33)	$ (529)	$ (8)	$ (570)	$ (48)	$ (666)	$ (22)	$ (736)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 7	$ (180)	$ 10	$ (163)	$ (2)	$ 516	$ (9)	$ 505

(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 June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2018	2017
Gains (losses) on derivative and hedging activities, net	$ (277)	$ 444	$ (195)	$ 559
Interest expense	(31)	(29)	(58)	(58)
Total	$ (308)	$ 415	$ (253)	$ 501

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

9. 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 June 30, 2018	Valuation Technique	Input	Range (Weighted Average)
Derivatives				
Prime/LIBOR basis swaps	$ (33)	Discounted cash flow	Constant Prepayment Rate	6%
			Bid/ask adjustment to discount rate	.08% — .08% (.08%)
Cross-currency interest rate swaps	(529)	Discounted cash flow	Constant Prepayment Rate	4%
Other	(8)			
Total	$ (570)			

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

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

9. Fair Value Measurements (Continued)

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

(Dollars in millions)	June 30, 2018 Fair Value	June 30, 2018 Carrying Value	June 30, 2018 Difference	December 31, 2017 Fair Value	December 31, 2017 Carrying Value	December 31, 2017 Difference
Earning assets						
FFELP Loans	$ 76,761	$ 76,609	$ 152	$ 82,271	$ 81,703	$ 568
Private Education Loans	23,648	22,568	1,080	24,421	23,419	1,002
Cash and investments(1)	5,370	5,370	—	5,034	5,034	—
Total earning assets	105,779	104,547	1,232	111,726	110,156	1,570
Interest-bearing liabilities						
Short-term borrowings	4,782	4,752	(30)	4,783	4,771	(12)
Long-term borrowings	98,883	98,690	(193)	104,921	105,012	91
Total interest-bearing liabilities	103,665	103,442	(223)	109,704	109,783	79
Derivative financial instruments						
Floor Income Contracts	(40)	(40)	—	(74)	(74)	—
Interest rate swaps	53	53	—	203	203	—
Cross-currency interest rate swaps	(568)	(568)	—	(366)	(366)	—
Other	(12)	(12)	—	(18)	(18)	—
Excess of net asset fair value over carrying value			$ 1,009			$ 1,649

(1) "Cash and investments" includes available-for-sale investments that consist of investments that are primarily agency securities whose cost basis is $2 million and $2 million at June 30, 2018 and December 31, 2017, respectively, versus a fair value of $2 million and $2 million at June 30, 2018 and December 31, 2017, respectively.

10. Commitments and Contingencies

Legal Proceedings

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.

10. Commitments and Contingencies (Continued)

In January 2017, 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, the FCPA, 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, containing similar alleged violations of the CFPA and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. Additionally, the Attorneys General for the States of California and Mississippi recently initiated similar actions against the Company and certain subsidiaries alleging violations of various state and federal consumer protection laws. We refer to the Illinois, Pennsylvania, Washington, California and Mississippi 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, unannounced servicing standards applied retroactively only against one servicer, and that the allegations are false. We therefore have denied these allegations and intend to vigorously defend against the allegations in each of these cases. For additional information on these civil actions, please refer to section entitled “Regulatory Matters” below.

At this point in time, the Company is unable to anticipate the timing of a resolution or the ultimate 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 the SEC, CFPB, FFIEC, ED and various state agencies as part of its ordinary course of business. 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 bodies or government agencies concerning our business or our assets. Generally, the Company endeavors to cooperate with each such inquiry or request.

As previously disclosed, the Company and various of its subsidiaries have been subject to the following investigations and inquiries:

- In December 2013, Navient received Civil Investigative Demands (“CIDs”) issued by the Illinois Attorney General, the Washington Attorney General and multiple other state Attorneys General. According to the CIDs, the investigations were initiated to ascertain whether any practices declared to be unlawful under the Consumer Fraud and Deceptive Business Practices Act have occurred or are about to occur. The Company subsequently received separate but similar CIDs or subpoenas from the Attorneys General of the District of Columbia, Kansas and Colorado.
- In April 2014, Solutions received a CID from the Consumer Financial Protection Bureau (the “CFPB”) as part of the CFPB’s separate investigation regarding allegations relating to Navient’s disclosures and assessment of late fees and other matters. Navient has received a series of supplemental CIDs on these matters. In August 2015, Solutions received a letter from the CFPB notifying Solutions that, in accordance with the CFPB’s discretionary Notice and Opportunity to Respond and Advise (“NORA”) process, the CFPB’s Office of Enforcement was considering recommending that the CFPB take legal action against Solutions. The NORA letter related to a previously disclosed investigation into Solutions’ disclosures and assessment of late fees and other matters and states that, in connection with any action, the CFPB may seek restitution, civil monetary penalties and corrective action against Solutions. The Company responded to the NORA letter in September 2015.
- In November 2014, Navient’s subsidiary, Pioneer Credit Recovery, Inc. (“Pioneer”), received a CID from the CFPB as part of an investigation regarding Pioneer’s activities relating to rehabilitation loans and collection of defaulted student debt.

10. Commitments and Contingencies (Continued)

- In December 2014, Solutions received a subpoena from the New York Department of Financial Services (the "NY DFS") as part of the NY DFS's inquiry with regard to whether persons or entities have engaged in fraud or misconduct with respect to a financial product or service under New York Financial Services Law or other laws.

The CFPB, Washington Attorney General and Illinois Attorney General lawsuits relate to matters which were covered under the CIDs or the NORA letter discussed above. In addition, various State Attorneys General have filed suits alleging violations of various state and federal consumer protection laws covering matters similar to those covered by the CIDs or the NORA letter. For more information about these cases, see the section above entitled "Legal Proceedings." As stated above, we have denied these allegations and intend to vigorously defend against the allegations in each of these cases.

With respect to alleged civil violations of the Servicemembers Civil Relief Act (the "SCRA"), Navient Solutions, LLC ("Solutions"), a wholly owned subsidiary of Navient, and Sallie Mae Bank entered into a consent order with the U.S. Department of Justice ("DOJ") in May 2014. The DOJ consent order (the "DOJ Order") covers all loans either owned by Sallie Mae Bank or serviced by Solutions from November 28, 2005 until the effective date of the settlement. The Company believes it has fulfilled the terms of the DOJ order, including the monetary portions of the order. The total reserves established by the Company in 2013 and 2014 to cover these costs were $177 million, and as of June 30, 2018, substantially all of this amount had been paid. The final cost of these proceedings will remain uncertain until the remaining consent order is lifted or terminates in accordance with its terms in late 2018.

Under the terms of the Separation Agreement between the Company and SLM BankCo, Navient has agreed to indemnify SLM BankCo for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. As a result, subject to the terms, conditions and limitations set forth in the Separation and Distribution Agreement, Navient has 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, other than fines or penalties directly levied against Sallie Mae Bank and other matters specifically excluded. Navient has no additional reserves related to indemnification matters with SLM BankCo as of June 30, 2018.

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. A hearing was held in April 2017 and a ruling has not yet been issued. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company established a reserve for this matter in 2014 as part of the total reserve for pending regulatory matters discussed previously and does not believe, at this time, that an adverse ruling would have a material effect on the Company as a whole.

10. Commitments and Contingencies (Continued)

Contingencies

As of June 30, 2018, we concluded that a contingency loss was no longer probable of occurring. Accordingly, the related $40 million contingency reserve was released as a reduction of operating expenses.

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 such litigation and regulatory matters, we cannot 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.

11. Revenue from Contracts with Customers

We account for contract revenue in accordance with ASC 606. Contract revenue earned by our Federal Education Loans segment is derived from asset recovery activities related to the collection of delinquent education loans on behalf of the Department of Education, Guarantor agencies and other institutions. Revenue earned by our Business Processing segment is derived from government services, which includes receivables management services and account processing solutions, and healthcare services, which includes revenue cycle management services.

Most of our revenue is derived from long-term contracts, the duration of which is expected to span more than one year. These contracts are billable monthly, as services are rendered, based on a percentage of the balance collected or the transaction processed, a flat fee per transaction or a stated rate per the service performed. In accordance with ASC 606, the unit of account is a contractual performance obligation, a promise to provide a distinct good or service to a customer. The transaction price is allocated to each distinct performance obligation when or as the good or service is transferred to the customer and the obligation is satisfied. Distinct performance obligations are identified based on the services specified in the contract that are capable of being distinct such that the customer can benefit from the service on its own or together with other resources that are available from the Company or a third party, and are also distinct in the context of the contract such that the transfer of the services is separately identifiable from other services promised in the contract. Most of our contracts include integrated service offerings that include obligations that are not separately identifiable and distinct in the context of our contracts. Accordingly, our contracts generally have a single performance obligation. A limited number of full service offerings include multiple performance obligations.

11. Revenue from Contracts with Customers (Continued)

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

The following tables illustrate the disaggregation of revenue from contracts with customers according to service type and client type by reportable operating segment.

Revenue by Service Type

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal Education Loan asset recovery services	$ 19	$ —	$ 19	$ 39	$ —	$ 39
Government services	—	41	41	—	94	94
Healthcare services	—	24	24	—	44	44
Total	$ 19	$ 65	$ 84	$ 39	$ 138	$ 177

Revenue by Client Type

	Three Months Ended June 30, 2018			Six Months Ended June 30, 2018		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal government	$ 1	$ 2	$ 3	$ 2	$ 3	$ 5
Guarantor agencies	15	—	15	31	—	31
Other institutions	3	—	3	6	—	6
State and local government	—	23	23	—	49	49
Tolling authorities	—	16	16	—	42	42
Hospitals and other healthcare providers	—	24	24	—	44	44
Total	$ 19	$ 65	$ 84	$ 39	$ 138	$ 177

As of January 1, 2018 and June 30, 2018, there was $63 million and $70 million, respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

12. Segment Reporting

In the fourth quarter of 2017, Navient entered the Private Education Refinance Loan origination market. This new activity changed the way the Company manages the business, reviews operating performance and allocates resources. This resulted in the following four new reportable operating segments, effective first-quarter 2018: (1) Federal Education Loans (2) Consumer Lending (3) Business Processing and (4) Other. In connection with this change in reportable operating segments, there was also a change in how unallocated overhead is defined.

12. Segment Reporting (Continued)

The following table shows the realignment of our business lines (operating segments) from the prior reportable operating segments to the new reportable operating segments:

Business Lines	New Reportable Operating Segment	Prior Reportable Operating Segment
FFELP Loans	Federal Education Loans	FFELP Loans
Federal Education Loans Servicing	Federal Education Loans	Business Services
Federal Education Loans Asset Recovery	Federal Education Loans	Business Services
Private Education Refinance Loans	Consumer Lending	Private Education Loans
Private Education Loans – Other	Consumer Lending	Private Education Loans
Other Consumer Loans	Consumer Lending	Other
Non-Education Government Services	Business Processing	Business Services
Non-Education Healthcare Services	Business Processing	Business Services
Unallocated Overhead Expenses	Other	Other
Corporate Liquidity Portfolio	Other	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 is provided on a Core Earnings basis. As a result of this change in segment reporting in the first quarter of 2018, prior periods have been recast for comparison purposes.

Federal Education Loans Segment

In its Federal Education Loans segment, Navient holds and acquires FFELP Loans and performs servicing and asset recovery services on its own loan portfolio, federal education loans owned by the Department of Education and other institutions. In this segment, we generate revenue primarily through net interest income on the FFELP Loan portfolio (after provision for loan losses) as well as servicing and asset recovery services revenue. This segment is expected to generate significant amounts of earnings and cash flow over the remaining life of the portfolio.

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

(Dollars in millions)	June 30, 2018	December 31, 2017
FFELP Loans, net	$ 76,609	$ 81,703
Cash and investments(1)	2,732	2,821
Other	2,209	2,601
Total assets	$ 81,550	$ 87,125

(1) Includes restricted cash and investments.

12. Segment Reporting (Continued)

Consumer Lending Segment

In its Consumer Lending segment, Navient holds, originates and acquires consumer loans and performs servicing activities on its own loan portfolio. Originations and acquisitions leverage our servicing scale and generate incremental earnings and cash flow. In this segment, we generate revenue primarily through net interest income on the Private Education Loan portfolio (after provision for loan losses). This segment is expected to generate significant amounts of earnings and cash flow over the remaining life of the portfolio.

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

(Dollars in millions)	June 30, 2018	December 31, 2017
Private Education Loans, net	$ 22,568	$ 23,419
Cash and investments(1)	803	706
Other	1,149	1,143
Total assets	$ 24,520	$ 25,268

(1) Includes restricted cash and investments.

Business Processing Segment

In its Business Processing segment, Navient performs business processing services for over 600 non-education related government and healthcare clients. Government services include receivables management services and account processing solutions. With over $11 billion of inventory, our integrated solutions technology and superior data driven approach allows state governments, agencies, court systems, municipalities and toll authorities to reduce their operating expenses while maximizing revenue opportunities. Healthcare services include revenue cycle outsourcing, accounts receivable management, extended business office support and consulting engagements. We offer customizable solutions for our clients that include non-profit/religious-affiliated hospital systems, teaching hospitals, urban medical centers, for-profit healthcare systems, critical access hospitals, children’s hospitals and large physician groups.

At June 30, 2018 and December 31, 2017, the Business Processing segment had total assets of $474 million and $466 million, respectively, on a GAAP basis.

Other Segment

Our Other segment primarily consists of the following activities: our corporate liquidity portfolio and the repurchase of debt, unallocated overhead (corporate overhead and certain information technology costs), restructuring/other reorganization expenses, regulatory-related costs, and the deferred tax asset remeasurement loss recognized due to the enactment of the TCJA in the fourth quarter of 2017.

Unallocated corporate overhead is comprised of costs primarily related to certain executive management, the board of directors, accounting, finance, legal, human resources, compliance and risk management, and stock-based compensation expense. Unallocated information technology costs are related to infrastructure and operations.

At June 30, 2018 and December 31, 2017, the Other segment had total assets of $2.4 billion and $2.1 billion, respectively, on a GAAP basis.

12. 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 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 are 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 from 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.

12. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments: Reclassi-fications	Adjustments: Additions/ (Subtractions)	Adjustments: Total Adjustments(1)	Total GAAP
	Three Months Ended June 30, 2018								
Interest income:									
Education loans	$ 775	$ 442	$ —	$ —	$ 1,217	$ 3	$ (18)	$ (15)	$ 1,202
Other loans	1	—	—	—	1	—	—	—	1
Cash and investments	12	3	—	9	24	—	—	—	24
Total interest income	788	445	—	9	1,242	3	(18)	(15)	1,227
Total interest expense	622	252	—	49	923	10	(4)	6	929
Net interest income (loss)	166	193	—	(40)	319	(7)	(14)	(21)	298
Less: provisions for loan losses	40	72	—	—	112	—	—	—	112
Net interest income (loss) after provisions for loan losses	126	121	—	(40)	207	(7)	(14)	(21)	186
Other income (loss):									
Servicing revenue	68	3	—	—	71	—	—	—	71
Asset recovery and business processing revenue	34	—	65	—	99	—	—	—	99
Other income (loss)	—	—	—	3	3	7	(37)	(30)	(27)
Losses on debt repurchases	—	—	—	(7)	(7)	—	—	—	(7)
Total other income (loss)	102	3	65	(4)	166	7	(37)	(30)	136
Expenses:									
Direct operating expenses	36	39	54	—	129	—	—	—	129
Overhead expenses	—	—	—	72	72	—	—	—	72
Operating expenses	36	39	54	72	201	—	—	—	201
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	6	6	6
Restructuring/other reorganization expenses	—	—	—	2	2	—	—	—	2
Total expenses	36	39	54	74	203	—	6	6	209
Income (loss) before income tax expense (benefit)	192	85	11	(118)	170	—	(57)	(57)	113
Income tax expense (benefit)(2)	44	19	3	(27)	39	—	(9)	(9)	30
Net income (loss)	$ 148	$ 66	$ 8	$ (91)	$ 131	$ —	$ (48)	$ (48)	$ 83

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
	Three Months Ended June 30, 2018		
Net interest income (loss) after provisions for loan losses	$ (21)	$ —	$ (21)
Total other income (loss)	(30)	—	(30)
Goodwill and acquired intangible asset impairment and amortization	—	6	6
Total Core Earnings adjustments to GAAP	$ (51)	$ (6)	(57)
Income tax expense (benefit)			(9)
Net income (loss)			$ (48)

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

12. Segment Reporting (Continued)

	Three Months Ended June 30, 2017								
						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	$ 664	$ 386	$ —	$ —	$ 1,050	$ 18	$ (14)	$ 4	$ 1,054
Other loans	6	—	—	—	6	—	—	—	6
Cash and investments	7	1	—	2	10	—	—	—	10
Total interest income	677	387	—	2	1,066	18	(14)	4	1,070
Total interest expense	498	192	—	33	723	(1)	(3)	(4)	719
Net interest income (loss)	179	195	—	(31)	343	19	(11)	8	351
Less: provisions for loan losses	10	95	—	—	105	—	—	—	105
Net interest income (loss) after provisions for loan losses	169	100	—	(31)	238	19	(11)	8	246
Other income (loss):									
Servicing revenue	70	—	—	—	70	—	—	—	70
Asset recovery and business processing revenue	58	—	53	—	111	—	—	—	111
Other income (loss)	—	—	—	4	4	(19)	(4)	(23)	(19)
Total other income (loss)	128	—	53	4	185	(19)	(4)	(23)	162
Expenses:									
Direct operating expenses	79	37	44	—	160	—	—	—	160
Overhead expenses	—	—	—	70	70	—	—	—	70
Operating expenses	79	37	44	70	230	—	—	—	230
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	6	6	6
Total expenses	79	37	44	70	230	—	6	6	236
Income (loss) before income tax expense (benefit)	218	63	9	(97)	193	—	(21)	(21)	172
Income tax expense (benefit)(2)	80	23	3	(36)	70	—	(10)	(10)	60
Net income (loss)	$ 138	$ 40	$ 6	$ (61)	$ 123	$ —	$ (11)	$ (11)	$ 112

(1) Core Earnings adjustments to GAAP:

	Three Months Ended June 30, 2017		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ 8	$ —	$ 8
Total other income (loss)	(23)	—	(23)
Goodwill and acquired intangible asset impairment and amortization	—	6	6
Total Core Earnings adjustments to GAAP	$ (15)	$ (6)	(21)
Income tax expense (benefit)			(10)
Net income (loss)			$ (11)

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

12. Segment Reporting (Continued)

	Six Months Ended June 30, 2018								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 1,507	$ 873	$ —	$ —	$ 2,380	$ 11	$ (35)	$ (24)	$ 2,356
Other loans	2	—	—	—	2	—	—	—	2
Cash and investments	19	6	—	16	41	—	—	—	41
Total interest income	1,528	879	—	16	2,423	11	(35)	(24)	2,399
Total interest expense	1,193	490	—	91	1,774	4	(5)	(1)	1,773
Net interest income (loss)	335	389	—	(75)	649	7	(30)	(23)	626
Less: provisions for loan losses	50	149	—	—	199	—	—	—	199
Net interest income (loss) after provisions for loan losses	285	240	—	(75)	450	7	(30)	(23)	427
Other income (loss):									
Servicing revenue	134	6	—	—	140	—	—	—	140
Asset recovery and business processing revenue	70	—	137	—	207	—	—	—	207
Other income (loss)	1	—	—	5	6	(7)	10	3	9
Losses on debt repurchases	—	—	—	(8)	(8)	—	—	—	(8)
Total other income (loss)	205	6	137	(3)	345	(7)	10	3	348
Expenses:									
Direct operating expenses	115	95	113	—	323	—	—	—	323
Overhead expenses	—	—	—	153	153	—	—	—	153
Operating expenses	115	95	113	153	476	—	—	—	476
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	16	16	16
Restructuring/other reorganization expenses	—	—	—	9	9	—	—	—	9
Total expenses	115	95	113	162	485	—	16	16	501
Income (loss) before income tax expense (benefit)	375	151	24	(240)	310	—	(36)	(36)	274
Income tax expense (benefit)(2)	86	35	6	(55)	72	—	(8)	(8)	64
Net income (loss)	$ 289	$ 116	$ 18	$ (185)	$ 238	$ —	$ (28)	$ (28)	$ 210

(1) Core Earnings adjustments to GAAP:

	Six Months Ended June 30, 2018		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ (23)	$ —	$ (23)
Total other income (loss)	3	—	3
Goodwill and acquired intangible asset impairment and amortization	—	16	16
Total Core Earnings adjustments to GAAP	$ (20)	$ (16)	(36)
Income tax expense (benefit)			(8)
Net income (loss)			$ (28)

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

12. Segment Reporting (Continued)

(Dollars in millions)	Six Months Ended June 30, 2017					Adjustments			
	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 1,288	$ 759	$ —	$ —	$ 2,047	$ 38	$ (27)	$ 11	$ 2,058
Other loans	10	—	—	—	10	—	—	—	10
Cash and investments	12	2	—	3	17	—	—	—	17
Total interest income	1,310	761	—	3	2,074	38	(27)	11	2,085
Total interest expense	956	379	—	62	1,397	2	(5)	(3)	1,394
Net interest income (loss)	354	382	—	(59)	677	36	(22)	14	691
Less: provisions for loan losses	22	190	—	—	212	—	—	—	212
Net interest income (loss) after provisions for loan losses	332	192	—	(59)	465	36	(22)	14	479
Other income (loss):									
Servicing revenue	143	3	—	—	146	—	—	—	146
Asset recovery and business processing revenue	113	—	97	—	210	—	—	—	210
Other income (loss)	1	—	—	9	10	(36)	(16)	(52)	(42)
Total other income (loss)	257	3	97	9	366	(36)	(16)	(52)	314
Expenses:									
Direct operating expenses	168	72	82	—	322	—	—	—	322
Overhead expenses	—	—	—	147	147	—	—	—	147
Operating expenses	168	72	82	147	469	—	—	—	469
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	11	11	11
Total expenses	168	72	82	147	469	—	11	11	480
Income (loss) before income tax expense (benefit)	421	123	15	(197)	362	—	(49)	(49)	313
Income tax expense (benefit)(2)	153	45	6	(72)	132	—	(19)	(19)	113
Net income (loss)	$ 268	$ 78	$ 9	$ (125)	$ 230	$ —	$ (30)	$ (30)	$ 200

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Six Months Ended June 30, 2017		
	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ 14	$ —	$ 14
Total other income (loss)	(52)	—	(52)
Goodwill and acquired intangible asset impairment and amortization	—	11	11
Total Core Earnings adjustments to GAAP	$ (38)	$ (11)	(49)
Income tax expense (benefit)			(19)
Net income (loss)			$ (30)

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

12. Segment Reporting (Continued)

Summary of Core Earnings Adjustments to GAAP

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Core Earnings adjustments to GAAP:				
Net impact of derivative accounting[1]	$ (51)	$ (15)	$ (20)	$ (38)
Net impact of goodwill and acquired intangible assets[2]	(6)	(6)	(16)	(11)
Net tax effect[3]	9	10	8	19
Total Core Earnings adjustments to GAAP	$ (48)	$ (11)	$ (28)	$ (30)

(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. These gains and losses occur in our Federal Education Loans, Consumer Lending and Other reportable segments. 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.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This report 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," or "target." Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements.

For us, these factors include, among others, the risks and uncertainties associated with:

- increases in financing costs;
- the availability of financing or limits on liquidity resulting from disruptions in the capital markets or other factors;
- unanticipated increases in costs associated with compliance with federal, state or local laws and regulations;
- changes in the demand for asset management and business processing solutions or other changes in marketplaces in which we compete (including increased competition);
- changes in accounting standards including but not limited to changes pertaining to loan loss reserves and estimates or other accounting standards that may impact our operations;
- adverse outcomes in any significant litigation to which we are a party;
- credit risk associated with the Company's underwriting standards or exposure to third parties, including counterparties to hedging transactions; and
- changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws).

We could also be affected by, among other things:

- unanticipated repayment trends on loans including prepayments or deferrals in our securitization trusts that could accelerate or delay repayment of the bonds;
- reductions to our credit ratings, the credit ratings of asset-backed securitizations we sponsor or the credit ratings of the United States of America;
- failures of our operating systems or infrastructure, or those of third-party vendors;
- risks related to cybersecurity including the potential disruption of our systems or those of our third-party vendors or customers, or potential disclosure of confidential customer information;
- damage to our reputation resulting from cyber-breaches, litigation, the politicization of student loan servicing or other actions or factors;
- failure to successfully implement cost-cutting initiatives and adverse effects of such initiatives on our business;
- failure to adequately integrate acquisitions or realize anticipated benefits from acquisitions including delays or errors in converting portfolio acquisitions to our servicing platform;
- changes in law and regulations whether new laws or regulations, or new interpretations of existing laws and regulations applicable to any of our businesses or activities or those of our vendors, suppliers or customers;

- changes in the general interest rate environment, including the availability of any relevant money-market index rate, including LIBOR, or the relationship between the relevant money-market index rate and the rate at which our assets are priced;
- our ability to successfully effectuate any acquisitions and other strategic initiatives;
- changes in general economic conditions; and
- the other factors that are described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K") and in our other reports filed with the Securities and Exchange Commission ("SEC").

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.

Definitions for certain capitalized terms used but not otherwise defined in this Quarterly Report on Form 10-Q can be found in the "Glossary" section of our 2017 Form 10-K.

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.

Navient's Business

Navient is a leading provider of asset 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 financial success through services and support. Headquartered in Wilmington, Delaware, Navient also employs team members in western New York, northeastern Pennsylvania, Indiana, Tennessee, Texas, Virginia, Wisconsin, California and other locations.

Navient is the largest private sector holder of education loans insured or federally guaranteed under the Federal Family Education Loan Program ("FFELP"). Navient holds the largest portfolio of Private Education Loans and originates Private Education Refinance Loans. Navient services and performs asset recovery activities on its own portfolio of education loans, as well as education loans owned by the United States Department of Education ("ED") and other institutions. Navient services education loans for approximately 12 million ED, FFELP and Private Education Loan customers. Our data-driven insight, service and innovation support customers on the path to successful education loan repayment.

The Company leverages its scale and expertise to provide business processing solutions such as receivables management services, account processing solutions and revenue cycle management solutions, to a variety of clients, including federal agencies, state and local governments, regional authorities, courts, hospitals, healthcare systems and other healthcare providers.

For all our clients, we aim to improve their financial performance, optimize their operations, and maintain compassionate, compliant service for their customers and constituents.

As of June 30, 2018, Navient's principal assets consisted of:

- $76.6 billion in FFELP Loans, with a Federal Education Loans segment net interest margin of 0.82 percent for the six months ended June 30, 2018 on a Core Earnings basis and a FFELP Loan weighted average life of 7 years;
- $22.6 billion in Private Education Loans, with a Consumer Lending segment net interest margin of 3.22 percent for the six months ended June 30, 2018 on a Core Earnings basis and a Private Education Loan weighted average life of 6 years;
- a leading education loan servicing business that services loans for approximately 12 million DSLP Loan, FFELP Loan and Private Education Loan customers (including cosigners), including 6.0 million customer accounts serviced under Navient's contract with ED;
- a leading loan origination business that assists borrowers in refinancing their education loan debt; and
- a leading business processing offering through which we provide services for over 600 clients in the government and healthcare sectors.

Strengths and Opportunities

Navient has a number of competitive advantages that distinguish it from its competitors, including:

Large, high quality asset base generating significant and predictable cash flows. At June 30, 2018, Navient's $99.2 billion education loan portfolio is 81 percent funded to term and is expected to produce predictable cash flows over the remaining life of the portfolio. Navient's $76.6 billion portfolio of FFELP Loans generally bears a maximum 3 percent loss exposure under the terms of the federal guaranty. Navient's $22.6 billion portfolio of Private Education Loans bears the full credit risk of the borrower and any cosigner. Navient expects that cash flows from its FFELP Loan and Private Education Loan portfolios will significantly exceed future debt service obligations. Our interest earning assets are funded by both secured and unsecured debt.

Efficient and large-scale operating platforms. Navient services more than $300 billion in education loans for approximately 12 million customers. Navient's inventory of contingent asset recovery receivables is $27.0 billion as of June 30, 2018. We provide services to more than 1,000 education, healthcare and public sector clients. Navient has demonstrated scalable infrastructure with capacity to add volume at a low cost. On July 3, 2018, we closed on a strategic agreement with First Data related to Navient's student loan technology platform, creating a more effective long-term variable cost structure for the business. Our market share and tested infrastructure have enabled expansion to additional clients and asset types.

Superior performance. Navient has demonstrated superior default prevention performance and industry-leading services. For example, the combined portfolio of federal loans serviced by Navient experienced a Cohort Default Rate ("CDR") that is 37 percent lower than our peers, as calculated from the most recent CDR released by ED in September 2017. We are consistently a top performer in our asset recovery business and deliver superior service to our public and private sector clients. We continually leverage data-driven insights and customer service to identify new ways to add value to our clients.

Commitment to compliance and customer centricity. Navient fosters a robust compliance culture driven by a "customer first" approach. We invest in rigorous training programs, quality assurance, reviews and audits, complaint tracking and analysis, and customer research to enhance our compliance and customer service.

Strong capital return. As a result of our significant cash flow and capital generation, Navient expects to return excess capital to stockholders through dividends and share repurchases. As part of that strategy, we entered into a derivative contract in May 2018 to purchase $60 million of common shares. We settled this contract in July 2018 by delivering $60 million in cash in exchange for 4.3 million common shares, resulting in a remaining common share repurchase authority of $100 million. The tangible net asset ratio improved to 1.23x at June 30, 2018 from 1.21x at March 31, 2018 (see "Non-GAAP Financial Measures – Tangible Net Asset Ratio" for an explanation and reconciliation of this ratio).

Navient has paid a quarterly dividend of $0.16 per share of common stock since the first quarter of 2015. For the six months ended June 30, 2018, Navient paid $85 million in dividends.

Meaningful growth opportunities. In the Consumer Lending segment, Navient offers Private Education Refinance Loans to financially responsible professionals as a meaningful growth opportunity. In November 2017, Navient acquired Earnest to accelerate its growth opportunity originating Private Education Refinance Loans. Earnest originated $900 million in Private Education Refinance Loans in 2017 and $1.1 billion in the six months ended June 30, 2018. Navient acquired (originated and purchased) $771 million of Private Education Refinance Loans in 2017. In the six months ended June 30, 2018, Navient acquired (originated and purchased) $1.2 billion of Private Education Loans. Navient will continue to pursue opportunistic acquisitions of Private Education Loan portfolios.

In the Business Processing segment, Navient leverages its large-scale operating platforms, superior and data-driven default prevention and asset recovery performance, operating efficiency, and regulatory compliance and risk management infrastructure in growing these businesses and in pursuing other growth opportunities. Navient provides a variety of business processing solutions that help our clients improve financial performance. Business processing revenue increased 23 percent from the year-ago quarter, driven primarily by healthcare services revenue increasing 33 percent.

Navient's Approach to Helping Education Loan Borrowers Achieve Success

Navient services loans for approximately 12 million DSLP Loan, FFELP Loan and Private Education Loan customers, including 6.0 million customers whose accounts are serviced under Navient's contract with ED. We help our customers navigate the path to financial success through proactive outreach and innovative, data-driven approaches.

Leveraging four decades of expertise: We define customer success as making steady progress toward repayment and avoiding falling behind on or putting off payments. With customer success and default prevention as our top priorities, we apply data-driven outreach that draws from our more than 40 years of experience. Our strategists employ risk modeling to pinpoint struggling borrowers and deploy resources where needed. By tailoring our approach to each borrower's unique situation — e.g., recent graduates, students re-entering school, those experiencing hardships or those with student debt but no degree — we help ensure industry-leading outcomes, as evidenced by a default rate that is 37 percent lower than all other servicers. Nine times out of 10, when we can reach federal loan customers who have missed payments, we are able to implement a solution to help them avoid default.

Getting borrowers into the right payment plans: We help customers understand the complex array of federal loan repayment options so they can make informed choices about the plans that are aligned with their financial circumstances and goals. We promote awareness of federal repayment plan options, including Income-Driven Repayment ("IDR"), through more than 161 million communications annually, including mail, email, phone calls, videos and text messages. As a result, we continue to lead in enrolling customers in affordable income-driven repayment plans: nearly one in three federal student borrowers and more than half of student loan balances serviced by Navient for the government were enrolled in an IDR plan (excluding loan types ineligible for the plans). We also help borrowers understand that options lengthening their repayment term may increase the total cost of their loans, while reminding them that they may pay extra or switch repayment plans at any time.

Leading the industry: Navient is a leader in recommending policy reforms that would enhance the student loan program. For example, we have recommended improving financial literacy before borrowing for school and simplifying federal loan repayment options — reforms that we believe would make a meaningful difference for millions of Americans with student loans and encourage college completion.

In 2009, we pioneered the creation of a loan modification program to help Private Education Loan borrowers needing additional assistance. As of June 30, 2018, $2.3 billion 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.

We continually make enhancements designed to help our customers, drawing from a variety of inputs including customer surveys, analysis of customer inquiries and complaint data, regulator commentary and website activity. We regularly use customer and employee research panels to gather real-time feedback to inform enhancements underway.

Our Office of the Customer Advocate, established in 1997, offers escalated assistance to customers who request it. 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.

We also continue to offer free resources to help customers and the general public build knowledge on personal finance topics. We offer Path to Success, a series of interactive financial literacy videos, and Career Playbook, a career development video series. We also conduct a national research study, *Money Under 35*, that measures the financial health of Americans ages 22 to 35.

We take seriously our commitment to serve military customers and have developed a best-in-class approach to assist them. 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 offers a single point of contact for all calls from service members and their families to help them learn about and access the benefits designed for them, including interest rate benefits, deferment and other options.

Selected Historical Financial Information and Ratios

(In millions, except per share data)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
GAAP Basis				
Net income attributable to Navient Corporation	$ 83	$ 112	$ 210	$ 200
Diluted earnings per common share attributable to Navient Corporation	$ .31	$ .39	$ .78	$ .69
Weighted average shares used to compute diluted earnings per common share	269	285	269	291
Net interest margin, Federal Education Loan segment	.68%	.83%	.74%	.82%
Net interest margin, Consumer Lending segment	3.27%	3.32%	3.29%	3.24%
Return on assets	.31%	.39%	.39%	.35%
Ending FFELP Loans, net	$ 76,609	$ 86,140	$ 76,609	$ 86,140
Ending Private Education Loans, net	22,568	24,223	22,568	24,223
Ending total education loans, net	$ 99,177	$ 110,363	$ 99,177	$ 110,363
Average FFELP Loans	$ 78,170	$ 85,321	$ 79,478	$ 86,032
Average Private Education Loans	23,320	23,114	23,536	23,306
Average total education loans	$ 101,490	$ 108,435	$ 103,014	$ 109,338
Core Earnings Basis(1)				
Net income attributable to Navient Corporation	$ 131	$ 123	$ 238	$ 230
Diluted earnings per common share attributable to Navient Corporation	$ .49	$ .43	$ .89	$ .79
Weighted average shares used to compute diluted earnings per common share	269	285	269	291
Net interest margin, Federal Education Loan segment	.82%	.81%	.82%	.80%
Net interest margin, Consumer Lending segment	3.21%	3.28%	3.22%	3.22%
Return on assets	.49%	.43%	.44%	.40%
Ending FFELP Loans, net	$ 76,609	$ 86,140	$ 76,609	$ 86,140
Ending Private Education Loans, net	22,568	24,223	22,568	24,223
Ending total education loans, net	$ 99,177	$ 110,363	$ 99,177	$ 110,363
Average FFELP Loans	$ 78,170	$ 85,321	$ 79,478	$ 86,032
Average Private Education Loans	23,320	23,114	23,536	23,306
Average total education loans	$ 101,490	$ 108,435	$ 103,014	$ 109,338

(1) Core Earnings are non-GAAP financial measures and do not represent a comprehensive basis of accounting. For a greater explanation of Core Earnings, see the section titled "Non-GAAP Financial Measures – Core Earnings."

Overview

The following discussion and analysis presents a review of our business and operations as of and for the three and six months ended June 30, 2018. 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.

Federal Education Loans Segment

In its Federal Education Loans segment, Navient holds and acquires FFELP loans and performs servicing and asset recovery services on its own loan portfolio, federal education loans owned by the U.S. Department of Education and other institutions. In this segment, we generate revenue primarily through net interest income on the FFELP Loan portfolio (after provision for loan losses) as well as servicing and asset recovery revenue. This segment is expected to generate significant amounts of earnings and cash flow over the remaining life of the portfolio.

Consumer Lending Segment

In its Consumer Lending segment, Navient holds, originates and acquires consumer loans and performs servicing activities on its own loan portfolio. Originations and acquisitions leverage our servicing scale and generate incremental earnings and cash flow. In this segment, we generate revenue primarily through net interest income on the Private Education Loan portfolio (after provision for loan losses). This segment is expected to generate significant amounts of earnings and cash flow over the remaining life of the portfolio.

Business Processing Segment

In its Business Processing segment, Navient performs business processing services for over 600 non-education related government and healthcare clients. Government services include receivables management services and account processing solutions. With over $11 billion of inventory, our integrated solutions technology and superior data driven approach allows state governments, agencies, court systems, municipalities and toll authorities to reduce their operating expenses while maximizing revenue opportunities. Healthcare services include revenue cycle outsourcing, accounts receivable management, extended business office support and consulting engagements. We offer customizable solutions for our clients that include non-profit/religious-affiliated hospital systems, teaching hospitals, urban medical centers, for-profit healthcare systems, critical access hospitals, children’s hospitals and large physician groups.

Other

Our Other segment primarily consists of the following activities: our corporate liquidity portfolio and the repurchase of debt, unallocated overhead (corporate overhead and certain information technology costs), restructuring/other reorganization expenses, regulatory-related costs, and the deferred tax asset remeasurement loss recognized due to the enactment of the “Tax Cuts and Jobs Act” (“TCJA”) in the fourth quarter of 2017.

Unallocated corporate overhead is comprised of costs primarily related to certain executive management, the board of directors, accounting, finance, legal, human resources, compliance and risk management, and stock-based compensation expense. Unallocated information technology costs are related to infrastructure and operations.

Key Financial Measures

Our operating results are primarily driven by net interest income, provisions for loan losses and expenses incurred in our education loan portfolios; the revenues and expenses generated by our servicing, asset recovery and business processing businesses; gains and losses on loan sales and debt repurchases; and income tax expense. We manage and assess the performance of each business segment separately as each is focused on different customers and each derives its revenue from different activities and services. A brief summary of our key financial measures (net interest income; provisions for loan losses; charge-offs and delinquencies; servicing, asset recovery and business processing revenues; other income (loss); operating expenses; and income tax expense) can be found in Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our 2017 Form 10-K.

Second-Quarter 2018 Summary of Results

We report financial results on a GAAP basis and also present certain Core Earnings performance measures. Our management, equity investors, credit rating agencies and debt capital providers use these Core Earnings measures to monitor our business performance. See “Non-GAAP Financial Measures – Core Earnings” for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

For the second-quarter 2018, GAAP net income was $83 million ($0.31 diluted earnings per share), compared with $112 million ($0.39 diluted earnings per share) for the year-ago quarter. The changes in GAAP net income are impacted by the same Core Earnings items discussed below, as well as changes in net income attributable to (1) mark-to-market gains/losses on derivatives and (2) goodwill and acquired intangible asset amortization and impairment. These items are recognized in GAAP but are not included in Core Earnings results. Second-quarter 2018 GAAP results included losses of $51 million from derivative accounting treatment that are excluded from Core Earnings results, compared with losses of $15 million from this derivative accounting treatment in the year-ago period. See “Non-GAAP Financial Measures – Core Earnings” for a complete reconciliation between GAAP net income and Core Earnings.

Core Earnings for the quarter were $131 million ($0.49 diluted Core Earnings per share), compared with $123 million ($0.43 diluted Core Earnings per share) for the year-ago quarter. The increase in diluted core earnings per share was primarily the result of lower expenses, a reduction in income tax expense due to the new tax law, and fewer common shares outstanding. Second-quarter 2018 and 2017 diluted Core Earnings per share were $0.52 and $0.44, respectively, excluding restructuring and regulatory-related expenses of $10 million and $3 million, respectively.

Highlights of second-quarter 2018 include:

- originated $629 million of Private Education Refinance Loans;
- Private Education Loan charge-offs decreased 39 percent from the year-ago quarter;
- business processing fee revenue increased 23 percent from the year-ago quarter;
- healthcare revenue grew 33 percent from the year-ago quarter;
- entered into a derivative contract which settled on July 2, 2018, to purchase 4.3 million common shares for $60 million;
- paid $42 million in common dividends;
- issued $997 million of FFELP Loan asset-backed securities (“ABS”) and $521 million of Private Education Loan ABS; and
- retired or repurchased $1.3 billion of senior unsecured debt.

Results of Operations

We present the results of operations below first on a consolidated basis in accordance with GAAP. Following our discussion of consolidated earnings results on a GAAP basis, we present our results on a segment basis. We have four reportable segments: Federal Education Loans, Consumer Lending, Business Processing and Other. These segments operate in distinct business environments and we manage and evaluate the financial performance of these segments using non-GAAP financial measures we call Core Earnings (see "Non-GAAP Financial Measures – Core Earnings" for further discussion).

GAAP Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Increase (Decrease) $	Increase (Decrease) %	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	Increase (Decrease) $	Increase (Decrease) %
Interest income:								
FFELP Loans	$ 760	$ 668	$ 92	14%	$ 1,483	$ 1,298	$ 185	14%
Private Education Loans	442	386	56	15	873	760	113	15
Other loans	1	6	(5)	(83)	2	10	(8)	(80)
Cash and investments	24	10	14	140	41	17	24	141
Total interest income	1,227	1,070	157	15	2,399	2,085	314	15
Total interest expense	929	719	210	29	1,773	1,394	379	27
Net interest income	298	351	(53)	(15)	626	691	(65)	(9)
Less: provisions for loan losses	112	105	7	7	199	212	(13)	(6)
Net interest income after provisions for loan losses	186	246	(60)	(24)	427	479	(52)	(11)
Other income (loss):								
Servicing revenue	71	70	1	1	140	146	(6)	(4)
Asset recovery and business processing revenue	99	111	(12)	(11)	207	210	(3)	(1)
Other income (loss)	13	6	7	117	1	(1)	2	200
Losses on debt repurchases	(7)	—	(7)	100	(8)	—	(8)	100
Gains (losses) on derivative and hedging activities, net	(40)	(25)	(15)	60	8	(41)	49	120
Total other income	136	162	(26)	(16)	348	314	34	11
Expenses:								
Operating expenses	201	230	(29)	(13)	476	469	7	1
Goodwill and acquired intangible asset impairment and amortization expense	6	6	—	—	16	11	5	45
Restructuring/other reorganization expenses	2	—	2	100	9	—	9	100
Total expenses	209	236	(27)	(11)	501	480	21	5
Income before income tax expense	113	172	(59)	(34)	274	313	(39)	(12)
Income tax expense	30	60	(30)	(50)	64	113	(49)	(43)
Net income attributable to Navient Corporation	$ 83	$ 112	$ (29)	(26)%	$ 210	$ 200	$ 10	5%
Basic earnings per common share attributable to Navient Corporation	$ .31	$ .40	$ (.09)	(23)%	$ .79	$ .70	$ .09	13%
Diluted earnings per common share attributable to Navient Corporation	$ .31	$ .39	$ (.08)	(21)%	$ .78	$ .69	$ .09	13%
Dividends per common share attributable to Navient Corporation	$ .16	$ .16	$ —	—%	$ .32	$ .32	$ —	—%

Consolidated Earnings Summary — GAAP basis

Three Months Ended June 30, 2018 Compared with Three Months Ended June 30, 2017

For the three months ended June 30, 2018, net income was $83 million, or $0.31 diluted earnings per common share, compared with net income of $112 million, or $0.39 diluted earnings per common share, for the three months ended June 30, 2017. The decrease in net income was primarily due to a $53 million decrease in net interest income, a $7 million increase in the provisions for loan losses, and a $15 million increase in net losses on derivative and hedging activities. This was partially offset by a $29 million decrease in operating expenses and a $30 million decrease in income tax expense.

The primary contributors to each of the identified drivers of changes in net income for the current quarter compared with the year-ago quarter are as follows:

- Net interest income decreased by $53 million, primarily as a result of the amortization of the education loan portfolio, as well as from a decrease in net interest margin due primarily to an increase in the cost of funds.
- Provisions for loan losses increased $7 million as a result of:

  - The provision for FFELP Loan losses was $40 million, up $30 million from the second quarter of 2017 due to a higher temporary charge-off estimate over the next several quarters, as a result of an elevated use of disaster forbearance at the end of 2017 and other factors.
  - The provision for Private Education Loan losses was $72 million, down $23 million from second-quarter 2017. Outstanding loans decreased $1.7 billion, charge-offs decreased $47 million, total loan delinquencies decreased $119 million and loan delinquencies of 90 days or more decreased $56 million compared with the year-ago quarter. These items were the primary drivers of the decrease in the provision for Private Education Loan losses.
- Net losses on derivative and hedging activities increased $15 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of our 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.
- Second-quarter 2018 and 2017 operating expenses included regulatory-related costs of $8 million and $3 million, respectively. Excluding these regulatory-related costs, operating expenses were $193 million in second-quarter 2018, a $34 million decrease from second-quarter 2017. This decrease was due to the release of a $40 million reserve due to the resolution of a contingency. This was partially offset by $25 million of operating costs related to Duncan Solutions (acquired in July 2017) and to Earnest (acquired in November 2017), and $10 million in connection with a new revenue recognition accounting standard adopted (see below for further discussion). The remaining $29 million reduction in expenses was primarily a result of ongoing cost-saving initiatives across the Company.
- During the second quarter of 2018, the Company incurred $2 million of restructuring/other reorganization expenses in connection with an effort that will reduce costs and improve operating efficiency. These charges were primarily severance-related costs.
- The effective income tax rates for the second quarters of 2018 and 2017 were 26 percent and 35 percent, respectively. The decrease in the effective income tax rate was primarily the result of the TCJA. Income tax expense decreased $30 million of which $16 million was a result of the lower tax rate in connection with the passage of the TCJA.

We repurchased 10.9 million shares of our common stock during the second-quarter 2017. There were no repurchases in the current quarter. As a result of repurchases made prior to 2018, our average outstanding diluted shares decreased by 16 million common shares (or 6 percent) from the year-ago period.

In connection with Accounting Standard Codification (“ASC”) 606, “Revenue from Contracts with Customers,” we recognized $1 million of business processing revenue and $1 million of expenses in the three months ended June 30, 2018 related to a contract in our Business Processing segment that would have not been recognized under the prior accounting standard until later in 2018. This change in accounting policy also resulted in both asset recovery revenue and operating expense in the Federal Education Loan segment being $9 million higher in the three months ended June 30, 2018 with no impact on net income.

Six Months Ended June 30, 2018 Compared with Six Months Ended June 30, 2017

For the six months ended June 30, 2018, net income was $210 million, or $0.78 diluted earnings per common share, compared with net income of $200 million, or $0.69 diluted earnings per common share, for the six months ended June 30, 2017. The increase in net income was primarily due to a $13 million decrease in the provisions for loan losses, a $49 million increase in net gains on derivative and hedging activities, and a $49 million decrease in income tax expense. This was partially offset by a $65 million decrease in net interest income and a $7 million increase in operating expenses.

The primary contributors to each of the identified drivers of changes in net income for the current six-month period compared with the year-ago six-month period are as follows:

- Net interest income decreased by $65 million, primarily as a result of the amortization of the education loan portfolio, as well as a decrease in net interest margin due primarily to an increase in the cost of funds.
- Provisions for loan losses decreased $13 million as a result of:
  - The provision for Private Education Loan losses was $149 million, down $41 million from 2017. Outstanding loans decreased $1.7 billion, charge-offs decreased $106 million, total loan delinquencies decreased $119 million and loan delinquencies of 90 days or more decreased

$56 million compared with the year-ago period. These items were the primary drivers of the decrease in the provision for Private Education Loan losses.

- o The provision for FFELP Loan losses was $50 million, up $28 million from 2017 due to a higher temporary charge-off estimate over the next several quarters, as a result of an elevated use of disaster forbearance at the end of 2017 and other factors.

- Net gains on derivative and hedging activities increased $49 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of our 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.
- In the six months ended June 30, 2018 and 2017, we recorded regulatory-related costs of $12 million and $8 million, respectively. Excluding these regulatory-related costs, operating expenses were $464 million, a $3 million increase from the year-ago period. This increase was primarily due to $54 million of operating costs related to Duncan Solutions (acquired in July 2017) and to Earnest (acquired in November 2017), a $9 million one-time fee paid to convert $3 billion of Private Education Loans from a third-party servicer to Navient's servicing platform and $24 million in connection with a new revenue recognition accounting standard adopted (see above for further discussion). These items were offset by the release of a $40 million reserve due to the resolution of a contingency. The remaining $44 million decrease in expenses was primarily due to a general reduction in operating expenses across the business in connection with cost savings initiatives.
- During the six months ended June 30, 2018, the Company incurred $9 million of restructuring/other reorganization expenses in connection with an effort that will reduce costs and improve operating efficiency. These charges were due primarily to severance-related costs.
- The effective income tax rates for the six months ended June 30, 2018 and 2017 were 24 percent and 36 percent, respectively. The decrease in the effective income tax rate was primarily the result of the TCJA. Income tax expense decreased $49 million of which $38 million was a result of the lower tax rate in connection with the passage of the TCJA.

We repurchased 18.3 million shares of our common stock during the six months ended June 30, 2017. There were no repurchases in the current period. As a result of repurchases made prior to 2018, our average outstanding diluted shares decreased by 22 million common shares (or 8 percent) from the year-ago period.

In connection with ASC 606, we recognized $9 million of business processing revenue and $6 million of expenses in the six months ended June 30, 2018 related to a contract in our Business Processing segment that would have not been recognized under the prior accounting standard until later in 2018. This change in accounting policy also resulted in both asset recovery revenue and operating expense in the Federal Education Loan segment being $18 million higher in the six months ended June 30, 2018 with no impact on net income.

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. The following non-GAAP financial measures are presented within this Form 10-Q: (1) Core Earnings, (2) Tangible Net Asset 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 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 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 from 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 business 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.”

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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."

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
	Three Months Ended June 30, 2018					Adjustments			
Interest income:									
Education loans	$ 775	$ 442	$ —	$ —	$ 1,217	$ 3	$ (18)	$ (15)	$ 1,202
Other loans	1	—	—	—	1	—	—	—	1
Cash and investments	12	3	—	9	24	—	—	—	24
Total interest income	788	445	—	9	1,242	3	(18)	(15)	1,227
Total interest expense	622	252	—	49	923	10	(4)	6	929
Net interest income (loss)	166	193	—	(40)	319	(7)	(14)	(21)	298
Less: provisions for loan losses	40	72	—	—	112	—	—	—	112
Net interest income (loss) after provisions for loan losses	126	121	—	(40)	207	(7)	(14)	(21)	186
Other income (loss):									
Servicing revenue	68	3	—	—	71	—	—	—	71
Asset recovery and business processing revenue	34	—	65	—	99	—	—	—	99
Other income (loss)	—	—	—	3	3	7	(37)	(30)	(27)
Losses on debt repurchases	—	—	—	(7)	(7)	—	—	—	(7)
Total other income (loss)	102	3	65	(4)	166	7	(37)	(30)	136
Expenses:									
Direct operating expenses	36	39	54	—	129	—	—	—	129
Overhead expenses	—	—	—	72	72	—	—	—	72
Operating expenses	36	39	54	72	201	—	—	—	201
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	6	6	6
Restructuring/other reorganization expenses	—	—	—	2	2	—	—	—	2
Total expenses	36	39	54	74	203	—	6	6	209
Income (loss) before income tax expense (benefit)	192	85	11	(118)	170	—	(57)	(57)	113
Income tax expense (benefit)(2)	44	19	3	(27)	39	—	(9)	(9)	30
Net income (loss)	$ 148	$ 66	$ 8	$ (91)	$ 131	$ —	$ (48)	$ (48)	$ 83

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
	Three Months Ended June 30, 2018		
Net interest income (loss) after provisions for loan losses	$ (21)	$ —	$ (21)
Total other income (loss)	(30)	—	(30)
Goodwill and acquired intangible asset impairment and amortization	—	6	6
Total Core Earnings adjustments to GAAP	$ (51)	$ (6)	(57)
Income tax expense (benefit)			(9)
Net income (loss)			$ (48)

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

(Dollars in millions)	Three Months Ended June 30, 2017 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	$ 664	$ 386	$ —	$ —	$ 1,050	$ 18	$ (14)	$ 4	$ 1,054
Other loans	6	—	—	—	6	—	—	—	6
Cash and investments	7	1	—	2	10	—	—	—	10
Total interest income	677	387	—	2	1,066	18	(14)	4	1,070
Total interest expense	498	192	—	33	723	(1)	(3)	(4)	719
Net interest income (loss)	179	195	—	(31)	343	19	(11)	8	351
Less: provisions for loan losses	10	95	—	—	105	—	—	—	105
Net interest income (loss) after provisions for loan losses	169	100	—	(31)	238	19	(11)	8	246
Other income (loss):									
Servicing revenue	70	—	—	—	70	—	—	—	70
Asset recovery and business processing revenue	58	—	53	—	111	—	—	—	111
Other income (loss)	—	—	—	4	4	(19)	(4)	(23)	(19)
Total other income (loss)	128	—	53	4	185	(19)	(4)	(23)	162
Expenses:									
Direct operating expenses	79	37	44	—	160	—	—	—	160
Overhead expenses	—	—	—	70	70	—	—	—	70
Operating expenses	79	37	44	70	230	—	—	—	230
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	6	6	6
Total expenses	79	37	44	70	230	—	6	6	236
Income (loss) before income tax expense (benefit)	218	63	9	(97)	193	—	(21)	(21)	172
Income tax expense (benefit)(2)	80	23	3	(36)	70	—	(10)	(10)	60
Net income (loss)	$ 138	$ 40	$ 6	$ (61)	$ 123	$ —	$ (11)	$ (11)	$ 112

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Three Months Ended June 30, 2017 Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ 8	$ —	$ 8
Total other income (loss)	(23)	—	(23)
Goodwill and acquired intangible asset impairment and amortization	—	6	6
Total Core Earnings adjustments to GAAP	$ (15)	$ (6)	(21)
Income tax expense (benefit)			(10)
Net income (loss)			$ (11)

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

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments: Reclassi-fications	Adjustments: Additions/ (Subtractions)	Adjustments: Total Adjustments(1)	Total GAAP
	Six Months Ended June 30, 2018								
Interest income:									
Education loans	$ 1,507	$ 873	$ —	$ —	$ 2,380	$ 11	$ (35)	$ (24)	$ 2,356
Other loans	2	—	—	—	2	—	—	—	2
Cash and investments	19	6	—	16	41	—	—	—	41
Total interest income	1,528	879	—	16	2,423	11	(35)	(24)	2,399
Total interest expense	1,193	490	—	91	1,774	4	(5)	(1)	1,773
Net interest income (loss)	335	389	—	(75)	649	7	(30)	(23)	626
Less: provisions for loan losses	50	149	—	—	199	—	—	—	199
Net interest income (loss) after provisions for loan losses	285	240	—	(75)	450	7	(30)	(23)	427
Other income (loss):									
Servicing revenue	134	6	—	—	140	—	—	—	140
Asset recovery and business processing revenue	70	—	137	—	207	—	—	—	207
Other income (loss)	1	—	—	5	6	(7)	10	3	9
Losses on debt repurchases	—	—	—	(8)	(8)	—	—	—	(8)
Total other income (loss)	205	6	137	(3)	345	(7)	10	3	348
Expenses:									
Direct operating expenses	115	95	113	—	323	—	—	—	323
Overhead expenses	—	—	—	153	153	—	—	—	153
Operating expenses	115	95	113	153	476	—	—	—	476
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	16	16	16
Restructuring/other reorganization expenses	—	—	—	9	9	—	—	—	9
Total expenses	115	95	113	162	485	—	16	16	501
Income (loss) before income tax expense (benefit)	375	151	24	(240)	310	—	(36)	(36)	274
Income tax expense (benefit)(2)	86	35	6	(55)	72	—	(8)	(8)	64
Net income (loss)	$ 289	$ 116	$ 18	$ (185)	$ 238	$ —	$ (28)	$ (28)	$ 210

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
	Six Months Ended June 30, 2018		
Net interest income (loss) after provisions for loan losses	$ (23)	$ —	$ (23)
Total other income (loss)	3	—	3
Goodwill and acquired intangible asset impairment and amortization	—	16	16
Total Core Earnings adjustments to GAAP	$ (20)	$ (16)	(36)
Income tax expense (benefit)			(8)
Net income (loss)			$ (28)

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

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	Six Months Ended June 30, 2017								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 1,288	$ 759	$ —	$ —	$ 2,047	$ 38	$ (27)	$ 11	$ 2,058
Other loans	10	—	—	—	10	—	—	—	10
Cash and investments	12	2	—	3	17	—	—	—	17
Total interest income	1,310	761	—	3	2,074	38	(27)	11	2,085
Total interest expense	956	379	—	62	1,397	2	(5)	(3)	1,394
Net interest income (loss)	354	382	—	(59)	677	36	(22)	14	691
Less: provisions for loan losses	22	190	—	—	212	—	—	—	212
Net interest income (loss) after provisions for loan losses	332	192	—	(59)	465	36	(22)	14	479
Other income (loss):									
Servicing revenue	143	3	—	—	146	—	—	—	146
Asset recovery and business processing revenue	113	—	97	—	210	—	—	—	210
Other income (loss)	1	—	—	9	10	(36)	(16)	(52)	(42)
Total other income (loss)	257	3	97	9	366	(36)	(16)	(52)	314
Expenses:									
Direct operating expenses	168	72	82	—	322	—	—	—	322
Overhead expenses	—	—	—	147	147	—	—	—	147
Operating expenses	168	72	82	147	469	—	—	—	469
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	11	11	11
Total expenses	168	72	82	147	469	—	11	11	480
Income (loss) before income tax expense (benefit)	421	123	15	(197)	362	—	(49)	(49)	313
Income tax expense (benefit)(2)	153	45	6	(72)	132	—	(19)	(19)	113
Net income (loss)	$ 268	$ 78	$ 9	$ (125)	$ 230	$ —	$ (30)	$ (30)	$ 200

(1) Core Earnings adjustments to GAAP:

	Six Months Ended June 30, 2017		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ 14	$ —	$ 14
Total other income (loss)	(52)	—	(52)
Goodwill and acquired intangible asset impairment and amortization	—	11	11
Total Core Earnings adjustments to GAAP	$ (38)	$ (11)	(49)
Income tax expense (benefit)			(19)
Net income (loss)			$ (30)

(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.

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Core Earnings net income attributable to Navient Corporation	$ 131	$ 123	$ 238	$ 230
Core Earnings adjustments to GAAP:				
Net impact of derivative accounting	(51)	(15)	(20)	(38)
Net impact of goodwill and acquired intangible assets	(6)	(6)	(16)	(11)
Net tax effect	9	10	8	19
Total Core Earnings adjustments to GAAP	(48)	(11)	(28)	(30)
GAAP net income attributable to Navient Corporation	$ 83	$ 112	$ 210	$ 200

(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. These gains and losses occur in our Federal Education Loans, Consumer Lending and Other reportable segments. 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.

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. 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 and certain basis swaps, do not qualify for hedge accounting treatment and the stand-alone derivative must be adjusted to fair value in the income statement with no consideration for the corresponding change in fair value of the hedged item. These gains and losses recorded in "Gains (losses) on derivative and hedging activities, net" 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.

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.

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Core Earnings derivative adjustments:				
Gains (losses) on derivative and hedging activities, net, included in other income	$ (40)	$ (25)	$ 8	$ (41)
Plus: Settlements on derivative and hedging activities, net(1)	(7)	19	7	36
Mark-to-market gains (losses) on derivative and hedging activities, net(2)	(47)	(6)	15	(5)
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	(18)	(14)	(35)	(27)
Other derivative accounting adjustments(3)	14	5	—	(6)
Total net impact of derivative accounting	$ (51)	$ (15)	$ (20)	$ (38)

(1) See “Reclassification of Settlements on Derivative and Hedging Activities” below for a detailed breakdown of these components.

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

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Floor Income Contracts	$ 13	$ 13	$ 44	$ 66
Basis swaps	(13)	(14)	31	(15)
Foreign currency hedges	(38)	13	(73)	(19)
Other	(9)	(18)	13	(37)
Total mark-to-market gains (losses) on derivative and hedging activities, net	$ (47)	$ (6)	$ 15	$ (5)

(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.

Reclassification of Settlements on Derivative and Hedging Activities

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.

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Reclassification of settlements on derivative and hedging activities:				
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ (3)	$ (18)	$ (11)	$ (38)
Net settlement income on interest rate swaps reclassified to net interest income	10	(1)	4	2
Total reclassifications of settlements on derivative and hedging activities	$ 7	$ (19)	$ (7)	$ (36)

Cumulative Impact of Derivative Accounting under GAAP compared to Core Earnings

As of June 30, 2018, derivative accounting has increased GAAP equity by approximately $108 million as a result of cumulative net mark-to-market gains (after tax) recognized under GAAP, but not in Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains related to derivative accounting.

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Beginning impact of derivative accounting on GAAP equity	$ 115	$ (90)	$ 5	$ (90)
Net impact of net mark-to-market gains (losses) under derivative accounting(1)	(7)	(25)	103	(25)
Ending impact of derivative accounting on GAAP equity	$ 108	$ (115)	$ 108	$ (115)

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

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Total pre-tax net impact of derivative accounting recognized in net income(2)	$ (51)	$ (15)	$ (20)	$ (38)
Tax impact of derivative accounting adjustments	13	5	(7)	13
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	31	(15)	130	—
Net impact of net mark-to-market gains (losses) under derivative accounting	$ (7)	$ (25)	$ 103	$ (25)

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

Hedging FFELP Loan Embedded Floor Income

Net Floor premiums received on Floor Income Contracts that have not been amortized into Core Earnings as of the respective year-ends are presented in the table below. These net premiums will be recognized in Core Earnings in future periods. As of June 30, 2018, the remaining amortization term of the net floor premiums was approximately 5 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 the effective portion of these hedges are recorded in accumulated other comprehensive income and gains and losses on the ineffective portion are recorded immediately to earnings. 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 June 30, 2018, the remaining hedged period is approximately 5 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)	June 30, 2018(1)	June 30, 2017
Unamortized net Floor premiums (net of tax)	$ (150)	$ (153)
Unrecognized hedged Floor Income related to pay-fixed interest rate swaps (net of tax)	(661)	(564)
Total(2)(3)	$ (811)	$ (717)

(1) Second-quarter 2018 reflects a 23 percent effective tax rate as a result of the TCJA enacted on December 22, 2017. The year-ago period reflects a 37 percent effective tax rate.
(2) $(1.1) billion and $(1.1) billion on a pre-tax basis as of June 30, 2018 and June 30, 2017, respectively.
(3) Of the $811 million as of June 30, 2018, approximately $117 million, $218 million and $189 million will be recognized as part of Core Earnings net income in 2018, 2019 and 2020, 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 June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2017	2017
Core Earnings goodwill and acquired intangible asset adjustments	$ (6)	$ (6)	$ (16)	$ (11)

2. Tangible Net Asset Ratio

This ratio measures the amount of assets available to retire the Company's unsecured debt. Management and Navient's equity investors, credit rating agencies and debt capital investors use this ratio to monitor and make decisions about the appropriate level of unsecured funding required. The tangible net asset ratio is calculated as:

(Dollars in billions)	June 30, 2018	June 30, 2017
GAAP assets	$ 108.9	$ 120.4
Less:		
Goodwill and acquired intangible assets	.8	.7
Secured debt	90.8	100.6
Other liabilities, adjustments for the impact of derivative accounting under GAAP and unamortized net floor premiums	1.2	1.5
Tangible net assets	$ 16.1	$ 17.6
Divided by:		
Unsecured debt (par)	$ 13.1	$ 14.4
Tangible net asset ratio	1.23x	1.22x

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

This metric measures the amount of operating cash flow generated by the Business Processing segment and is used by management and equity investors to monitor operating performance and determine the value of those fee-based businesses. EBITDA for the Business Processing segment is calculated as:

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Pre-tax income	$ 11	$ 9	$ 24	$ 15
Plus:				
Depreciation and acquired intangible amortization expense(1)	1	1	2	1
EBITDA	$ 12	$ 10	$ 26	$ 16
Divided by:				
Total revenue	$ 65	$ 53	$ 137	$ 97
EBITDA margin	18%	18%	19%	16%

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

Reportable Segment Earnings Summary — Core Earnings Basis

Federal Education Loans Segment

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

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017
Core Earnings interest income:						
FFELP Loans	$ 775	$ 664	17%	$ 1,507	$ 1,288	17%
Other loans	1	6	(83)	2	10	(80)
Cash and investments	12	7	71	19	12	58
Total Core Earnings interest income	788	677	16	1,528	1,310	17
Total Core Earnings interest expense	622	498	25	1,193	956	25
Net Core Earnings interest income	166	179	(7)	335	354	(5)
Less: provision for loan losses	40	10	300	50	22	127
Net Core Earnings interest income after provision for loan losses	126	169	(25)	285	332	(14)
Servicing revenue	68	70	(3)	134	143	(6)
Asset recovery and business processing revenue	34	58	(41)	70	113	(38)
Other income	—	—	—	1	1	—
Total other income	102	128	(20)	205	257	(20)
Direct operating expenses	36	79	(54)	115	168	(32)
Income before income tax expense	192	218	(12)	375	421	(11)
Income tax expense	44	80	(45)	86	153	(44)
Core Earnings	$ 148	$ 138	7%	$ 289	$ 268	8%

- Core Earnings for the segment were $148 million in second-quarter 2018, compared with the year-ago quarter’s $138 million.
- Net interest income declined $13 million primarily due to the paydown of the portfolio.
- Provision for loan losses increased $30 million as the result of a higher temporary charge-off estimate over the next several quarters.
- Other revenue decreased $26 million primarily from a $31 million reduction due to new terms in a previously disclosed modified asset recovery and portfolio management contract.
- Expenses decreased $43 million primarily due to the release of a $40 million reserve.
- Income tax expense was $27 million lower as a result of the new tax law.

Core Earnings key performance metrics are as follows:

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Segment net interest margin	.82%	.81%	.82%	.80%
FFELP Loans:				
FFELP Loan spread	.89%	.89%	.89%	.87%
Provision for loan losses	$ 40	$ 10	$ 50	$ 20
Charge-offs	$ 17	$ 13	$ 28	$ 26
Charge-off rate	.11%	.08%	.09%	.08%
Total delinquency rate	13.0%	12.8%	13.0%	12.8%
Greater than 90-day delinquency rate	7.5%	6.0%	7.5%	6.0%
Forbearance rate	12.2%	12.3%	12.2%	12.3%
(Dollars in billions)				
Number of accounts serviced for ED (in millions)	6.0	6.0	6.0	6.0
Total federal loans serviced	$ 294	$ 293	$ 294	$ 293
Contingent collections receivables inventory	$ 15.4	$ 8.6	$ 15.4	$ 8.6

Segment Net Interest Margin

The following table includes the Core Earnings basis FFELP Loan net interest margin along with reconciliation to the GAAP basis FFELP Loan net interest margin.

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Core Earnings basis FFELP Loan yield	4.42%	3.55%	4.26%	3.44%
Hedged Floor Income	.40	.40	.40	.35
Unhedged Floor Income	.04	.05	.03	.11
Consolidation Loan Rebate Fees	(.69)	(.67)	(.69)	(.67)
Repayment Borrower Benefits	(.12)	(.11)	(.11)	(.11)
Premium amortization	(.07)	(.10)	(.07)	(.10)
Core Earnings basis FFELP Loan net yield	3.98	3.12	3.82	3.02
Core Earnings basis FFELP Loan cost of funds	(3.09)	(2.23)	(2.93)	(2.15)
Core Earnings basis FFELP Loan spread	.89	.89	.89	.87
Core Earnings basis other interest-earning asset spread impact	(.07)	(.08)	(.07)	(.07)
Core Earnings basis segment net interest margin(1)	.82%	.81%	.82%	.80%
Core Earnings basis segment net interest margin(1)	.82%	.81%	.82%	.80%
Adjustment for GAAP accounting treatment(2)	(.14)	.02	(.08)	.02
GAAP basis segment net interest margin(1)	.68%	.83%	.74%	.82%

(1) The average balances of our FFELP Loan Core Earnings basis interest-earning assets for the respective periods are:

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
FFELP Loans	$ 78,170	$ 85,321	$ 79,478	$ 86,032
Other interest-earning assets	2,714	3,572	2,686	3,536
Total Core Earnings basis FFELP Loan interest-earning assets	$ 80,884	$ 88,893	$ 82,164	$ 89,568

(2) Represents the reclassification of periodic interest accruals on derivative contracts from net interest income to other income, the reversal of the amortization of premiums received on Floor Income Contracts, and other derivative accounting adjustments. For further discussion of these adjustments, see section titled “Non-GAAP Financial Measures — Core Earnings” above.

The Company acquired $58 million of FFELP Loans in second-quarter 2018. As of June 30, 2018, our FFELP Loan portfolio totaled $76.6 billion, comprised of $26.3 billion of FFELP Stafford Loans and $50.3 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of June 30, 2018 was 5 years and 8 years, respectively, assuming a Constant Prepayment Rate (“CPR”) of 6 percent and 4 percent, 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 June 30, 2018 and 2017, based on interest rates as of those dates.

(Dollars in billions)	June 30, 2018 Fixed Borrower Rate	June 30, 2018 Variable Borrower Rate	June 30, 2018 Total	June 30, 2017 Fixed Borrower Rate	June 30, 2017 Variable Borrower Rate	June 30, 2017 Total
Education loans eligible to earn Floor Income	$ 67.3	$ 8.6	$ 75.9	$ 75.6	$ 9.8	$ 85.4
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(34.1)	(.6)	(34.7)	(38.4)	(.7)	(39.1)
Less: economically hedged Floor Income	(24.3)	—	(24.3)	(21.2)	—	(21.2)
Education loans eligible to earn Floor Income	$ 8.9	$ 8.0	$ 16.9	$ 16.0	$ 9.1	$ 25.1
Education loans earning Floor Income	$ .2	$ —	$ .2	$ 2.3	$ .5	$ 2.8

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 July 1, 2018 to December 31, 2023.

(Dollars in billions)	July 1, 2018 to December 31, 2018	2019	2020	2021	2022	2023
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	$ 23.6	$ 20.4	$ 17.6	$ 12.6	$ 10.7	$ 3.3

Provision for Loan Losses

The provision for FFELP Loan losses was $40 million, up $30 million from the second quarter of 2017 due to a higher temporary charge-off estimate over the next several quarters, as a result of an elevated use of disaster forbearance at the end of 2017 and other factors.

Servicing Revenue

The Company services education loans for approximately 6.0 million customer accounts for third parties including ED as of June 30, 2018 and June 30, 2017. Third-party loan servicing fees in the three months ended June 30, 2018 and 2017 included $38 million and $38 million, respectively, of servicing revenue related to the ED Servicing Contract. The ED servicing contract expires in 2019.

In April 2016, ED began the solicitation process for its new servicing platform and service providers. In the latest step, ED issued on February 20, 2018, Phase 1 of a new RFP entitled the Solicitation for the Next Generation Financial Services Environment which is intended to centralize student loan servicing on a single platform. The Company and its partners submitted a comprehensive bid on April 18, 2018. This RFP is subject to an on-going bid protest process and the timing and nature of the next steps are not known.

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased $24 million from the year-ago quarter primarily from a $31 million reduction due to new terms contained in the previously disclosed modified asset recovery and portfolio management contract. This was partially offset by a $9 million increase in revenue (and expenses) in connection with a new revenue recognition accounting standard adopted (see "Note 1 – Significant Accounting Policies").

Navient also provides asset recovery services on defaulted education loans to ED. ED collections contracts have been subject to numerous bid protests and court orders. Presently, we are operating under a contract awarded to Pioneer in May 2017. We are currently receiving new placements under this contract.

Operating Expenses

Operating expenses for the Federal Education Loans segment include costs incurred to acquire FFELP Loans and perform servicing and asset recovery activities on our FFELP Loan portfolio, federal education loans held by ED and other institutions. The $43 million decrease in operating expenses from the year-ago period was primarily the result of the release of a $40 million reserve due to the resolution of a contingency, as well as a general reduction in expenses primarily in connection with cost savings initiatives. This reduction was partially offset by a $9 million increase in expenses (and revenue) in connection with a new revenue recognition accounting standard adopted (see "Note 1 – Significant Accounting Policies").

Consumer Lending Segment

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

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017
Core Earnings interest income:						
Private Education Loans	$ 442	$ 386	15%	$ 873	$ 759	15%
Cash and investments	3	1	200	6	2	200
Total Core Earnings interest income	445	387	15	879	761	16
Total Core Earnings interest expense	252	192	31	490	379	29
Net Core Earnings interest income	193	195	(1)	389	382	2
Less: provision for loan losses	72	95	(24)	149	190	(22)
Net Core Earnings interest income after provision for loan losses	121	100	21	240	192	25
Servicing revenue	3	—	100	6	3	100
Direct operating expenses	39	37	5	95	72	32
Income before income tax expense	85	63	35	151	123	23
Income tax expense	19	23	(17)	35	45	(22)
Core Earnings	$ 66	$ 40	65%	$ 116	$ 78	49%

- Core Earnings for the segment were $66 million in second-quarter 2018, compared with the year-ago quarter's $40 million.
- Net interest income remained relatively constant.
- Provision for loan losses decreased $23 million primarily due to continued improvement in the portfolio's performance.
- Expenses were $2 million higher primarily related to operating costs for Earnest, acquired in November.
- Income tax expense was $12 million lower as a result of the new tax law.

Core Earnings key performance metrics are as follows:

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Segment net interest margin	3.21%	3.28%	3.22%	3.22%
Private Education Loans (including Refinance Loans):				
Private Education Loan spread	3.48%	3.48%	3.47%	3.40%
Provision for loan losses	$ 72	$ 95	$ 149	$ 190
Charge-offs	$ 75	$ 122	$ 153	$ 259
Charge-off rate	1.3%	2.3%	1.4%	2.4%
Total delinquency rate	5.9%	6.0%	5.9%	6.0%
Greater than 90-day delinquency rate	2.7%	2.8%	2.7%	2.8%
Forbearance rate	3.8%	3.6%	3.8%	3.6%
Private Education Refinance Loans:				
Charge-offs	$ —	$ —	$ —	$ —
Greater than 90-day delinquency rate	—%	—%	—%	—%
Average balance of Private Education Refinance Loans	$ 1,488	$ —	$ 1,215	$ —
Ending balance of Private Education Refinance Loans	$ 1,756	$ —	$ 1,756	$ —
Private Education Refinance Loan originations	$ 629	$ —	$ 1,129	$ —

Segment Net Interest Margin

The following table shows the Core Earnings basis Private Education Loan net interest margin along with reconciliation to the GAAP basis Private Education Loan net interest margin before provision for loan losses.

	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Core Earnings basis Private Education Loan yield	7.60%	6.69%	7.48%	6.57%
Core Earnings basis Private Education Loan cost of funds	(4.12)	(3.21)	(4.01)	(3.17)
Core Earnings basis Private Education Loan spread	3.48	3.48	3.47	3.40
Core Earnings basis other interest-earning asset spread impact	(.27)	(.20)	(.25)	(.18)
Core Earnings basis segment net interest margin(1)	3.21%	3.28%	3.22%	3.22%
Core Earnings basis segment net interest margin(1)	3.21%	3.28%	3.22%	3.22%
Adjustment for GAAP accounting treatment(2)	.06	.04	.07	.02
`GAAP basis segment net interest margin(1)	3.27%	3.32%	3.29%	3.24%

(1) The average balances of our Private Education Loan Core Earnings basis interest-earning assets for the respective periods are:

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Private Education Loans	$ 23,320	$ 23,114	$ 23,536	$ 23,306
Other interest-earning assets	880	615	830	597
Total Core Earnings basis Private Education Loan interest-earning assets	$ 24,200	$ 23,729	$ 24,366	$ 23,903

(2) Represents the reclassification of periodic interest accruals on derivative contracts from net interest income to other income and other derivative accounting adjustments. For further discussion of these adjustments, see section titled "Non-GAAP Financial Measures — Core Earnings" above.

The Company acquired (originated and purchased) $671 million of Private Education Loans in second-quarter 2018. As of June 30, 2018, our Private Education Loan portfolio totaled $22.6 billion. The weighted-average life of this portfolio as of June 30, 2018 was 6 years assuming a CPR of 6 percent.

Private Education Loan Provision for Loan Losses

Allowance for Private Education Loan Losses

Our allowance for Private Education Loan losses does not include Purchased Credit Impaired ("PCI") loans as those loans are separately reserved for, as needed. No allowance for loan losses has been established for these loans as of June 30, 2018. Related to the $2.8 billion of Purchased Non-Credit Impaired Loans acquired in 2017 at a discount, there is no allowance for loan losses established as of June 30, 2018, as the remaining purchased discount associated with the Private Education Loans of $362 million as of June 30, 2018 remains greater than the incurred losses. However, in accordance with our policy, there was $3 million of both charge-offs and provision recorded for Purchased Non-Credit Impaired Loans in the second-quarter 2018.

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Allowance at beginning of period	$ 1,298	$ 1,311	$ 1,297	$ 1,351
Provision for Private Education Loan losses:				
Purchased Non-Credit Impaired Loans, acquired at a discount	3	—	9	—
Remaining loans	69	95	140	190
Total provision	72	95	149	190
Charge-offs				
Purchased Non-Credit Impaired Loans, acquired at a discount	(3)	—	(9)	—
Remaining loans	(72)	(122)	(144)	(259)
Total charge-offs(1)	(75)	(122)	(153)	(259)
Reclassification of interest reserve(2)	2	2	4	4
Allowance at end of period	$ 1,297	$ 1,286	$ 1,297	$ 1,286
Charge-offs as a percentage of average loans in repayment (annualized)	1.3%	2.3%	1.4%	2.4%
Allowance coverage of net charge-offs (annualized)	4.3	2.6	4.2	2.5
Allowance as a percentage of ending total loans	5.2%	4.9%	5.2%	4.9%
Allowance as a percentage of ending loans in repayment	5.8%	5.4%	5.8%	5.4%
Ending total loans(3)	$ 24,712	$ 26,503	$ 24,712	$ 26,503
Average loans in repayment	$ 22,289	$ 21,621	$ 22,474	$ 21,706
Ending loans in repayment	$ 22,174	$ 23,613	$ 22,174	$ 23,613

(1) Charge-offs are reported net of expected recoveries. The expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and any shortfalls in what was actually collected in the period. See "Receivable for Partially Charged-Off Private Education Loans" for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(3) Ending total loans represents gross Private Education Loans, plus the receivable for partially charged-off loans.

In establishing the allowance for Private Education Loan losses as of June 30, 2018, we considered several factors with respect to our Private Education Loan portfolio. There was a $1.7 billion decrease in Private Education Loans outstanding, total loan delinquencies of $1.3 billion were down $119 million from $1.4 billion in the year-ago quarter and loan delinquencies of 90 days or more decreased to $602 million, down $56 million from $658 million in the year-ago quarter. Charge-offs decreased to $75 million, down $47 million from $122 million in the year-ago quarter. Loans in forbearance increased to $885 million, up $15 million from $870 million in the year-ago quarter. As a result of these factors, the provision for Private Education Loan losses was $72 million in the second quarter of 2018, down $23 million from the second quarter of 2017.

Operating Expenses

Operating expenses for our Consumer Lending segment include costs incurred to originate, acquire, service and collect on our consumer loan portfolio. Operating expenses were $39 million and $37 million for the quarters ended June 30, 2018 and 2017, respectively. The increase from the year-ago quarter is primarily related to Earnest, acquired in November 2017, which was partially offset by a general reduction in expenses primarily in connection with cost savings initiatives.

Business Processing Segment

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

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017
Net interest income	$ —	$ —	—%	$ —	$ —	—%
Business processing revenue	65	53	23	137	97	41
Direct operating expenses	54	44	23	113	82	38
Income before income tax expense	11	9	22	24	15	60
Income tax expense	3	3	—	6	6	—
Core Earnings	$ 8	$ 6	33%	$ 18	$ 9	100%

Core Earnings for the segment were $8 million in second-quarter 2018, compared with $6 million in the year-ago quarter. This increase in net income as well as revenue and expenses was primarily from Duncan Solutions, acquired in July 2017, and the growth in healthcare services revenue.

Key segment metrics are as follows:

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Revenue from government services	$ 41	$ 35	$ 93	$ 62
Revenue from healthcare services	24	18	44	35
Total fee revenue	$ 65	$ 53	$ 137	$ 97
EBITDA(1)	$ 12	$ 10	$ 26	$ 16
EBITDA Margin(1)	18%	18%	19%	16%
Contingent collection receivables inventory (in billions)	$ 11.6	$ 12.3	$ 11.6	$ 12.3

(1) See "Non-GAAP Financial Measures – Earnings before Interest, Taxes, Depreciation and Amortization Expense ('EBITDA')" for an explanation and reconciliation of these metrics.

Other Segment

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

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017	% Increase (Decrease) 2018 vs. 2017
Net interest loss after provision for loan losses	$ (40)	$ (31)	29%	$ (75)	$ (59)	27%
Other income	3	4	(25)	5	9	(44)
Losses on debt repurchases	(7)	—	100	(8)	—	100
Total other income	(4)	4	(200)	(3)	9	(133)
Overhead expenses:						
Unallocated information technology costs	28	29	(3)	58	57	2
Unallocated corporate costs	44	41	7	95	90	6
Total overhead expenses	72	70	3	153	147	4
Restructuring/other reorganization expenses	2	—	100	9	—	100
Total expenses	74	70	6	162	147	10
Loss before income tax benefit	(118)	(97)	22	(240)	(197)	22
Income tax benefit	(27)	(36)	(25)	(55)	(72)	(24)
Core Earnings (loss)	$ (91)	$ (61)	49%	$ (185)	$ (125)	48%

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 increase in net interest loss is primarily a result of an increase in the corporate liquidity portfolio balance combined with an increase in the cost of funds.

Losses on Debt Repurchases

We repurchased $1.3 billion of unsecured debt in the second quarter of 2018, resulting in $7 million of debt repurchase losses.

Overhead

Unallocated corporate overhead is comprised of costs primarily related to certain executive management, the board of directors, accounting, finance, legal, human resources, compliance and risk management, and stock-based compensation expense. Unallocated information technology costs are related to infrastructure and operations. The $2 million increase in overhead expense was the result of a $5 million increase in regulatory costs and $5 million of costs in businesses acquired in 2017 (Duncan in July 2017 and Earnest in November 2017), partially offset by an $8 million reduction of costs primarily as a result of ongoing cost savings initiatives.

Restructuring/Other Reorganization Expenses

During the second quarter of 2018, the Company incurred $2 million of restructuring/other reorganization expense in connection with an effort that will reduce costs and improve operating efficiency. The charges were primarily severance-related costs.

Financial Condition

This section provides additional information regarding the changes in our loan portfolio assets and related liabilities as well as credit quality and performance indicators related to our loan portfolio.

Average Balance Sheets — GAAP

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities and reflects our net interest margin on a consolidated basis.

	Three Months Ended June 30,				Six Months Ended June 30,			
	2018		2017		2018		2017	
(Dollars in millions)	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
FFELP Loans	$ 78,170	3.90%	$ 85,321	3.14%	$ 79,478	3.76%	$ 86,032	3.04%
Private Education Loans	23,320	7.60	23,114	6.69	23,536	7.48	23,306	6.57
Other loans	73	7.35	197	11.55	72	7.22	185	11.37
Cash and investments	5,668	1.67	5,350	.75	5,473	1.50	5,189	.66
Total interest-earning assets	107,231	4.59%	113,982	3.76%	108,559	4.46%	114,712	3.67%
Non-interest-earning assets	3,593		3,728		3,509		3,969	
Total assets	$ 110,824		$ 117,710		$ 112,068		$ 118,681	
Average Liabilities and Equity								
Short-term borrowings	$ 4,554	4.20%	$ 2,750	4.13%	$ 4,921	4.19%	$ 2,487	3.86%
Long-term borrowings	100,835	3.51	109,216	2.54	101,889	3.31	110,206	2.46
Total interest-bearing liabilities	105,389	3.54%	111,966	2.58%	106,810	3.35%	112,693	2.50%
Non-interest-bearing liabilities	1,727		2,164		1,603		2,333	
Equity	3,708		3,580		3,655		3,655	
Total liabilities and equity	$ 110,824		$ 117,710		$ 112,068		$ 118,681	
Net interest margin		1.11%		1.23%		1.16%		1.21%

Rate/Volume Analysis — GAAP

The following rate/volume analysis shows the relative contribution of changes in interest rates and asset volumes.

	Increase	Change Due To(1)	
(Dollars in millions)	(Decrease)	Rate	Volume
Three Months Ended June 30, 2018 vs. 2017			
Interest income	$ 157	$ 224	$ (67)
Interest expense	210	255	(45)
Net interest income	$ (53)	$ (31)	$ (22)
Six Months Ended June 30, 2018 vs. 2017			
Interest income	$ 314	$ 430	$ (116)
Interest expense	379	454	(75)
Net interest income	$ (65)	$ (24)	$ (41)

(1) Changes in income and expense due to both rate and volume have been allocated in proportion to the relationship of the absolute dollar amounts of the change in each.

Summary of our Education Loan Portfolio

Ending Education Loan Balances, net — GAAP and Core Earnings Basis

(Dollars in millions)	June 30, 2018 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 76	$ —	$ 76	$ 38	$ 114
Grace, repayment and other(2)	25,876	50,100	75,976	23,950	99,926
Total, gross	25,952	50,100	76,052	23,988	100,040
Unamortized premium/(discount)	389	250	639	(847)	(208)
Receivable for partially charged-off loans	—	—	—	724	724
Allowance for loan losses	(47)	(35)	(82)	(1,297)	(1,379)
Total education loan portfolio	$ 26,294	$ 50,315	$ 76,609	$ 22,568	$ 99,177
% of total FFELP	34%	66%	100%		
% of total	26%	51%	77%	23%	100%

(Dollars in millions)	December 31, 2017 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 88	$ —	$ 88	$ 54	$ 142
Grace, repayment and other(2)	27,949	53,060	81,009	24,826	105,835
Total, gross	28,037	53,060	81,097	24,880	105,977
Unamortized premium/(discount)	407	259	666	(924)	(258)
Receivable for partially charged-off loans	—	—	—	760	760
Allowance for loan losses	(35)	(25)	(60)	(1,297)	(1,357)
Total education loan portfolio	$ 28,409	$ 53,294	$ 81,703	$ 23,419	$ 105,122
% of total FFELP	35%	65%	100%		
% of total	27%	51%	78%	22%	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.

Average Education Loan Balances (net of unamortized premium/discount) — GAAP and Core Earnings Basis

(Dollars in millions)	Three Months Ended June 30, 2018 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total	$ 27,068	$ 51,102	$ 78,170	$ 23,320	$ 101,490
% of FFELP	35%	65%	100%		
% of total	27%	50%	77%	23%	100%

(Dollars in millions)	Three Months Ended June 30, 2017 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total	$ 30,866	$ 54,455	$ 85,321	$ 23,114	$ 108,435
% of FFELP	36%	64%	100%		
% of total	29%	50%	79%	21%	100%

(Dollars in millions)	Six Months Ended June 30, 2018 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total	$ 27,613	$ 51,865	$ 79,478	$ 23,536	$ 103,014
% of FFELP	35%	65%	100%		
% of total	27%	50%	77%	23%	100%

(Dollars in millions)	Six Months Ended June 30, 2017 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total	$ 31,424	$ 54,608	$ 86,032	$ 23,306	$ 109,338
% of FFELP	37%	63%	100%		
% of total	29%	50%	79%	21%	100%

Education Loan Activity — GAAP and Core Earnings Basis

(Dollars in millions)	Three Months Ended June 30, 2018 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
Beginning balance	$ 27,452	$ 51,951	$ 79,403	$ 22,923	$ 102,326
Acquisitions	25	32	57	678	735
Capitalized interest and premium/discount amortization	200	208	408	97	505
Consolidations to third parties	(547)	(567)	(1,114)	(221)	(1,335)
Repayments and other	(836)	(1,309)	(2,145)	(909)	(3,054)
Ending balance	$ 26,294	$ 50,315	$ 76,609	$ 22,568	$ 99,177

(Dollars in millions)	Three Months Ended June 30, 2017 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
Beginning balance	$ 31,184	$ 54,100	$ 85,284	$ 22,552	$ 107,836
Acquisitions	416	3,495	3,911	2,554	6,465
Capitalized interest and premium/discount amortization	229	249	478	92	570
Consolidations to third parties	(727)	(741)	(1,468)	(160)	(1,628)
Repayments and other	(887)	(1,178)	(2,065)	(815)	(2,880)
Ending balance	$ 30,215	$ 55,925	$ 86,140	$ 24,223	$ 110,363

(Dollars in millions)	Six Months Ended June 30, 2018 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
Beginning balance	$ 28,409	$ 53,294	$ 81,703	$ 23,419	$ 105,122
Acquisitions	182	155	337	1,219	1,556
Capitalized interest and premium/discount amortization	427	434	861	192	1,053
Consolidations to third parties	(1,089)	(1,108)	(2,197)	(441)	(2,638)
Repayments and other	(1,635)	(2,460)	(4,095)	(1,821)	(5,916)
Ending balance	$ 26,294	$ 50,315	$ 76,609	$ 22,568	$ 99,177

(Dollars in millions)	Six Months Ended June 30, 2017 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
Beginning balance	$ 32,319	$ 55,411	$ 87,730	$ 23,340	$ 111,070
Acquisitions	725	3,872	4,597	2,666	7,263
Capitalized interest and premium/discount amortization	471	501	972	177	1,149
Consolidations to third parties	(1,492)	(1,484)	(2,976)	(320)	(3,296)
Repayments and other	(1,808)	(2,375)	(4,183)	(1,640)	(5,823)
Ending balance	$ 30,215	$ 55,925	$ 86,140	$ 24,223	$ 110,363

Education Loan Allowance for Loan Losses Activity — GAAP and Core Earnings Basis

	Three Months Ended June 30,					
	2018			2017		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total Portfolio	FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 59	$ 1,298	$ 1,357	$ 64	$ 1,311	$ 1,375
Less:						
Charge-offs(1)	(17)	(75)	(92)	(13)	(122)	(135)
Plus:						
Provision for loan losses	40	72	112	10	95	105
Reclassification of interest reserve(2)	—	2	2	—	2	2
Ending balance	$ 82	$ 1,297	$ 1,379	$ 61	$ 1,286	$ 1,347
Percent of total	6%	94%	100%	5%	95%	100%
Troubled debt restructuring(3)	$ —	$ 10,655	$ 10,655	$ —	$ 10,594	$ 10,594

	Six Months Ended June 30,					
	2018			2017		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total Portfolio	FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 60	$ 1,297	$ 1,357	$ 67	$ 1,351	$ 1,418
Less:						
Charge-offs(1)	(28)	(153)	(181)	(26)	(259)	(285)
Plus:						
Provision for loan losses	50	149	199	20	190	210
Reclassification of interest reserve(2)	—	4	4	—	4	4
Ending balance	$ 82	$ 1,297	$ 1,379	$ 61	$ 1,286	$ 1,347
Percent of total	6%	94%	100%	5%	95%	100%
Troubled debt restructuring(3)	$ —	$ 10,655	$ 10,655	$ —	$ 10,594	$ 10,594

(1) Charge-offs are reported net of expected recoveries. For Private Education Loans, the expected recovery amount is transferred to the receivable for partially charged-off loan balance. Charge-offs include charge-offs against the receivable for partially charged-off loans which represents the difference between what was expected to be collected and any shortfalls in what was actually collected in the period. See "Receivable for Partially Charged-Off Private Education Loans" for further discussion.

(2) Represents the additional allowance related to the amount of uncollectible interest reserved within interest income that is transferred in the period to the allowance for loan losses when interest is capitalized to a loan's principal balance.

(3) Represents the recorded investment of loans classified as troubled debt restructuring.

FFELP Loan Portfolio Performance

FFELP Loan Delinquencies and Forbearance — GAAP and Core Earnings Basis

	FFELP Loan Delinquencies June 30,			
	2018		2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 4,372		$ 5,538	
Loans in forbearance[2]	8,728		9,814	
Loans in repayment and percentage of each status:				
Loans current	54,780	87.0%	61,108	87.2%
Loans delinquent 31-60 days[3]	2,344	3.7	3,187	4.5
Loans delinquent 61-90 days[3]	1,110	1.8	1,596	2.3
Loans delinquent greater than 90 days[3]	4,718	7.5	4,204	6.0
Total FFELP Loans in repayment	62,952	100%	70,095	100%
Total FFELP Loans, gross	76,052		85,447	
FFELP Loan unamortized premium	639		754	
Total FFELP Loans	76,691		86,201	
FFELP Loan allowance for losses	(82)		(61)	
FFELP Loans, net	$ 76,609		$ 86,140	
Percentage of FFELP Loans in repayment		82.8%		82.0%
Delinquencies as a percentage of FFELP Loans in repayment		13.0%		12.8%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		12.2%		12.3%

(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.

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

Allowance for FFELP Loan Losses — GAAP and Core Earnings Basis

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2018	2017
Allowance at beginning of period	$ 59	$ 64	$ 60	$ 67
Provision for FFELP Loan losses	40	10	50	20
Charge-offs	(17)	(13)	(28)	(26)
Allowance at end of period	$ 82	$ 61	$ 82	$ 61
Charge-offs as a percentage of average loans in repayment (annualized)	.11%	.08%	.09%	.08%
Allowance coverage of charge-offs (annualized)	1.2	1.1	1.5	1.2
Allowance as a percentage of ending total loans, gross	.11%	.07%	.11%	.07%
Allowance as a percentage of ending loans in repayment	.13%	.09%	.13%	.09%
Ending total loans, gross	$ 76,052	$ 85,447	$ 76,052	$ 85,447
Average loans in repayment	$ 64,238	$ 68,915	$ 64,940	$ 69,108
Ending loans in repayment	$ 62,952	$ 70,095	$ 62,952	$ 70,095

Private Education Loan Portfolio Performance

Private Education Loan Delinquencies and Forbearance — GAAP and Core Earnings Basis

	Private Education Loan Delinquencies June 30,			
	2018		2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	$ 929		$ 1,236	
Loans in forbearance(2)	885		870	
Loans in repayment and percentage of each status:				
Loans current	20,867	94.1%	22,187	94.0%
Loans delinquent 31-60 days(3)	453	2.1	481	2.0
Loans delinquent 61-90 days(3)	252	1.1	287	1.2
Loans delinquent greater than 90 days(3)	602	2.7	658	2.8
Total Private Education Loans in repayment	22,174	100%	23,613	100%
Total Private Education Loans, gross	23,988		25,719	
Private Education Loan unamortized discount	(847)		(994)	
Total Private Education Loans	23,141		24,725	
Private Education Loan receivable for partially charged-off loans	724		784	
Private Education Loan allowance for losses	(1,297)		(1,286)	
Private Education Loans, net	$ 22,568		$ 24,223	
Percentage of Private Education Loans in repayment		92.4%		91.8%
Delinquencies as a percentage of Private Education Loans in repayment		5.9%		6.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		3.8%		3.6%
Loans in repayment with more than 12 payments made		90%		95%
Percentage of Private Education Loans with a cosigner		60%		65%

(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, 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.

Allowance for Private Education Loan Losses — GAAP and Core Earnings Basis

See “Business Segment Earnings Summary — Core Earnings Basis — Consumer Lending Segment — Private Education Loan Provision for Loan Losses” for discussion.

Receivable for Partially Charged-Off Private Education Loans

At the end of each month, for loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. We refer to the remaining loan balance as the “receivable for partially charged-off loans.” Actual recoveries are applied against this receivable balance. If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses.

The following table summarizes the activity in the receivable for partially charged-off Private Education Loans.

(Dollars in millions)	Three Months Ended June 30, 2018	Three Months Ended June 30, 2017	Six Months Ended June 30, 2018	Six Months Ended June 30, 2017
Receivable at beginning of period	$ 741	$ 800	$ 760	$ 815
Expected future recoveries of current period defaults(1)	19	29	38	63
Recoveries(2)	(36)	(40)	(74)	(84)
Charge-offs(3)	—	(5)	—	(10)
Receivable at end of period	$ 724	$ 784	$ 724	$ 784

(1) Represents our estimate of the amount to be collected in the future.

(2) Current period cash collections.

(3) Represents the current period recovery shortfall — the difference between what was expected to be collected and what was actually collected. These amounts are included in total charge-offs as reported in the "Allowance for Private Education Loan Losses" table.

Use of Forbearance as a Private Education Loan Collection Tool

Forbearance involves granting the customer a temporary cessation of payments (or temporary acceptance of smaller than scheduled payments) for a specified period of time. Using forbearance extends the original term of the loan. Forbearance does not grant any reduction in the total repayment obligation (principal or interest). While in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status. Our forbearance policies include limits on the number of forbearance months granted consecutively and the total number of forbearance months granted over the life of the loan. In some instances, we require good-faith payments before granting forbearance. Exceptions to forbearance policies are permitted when such exceptions are judged to increase the likelihood of recovery of the loan. Forbearance as a recovery tool is used most effectively when applied based on a customer's unique situation, including historical information and judgments. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer's ability and willingness to repay their obligation. This strategy is aimed at mitigating the overall risk of the portfolio as well as encouraging cash resolution of delinquent loans.

Forbearance may be granted to customers who are exiting their grace period to provide additional time to obtain employment and income to support their obligations, or to current customers who are faced with a hardship and request forbearance time to provide temporary payment relief. In these circumstances, a customer's loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of their granted forbearance period, the customer will enter repayment status as current and is expected to begin making their scheduled monthly payments on a go-forward basis.

Forbearance may also be granted to customers who are delinquent in their payments. In these circumstances, the forbearance cures the delinquency and the customer is returned to a current repayment status. In more limited instances, delinquent customers will also be granted additional forbearance time.

The tables below show the composition and status of the Private Education Loan portfolio aged by the number of months for which a scheduled monthly payment was received. As indicated in the tables, the percentage of loans that are in forbearance status, are delinquent greater than 90 days or that are charged off decreases the longer the loans have been making scheduled monthly payments.

At June 30, 2018, loans in forbearance status as a percentage of loans in repayment and forbearance were 6.4 percent for loans that have made less than 25 monthly payments. The percentage drops to 2.8 percent for loans that have made more than 48 monthly payments.

At June 30, 2018, loans in repayment that are delinquent greater than 90 days as a percentage of loans in repayment were 3.9 percent for loans that have made less than 25 monthly payments. The percentage drops to 1.9 percent for loans that have made more than 48 monthly payments.

For the three months ended June 30, 2018, charge-offs as a percentage of loans in repayment were 3.4 percent for loans that have made less than 25 monthly payments. The percentage drops to 0.8 percent for loans that have made more than 48 monthly payments.

GAAP and Core Earnings Basis:

(Dollars in millions) June 30, 2018	Monthly Scheduled Payments Received 0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 929	$ 929
Loans in forbearance	152	77	84	101	471	—	885
Loans in repayment — current	2,141	982	916	1,372	15,456	—	20,867
Loans in repayment — delinquent 31-60 days	33	34	43	54	289	—	453
Loans in repayment — delinquent 61-90 days	20	23	29	34	146	—	252
Loans in repayment — delinquent greater than 90 days	70	63	75	84	310	—	602
Total	$ 2,416	$ 1,179	$ 1,147	$ 1,645	$ 16,672	$ 929	23,988
Unamortized discount							(847)
Receivable for partially charged-off loans							724
Allowance for loan losses							(1,297)
Total Private Education Loans, net							$ 22,568
Loans in forbearance as a percentage of loans in repayment and forbearance	6.3%	6.5%	7.3%	6.1%	2.8%	—%	3.8%
Loans in repayment — delinquent greater than 90 days as a percentage of loans in repayment	3.1%	5.7%	7.1%	5.4%	1.9%	—%	2.7%
Charge-offs as a percentage of loans in repayment	2.3%	3.2%	3.2%	2.4%	.9%	—%	1.3%

(Dollars in millions) June 30, 2017	Monthly Scheduled Payments Received 0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 1,236	$ 1,236
Loans in forbearance	241	98	99	104	328	—	870
Loans in repayment — current	983	901	1,433	2,341	16,529	—	22,187
Loans in repayment — delinquent 31-60 days	49	41	55	75	261	—	481
Loans in repayment — delinquent 61-90 days	35	30	38	43	141	—	287
Loans in repayment — delinquent greater than 90 days	94	82	98	110	274	—	658
Total	$ 1,402	$ 1,152	$ 1,723	$ 2,673	$ 17,533	$ 1,236	25,719
Unamortized discount							(994)
Receivable for partially charged-off loans							784
Allowance for loan losses							(1,286)
Total Private Education Loans, net							$ 24,223
Loans in forbearance as a percentage of loans in repayment and forbearance	17.2%	8.5%	5.7%	3.9%	1.9%	—%	3.6%
Loans in repayment — delinquent greater than 90 days as a percentage of loans in repayment	8.1%	7.8%	6.1%	4.3%	1.6%	—%	2.8%
Charge-offs as a percentage of loans in repayment	9.4%	6.4%	4.9%	3.3%	1.1%	—%	2.3%

Liquidity and Capital Resources

Funding and Liquidity Risk Management

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

We define liquidity as cash and high-quality liquid assets that we can use to meet our cash requirements. Our two primary liquidity needs are: (1) servicing our debt and (2) our ongoing ability to meet our cash needs for running the operations of our businesses (including derivative collateral requirements) throughout market cycles, including during periods of financial stress. Secondary liquidity needs, which can be adjusted as needed, include the origination of Private Education Refinance Loans, acquisitions of Private Education Loan and FFELP Loan portfolios, acquisitions of companies, the payment of common stock dividends and the repurchase of common stock under common share repurchase programs. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity and access 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 that totaled $13.0 billion at June 30, 2018. 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 $2.2 billion of senior unsecured notes that mature in the next twelve months, primarily through our current cash, investments and unencumbered FFELP Loan portfolio, the predictable operating cash flows provided by operating activities ($482 million in the six months ended June 30, 2018), 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 Refinance 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. On January 24, 2018, we announced that we expect to restart our share repurchases in the second half of 2018. We entered into a derivative contract in May 2018 to purchase $60 million of common shares. We settled this contract in July 2018 by delivering $60 million in cash in exchange for 4.3 million common shares.

Sources of Liquidity and Available Capacity

Ending Balances

(Dollars in millions)	June 30, 2018	December 31, 2017
Sources of primary liquidity:		
Total unrestricted cash and liquid investments	$ 1,625	$ 1,520
Unencumbered FFELP Loans	429	690
Total GAAP and Core Earnings basis	$ 2,054	$ 2,210

Average Balances

	Three Months Ended June 30,		Six Months Ended June 30,	
(Dollars in millions)	2018	2017	2018	2017
Sources of primary liquidity:				
Total unrestricted cash and liquid investments	$ 1,722	$ 1,331	$ 1,609	$ 1,213
Unencumbered FFELP Loans	618	924	759	914
Total GAAP and Core Earnings basis	$ 2,340	$ 2,255	$ 2,368	$ 2,127

Liquidity may also be available under secured credit facilities to the extent we have eligible collateral and capacity available. Maximum borrowing capacity under the FFELP Loan-other 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 FFELP Loans. As of June 30, 2018 and 2017, the maximum additional capacity under these facilities was $1.8 billion and $2.4 billion, respectively. For the three months ended June 30, 2018 and 2017, the average maximum additional capacity under these facilities was $1.6 billion and $2.8 billion, respectively. For the six months ended June 30, 2018 and 2017, the average maximum additional capacity under these facilities was $1.9 billion and $2.7 billion, respectively. As of June 30, 2018, the maturity dates of the FFELP Loan-other facilities ranged from November 2018 to January 2021.

Liquidity may also be available from our Private Education Loan asset-backed commercial paper ("ABCP") facilities. Maximum borrowing capacity under the Private Education Loan-other 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 Private Education Loans. As of June 30, 2018 and 2017, the maximum additional capacity under these facilities was $830 million and $255 million, respectively. For the three months ended June 30, 2018 and 2017, the average maximum additional capacity under these facilities was $719 million and $203 million, respectively. For the six months ended June 30, 2018 and 2017, the average maximum additional capacity under these facilities was $804 million and $225 million, respectively. As of June 30, 2018, the maturity dates of these facilities ranged from October 2018 to June 2020.

At June 30, 2018, we had a total of $6.4 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $3.2 billion of our unencumbered tangible assets of which $2.7 billion and $429 million related to Private Education Loans and FFELP Loans, respectively. In addition, as of June 30, 2018, we had $10.0 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 $4.0 billion of Private Education Loan ABS Repurchase Facilities. 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.

For further discussion of our various sources of liquidity, our access to the ABS market, our asset-backed financing facilities, and our issuance of unsecured debt, see "Note 6—Borrowings" in our Annual Report on Form 10-K for the year ended December 31, 2017.

The following table reconciles encumbered and unencumbered assets and their net impact on GAAP total tangible equity.

(Dollars in billions)	June 30, 2018	December 31, 2017
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 4.8	4.7
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	5.2	5.9
Tangible unencumbered assets(1)	6.4	6.6
Senior unsecured debt	(13.0)	(13.9)
Mark-to-market on unsecured hedged debt(2)	—	(.3)
Other liabilities, net	(.5)	(.3)
Total tangible equity — GAAP Basis(1)	$ 2.9	$ 2.7

(1) At June 30, 2018 and December 31, 2017, excludes goodwill and acquired intangible assets, net, of $798 million and $810 million, respectively.

(2) At June 30, 2018 and December 31, 2017, there were $(70) million and $189 million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

Second-Quarter 2018 Financing Transactions

During the second-quarter 2018, Navient issued $997 million in FFELP Loan ABS, $521 million in Private Education Loan ABS and $500 million in unsecured debt. Additionally, Navient extended the maturity dates of a Private Education Loan ABCP Facility from June 2018 to June 2019 and a FFELP Loan ABCP Facility from April 2019 to April 2020.

Shareholder Distributions

In the six months ended June 30, 2018, we paid two quarterly common stock dividends of $0.16 per share.

We entered into a derivative contract in May 2018 to purchase $60 million of common shares. We settled this contract in July 2018 by delivering $60 million in cash in exchange for 4.3 million common shares, resulting in a remaining common share repurchase authority of $100 million. Since the Spin-Off in April 2014, we have repurchased 172 million shares for $2.6 billion.

Counterparty Exposure

Counterparty exposure related to financial instruments arises from the risk that a lending, investment or derivative counterparty will not be able to meet its obligations to us. Risks associated with our lending portfolio are discussed in the section titled "Financial Condition — FFELP Loan Portfolio Performance" and "— Private Education Loan Portfolio Performance."

Our investment portfolio is comprised of very short-term securities issued by a diversified group of highly rated issuers, limiting our counterparty exposure. Additionally, our investing activity is governed by board of director approved limits on the amount that is allowed to be invested with any one issuer based on the credit rating of the issuer, further minimizing our counterparty exposure. Counterparty credit risk is considered when valuing investments and considering impairment.

Related to derivative transactions, protection against counterparty risk is generally provided by Master Agreements, Schedules, and Credit Support Annexes ("CSAs") developed by the International Swaps and Derivatives Association, Inc. ("ISDA documentation"). In particular, Navient's CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. All corporate derivative contracts entered into by Navient that are not cleared through a derivatives clearing organization are covered under such agreements and require collateral to be exchanged based on the net fair value of derivatives with each counterparty. Our securitization trusts with swaps have ISDA documentation with protections against counterparty risk. The collateral calculations contemplated in the ISDA documentation of our securitization trusts require collateral based on the fair value of the derivative which may be adjusted for additional collateral based on rating agency criteria requirements considered within the collateral agreement. The trusts are not required to post collateral to the counterparties. In all cases, our exposure is limited to the value of the derivative contracts in a gain position net of any collateral we are holding. We consider counterparties' credit risk when determining the fair value of derivative positions on our exposure net of collateral.

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rate and foreign exchange rates, may require us to return cash collateral held or may require us to post collateral to counterparties. See "Note 7 — Derivative Financial Instruments" in our 2017 Form 10-K for more information on the amount of cash that has been received and delivered to derivative counterparties. Effective June 30, 2018, our counterparty exposure reflects rule changes adopted by clearing organizations that require entities to treat daily variation margin payments as legal settlements of the outstanding exposure of the derivative, rather than recording these positions on a gross basis with a related collateral receivable or payable.

The table below highlights exposure related to our derivative counterparties at June 30, 2018.

(Dollars in millions)	Corporate Contracts	Securitization Trust Contracts
Exposure, net of collateral	$ 26	$ 28
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	100%	8%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	53%	—%

Core Earnings Basis Borrowings

The following tables present the ending balances of our Core Earnings basis borrowings as of June 30, 2018 and December 31, 2017, and average balances and average interest rates of our Core Earnings basis borrowings for the three and six months ended June 30, 2018 and 2017. The average interest rates include derivatives that are economically hedging the underlying debt but do not qualify for hedge accounting treatment. (See "Non-GAAP

Financial Measures — Core Earnings —Reclassification of Settlements on Derivative and Hedging Activities” of this Item 2.)

Ending Balances

(Dollars in millions)	June 30, 2018 Short Term	Long Term	Total	December 31, 2017 Short Term	Long Term	Total
Unsecured borrowings:						
Senior unsecured debt(1)	$ 2,235	$ 10,771	$ 13,006	$ 1,306	$ 12,624	$ 13,930
Total unsecured borrowings	2,235	10,771	13,006	1,306	12,624	13,930
Secured borrowings:						
FFELP Loan securitizations	—	69,786	69,786	—	71,208	71,208
Private Education Loan securitizations(2)	960	12,507	13,467	686	12,646	13,332
FFELP Loan — other facilities	593	4,533	5,126	1,536	6,830	8,366
Private Education Loan — other facilities	698	1,485	2,183	684	1,710	2,394
Other(3)	276	—	276	538	—	538
Total secured borrowings	2,527	88,311	90,838	3,444	92,394	95,838
Core Earnings basis borrowings	4,762	99,082	103,844	4,750	105,018	109,768
Adjustment for GAAP accounting treatment	(10)	(392)	(402)	21	(6)	15
GAAP basis borrowings	$ 4,752	$ 98,690	$ 103,442	$ 4,771	$ 105,012	$ 109,783

(1) Includes principal amount of $2.2 billion and $1.3 billion of short-term debt as of June 30, 2018 and December 31, 2017, respectively. Includes principal amount of $10.9 billion and $12.7 billion of long-term debt as of June 30, 2018 and December 31, 2017, respectively.

(2) Includes $960 million and $686 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facilities (“Repurchase Facilities”) as of June 30, 2018 and December 31, 2017, respectively. Includes $1.8 billion and $1.3 billion of long-term debt related to the Repurchase Facilities as of June 30, 2018 and December 31, 2017, respectively.

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

Secured borrowings comprised 87 percent of our Core Earnings basis debt outstanding at June 30, 2018 and December 31, 2017.

Average Balances

(Dollars in millions)	Three Months Ended June 30, 2018 Average Balance	Average Rate	2017 Average Balance	Average Rate	Six Months Ended June 30, 2018 Average Balance	Average Rate	2017 Average Balance	Average Rate
Unsecured borrowings:								
Senior unsecured debt	$ 13,012	6.20%	$ 14,160	5.27%	$ 13,398	6.03%	$ 13,995	5.12%
Total unsecured borrowings	13,012	6.20	14,160	5.27	13,398	6.03	13,995	5.12
Secured borrowings:								
FFELP Loan securitizations	69,979	2.95	73,031	2.08	70,394	2.77	72,928	2.00
Private Education Loan securitizations(1)	13,478	4.13	13,466	3.00	13,342	4.00	13,815	3.00
FFELP Loan — other facilities	6,312	2.85	9,961	1.96	6,953	2.77	10,807	1.81
Private Education Loan — other facilities	2,366	3.68	898	2.58	2,358	3.52	701	2.61
Other(2)	242	3.64	450	2.93	365	2.26	447	2.83
Total secured borrowings	92,377	3.13	97,806	2.20	93,412	2.96	98,698	2.13
Core Earnings basis borrowings	$ 105,389	3.51%	$ 111,966	2.59%	$ 106,810	3.35%	$ 112,693	2.50%
Core Earnings basis borrowings	$ 105,389	3.51%	$ 111,966	2.59%	$ 106,810	3.35%	$ 112,693	2.50%
Adjustment for GAAP accounting treatment	—	.03	—	(.01)	—	—	—	—
GAAP basis borrowings	$ 105,389	3.54%	$ 111,966	2.58%	$ 106,810	3.35%	$ 112,693	2.50%

(1) Includes $2.7 billion and $1.1 billion of debt related to the Repurchase Facilities for the three months ended June 30, 2018 and 2017, respectively, and $2.4 billion and $1.1 billion for the six months ended June 30, 2018 and 2017, respectively.

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

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 GAAP. A discussion of our critical accounting policies, which include allowance for loan losses, premium and discount amortization related to our loan portfolio, goodwill and intangible assets, fair value measurement, transfers of financial assets and the VIE consolidation model, and derivative accounting can be found in our 2017 Form 10-K. There were no significant changes to these critical accounting policies during the first half of 2018.

Item 3. 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 June 30, 2018 and December 31, 2017, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points while funding spreads remain constant. Additionally, as it relates to the effect on earnings before mark-to-market gains (losses) on derivative and hedging activities, a sensitivity analysis was performed assuming the funding index increases 10 basis points while holding the asset index constant, if the funding index and repricing frequency are different than the asset index. These earnings sensitivities are applied only to financial assets and liabilities, including hedging instruments that existed at the balance sheet date and does not take into account new assets, liabilities or hedging instruments that may arise over the next 12 months.

	As of June 30, 2018 Impact on Annual Earnings If:			As of June 30, 2017 Impact on Annual Earnings If:		
	Interest Rates		Funding Indices	Interest Rates		Funding Indices
(Dollars in millions, except per share amounts)	Increase 100 Basis Points	Increase 300 Basis Points	Increase 10 Basis Points(1)	Increase 100 Basis Points	Increase 300 Basis Points	Increase 10 Basis Points(1)
Effect on Earnings:						
Change in pre-tax net income before mark-to-market gains (losses) on derivative and hedging activities	$ (6)	$ 30	$ (87)	$ (10)	$ 1	$ (95)
Mark-to-market gains (losses) on derivative and hedging activities	(43)	(171)	—	6	(134)	—
Increase (decrease) in income before taxes	$ (49)	$ (141)	$ (87)	$ (4)	$ (133)	$ (95)
Increase (decrease) in net income after taxes	$ (38)	$ (109)	$ (67)	$ (3)	$ (84)	$ (60)
Increase (decrease) in diluted earnings per common share	$ (.14)	$ (.41)	$ (.25)	$ (.01)	$ (.30)	$ (.21)

(1) If an asset is not funded with the same index/frequency reset of the asset then it is assumed the funding index increases 10 basis points while holding the asset index constant. There is no sensitivity analysis related to the mark-to-market gains (losses) on derivative and hedging activities as part of this potential impact on earnings.

(Dollars in millions)	Fair Value	At June 30, 2018 Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Increase of 300 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 100,409	$ (220)	—%	$ (458)	—%
Other earning assets	5,370	(0)	—	(0)	—
Other assets	4,402	183	4	663	15
Total assets gain/(loss)	$ 110,181	$ (37)	—%	$ 205	—%
Liabilities					
Interest-bearing liabilities	$ 103,665	$ (520)	(1)%	$ (1,453)	(1)%
Other liabilities	1,762	348	20	1,163	66
Total liabilities (gain)/loss	$ 105,427	$ (172)	—%	$ (290)	—%

(Dollars in millions)	Fair Value	At December 31, 2017 Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Increase of 300 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 106,692	$ (287)	—%	$ (611)	(1)%
Other earning assets	5,034	—	—	—	—
Other assets	4,835	148	3	613	13
Total assets gain/(loss)	$ 116,561	$ (139)	—%	$ 2	—%
Liabilities					
Interest-bearing liabilities	$ 109,704	$ (588)	(1)%	$ (1,643)	(1)%
Other liabilities	1,723	301	17	1,132	66
Total liabilities (gain)/loss	$ 111,427	$ (287)	—%	$ (511)	—%

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. However, 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. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets.

During the three and six months ended June 30, 2018 and 2017, 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 100 and 300 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 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 fixed rate assets being funded with variable rate liabilities. Both items will generally cause income to decrease when interest rates increase. In both 2018 and 2017, the impact to income is primarily due to both items (i) and (ii) above. The decrease in the loss in 2018 as compared to 2017 was due to both the natural amortization of the FFELP Loan portfolio as well as higher interest rates in second-quarter 2018 compared to second-quarter 2017, which resulted in a loss of unhedged Floor Income between the second quarter of 2017 and the second quarter of 2018. Item (ii) had a minor impact in both periods as the Company generally enters into derivative contracts as a part of its overall interest rate risk management strategy, match-funding its floating rate assets with variable rate debt and fixed rate assets with fixed rate debt.

In the preceding tables, under the scenario where interest rates increase 100 and 300 basis points, the change in mark-to-market gains (losses) on derivative and hedging activities in 2018 and 2017 are 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 particular, as of June 30, 2018, the Company's floor income derivative contracts have a shorter remaining term than the prior-year period due to the natural amortization of the FFELP education loan portfolios over the year and interest rates in second-quarter 2018 are higher compared to second-quarter 2017 which results in such contracts having less intrinsic value. Both factors contribute to these contracts increasing less in value in a rising interest rate environment in the current period as compared to the prior-year period.

Under the scenario in the tables above labeled "Impact on Annual Earnings If: Funding Indices Increase 10 Basis Points," the main driver of the decrease in pre-tax income before mark-to-market gains (losses) on derivative and hedging activities in both the June 30, 2018 and 2017 analyses is primarily the result of daily reset one-month LIBOR-indexed FFELP Loans being funded with monthly reset one-month LIBOR, three-month LIBOR and other non-discrete indexed liabilities, as well as, to a lesser extent, Prime-indexed Private Education Loans being funded with LIBOR and other non-discrete indexed liabilities. See "Asset and Liability Funding Gap" of this Item 3 for a further discussion.

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 the current economic environment, volatility in the spread between spot and forward foreign exchange rates has resulted in material 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 June 30, 2018. 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	$ 3.6	$ —	$ 3.6
Prime	annual	.3	—	.3
Prime	quarterly	2.9	—	2.9
Prime	monthly	9.6	—	9.6
Prime	daily	—	—	—
PLUS Index	annual	.3	—	.3
3-month LIBOR	quarterly	.6	37.1	(36.5)
3-month LIBOR	daily	—	2.7	(2.7)
1-month LIBOR	monthly	5.9	40.6	(34.7)
1-month LIBOR daily	daily	72.3	—	72.3
CMT/CPI Index	monthly/quarterly	—	.1	(.1)
Non-Discrete reset(2)	monthly	—	9.2	(9.2)
Non-Discrete reset(3)	daily/weekly	5.3	.3	5.0
Fixed Rate(4)		8.1	18.9	(10.8)
Total		$ 108.9	$ 108.9	$ —

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

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

(3) 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.

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

The "Funding Gaps" in the above table are primarily interest rate mismatches in short-term indices between our assets and liabilities. We address this issue typically through the use of basis swaps that typically convert quarterly reset three-month LIBOR to other indices that are more correlated to our asset indices. These basis swaps do not qualify as effective hedges and, as a result, the effect on the funding index is not included in our interest margin and is therefore excluded from the GAAP presentation.

Core Earnings Basis:

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding(1)	Funding Gap
3-month Treasury bill	weekly	$ 3.6	$ —	$ 3.6
Prime	annual	.3	—	.3
Prime	quarterly	2.9	—	2.9
Prime	monthly	9.6	—	9.6
Prime	daily	—	—	—
PLUS Index	annual	.3	—	.3
3-month LIBOR	quarterly	.6	—	.6
3-month LIBOR	daily	—	1.4	(1.4)
1-month LIBOR	monthly	5.9	81.6	(75.7)
1-month LIBOR	daily	72.3	—	72.3
Non-Discrete reset(2)	monthly	—	9.2	(9.2)
Non-Discrete reset(3)	daily/weekly	5.3	.3	5.0
Fixed Rate(4)		7.9	16.2	(8.3)
Total		$ 108.7	$ 108.7	$ —

(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 consists of auction rate ABS and ABCP facilities.

(3) 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.

(4) 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. 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.

Weighted Average Life

The following table reflects the weighted average life of our earning assets and liabilities at June 30, 2018.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	6.5
Other loans	9.5
Cash and investments	.1
Total earning assets	6.2
Borrowings	
Short-term borrowings	.7
Long-term borrowings	6.1
Total borrowings	5.8

Item 4. 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 June 30, 2018. Based on this evaluation, our chief principal executive and principal financial officers concluded that, as of June 30, 2018, 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 chief 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 June 30, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. 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 state attorneys general, U.S. Attorneys, legislative committees, individual members of Congress and administrative agencies. These requests may be informational or regulatory in nature and may relate to our business practices, the industries in which we operate, or other 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

On March 18, 2011, an education loan borrower filed a putative class action complaint against SLM Corporation as it existed prior to the Spin-Off ("Old SLM") in the U.S. District Court for the Northern District of California. The complaint was captioned Tina M. Ubaldi v. SLM Corporation et. al. The plaintiff brought the complaint on behalf of a putative class consisting of other similarly situated California borrowers. Plaintiffs subsequently amended their complaint to include usury claims under California state law and to seek restitution of late charges and interest paid by members of the putative class and other relief. In the fourth quarter of 2016, the parties reached a settlement in principle that would resolve the Ubaldi matter, as well as the related lawsuit of Marlene Blyden v. Navient Corporation, et al. A reserve was established for this matter as of December 31, 2016. The Court granted final approval of the settlement in May 2018. The financial impact of the final settlement is not material. The Company agreed to settle these matters to avoid the burden, expense, risk, and uncertainty of continued litigation.

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. The Navient defendants deny the allegations and intend to vigorously defend against the allegation in this lawsuit and filed a motion to dismiss in January 2018. 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. These cases were consolidated by the Court in February 2018, the plaintiffs filed a consolidated amended complaint in April 2018 and the Company filed its Motion to Dismiss in June 2018. The Company has denied the allegations and intends to vigorously defend itself.

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.

In January 2017, 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, the FCPA, 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, containing similar alleged violations of the CFPA and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. Additionally, the Attorneys General for the States of California and Mississippi recently initiated similar actions against the Company and certain subsidiaries alleging violations of various state and federal consumer protection laws. We refer to the Illinois, Pennsylvania, Washington, California and Mississippi 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, unannounced servicing standards applied retroactively only against one servicer, and that the allegations are false. We therefore have denied these allegations and intend to vigorously defend against the allegations in each of these cases. For additional information on these civil actions, please refer to section entitled "Regulatory Matters" below.

At this point in time, the Company is unable to anticipate the timing of a resolution or the ultimate 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 the SEC, CFPB, FFIEC, ED and various state agencies as part of its ordinary course of business. 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.

As previously disclosed, the Company and various of its subsidiaries have been subject to the following investigations and inquiries:

- In December 2013, Navient received Civil Investigative Demands ("CIDs") issued by the Illinois Attorney General, the Washington Attorney General and multiple other state Attorneys General. According to the CIDs, the investigations were initiated to ascertain whether any practices declared to be unlawful under the Consumer Fraud and Deceptive Business Practices Act have occurred or are about to occur. The Company subsequently received separate but similar CIDs or subpoenas from the Attorneys General of the District of Columbia, Kansas and Colorado.
- In April 2014, Solutions received a CID from the Consumer Financial Protection Bureau (the "CFPB") as part of the CFPB's separate investigation regarding allegations relating to Navient's disclosures and assessment of late fees and other matters. Navient has received a series of supplemental CIDs on these matters. In August 2015, Solutions received a letter from the CFPB notifying Solutions that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise ("NORA") process, the CFPB's Office of Enforcement was considering recommending that the CFPB take legal action against Solutions. The NORA letter related to a previously disclosed investigation into Solutions' disclosures and assessment of late fees and other matters and states that, in connection with any action, the CFPB may seek restitution, civil monetary penalties and corrective action against Solutions. The Company responded to the NORA letter in September 2015.
- In November 2014, Navient's subsidiary, Pioneer Credit Recovery, Inc. ("Pioneer"), received a CID from the CFPB as part of an investigation regarding Pioneer's activities relating to rehabilitation loans and collection of defaulted student debt.
- In December 2014, Solutions received a subpoena from the New York Department of Financial Services (the "NY DFS") as part of the NY DFS's inquiry with regard to whether persons or entities have engaged in fraud or misconduct with respect to a financial product or service under New York Financial Services Law or other laws.

In January 2017, the CFPB initiated a civil action naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the DFPA, FCRA, FDCPA and various state consumer protection laws. The CFPB, Washington Attorney General and Illinois Attorney General lawsuits relate to matters which were covered under the CIDs or the NORA letter discussed above. In addition, various State Attorneys General have filed suits alleging violations of various state and federal consumer protection laws covering matters similar to those covered by the CIDs or the NORA letter. As stated above, we have denied these allegations and intend to vigorously defend against the allegations in each of these cases.

With respect to alleged civil violations of the Servicemembers Civil Relief Act (the “SCRA”), Navient Solutions LLC (“Solutions’), a wholly owned subsidiary of Navient, and Sallie Mae Bank entered into a consent order with the DOJ in May 2014. The DOJ consent order (the “DOJ Order”) covers all loans either owned by Sallie Mae Bank or serviced by Solutions from November 28, 2005 until the effective date of the settlement. The Company believes it has complied with the terms of the DOJ Order, including the monetary portions of the order. The total reserves established by the Company in 2013 and 2014 to cover these costs were $177 million, and as of June 30, 2018, substantially all of this amount had been paid. The final cost of these proceedings will remain uncertain until the remaining consent order is lifted or terminates in accordance with its terms in late 2018.

Under the terms of the Separation Agreement between the Company and SLM BankCo, Navient has agreed to indemnify SLM BankCo for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. As a result, subject to the terms, conditions and limitations set forth in the Separation and Distribution Agreement, Navient has 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, other than fines or penalties directly levied against Sallie Mae Bank and other matters specifically excluded. Navient has no additional reserves related to indemnification matters with SLM BankCo as of June 30, 2018.

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. A hearing was held in April 2017 and a ruling has not yet been issued. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company established a reserve for this matter in 2014 as part of the total reserve for pending regulatory matters discussed previously and does not believe, at this time, that an adverse ruling would have a material effect on the Company as a whole.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our 2017 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended June 30, 2018.

(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:				
April 1 — April 30, 2018	—	$ —	—	$ 160
May 1 — May 31, 2018	—	—	—	$ 160
June 1 — June 30, 2018	.1	14.53	—	$ 160
Total second-quarter 2018	.1	$ 14.53	—	

(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) In December 2016, our board of directors authorized us to purchase up to $600 million of shares of our common stock.

The closing price of our common stock on the NASDAQ Global Select Market on June 29, 2018 was $13.03.

Item 3. **Defaults upon Senior Securities**

Nothing to report.

Item 4. **Mine Safety Disclosures**

Nothing to report.

Item 5. **Other Information**

Nothing to report.

Item 6. **Exhibits**

The following exhibits are furnished or filed, as applicable:

10.1†*	Navient Corporation 2014 Omnibus Incentive Plan, Amended and Restated.
10.2†*	Navient Deferred Compensation Plan, Amended and Restated.
10.3†*	Navient Corporation Change in Control Severance Plan for Senior Officers, Amended and Restated.
10.4†*	Navient Corporation Executive Severance Plan for Senior Officers, Amended and Restated.
12.1*	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
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*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

† Management Contract or Compensatory Plan or Arrangement

* Filed herewith

** Furnished herewith

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/ CHRISTIAN M. LOWN
Christian M. Lown
Chief Financial Officer
(Principal Financial Officer)

Date: August 3, 2018

Exhibit 10.1

NAVIENT CORPORATION
2014 OMNIBUS INCENTIVE PLAN

Amended and Restated as of May 24, 2018

NAVIENT CORPORATION
2014 OMNIBUS INCENTIVE PLAN

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NAVIENT CORPORATION
2014 OMNIBUS INCENTIVE PLAN

1. Plan

Navient Corporation, a Delaware corporation (the "Company"), established this Navient Corporation 2014 Omnibus Incentive Plan (this "Plan"), effective as of April 7, 2014 (the "Effective Date"). The Company amended and restated the Plan effective April 6, 2015, to impose a minimum vesting requirement on stock options and stock appreciation rights granted under the Plan, and to clarify the Plan's restrictions on share recycling, and again on April 4, 2017 to add shares to the Plan and make certain other changes. The Company amended and restated the Plan again effective May 24, 2018, to clarify the definition of Good Reason. This Plan shall continue in effect for a term of 10 years after the Effective Date unless sooner terminated by action of the Board of Directors of the Company.

2. Objectives

This Plan is designed to attract and retain employees of the Company and its Subsidiaries (as defined herein), to attract and retain qualified non-employee directors of the Company, to encourage the sense of proprietorship of such employees and directors and to stimulate the active interest of such persons in the development and financial success of the Company and its Subsidiaries. These objectives are to be accomplished by making Awards under this Plan and thereby providing Participants (as defined herein) with a proprietary interest in the growth and performance of the Company and its Subsidiaries.

3. Definitions. As used herein, the terms set forth below shall have the following respective meanings:

"*Authorized Officer*" means the Chairman of the Board, the Chief Executive Officer of the Company or the senior human resources officer of the Company (or any other senior officer of the Company to whom any of such individuals shall delegate the authority to execute any Award Agreement).

"*Award*" means the grant of any Option, Stock Appreciation Right, Stock Award, or Cash Award, any of which may be structured as a Performance Award, whether granted singly, in combination or in tandem, to a Participant pursuant to such applicable terms, conditions, and limitations as the Committee may establish in accordance with the objectives of this Plan.

"*Award Agreement*" means the document (in written or electronic form) communicating the terms, conditions and limitations applicable to an Award. The Committee may, in its discretion, require that the Participant execute such Award Agreement, or may provide for procedures through which Award Agreements are made available but not executed. Any Participant who is granted an Award and who does not affirmatively reject the applicable Award Agreement shall be deemed to have accepted the terms of Award as embodied in the Award Agreement.

"*Board*" means the Board of Directors of the Company.

"*Cash Award*" means an Award denominated in cash.

"*Cause*" means, unless otherwise defined in an award agreement, either (i) a willful and continuing failure of a Participant to perform substantially his duties and responsibilities (other than as a result of the Participant's death or Disability) and, if in the judgment of the Committee such willful and continuing failure may be cured by a Participant, that such failure has not been cured by the Participant within ten (10) business days after written notice of such was given to the Participant by the Committee, or (ii) that the Participant has committed an act of Misconduct (as defined below).

"*Change in Control*" means an occurrence of any of the following events: (a) an acquisition (other than directly from the Company) of any voting securities of the Company (the "Voting Securities") by any "person or group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act) other than an employee benefit plan of the Company, immediately after which such person or group has "Beneficial Ownership" (within the meaning of Rule 13d-3 under the Exchange Act) of more than fifty percent (50%) of the combined voting power of the Company's then outstanding Voting Securities; or (b) the consummation of (i) a merger, consolidation or reorganization involving the Company, unless either (A) the shareholders of the Company immediately before such merger, consolidation or reorganization own, directly or indirectly immediately following such merger, consolidation or reorganization, at least seventy-five percent (75%) of the combined voting power of the company resulting from such merger, consolidation or reorganization (the "Surviving Company") in substantially the same proportion as their ownership immediately before such merger, consolidation or reorganization, or (B) at least a majority of the members of the Board of Directors of the Surviving Company were directors of the Company immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization, or (ii) a complete liquidation or dissolution of the Company. Notwithstanding the foregoing, if an Award is subject to Code Section 409A, the definition of Change in Control shall conform to the requirements of Treasury Regulation § 1.409A-3(i)(5)(i).

"*Code*" means the Internal Revenue Code of 1986, as amended from time to time.

"*Committee*" means the Compensation and Personnel Committee of the Board, and any successor committee thereto or such other committee of the Board as may be designated by the Board to administer this Plan in whole or in part including any subcommittee of the Board as designated by the Board.

"*Common Stock*" means the Common Stock, par value $0.01 per share, of the Company.

"*Company*" means Navient Corporation, a Delaware corporation, or any successor thereto.

"*Covered Employee*" means any Employee who is or may be a "covered employee," as defined in Code Section 162(m).

"*Director*" means an individual serving as a member of the Board who is not an Employee and an individual who has agreed to become a director of the Company or any of its Subsidiaries and actually becomes such a director following such date of agreement.

"*Director Award*" means the grant of any Award (other than an Incentive Stock Option), whether granted singly, in combination, or in tandem, to a Participant who is a Director pursuant to such applicable terms, conditions, and limitations established by the Outside Board.

"*Disability*" means (1) if the Participant is an Employee, a disability that entitles the Employee to benefits under the Company's long-term disability plan, as may be in effect from time to time, as determined by the plan administrator of the long-term disability plan or (2) if the Participant is a Director, a disability whereby the Director is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than 12 months. Notwithstanding the foregoing, if an Award is subject to Code Section 409A, the definition of Disability shall conform to the requirements of Treasury Regulation § 1.409A-3(i)(4)(i).

"*Dividend Equivalents*" means, in the case of Restricted Stock Units or Performance Units, an amount equal to all dividends and other distributions (or the economic equivalent thereof) that are payable to shareholders of record during the Restriction Period or performance period, as applicable, on a like number of shares of Common Stock that are subject to the Award.

"*Employee*" means (i) an employee of the Company or any of its Subsidiaries, and (ii) an individual who has agreed to become an employee of the Company or any of its Subsidiaries and actually becomes such an employee following such date of agreement.

"*Employee Award*" means the grant of any Award, whether granted singly, in combination, or in tandem, to an Employee pursuant to such applicable terms, conditions, and limitations established by the Committee.

"*Exchange Act*" means the Securities Exchange Act of 1934, as amended from time to time.

"*Exercise Price*" means the price at which a Participant may exercise his right to receive cash or Common Stock, as applicable, under the terms of an Award.

"*Fair Market Value*" of a share of Common Stock means, as of a particular date, (1) if shares of Common Stock are listed on a national securities exchange, the closing sales price per share of Common Stock on the consolidated transaction reporting system for the principal national securities exchange on which shares of Common Stock are listed on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported, (2) if the Common Stock is not so listed, the average of the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by an inter-dealer quotation system, (3) if shares of Common Stock are not publicly traded, the most recent value determined by an independent appraiser appointed by the Committee for such purpose, or (4) if none of the above are applicable, the fair market value of a share of Common Stock as determined in good faith by the Committee.

"*Good Reason*" means, unless otherwise defined in an award agreement, a Participant's resignation from his or her employment due to (a) a material reduction in the position or responsibilities of the Participant; (b) a material reduction in the Participant's annual base salary or a material reduction in the Participant's compensation arrangements or benefits (provided that variability in the value of stock-based compensation or in the compensation provided under the Plan (or any similar incentive plan adopted by the Company from time to time) shall not be deemed to cause a material reduction in compensation); or (c) a relocation of the Participant's primary work location to a distance of more than seventy-five (75) miles from its location as of the date of this amendment and restatement of the Plan without the consent of the Participant, unless such relocation results in the Participant's primary work location being closer to the Participant's then primary residence or does not substantially increase the average commuting time of the Participant.

"*Grant Date*" means the date an Award is granted to a Participant pursuant to this Plan.

"*Incentive Stock Option*" means an Option that is intended to comply with the requirements set forth in Code Section 422.

"*Misconduct*" means (a) an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Company (or a Subsidiary), breach of fiduciary duty or deliberate disregard of Company (or Subsidiary) rules; an unauthorized disclosure of any Company (or Subsidiary) trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Company (or a Subsidiary) to breach a contract with the Company (or a Subsidiary) or any principal for whom the Company (or a Subsidiary) acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

"*Nonqualified Stock Option*" means an Option that is not intended to comply with the requirements set forth in Code Section 422.

"*Option*" means a right to purchase a specified number of shares of Common Stock at a specified Exercise Price, which is either an Incentive Stock Option or a Nonqualified Stock Option.

“*Outside Board*” means the Board, excluding any member of the Board who is also an Employee, or any authorized delegate thereof consisting solely of one or more nonemployee Directors.

“*Participant*” means an Employee or Director to whom an Award has been made under this Plan.

“*Performance Award*” means an Award made pursuant to this Plan to a Participant which is subject to the attainment of one or more Performance Goals.

“*Performance-Based Equity Award*” means a Performance Award other than a Cash Award.

“*Performance Goal*” means one or more standards established by the Committee to determine in whole or in part whether a Performance Award shall be earned.

“*Performance Unit*” means a unit evidencing the right to receive in specified circumstances an amount of cash or one share of Common Stock or equivalent value in cash, the value of which at the time it is settled is determined as a function of the extent to which established performance criteria have been satisfied.

“*Performance Unit Award*” means an Award in the form of Performance Units.

“*Qualified Performance Awards*” has the meaning set forth in Paragraph 8(a)(vii)(B).

“*Restricted Stock*” means a share of Common Stock that is restricted or subject to forfeiture provisions.

“*Restricted Stock Award*” means an Award in the form of Restricted Stock.

“*Restricted Stock Unit*” means a unit evidencing the right to receive in specified circumstances one share of Common Stock or equivalent value in cash that is restricted or subject to forfeiture provisions.

“*Restricted Stock Unit Award*” means an Award in the form of Restricted Stock Units.

“*Restriction Period*” means a period of time beginning as of the date upon which a Restricted Stock Award or Restricted Stock Unit Award is made pursuant to this Plan and ending as of the date upon which such Award is no longer restricted or subject to forfeiture provisions.

“*Retirement*” means a Participant’s termination of employment with the Company (or a Subsidiary) in which the Participant meets the Company’s retirement eligibility requirements under the Company’s retirement eligibility policy in effect as of the Grant Date, which shall be determined by the Company in its sole discretion.

“*Stock Appreciation Right*” or “*SAR*” means a right to receive a payment, in cash or Common Stock, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock on the date the right is exercised over a specified Exercise Price.

“*Stock Award*” means an Award in the form of shares of Common Stock, including a Restricted Stock Award, and a Restricted Stock Unit Award or Performance Unit Award that may be settled in shares of Common Stock, and excluding Options and SARs.

“*Stock-Based Award Limitations*” has the meaning set forth in Paragraph 5.

“*Subsidiary*” means (1) in the case of a corporation, any corporation of which the Company directly or indirectly owns shares representing 50% or more of the combined voting power of the shares of all classes or series of capital stock of such corporation which have the right to vote generally on matters submitted to a vote of the shareholders of such corporation, and (2) in the case of a partnership or other business entity not organized as a corporation, any such business entity of which the Company directly or indirectly owns 50% or more of the voting, capital or profits interests (whether in the form of partnership interests, membership interests or otherwise).

"*Time-Based Equity Award*" means any Stock Award, Option or SAR, other than a Performance Award.

4. Eligibility

(a) *Employees*. All Employees are eligible for Employee Awards under this Plan, *provided, however*, that if the Committee makes an Employee Award to an individual whom it expects to become an Employee following the Grant Date of such Award, such Award shall be subject to (among other terms and conditions) the individual actually becoming an Employee.

(b) *Directors*. All Directors are eligible for Director Awards under this Plan, *provided, however*, that if the Outside Board makes a Director Award to an individual whom it expects to become a Director following the Grant Date of such Award, such Award shall be subject to (among other terms and conditions) the individual actually becoming a Director.

The Committee (or the Outside Board, in the case of Director Awards) shall determine the type or types of Awards to be made under this Plan and shall designate from time to time the Employees or Directors who are to be granted Awards under this Plan.

5. Common Stock Available for Awards

Subject to the provisions of Paragraph 15 hereof, there shall be available for Awards under this Plan granted wholly or partly in Common Stock (including rights or Options that may be exercised for or settled in Common Stock) an aggregate of 55,000,000 shares (the "Maximum Share Limit"), consisting of (i) 10,000,000 shares of Common Stock newly authorized for issuance and subject to approval of the Company's shareholders at the Company's 2017 annual meeting, and (ii) 45,000,000 shares of Common Stock previously authorized for issuance. All of the shares of Common Stock authorized for issuance under the Plan shall be available for Incentive Stock Options. Each Stock Award granted under this Plan shall be counted against the Maximum Share Limit as one share of Common Stock; each Option and SAR shall be counted against the Maximum Share Limit as one share of Common Stock.

Awards settled in cash shall not reduce the Maximum Share Limit under the Plan. If an Award expires or is terminated, cancelled or forfeited, the shares of Common Stock associated with the expired, terminated, cancelled or forfeited Awards shall again be available for Awards under the Plan, and the Maximum Share Limit shall be increased by the same amount as such shares were counted against the Maximum Share Limit (*i.e.*, increased by one share of Common Stock, if a Stock Award, and one share of Common Stock, if an Option or SAR). The following shares of Common Stock shall not become available again for issuance under the Plan:

(a) Shares of Common Stock that have been retained or withheld by the Company in payment or satisfaction of the Exercise Price, purchase price or tax withholding obligation of an Award;

(b) Shares of Common Stock that have been delivered (either actually or by attestation) to the Company in payment or satisfaction of the Exercise Price, purchase price or tax withholding obligation of an Award;

(c) Shares of Common Stock tendered or withheld in payment of an Option; and;

(d) Shares repurchased by the Company with Option proceeds.

In addition, shares of Common Stock covered by a SAR, to the extent the SAR is exercised and settled in shares of Common Stock, and whether or not shares of Common Stock are actually issued to the Participant upon exercise of the SAR, shall be considered issued or transferred pursuant to the Plan.

The Board and the appropriate officers of the Company shall from time to time take whatever actions are necessary to file any required documents with governmental authorities, stock exchanges and transaction reporting systems to ensure that shares of Common Stock are available for issuance pursuant to Awards.

Notwithstanding anything to the contrary contained in this Plan, the following limitations shall apply to any Awards made hereunder:

(a) No Employee may be granted during any calendar year Awards exercisable, covering or relating to more than 2,500,000 shares of Common Stock (the "Stock-Based Award Limitation"); and

(b) No Employee may be granted during any calendar year (1) Cash Awards or (2) Restricted Stock Unit Awards or Performance Unit Awards that may be settled solely in cash, having a value determined on the Grant Date in excess of $5,000,000.

6. Administration

(a) *Authority of the Committee*. Except as otherwise provided in this Plan with respect to actions or determinations by the Board, this Plan shall be administered by the Committee; *provided, however*, that (i) any and all members of the Committee shall satisfy any independence requirements prescribed by any stock exchange on which the Company lists its Common Stock; (ii) Awards may be granted to individuals who are subject to Section 16(b) of the Exchange Act only if the Committee is comprised solely of two or more "Non-Employee Directors" as defined in Securities and Exchange Commission Rule 16b-3 (as amended from time to time, and any successor rule, regulation or statute fulfilling the same or similar function); and (iii) any Award intended to qualify for the "performance-based compensation" exception under Code Section 162(m) shall be granted only if the Committee is comprised solely of two or more "outside directors" within the meaning of Code Section 162(m) and regulations pursuant thereto. Subject to the provisions hereof, the Committee shall have full and exclusive power and authority to administer this Plan and to take all actions that are specifically contemplated hereby or are necessary or appropriate in connection with the administration hereof. The Committee shall also have full and exclusive power to interpret this Plan and to adopt such rules, regulations and guidelines for carrying out this Plan as it may deem necessary or proper, all of which powers shall be exercised in the best interests of the Company and in keeping with the objectives of this Plan. Subject to Paragraph 6(c) hereof, the Committee may, in its discretion, (x) provide for the extension of the exercisability of an Award; *provided, however*, that no such action shall permit the term of any Option to be greater than 10 years from its Grant Date; (y) in the event of death or Disability, accelerate the vesting or exercisability of an Award, eliminate or make less restrictive any restrictions contained in an Award, waive any restriction or other provision of this Plan or an Award or otherwise amend or modify an Award in any manner that is, in either case, (1) not adverse to the Participant to whom such Award was granted, or (2) consented to by such Participant; or (z) in the event of a Change in Control, take any action authorized by Paragraph 16 hereof. The Committee may correct any defect or supply any omission or reconcile any inconsistency in this Plan or in any Award Agreement in the manner and to the extent the Committee deems necessary or desirable to further this Plan's purposes. Any decision of the Committee in the interpretation and administration of this Plan shall lie within its sole and absolute discretion and shall be final, conclusive and binding on all parties concerned. The Outside Board shall have the same powers as the Committee with respect to Director Awards.

(b) *Indemnity*. No member of the Board or the Committee or officer of the Company to whom the Committee has delegated authority in accordance with the provisions of Paragraph 7 of this Plan shall be liable for anything done or omitted to be done by him, by any member of the Board or the Committee or by any officer of the Company in connection with the performance of any duties under this Plan, except for his own willful misconduct or as expressly provided by statute.

(c) *Prohibition on Repricing of Awards*. Subject to the provisions of Paragraph 15 hereof, the terms of outstanding Award Agreements may not be amended without the approval of the Company's shareholders so as to (i) reduce the Exercise Price of any outstanding Options or SARs or (ii) cancel any outstanding Options or SARs in exchange for cash or other Awards, or Options or SARs with an Exercise Price that is less than the Exercise Price of the original Options or SARs.

(d) *Minimum Vesting Period.* Each Stock Award, Option and SAR shall have a minimum vesting period of one year from the date of grant. The foregoing notwithstanding, 5% of the total number of shares of Common Stock available for issuance under this Plan shall not be subject to the minimum vesting requirement described in the preceding sentence.

7. Delegation of Authority

The Committee may delegate any of its authority to grant Awards to Employees who are not subject to Section 16(b) of the Exchange Act, subject to Paragraph 6(a) above, to the Board or to any other committee of the Board, provided such delegation is made in writing and specifically sets forth such delegated authority. The Committee may also delegate to an Authorized Officer authority to execute on behalf of the Company any Award Agreement. The Committee and the Board, as applicable, may engage or authorize the engagement of a third party administrator to carry out administrative functions under this Plan. Any such delegation hereunder shall only be made to the extent permitted by applicable law.

8. Employee Awards

(a) The Committee shall determine the type or types of Employee Awards to be made under this Plan and shall designate from time to time the Employees who are to be the recipients of such Awards. Each Award shall be embodied in an Award Agreement, which shall contain such terms, conditions and limitations as shall be determined by the Committee, in its sole discretion, and, if required by the Committee, shall be signed by the Participant to whom the Award is granted and by an Authorized Officer for and on behalf of the Company. Awards may consist of those listed in this Paragraph 8(a) hereof and may be granted singly, in combination or in tandem. Awards may also be made in combination or in tandem with, in replacement of, or as alternatives to, grants or rights under this Plan or any other plan of the Company or any of its Subsidiaries, including the plan of any acquired entity; *provided, however*, that, except as contemplated in Paragraph 15 hereof, no Option or SAR may be issued in exchange for the cancellation of an Option or SAR with a higher Exercise Price nor may the Exercise Price of any Option or SAR be reduced. All or part of an Award may be subject to conditions established by the Committee. Upon the termination of employment by a Participant who is an Employee, any unexercised, unvested or unpaid Awards shall be treated as set forth in the applicable Award Agreement or in any other written agreement the Company has entered into with the Participant.

(i) *Options*. An Employee Award may be in the form of an Option. An Option awarded pursuant to this Plan may consist of either an Incentive Stock Option or a Nonqualified Stock Option. The price at which shares of Common Stock may be purchased upon the exercise of an Option shall be not less than the Fair Market Value of the Common Stock on the Grant Date. The term of an Option shall not exceed 10 years from the Grant Date. Options may not include provisions that "reload" the Option upon exercise. Subject to the foregoing provisions, including the minimum vesting requirement described in this Paragraph 8(a), the terms, conditions and limitations applicable to any Option, including, but not limited to, the term of any Option and the date or dates upon which the Option becomes vested and exercisable, shall be determined by the Committee.

(ii) *Stock Appreciation Rights*. An Employee Award may be in the form of an SAR. The Exercise Price for an SAR shall not be less than the Fair Market Value of the Common Stock on the Grant Date. The holder of a tandem SAR may elect to exercise either the Option or the SAR, but not both. The exercise period for an SAR shall extend no more than 10 years after the Grant Date. SARs may not include provisions that “reload” the SAR upon exercise. Subject to the foregoing provisions, including the minimum vesting requirement described in this Paragraph 8(a), the terms, conditions, and limitations applicable to any SAR, including, but not limited to, the term of any SAR and the date or dates upon which the SAR becomes vested and exercisable, shall be determined by the Committee.

(iii) *Stock Awards*. An Employee Award may be in the form of a Stock Award. The terms, conditions and limitations applicable to any Stock Award, including, but not limited to, vesting or other restrictions, shall be determined by the Committee, and subject to the minimum Restriction Period and performance period requirements and any other applicable requirements described in this Paragraph 8(a).

(iv) *Restricted Stock Unit Awards*. An Employee Award may be in the form of a Restricted Stock Unit Award. The terms, conditions and limitations applicable to a Restricted Stock Unit Award, including, but not limited to, the Restriction Period and the right to receive Dividend Equivalents, if any, shall be determined by the Committee. Subject to the terms of this Plan, the Committee, in its sole discretion, may settle Restricted Stock Units in the form of cash or in shares of Common Stock (or in a combination thereof) equal to the value of the vested Restricted Stock Units.

(v) *Performance Unit Awards*. An Employee Award may be in the form of a Performance Unit Award. Each Performance Unit shall have an initial value that is established by the Committee on the Grant Date. Subject to the terms of this Plan, after the applicable performance period has ended, the Participant shall be entitled to receive settlement of the value and number of Performance Units earned by the Participant over the performance period, to be determined as a function of the extent to which the corresponding performance goals have been achieved. Settlement of earned Performance Units shall be as determined by the Committee and as evidenced in an Award Agreement. Subject to the terms of this Plan, the Committee, in its sole discretion, may settle earned Performance Units in the form of cash or in shares of Common Stock (or in a combination thereof) equal to the value of the earned Performance Units as soon as practicable after the end of the performance period and following the Committee’s determination of actual performance against the performance measures and related goals established by the Committee. The terms, conditions and limitations applicable to a Performance Unit Award, including, but not limited to, the Restriction Period and the right to Dividend Equivalents, if any, shall be determined by the Committee.

(vi) *Cash Awards*. An Employee Award may be in the form of a Cash Award. The terms, conditions and limitations applicable to a Cash Award, including, but not limited to, vesting or other restrictions, shall be determined by the Committee.

(b) *Performance Awards*. Without limiting the type or number of Awards that may be made under the other provisions of this Plan, any Employee Award granted under this Plan may be structured as a Performance Award. The terms, conditions and limitations applicable to an Award that is a Performance Award shall be determined by the Committee. The Committee shall set Performance Goals in its discretion which, depending on the extent to which they are met, will determine the value and/or amount of Performance Awards that will be paid out to the Participant and/or the portion of an Award that may be exercised.

(i) *Nonqualified Performance Awards*. Performance Awards granted to Employees that are not intended to qualify as qualified performance-based compensation under Code Section 162(m) shall be based on achievement of such Performance Goals and be subject to such terms, conditions and restrictions as the Committee or its delegate shall determine.

(ii) *Qualified Performance Awards*. Performance Awards granted to Employees under this Plan that are intended to qualify as qualified performance-based compensation under Code Section 162(m) shall be paid, vested or otherwise deliverable solely on account of the attainment of one or more pre-established, objective Performance Goals established by the Committee prior to the earlier to occur of (1) 90 days after the commencement of the period of service to which the Performance Goal relates and (2) the lapse of 25% of the period of service (as scheduled in good faith at the time the goal is established), and in any event while the outcome is substantially uncertain. A Performance Goal is objective if a third party having knowledge of the relevant facts could determine whether the goal is met. One or more of such goals may apply to the Employee, one or more business units, divisions or sectors of the Company, or the Company as a whole, and if so desired by the Committee, by comparison with a peer group of companies. A Performance Goal shall include one or more of the following: (a) cash flow (including operating cash flow, free cash flow, cash flow return on capital, or cash flow per share), (b) core earnings per share (including earnings before interest, taxes, depreciation and amortization), (c) return measures (including return on assets, capital, equity, or sales), (d) total shareholder return, (e) productivity ratios, (f) expense targets or ratios, (g) revenue, (h) core income or net income, (i) core operating income or net operating income, (j) operating profit or net operating profit, (k) gross or operating margin, (l) return on operating revenue, (m) market share, (n) loan volume, (o) loan delinquencies, (p) loan defaults, (q) loan credit indicators (including FICO, co-borrower, payments made, GPA and graduation), (r) overhead or other expense reduction, (s) charge-off levels, (t) deposit growth, (u) margins, (v) operating efficiency, (w) economic value added, (x) customer or employee satisfaction, (y) debt reduction, (z) capital targets, (aa) consummation of acquisitions, dispositions, projects or other specific events or transactions, (bb) liquidity, (cc) capital adequacy, (dd) ratio of nonperforming to performing assets, (ee) ratio of common equity to total assets, or (ff) regulatory compliance metrics.

Unless otherwise stated, such a Performance Goal need not be based upon an increase or positive result under a particular business criterion and could include, for example, maintaining the status quo or limiting economic losses (measured, in each case, by reference to specific business criteria). In interpreting Plan provisions applicable to Qualified Performance Awards, it is the intent of this Plan to conform with the standards of Code Section 162(m) and Treasury Regulation § 1.162-27(e)(2)(i), as to grants to Covered Employees and the Committee in establishing such goals and interpreting this Plan shall be guided by such provisions. Prior to the payment of any compensation based on the achievement of Performance Goals applicable to Qualified Performance Awards, the Committee must certify in writing that applicable Performance Goals and any of the material terms thereof were, in fact, satisfied. For this purpose, approved minutes of the Committee meeting in which the certification is made shall be treated as such written certification. Subject to the foregoing provisions, the terms, conditions and limitations applicable to any Qualified Performance Awards made pursuant to this Plan shall be determined by the Committee. The Committee may provide in any such Performance Award that any evaluation of performance may include or exclude certain events that occur during a Performance Period including but not limited to: (i) amortization, depreciation or impairment of tangible or intangible assets, (ii) litigation or claim judgments or settlements, (iii) the effect of changes in tax law, accounting principles or other laws or provisions affecting reported results, (iv) accruals for reorganization and restructuring programs or reductions in force or early retirement programs, (v) any unusual or infrequently occurring items that may be defined in an objective and non-discretionary manner under or by reference to U.S. Generally Accepted Accounting Principles, accounting standards or other applicable accounting standards in effect from time to time and/or in management's discussion and analysis of financial condition and results of operations appearing in the Company's annual report to shareholders for the applicable year, (vi) the sale of investments or non-core assets; (vii) discontinued operations, categories or segments; (viii) investments, acquisitions or dispositions; (ix) political, legal and other business interruptions (such as due to war, insurrection, riot, terrorism, confiscation, expropriation, nationalization, deprivation, seizure, and regulatory requirements); (x) natural catastrophes; (xi) currency fluctuations; (xii) stock based compensation expense; (xiii) early retirement of debt; (xiv) conversion of convertible debt securities; and (xv) termination of real estate leases.

(iii) *Adjustment of Performance Awards*. Awards that are intended to qualify as Performance Awards may not be adjusted upward. The Committee may retain the discretion to adjust such Performance Awards downward, either on a formula or discretionary basis or any combination, as the Committee determines.

9. Director Awards

The Outside Board has the sole authority to grant Director Awards from time to time in accordance with this Paragraph 9. Director Awards may consist of the forms of Award described in Paragraph 8, with the exception of Incentive Stock Options, may be granted singly, in combination, or in tandem and shall be granted subject to such terms and conditions as specified in Paragraph 8. Each Director Award may, in the discretion of the Outside Board, be embodied in an Award Agreement, which shall contain such terms, conditions, and limitations as shall be determined by the Outside Board, in its sole discretion. The maximum aggregate grant-date value of all Director Awards granted to any single Director during any single calendar year shall be $650,000.

10. Award Payment; Dividends and Dividend Equivalents

(a) *General*. Payment of Awards may be made in the form of cash or Common Stock, or a combination thereof, and may include such restrictions as the Committee (or the Outside Board, in the case of Director Awards) shall determine, including, but not limited to, in the case of Common Stock, restrictions on transfer and forfeiture provisions. For a Restricted Stock Award, the certificates evidencing the shares of such Restricted Stock (to the extent that such shares are so evidenced) shall contain appropriate legends and restrictions that describe the terms and conditions of the restrictions applicable thereto. For a Restricted Stock Unit Award that may be settled in shares of Common Stock, the shares of Common Stock that may be issued at the end of the Restriction Period shall be evidenced by book entry registration or in such other manner as the Committee may determine.

(b) *Dividends and Dividend Equivalents*. Dividends and/or Dividend Equivalents shall not be made part of any Options or SARs. Rights to (1) dividends will be extended to and made part of any Restricted Stock Award and (2) Dividend Equivalents may be extended to and made part of any Restricted Stock Unit Award and Performance Unit Award, subject in each case to such terms, conditions and restrictions as the Committee may establish; *provided, however*, that any such dividends or Dividend Equivalents paid with respect to unvested Stock Awards, including Stock Awards subject to Performance Goals shall be subject to the same restrictions and/or Performance Goals as applicable, as the underlying Stock Award.

11. Option Exercise

The Exercise Price shall be paid in full at the time of exercise in cash or, if permitted by the Committee and elected by the Participant, the Participant may purchase such shares by means of the Company withholding shares of Common Stock otherwise deliverable on exercise of the Award or tendering Common Stock valued at Fair Market Value on the date of exercise, or any combination thereof. The Committee, in its sole discretion, shall determine acceptable methods for Participants to tender Common Stock or other Awards. The Committee may provide for procedures to permit the exercise or purchase of such Awards by use of the proceeds to be received from the sale of Common Stock issuable pursuant to an Award (including cashless exercise procedures approved by the Committee involving a broker or dealer approved by the Committee). The Committee may adopt additional rules and procedures regarding the exercise of Options from time to time, provided that such rules and procedures are not inconsistent with the provisions of this Paragraph 11.

12. Taxes

The Company shall have the right to deduct applicable taxes from any Award payment and withhold, at the time of delivery or vesting of cash or shares of Common Stock under this Plan, an appropriate amount of cash or number of shares of Common Stock or a combination thereof for payment of required withholding taxes or to take such other action as may be necessary in the opinion of the Company to satisfy all obligations for withholding of such taxes; *provided, however*, that the number of shares of Common Stock withheld for payment of required withholding taxes must equal no more than the maximum individual statutory rate in the applicable jurisdiction, as determined in accordance with generally accepted accounting principles. The Committee may also permit withholding to be satisfied by the transfer to the Company of shares of Common Stock theretofore owned by the holder of the Award with respect to which withholding is required. If shares of Common Stock are used to satisfy tax withholding, such shares shall be valued based on the Fair Market Value when the tax withholding is required to be made.

13. Amendment, Modification, Suspension or Termination

The Board may amend, modify, suspend or terminate this Plan (and the Committee may amend an Award Agreement) for the purpose of meeting or addressing any changes in legal requirements or for any other purpose permitted by law, except that (1) no amendment or alteration that would adversely affect the rights of any Participant under any Award previously granted to such Participant shall be made without the consent of such Participant and (2) no amendment or alteration shall be effective prior to its approval by the shareholders of the Company to the extent shareholder approval is otherwise required by applicable legal requirements or the requirements of the securities exchange on which the Company's stock is listed, including any amendment that expands the types of Awards available under this Plan, materially increases the number of shares of Common Stock available for Awards under this Plan, materially expands the classes of persons eligible for Awards under this Plan, materially extends the term of this Plan, materially changes the method of determining the Exercise Price of Options, deletes or limits any provisions of this Plan that prohibit the repricing of Options or SARs, or decreases any minimum vesting requirements for any Stock Award.

14. Assignability

Unless otherwise determined by the Committee (or the Outside Board in the case of Director Awards) and expressly provided for in an Award Agreement, no Award or any other benefit under this Plan shall be assignable or otherwise transferable except (1) by will or the laws of descent and distribution or (2) pursuant to a domestic relations order issued by a court of competent jurisdiction that is not contrary to the terms and conditions of this Plan or applicable Award and in a form acceptable to the Committee. The Committee may prescribe and include in applicable Award Agreements other restrictions on transfer. Any attempted assignment of an Award or any other benefit under this Plan in violation of this Paragraph 14 shall be null and void. Notwithstanding the foregoing, no Award may be transferred for value or consideration.

15. Adjustments

(a) The existence of outstanding Awards shall not affect in any manner the right or power of the Company or its shareholders to make or authorize any or all adjustments, recapitalizations, reorganizations or other changes in the capital stock of the Company or its business or any merger or consolidation of the Company, or any issue of bonds, debentures, preferred or prior preference stock (whether or not such issue is prior to, on a parity with or junior to the Common Stock) or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding of any kind, whether or not of a character similar to that of the acts or proceedings enumerated above.

(b) In the event of any subdivision or consolidation of outstanding shares of Common Stock, declaration of a dividend payable in shares of Common Stock or other stock split, then (1) the number of shares of Common Stock reserved under this Plan, (2) the number of shares of Common Stock covered by outstanding Awards in the form of Common Stock or units denominated in Common Stock, (3) the Exercise Price or other price in respect of such Awards, (4) the Stock-Based Award Limitations, and (5) the appropriate Fair Market Value and other price determinations for such Awards shall each be proportionately adjusted by the Committee as appropriate to reflect such transaction. In the event of any other recapitalization or capital reorganization of the Company, any consolidation or merger of the Company with another corporation or entity, the adoption by the Company of any plan of exchange affecting the Common Stock or any distribution to holders of Common Stock of securities or property (other than normal cash dividends or dividends payable in Common Stock), the Committee shall make appropriate adjustments to (i) the number and kind of shares of Common Stock covered by Awards in the form of Common Stock or units denominated in Common Stock, (ii) the Exercise Price or other price in respect of such Awards, (iii) the appropriate Fair Market Value and other price determinations for such Awards, and (iv) the Stock-Based Award Limitations to reflect such transaction; provided that such adjustments shall only be such as are necessary to maintain the proportionate interest of the holders of the Awards and preserve, without increasing, the value of such Awards.

(c) In the event of a corporate merger, consolidation, acquisition of property or stock, separation, reorganization or liquidation, the Committee may make such adjustments to Awards or other provisions for the disposition of Awards as it deems equitable, and shall be authorized, in its discretion, (1) to provide for the substitution of a new Award or other arrangement (which, if applicable, may be exercisable for such property or stock as the Committee determines) for an Award or the assumption of the Award, regardless of whether in a transaction to which Code Section 424(a) applies, (2) to provide, prior to the transaction, for the acceleration of the vesting and exercisability of, or lapse of restrictions with respect to, the Award and, if the transaction is a cash merger, provide for the termination of any portion of the Award that remains unexercised at the time of such transaction, or (3) to cancel any such Awards and to deliver to the Participants cash in an amount that the Committee shall determine in its sole discretion is equal to the fair market value of such Awards on the date of such event, which in the case of Options or Stock Appreciation Rights shall be the excess of the Fair Market Value of Common Stock on such date over the Exercise Price of such Award.

(d) Notwithstanding anything to the contrary in Paragraph 15(c), the vesting of any Stock Awards, Options or SARs shall be accelerated upon an event described in Paragraph 15(c) only if the awards are not assumed by or substituted for awards of the surviving or acquiring entity, and the acceleration of vesting of any Performance-Based Equity Awards upon such event shall be adjusted for actual performance and/or the fractional performance period through the date of the event.

(e) No adjustment or acceleration pursuant to this Paragraph 15 shall be made in a manner that results in noncompliance with the requirements of Code Section 409A, to the extent applicable. For purposes of Code Section 409A, the immediate settlement of Awards whose vesting has been accelerated pursuant to the provisions hereof or of Paragraph 16 below shall, to the extent required in order to comply with Code Section 409A, conform to the requirements for a termination and liquidation of the Plan and all outstanding Awards under the Plan that are subject to Code Section 409A in accordance with Treasury Regulation § 1.409A-3(j)(4)(ix)(B).

16. Change of Control. Notwithstanding anything in Paragraph 15 to the contrary, the provisions of this Paragraph 16 shall apply to an outstanding Award if a Change in Control occurs.

(a) If a Change in Control triggered by clause (b) of the definition thereof occurs and outstanding Awards are not assumed or continued by the acquiring or surviving entity in the transaction, then upon consummation of the Change in Control: (1) if an Award is a Time-Based Equity Award, it shall vest fully and completely, any and all restrictions shall lapse, and (if an Option or SAR) it shall be fully exercisable; or (2) if an Award is a Performance-Based Equity Award, it shall vest based on the performance terms of the Award and based on actual performance achieved to the date of the Change in Control. The Committee may adjust the performance goals of a Performance Award in its good faith discretion to account for the shortened performance period.

(b) If a Change in Control triggered by clause (a) of the definition thereof occurs, or if the acquiring or surviving entity in a Change in Control triggered by clause (b) of the definition thereof assumes or continues the Award, then no acceleration of vesting, exercisability and/or payment of an outstanding Award shall occur in connection with the Change in Control; provided, however, that individual Awards may provide for acceleration if the Participant's employment with the Company (or any Subsidiary), or with any acquiring or surviving entity in the transaction (as the case may be), terminates in connection with the Change in Control due to a qualifying termination of employment under the circumstances provided in the Award, including (by way of example and not of limitation) any termination of employment other than either (x) involuntary termination by the Company, Subsidiary, or acquiring or surviving entity for Cause, or (y) voluntary termination by the Participant other than due to Retirement or Good Reason.

17. Restrictions

No Common Stock or other form of payment shall be issued with respect to any Award unless the Company shall be satisfied based on the advice of its counsel that such issuance will be in compliance with applicable federal and state securities laws. Certificates evidencing shares of Common Stock delivered under this Plan (to the extent that such shares are so evidenced) may be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Securities and Exchange Commission, any securities exchange or transaction reporting system upon which the Common Stock is then listed or to which it is admitted for quotation and any applicable federal or state securities law. The Committee may cause a legend or legends to be placed upon such certificates (if any) to make appropriate reference to such restrictions.

18. Unfunded Plan

This Plan is unfunded. Although bookkeeping accounts may be established with respect to Participants who are entitled to cash, Common Stock or rights thereto under this Plan, any such accounts shall be used merely as a bookkeeping convenience. The Company shall not be required to segregate any assets that may at any time be represented by cash, Common Stock or rights thereto, nor shall this Plan be construed as providing for such segregation, nor shall the Company, the Board or the Committee be deemed to be a trustee of any cash, Common Stock or rights thereto to be granted under this Plan. Any liability or obligation of the Company to any Participant with respect to an Award of cash, Common Stock or rights thereto under this Plan shall be based solely upon any contractual obligations that may be created by this Plan and any Award Agreement, and no such liability or obligation of the Company shall be deemed to be secured by any pledge or other encumbrance on any property of the Company. None of the Company, the Board or the Committee shall be required to give any security or bond for the performance of any obligation that may be created by this Plan. With respect to this Plan and any Awards granted hereunder, Participants are general and unsecured creditors of the Company and have no rights or claims except as otherwise provided in this Plan or any applicable Award Agreement.

19. Code Section 409A

(a) Awards made under this Plan are intended to comply with or be exempt from Code Section 409A, and ambiguous provisions hereof, if any, shall be construed and interpreted in a manner consistent with such intent. No payment, benefit or consideration shall be substituted for an Award if such action would result in the imposition of taxes under Code Section 409A. Notwithstanding anything in this Plan to the contrary, if any Plan provision or Award under this Plan would result in the imposition of an additional tax under Code Section 409A, that Plan provision or Award shall be reformed, to the extent permissible under Code Section 409A, to avoid imposition of the additional tax, and no such action shall be deemed to adversely affect the Participant's rights to an Award.

(b) Unless the Committee provides otherwise in an Award Agreement, each Restricted Stock Unit Award, Performance Unit Award or Cash Award (or portion thereof if the Award is subject to a vesting schedule) shall be settled no later than the 15th day of the third month after the end of the first calendar year in which the Award (or such portion thereof) is no longer subject to a "substantial risk of forfeiture" within the meaning of Code Section 409A. If the Committee determines that a Restricted Stock Unit Award, Performance Unit Award or Cash Award is intended to be subject to Code Section 409A, the applicable Award Agreement shall include terms that are designed to satisfy the requirements of Code Section 409A.

(c) If the Participant is identified by the Company as a "specified employee" within the meaning of Code Section 409A(a)(2)(B)(i) on the date on which the Participant has a "separation from service" (other than due to death) within the meaning of Treasury Regulation § 1.409A-1(h), any Award payable or settled on account of a separation from service that is deferred compensation subject to Code Section 409A shall be paid or settled on the earliest of (1) the first business day following the expiration of six months from the Participant's separation from service, (2) the date of the Participant's death, or (3) such earlier date as complies with the requirements of Code Section 409A.

20. Awards to Foreign Nationals and Employees Outside the United States

The Committee may, without amending this Plan, (1) establish special rules applicable to Awards granted to Participants who are foreign nationals, are employed or otherwise providing services outside the United States, or both, including rules that differ from those set forth in this Plan, and (2) grant Awards to such Participants in accordance with those rules.

21. Governing Law

This Plan and all determinations made and actions taken pursuant hereto, to the extent not otherwise governed by mandatory provisions of the Code or the securities laws of the United States, shall be governed by and construed in accordance with the laws of the State of Delaware.

22. Right to Continued Service or Employment

Nothing in this Plan or an Award Agreement shall interfere with or limit in any way the right of the Company or any of its Subsidiaries to terminate any Participant's employment or other service relationship with the Company or its Subsidiaries at any time, nor confer upon any Participant any right to continue in the capacity in which he is employed or otherwise serves the Company or its Subsidiaries.

23. Usage

Words used in this Plan in the singular shall include the plural and in the plural the singular, and the gender of words used shall be construed to include whichever may be appropriate under any particular circumstances of the masculine, feminine or neuter genders.

24. Headings

The headings in this Plan are inserted for convenience of reference only and shall not affect the meaning or interpretation of this Plan.

25. Effectiveness

This Plan, as approved by the Board on April 7, 2014, became effective as of the Effective Date. This Plan shall continue in effect for a term of 10 years commencing on the Effective Date, unless earlier terminated by action of the Board.

The then sole shareholder of the Company approved this Plan on April 8, 2014. The Company amended and restated the Plan on April 6, 2015, April 4, 2017, and again on May 24, 2018.

IN WITNESS WHEREOF, Navient Corporation has caused this Plan to be executed by its duly authorized officer, effective as provided herein.

NAVIENT CORPORATION

By:____________________________________

Mark L. Heleen
Executive Vice President, Chief Legal Officer & Secretary

Exhibit 10.2

Navient Deferred Compensation Plan
(As Amended and Restated as of May 24, 2018)

ARTICLE 1. PURPOSE

Section 1.1. Navient Corporation offers the Navient Deferred Compensation Plan (the "Plan") to certain key employees for the purpose of saving for retirement and other personal expenses on a tax-favored basis.

The Plan, originally named the Sallie Mae Deferred Compensation Plan for Key Employees, was adopted effective January 1, 1998. Effective May 1, 2014, the Plan was amended and restated to reflect the assumption and continuation of the Sallie Mae Deferred Compensation Plan for Key Employees, a portion of which was spun-off to be maintained by New BLC Corporation, a Delaware Corporation ("SLM BankCo"), or an affiliate thereof, and the Plan was renamed the Navient Corporation Deferred Compensation Plan for Key Employees.

The Plan was amended and restated effective January 1, 2015 to reflect the merger of the Navient Supplemental 401(k) Savings Plan with and into the Navient Corporation Deferred Compensation Plan for Key Employees, and was renamed the Navient Deferred Compensation Plan, and again as of May 24, 2018. This amended and restated Plan applies to amounts deferred under the Plan with respect to a Participant's service on or after January 1, 2015. The terms of the Plan (or, to the extent applicable, the terms of the Navient Supplemental 401(k) Savings Plan) in effect immediately before January 1, 2015 shall apply to amounts deferred under the Plan (or, to the extent applicable, the Navient Supplemental 401(k) Savings Plan) with respect to a Participant's service prior to January 1, 2015. For the avoidance of doubt, the terms of the Plan (or, to the extent applicable, the terms of the Navient Supplemental 401(k) Savings Plan) in effect immediately before January 1, 2015 shall apply to any annual cash performance-based compensation earned pursuant to the Navient Corporation 2014 Management Incentive Plan and deferred pursuant to a timely election made in 2014, as well as any Company contribution associated with such deferral.

With respect to amounts deferred hereunder that are subject to Code Section 409A, as amended, and any regulations and other official guidance issued thereunder, applicable provisions of the Plan document shall be interpreted to permit the deferral of compensation in accordance with Code Section 409A, and any provision that would conflict with such requirements shall not be valid or enforceable.

ARTICLE 2. DEFINITIONS

Section 2.1. The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

Account. "Account" means the account or accounts established on behalf of a Participant, on the books of the Company, pursuant to Section 5.1, which shall be comprised of the following sub-accounts: one Retirement/Termination Distribution Account and/or one or more In-Service Distribution Accounts.

Administrator. "Administrator" means the senior human resources officer of the Company.

Affiliate. "Affiliate" means any firm, partnership, or corporation that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with Navient, provided such Affiliate is designated as such by the Administrator. "Affiliate" also includes any other organization similarly related to the Company that is designated as such by the Administrator.

Alternative Company Contributions. "Alternative Company Contributions" means the contributions made by the Company pursuant to Section 4.6, which were credited to the Retirement/Termination Distribution Account of eligible Participants for periods prior to the Effective Date.

Beneficiary. "Beneficiary" means the person or persons designated as such in accordance with Section 12.3.

Board. "Board" means the Board of Directors of Navient.

Bonus. "Bonus" means any annual cash performance-based compensation earned pursuant to the Navient Corporation Management Incentive Plan or any successor plan to the Navient Corporation Management Incentive Plan.

Bonus Deferral. "Bonus Deferral" means the portion of Bonus that otherwise would be payable to a Participant but for the Participant's timely election to defer receipt of such payment pursuant to Section 4.2 of this Plan.

Code. "Code" means the Internal Revenue Code of 1986, as amended from time to time.

Company. "Company" means Navient and any Affiliate, unless the Affiliate has made an affirmative election not to adopt the Plan. A Company may revoke its participation in the Plan at any time, but until such revocation, all the provisions of the Plan and amendments thereto shall apply to the Eligible Employees of the Company. In the event a Company revokes its participation in the Plan, the Plan shall be deemed terminated only with respect to such Company.

Company Contributions. "Company Contributions" means the contributions made by the Company pursuant to Section 4.5, which were credited to the Retirement/Termination Distribution Account of eligible Participants for periods prior to the Effective Date.

Disabled. "Disabled" has the meaning set forth in the Navient Employees Comprehensive Welfare Benefits Plan with respect to the provision of long-term disability benefits (provided that the Participant qualifies as a "disabled" within the meaning of Treasury Regulation Section 1.409A-3(i)(4)).

Earnings Crediting Options. "Earnings Crediting Options" means the deemed investment options that are offered under the Plan from time to time and selected by the Participant pursuant to which deemed earnings are credited to the Participant's Account.

Effective Date. "Effective Date" means January 1, 2019.

Eligible Employee. "Eligible Employee" means an Employee who (i) is at the Director level or above at the Company, and (ii) is designated by the Administrator as eligible to participate in the Plan.

Eligible Compensation. "Eligible Compensation" means, for any given Plan Year, the sum of a Participant's (i) Salary for the Plan Year, plus (ii) any Bonus earned in the calendar year immediately preceding the Plan Year and payable in the Plan Year; provided that such sum shall be reduced (but not below zero) by the dollar limit set forth in section 401(a)(17) of the Code that is applicable for the Plan Year. Notwithstanding the preceding sentence, the Eligible Compensation of a Participant shall not exceed $500,000 in any given Plan Year.

Employee. "Employee" means any individual employed by the Company, in accordance with the personnel policies and practices of the Company, including citizens of the United States employed outside of their home country and resident aliens employed in the United States; provided, however, that to qualify as an "Eligible Employee" for purposes of the Plan, the individual must be a member of a group of "key management or other highly compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974, as amended.

End Termination Date. "End Termination Date" means the date of termination of a Participant's Service with the Company and its Affiliates and shall be determined without reference to any compensation continuation arrangement or severance benefit arrangement that may be applicable.

Enrollment Agreement. "Enrollment Agreement" means the authorization, in form and substance satisfactory to the Administrator, which an Eligible Employee files in order to participate in the Plan.

In-Service Distribution Account. "In-Service Distribution Account" means a sub-account maintained on behalf of a Participant to record the amounts payable at a future date as specified in the Participant's Enrollment Agreement. Unless otherwise determined by the Administrator, a Participant may maintain no more than five In-Service Distribution Accounts.

Navient. "Navient" means Navient Corporation, a Delaware Corporation.

Navient 401(k) Plan. "Navient 401(k) Plan" means the Navient 401(k) Savings Plan.

Participant. "Participant" means an Eligible Employee who has filed a complete Enrollment Agreement with the Administrator or the Administrator's designee, in accordance with the provisions of Section 4, and who is making Salary Deferrals, Bonus

Deferrals and/or (for periods prior to the Effective Date) Target Dollar Deferrals into the Plan. In the event that the Participant becomes incompetent, the term shall mean his or her personal representative or guardian, who shall have the rights of a Participant, except the right to change the form and timing of the commencement of benefits elected by the Participant on the Enrollment Agreement. In the event of the death of a Participant, the term shall mean his or her Beneficiary, who shall have the rights of a Participant, except the right to change the form and timing of the commencement of benefits elected by the Participant on the Enrollment Agreement. An individual shall remain a Participant until that individual has received full distribution of any amount credited to the Participant's Account.

Plan. "Plan" means this plan, the Navient Deferred Compensation Plan, as amended from time to time.

Plan Year. "Plan Year" means the 12-month period beginning on each January 1 and ending on the following December 31.

Retirement. "Retirement" means a Participant's Termination of Employment, where the Participant has attained the age of sixty (60) and has served ten (10) or more Years of Service with the Company prior to his or her Termination of Employment.

Retirement/Termination Account. "Retirement/Termination Account" means a sub-account maintained on behalf of a Participant to which Salary Deferrals and Bonus Deferrals are credited, and to which Target Dollar Deferrals, Company Contributions and Alternative Company Contributions were credited for periods prior to the Effective Date.

Salary. "Salary" means the total amount of cash remuneration paid by the Company to an Eligible Employee for any calendar year of employment as base salary, including the Participant's contributions of Salary under this Plan, any elective deferrals, as defined in section 402(g) of the Code, and any compensation contributed on behalf of an Eligible Employee to any cafeteria plan, as defined in section 125 of the Code, maintained by the Company or an Affiliate, but not taking into account any fringe benefits, moving and relocation expenses and other forms of welfare benefits.

Salary Deferral. "Salary Deferral" means the portion of Salary that otherwise would be payable to a Participant but for the Participant's timely election to defer receipt of such payment pursuant to Section 4.1 of this Plan.

Service. "Service" means the period of time during which an employment relationship exists between an Employee and the Company, including any period during which the Employee is on an approved leave of absence, whether paid or unpaid. "Service" includes employment prior to May 1, 2014, with SLM Corporation, or an affiliate of SLM Corporation.

Target Dollar Deferral. For periods prior to the Effective Date, "Target Dollar Deferral" meant the portion of Salary that otherwise would be payable to a Participant but for the Participant's timely election to defer receipt of such payment pursuant to Section 4.3 of this Plan. For periods on and after the Effective Date, no further Target Dollar Deferrals may be elected under the Plan.

Termination of Employment. "Termination of Employment" or "Terminates Employment" means a termination of employment or other separation from Service from the Company as described in Code Section 409A and the regulations thereunder.

Valuation Date. "Valuation Date" means each day on which the NASDAQ Stock Exchange is open for business, or such other date determined by the Administrator.

Year of Service. "Year of Service" means each 12-month period of Service.

ARTICLE 3. ADMINISTRATION OF THE PLAN AND DISCRETION

Section 3.1. The Administrator shall have full power and authority to interpret the Plan, to prescribe, amend and rescind any rules, forms and procedures as he or she deems necessary or appropriate for the proper administration of the Plan, and to make any other determinations and to take any other actions as he or she deems necessary or advisable in carrying out his or her duties under the Plan. All action taken by the Administrator arising out of, or in connection with, the administration of the Plan or any rules adopted thereunder, shall, in each case lie within his or her sole discretion, and shall be final, conclusive and binding upon any Company, the Board, all Employees, all Beneficiaries of Employees and all persons and entities having an interest therein. Notwithstanding any provision in this Plan to the contrary, the Administrator shall have no authority to take any action or make any decision which impacts solely on the Plan benefits of the Administrator.

Section 3.2. The Administrator shall serve without compensation for his or her services unless otherwise determined by the Board. All expenses of administering the Plan shall be paid by the Company.

Section 3.3. Navient shall indemnify and hold harmless the Administrator from any and all claims, losses, damages, expenses (including counsel fees) and liability (including any amounts paid in settlement of any claim or any other matter with the consent of the Board) arising from any act or omission of such member, except when the same is due to gross negligence or willful misconduct. Except as otherwise provided by law, neither the Administrator nor any other person who is an employee, officer and/or director of the Company, will incur any liability whatsoever on account of any matter connected with or related to the Plan or the administration of the Plan, unless such person has acted in bad faith, or has willfully neglected his or her duties, in respect of the Plan.

Section 3.4. Any decisions, actions or interpretations to be made under the Plan by the Administrator shall be made in his or her sole discretion, not as a fiduciary, and need not be uniformly applied to similarly situated individuals and shall be final, binding and conclusive on all persons interested in the Plan.

ARTICLE 4. DEFERRAL ELECTIONS

Section 4.1. Salary Deferrals. An Eligible Employee will be offered the opportunity each Plan Year to defer a percentage of his or her Salary to be earned in the following Plan Year by timely filing a complete and fully executed Enrollment Agreement pursuant to procedures established by the Administrator. A completed Enrollment Agreement must be filed by the Eligible Employee no later than the annual filing deadline established by the Administrator, but in no event later than the last day of the Plan Year (i.e., December 31 of the year prior to the year in which the Salary will be earned). With respect to Salary Deferrals, a completed Enrollment Agreement shall become irrevocable on the first day of the subsequent Plan Year (i.e., January 1 of the year in which the Salary will be earned).

A completed Enrollment Agreement shall specify (a) the percentage of Salary to be deferred (pursuant to payroll reduction, and after required payroll taxes have been deducted), expressed in a whole percentage, and (b) whether the Salary Deferral will be allocated to a Retirement/Termination Account or to an In-Service Account. A Participant shall allocate his or her Salary Deferral between these accounts in increments of one percent; provided, however, that 100 percent of such Salary Deferral may be allocated to one such account. The Administrator may establish minimum or maximum amounts that may be deferred under this Section and may change such standards from time to time; provided, however, that in no event shall the maximum amount be permitted to exceed 80 percent of the Eligible Employee's Salary.

Section 4.2. Bonus Deferrals. An Eligible Employee will be offered the opportunity each Plan Year to defer a portion of his or her Bonus by timely filing a complete and fully executed Enrollment Agreement pursuant to procedures established by the Administrator. Except as provided below with respect to Bonuses that qualify as performance-based compensation under Code Section 409A, a completed Enrollment Agreement must be filed by the Eligible Employee no later than the annual filing deadline established by the Administrator, but in no event later than the last day of the Plan Year immediately preceding Plan Year in which the Bonus will be earned (i.e., December 31 of the year prior to the year in which the Bonus will be earned). In the case of any Bonus that is designated by the Company as a performance-based Bonus and which qualifies as performance-based compensation under Code Section 409A, a completed Enrollment Agreement must be filed by the Eligible Employee in accordance with Treasury Regulation §1.409A-2(a)(8) no later than the date that is six months before the end of the performance period related to such Bonus (which performance period shall be not less than 12 months), or such other earlier date designated by the Administrator. With respect to Bonus Deferrals, a completed Enrollment Agreement shall become irrevocable on the day immediately following the latest date for filing such Enrollment Agreement.

A completed Enrollment Agreement shall specify (a) the percentage of Bonus to be deferred (pursuant to payroll reduction, and after required payroll taxes have been deducted), expressed in a whole percentage, and (b) whether the Bonus Deferral will be allocated to a Retirement/Termination Account or to an In-Service Account. A Participant shall allocate his or her Bonus Deferral between these accounts in increments of one percent; provided, however, that 100 percent of such Bonus Deferral may be allocated to one such account. The Administrator may establish minimum or maximum amounts that may be deferred under this Section and may change such standards from time to time; provided, however, that in no event shall the maximum amount be permitted to exceed 80 percent of the Eligible Employee's Bonus.

Section 4.3. Target Dollar Deferrals. For periods prior to the Effective Date, each Eligible Employee designated by the Administrator was offered the opportunity each Plan Year to defer a fixed dollar amount, determined by the Company, of his or her Salary to be earned in the following Plan Year by timely filing a complete and fully executed Enrollment Agreement pursuant to procedures established by the Administrator. No Participant shall have the opportunity to make Target Dollar Deferrals for periods on or after the Effective Date.

Section 4.4. Newly Eligible Employees. The Administrator may, in his or her discretion, permit Employees who first become Eligible Employees after the beginning of a Plan Year to enroll in the Plan for that Plan Year by filing a complete and fully executed Enrollment Agreement, in accordance with Sections 4.1 and 4.2, as soon as practicable following the date the Employee becomes an Eligible Employee, but in no event later than 30 days after such date. Any election by an Eligible Employee pursuant to this Section to defer Salary shall apply only to such amounts as are earned by the Eligible Employee after the date on which such Enrollment Agreement is filed. Notwithstanding anything in this Section to the contrary, a newly Eligible Employee shall not be eligible to elect to defer any Bonus earned in the Plan Year in which he or she first becomes an Eligible Employee, if he or she becomes an Eligible Employee after June 30 of the Plan Year.

Section 4.5. Company Contributions. For periods prior to the Effective Date, a Participant who had completed one Year of Service was eligible to receive a Company Contribution, subject to the conditions set forth in this Section 4.5. For each Plan Year prior to the Effective Date in which a Participant made a Salary Deferral or a Bonus Deferral, the Participant was eligible to receive a Company Contribution in an amount equal to the greater of: (i) five percent (5%) of the Participant's Eligible Compensation, or (ii) five percent (5%) of the sum of the Participant's Salary Deferral and Bonus Deferral; provided, however, that the Company Contribution for a given Plan Year did not exceed the sum of the Participant's Salary Deferral and Bonus Deferral. Any Company Contribution was credited to the Participant's Retirement/Termination Distribution Account at such time(s) as determined solely by the Company. A Participant who made a Target Dollar Deferral with respect to a given Plan Year was not eligible to receive a Company Contribution for that Plan Year. No Participant shall be eligible to receive a Company Contribution for any Eligible Compensation paid or any Salary or Bonus Deferrals made on or after the Effective Date. For avoidance of doubt, no Participant shall be eligible to receive a Company Contribution for any Bonus earned in 2018 but paid in 2019.

Section 4.6. Alternative Company Contributions. For periods prior to the Effective Date, a Participant who had completed one Year of Service was eligible to receive an Alternative Company Contribution, subject to the conditions set forth in this Section 4.6. For each Plan Year prior to the Effective Date in which a Participant made a Target Dollar

Deferral, the Participant was eligible to receive a Company Alternative Contribution in an amount equal to the greater of: (i) the Participant's Target Dollar Deferral, or (ii) five percent (5%) of the Participant's Eligible Compensation; provided, however, the Company Alternative Contribution for a given Plan Year did not exceed $25,000. Any Company Alternative Contribution was credited to the Participant's Retirement/Termination Distribution Account at such time(s) as determined solely by the Company. No Participant shall be eligible to make Target Dollar Deferrals or receive an Alternative Company Contribution for any periods on or after the Effective Date. For avoidance of doubt, no Participant shall be eligible to receive an Alternative Company Contribution for any Bonus earned in 2018 but paid in 2019.

Section 4.7. Transfers from Other Plans of Deferred Compensation. The Company may credit an Eligible Employee with an amount under this Plan equal to the amount credited under a prior plan of deferred compensation maintained by the Company or its predecessor on behalf of a selected group of management and highly compensated employees. Any such amount shall be credited to the Retirement/Termination Distribution Account.

Section 4.8. Vesting. A Participant shall be 100% vested in his Account at all times.

ARTICLE 5. PARTICIPANT ACCOUNTS

Section 5.1. Establishment of Accounts. The Company shall establish on its books a hypothetical Account for each Participant. Each Account shall be comprised of one or more sub-accounts. One sub-account shall be referred to as the Retirement/Termination Account. Generally, the distribution of amounts credited to the Retirement/Termination Account shall be subject to Section 7.1 or Section 7.2 (depending on the nature of the Participant's separation from Service). The other sub-accounts shall be referred to as In-Service Accounts. Company Contributions and Alternative Company Contributions, when credited for periods prior to the Effective Date, were credited only to the Retirement/Termination Distribution Account.

Section 5.2. Earnings on Participant Accounts. A Participant's Account shall be credited with earnings in accordance with the Earnings Crediting Options, elected by the Participant from time to time, until such Account is fully distributed. Participants may allocate their Retirement/Termination Account and/or each of their In-Service Accounts among the Earnings Crediting Options then available under the Plan only in accordance with rules and procedures adopted by the Administrator. In the event no Earnings Crediting Option election is received, a Participant's Account shall be deemed invested in an Earnings Crediting Option, as available from time to time, which has been designated as a default Earnings Crediting Option by the Administrator. The deemed rate of return, positive or negative, credited under each Earnings Crediting Option is based upon the actual investment performance of such Earnings Crediting Option, and shall equal the total return of such Earnings Crediting Option, net of asset based charges, including, without limitation, money management fees, fund expenses and mortality and expense risk insurance contract charges. The Company reserves the right, on a prospective basis, to add or delete Earnings Crediting Options.

Section 5.3. Earnings Crediting Options. Notwithstanding that the rates of return credited to Participants' Accounts under the Earnings Crediting Options are based upon the actual performance of the Earnings Crediting Options, the Company shall not be obligated to invest any Salary Deferrals, Bonus Deferrals, Target Dollar Deferrals, Company Contributions, Alternative Company Contributions or any other amounts in such Earnings Crediting Options.

Section 5.4. Changes in Earnings Crediting Options. Subject to limitations set forth in Section 11, a Participant may change the Earnings Crediting Options to which his or her Account is deemed to be allocated with whatever frequency is determined by the Administrator, which shall not be less than four times per Plan Year. Each such change may include (a) reallocation of the Participant's existing Retirement/Termination Account and In-Service Accounts among the Earnings Crediting Options, and/or (b) reallocation of Earnings Crediting Options with respect to amounts to be credited to the Participant's Account in the future, as the Participant may elect. Any such change must be in accordance with the rules and procedures adopted by the Administrator.

Section 5.5. Valuation of Accounts. The value of a Participant's Account as of any Valuation Date shall equal the amounts theretofore credited to such Account, including any earnings (positive or negative) deemed to be earned on such Account in accordance with Section 5.2 through the Valuation Date coincident with or immediately preceding such date, less the amounts theretofore deducted from such Account.

Section 5.6. Statement of Accounts. Except as set forth below, the Administrator shall provide to each Participant, not less frequently than annually, a statement in such form as the Administrator deems desirable setting forth the balance standing to the credit of the Participant's Account. In lieu of providing such a statement, the Administrator may provide each Participant with electronic access to information regarding his or her Account via a website maintained by Plan's third-party administrator.

Section 5.7. Distribution from Accounts. The Participant's Account shall be reduced by the amount of payments made by the Company to the Participant or the Participant's Beneficiary pursuant to this Plan. Any distribution made to or on behalf of a Participant from his or her Account in an amount which is less than the entire balance of any such Account shall be made pro rata from each of the Earnings Crediting Options to which such Account is then allocated.

ARTICLE 6. DISTRIBUTION ELECTIONS

Section 6.1. Election of Distribution Options. In the first Enrollment Agreement filed by an Eligible Employee, the Eligible Employee shall elect the time and manner of payment pursuant to which the Eligible Employee's Account will be paid.

Section 6.2. Retirement/Termination Account. Initial elections as to the payment of a Participant's Retirement/Termination Account upon Retirement shall be applicable to all amounts in the Retirement/Termination Distribution Account.

Section 6.3. In-Service Account. The time and manner of payment elected with respect to an In-Service Account must be elected on the Enrollment Agreement at the time Salary Deferrals, Bonus Deferrals or (for periods prior to the Effective Date) Target Dollar Deferrals are first directed into the In-Service Account. The election of the time and manner of payment will be applicable to all amounts in such In-Service Account.

Section 6.4. Election Changes. An election to change the time and manner of payment of amounts deferred into one or more sub-account: 1) must delay distribution of such amount for at least 5 years beyond the original distribution date; 2) must be made at least 12 months before the original distribution date; and 3) will not be effective until 12 months after the Participant makes the new election. For purposes of this Section 6.4, installment payments will be treated as a single form of payment.

ARTICLE 7. DISTRIBUTION OF BENEFITS

Section 7.1. Distribution of Benefits Upon Retirement. Upon a Termination of Employment that qualifies as a Retirement under the Plan, the Participant's Retirement/Termination Account shall be distributed in one of the following methods, as elected by the Participant in accordance with Section 6.2: (i) in a single lump sum, or (ii) in up to ten (10) annual installments. In the event no distribution election is received, the Participant's Retirement/Termination Account shall be distributed in a single lump sum. Distribution of the Participant's Retirement/Termination Account shall be made or commence on the first day of the seventh month following the Participant's Termination of Employment.

Section 7.2. Distribution of Benefits Upon Termination Other Than Retirement. Upon a Termination of Employment that does not qualify as a Retirement, the Participant's Retirement/Termination Distribution Account shall be distributed in a single lump sum on the first day of the seventh month following the Participant's Termination of Employment.

Section 7.3. Distribution of Benefits From In-Service Distribution Account. Each In-Service Account maintained on behalf of a Participant shall be distributed in one of the following methods, as elected by the Participant in accordance with Section 6.3: (i) in a single lump sum, or (ii) in up to five (5) annual installments. In the event no distribution election is received, the Participant's In-Service Account shall be distributed in a single lump sum. Payment of each In-Service Account shall commence in the Plan Year elected by the Participant at a time selected by the Administrator. Notwithstanding the preceding sentence, the remaining balance of an In-Service Account will be distributed in a single lump sum upon a Termination of Employment if the Participant elected to receive such a distribution pursuant to the first Enrollment Agreement filed with respect to the In-Service Account, provided that such distribution shall be made on the first day of the seventh month following the Participant's Termination of Employment.

Section 7.4. Distribution of Benefits Upon a Change of Control. A Participant's entire Account balance shall become immediately due and payable upon the occurrence of a Change in Control only if (i) the Change in Control satisfies the requirements of Code Section 409A(a)(2)(A)(v) (and the guidance issued thereunder) and (ii) the Participant elected to receive a distribution of benefits upon a Change in Control pursuant to the first Enrollment Agreement filed with respect to the Participant's Account. Any such distribution of the Participant's entire Account balance upon the occurrence of a Change in Control shall be made in a single lump sum as soon as practicable following the Change in Control. For purposes of this Section 7.4, a Change in Control means a change in the ownership or effective control of the Corporation or in the ownership of a substantial portion of the assets of Navient, as determined in accordance with the requirements of Code Section 409A.

Section 7.5. Installment Payments. If the Participant has elected to receive his or her Account in the form of installment payments, the first annual installment payment shall equal (i) the value of such Account as of the applicable Valuation Date, divided by (ii) the number of annual installment payments elected by the Participant in the Enrollment Agreement, pursuant to which such Account was established. The remaining annual installments shall equal (i) the value of such Account as of the applicable Valuation Date divided by (ii) the number of installments remaining.

Section 7.6. Mode of Distribution. Except as otherwise required under Article 11, all distributions and withdrawals under the Plan shall be made in cash.

ARTICLE 8. DISABILITY

Section 8.1. In the event a Participant becomes Disabled, the Participant's Retirement/Termination Distribution Account, if any, shall be distributed to the Participant in accordance with Section 7.1 or Section 7.2, as applicable. The Participant's In-Service Distribution Accounts, if any, will be distributed to the Participant in accordance with Section 7.3(a), without regard to the fact that the Participant became Disabled. In addition, the Participant's right to make any further deferrals under this Plan shall terminate if the Participant has incurred a medically determinable physical or mental impairment resulting in the Participant's inability to perform the duties of his or her position or any substantially similar position where such impairment can be expected to result in death or can be expected to last for a continuous period of not less than six months.

ARTICLE 9. SURVIVOR BENEFITS

Section 9.1. Death of Participant Prior to the Commencement of Benefits. In the event of a Participant's death prior to the commencement of benefits in accordance with Section 7, the Participant's entire Account balance shall be paid to the Participant's Beneficiary, as determined under Section 12.3, in a single lump sum as soon as practicable following the Participant's death..

Section 9.2. Death of Participant After Benefits Have Commenced. In the event a Participant dies after annual installments from his or her Account have commenced, but before the entire balance of such Account has been paid, the remaining balance shall be paid to the Participant's Beneficiary, as determined under Section 12.3, in a single lump sum as soon as practicable following the Participant's death.

ARTICLE 10. EMERGENCY BENEFIT

Section 10.1. In the event that the Administrator, upon written request of a Participant, determines, in his or her sole discretion, that the Participant has suffered an unforeseeable financial emergency, the Company shall pay to the Participant from his or her Account, as soon as practicable following such determination, an amount necessary to meet the emergency, after deduction of any and all taxes as may be required pursuant to Section 12.9 (the "Emergency Benefit"), and after taking into account the extent to which such hardship is or may be relieved through reimbursement or compensation by insurance or otherwise or by liquidation of the Participant's assets (to the extent the liquidation of such assets would not itself cause severe financial hardship). An unforeseeable financial emergency means a severe financial hardship to the Participant resulting from an illness or accident of the Participant, the Participant's spouse, the Participant's beneficiary, or of a Participant's dependent (as defined in Code Section 152, without regard to Code Section 152(b)(1), (b)(2), and (d)(1)(B)); loss of the Participant's property due to casualty (including the need to rebuild a home following damage to a home not otherwise covered by insurance); or similar extraordinary and unforeseeable circumstances arising as a result of events beyond the control of the Participant. Examples of events that may constitute an unforeseeable financial emergency include the imminent foreclosure of or eviction from the Participant's primary residence; the need to pay for medical expenses, including non-refundable deductibles, as well as for the costs of prescription drug medication; and the need to pay for the funeral expenses of the Participant's spouse, the Participant's beneficiary, or the Participant's dependent (as defined in Code Section 152, without regard to Code Sections 152(b)(1), (b)(2), and (d)(1)(B)). Whether a Participant is faced with an unforeseeable financial emergency will be determined based on the relevant facts and circumstances of each case, but, in any case, a distribution on account of an unforeseeable financial emergency may not be made to the extent that such emergency is or may be relieved: (i) through reimbursement or compensation by available insurance or otherwise, (ii) by liquidation of the Participant's assets, to the extent the liquidation of such assets would not itself cause severe financial hardship or (iii) by cessation of deferrals under the Plan. Emergency Benefits shall be paid first from the Participant's In-Service Distribution Accounts, if any, in the order in which such Accounts would otherwise be distributed to the Participant. If the distribution exhausts the In-Service Accounts, the Retirement/Termination Distribution Account may be accessed. With respect to that portion of any Account which is distributed to a Participant as an Emergency Benefit in accordance with this Section, no further benefit shall be payable to the Participant under this Plan. Notwithstanding anything in this Plan to the contrary, a Participant who receives an Emergency Benefit in any Plan Year shall not be entitled to make any further Salary or Bonus Deferrals for the remainder of such Plan Year.

The amount available for distribution of amounts deferred under the Plan on account of an unforeseeable financial emergency shall be limited to the amount reasonably necessary to satisfy the emergency need (which may include amounts necessary to pay any Federal, state, local, or foreign income taxes or penalties reasonably anticipated to result from the distribution), and shall be determined in accordance with Code Section 409A and the regulations thereunder. In all events, distributions due to an unforeseeable financial emergency shall be made solely in accordance with the provisions of Code Section 409A and related official guidance.

ARTICLE 11. EARNINGS CREDITING OPTION BASED ON COMPANY STOCK

Section 11.1. Vice Presidents and Above. Notwithstanding any other provision of the Plan, for Participants who are or become a Vice President or above, any portion of such a Participant's Account deemed to be invested in Navient stock may not be changed to another investment option for the entire period of time that the Account is maintained and shall be distributed in the form of Navient common stock.

ARTICLE 12. MISCELLANEOUS

Section 12.1. Amendment and Termination. The Plan may be amended, suspended, discontinued or terminated at any time by Navient; provided, however, that no such amendment, suspension, discontinuance or termination shall reduce or in any manner adversely affect the rights of any Participant with respect to benefits that are payable or may become payable under the Plan based upon the balance of the Participant's Accounts as of the effective date of such amendment, suspension, discontinuance or termination. Notwithstanding the foregoing, in no event shall any amendment, modification or termination be made in a manner that is inconsistent with the requirements under Code Section 409A.

Section 12.2. Claims Procedure.

(a) Claim

A person who believes that he or she is being denied a benefit to which he or she is entitled under the Plan (hereinafter referred to as a "Claimant") may file a written request for such benefit with the Plan's third-party administrator, setting forth the claim.

(b) Claim Decision

Upon receipt of a claim, the Plan's third-party administrator shall advise the Claimant that a reply will be forthcoming within ninety (90) days and shall, in fact, deliver such reply within such period. The Plan's third-party administrator may, however, extend the reply period for an additional ninety (90) days for reasonable cause.

If the claim is denied in whole or in part, the Claimant shall be provided a written opinion, using language calculated to be understood by the Claimant, setting forth:

(1) The specific reason or reasons for such denial;

(2) The specific reference to pertinent provisions of this Agreement on which such denial is based;

(3) A description of any additional material or information necessary for the Claimant to perfect his or her claim and an explanation why such material or such information is necessary; and

(4) Appropriate information as to the steps to be taken if the Claimant wishes to submit the claim for review.

(c) Request for Review

Within sixty (60) days after the receipt by the Claimant of the written opinion described above, the Claimant may request in writing that the Administrator review the determination of the Plan's third-party administrator. The Claimant or his/her duly authorized representative may, but need not, review the pertinent documents and submit issues and comment in writing for consideration by the Administrator. If the Claimant does not request a review of the initial determination within such sixty (60) day period, the Claimant shall be barred and estopped from challenging the determination.

(d) Review of Decision

Within sixty (60) days after the Administrator's receipt of a request for review, it will review the initial determination. After considering all materials presented by the Claimant, the Administrator will render a written opinion, written in a manner calculated to be understood by the Claimant, setting forth the specific reasons for the decision and containing specific references to the pertinent provisions of this Agreement on which the decision is based. If special circumstances require that the sixty (60) day time period be extended, the Administrator will so notify the Claimant and will render the decision as soon as possible, but no later than one hundred twenty (120) days after receipt of the request for review.

Section 12.3. Designation of Beneficiary. Each Participant may designate a Beneficiary or Beneficiaries (which Beneficiary may be an entity other than a natural person) to receive any payments which may be made following the Participant's death. Such designation may be changed or canceled at any time without the consent of any such Beneficiary. Any such designation, change or cancellation must be made in a form approved by the Administrator and shall not be effective until received by the Administrator, or his or her designee. If no Beneficiary has been named, or the designated Beneficiary or Beneficiaries shall have predeceased the Participant, the Beneficiary shall be the Participant's estate. If a Participant designates more than one Beneficiary, the interests of such Beneficiaries shall be paid in equal shares, unless the Participant has specifically designated otherwise.

Section 12.4. Limitation of Participant's Right. Nothing in this Plan shall be construed as conferring upon any Participant any right to continue in the employment of the Company, nor shall it interfere with the rights of the Company to terminate the employment of any Participant and/or to take any personnel action affecting any Participant without regard to the effect which such action may have upon such Participant as a recipient or prospective recipient of benefits under the Plan. Any amounts payable hereunder shall not be deemed salary or other compensation to a Participant for the purposes of computing benefits to which the Participant may be entitled under any other arrangement established by the Company for the benefit of its employees.

Section 12.5. No Limitation on Company Actions. Nothing contained in the Plan shall be construed to prevent the Company from taking any action which is deemed by it to be appropriate or in its best interest. No Participant, Beneficiary, or other person shall have any claim against the Company as a result of such action.

Section 12.6. Obligations to Company. If a Participant becomes entitled to a distribution of benefits under the Plan, and if at such time the Participant has outstanding any debt, obligation, or other liability representing an amount owing to the Company that arose in the ordinary course of the service relationship between the Company and the Participant, then the Company may offset, to the extent permitted under Treasury Regulation §1.409A-3(j)(4)(xiii), such amount owed to it against the amount of benefits otherwise distributable, to the extent permissible under State law. Such determination shall be made by the Administrator.

Section 12.7. Nonalienation of Benefits. Except as expressly provided herein, no Participant or Beneficiary shall have the power or right to transfer (otherwise than by will or the laws of descent and distribution), alienate, or otherwise encumber the Participant's interest under the Plan, except pursuant to a domestic relations order that would qualify as a Qualified Domestic Relations Order under section 414(p) of the Code. The Company's obligations under this Plan may not be assigned or transferred except to (a) any corporation or partnership which acquires all or substantially all of the Company's assets or (b) any corporation or partnership into which the Company may be merged or consolidated. The provisions of the Plan shall inure to the benefit of each Participant and the Participant's Beneficiaries, heirs, executors, administrators or successors in interest.

Section 12.8. Protective Provisions. Each Participant shall cooperate with the Company by furnishing any and all information requested by the Company in order to facilitate the payment of benefits hereunder, taking such physical examinations (for insurance purposes) as the Company may deem necessary and taking such other relevant action as may be requested by the Company. If a Participant refuses to cooperate, the Company shall have no further obligation to the Participant under the Plan, other than payment to such Participant of the then current balance of the Participant's Accounts in accordance with his or her prior elections.

Section 12.9. Withholding Taxes. Subject to the requirements of Code Section 409A and any guidance issued thereunder, the Company may make such provisions and take such action as it may deem necessary or appropriate for the withholding of any taxes which the Company is required by any law or regulation of any governmental authority, whether Federal, state or local, to withhold in connection with any benefits under the Plan, including, but not limited to, the withholding of appropriate sums from any amount otherwise payable to the Participant (or his or her Beneficiary). Each Participant, however. shall be responsible for the payment of all individual tax liabilities relating to any such benefits.

Section 12.10. Unfunded Status of Plan. The Plan is intended to constitute an "unfunded" plan of deferred compensation for Participants. Benefits payable hereunder shall be payable out of the general assets of the Company, and no segregation of any assets whatsoever for such benefits shall be made. Notwithstanding any segregation of assets or transfer to a grantor trust, with respect to any payments not yet made to a Participant, nothing contained herein shall give any such Participant any rights to assets that are greater than those of a general creditor of the Company.

Section 12.11. Severability. If any provision of this Plan is held unenforceable, the remainder of the Plan shall continue in full force and effect without regard to such unenforceable provision and shall be applied as though the unenforceable provision were not contained in the Plan.

Section 12.12. Government Law. The Plan shall be construed in accordance with the laws of the State of Delaware, without reference to the principles of conflict of laws.

Section 12.13. Headings. Headings are inserted in this Plan for convenience of reference only and are to be ignored in the construction of the provisions of the Plan.

Section 12.14. Gender. Singular or Plural. All pronouns and any variations thereof shall be deemed to refer to the masculine, feminine, or neuter, as the identity of the person or persons may require. As the context may require, the singular may read as the plural and the plural as the singular.

Section 12.15. Notice. Any notice or filing required or permitted to be given to the Plan or the Administrator under the Plan shall be sufficient if in writing and hand delivered, or sent by registered or certified mail, to the Human Resources Department, or to such other entity as the Administrator may designate from time to time. Such notice shall be deemed given as to the date of delivery, or, if delivery is made by mail, as of the date shown on the postmark on the receipt for registration or certification.

IN WITNESS WHEREOF, Navient Corporation has caused this Plan to be duly executed in its name and on its behalf as of the ______ day of June, 2018.

NAVIENT CORPORATION

By: ______________________________

Mark L. Heleen
Executive Vice President, Chief Legal Officer & Secretary

Exhibit 10.3

Navient Corporation

Change in Control Severance Plan for Senior Officers

As Amended and Restated Effective May 24, 2018

ARTICLE 1

NAME, PURPOSE AND EFFECTIVE DATE

1.01. **Name and Purpose of Plan**. The name of this plan is the Navient Corporation Change in Control Severance Plan for Senior Officers (the "Plan"). The purpose of the Plan is to provide compensation and benefits to certain senior level officers of Navient Corporation (the "Corporation") and its affiliates upon certain change in control events of the Corporation.

1.02. **Effective Date**. The effective date of the Plan is May 1, 2014. The Plan was amended and restated effective November 1, 2015, to make certain clarifying changes, and again on May 24, 2018. The compensation and benefits payable under this Plan are payable upon change in control events that occur after the effective date of this Plan.

1.03. **ERISA Status**. This Plan is intended to be an unfunded plan that is maintained primarily to provide severance compensation and benefits to a select group of "management or highly compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974 ("ERISA"), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

ARTICLE 2

DEFINITIONS

The following words and phrases shall have the following meanings unless a different meaning is plainly required by the context:

2.01. "**Base Salary**" means the greater of the annual base rate of compensation payable to an Eligible Officer at the time of (a) a Change in Control, or (b) a Termination Date, such annual base rate of compensation not reduced by any pre-tax deferrals under any tax-qualified plan, non-qualified deferred compensation plan, qualified transportation fringe benefit plan under Code Section 132(f), or cafeteria plan under Code Section 125 maintained by the Corporation, but excluding the following: incentive or other bonus plan payments, accrued vacation, commissions, sick leave, holidays, jury duty, bereavement, other paid leaves of absence, short-term disability payments, recruiting/job referral bonuses, severance, hiring bonuses, long-term disability payments, payments from a nonqualified deferred compensation plan maintained by the Corporation, or amounts paid on account of the exercise of stock options or on account of the award or vesting of restricted or performance stock or other stock-based compensation.

2.02. "**Board of Directors**" means the Board of Directors of Navient Corporation.

2.03. "**Bonus**" means the greater of: (a) the average of the annual bonuses earned under the Navient Corporation 2014 Omnibus Incentive Plan (or any similar incentive plan adopted by the Corporation from time to time) for the two-year period prior to a Change in Control or (b) the average of the annual bonuses earned under the Navient Corporation 2014 Omnibus Incentive Plan (or any similar incentive plan adopted by the Corporation from time to time), including a comparable annual incentive plan of a Successor Corporation, for the two-year period prior to the Eligible Officer's Termination Date; except that, with regard to an Eligible Officer with no bonus payment history, "Bonus" means such Eligible Officer's target bonus multiplied by the percentage that results from dividing the two-year average of actual bonuses paid to officers at the same level as the Eligible Officer by the two-year average of the target bonuses set for officers at the same level as the Eligible Officer, and with regard to an Eligible Officer with one year of bonus history, such Eligible Officer's "Bonus" means the average of (I) his or her actual bonus and (II) his or her target bonus multiplied by the percentage that results from dividing the average of actual bonuses paid to officers at the same level as the Eligible Officer by the average of the target bonuses set for officers at the same level as the Eligible Officer.

2.04. "**Change in Control**" means an occurrence of any of the following events: (a) an acquisition (other than directly from the Corporation) of any voting securities of the Corporation (the "Voting Securities") by any "person or group" (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934), other than an employee benefit plan of the Corporation, immediately after which such person has "Beneficial Ownership" (within the meaning of Rule 13d-3 under the Securities Exchange Act of 1934) of more than fifty percent (50%) of the combined voting power of the Corporation's then outstanding Voting Securities; (b) the closing of a merger, consolidation or reorganization involving the Corporation and the entity resulting from the merger, consolidation or reorganization (the "Surviving Corporation") does not assume the Navient Corporation 2014 Omnibus Incentive Plan (or any similar equity incentive plan adopted by the Corporation from time to time); (c) the closing of a merger, consolidation or reorganization involving the Corporation but either (I) the stockholders of the Corporation immediately before such merger, consolidation or reorganization own, directly or indirectly immediately following such merger, consolidation or reorganization, less than fifty percent (50%) of the combined voting power of the Surviving Corporation in substantially the same proportion as their ownership immediately before such merger, consolidation or reorganization, or (II) less than a majority of the members of the Board of Directors of the Surviving Corporation were directors of the Corporation immediately prior to the execution of the agreement providing for such merger, consolidation or reorganization; (d) the filing of a certificate of dissolution with the Secretary of State of the State of Delaware to effect a dissolution of the Corporation or the filing of a petition for relief under the United States Bankruptcy Code; or (e) such other events as the Board of Directors or a Committee of the Board of Directors from time to time may specify.

2.05. "**For Cause**" means a determination by the Committee (as defined herein) that there has been a willful and continuing failure of an Eligible Officer to perform substantially his duties and responsibilities (other than as a result of Eligible Officer's death or Disability) and, if in the judgment of the Committee such willful and continuing failure may be cured by an Eligible Officer, that such failure has not been cured by an Eligible Officer within ten (10) business days after written notice of such was given to Eligible Officer by the Committee, or that Eligible Officer has committed an act of Misconduct (as defined below). For purposes of this Plan, "Misconduct" shall mean: (a) embezzlement, fraud, conviction of a felony crime, pleading guilty or nolo contender to a felony crime, or breach of fiduciary duty or deliberate disregard of the Corporation's Code of Business Code; (b) personal dishonesty of Eligible Officer materially injurious to the Corporation; (c) an unauthorized disclosure of any proprietary information; or (d) competing with the Corporation or its affiliates while employed by the Corporation or its affiliates, or during the restricted period in contravention of the non-competition and non-solicitation agreements substantially in the form provided in Exhibit A upon termination of employment.

2.06. "**Termination of Employment For Good Reason**" means an Eligible Officer's resignation from his employment due to (a) a material reduction in the position or responsibilities of Eligible Officer; (b) a material reduction in Eligible Officer's Base Salary or a material reduction in Eligible Officer's compensation arrangements or benefits (provided that variability in the value of stock-based compensation or in the compensation provided under the Navient Corporation 2014 Omnibus Incentive Plan (or any similar incentive plan adopted by the Corporation from time to time) shall not be deemed to cause a material reduction in compensation); or (c) a relocation of the Eligible Officer's primary work location to a distance of more than seventy-five (75) miles from its location as of the date of this Plan without the consent of Eligible Officer, unless such relocation results in the Eligible Officer's primary work location being closer to Eligible Officer's then primary residence or does not substantially increase the average commuting time of Eligible Officer.

2.07. "**Termination Date**" has the following meaning. For purposes of a "Termination of Employment For Good Reason," Termination Date means the date that the Eligible Officer submits his written notice of resignation to the Corporation; provided, however, that if the decision to resign is due to clause (a) of the definition of "Termination of Employment For Good Reason," the Termination Date means the date that is six months following the date that the Eligible Officer submits his written notice of resignation to the Corporation. For purposes of a "Termination of Employment Without Cause," Termination Date means the date the Corporation delivers written notice of termination to the Eligible Officer.

2.08. "**Termination of Employment Without Cause**" means termination of an Eligible Officer's employment by the Corporation for any reason other than "For Cause" or on account of death or disability, as defined in the Corporation's long-term disability policy in effect at the time of termination ("Disability").

ARTICLE 3

ELIGIBILITY AND BENEFITS

3.01. **Eligible Officers**. Officers of Navient Corporation and its wholly-owned subsidiaries with the Navient corporate title of Senior Vice President or above are eligible for benefits under this Plan (the "Eligible Officers"). In addition, an Eligible Officer shall not be entitled to receive benefits more than once under this Plan as a result of holding titles with multiple entities with the Corporation and the group of companies under common control with the Corporation.

3.02. **Treatment of Equity Awards Upon a Change in Control**. In the event of a Change in Control, any outstanding equity awards under the Navient Corporation 2014 Omnibus Incentive Plan (or similar incentive plan adopted by the Corporation from time to time) (the "Equity Plan") shall be treated in accordance with the terms of such awards and the Equity Plan.

3.03. **Double Trigger Change-in-Control Benefits**. An Eligible Officer shall be entitled to receive a severance payment (the "Severance Payment") and continuation of medical and dental insurance benefits if within the first 24-month period after the occurrence of a Change in Control, either: (I) the Eligible Officer gives written notice of his Termination of Employment for Good Reason, provided that if such notice is on account of a decision to resign due to clause (a) of the definition of "Termination of Employment For Good Reason," such Eligible Officer continues his employment for a 6-month period following the delivery of such notice, or (II) upon a Termination of Employment Without Cause.

(a) The amount of the Severance Payment shall equal two times the sum of the Eligible Officer's Base Salary and Bonus plus a cash payment equal to the Eligible Officer's target annual bonus amount for the year in which the Termination Date occurs, such target bonus amount to be prorated for the full number of months in the final year that the Eligible Officer was employed by the Corporation or its affiliates. The Severance Payment shall be made to the Eligible Officer in a single lump sum cash payment following the date that the Eligible Officer becomes entitled to a Severance Payment but in no event later than seventy-five calendar days from the Termination Date if intended to be exempt from the requirements of Section 409A of the Code.

(b) For 24 months following the Eligible Officer's Termination Date, the Eligible Officer and his eligible dependents or survivors shall be entitled to continue to participate in any medical, dental and vision insurance plans generally available to the senior management of the Corporation, as such plans may be in effect from time to time on the terms generally applied to actively employed senior management of the Corporation, including any Eligible Officer cost-sharing provision; provided that if the Corporation determines it cannot provide such continued coverage without potentially violating applicable law, the Corporation shall in lieu thereof provide to the Eligible Officer a taxable monthly payment in an amount equal to the portion of the monthly premium that the Corporation would otherwise be required to pay under this Section 3.03(b) to continue the Eligible Officer's coverage by such medical, dental and vision benefit plans (based on the premium for the first month of coverage following the Eligible Officer's Termination Date), which payment will commence in the month following the month in which the Eligible Officer's Termination Date occurs and end on the final day of the applicable continuation period described in this Section 3.03(b). An Eligible Officer shall cease to be covered under the foregoing medical, dental and/or vision insurance plans if he becomes eligible to obtain coverage under medical, dental and/or vision insurance plans of a subsequent employer.

(c) All payments and benefits provided under this Section 3.03 are conditioned on the Eligible Officer's continuing compliance with this Plan and the Eligible Officer's execution (and effectiveness) of a release of claims and covenant not to sue and non-competition and non-solicitation agreements substantially in the form provided in Exhibit A upon termination of employment.

3.04. **<u>Tax Effect of Payments</u>**. (a) No Excise Tax Gross-Up. In the event it is determined that any compensation by or benefit from the Corporation to the Eligible Officer or for the Eligible Officer's benefit, whether pursuant to the terms of this Plan or otherwise ("Total Payments"), (i) constitute "parachute payments" within the meaning of Section 280G of the Internal Revenue Code of 1986 as amended (the "Code") and (ii) would be subject to taxes of any state, local or federal taxing authority that would not have been imposed but for a change in control, including any excise tax under Section 4999 of the Code, and any successor or comparable provision ("Excise Tax"), then the Eligible Officer's benefits under this Plan or otherwise shall be either (x) delivered in full or (y) delivered as to such lesser extent which would result in no portion of the Total Payments being subject to Excise Tax, whichever of the foregoing amounts, taking into account the applicable federal, state and local income taxes and the Excise Tax, results in the receipt by the Executive on an after-tax basis of the greatest amount of benefits, notwithstanding that all or some portion of the Total Payments may be taxable under Section 4999 of the Code. In the event that the payments and/or benefits are to be reduced pursuant to this Section 3.04(a), such payments and benefits shall be reduced such that the reduction of after-tax compensation to be provided to the Eligible Officer as a result of this Section 3.04(a) is minimized. In applying this principle, the reduction shall be made in a manner consistent with the requirements of Section 409A of the Code and where two economically equivalent amounts are subject to reduction but payable at different times, such amounts shall be reduced on a pro rata basis but not below zero. In addition, the Corporation may in its discretion, include in the lesser benefits paid under (y) above, a reasonable cushion amount to take into account that the final value of the benefits delivered to the Executive Officer could be determined at a later point in time. Each Eligible Officer shall cooperate fully with the Corporation to determine the benefits applicable under this Section.

(b) <u>Determination by Auditors</u>. All mathematical determinations and all determinations of whether any of the Total Payments are "parachute payments" (within the meaning of section 280G of the Code) that are required to be made under this Section 3, shall be made by the independent auditors retained by the Corporation most recently prior to the change in control (the "Auditors"), who shall provide their determination (the "Determination"), together with detailed supporting calculations, both to the Corporation and to the Eligible Officer promptly following the Eligible Officer's Termination Date, if applicable, or such earlier time as is requested by the Corporation. Any Determination by the Auditors shall be binding upon the Corporation and the Eligible Officer, absent a binding determination by a governmental taxing authority that a greater or lesser amount of taxes is payable by the Eligible Officer. The Corporation shall pay the fees and costs of the Auditors. If the Auditors do not agree to perform the tasks contemplated by this Section 3, then the Corporation shall promptly select another qualified accounting firm to perform such tasks.

3.05. **<u>Section 409A</u>**. Notwithstanding anything herein to the contrary, to the extent that the Committee determines, in its sole discretion, that any payments or benefits to be provided hereunder to or for the benefit of an Eligible Officer who is also a "specified employee" (as such term is defined under Section 409A(a)(2)(B)(i) of the Code or any successor or comparable provision) would be subject to the additional tax imposed under Section 409A(a)(1)(B) of the Code or any successor or comparable provision, the commencement of such payments and/or benefits shall be delayed until the earlier of (x) the date that is six months following the Termination Date or (y) the date of the Eligible Officer's death or disability (within the meaning of

Section 409A(a)(2)(C) of the Code or any successor or comparable provision) (such date is referred to herein as the “Distribution Date”). In the event that the Committee determines that the commencement of any of the benefits or payments to be provided under Section 3.03(b) are to be delayed pursuant to the preceding sentence, the Corporation shall require the Eligible Officer to bear the full cost of such benefits until the Distribution Date at which time the Corporation shall reimburse the Designated Employee for all such costs.

ARTICLE 4

COMMITTEE

4.01. **Committee**. The Plan shall be administered by the Employee Benefits Fiduciary Committee, appointed by and serving at the pleasure of the Board of Directors serving at the pleasure of the Board of Directors and consisting of at least three (3) officers of the Corporation (the “Committee”).

4.02. **Powers**. The Committee shall have full power, discretion and authority to interpret, construe and administer the Plan and any part hereof, and the Committee’s interpretation and construction hereof, and any actions hereunder, shall be binding on all persons for all purposes. The Committee shall provide for the keeping of detailed, written minutes of its actions. The Committee, in fulfilling its responsibilities may (by way of illustration and not of limitation) do any or all of the following:

(i) allocate among its members, and/or delegate to one or more other persons selected by it, responsibility for fulfilling some or all of its responsibilities under the Plan in accordance with Section 405(c) of ERISA;

(ii) designate one or more of its members to sign on its behalf directions, notices and other communications to any entity or other person;

(iii) establish rules and regulations with regard to its conduct and the fulfillment of its responsibilities under the Plan;

(iv) designate other persons to render advice with respect to any responsibility or authority pursuant to the Plan being carried out by it or any of its delegates under the Plan; and

(v) employ legal counsel, consultants and agents as it may deem desirable in the administration of the Plan and rely on the opinion of such counsel.

4.03. **Action by Majority**. The majority of the members of the Committee in office at the time will constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee will be by the vote of the majority at any meeting or by written instrument signed by the majority.

ARTICLE 5

CLAIM FOR BENEFITS UNDER THIS PLAN

5.01. **Claims for Benefits under this Plan**. A condition precedent to receipt of severance benefits is the execution of an unaltered release of claims in form and substance prescribed by the Corporation. If an Eligible Officer believes that an individual should have been eligible to participate in the Plan or disputes the amount of benefits under the Plan, such individual may submit a claim for benefits in writing to the Committee within sixty 60 days after the individual's termination of employment. If such claim for benefits is wholly or partially denied, the Committee shall within a reasonable period of time, but no later than 90 days after receipt of the written claim, notify the individual of the denial of the claim. If an extension of time for processing the claim is required, the Committee may take up to an additional 90 days, provided that the Committee sends the individual written notice of the extension before the expiration of the original 90-day period. The notice provided to the individual will describe why an extension is required and when a decision is expected to be made. If a claim is wholly or partially denied, the denial notice: (1) shall be in writing, (2) shall be written in a manner calculated to be understood by the individual, and (3) shall contain (a) the reasons for the denial, including specific reference to those plan provisions on which the denial is based; (b) a description of any additional information necessary to complete the claim and an explanation of why such information is necessary; (c) an explanation of the steps to be taken to appeal the adverse determination; and (d) a statement of the individual's right to bring a civil action under section 502(a) of ERISA following an adverse decision after appeal. The Committee shall have full discretion consistent with their fiduciary obligations under ERISA to deny or grant a claim in whole or in part. If notice of denial of a claim is not furnished in accordance with this section, the claim shall be deemed denied and the claimant shall be permitted to exercise his rights to review pursuant to Sections 5.02 and 5.03.

5.02. **Right to Request Review of Benefit Denial**. Within 60 days of the individual's receipt of the written notice of denial of the claim, the individual may file a written request for a review of the denial of the individual's claim for benefits. In connection with the individual's appeal of the denial of his benefit, the individual may submit comments, records, documents, or other information supporting the appeal, regardless of whether such information was considered in the prior benefits decision. Upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim.

5.03. **Disposition of Claim**. The Committee shall deliver to the individual a written decision on the claim promptly, but not later than 60 days after the receipt of the individual's written request for review, except that if there are special circumstances which require an extension of time for processing, the 60-day period shall be extended to 120 days; provided that the appeal reviewer sends written notice of the extension before the expiration of the original 60-day period. If the appeal is wholly or partially denied, the denial notice will: (1) be written in a manner calculated to be understood by the individual, (2) contain references to the specific plan provision(s) upon which the decision was based; (3) contain a statement that, upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and (4) contain a statement of the individual's right to bring a civil action under section 502(a) of ERISA.

5.04. **Exhaustion**. An individual must exhaust the Plan's claims procedures prior to bringing any claim for benefits under the Plan in a court of competent jurisdiction. No lawsuit shall be brought against the Plan, the Committee or the Corporation after 60 days from receipt of the final decision on a claim appeal.

ARTICLE 6

MISCELLANEOUS

6.01. **Successors**. (a) Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Corporation's business and/or assets shall be obligated under this Plan in the same manner and to the same extent as the Corporation would be required to perform it in the absence of a succession.

(b) This Plan and all rights of the Eligible Officer hereunder shall inure to the benefit of, and be enforceable by, the Eligible Officer's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6.02. **Creditor Status of Eligible Officers**. In the event that any Eligible Officer acquires a right to receive payments from the Corporation under the Plan, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

6.03. **Facility of Payment**. If it shall be found that (a) an Eligible Officer entitled to receive any payment under the Plan is physically or mentally incompetent to receive such payment and to give a valid release therefore, and (b) another person or an institution is then maintaining or has custody of such Eligible Officer, and no guardian, committee, or other representative of the estate of such person has been duly appointed by a court of competent jurisdiction, the payment may be made to such other person or institution referred to in (b) above, and the release shall be a valid and complete discharge for the payment.

6.04. **Notice of Address**. Each Eligible Officer entitled to benefits under the Plan must file with the Corporation, in writing, his post office address and each change of post office address. Any communication, statement or notice addressed to such Eligible Officer at such address shall be deemed sufficient for all purposes of the Plan, and there shall be no obligation on the part of the Corporation to search for or to ascertain the location of such Eligible Officer.

6.05. **Headings**. The headings of the Plan are inserted for convenience and reference only and shall have no effect upon the meaning of the provisions hereof.

6.06. **Choice of Law**. The Plan shall be construed, regulated and administered under the laws of the State of Delaware (excluding the choice-of-law rules thereto), except that if any such laws are superseded by any applicable Federal law or statute, such Federal law or statute shall apply.

6.07. **Construction**. Whenever used herein, a masculine pronoun shall be deemed to include the masculine and feminine gender, a singular word shall be deemed to include the singular and plural and vice versa in all cases where the context requires.

6.08. **Termination; Amendment; Waiver**. (a) Prior to the occurrence of a Change in Control, the Board of Directors, or a delegated Committee of the Board, may amend or terminate the Plan at any time and from time to time. Termination or amendment of the Plan shall not affect any obligation of the Corporation under the Plan which has accrued and is unpaid as of the effective date of the termination or amendment. Unless and until a Change in Control shall have occurred, an Eligible Officer shall not have any vested rights under the Plan or any agreement entered into pursuant to the Plan.

(b) From and after the occurrence of a Change in Control, no provision of this Plan shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Eligible Officer and by an authorized officer of the Corporation (other than the Eligible Officer). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Notwithstanding anything herein to the contrary, the Board of Directors may, in its sole discretion, amend the Plan (which amendment shall be effective upon its adoption or at such other time designated by the Board of Directors) at any time prior to a Change in Control as may be necessary to avoid the imposition of the additional tax under Section 409A(a)(1)(B) of the Code; provided, however, that any such amendment shall be implemented in such a manner as to preserve, to the greatest extent possible, the terms and conditions of the Plan as in existence immediately prior to any such amendment.

6.09. **Whole Agreement**. This Plan contains all the legally binding understandings and agreements between the Eligible Officer and the Corporation pertaining to the subject matter thereof and supersedes all such agreements, whether oral or in writing, previously entered into between the parties.

6.10. **Withholding Taxes**. All payments made under this Plan shall be subject to reduction to reflect taxes required to be withheld by law.

6.11. **No Assignment**. The rights of an Eligible Officer to payments or benefits under this Plan shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor’s process, and any action in violation of this Section 6.11 shall be void.

Exhibit 10.4

Navient Corporation

Executive Severance Plan for Senior Officers

As Amended and Restated Effective May 24, 2018

ARTICLE 1

NAME, PURPOSE AND EFFECTIVE DATE

1.01. **Name and Purpose of Plan**. The name of this plan is the Navient Corporation Executive Severance Plan for Senior Officers ("Plan"). The purpose of the Plan is to provide compensation and benefits to certain senior level officers of Navient Corporation (the "Corporation") and its affiliates upon employment termination.

1.02. **Effective Date**. The effective date of the Plan is May 1, 2014. The Plan was amended and restated effective May 24, 2018, to make certain clarifying changes. The compensation and benefits payable under the Plan are payable upon certain employment terminations that occur after the effective date of this Plan.

1.03. **Employment Contracts Govern; Change in Control Severance Plan**. To the extent that an Eligible Officer is a party to an employment or other contract or agreement that provides for any severance payments upon such Eligible Officer's termination of employment with the Corporation or any of its subsidiaries, then that contract or agreement governs, and not this Plan. Upon the expiration of such contract or agreement, this Plan will govern. In addition, an Eligible Officer shall not be entitled to receive benefits more than once under this Plan as a result of holding titles with multiple entities with the Corporation and the group of companies under common control with the Corporation. In addition, to the extent that the Change in Control Severance Plan for Senior Officers provides for severance payments upon an Eligible Officer's termination of employment with the Corporation or any of its subsidiaries, then that Plan will govern, and not this Plan.

1.04. **ERISA Status**. This Plan is intended to be an unfunded plan that is maintained primarily to provide severance compensation and benefits to a select group of "management or highly compensated employees" within the meaning of Sections 201, 301, and 401 of the Employee Retirement Income Security Act of 1974 ("ERISA"), and therefore to be exempt from the provisions of Parts 2, 3, and 4 of Title I of ERISA.

ARTICLE 2

DEFINITIONS

The following words and phrases have the following meanings unless a different meaning is plainly required by the context:

2.01. "**Average Bonus**" means the annualized performance bonus compensation calculated under this Plan for the rolling 24-month period immediately prior to the Eligible

Officer's Termination Date, including as a full month the month during which the Termination Date occurs. Only bonuses paid or payable under the Corporation's annual management incentive plan will be used for purposes of calculating Average Bonus under this Plan; any other bonus payments will be disregarded. An example of a calculation of the Average Bonus portion of a Severance Payment according to the Plan is attached hereto as Exhibit A. For purposes of calculating Average Bonus under this Plan for the current fiscal year, the Eligible Officer's base salary and target bonus at the Termination Date will be used and the Corporate performance scores from all completed quarters during the relevant portion of the fiscal year will be used. Notwithstanding anything to the contrary herein, if an Eligible Officer has fewer than 24 months of employment with the Corporation as of his or her Termination Date, then "Average Bonus" means the annualized performance bonus compensation calculated as described above but prorated for the portion of the rolling 24-month period that is represented by the time from the Eligible Officer's date of hire to the Eligible Officer's Termination Date. An example of a calculation of the Average Bonus portion of a Severance Payment according to the previous sentence is attached hereto as Exhibit B.

2.02. "**Base Salary**" means the annual base rate of compensation payable to an Eligible Officer at the time of a Termination Event, such annual base rate of compensation not reduced by any pre-tax deferrals under any tax-qualified plan, non-qualified deferred compensation plan, qualified transportation fringe benefit plan under Code Section 132(f), or cafeteria plan under Code Section 125 maintained by the Corporation, but excluding the following: incentive or other bonus plan payments, accrued vacation, commissions, sick leave, holidays, jury duty, bereavement, other paid leaves of absence, short-term disability payments, recruiting/job referral bonuses, severance, hiring bonuses, long-term disability payments, payments from a nonqualified deferred compensation plan maintained by the Corporation, or amounts paid on account of the exercise of stock options or on account of the award or vesting of restricted or performance stock or other stock-based compensation.

2.03. "**Board of Directors**" means the Board of Directors of Navient Corporation.

2.04. "**For Cause**" means a determination by the Committee (as defined herein) that there has been a willful and continuing failure of an Eligible Officer to perform substantially his duties and responsibilities (other than as a result of Eligible Officer's death or Disability) and, if in the judgment of the Committee such willful and continuing failure may be cured by an Eligible Officer, that such failure has not been cured by an Eligible Officer within ten (10) business days after written notice of such was given to Eligible Officer by the Committee, or that Eligible Officer has committed an act of Misconduct (as defined below). For purposes of this Plan, "Misconduct" means: (a) embezzlement, fraud, conviction of a felony crime, pleading guilty or nolo contendere to a felony crime, or breach of fiduciary duty or deliberate disregard of the Corporation's Code of Business Code; (b) personal dishonesty of Eligible Officer materially injurious to the Corporation; (c) an unauthorized disclosure of any Proprietary Information; or (d) competing with the Corporation while employed by the Corporation or during the Restricted Period, in contravention of the non-competition and non-solicitation agreements substantially in the form provided in Exhibit C upon termination of employment.

2.05. "**Termination of Employment For Good Reason**" means: (a) a material reduction in the position or responsibilities of the Eligible Officer not including a change in title only; (b) a material reduction in Eligible Officer's Base Salary or a material reduction in Eligible Officer's compensation arrangements (provided that variability in the value of stock-based compensation or in the compensation provided under the Navient Corporation 2014 Omnibus Incentive Plan or a successor plan will not be deemed to cause a material reduction in compensation); or (c) a relocation of the Eligible Officer's primary work location to a distance of more than seventy-five (75) miles from its location as of the date of this Plan without the consent of Eligible Officer, unless such relocation results in the Eligible Officer's primary work location being closer to Eligible Officer's then primary residence or does not substantially increase the average commuting time of Eligible Officer. If an Eligible Officer continues his or her employment with the Corporation for more than six months after the occurrence of an event described above that constitutes a Termination for Good Reason, then the Eligible Officer shall be deemed to have given his or her consent to such event and the Eligible Officer shall not be eligible for a Severance Payment under this Plan as a result of that event and shall be deemed to have waived all rights in regard to such event.

2.06. "**Termination Date**" means the Eligible Officer's last date of employment with the Corporation.

2.07. "**Termination of Eligible Officer's Employment Without Cause**" means termination of an Eligible Officer's employment by the Corporation for any reason other than "For Cause" or on account of death or disability, as defined in the Corporation's long-term disability policy in effect at the time of termination ("Disability").

ARTICLE 3

ELIGIBILITY AND BENEFITS

3.01. **Eligible Officers**. Officers of Navient Corporation and its wholly-owned subsidiaries with the Navient corporate title of Senior Vice President or above are eligible for benefits under this Plan (each an "Eligible Officer").

3.02. **Severance Benefits**. (a) An Eligible Officer will be entitled to receive a severance payment ("Severance Payment") and continuation of medical, dental and vision insurance benefits and outplacement services, all as provided herein, after any of the following events (each a "Termination Event"): (I) Termination of Employment for Good Reason, provided that if such termination is on account of a decision to resign due to clause (a) of the definition of "Termination by Eligible Officer For Good Reason," such Eligible Officer continues his or her employment for a transition period mutually agreed to by the Corporation and the Executive Officer or (II) upon a Termination of Eligible Officer's Employment Without Cause or (III) upon mutual agreement of the Corporation and an Eligible Officer.

(b) The amount of the Severance Payment will equal the sum of the Eligible Officer's Base Salary plus the Eligible Officer's Average Bonus times a multiplier plus a cash payment equal to the Eligible Officer's target annual bonus amount for the year in which the Termination Date occurs, such target bonus amount to be prorated for the full number of months in the final year that the Eligible Officer was employed by the Corporation. The multiplier for Eligible Officers with the title of Chief Executive Officer will be two (2). The multiplier for all other Eligible Officers will be one (1). Contingent upon signing the Confidential Agreement and Release, the Severance Payment will be made to the Eligible Officer in a single lump sum cash payment within forty-five (45) calendar days after the Eligible Officer's Termination Date. Notwithstanding anything to the contrary herein, in no event shall a Severance Payment paid to an

Eligible Officer hereunder exceed the Eligible Officer's Base Salary plus incentive bonus multiplied by three (the "Payment Limit"), and if a Severance Payment hereunder were to exceed such amount, then such payment shall be reduced to the highest amount that does not exceed the Payment Limit.

(c) For eighteen (18) months (or twenty-four (24) months if the Eligible Officer is the Chief Executive Officer) following the Eligible Officer's Termination Date, the Eligible Officer and his or her eligible dependents or survivors will be entitled to continue to participate in any medical, dental and vision insurance plans generally available to the senior management of the Corporation, as such plans may be in effect from time to time on the terms generally applied to actively employed senior management of the Corporation, including any Eligible Officer cost-sharing provision; provided that if the Corporation determines it cannot provide such continued coverage without potentially violating applicable law, the Corporation shall in lieu thereof provide to the Eligible Officer a taxable monthly payment in an amount equal to the portion of the monthly premium that the Corporation would otherwise be required to pay under this Section 3.02(c) to continue the Eligible Officer's coverage by such medical, dental and vision benefit plans (based on the premium for the first month of coverage following the Eligible Officer's Termination Date), which payment will commence in the month following the month in which the Eligible Officer's Termination Date occurs and end on the final day of the applicable continuation period described in this Section 3.02(c). An Eligible Officer and his or her eligible dependents will cease to be covered under the foregoing medical, dental and/or vision insurance plans (or, if taxable medical payments are being provided as described above, will cease to receive such payments) if he or she becomes eligible to obtain coverage under medical, dental and/or vision insurance plans of a subsequent employer.

(d) An Eligible Officer will be entitled to receive outplacement services from the Corporation or the Corporation's service provider(s.)

(e) All payments and benefits provided under this Section 3.02 are conditioned on the Eligible Officer's continuing compliance with this Plan and the Eligible Officer's execution (and effectiveness) of a release of claims and covenant not to sue and non-competition and non-solicitation agreements substantially in the form provided in Exhibit C hereto.

3.03. **Section 409A**. Notwithstanding anything herein to the contrary, to the extent that the Committee determines, in its sole discretion, that any payments or benefits to be provided hereunder to or for the benefit of an Eligible Officer who is also a "specified employee" (as such term is defined under Section 409A(a)(2)(B)(i) of the Code or any successor or comparable provision) would be subject to the additional tax imposed under Section 409A(a)(1)(B) of the Code or any successor or comparable provision, the commencement of such payments and/or benefits will be delayed until the earlier of (x) the date that is six months following the Termination Date or (y) the date of the Eligible Officer's death (such date is referred to herein as the "Distribution Date"). In the event that the Committee determines that the commencement of any of the benefits or payments to be provided under Section 3.02(c) are to be delayed pursuant to the preceding sentence, the Corporation will require the Eligible Officer to bear the full cost of such benefits until the Distribution Date at which time the Corporation will reimburse the Designated Employee for all such costs.

ARTICLE 4

COMMITTEE

4.01. **Committee**. The Plan will be administered by the Employee Benefits Fiduciary Committee, appointed by and serving at the pleasure of the Board of Directors and consisting of at least three (3) officers of the Corporation (the "Committee").

4.02. **Powers**. The Committee will have full power, discretion and authority to interpret, construe and administer the Plan and any part hereof, and the Committee's interpretation and construction hereof, and any actions hereunder, will be binding on all persons for all purposes. The Committee will provide for the keeping of detailed, written minutes of its actions. The Committee, in fulfilling its responsibilities may (by way of illustration and not of limitation) do any or all of the following:

(i) allocate among its members, and/or delegate to one or more other persons selected by it, responsibility for fulfilling some or all of its responsibilities under the Plan in accordance with Section 405(c) of ERISA;

(ii) designate one or more of its members to sign on its behalf directions, notices and other communications to any entity or other person;

(iii) establish rules and regulations with regard to its conduct and the fulfillment of its responsibilities under the Plan;

(iv) designate other persons to render advice with respect to any responsibility or authority pursuant to the Plan being carried out by it or any of its delegates under the Plan; and

(v) employ legal counsel, consultants and agents as it may deem desirable in the administration of the Plan and rely on the opinion of such counsel.

4.03. **Action by Majority**. The majority of the members of the Committee in office at the time will constitute a quorum for the transaction of business. All resolutions or other actions taken by the Committee will be by the vote of the majority at any meeting or by written instrument signed by the majority.

ARTICLE 5

CLAIM FOR BENEFITS UNDER THIS PLAN

5.01. **Claims for Benefits under this Plan**. A condition precedent to receipt of severance benefits is the execution of an unaltered release of claims in form and substance prescribed by the Corporation. If an Eligible Officer believes that an individual should have been eligible to participate in the Plan or disputes the amount of benefits under the Plan, such individual may submit a claim for benefits in writing to the Committee within sixty 60 days after the individual's termination of employment. If such claim for benefits is wholly or partially denied, the Committee will within a reasonable period of time, but no later than 90 days after receipt of the written claim, notify the individual of the denial of the claim. If an extension of time for processing the claim is required, the Committee may take up to an additional 90 days, provided that the Committee sends the individual written notice of the extension before the expiration of the original 90-day period. The notice provided to the individual will describe why an extension is required and when a decision is expected to be made. If a claim is wholly or partially denied, the denial notice: (1) will be in writing, (2) will be written in a manner calculated to be understood by the individual, and (3) will contain (a) the reasons for the denial, including specific reference to those plan provisions on which the denial is based; (b) a description of any additional information necessary to complete the claim and an explanation of why such information is necessary; (c) an explanation of the steps to be taken to appeal the adverse determination; and (d) a statement of the individual's right to bring a civil action under section 502(a) of ERISA following an adverse decision after appeal. The Committee will have full discretion consistent with their fiduciary obligations under ERISA to deny or grant a claim in whole or in part. If notice of denial of a claim is not furnished in accordance with this section, the claim will be deemed denied and the claimant will be permitted to exercise his rights to review pursuant to Sections 5.02 and 5.03.

5.02. **Right to Request Review of Benefit Denial**. Within 60 days of the individual's receipt of the written notice of denial of the claim, the individual may file a written request for a review of the denial of the individual's claim for benefits. In connection with the individual's appeal of the denial of his benefit, the individual may submit comments, records, documents, or other information supporting the appeal, regardless of whether such information was considered in the prior benefits decision. Upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim.

5.03. **Disposition of Claim**. The Committee will deliver to the individual a written decision on the claim promptly, but not later than 60 days after the receipt of the individual's written request for review, except that if there are special circumstances which require an extension of time for processing, the 60-day period will be extended to 120 days; provided that the appeal reviewer sends written notice of the extension before the expiration of the original 60-day period. If the appeal is wholly or partially denied, the denial notice will: (1) be written in a manner calculated to be understood by the individual, (2) contain references to the specific plan provision(s) upon which the decision was based; (3) contain a statement that, upon request and free of charge, the individual will be provided reasonable access to and copies of all documents, records and other information relevant to the claim for benefits; and (4) contain a statement of the individual's right to bring a civil action under section 502(a) of ERISA.

5.04. **Exhaustion**. An individual must exhaust the Plan's claims procedures prior to bringing any claim for benefits under the Plan in a court of competent jurisdiction. No lawsuit shall be brought against the Plan, the Committee or the Corporation after 60 days from receipt of the final decision on a claim appeal.

ARTICLE 6

MISCELLANEOUS

6.01. **Successors**. (a) Any successor (whether direct or indirect and whether by purchase, lease, merger, consolidation, liquidation or otherwise) to all or substantially all of the Corporation's business and/or assets, or all or substantially all of the business and/or assets of a business segment of the Corporation will be obligated under this Plan in the same manner and to the same extent as the Corporation would be required to perform it in the absence of a succession.

(b) This Plan and all rights of the Eligible Officer hereunder will inure to the benefit of, and be enforceable by, the Eligible Officer's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.

6.02. **Creditor Status of Eligible Officers**. In the event that any Eligible Officer acquires a right to receive payments from the Corporation under the Plan, such right will be no greater than the right of any unsecured general creditor of the Corporation.

6.03. **Facility of Payment**. If it will be found that (a) an Eligible Officer entitled to receive any payment under the Plan is physically or mentally incompetent to receive such payment and to give a valid release therefor, and (b) another person or an institution is then maintaining or has custody of such Eligible Officer, and no guardian, committee, or other representative of the estate of such person has been duly appointed by a court of competent jurisdiction, the payment may be made to such other person or institution referred to in (b) above, and the release will be a valid and complete discharge for the payment.

6.04. **Notice of Address**. Each Eligible Officer entitled to benefits under the Plan must file with the Corporation, in writing, his post office address and each change of post office address. Any communication, statement or notice addressed to such Eligible Officer at such address will be deemed sufficient for all purposes of the Plan, and there will be no obligation on the part of the Corporation to search for or to ascertain the location of such Eligible Officer.

6.05. **Headings**. The headings of the Plan are inserted for convenience and reference only and shall have no effect upon the meaning of the provisions hereof.

6.06. **Choice of Law**. The Plan shall be construed, regulated and administered under the laws of the State of Delaware (excluding the choice-of-law rules thereto), except that if any such laws are superseded by any applicable Federal law or statute, such Federal law or statute shall apply.

6.07. **Construction**. Whenever used herein, a masculine pronoun shall be deemed to include the masculine and feminine gender, a singular word shall be deemed to include the singular and plural and vice versa in all cases where the context requires.

6.08. **Termination; Amendment; Waiver**. (a) Prior to the occurrence of a Termination Event, the Board of Directors, or a delegated Committee of the Board, may amend or terminate the Plan at any time and from time to time. Termination or amendment of the Plan will not affect any obligation of the Corporation under the Plan which has accrued and is unpaid as of the effective date of the termination or amendment. Unless and until a Termination Event shall have occurred, an Eligible Officer shall not have any vested rights under the Plan or any agreement entered into pursuant to the Plan.

(b) From and after the occurrence of a Termination Event, no provision of this Plan shall be modified, waived or discharged unless the modification, waiver or discharge is agreed to in writing and signed by the Eligible Officer and by an authorized officer of the Corporation (other than the Eligible Officer). No waiver by either party of any breach of, or of compliance with, any condition or provision of this Agreement by the other party shall be considered a waiver of any other condition or provision or of the same condition or provision at another time.

(c) Notwithstanding anything herein to the contrary, the Board of Directors may, in its sole discretion, amend the Plan (which amendment shall be effective upon its adoption or at such other time designated by the Board of Directors) at any time prior to a Termination Event as may be necessary to avoid the imposition of the additional tax under Section 409A(a)(1)(B) of the Code; provided, however, that any such amendment shall be implemented in such a manner as to preserve, to the greatest extent possible, the terms and conditions of the Plan as in existence immediately prior to any such amendment.

6.09. **Whole Agreement**. This Plan contains all the legally binding understandings and agreements between the Eligible Officer and the Corporation pertaining to the subject matter thereof and supersedes all such agreements, whether oral or in writing, previously entered into between the parties.

6.10. **Withholding Taxes**. All payments made under this Plan will be subject to reduction to reflect taxes required to be withheld by law.

6.11. **No Assignment**. The rights of an Eligible Officer to payments or benefits under this Plan shall not be made subject to option or assignment, either by voluntary or involuntary assignment or by operation of law, including (without limitation) bankruptcy, garnishment, attachment or other creditor's process, and any action in violation of this Section 6.11 shall be void.

Exhibit A

Example "Average Bonus" Calculation for Long-serving Employee

1. Assumptions:

   Annual salary = $200,000

   Management Incentive Plan (MIP) Bonus Target = 75% of annual salary ($150,000)

   Current Corp MIP Score = 80% (score for the most recent quarter-end in current year)

   Hire Date = August 1, 2000

   Termination Date = August 1, 2020

   2019 MIP Bonus (paid in 2020) = $150,000

   2018 MIP Bonus (paid in 2019) = $150,000

2. Compute 2020 (current year) Estimated MIP Bonus:

   MIP Bonus Target ($150,000) * Current Corp MIP Score (80%) = $120,000

3. Define 24-month period for termination date of August 1, 2020:

   8 months in 2020*

   All 12 months of 2019

   4 months of 2018

4. Prorate each year's MIP Bonus:

2020: 8 months @ $120,000	$80,000
2019: 12 months @ $150,000	$150,000
2018: 4 months @ $150,000	$50,000
Total: 24 months	$280,000

5. Annualize 24-month Total (divide by 2):

   $280,000 ÷ 2 = $140,000 = Average Bonus

*Includes the entire month in which the termination date falls.

Exhibit B

"Average Bonus" Calculation for Recently Hired Employee

1. Assumptions:

   Annual salary = $200,000

   Management Incentive Plan (MIP) Bonus Target = 75% of Annual Salary ($150,000)

   Current Corp MIP Score = 80% (score for the most recent quarter-end in current year)

   Hire Date = August 1, 2019

   Termination Date = August 1, 2020

   2019 MIP Bonus (paid in 2020) = $62,500 (Employee received pro-rated bonus based on 5 months of employment at 2019 Corp MIP Score of 100%)

   2018 MIP Bonus (paid in 2019) = $0

2. Compute 2020 (current year) Estimated MIP Bonus:

   MIP Bonus Target ($150,000) * Current Corp MIP Score (80%) = $120,000

3. Define 24-month period for termination date of August 1, 2020:

   8 months in 2020*

   All 12 months of 2019

   4 months of 2018

4. Prorate each year's MIP Bonus:

2020: 8 months @ $120,000	$80,000
2019: 12 months @ $62,500	$62,500
2018: 4 months @ $0	$0
Total: 24 months	$142,500

5. Annualize 24-month Total (divide by 2):

   $142,500 ÷ 2 = $71,250 = Average Bonus

*Includes the entire month in which the termination date falls.

Exhibit 12.1

NAVIENT CORPORATION
COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES AND PREFERRED STOCK DIVIDENDS
(Dollars in millions)

	Years Ended December 31,					Six Months Ended Jun 30,	
	2013	2014	2015	2016	2017	2017	2018
Income (loss) from continuing operations before income taxes	$ 2,087	$ 1,818	$ 1,580	$ 1,108	$ 764	$ 313	$ 274
Add: Fixed charges	2,213	2,066	2,077	2,445	2,975	1,396	1,775
Total earnings	$ 4,300	$ 3,884	$ 3,657	$ 3,553	$ 3,739	$ 1,709	$ 2,049
Interest expense	$ 2,210	$ 2,063	$ 2,074	$ 2,441	$ 2,971	$ 1,394	$ 1,773
Rental expense, net of income	3	3	3	4	4	2	2
Total fixed charges	2,213	2,066	2,077	2,445	2,975	1,396	1,775
Preferred stock dividends	31	10	—	—	—	—	—
Total fixed charges and preferred stock dividends	$ 2,244	$ 2,076	$ 2,077	$ 2,445	$ 2,975	$ 1,396	$ 1,775
Ratio of earnings to fixed charges(1)	**1.94**	**1.88**	**1.76**	**1.45**	**1.26**	**1.22**	**1.15**
Ratio of earnings to fixed charges and preferred stock dividends(1)	**1.92**	**1.87**	**1.76**	**1.45**	**1.26**	**1.22**	**1.15**

(1) For purposes of computing these ratios, earnings represent income (loss) from continuing operations before income tax expense plus fixed charges. Fixed charges represent interest expensed and capitalized plus one-third (the proportion deemed representative of the interest factor) of rents, net of income from subleases.

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)
August 3, 2018

Exhibit 31.2

Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Christian M. Lown, 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/ CHRISTIAN M. LOWN
Christian M. Lown
Chief Financial Officer
(Principal Financial Officer)
August 3, 2018

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 June 30, 2018 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)
August 3, 2018

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 June 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian M. Lown, 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/ CHRISTIAN M. LOWN
Christian M. Lown
Chief Financial Officer
(Principal Financial Officer)
August 3, 2018