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 September 30, 2022

or

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

For the transition period from to

Commission File Number: 001-36228

Navient Corporation

(Exact name of registrant as specified in its charter)

Delaware	**46-4054283**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
123 Justison Street, Wilmington, Delaware	**19801**
(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 has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☑ No ☐

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $.01 per share	NAVI	The NASDAQ Global Select Market
6% Senior Notes due December 15, 2043	JSM	The NASDAQ Global Select Market

As of September 30, 2022, there were 135,614,173 shares of common stock outstanding.

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Organization of Our Form 10-Q

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

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

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

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

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

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

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

USE OF NON-GAAP FINANCIAL MEASURES

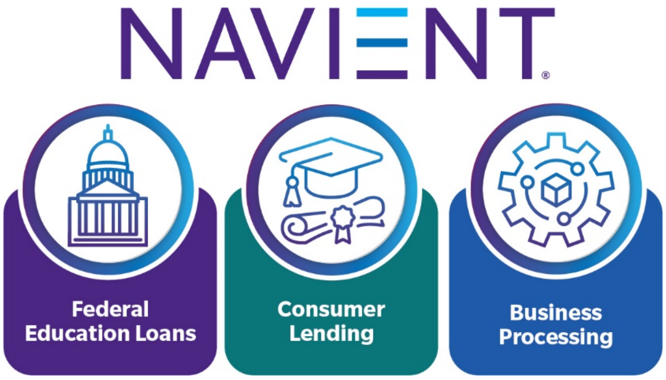
We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present our financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings, which is a non-GAAP financial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

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

Overview and Fundamentals of Our Business

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

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



- **Federal Education Loans**

  We own a portfolio of $46.9 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. As a servicer on our own portfolio and for third parties, we deploy data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

- **Consumer Lending**

  We help students and families succeed through the paying-for-college journey with innovative planning tools, student loans and refinancing products. Our $19.2 billion Private Education Loan portfolio demonstrates high customer success rates. In the third quarter of 2022, we originated $447 million in Private Education Loans.

- **Business Processing**

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

Superior Operational Performance with a Strong Customer Service and Compliance Commitment

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

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

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

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

  We leverage our omnichannel communication platform, predictive analytics, and decades of insight to stay in touch with people and address challenges that may arise.

- **Simplify complex processes.** On our clients' behalf, we help individuals successfully navigate a broad spectrum of complex transactions. Our people and platforms simplify complex programs – including education financing, healthcare, tax, and transportation programs – to help constituents understand and meet their obligations.

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

    - **Repayment plan education and outreach:** We help student loan borrowers understand their repayment options so they can make informed choices that align with their financial circumstances and goals.

    - **Office of the Customer Advocate:** Our Office of the Customer Advocate, established in 1997, offers escalated assistance to customers. We are committed to working with customers and appreciate customer comments, which, combined with our own customer communication channels, help us improve the ways we assist our customers.

    - **Private loan modification program:** In 2009, we pioneered the creation of a loan modification program to help Private Education Loan borrowers needing additional assistance. As of September 30, 2022, approximately $900 million of our Private Education Loans were enrolled in this interest rate reduction program, helping customers through more affordable monthly payments while making progress in repaying their principal loan balance.

    - **Serving military customers:** Navient was the first student loan servicer to launch a dedicated military benefits customer service team, website (Navient.com/military) and toll-free number. Navient's military benefits team supports service members and their families to access the benefits designed for them, including interest rate benefits, deferment and other options.

    - **Financial literacy:** We offer free resources, including videos, articles and online tools, to help customers and the general public build knowledge on personal finance topics. Our Going Merry platform enables students to match to and apply for scholarships, institutional aid and government grants.

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

- **Corporate Social Responsibility.** We are committed to contributing to the social and economic wellbeing of our local communities; fostering the success of our customers; supporting a culture of integrity, inclusion and equality in our workforce; and embracing sustainable business practices. Navient has earned recognition from several organizations for our continued commitment to fostering diversity. Our employees are active in our communities, through local and national organizations, including a significant national partnership with Boys & Girls Clubs of America.

  Navient is committed to a sustainable future. Our work is largely services based; as a result, our day-to-day operations require relatively small amounts of natural resource and energy inputs. We leverage technology that minimizes energy usage in our office buildings and promote widespread adoption of "paperless" digital customer communications. Navient prioritizes adding or updating insulation and other power-saving features to our buildings to further reduce energy usage. Energy efficiency and reducing CO_2 and CO_2 equivalents are among the many factors considered in our growth and real estate decisions.

Strong Financial Performance Resulting in a Strong Capital Return

Our third-quarter 2022 results continue to build upon our previous year's results demonstrating the strength of our business model and our ability to deliver predictable and meaningful cash flow and earnings in all types of economic environments.

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

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

In December 2021, our Board approved a share repurchase program authorizing the purchase of up to $1 billion of the Company's outstanding common stock. At September 30, 2022, $685 million remained in share repurchase authorization.

To inform our capital allocation decisions, we use the Adjusted Tangible Equity Ratio(1) in addition to other metrics. Our Adjusted Tangible Equity Ratio(1) was 7.8% as of September 30, 2022.

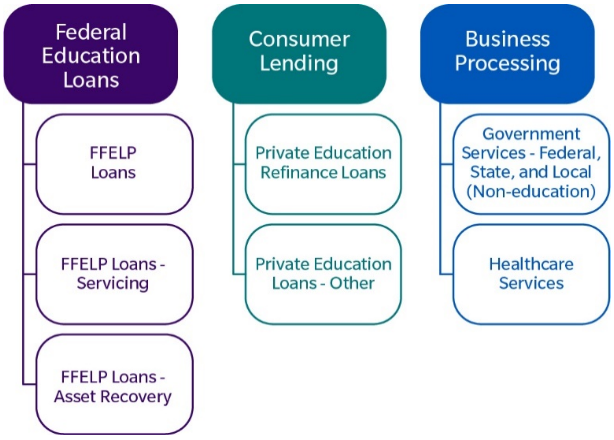
(Dollars and shares in millions)		Q3-22		Q3-21
Shares repurchased		6.3		7.0
Reduction in shares outstanding		4%		4%
Total repurchases in dollars	$	95	$	150
Dividends paid	$	22	$	26
Total Capital Returned(2)	$	117	$	176
Adjusted Tangible Equity Ratio(1)		7.8%		6.4%

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

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

How We Organize Our Business

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



Federal Education Loans Segment

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

Consumer Lending Segment

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

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. Our support enables our clients to better serve their constituents, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities. Our clients include:

- **Government**: We offer our solutions to federal agencies, state governments, tolling and parking authorities, and other public sector clients.

- **Healthcare**: Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

Other Segment

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

Selected Historical Financial Information and Ratios

(In millions, except per share data)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
GAAP Basis				
Net income	$ 105	$ 173	$ 540	$ 728
Diluted earnings per common share	$ .75	$ 1.04	$ 3.67	$ 4.15
Weighted average shares used to compute diluted earnings per share	$ 141	167	147	176
Return on assets	.57%	.86%	.96%	1.19%
Core Earnings Basis(1)				
Net income(1)	$ 87	$ 149	$ 356	$ 618
Diluted earnings per common share(1)	$ .62	$ .89	$ 2.42	$ 3.52
Adjusted diluted earnings per common share(1)	$ .75	$ .92	$ 2.58	$ 3.65
Weighted average shares used to compute diluted earnings per share	141	167	147	176
Net interest margin, Federal Education Loans segment	.94%	1.04%	1.03%	.99%
Net interest margin, Consumer Lending segment	2.90%	2.98%	2.78%	2.98%
Return on assets	.47%	.73%	.63%	1.01%
Education Loan Portfolios				
Ending FFELP Loans, net	$ 46,891	$ 54,350	$ 46,891	$ 54,350
Ending Private Education Loans, net	19,151	20,018	19,151	20,018
Ending total education loans, net	$ 66,042	$ 74,368	$ 66,042	$ 74,368
Average FFELP Loans	$ 48,443	$ 55,435	$ 50,398	$ 56,711
Average Private Education Loans	20,308	20,938	20,771	21,266
Average total education loans	$ 68,751	$ 76,373	$ 71,169	$ 77,977

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

The Quarter in Review

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

Third-quarter 2022 GAAP net income was $105 million ($0.75 diluted earnings per share), compared with $173 million ($1.04 diluted Core Earnings per share) for the year-ago quarter. See “Results of Operations – Comparison of Third-Quarter 2022 Results with Third-Quarter 2021” for a discussion of the primary contributors to the change in GAAP earnings between periods.

Third-quarter 2022 Core Earnings net income was $87 million ($0.62 diluted Core Earnings per share), compared with $149 million ($0.89 diluted Core Earnings per share) for the year-ago quarter. Third-quarter 2022 and 2021 adjusted diluted Core Earnings(1) per share were $0.75 and $0.92, respectively. See “Segment Results” for a discussion of the primary contributors to the change in Core Earnings between periods.

Financial highlights of third-quarter 2022 include:

Federal Education Loans segment:

- Net income of $94 million.
- FFELP net interest margin of 0.94%.
- Includes a net reduction to pre-tax income of $10 million related to incremental FFELP Loan consolidation activity in connection with recently announced loan forgiveness plans.
- $13 million of the provision for loan losses in anticipation of a deteriorating economy.

Consumer Lending segment:

- Net income of $65 million.
- Originated $447 million of Private Education Loans.
- Private Education Loan delinquency rate of 4.4% remains below pre-pandemic levels.
- $15 million of the provision for loan losses in anticipation of a deteriorating economy.

Business Processing segment:

- EBITDA(1) of $13 million.
- Revenue of $79 million.

Capital, funding and liquidity:

- Adjusted tangible equity ratio(1) of 7.8%.
- Repurchased $95 million of common shares; $685 million common share repurchase authority remains outstanding.
- Paid $22 million in common stock dividends.

Expenses:

- Adjusted Core Earnings expenses(1) of $191 million.

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

Navient's Response to COVID-19

Since its emergence in early 2020, the impacts of COVID-19 have been dynamic and unpredictable. In response to COVID-19, we prioritized the safety of our employees and business partners, while continually striving to support the needs of our customers and communities. During 2021 and the first nine months of 2022, the COVID-19 pandemic and long-lasting changes it has produced have continued to affect our business operations. The future direct and indirect impact of the pandemic on our businesses, results of operations and financial condition remains uncertain. Should current economic conditions deteriorate or if public health worsened due to various factors, such conditions could have an adverse effect on our businesses and results of operations and could adversely affect our financial condition. For more information on the pandemic, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Navient's Response to COVID-19" in our 2021 Form 10-K.

Results of Operations

GAAP Income Statements (Unaudited)

(In millions, except per share data)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Increase (Decrease) $	Increase (Decrease) %	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	Increase (Decrease) $	Increase (Decrease) %
Interest income								
FFELP Loans	$ 553	$ 368	$ 185	50%	$ 1,312	$ 1,106	$ 206	19%
Private Education Loans	309	291	18	6	862	905	(43)	(5)
Cash and investments	19	1	18	1,800	25	2	23	1,150
Total interest income	881	660	221	33	2,199	2,013	186	9
Total interest expense	641	326	315	97	1,301	995	306	31
Net interest income	240	334	(94)	(28)	898	1,018	(120)	(12)
Less: provisions for loan losses	28	22	6	27	62	(66)	128	194
Net interest income after provisions for loan losses	212	312	(100)	(32)	836	1,084	(248)	(23)
Other income (loss):								
Servicing revenue	24	47	(23)	(49)	60	149	(89)	(60)
Asset recovery and business processing revenue	80	135	(55)	(41)	264	416	(152)	(37)
Other income	6	3	3	100	22	9	13	144
Gains on sales of loans	—	—	—	—	—	78	(78)	(100)
Losses on debt repurchases	—	(20)	20	(100)	—	(32)	32	(100)
Gains (losses) on derivative and hedging activities, net	40	(5)	45	900	161	21	140	667
Total other income	150	160	(10)	(6)	507	641	(134)	(21)
Expenses:								
Operating expenses	194	248	(54)	(22)	588	758	(170)	(22)
Goodwill and acquired intangible assets impairment and amortization expense	10	4	6	150	17	14	3	21
Restructuring/other reorganization expenses	21	—	21	100	25	8	17	213
Total expenses	225	252	(27)	(11)	630	780	(150)	(19)
Income before income tax expense	137	220	(83)	(38)	713	945	(232)	(25)
Income tax expense	32	47	(15)	(32)	173	217	(44)	(20)
Net income	$ 105	$ 173	$ (68)	(39)%	$ 540	$ 728	$ (188)	(26)%
Basic earnings per common share	$ .75	$ 1.05	$ (.30)	(29)%	$ 3.71	$ 4.20	$ (.49)	(12)%
Diluted earnings per common share	$ .75	$ 1.04	$ (.29)	(28)%	$ 3.67	$ 4.15	$ (.48)	(12)%
Dividends per common share	$ .16	$ .16	$ —	—	$ .48	$ .48	$ —	—

GAAP Comparison of Third-Quarter 2022 Results with Third-Quarter 2021

For the three months ended September 30, 2022, net income was $105 million, or $0.75 diluted earnings per common share, compared with net income of $173 million, or $1.04 diluted earnings per common share, for the year-ago period.

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

- Third-quarter 2022 results included a net reduction to pre-tax income of $10 million related to incremental FFELP Loan consolidation activity in connection with the recently announced loan forgiveness plans (i.e., Public Service Loan Forgiveness and the Student Debt Relief Plans or the “Loan Forgiveness Plans”).
- Net interest income decreased by $94 million as a result of a decline in Floor Income on the FFELP portfolio due to the increase in interest rates, the continued paydown of the FFELP and non-refinance Private Education Loan portfolios, and $27 million of additional loan premium and deferred financing fee amortization as a result of the Loan Forgiveness Plans discussed above. Partially offsetting this decrease was the growth in the Private Education Refinance Loan portfolio as a result of both an increase in the portfolio size as well as an increase in the net interest margin.
- Provisions for loan losses increased $6 million from $22 million to $28 million:
    - The provision for FFELP Loan losses remained unchanged at $0.
    - The provision for Private Education Loan losses increased $6 million from $22 million to $28 million.

  The FFELP Loan provision for loan losses was unchanged at $0, but the current period provision includes a $13 million increase related to an increase in expected losses in anticipation of a deteriorating economy, and a $13 million decrease as a result of the Loan Forgiveness Plans discussed above.

  The Private Education Loan provision for loan losses of $28 million in the current period included $13 million of provision in connection with loan originations and $15 million related to an increase in expected losses in anticipation of a deteriorating economy. The provision in the year-ago quarter primarily related to loan originations.
- Servicing revenue decreased $23 million primarily related to the transfer of the Department of Education (ED) servicing contract to a third party in October 2021. To aid in the transition, Navient is providing limited services in 2022 to the third party through a transition services agreement.
- Asset recovery and business processing revenue decreased $55 million primarily as a result of a $43 million decrease in revenue earned in our Business Processing segment, due to the expected $51 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by an $8 million increase in revenue from services for our traditional government and healthcare services clients.
- Other income in the current period had $4 million of fee revenue as a result of the Loan Forgiveness Plans discussed above.
- Losses on debt repurchases decreased $20 million. We repurchased $757 million of debt at a $20 million loss in the year-ago quarter. There were no debt repurchases in the current period.
- Net gains on derivative and hedging activities increased $45 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of derivative instruments including Floor Income Contracts, standard swaps (variable to fixed or fixed to variable), basis swaps and foreign currency hedges during each period. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates, credit risk, foreign currency fluctuations and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods.
- Excluding net regulatory-related expenses of $3 million and $6 million in the third quarters of 2022 and 2021, respectively, operating expenses were $191 million and $242 million in the third quarters of 2022 and 2021, respectively. This $51 million decrease was primarily related to the transfer of the ED servicing contract as well as the decline in Business Processing segment revenue.
- During the three months ended September 30, 2022 and 2021, the Company incurred $21 million and $0, respectively, of restructuring/other reorganization expenses, primarily severance-related costs and facility lease terminations.

We repurchased 6.3 million and 7.0 million shares of our common stock during the third quarters of 2022 and 2021, respectively. As a result of repurchases, our average outstanding diluted shares decreased by 26 million common shares (or 16%) from the year-ago period.

Comparison of Nine Months Ended September 30, 2022 Results with Nine Months Ended September 30, 2021

For the nine months ended September 30, 2022, net income was $540 million, or $3.67 diluted earnings per common share, compared with net income of $728 million, or $4.15 diluted earnings per common share, for the year-ago period.

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

- Net interest income decreased by $120 million as a result of the continued paydown of the FFELP and non-refinance Private Education Loan portfolios, a decline in Floor Income on the FFELP portfolio due to the increase in interest rates, and $27 million of additional loan premium and deferred financing fee amortization as a result of the Loan Forgiveness Plans previously discussed. Partially offsetting this decrease was the growth in the Private Education Refinance Loan portfolio as a result of both an increase in the portfolio size as well as an increase in the net interest margin.
- Provisions for loan losses increased $128 million from $(66) million to $62 million:
    - The provision for FFELP Loan losses remained unchanged at $0.
    - The provision for Private Education Loan losses increased $128 million from $(66) million to $62 million.

  The FFELP Loan provision for loan losses was unchanged at $0, but the current period provision includes a $13 million increase related to an increase in expected losses in anticipation of a deteriorating economy, and a $13 million decrease as a result of the Loan Forgiveness Plans discussed above.

  The Private Education Loan provision for loan losses of $62 million in the current period included $31 million of provision in connection with loan originations and $31 million related to an increase in expected losses in anticipation of a deteriorating economy. The negative provision of $(66) million in the year-ago period was primarily related to the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans discussed below and $8 million related to a decrease in expected losses for the overall portfolio, partially offset by $49 million of provision primarily related to loan originations.
- Servicing revenue decreased $89 million primarily related to the transfer of the ED servicing contract to a third party in October 2021. To aid in the transition, Navient is providing limited services in 2022 to the third party through a transition services agreement (see discussion below related to "Other income").
- Asset recovery and business processing revenue decreased $152 million primarily as a result of a $117 million decrease in revenue earned in our Business Processing segment, due to the expected $127 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by an $10 million increase in revenue from services for our traditional government and healthcare services clients.
- Other income increased $13 million primarily related to the transition services being performed in connection with the transfer of the ED servicing contract to a third party, as discussed above.
- Gains on sales of loans decreased $78 million in connection with the sale of approximately $1.6 billion of Private Education Loans in first-quarter 2021. There was a $13 million gain related to derivatives that were used to hedge this transaction that did not qualify for hedge accounting. As a result, this gain related to the derivatives was included as a part of "gains (losses) on derivative and hedging activities, net" on the income statement. There were no such sales in the current period.
- Losses on debt repurchases decreased $32 million. We repurchased $1.5 billion of debt at a $32 million loss in the year-ago period. There were no debt repurchases in the current period.
- Net gains on derivative and hedging activities increased $140 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of derivative instruments including Floor Income Contracts, standard swaps (variable to fixed or fixed to variable), basis swaps and foreign currency hedges during each period. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates, credit risk, foreign currency fluctuations and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods.
- Excluding net regulatory-related expenses of $5 million and $22 million in the nine months ended September 30, 2022 and 2021, respectively, operating expenses were $583 million and $736 million in the nine months ended September 30, 2022 and 2021, respectively. This $153 million decrease was primarily related to the transfer of the ED servicing contract as well as the decline in Business Processing segment revenue.
- During the nine months ended September 30, 2022 and 2021, the Company incurred $25 million and $8 million, respectively, of restructuring/other reorganization expenses, primarily severance-related costs and facility lease terminations.

We repurchased 19.4 million and 26.9 million shares of our common stock during the nine months ended September 30, 2022 and 2021, respectively. As a result of repurchases, our average outstanding diluted shares decreased by 29 million common shares (or 16%) from the year-ago period.

Segment Results

Federal Education Loans Segment

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	% Increase (Decrease) 2022 vs. 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	% Increase (Decrease) 2021 vs. 2021
Interest income:						
FFELP Loans	$ 555	$ 353	57%	$ 1,298	$ 1,062	22%
Cash and investments	9	—	100	12	—	100
Total interest income	564	353	60	1,310	1,062	23
Total interest expense	444	202	120	905	627	44
Net interest income	120	151	(21)	405	435	(7)
Less: provision for loan losses	—	—	—	—	—	—
Net interest income after provision for loan losses	120	151	(21)	405	435	(7)
Other income (loss):						
Servicing revenue	21	47	(55)	51	146	(65)
Asset recovery and business processing revenue	1	13	(92)	4	39	(90)
Other income	6	1	500	24	3	700
Total other income	28	61	(54)	79	188	(58)
Direct operating expenses	25	53	(53)	79	170	(54)
Income before income tax expense	123	159	(23)	405	453	(11)
Income tax expense	29	37	(22)	95	107	(11)
Net income	$ 94	$ 122	(23)%	$ 310	$ 346	(10)%

Comparison of Third-Quarter 2022 Results with Third-Quarter 2021

- Third-quarter 2022 results included a net reduction to pre-tax income of $10 million related to incremental FFELP Loan consolidation activity in connection with the recently announced loan forgiveness plans (i.e., Public Service Loan Forgiveness and the Student Debt Relief Plans or the "Loan Forgiveness Plans").
- Net income was $94 million compared to $122 million.
- Net interest income decreased $31 million, primarily due to $27 million of additional loan premium and deferred financing fee amortization as a result of the Loan Forgiveness Plans discussed above, as well as the paydown of the portfolio.
- Provision for loan losses was unchanged at $0, but the current period provision includes a $13 million increase related to an increase in expected losses in anticipation of a deteriorating economy, and a $13 million decrease as a result of the Loan Forgiveness Plans discussed above. The increases in charge-offs and delinquencies detailed below are primarily the result of loans that were experiencing repayment difficulties pre-COVID returning to repayment after pandemic relief.
    - Net charge-offs were $12 million compared to $8 million.
    - Delinquencies greater than 90 days were $3.8 billion compared to $1.9 billion.
    - Forbearances were $7.4 billion compared to $8.0 billion.
- Other revenue decreased $33 million which was primarily a result of the transfer of the ED servicing contract to a third party in October 2021. In the current period, there was $4 million of fee revenue as a result of the Loan Forgiveness Plans discussed above.
- Expenses were $28 million lower primarily as a result of the decrease in other revenue discussed above.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Segment net interest margin	.94%	1.04%	1.03%	.99%
FFELP Loans:				
FFELP Loan spread	1.05%	1.10%	1.12%	1.05%
Provision for loan losses	$ —	$ —	$ —	$ —
Net charge-offs	$ 12	$ 8	$ 29	$ 19
Net charge-off rate	.12%	.07%	.09%	.06%
Greater than 30-days delinquency rate	18.6%	8.5%	18.6%	8.5%
Greater than 90-days delinquency rate	10.1%	4.3%	10.1%	4.3%
Forbearance rate	16.4%	15.4%	16.4%	15.4%
Average FFELP Loans	$ 48,443	$ 55,435	$ 50,398	$ 56,711
Ending FFELP Loans, net	$ 46,891	$ 54,350	$ 46,891	$ 54,350
(Dollars in billions)				
Total federal loans serviced(1)	$ 54	$ 284	$ 54	$ 284

(1) Closed on the novation and transfer of our ED servicing contract to a third party in October 2021. As of September 30, 2022, we serviced $54 billion in FFELP (federally guaranteed) loans.

Net Interest Margin

The following table details the net interest margin.

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
FFELP Loan yield	4.16%	1.90%	3.00%	1.90%
Hedged Floor Income	.34	.42	.34	.41
Unhedged Floor Income	.05	.20	.10	.19
FFELP Loan net yield	4.55	2.52	3.44	2.50
FFELP Loan cost of funds	(3.50)	(1.42)	(2.32)	(1.45)
FFELP Loan spread	1.05	1.10	1.12	1.05
Other interest-earning asset spread impact	(.11)	(.06)	(.09)	(.06)
Net interest margin(1)	.94%	1.04%	1.03%	.99%

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
FFELP Loans	$ 48,443	$ 55,435	$ 50,398	$ 56,711
Other interest-earning assets	2,124	1,801	1,991	1,809
Total FFELP Loan interest-earning assets	$ 50,567	$ 57,236	$ 52,389	$ 58,520

As of September 30, 2022, our FFELP Loan portfolio totaled $46.9 billion, comprised of $16.7 billion of FFELP Stafford Loans and $30.2 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of September 30, 2022 was 6 years and 7 years, respectively, assuming a Constant Prepayment Rate (CPR) of 8% and 5%, respectively.

Floor Income

The following table analyzes on a Core Earnings basis the ability of the FFELP Loans in our portfolio to earn Floor Income after September 30, 2022 and 2021, based on interest rates as of those dates.

(Dollars in billions)	September 30, 2022	September 30, 2021
Education loans eligible to earn Floor Income	$ 46.5	$ 54.1
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(21.9)	(24.9)
Less: economically hedged Floor Income	(12.5)	(13.3)
Education loans eligible to earn Floor Income after rebates and economically hedged	$ 12.1	$ 15.9
Education loans earning Floor Income	$ .1	$ 10.6

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 October 1, 2022 to December 31, 2026.

(Dollars in billions)	October 1, 2022 to December 31, 2022	2023	2024	2025	2026
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	$ 12.4	$ 7.8	$ 2.0	$ 1.0	$ 1.0

Servicing Revenue

Servicing revenue decreased $26 million primarily related to the transfer of the ED servicing contract to a third party in October 2021. To aid in the transition, Navient is providing limited services in 2022 to the third party through a transition services agreement (see discussion below related to “Other income”). As part of the transaction, approximately 700 Navient employees were transferred to the third party. This transaction provided a seamless transition for millions of borrowers ensuring the ongoing servicing capacity for the Department of ED through the knowledge transfer and ongoing employment of 700 employees. Additional benefits to Navient of this transaction are the simplification of our business, reducing our overall risk profile and avoiding significant severance expense.

Third-party loan servicing fees in the three months ended September 30, 2022 and 2021 included $0 and $34 million, respectively, of servicing revenue related to the ED servicing contract.

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased $12 million primarily as a result of the impact of COVID-19 on certain collection and processing activities (temporary stoppage or other restrictions on certain activities).

Other Income

Other income increased $5 million primarily related to the transition services being performed in connection with the transfer of the ED Servicing contract to a third party as discussed above.

Operating Expenses

Operating expenses for the Federal Education Loans segment primarily include costs incurred to perform servicing and asset recovery activities on our FFELP Loan portfolio and federal education loans held by other institutions. Expenses were $28 million lower primarily as a result of the decrease in servicing and asset recovery revenue discussed above.

Federal Loan Forgiveness

On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan that extends the repayment pause on ED held student loans through December 31, 2022 and provides up to $20,000 in one-time debt relief to income-qualified recipients with ED held student loans.

Following the initial announcement of the SDR Plan, ED provided more specific guidance on debt relief through its studentaid.gov website on September 29, 2022, which guidance was subsequently revised and published in the Federal Register on October 12, 2022. The studentaid.gov website currently provides the following guidance:

- All loans eligible for the student loan payment pause are also eligible for debt relief, including loans held by ED and guaranty agencies.
- As of September 29, 2022, borrowers with federal student loans not held by ED cannot obtain one-time debt relief by consolidating those loans into Direct Loans.
- Borrowers with FFEL Loans not held by ED who have applied to consolidate into the Direct Loan program prior to September 29, 2022, are eligible, subject to meeting the other terms and conditions.
- ED is assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFEL Program Loans and Perkins Loans.

Based on this recent announcement, we estimate that borrowers holding approximately $600 million of the total $47 billion of FFELP Loans on our balance sheet as of September 30, 2022 have applied to have their loans consolidated with ED prior to the deadline established by the SDR Plan.

At this time, there is not a material impact on the Company’s accounting and related third-quarter results related to the SDR Plan as:

1. Privately held FFELP Loans do not qualify for debt forgiveness, and
2. FFELP borrowers had to apply to consolidate their loans into the Direct Loan program prior to September 29, 2022, to qualify for their loans to be forgiven.

As a result, we do not expect there to be incremental consolidation activity in the future related to potential loan forgiveness under the SDR Plan. The Company’s current accounting policies and related estimates appropriately consider the impact of FFELP borrowers who applied to consolidate loans into the Direct Loan program in the third quarter, but the funding of such consolidations will not occur until after September 30, 2022.

Consumer Lending Segment

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	% Increase (Decrease) 2022 vs. 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	% Increase (Decrease) 2022 vs. 2021
Interest income:						
Private Education Loans	$ 309	$ 291	6%	$ 862	$ 905	(5)%
Cash and investments	3	1	200	5	1	400
Interest income	312	292	7	867	906	(4)
Interest expense	159	129	23	421	416	1
Net interest income	153	163	(6)	446	490	(9)
Less: provision for loan losses	28	22	27	62	(66)	194
Net interest income after provision for loan losses	125	141	(11)	384	556	(31)
Other income (loss):						
Servicing revenue	3	—	100	9	3	200
Other income	—	—	—	1	1	—
Gains on sales of loans	—	—	—	—	91	(100)
Total other income	3	—	100	10	95	(89)
Direct operating expenses	43	45	(4)	113	124	(9)
Income before income tax expense	85	96	(11)	281	527	(47)
Income tax expense	20	23	(13)	66	123	(46)
Net income	$ 65	$ 73	(11)%	$ 215	$ 404	(47)%

Comparison of Third-Quarter 2022 Results with Third-Quarter 2021

- Originated $447 million of Private Education Loans compared to $1.6 billion.
  - Refinance Loan originations were $231 million compared to $1.5 billion.
  - In-school loan originations increased 41% to $216 million compared to $153 million.
- Net income was $65 million compared to $73 million.
- Net interest income decreased $10 million primarily due to the increase in the relative proportion of the higher quality, lower yielding Private Education Refinance Loan portfolio compared to the non-refinance loan portfolio.
- Provision for loan losses increased $6 million. The provision for loan losses of $28 million in the current period included $13 million of provision in connection with loan originations and $15 million related to an increase in expected losses in anticipation of a deteriorating economy. The provision in the year-ago quarter primarily related to loan originations. The increases in charge-offs and delinquencies detailed below are primarily the result of loans that were experiencing repayment difficulties pre-COVID returning to repayment after pandemic relief.
  - Excluding the $30 million and $16 million, respectively, related to the change in the net charge-off rate on defaulted loans, net charge-offs were $99 million compared with $39 million.
  - Private Education Loan delinquencies greater than 90 days: $394 million, up $178 million from $216 million.
  - Private Education Loan forbearances: $371 million, down $443 million from $814 million.
- Expenses decreased $2 million primarily due to lower refinance loan originations as a result of the higher interest rate environment and the potential for loan forgiveness.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Segment net interest margin	2.90%	2.98%	2.78%	2.98%
Private Education Loans (including Refinance Loans):				
Private Education Loan spread	3.03%	3.17%	2.93%	3.19%
Provision for loan losses	$ 28	$ 22	$ 62	$ (66)
Net charge-offs(1)	$ 99	$ 39	$ 238	$ 109
Net charge-off rate(1)	2.01%	.77%	1.59%	.72%
Greater than 30-days delinquency rate	4.4%	3.0%	4.4%	3.0%
Greater than 90-days delinquency rate	2.0%	1.1%	2.0%	1.1%
Forbearance rate	1.9%	3.9%	1.9%	3.9%
Average Private Education Loans	$ 20,308	$ 20,938	$ 20,771	$ 21,266
Ending Private Education Loans, net	$ 19,151	$ 20,018	$ 19,151	$ 20,018
Private Education Refinance Loans:				
Net charge-offs	$ 4	$ 3	$ 14	$ 8
Greater than 90-day delinquency rate	.2%	.1%	.2%	.1%
Average balance of Private Education Refinance Loans	$ 9,966	$ 8,987	$ 10,056	$ 8,622
Ending balance of Private Education Refinance Loans	$ 9,751	$ 9,171	$ 9,751	$ 9,171
Private Education Refinance Loan originations	$ 231	$ 1,489	$ 1,546	$ 4,445

(1) Excluding the $30 million and $16 million of charge-offs on the expected future recoveries of previously fully charged-off loans in third-quarters 2022 and 2021, respectively, that occurred as a result of changing the net charge-off rate on defaulted loans from 81.7% to 81.9% in third-quarter 2022 and from 81.4% to 81.7% in third-quarter 2021.

Net Interest Margin

The following table details the net interest margin.

	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Private Education Loan yield	6.04%	5.52%	5.55%	5.69%
Private Education Loan cost of funds	(3.01)	(2.35)	(2.62)	(2.50)
Private Education Loan spread	3.03	3.17	2.93	3.19
Other interest-earning asset spread impact	(.13)	(.19)	(.15)	(.21)
Net interest margin(1)	2.90%	2.98%	2.78%	2.98%

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Private Education Loans	$ 20,308	$ 20,938	$ 20,771	$ 21,266
Other interest-earning assets	580	771	659	804
Total Private Education Loan interest-earning assets	$ 20,888	$ 21,709	$ 21,430	$ 22,070

The decrease in the net interest margin from the prior year is primarily a result of the refinance loan portfolio becoming a larger percentage of the overall portfolio.

As of September 30, 2022, our Private Education Loan portfolio totaled $19.2 billion, comprised of $9.8 billion of refinance loans and $9.4 billion of non-refinance loans. The weighted-average life of these portfolios as of September 30, 2022 was 4 years and 5 years, respectively, assuming a Constant Prepayment Rate (CPR) of 15% and 10%, respectively.

Provision for Loan Losses

Provision for loan losses increased $6 million. The provision for loan losses in the current period included $13 million of provision in connection with loan originations and $15 million related to an increase in expected losses in anticipation of a deteriorating economy. The provision in the year-ago quarter primarily related to loan originations.

Gains on Sales of Loans

Gains on sales of loans for the nine months ended September 30, 2022 decreased $91 million in connection with the sale of $1.6 billion of Private Education Loans in first-quarter 2021. There were no such sales in the current period.

Operating Expenses

Operating expenses for our consumer lending segment include costs to originate, acquire, service and collect on our consumer loan portfolio. Operating expenses decreased $2 million primarily due to lower refinance loan originations as a result of the higher interest rate environment and the potential for loan forgiveness.

Business Processing Segment

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	% Increase (Decrease) 2022 vs. 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	% Increase (Decrease) 2022 vs. 2021
Business processing revenue	$ 79	$ 122	(35)%	$ 260	$ 377	(31)%
Direct operating expenses	67	87	(23)	216	270	(20)
Income before income tax expense	12	35	(66)	44	107	(59)
Income tax expense	3	8	(63)	11	25	(56)
Net income	$ 9	$ 27	(67)%	$ 33	$ 82	(60)%

Comparison of Third-Quarter 2022 Results with Third-Quarter 2021

- Net income was $9 million compared to $27 million.
- Revenue decreased $43 million, or 35%, due to the expected $51 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by an $8 million increase in revenue from services for our traditional government and healthcare services clients.
- EBITDA was $13 million, down $25 million, or 66%. The decrease in EBITDA was primarily the result of the revenue decrease discussed above.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Revenue from government services	$ 47	$ 75	$ 149	$ 204
Revenue from healthcare services	32	47	111	173
Total fee revenue	$ 79	$ 122	$ 260	$ 377
EBITDA(1)	$ 13	$ 38	$ 46	$ 113
EBITDA margin(1)	16%	31%	18%	30%

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

Other Segment

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	% Increase (Decrease) 2022 vs. 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021	% Increase (Decrease) 2022 vs. 2021
Net interest loss after provision for loan losses	$ (26)	$ (15)	73%	$ (57)	$ (50)	14%
Other income (loss):						
Other income (loss)	—	2	(100)	(3)	5	(160)
Losses on debt repurchases	—	(20)	(100)	—	(32)	(100)
Total other income (loss)	—	(18)	(100)	(3)	(27)	(89)
Expenses:						
Unallocated shared services expenses:						
Unallocated information technology costs	21	20	5	64	61	5
Unallocated corporate costs	38	43	(12)	116	133	(13)
Total unallocated shared services expenses	59	63	(6)	180	194	(7)
Restructuring/other reorganization expenses	21	—	100	25	8	213
Total expenses	80	63	27	205	202	1
Loss before income tax benefit	(106)	(96)	10	(265)	(279)	(5)
Income tax benefit	(25)	(23)	9	(63)	(65)	(3)
Net income (loss)	$ (81)	$ (73)	11%	$ (202)	$ (214)	(6)%

Net Interest Loss after Provision for Loan Losses

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

Losses on Debt Repurchases

Losses on debt repurchases decreased $20 million. We repurchased $757 million of debt at a $20 million loss in the year-ago quarter. There were no debt repurchases in the current quarter.

Unallocated Shared Services Expenses

Unallocated shared services expenses are comprised of costs primarily related to information technology costs related to infrastructure and operations, stock-based compensation expense, accounting, finance, legal, compliance and risk management, regulatory-related expenses, human resources, certain executive management and the board of directors. Regulatory-related expenses include actual settlement amounts as well as third-party professional fees we incur in connection with such regulatory matters and are presented net of any insurance reimbursements for covered costs related to such matters. On an adjusted basis, expenses decreased $1 million from the year-ago quarter. Adjusted expenses exclude $3 million and $6 million, respectively, of regulatory-related expenses in the third quarters of 2022 and 2021.

See “Note 9 – Commitments and Contingencies” for a discussion of legal and regulatory matters where it is reasonably possible that a loss contingency exists. The Company is unable to anticipate the timing of a resolution or the impact that these matters may have on the Company’s consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Restructuring/Other Reorganization Expenses

During the third quarters of 2021 and 2020, the Company incurred $21 million and $0, respectively, of restructuring/other reorganization expenses in connection with an effort to reduce costs and improve operating efficiency. The charges were due primarily to severance-related costs and facility lease terminations.

Financial Condition

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

Summary of Our Education Loan Portfolio

Ending Education Loan Balances, net

	September 30, 2022				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 17	$ —	$ 17	$ 31	$ 48
Grace, repayment and other(2)	16,851	30,256	47,107	19,972	67,079
Total	16,868	30,256	47,124	20,003	67,127
Allowance for loan losses	(165)	(68)	(233)	(852)	(1,085)
Total education loan portfolio	$ 16,703	$ 30,188	$ 46,891	$ 19,151	$ 66,042
% of total FFELP	36%	64%	100%		
% of total	25%	46%	71%	29%	100%

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

	September 30, 2021				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 23	$ —	$ 23	$ 17	$ 40
Grace, repayment and other(2)	18,706	35,890	54,596	20,981	75,577
Total	18,729	35,890	54,619	20,998	75,617
Allowance for loan losses	(184)	(85)	(269)	(980)	(1,249)
Total education loan portfolio	$ 18,545	$ 35,805	$ 54,350	$ 20,018	$ 74,368
% of total FFELP	34%	66%	100%		
% of total	25%	48%	73%	27%	100%

(1) Loans for customers still attending school and are not yet required to make payments on the loan.

(2) Includes loans in deferment or forbearance.

Education Loan Activity

(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
	Three Months Ended September 30, 2022				
Beginning balance	$ 17,339	$ 31,875	$ 49,214	$ 19,668	$ 68,882
Acquisitions (originations and purchases)(1)	—	—	—	249	249
Capitalized interest and premium/discount amortization	166	187	353	55	408
Refinancings and consolidations to third parties	(477)	(1,251)	(1,728)	(62)	(1,790)
Repayments and other	(325)	(623)	(948)	(759)	(1,707)
Ending balance	$ 16,703	$ 30,188	$ 46,891	$ 19,151	$ 66,042

(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
	Three Months Ended September 30, 2021				
Beginning balance	$ 18,861	$ 36,689	$ 55,550	$ 19,725	$ 75,275
Acquisitions (originations and purchases)(1)	60	34	94	1,564	1,658
Capitalized interest and premium/discount amortization	164	197	361	46	407
Refinancings and consolidations to third parties	(190)	(318)	(508)	(119)	(627)
Loan sales	—	—	—	—	—
Repayments and other	(350)	(797)	(1,147)	(1,198)	(2,345)
Ending balance	$ 18,545	$ 35,805	$ 54,350	$ 20,018	$ 74,368

(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
	Nine Months Ended September 30, 2022				
Beginning balance	$ 18,219	$ 34,422	$ 52,641	$ 20,171	$ 72,812
Acquisitions (originations and purchases)(1)	1	—	1	1,764	1,765
Capitalized interest and premium/discount amortization	491	555	1,046	163	1,209
Refinancings and consolidations to third parties	(996)	(2,698)	(3,694)	(394)	(4,088)
Repayments and other	(1,012)	(2,091)	(3,103)	(2,553)	(5,656)
Ending balance	$ 16,703	$ 30,188	$ 46,891	$ 19,151	$ 66,042

(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
	Nine Months Ended September 30, 2021				
Beginning balance	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363
Acquisitions (originations and purchases)(1)	64	37	101	4,607	4,708
Capitalized interest and premium/discount amortization	516	599	1,115	136	1,251
Refinancings and consolidations to third parties	(670)	(1,145)	(1,815)	(385)	(2,200)
Loan sales	—	—	—	(1,488)	(1,488)
Repayments and other	(972)	(2,363)	(3,335)	(3,931)	(7,266)
Ending balance	$ 18,545	$ 35,805	$ 54,350	$ 20,018	$ 74,368

(1) Includes the origination of $57 million and $391 million of Private Education Refinance Loans in the third quarters of 2022 and 2021, and $353 million and $1.4 billion in the nine months ended of 2022 and 2021, respectively, that refinanced FFELP and Private Education Loans that were on our balance sheet.

FFELP Loan Portfolio Performance

(Dollars in millions)	September 30, 2022 Balance	%	December 31, 2021 Balance	%	September 30, 2021 Balance	%
Loans in-school/grace/deferment(1)	$ 1,983		$ 2,220		$ 2,430	
Loans in forbearance(2)	7,410		6,292		8,029	
Loans in repayment and percentage of each status:						
Loans current	30,720	81.4%	39,679	89.4%	40,404	91.5%
Loans delinquent 31-60 days(3)	1,917	5.1	1,696	3.8	1,181	2.7
Loans delinquent 61-90 days(3)	1,291	3.4	904	2.0	665	1.5
Loans delinquent greater than 90 days(3)	3,803	10.1	2,112	4.8	1,910	4.3
Total FFELP Loans in repayment	37,731	100%	44,391	100%	44,160	100%
Total FFELP Loans	47,124		52,903		54,619	
FFELP Loan allowance for losses	(233)		(262)		(269)	
FFELP Loans, net	$ 46,891		$ 52,641		$ 54,350	
Percentage of FFELP Loans in repayment		80.1%		83.9%		80.9%
Delinquencies as a percentage of FFELP Loans in repayment		18.6%		10.6%		8.5%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		16.4%		12.4%		15.4%

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

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

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

Private Education Loan Portfolio Performance

(Dollars in millions)	September 30, 2022 Balance	September 30, 2022 %	December 31, 2021 Balance	December 31, 2021 %	September 30, 2021 Balance	September 30, 2021 %
Loans in-school/grace/deferment[1]	$ 348		$ 361		$ 389	
Loans in forbearance[2]	371		535		814	
Loans in repayment and percentage of each status:						
Loans current	18,426	95.6%	19,634	96.8%	19,196	97.0%
Loans delinquent 31-60 days[3]	305	1.6	222	1.1	247	1.2
Loans delinquent 61-90 days[3]	159	.8	131	.6	136	.7
Loans delinquent greater than 90 days[3]	394	2.0	297	1.5	216	1.1
Total Private Education Loans in repayment	19,284	100%	20,284	100%	19,795	100%
Total Private Education Loans	20,003		21,180		20,998	
Private Education Loan allowance for losses	(852)		(1,009)		(980)	
Private Education Loans, net	$ 19,151		$ 20,171		$ 20,018	
Percentage of Private Education Loans in repayment		96.4%		95.8%		94.3%
Delinquencies as a percentage of Private Education Loans in repayment		4.4%		3.2%		3.0%
Loans in forbearance as a percentage of loans in repayment and forbearance		1.9%		2.6%		3.9%
Percentage of Private Education Loans with a cosigner[4]		33%		35%		36%

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

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

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

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

Allowance for Loan Losses

(Dollars in millions)	Three Months Ended September 30, 2022 FFELP Loans	2022 Private Education Loans	2022 Total	2021 FFELP Loans	2021 Private Education Loans	2021 Total
Beginning balance	$ 245	$ 921	$ 1,166	$ 277	$ 976	$ 1,253
Total provision	—	28	28	—	22	22
Charge-offs:						
Gross charge-offs	(12)	(118)	(130)	(8)	(45)	(53)
Expected future recoveries on current period gross charge-offs	—	19	19	—	6	6
Total(1)	(12)	(99)	(111)	(8)	(39)	(47)
Adjustment resulting from the change in charge-off rate(2)	—	(30)	(30)	—	(16)	(16)
Net charge-offs	(12)	(129)	(141)	(8)	(55)	(63)
Decrease in expected future recoveries on previously fully charged-off loans(3)	—	32	32	—	37	37
Allowance at end of period (GAAP)	233	852	1,085	269	980	1,249
Plus: expected future recoveries on previously fully charged-off loans(3)	—	280	280	—	397	397
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)(4)	$ 233	$ 1,132	$ 1,365	$ 269	$ 1,377	$ 1,646
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate (annualized)(2)	.12%	2.01%		.07%	.77%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized)(2)	—%	.60%		—%	.33%	
Net charge-offs as a percentage of average loans in repayment (annualized)	.12%	2.61%		.07%	1.10%	
Allowance coverage of charge-offs (annualized)(4)	5.0	2.2	(Non-GAAP)	8.4	6.3	(Non-GAAP)
Allowance as a percentage of the ending total loan balance(4)	.5%	5.7%	(Non-GAAP)	.5%	6.6%	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment(4)	.6%	5.9%	(Non-GAAP)	.6%	7.0%	(Non-GAAP)
Ending total loans	$ 47,124	$ 20,003		$ 54,619	$ 20,998	
Average loans in repayment	$ 39,573	$ 19,628		$ 45,201	$ 19,894	
Ending loans in repayment	$ 37,731	$ 19,284		$ 44,160	$ 19,795	

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

(2) In third-quarter 2021, the net charge-off rate on defaulted Private Education Loans increased from 81.4% to 81.7% and in third-quarter 2022, it increased from 81.7% to 81.9%. These changes resulted in a $30 million and $16 million reduction to the balance of the expected future recoveries on previously fully charged-off loans in third-quarter 2022 and third-quarter 2021, respectively.

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

(Dollars in millions)	Three Months Ended September 30, 2022	2021
Beginning of period expected future recoveries on previously fully charged-off loans	$ 312	$ 434
Expected future recoveries of current period defaults	19	6
Recoveries (cash collected)	(14)	(22)
Charge-offs (as a result of lower recovery expectations)	(37)	(21)
End of period expected future recoveries on previously fully charged-off loans	$ 280	$ 397
Change in balance during period	$ (32)	$ (37)

(4) For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures."

(Dollars in millions)	2022 FFELP Loans	2022 Private Education Loans	2022 Total	2021 FFELP Loans	2021 Private Education Loans	2021 Total
	Nine Months Ended September 30,					
Beginning balance	$ 262	$ 1,009	$ 1,271	$ 288	$ 1,089	$ 1,377
Provision:						
Reversal of allowance related to loan sales(1)	—	—	—	—	(107)	(107)
Remaining provision	—	62	62	—	41	41
Total provision	—	62	62	—	(66)	(66)
Charge-offs:						
Gross charge-offs	(29)	(281)	(310)	(19)	(125)	(144)
Expected future recoveries on current period gross charge-offs	—	43	43	—	16	16
Total(2)	(29)	(238)	(267)	(19)	(109)	(128)
Adjustment resulting from the change in charge-off rate(3)	—	(30)	(30)	—	(16)	(16)
Net charge-offs	(29)	(268)	(297)	(19)	(125)	(144)
Decrease in expected future recoveries on previously fully charged-off loans(4)	—	49	49	—	82	82
Allowance at end of period (GAAP)	233	852	1,085	269	980	1,249
Plus: expected future recoveries on previously fully charged-off loans(4)	—	280	280	—	397	397
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)(5)	$ 233	$ 1,132	$ 1,365	$ 269	$ 1,377	$ 1,646
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate (annualized)(3)	.09%	1.59%		.06%	.72%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized)(3)	—%	.20%		—%	.11%	
Net charge-offs as a percentage of average loans in repayment (annualized)	.09%	1.79%		.06%	.83%	
Allowance coverage of charge-offs (annualized)(5)	6.1	3.2	(Non-GAAP)	10.5	8.3	(Non-GAAP)
Allowance as a percentage of the ending total loan balance(5)	.5%	5.7%	(Non-GAAP)	.5%	6.6%	(Non-GAAP)
Allowance as a percentage of the ending loans in repayment(5)	.6%	5.9%	(Non-GAAP)	.6%	7.0%	(Non-GAAP)
Ending total loans	$ 47,124	$ 20,003		$ 54,619	$ 20,998	
Average loans in repayment	$ 41,793	$ 20,056		$ 46,191	$ 20,145	
Ending loans in repayment	$ 37,731	$ 19,284		$ 44,160	$ 19,795	

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

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

(3) In third-quarter 2021, the portion of the loan amount charged off at default on our Private Education Loans increased from 81.4% to 81.7% and in third-quarter 2022, it increased from 81.7% to 81.9%. These changes resulted in a $30 million and $16 million reduction to the balance of the expected future recoveries on previously fully charged-off loans in third-quarter 2022 and third-quarter 2021, respectively.

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

(Dollars in millions)	Nine Months Ended September 30, 2022	2021
Beginning of period expected future recoveries on previously fully charged-off loans	$ 329	$ 479
Expected future recoveries of current period defaults	43	16
Recoveries (cash collected)	(43)	(69)
Charge-offs (as a result of lower recovery expectations)	(49)	(29)
End of period expected future recoveries on previously fully charged-off loans	$ 280	$ 397
Change in balance during period	$ (49)	$ (82)

(5) For Private Education Loans, the item is a non-GAAP financial measure. For a description and reconciliation, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures.”

Liquidity and Capital Resources

Funding and Liquidity Risk Management

The following “Liquidity and Capital Resources” discussion concentrates primarily on our Federal Education Loans and Consumer Lending segments. Our Business Processing and Other segments require minimal liquidity and funding. See “Navient’s Response to COVID-19” for a discussion of COVID-19’s impact on liquidity and capital resources.

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

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

Credit ratings and outlooks are opinions subject to ongoing review by the rating agencies and may change, from time to time, based on our financial performance, industry and market dynamics and other factors. Other factors that influence our credit ratings include the rating agencies’ assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, the level and volatility of earnings, corporate governance and risk management policies, capital position and capital management practices. A negative change in our credit rating could have a negative effect on our liquidity because it might raise the cost and availability of funding and potentially require additional cash collateral or restrict cash currently held as collateral on existing borrowings or derivative collateral arrangements. It is our objective to improve our credit ratings so that we can continue to efficiently access the capital markets even in difficult economic and market conditions. We have unsecured debt totaling $7.0 billion at September 30, 2022. Three credit rating agencies currently rate our long-term unsecured debt at below investment grade.

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

We originate Private Education Loans (a portion of which are done through a forward purchase agreement). We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Loan originations and purchases are part of our ongoing liquidity needs. We purchased 6.3 million shares of common stock for $95 million in the third quarter of 2022 and have $685 million of unused share repurchase authority as of September 30, 2022.

Sources of Primary Liquidity

(Dollars in millions)	September 30, 2022	December 31, 2021	September 30, 2021
Ending Balances:			
Total unrestricted cash and liquid investments	$ 1,364	$ 905	$ 1,050
Unencumbered FFELP Loans	151	124	106
Unencumbered Private Education Refinance Loans	270	383	520
Total	$ 1,785	$ 1,412	$ 1,676

	Three Months Ended			Nine Months Ended	
(Dollars in millions)	September 30, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Average Balances:					
Total unrestricted cash and liquid investments	$ 1,363	$ 1,339	$ 1,047	$ 1,037	$ 1,166
Unencumbered FFELP Loans	123	119	296	172	297
Unencumbered Private Education Refinance Loans	165	565	566	213	668
Total	$ 1,651	$ 2,023	$ 1,909	$ 1,422	$ 2,131

Sources of Additional Liquidity

Liquidity may also be available under our secured credit facilities. Maximum borrowing capacity under the FFELP Loan and Private Education Loan asset-backed commercial paper (ABCP) facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered loans. The following tables detail the additional borrowing capacity of these facilities with maturity dates ranging from October 2022 to April 2024.

(Dollars in millions)	September 30, 2022	December 31, 2021	September 30, 2021
Ending Balances			
FFELP Loan ABCP facilities	$ 200	$ 546	$ 184
Private Education Loan ABCP facilities	2,203	2,235	2,597
Total	$ 2,403	$ 2,781	$ 2,781

	Three Months Ended			Nine Months Ended	
(Dollars in millions)	September 30, 2022	December 31, 2021	September 30, 2021	September 30, 2022	September 30, 2021
Average Balances					
FFELP Loan ABCP facilities	$ 190	$ 441	$ 385	$ 404	$ 538
Private Education Loan ABCP facilities	2,186	2,419	2,143	2,147	2,328
Total	$ 2,376	$ 2,860	$ 2,528	$ 2,551	$ 2,866

At September 30, 2022, we had a total of $4.3 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $2.0 billion principal of our unencumbered tangible assets of which $1.8 billion and $151 million related to Private Education Loans and FFELP Loans, respectively. In addition, as of September 30, 2022, we had $5.1 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). Our secured financing facilities include Private Education Loan ABS Repurchase Facilities, which had $0.8 billion outstanding as of September 30, 2022. These repurchase facilities are collateralized by the net assets in previously issued Private Education Loan ABS trusts and have had a cost of funds lower than that of a new unsecured debt issuance.

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

(Dollars in billions)	September 30, 2022	December 31, 2021
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 3.7	3.8
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	1.4	1.7
Tangible unencumbered assets(1)	4.3	4.5
Senior unsecured debt	(7.0)	(7.0)
Mark-to-market on unsecured hedged debt(2)	.3	(.3)
Other liabilities, net	(.5)	(.8)
Total Tangible Equity (1)	$ 2.2	$ 1.9

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

(2) At September 30, 2022 and December 31, 2021, there were $(305) million and $324 million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

Borrowings

Ending Balances

(Dollars in millions)	September 30, 2022 Short Term	September 30, 2022 Long Term	September 30, 2022 Total	December 31, 2021 Short Term	December 31, 2021 Long Term	December 31, 2021 Total
Unsecured borrowings:						
Senior unsecured debt	$ 1,299	$ 5,709	$ 7,008	$ —	$ 7,014	$ 7,014
Total unsecured borrowings	1,299	5,709	7,008	—	7,014	7,014
Secured borrowings:						
FFELP Loan securitizations	83	45,358	45,441	—	51,841	51,841
Private Education Loan securitizations	813	13,300	14,113	543	14,074	14,617
FFELP Loan ABCP facilities	974	291	1,265	282	150	432
Private Education Loan ABCP facilities	2,418	—	2,418	1,363	1,152	2,515
Other	105	—	105	302	—	302
Total secured borrowings	4,393	58,949	63,342	2,490	67,217	69,707
Core Earnings basis borrowings(1)	5,692	64,658	70,350	2,490	74,231	76,721
Adjustment for GAAP accounting treatment	(15)	(660)	(675)	—	257	257
GAAP basis borrowings	$ 5,677	$ 63,998	$ 69,675	$ 2,490	$ 74,488	$ 76,978

Average Balances

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
(Dollars in millions)	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate	Average Balance	Average Rate
Unsecured borrowings:								
Senior unsecured debt	$ 7,007	6.08%	$ 7,463	4.38%	$ 7,010	5.07%	$ 8,106	4.49%
Total unsecured borrowings	7,007	6.08	7,463	4.38	7,010	5.07	8,106	4.49
Secured borrowings:								
FFELP Loan securitizations	46,615	3.37	53,281	1.24	48,623	2.16	54,108	1.26
Private Education Loan securitizations	14,298	2.70	14,007	2.34	14,401	2.47	14,167	2.46
FFELP Loan ABCP facilities	1,222	3.43	772	1.27	899	2.58	1,168	1.50
Private Education Loan ABCP facilities	2,460	3.90	2,704	1.64	2,543	2.73	2,451	1.89
Other	142	2.68	311	.38	189	1.29	304	.33
Total secured borrowings	64,737	3.24	71,075	1.47	66,655	2.26	72,198	1.52
Core Earnings basis borrowings(1)	71,744	3.52	78,538	1.75	73,665	2.52	80,304	1.82
Adjustment for GAAP accounting treatment	—	.02	—	(.10)	—	(.16)	—	(.16)
GAAP basis borrowings	$ 71,744	3.54%	$ 78,538	1.65%	$ 73,665	2.36%	$ 80,304	1.66%

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

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). A discussion of our critical accounting policies, which includes the allowance for loan losses, goodwill impairment assessment, and premium and discount amortization, can be found in our 2021 Form 10-K. In the third quarter of 2022, our critical accounting estimates considered the current and potential negative impact on the economy associated with the uncertainty in connection with historically high inflation and the increase in interest rates.

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

On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan that extends the repayment pause on ED held student loans through December 31, 2022 and provides up to $20,000 in one-time debt relief to income-qualified recipients with ED held student loans.

Following the initial announcement of the SDR Plan, ED provided more specific guidance on debt relief through its studentaid.gov website on September 29, 2022, which guidance was subsequently revised and published in the Federal Register on October 12, 2022. The studentaid.gov website currently provides the following guidance:

- All loans eligible for the student loan payment pause are also eligible for debt relief, including loans held by ED and guaranty agencies.
- As of September 29, 2022, borrowers with federal student loans not held by ED cannot obtain one-time debt relief by consolidating those loans into Direct Loans.
- Borrowers with FFEL Loans not held by ED who have applied to consolidate into the Direct Loan program prior to September 29, 2022, are eligible, subject to meeting the other terms and conditions.
- ED is assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFEL Program Loans and Perkins Loans.

Based on this recent announcement, we estimate that borrowers holding approximately $600 million of the total $47 billion of FFELP Loans on our balance sheet as of September 30, 2022 have applied to have their loans consolidated with ED prior to the deadline established by the SDR Plan.

At this time, there is not a material impact on the Company's accounting and related third-quarter results related to the SDR Plan as:

1. Privately held FFELP Loans themselves do not qualify for debt forgiveness, and
2. FFELP borrowers had to apply to consolidate their loans into the Direct Loan program prior to September 29, 2022, to qualify for their loans to be forgiven.

As a result, we do not expect there to be incremental consolidation activity in the future related to potential loan forgiveness under the SDR Plan. The Company's current accounting policies and related estimates appropriately consider the impact of FFELP borrowers who applied to consolidate loans into the Direct Loan program in the third quarter, but the funding of such consolidations will not occur until after September 30, 2022.

If the SDR Plan was changed in the future to allow FFELP Loans to be directly forgiven and/or eliminates or alters the deadline for borrowers to apply to consolidate their FFELP Loans into the Direct Loan program to receive debt forgiveness, the impact to the Company would most likely be material due to increased prepayments on our FFELP Loan portfolio. Despite the significant uncertainty regarding the ultimate impact such SDR Plan changes may have to the Company, under GAAP, the Company would be required to calculate and account for its best estimate of the potential impact and record such estimate in its results. As it relates to estimating any potential impact to the Company, the Company does not have sufficient access to:

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

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

1. The application rate of the eligible borrowers

2. How the mix of FFELP vs. ED federal loans of a borrower will impact their need/willingness to consolidate (as balances on loans held by ED are forgiven first and may result in a borrower not needing to consolidate their FFELP Loan)

3. The likelihood that an injunction, stay or other legal prohibition is issued with respect to the SDR Plan or the SDR Plan is terminated or amended due to a lawsuit

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

If the SDR Plan was changed in the future as discussed above, we anticipate that the principal components of the financial items whose recognition would be accelerated through net income as a result of materially increased loan consolidations and/or debt forgiveness would be the amortization of loan premiums and debt deferred financing fees through net interest income, which would reduce net income. These impacts would be partially offset by the benefit to net income from the release of the related allowance for loan losses through provision and revenue from the assessed but previously unrecognized fees that would be recognized in other income. The table below lists those items and their respective balances related to the FFELP Loans outstanding as of September 30, 2022:

(Dollars in millions)	**As of 9/30/22**
Loan premium	$ 419
Debt deferred financing fees	328
Allowance for loan borrower benefits	(24)
Allowance for loan losses	(234)
Assessed but previously unrecognized fees	(122)
Servicing asset – off-balance sheet trusts	2
Total net asset on balance sheet	$ 369

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

Non-GAAP Financial Measures

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

1. Core Earnings

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

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

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

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

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

The following tables show Core Earnings for each reportable segment and our business as a whole along with the adjustments made to the income/expense items to reconcile the amounts to our reported GAAP results as required by GAAP and reported in “Note 12 — Segment Reporting.”

	Three Months Ended September 30, 2022								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 555	$ 309	$ —	$ —	$ 864	$ —	$ (2)	$ (2)	$ 862
Cash and investments	9	3	—	7	19	—	—	—	19
Total interest income	564	312	—	7	883	—	(2)	(2)	881
Total interest expense	444	159	—	33	636	(1)	6	5	641
Net interest income (loss)	120	153	—	(26)	247	1	(8)	(7)	240
Less: provisions for loan losses	—	28	—	—	28	—	—	—	28
Net interest income (loss) after provisions for loan losses	120	125	—	(26)	219	1	(8)	(7)	212
Other income (loss):									
Servicing revenue	21	3	—	—	24	—	—	—	24
Asset recovery and business processing revenue	1	—	79	—	80	—	—	—	80
Other income (loss)	6	—	—	—	6	(1)	41	40	46
Total other income (loss)	28	3	79	—	110	(1)	41	40	150
Expenses:									
Direct operating expenses	25	43	67	—	135	—	—	—	135
Unallocated shared services expenses	—	—	—	59	59	—	—	—	59
Operating expenses	25	43	67	59	194	—	—	—	194
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	10	10	10
Restructuring/other reorganization expenses	—	—	—	21	21	—	—	—	21
Total expenses	25	43	67	80	215	—	10	10	225
Income (loss) before income tax expense (benefit)	123	85	12	(106)	114	—	23	23	137
Income tax expense (benefit)(2)	29	20	3	(25)	27	—	5	5	32
Net income (loss)	$ 94	$ 65	$ 9	$ (81)	$ 87	$ —	$ 18	$ 18	$ 105

(1) Core Earnings adjustments to GAAP:

	Three Months Ended September 30, 2022		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ (7)	$ —	$ (7)
Total other income (loss)	40	—	40
Goodwill and acquired intangible asset impairment and amortization	—	10	10
Total Core Earnings adjustments to GAAP	$ 33	$ (10)	23
Income tax expense (benefit)			5
Net income (loss)			$ 18

(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
	Three Months Ended September 30, 2021								
Interest income:									
Education loans	$ 353	$ 291	$ —	$ —	$ 644	$ 25	$ (10)	$ 15	$ 659
Cash and investments	—	1	—	—	1	—	—	—	1
Total interest income	353	292	—	—	645	25	(10)	15	660
Total interest expense	202	129	—	15	346	(3)	(17)	(20)	326
Net interest income (loss)	151	163	—	(15)	299	28	7	35	334
Less: provisions for loan losses	—	22	—	—	22	—	—	—	22
Net interest income (loss) after provisions for loan losses	151	141	—	(15)	277	28	7	35	312
Other income (loss):									
Servicing revenue	47	—	—	—	47	—	—	—	47
Asset recovery and business processing revenue	13	—	122	—	135	—	—	—	135
Other income (loss)	1	—	—	2	3	(28)	23	(5)	(2)
Losses on debt repurchases	—	—	—	(20)	(20)	—	—	—	(20)
Total other income (loss)	61	—	122	(18)	165	(28)	23	(5)	160
Expenses:									
Direct operating expenses	53	45	87	—	185	—	—	—	185
Unallocated shared services expenses	—	—	—	63	63	—	—	—	63
Operating expenses	53	45	87	63	248	—	—	—	248
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	4	4	4
Restructuring/other reorganization expenses	—	—	—	—	—	—	—	—	—
Total expenses	53	45	87	63	248	—	4	4	252
Income (loss) before income tax expense (benefit)	159	96	35	(96)	194	—	26	26	220
Income tax expense (benefit)(2)	37	23	8	(23)	45	—	2	2	47
Net income (loss)	$ 122	$ 73	$ 27	$ (73)	$ 149	$ —	$ 24	$ 24	$ 173

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
	Three Months Ended September 30, 2021		
Net interest income (loss) after provisions for loan losses	$ 35	$ —	$ 35
Total other income (loss)	(5)	—	(5)
Goodwill and acquired intangible asset impairment and amortization	—	4	4
Total Core Earnings adjustments to GAAP	$ 30	$ (4)	26
Income tax expense (benefit)			2
Net income (loss)			$ 24

(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	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
	Nine Months Ended September 30, 2022					Adjustments			
Interest income:									
Education loans	$ 1,298	$ 862	$ —	$ —	$ 2,160	$ 23	$ (9)	$ 14	$ 2,174
Cash and investments	12	5	—	8	25	—	—	—	25
Total interest income	1,310	867	—	8	2,185	23	(9)	14	2,199
Total interest expense	905	421	—	65	1,391	3	(93)	(90)	1,301
Net interest income (loss)	405	446	—	(57)	794	20	84	104	898
Less: provisions for loan losses	—	62	—	—	62	—	—	—	62
Net interest income (loss) after provisions for loan losses	405	384	—	(57)	732	20	84	104	836
Other income (loss):									
Servicing revenue	51	9	—	—	60	—	—	—	60
Asset recovery and business processing revenue	4	—	260	—	264	—	—	—	264
Other income (loss)	24	1	—	(3)	22	(20)	181	161	183
Total other income (loss)	79	10	260	(3)	346	(20)	181	161	507
Expenses:									
Direct operating expenses	79	113	216	—	408	—	—	—	408
Unallocated shared services expenses	—	—	—	180	180	—	—	—	180
Operating expenses	79	113	216	180	588	—	—	—	588
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	17	17	17
Restructuring/other reorganization expenses	—	—	—	25	25	—	—	—	25
Total expenses	79	113	216	205	613	—	17	17	630
Income (loss) before income tax expense (benefit)	405	281	44	(265)	465	—	248	248	713
Income tax expense (benefit)(2)	95	66	11	(63)	109	—	64	64	173
Net income (loss)	$ 310	$ 215	$ 33	$ (202)	$ 356	$ —	$ 184	$ 184	$ 540

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
	Nine Months Ended September 30, 2022		
Net interest income (loss) after provisions for loan losses	$ 104	$ —	$ 104
Total other income (loss)	161	—	161
Goodwill and acquired intangible asset impairment and amortization	—	17	17
Total Core Earnings adjustments to GAAP	$ 265	$ (17)	248
Income tax expense (benefit)			64
Net income (loss)			$ 184

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

	Nine Months Ended September 30, 2021								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 1,062	$ 905	$ —	$ —	$ 1,967	$ 73	$ (29)	$ 44	$ 2,011
Cash and investments	—	1	—	1	2	—	—	—	2
Total interest income	1,062	906	—	1	1,969	73	(29)	44	2,013
Total interest expense	627	416	—	51	1,094	(6)	(93)	(99)	995
Net interest income (loss)	435	490	—	(50)	875	79	64	143	1,018
Less: provisions for loan losses	—	(66)	—	—	(66)	—	—	—	(66)
Net interest income (loss) after provisions for loan losses	435	556	—	(50)	941	79	64	143	1,084
Other income (loss):									
Servicing revenue	146	3	—	—	149	—	—	—	149
Asset recovery and business processing revenue	39	—	377	—	416	—	—	—	416
Other income (loss)	3	1	—	5	9	(66)	87	21	30
Gains on sales of loans	—	91	—	—	91	(13)	—	(13)	78
Losses on debt repurchases	—	—	—	(32)	(32)	—	—	—	(32)
Total other income (loss)	188	95	377	(27)	633	(79)	87	8	641
Expenses:									
Direct operating expenses	170	124	270	—	564	—	—	—	564
Unallocated shared services expenses	—	—	—	194	194	—	—	—	194
Operating expenses	170	124	270	194	758	—	—	—	758
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	14	14	14
Restructuring/other reorganization expenses	—	—	—	8	8	—	—	—	8
Total expenses	170	124	270	202	766	—	14	14	780
Income (loss) before income tax expense (benefit)	453	527	107	(279)	808	—	137	137	945
Income tax expense (benefit)(2)	107	123	25	(65)	190	—	27	27	217
Net income (loss)	$ 346	$ 404	$ 82	$ (214)	$ 618	$ —	$ 110	$ 110	$ 728

(1) Core Earnings adjustments to GAAP:

	Nine Months Ended September 30, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 143	$ —	$ 143
Total other income (loss)	8	—	8
Goodwill and acquired intangible asset impairment and amortization	—	14	14
Total Core Earnings adjustments to GAAP	$ 151	$ (14)	137
Income tax expense (benefit)			27
Net income (loss)			$ 110

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Core Earnings net income	$ 87	$ 149	$ 356	$ 618
Core Earnings adjustments to GAAP:				
Net impact of derivative accounting	33	30	265	151
Net impact of goodwill and acquired intangible assets	(10)	(4)	(17)	(14)
Net income tax effect	(5)	(2)	(64)	(27)
Total Core Earnings adjustments to GAAP	18	24	184	110
GAAP net income	$ 105	$ 173	$ 540	$ 728

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

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

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

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

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Core Earnings derivative adjustments:				
Gains (losses) on derivative and hedging activities, net, included in other income	$ 40	$ (5)	$ 161	$ 21
Plus: Gains (losses) on fair value hedging activity included in interest expense	(6)	10	85	71
Total gains (losses) in GAAP net income	34	5	246	92
Plus: Reclassification of settlement expense (income) on derivative and hedging activities, net(1)	1	28	20	66
Mark-to-market gains (losses) on derivative and hedging activities, net(2)	35	33	266	158
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	(2)	(10)	(9)	(30)
Other derivative accounting adjustments(3)	—	7	8	23
Total net impact of derivative accounting	$ 33	$ 30	$ 265	$ 151

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Reclassification of settlements on derivative and hedging activities:				
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ —	$ (25)	$ (23)	$ (73)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	(1)	(3)	3	(6)
Net realized gains (losses) on terminated derivative contracts reclassified to other income	—	—	—	13
Total reclassifications of settlements on derivative and hedging activities	$ (1)	$ (28)	$ (20)	$ (66)

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

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Floor Income Contracts	$ —	$ 23	$ 65	$ 81
Basis swaps	(3)	1	(6)	5
Foreign currency hedges	(23)	3	34	48
Other	61	6	173	24
Total mark-to-market gains (losses) on derivative and hedging activities, net	$ 35	$ 33	$ 266	$ 158

(3) Other derivative accounting adjustments consist of adjustments related to: (1) foreign currency denominated debt that is adjusted to spot foreign exchange rates for GAAP where such adjustments are reversed for Core Earnings and (2) certain terminated derivatives that did not receive hedge accounting treatment under GAAP but were economic hedges under Core Earnings and, as a result, such gains or losses are amortized into Core Earnings over the life of the hedged item.

Cumulative Impact of Derivative Accounting under GAAP compared to Core Earnings

As of September 30, 2022, derivative accounting has increased GAAP equity by approximately $118 million as a result of cumulative net mark-to-market losses (after tax) recognized under GAAP, but not in Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains and losses related to derivative accounting.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Beginning impact of derivative accounting on GAAP equity	$ 39	$ (459)	$ (299)	$ (616)
Net impact of net mark-to-market gains (losses) under derivative accounting(1)	79	42	417	199
Ending impact of derivative accounting on GAAP equity	$ 118	$ (417)	$ 118	$ (417)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Total pre-tax net impact of derivative accounting recognized in net income(2)	$ 33	$ 30	$ 265	$ 151
Tax and other impacts of derivative accounting adjustments	(8)	(8)	(65)	(37)
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	54	20	217	85
Net impact of net mark-to-market gains (losses) under derivative accounting	$ 79	$ 42	$ 417	$ 199

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

Hedging Embedded Floor Income

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

(Dollars in millions)	September 30, 2022	September 30, 2021
Total hedged Floor Income, net of tax(1)(2)	$ 224	$ 291

(1) $293 million and $380 million on a pre-tax basis as of September 30, 2022 and September 30, 2021, respectively.

(2) Of the $224 million as of September 30, 2022, approximately $30 million, $98 million, $39 million and $21 million will be recognized as part of Core Earnings net income in the remainder of 2022, 2023, 2024 and 2025, 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 September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Core Earnings goodwill and acquired intangible asset adjustments	$ (10)	$ (4)	$ (17)	$ (14)

Adjusted Core Earnings

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

The following table summarizes these expenses which are excluded:

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Restructuring/other reorganization expenses	$ 21	$ —	$ 25	$ 8
Regulatory-related expenses	3	6	5	22
Total	$ 24	$ 6	$ 30	$ 30

2. Adjusted Tangible Equity Ratio

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

(Dollars in millions)	September 30, 2022	September 30, 2021
Navient Corporation's stockholders' equity	$ 2,973	$ 2,723
Less: Goodwill and acquired intangible assets	708	721
Tangible Equity	2,265	2,002
Less: Equity held for FFELP Loans	234	272
Adjusted Tangible Equity	$ 2,031	$ 1,730
Divided by:		
Total assets	$ 73,625	$ 81,939
Less:		
Goodwill and acquired intangible assets	708	721
FFELP Loans	46,891	54,350
Adjusted tangible assets	$ 26,026	$ 26,868
Adjusted Tangible Equity Ratio(1)	7.8 %	6.4 %

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

(Dollars in millions)	September 30, 2022	September 30, 2021
Adjusted Tangible Equity (from above table)	$ 2,031	$ 1,730
Plus: ending impact of derivative accounting on GAAP equity	(118)	417
Pro forma Adjusted Tangible Equity	$ 1,913	$ 2,147
Divided by: adjusted tangible assets (from above table)	$ 26,026	$ 26,868
Pro forma Adjusted Tangible Equity Ratio	7.4 %	8.0 %

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Pre-tax income	$ 12	$ 35	$ 44	$ 107
Plus:				
Depreciation and amortization expense(1)	1	3	2	6
EBITDA	$ 13	$ 38	$ 46	$ 113
Divided by:				
Total revenue	$ 79	$ 122	$ 260	$ 377
EBITDA margin	16 %	31 %	18 %	30 %

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

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

The allowance for loan losses on the Private Education Loan portfolio used for the three credit metrics below excludes the expected future recoveries on previously fully charged-off loans to better reflect the current expected credit losses remaining in connection with the loans on balance sheet that have not charged off. That is, as of September 30, 2022, the $1,132 million Private Education Loan allowance for loan losses excluding expected future recoveries on previously fully charged-off loans represents the current expected credit losses that remain in connection with the $20,003 million Private Education Loan portfolio. The $280 million of expected future recoveries on previously fully charged-off loans, which is collected over an average 15-year period, mechanically is a reduction to the overall allowance for loan losses. However, it is not related to the $20,003 million Private Education Loan portfolio on our balance sheet and, as a result, management excludes this impact to the allowance to better evaluate and assess our overall credit loss coverage on the Private Education Loan portfolio. We believe this provides a more meaningful and holistic view of the available credit loss coverage on our non-charged-off Private Education Loan portfolio. We believe this information is useful to our investors, lenders and rating agencies.

Allowance for Loan Losses Metrics – Private Education Loans

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Allowance at end of period (GAAP)	$ 852	$ 980	$ 852	$ 980
Plus: expected future recoveries on previously fully charged-off loans	280	397	280	397
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)	$ 1,132	$ 1,377	$ 1,132	$ 1,377
Ending total loans	$ 20,003	$ 20,998	$ 20,003	$ 20,998
Ending loans in repayment	$ 19,284	$ 19,795	$ 19,284	$ 19,795
Net charge-offs	$ 129	$ 55	$ 268	$ 125
Allowance coverage of charge-offs (annualized):				
GAAP	1.7	4.5	2.4	5.9
Adjustment(1)	.5	1.8	.8	2.4
Non-GAAP Financial Measure(1)	2.2	6.3	3.2	8.3
Allowance as a percentage of the ending total loan balance:				
GAAP	4.3%	4.7%	4.3%	4.7%
Adjustment(1)	1.4	1.9	1.4	1.9
Non-GAAP Financial Measure(1)	5.7%	6.6%	5.7%	6.6%
Allowance as a percentage of the ending loans in repayment:				
GAAP	4.4%	5.0%	4.4%	5.0%
Adjustment(1)	1.5	2.0	1.5	2.0
Non-GAAP Financial Measure(1)	5.9%	7.0%	5.9%	7.0%

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

Legal Proceedings

For a discussion of legal matters as of September 30, 2022, please refer to “Note 9 – Commitments and Contingencies” to our consolidated financial statements included in this report, which is incorporated into this item by reference.

Risk Factors

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (the “Form 10-K”) should be considered together with information included in this Quarterly Report on Form 10-Q. These are not the only risks to which we are exposed. The following information amends and restates in its entirety the previously disclosed risk factor in our Form 10-K and our Form 10-Q for the second quarter ended June 30, 2022 relating to higher-than-anticipated increases in prepayment rates. Except for such additional information, we believe there have been no material changes from the risk factors previously disclosed in our Form 10-K and in the second quarter Form 10-Q.

Prepayments on our loans can materially impact our profitability, results of operations, financial condition, cash flows or future business prospects. Higher or lower prepayments can result from a variety of causes including borrower activity and changes in the education loan market as a result of market conditions, interest rate movements, loan forgiveness or other government sponsored initiatives.

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

In particular, new interpretations of current laws, rules or regulations or future laws, executive orders or other policy initiatives which operate to encourage or require consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs also may increase or decrease the prepayment rates on education loans. For example, ED recently announced a set of policy changes and released proposed negotiated rulemaking proposals relating to the Defense to Repayment, interest capitalization rules, and Public Service Loan Forgiveness program under its Direct Loan program, which may result in an increase in consolidations of FFELP loans into Direct Loans (which results in the loan no longer being on our balance sheet). Prepayments on our loans may also decrease while programs or initiatives are discussed or rumored to be enacted in the future. On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan that extended the student loan repayment pause through December 31, 2022 and provides up to $20,000 in debt relief to certain income-qualified recipients of student loans held by ED. After several modifications, a final version of the SDR Plan was ultimately published in the Federal Register on October 12, 2022. While the SDR Plan currently provides that borrowers with federal student loans not held by ED cannot obtain one-time debt relief by consolidating those loans into Direct Loans, it also states that ED is assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFEL Program Loans and is discussing this with private lenders. If a broad-based student loan forgiveness plan or any policies or programs that encourage or require borrowers to consolidate their loans into Direct Loans held by ED is implemented, it will likely result in a significant increase in prepayments of our existing education loan portfolio and could materially and adversely impact our profitability, results of operations, financial condition, cash flows or future business prospects. We cannot predict what (if any) plans or policies regarding broad-based loan forgiveness or other related policies or programs will ultimately be implemented, the timing of when such plans or policies may be implemented, and/or the outcome of such actions.

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

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

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

Quantitative and Qualitative Disclosures about Market Risk

LIBOR Transition

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

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

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

For a discussion of the risks related to the LIBOR transition, see "Risk Factors – Market, Funding & Liquidity Risk – The transition away from the LIBOR reference rate to an alternative reference rate may create uncertainty in the capital markets and may negatively impact the value of existing LIBOR based financial instruments. Post transition alternative reference rates may perform significantly different than LIBOR" in our Annual Report on Form 10-K for the fiscal year ended December 31, 2021.

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 September 30, 2022 and 2021, based upon a sensitivity analysis performed by management assuming a hypothetical increase and decrease in market interest rates of 100 basis points. The earnings sensitivities assume an immediate increase and decrease in market interest rates of 100 basis points and are applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date and do not take into account any new assets, liabilities or hedging instruments that may arise over the next 12 months.

	As of September 30, 2022 Impact on Annual Earnings If: Interest Rates		As of September 30, 2021 Impact on Annual Earnings If: Interest Rates	
(Dollars in millions, except per share amounts)	Increase 100 Basis Points	Decrease 100 Basis Points	Increase 100 Basis Points	Decrease 100 Basis Points
Effect on Earnings:				
Change in pre-tax net income before mark-to -market gains (losses) on derivative and hedging activities(1)	$ 53	$ (38)	$ (31)	$ 10
Mark-to-market gains (losses) on derivative and hedging activities	22	(22)	92	(120)
Increase (decrease) in income before taxes	$ 75	$ (60)	$ 61	$ (110)
Increase (decrease) in net income after taxes	$ 58	$ (46)	$ 47	$ (85)
Increase (decrease) in diluted earnings per common share	$ .42	$ (.34)	$ .29	$ (.52)

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

(Dollars in millions)	At September 30, 2022 Fair Value	Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Decrease of 100 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 62,914	$ (81)	—	$ 119	—
Other earning assets	4,088	—	—	—	—
Other assets	3,495	47	1	(42)	(1)
Total assets gain/(loss)	$ 70,497	$ (34)	—%	$ 77	—%
Liabilities					
Interest-bearing liabilities	$ 66,471	$ (256)	—%	$ 276	—%
Other liabilities	977	141	14	(144)	(15)
Total liabilities (gain)/loss	$ 67,448	$ (115)	—%	$ 132	—%

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

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

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

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in mark-to-market gains (losses) on derivative and hedging activities in both periods is primarily due to (i) the notional amount and remaining term of our derivative portfolio and related hedged debt and (ii) the interest rate environment. In both periods, the mark-to-market gains (losses) are primarily related to derivatives that don't qualify for hedge accounting that are used to economically hedge Floor Income as well as the origination of fixed rate Private Education Refinance loans. As a result of not qualifying for hedge accounting, there is not an offsetting mark- to-market of the hedged item in this analysis. The mark-to-market gains (losses) where interest rates increase and decrease 100 basis points are lower in 2022 than 2021 primarily as a result of an increased interest rate environment in 2022 and a decline in the notional amount of derivatives outstanding in connection with the decrease in the education loan portfolio over that time period.

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

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of September 30, 2022. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest margin, as opposed to those reflected in the "gains (losses) on derivatives and hedging activities, net" line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

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

GAAP Basis:

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding(1)	Funding Gap
3-month Treasury bill	weekly	$ 2.4	$ —	$ 2.4
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.2	—	.2
Prime	quarterly	1.3	—	1.3
Prime	monthly	4.6	—	4.6
3-month LIBOR	quarterly	.3	20.1	(19.8)
3-month LIBOR(2)	monthly	—	—	—
3-month LIBOR(2)	daily	—	.1	(.1)
1-month LIBOR	monthly	3.0	28.0	(25.0)
1-month LIBOR	daily	44.2	—	44.2
SOFR(3)	various	.1	.9	(.8)
Non-Discrete reset(2)(4)	monthly	—	4.0	(4.0)
Non-Discrete reset(5)	daily/weekly	4.0	.1	3.9
Fixed Rate(6)		13.3	20.4	(7.1)
Total		$ 73.6	$ 73.6	$ —

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

(2) Funding includes Loan Repurchase facilities.

(3) Assets include $78 million of student loans indexed to the 30-day average SOFR rate. Funding includes $855 million indexed to 30-day average, 90-day average or 3-month Term CME SOFR.

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

(5) 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.

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

Core Earnings Basis:

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding(1)	Funding Gap
3-month Treasury bill	weekly	$ 2.4	$ —	$ 2.4
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.2	—	.2
Prime	quarterly	1.3	—	1.3
Prime	monthly	4.6	—	4.6
3-month LIBOR	quarterly	.3	—	.3
3-month LIBOR(2)	monthly	—	—	—
3-month LIBOR(2)	daily	—	—	—
1-month LIBOR	monthly	3.0	48.9	(45.9)
1-month LIBOR	daily	44.2	—	44.2
SOFR(3)	various	.1	—	.1
Non-Discrete reset(2)(4)	monthly	—	2.8	(2.8)
Non-Discrete reset(5)	daily/weekly	4.0	.1	3.9
Fixed Rate(6)		13.5	22.0	(8.5)
Total		$ 73.8	$ 73.8	$ —

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

(2) Funding includes Loan Repurchase facilities.

(3) Assets include $78 million of student loans indexed to the 30-day average SOFR rate. Funding includes $43 million indexed to 30-day average or 90-day average SOFR.

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

(5) 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.

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

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

Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchases

The following table provides information relating to our purchases of shares of our common stock in the three months ended September 30, 2022.

(In millions, except per share data)	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs(2)
Period:				
July 1 — July 31, 2022	1.6	$ 15.21	1.6	$ 755
August 1 — August 31, 2022	2.3	16.34	2.3	$ 718
September 1 — September 30, 2022	2.4	14.09	2.4	$ 685
Total third-quarter 2022	6.3	$ 15.19	6.3	

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

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 September 30, 2022. Based on this evaluation, our Principal Executive and Principal Financial Officers concluded that, as of September 30, 2022, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our Principal Executive and Principal Financial Officers as appropriate, to allow timely decisions regarding required disclosure.

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 September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Exhibits

31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

* Filed herewith
** Furnished herewith

NAVIENT CORPORATION

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

	September 30, 2022		December 31, 2021	
Assets				
FFELP Loans (net of allowance for losses of $233 and $262, respectively)	$	46,891	$	52,641
Private Education Loans (net of allowance for losses of $852 and $1,009, respectively)		19,151		20,171
Investments				
Held-to-maturity		62		74
Other		114		193
Total investments		176		267
Cash and cash equivalents		1,364		905
Restricted cash and cash equivalents		2,548		2,673
Goodwill and acquired intangible assets, net		708		725
Other assets		2,787		3,223
Total assets	$	73,625	$	80,605
Liabilities				
Short-term borrowings	$	5,677	$	2,490
Long-term borrowings		63,998		74,488
Other liabilities		977		1,019
Total liabilities		70,652		77,997
Commitments and contingencies				
Equity				
Series A Junior Participating Preferred Stock, par value $0.20 per share; 2 million shares authorized at December 31, 2021; no shares issued or outstanding		—		—
Common stock, par value $0.01 per share, 1.125 billion shares authorized: 461 million and 459 million shares issued, respectively		4		4
Additional paid-in capital		3,309		3,282
Accumulated other comprehensive income (loss) (net of tax expense (benefit) of $28 and $(45), respectively)		84		(133)
Retained earnings		4,406		3,939
Total Navient Corporation stockholders' equity before treasury stock		7,803		7,092
Less: Common stock held in treasury at cost: 325 million and 305 million shares, respectively		(4,830)		(4,495)
Total Navient Corporation stockholders' equity		2,973		2,597
Noncontrolling interest		—		11
Total equity		2,973		2,608
Total liabilities and equity	$	73,625	$	80,605

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

	September 30, 2022		December 31, 2021	
FFELP Loans	$	46,753	$	52,502
Private Education Loans		17,358		18,147
Restricted cash		2,511		2,649
Other assets, net		1,396		1,522
Short-term borrowings		4,288		2,188
Long-term borrowings		58,587		67,107
Net assets of consolidated variable interest entities	$	5,143	$	5,525

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income:				
FFELP Loans	$ 553	$ 368	$ 1,312	$ 1,106
Private Education Loans	309	291	862	905
Cash and investments	19	1	25	2
Total interest income	881	660	2,199	2,013
Total interest expense	641	326	1,301	995
Net interest income	240	334	898	1,018
Less: provisions for loan losses	28	22	62	(66)
Net interest income after provisions for loan losses	212	312	836	1,084
Other income (loss):				
Servicing revenue	24	47	60	149
Asset recovery and business processing revenue	80	135	264	416
Other income	6	3	22	9
Gains on sales of loans	—	—	—	78
Gains (losses) on debt repurchases	—	(20)	—	(32)
Gains (losses) on derivative and hedging activities, net	40	(5)	161	21
Total other income	150	160	507	641
Expenses:				
Salaries and benefits	106	141	337	433
Other operating expenses	88	107	251	325
Total operating expenses	194	248	588	758
Goodwill and acquired intangible asset impairment and amortization expense	10	4	17	14
Restructuring/other reorganization expenses	21	—	25	8
Total expenses	225	252	630	780
Income before income tax expense	137	220	713	945
Income tax expense	32	47	173	217
Net income	$ 105	$ 173	$ 540	$ 728
Basic earnings per common share	$ .75	$ 1.05	$ 3.71	$ 4.20
Average common shares outstanding	139	165	145	174
Diluted earnings per common share	$ .75	$ 1.04	$ 3.67	$ 4.15
Average common and common equivalent shares outstanding	141	167	147	176
Dividends per common share	$ .16	$ .16	$ .48	$ .48

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	$ 105	$ 173	$ 540	$ 728
Net changes in cash flow hedges, net of taxes(1)	54	20	217	85
Total comprehensive income	$ 159	$ 193	$ 757	$ 813

(1) See “Note 4 – Derivative Financial Instruments.”

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares										
	Issued	Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at June 30, 2021	458,044,687	(290,204,499)	167,840,188	$ 4	$ 3,268	$ (209)	$ 3,828	$ (4,190)	$ 2,701	$ 11	$ 2,712
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	173	—	173	—	173
Other comprehensive income (loss), net of tax	—	—	—	—	—	20	—	—	20	—	20
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	193	—	193
Cash dividends:											
Common stock ($.16 per share)	—	—	—	—	—	—	(26)	—	(26)	—	(26)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	—	—	—	—	—
Issuance of common shares	552,194	—	552,194	—	5	—	—	—	5	—	5
Stock-based compensation expense	—	—	—	—	4	—	—	—	4	—	4
Common stock repurchased	—	(7,002,852)	(7,002,852)	—	—	—	—	(150)	(150)	—	(150)
Shares repurchased related to employee stock-based compensation plans	—	(217,158)	(217,158)	—	—	—	—	(4)	(4)	—	(4)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—
Balance at September 30, 2021	458,596,881	(297,424,509)	161,172,372	$ 4	$ 3,277	$ (189)	$ 3,975	$ (4,344)	$ 2,723	$ 11	$ 2,734
Balance at June 30, 2022	461,013,036	(319,134,333)	141,878,703	$ 4	$ 3,305	$ 30	$ 4,323	$ (4,735)	$ 2,927	$ —	$ 2,927
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	105	—	105	—	105
Other comprehensive income (loss), net of tax	—	—	—	—	—	54	—	—	54	—	54
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	159	—	159
Cash dividends:	—										
Common stock ($.16 per share)	—	—	—	—	—	—	(22)	—	(22)	—	(22)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	—	—	—	—	—
Issuance of common shares	3,165	—	3,165	—	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	—	—	4	—	—	—	4	—	4
Common stock repurchased	—	(6,261,736)	(6,261,736)	—	—	—	—	(95)	(95)	—	(95)
Shares repurchased related to employee stock-based compensation plans	—	(5,959)	(5,959)	—	—	—	—	—	—	—	—
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	—	—
Balance at September 30, 2022	461,016,201	(325,402,028)	135,614,173	$ 4	$ 3,309	$ 84	$ 4,406	$ (4,830)	$ 2,973	$ —	$ 2,973

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares			Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Issued	Treasury	Outstanding								
Balance at December 31, 2020	453,778,975	(267,476,521)	186,302,454	$ 4	$ 3,226	$ (274)	$ 3,331	$ (3,854)	$ 2,433	$ 14	$ 2,447
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	728	—	728	—	728
Other comprehensive income (loss), net of tax	—	—	—	—	—	85	—	—	85	—	85
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	813	—	813
Cash dividends:											
Common stock ($.48 per share)	—	—	—	—	—	—	(82)	—	(82)	—	(82)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	4,817,906	—	4,817,906	—	34	—	—	—	34	—	34
Stock-based compensation expense	—	—	—	—	17	—	—	—	17	—	17
Common stock repurchased	—	(26,935,592)	(26,935,592)	—	—	—	—	(450)	(450)	—	(450)
Shares repurchased related to employee stock-based compensation plans	—	(3,012,396)	(3,012,396)	—	—	—	—	(40)	(40)	—	(40)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at September 30, 2021	458,596,881	(297,424,509)	161,172,372	$ 4	$ 3,277	$ (189)	$ 3,975	$ (4,344)	$ 2,723	$ 11	$ 2,734
Balance at December 31, 2021	458,629,384	(304,886,613)	153,742,771	$ 4	$ 3,282	$ (133)	$ 3,939	$ (4,495)	$ 2,597	$ 11	$ 2,608
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	540	—	540	—	540
Other comprehensive income (loss), net of tax	—	—	—	—	—	217	—	—	217	—	217
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	757	—	757
Cash dividends:	—										
Common stock ($.48 per share)	—	—	—	—	—	—	(69)	—	(69)	—	(69)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(4)	—	(4)	—	(4)
Issuance of common shares	2,386,817	—	2,386,817	—	11	—	—	—	11	—	11
Stock-based compensation expense	—	—	—	—	16	—	—	—	16	—	16
Common stock repurchased	—	(19,394,977)	(19,394,977)	—	—	—	—	(315)	(315)	—	(315)
Shares repurchased related to employee stock-based compensation plans	—	(1,120,438)	(1,120,438)	—	—	—	—	(20)	(20)	—	(20)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(11)	(11)
Balance at September 30, 2022	461,016,201	(325,402,028)	135,614,173	$ 4	$ 3,309	$ 84	$ 4,406	$ (4,830)	$ 2,973	$ —	$ 2,973

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Cash flows from operating activities		
Net income	$ 540	$ 728
Adjustments to reconcile net income to net cash provided by operating activities:		
(Gains) on sales of education loans	—	(78)
Losses on debt repurchases	—	32
Goodwill and acquired intangible asset impairment and amortization expense	17	14
Stock-based compensation expense	16	18
Mark-to-market (gains) losses on derivative and hedging activities, net	(607)	(295)
Provisions for loan losses	62	(66)
(Decrease) increase in accrued interest receivable	(51)	88
Increase (decrease) in accrued interest payable	56	(78)
Decrease in other assets	334	92
(Decrease) increase in other liabilities	(269)	79
Total adjustments	(442)	(194)
Net cash provided by operating activities	98	534
Cash flows from investing activities		
Education loans originated and acquired	(1,765)	(4,708)
Proceeds from payments on education loans	8,488	8,190
Proceeds from sales of education loans	—	1,588
Other investing activities, net	89	43
Net cash provided by investing activities	6,812	5,113
Cash flows from financing activities		
Borrowings collateralized by loans in trust - issued	2,243	5,992
Borrowings collateralized by loans in trust - repaid	(9,225)	(8,644)
Asset-backed commercial paper conduits, net	735	(1,723)
Long-term unsecured notes issued	—	495
Long-term unsecured notes repaid	(15)	(1,558)
Other financing activities, net	70	97
Common stock repurchased	(315)	(450)
Common dividends paid	(69)	(82)
Net cash used in financing activities	(6,576)	(5,873)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	334	(226)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	3,578	3,537
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 3,912	$ 3,311
Supplemental disclosure of cash flow information:		
Cash disbursements made (refunds received) for:		
Interest paid	$ 1,208	$ 1,050
Income taxes paid	$ 29	$ 144
Income taxes refunds received	$ (6)	$ (9)
Noncash activity:		
Investing activity - Held-to-maturity asset backed securities retained related to sales of education loans	$ —	$ 83
Operating activity - Servicing assets recognized upon sales of education loans	$ —	$ 21
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 1,364	$ 1,050
Restricted cash and restricted cash equivalents	2,548	2,261
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 3,912	$ 3,311

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 nine months ended September 30, 2022 are not necessarily indicative of the results for the year ending December 31, 2021 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, 2021 (the 2021 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 2021 Form 10-K.

Recently Issued Accounting Pronouncements

In March 2022, the FASB issued ASU No. 2022-02, “Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures,” which eliminates the troubled debt restructurings (TDRs) recognition and measurement guidance and instead requires an entity to evaluate whether the modification represents a new loan or a continuation of an existing loan. The ASU also enhances the disclosure requirements for certain modifications of receivables made to borrowers experiencing financial difficulty. This guidance is effective on January 1, 2023. Early adoption is permissible. The Company is currently assessing the potential impact of this amendment.

2. Allowance for Loan Losses

Allowance for Loan Losses Metrics

	Three Months Ended September 30, 2022		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Beginning balance	$ 245	$ 921	$ 1,166
Total provision	—	28	28
Charge-offs:			
Gross charge-offs	(12)	(118)	(130)
Expected future recoveries on current period gross charge-offs	—	19	19
Total(1)	(12)	(99)	(111)
Adjustment resulting from the change in charge-off rate(2)	—	(30)	(30)
Net charge-offs	(12)	(129)	(141)
Decrease in expected future recoveries on previously fully charged-off loans(3)	—	32	32
Allowance at end of period	$ 233	$ 852	$ 1,085
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate (annualized) (2)	.12%	2.01%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized)(2)	—%	.60%	
Net charge-offs as a percentage of average loans in repayment (annualized)	.12%	2.61%	
Ending total loans	$ 47,124	$ 20,003	
Average loans in repayment	$ 39,573	$ 19,628	
Ending loans in repayment	$ 37,731	$ 19,284	

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

(2) In third-quarter 2022, the net charge-off rate on defaulted Private Education Loans increased from 81.7% to 81.9%. This change resulted in a $30 million reduction to the balance of the expected future recoveries on previously fully charged-off loans.

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

(Dollars in millions)	Three Months Ended September 30, 2022
Beginning of period expected future recoveries on previously fully charged-off loans	$ 312
Expected future recoveries of current period defaults	19
Recoveries (cash collected)	(14)
Charge-offs (as a result of lower recovery expectations)	(37)
End of period expected future recoveries on previously fully charged-off loans	$ 280
Change in balance during period	$ (32)

2. Allowance for Loan Losses (Continued)

	Three Months Ended September 30, 2021		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Beginning balance	$ 277	$ 976	$ 1,253
Total provision	—	22	22
Charge-offs:			
Gross charge-offs	(8)	(45)	(53)
Expected future recoveries on current period gross charge-offs	—	6	6
Total[(1)]	(8)	(39)	(47)
Adjustment resulting from the change in charge-off rate[(2)]	—	(16)	(16)
Net charge-offs	(8)	(55)	(63)
Decrease in expected future recoveries on previously fully charged-off loans[(3)]	—	37	37
Allowance at end of period	$ 269	$ 980	$ 1,249
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate (annualized)[(2)]	.07 %	.77 %	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized)[(2)]	— %	.33 %	
Net charge-offs as a percentage of average loans in repayment (annualized)	.07 %	1.10 %	
Ending total loans	$ 54,619	$ 20,998	
Average loans in repayment	$ 45,201	$ 19,894	
Ending loans in repayment	$ 44,160	$ 19,795	

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

(2) In third-quarter 2021, the net charge-off rate on defaulted Private Education Loans increased from 81.4% to 81.7%. This change resulted in a $16 million reduction to the balance of the expected future recoveries on previously fully charged-off loans.

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

(Dollars in millions)	Three Months Ended September 30, 2021
Beginning of period expected future recoveries on previously fully charged-off loans	$ 434
Expected future recoveries of current period defaults	6
Recoveries (cash collected)	(22)
Charge-offs (as a result of lower recovery expectations)	(21)
End of period expected future recoveries on previously fully charged-off loans	$ 397
Change in balance during period	$ (37)

2. Allowance for Loan Losses (Continued)

	Nine Months Ended September 30, 2022		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Beginning balance	$ 262	$ 1,009	$ 1,271
Total provision	—	62	62
Charge-offs:			
Gross charge-offs	(29)	(281)	(310)
Expected future recoveries on current period gross charge-offs	—	43	43
Total[1]	(29)	(238)	(267)
Adjustment resulting from the change in charge-off rate[2]	—	(30)	(30)
Net charge-offs	(29)	(268)	(297)
Decrease in expected future recoveries on previously fully charged-off loans[3]	—	49	49
Allowance at end of period	$ 233	$ 852	$ 1,085
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate (annualized)[2]	.09%	1.59%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized)[2]	—%	.20%	
Net charge-offs as a percentage of average loans in repayment (annualized)	.09%	1.79%	
Ending total loans	$ 47,124	$ 20,003	
Average loans in repayment	$ 41,793	$ 20,056	
Ending loans in repayment	$ 37,731	$ 19,284	

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

(2) In third-quarter 2022, the net charge-off rate on defaulted Private Education Loans increased from 81.7% to 81.9%. This change resulted in a $30 million reduction to the balance of the expected future recoveries on previously fully charged-off loans.

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

(Dollars in millions)	Nine Months Ended September 30, 2022
Beginning of period expected future recoveries on previously fully charged-off loans	$ 329
Expected future recoveries of current period defaults	43
Recoveries (cash collected)	(43)
Charge-offs (as a result of lower recovery expectations)	(49)
End of period expected future recoveries on previously fully charged-off loans	$ 280
Change in balance during period	$ (49)

2. Allowance for Loan Losses (Continued)

	Nine Months Ended September 30, 2021		
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans
Beginning balance	$ 288	$ 1,089	$ 1,377
Provision:			
Reversal of allowance related to loan sales(1)	—	(107)	(107)
Remaining provision	—	41	41
Total provision	—	(66)	(66)
Charge-offs:			
Gross charge-offs	(19)	(125)	(144)
Expected future recoveries on current period gross charge-offs	—	16	16
Total(2)	(19)	(109)	(128)
Adjustment resulting from the change in charge-off rate(3)	—	(16)	(16)
Net charge-offs	(19)	(125)	(144)
Decrease in expected future recoveries on previously fully charged-off loans(4)	—	82	82
Allowance at end of period	$ 269	$ 980	$ 1,249
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in charge-off rate (annualized)(3)	.06%	.72%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment (annualized)(3)	—%	.11%	
Net charge-offs as a percentage of average loans in repayment (annualized)	.06%	.83%	
Ending total loans	$ 54,619	$ 20,998	
Average loans in repayment	$ 46,191	$ 20,145	
Ending loans in repayment	$ 44,160	$ 19,795	

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

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

(3) In third-quarter 2021, the net charge-off rate on defaulted Private Education Loans increased from 81.4% to 81.7%. This change resulted in a $16 million reduction to the balance of the expected future recoveries on previously fully charged-off loans.

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

(Dollars in millions)	Nine Months Ended September 30, 2021
Beginning of period expected future recoveries on previously fully charged-off loans	$ 479
Expected future recoveries of current period defaults	16
Recoveries (cash collected)	(69)
Charge-offs (as a result of lower recovery expectations)	(29)
End of period expected future recoveries on previously fully charged-off loans	$ 397
Change in balance during period	$ (82)

2. Allowance for Loan Losses (Continued)

Troubled Debt Restructurings ("TDRs")

We sometimes modify the terms of loans for customers experiencing financial difficulty. Certain Private Education Loans for which we have granted either a forbearance of greater than three months, an interest rate reduction or an extended repayment plan are classified as TDRs. Approximately 77% and 75% of the loans granted forbearance have qualified as a TDR loan at September 30, 2022 and December 31, 2021, respectively. The unpaid principal balance of TDR loans that were in an interest rate reduction program as of September 30, 2022 and December 31, 2021 was $900 million and $831 million, respectively.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Modified loans	$ 68	$ 40	$ 186	$ 109
Charge-offs	$ 101	$ 37	$ 217	$ 90
Payment default	$ 13	$ 6	$ 31	$ 15

2. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

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

FFELP Loans

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

	FFELP Loan Delinquencies					
	September 30, 2022		December 31, 2021		September 30, 2021	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 1,983		$ 2,220		$ 2,430	
Loans in forbearance[2]	7,410		6,292		8,029	
Loans in repayment and percentage of each status:						
Loans current	30,720	81.4%	39,679	89.4%	40,404	91.5%
Loans delinquent 31-60 days[3]	1,917	5.1	1,696	3.8	1,181	2.7
Loans delinquent 61-90 days[3]	1,291	3.4	904	2.0	665	1.5
Loans delinquent greater than 90 days[3]	3,803	10.1	2,112	4.8	1,910	4.3
Total FFELP Loans in repayment	37,731	100%	44,391	100%	44,160	100%
Total FFELP Loans	47,124		52,903		54,619	
FFELP Loan allowance for losses	(233)		(262)		(269)	
FFELP Loans, net	$ 46,891		$ 52,641		$ 54,350	
Percentage of FFELP Loans in repayment		80.1%		83.9%		80.9%
Delinquencies as a percentage of FFELP Loans in repayment		18.6%		10.6%		8.5%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		16.4%		12.4%		15.4%

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

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

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

Loan type:

(Dollars in millions)	September 30, 2022	September 30, 2021	Change
Stafford Loans	$ 14,956	$ 16,719	$ (1,763)
Consolidation Loans	27,766	33,143	(5,377)
Rehab Loans	4,402	4,757	(355)
Total loans, gross	$ 47,124	$ 54,619	$ (7,495)

2. Allowance for Loan Losses (Continued)

Private Education Loans

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

	Private Education Loan Credit Quality Indicators by Origination Year							
	September 30, 2022							
(Dollars in millions)	September 30, 2022	2021	2020	2019	2018	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 1,503	$ 4,708	$ 1,593	$ 1,502	$ 556	$ 8,485	$ 18,347	92%
Below 640	17	64	19	37	20	1,499	1,656	8
Total	$ 1,520	$ 4,772	$ 1,612	$ 1,539	$ 576	$ 9,984	$ 20,003	100%
Loan Status:								
In-school/grace/deferment/forbearance	$ 31	$ 88	$ 28	$ 34	$ 13	$ 525	$ 719	4%
Current/90 days or less delinquent	1,488	4,678	1,582	1,499	560	9,083	18,890	94
Greater than 90 days delinquent	1	6	2	6	3	376	394	2
Total	$ 1,520	$ 4,772	$ 1,612	$ 1,539	$ 576	$ 9,984	$ 20,003	100%
Seasoning(1):								
1-12 payments	$ 1,499	$ 2,186	$ 14	$ 10	$ 2	$ 95	$ 3,806	19%
13-24 payments	—	2,534	736	39	8	102	3,419	17
25-36 payments	—	—	846	968	19	177	2,010	10
37-48 payments	—	—	—	503	287	293	1,083	5
More than 48 payments	—	—	—	—	254	9,083	9,337	47
Loans in-school/grace/deferment	21	52	16	19	6	234	348	2
Total	$ 1,520	$ 4,772	$ 1,612	$ 1,539	$ 576	$ 9,984	$ 20,003	100%
TDR Status:								
TDR	$ 6	$ 48	$ 28	$ 62	$ 35	$ 6,617	$ 6,796	34%
Non-TDR	1,514	4,724	1,584	1,477	541	3,367	13,207	66
Total	$ 1,520	$ 4,772	$ 1,612	$ 1,539	$ 576	$ 9,984	$ 20,003	100%
Cosigners:								
With cosigner(2)	$ 24	$ 109	$ 28	$ 11	$ —	$ 6,425	$ 6,597	33%
Without cosigner	1,496	4,663	1,584	1,528	576	3,559	13,406	67
Total	$ 1,520	$ 4,772	$ 1,612	$ 1,539	$ 576	$ 9,984	$ 20,003	100%
School Type:								
Not-for-profit	$ 1,427	$ 4,496	$ 1,541	$ 1,434	$ 529	$ 8,338	$ 17,765	89%
For-profit	93	276	71	105	47	1,646	2,238	11
Total	$ 1,520	$ 4,772	$ 1,612	$ 1,539	$ 576	$ 9,984	$ 20,003	100%
Allowance for loan losses							(852)	
Total loans, net							$ 19,151	

(1) Number of months in active repayment for which a scheduled payment was received.
(2) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at September 30, 2022.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Credit Quality Indicators by Origination Year							
	September 30, 2021							
(Dollars in millions)	September 30, 2021	2020	2019	2018	2017	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 4,049	$ 2,228	$ 2,064	$ 762	$ 233	$ 10,021	$ 19,357	92%
Below 640	28	10	33	20	8	1,542	1,641	8
Total	$ 4,077	$ 2,238	$ 2,097	$ 782	$ 241	$ 11,563	$ 20,998	100%
Loan Status:								
In-school/grace/deferment/forbearance	$ 32	$ 34	$ 45	$ 19	$ 8	$ 1,065	$ 1,203	6%
Current/90 days or less delinquent	4,044	2,203	2,049	762	232	10,289	19,579	93
Greater than 90 days delinquent	1	1	3	1	1	209	216	1
Total	$ 4,077	$ 2,238	$ 2,097	$ 782	$ 241	$ 11,563	$ 20,998	100%
Seasoning(1):								
1-12 payments	$ 4,058	$ 1,017	$ 37	$ 5	$ 1	$ 142	$ 5,260	25%
13-24 payments	—	1,201	1,330	20	4	167	2,722	13
25-36 payments	—	—	709	385	12	273	1,379	7
37-48 payments	—	—	—	364	133	417	914	4
More than 48 payments	—	—	—	—	89	10,245	10,334	49
Loans in-school/grace/deferment	19	20	21	8	2	319	389	2
Total	$ 4,077	$ 2,238	$ 2,097	$ 782	$ 241	$ 11,563	$ 20,998	100%
TDR Status:								
TDR	$ 1	$ 5	$ 26	$ 27	$ 30	$ 7,323	$ 7,412	35%
Non-TDR	4,076	2,233	2,071	755	211	4,240	13,586	65
Total	$ 4,077	$ 2,238	$ 2,097	$ 782	$ 241	$ 11,563	$ 20,998	100%
Cosigners:								
With cosigner(2)	$ 12	$ 34	$ 13	$ —	$ 37	$ 7,560	$ 7,656	36%
Without cosigner	4,065	2,204	2,084	782	204	4,003	13,342	64
Total	$ 4,077	$ 2,238	$ 2,097	$ 782	$ 241	$ 11,563	$ 20,998	100%
School Type:								
Not-for-profit	$ 3,850	$ 2,137	$ 1,957	$ 721	$ 231	$ 9,607	$ 18,503	88%
For-profit	227	101	140	61	10	1,956	2,495	12
Total	$ 4,077	$ 2,238	$ 2,097	$ 782	$ 241	$ 11,563	$ 20,998	100%
Allowance for loan losses							(980)	
Total loans, net							$ 20,018	

(1) Number of months in active repayment for which a scheduled payment was received.
(2) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at September 30, 2021.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies					
	TDRs					
	September 30, 2022		December 31, 2021		September 30, 2021	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 164		$ 194		$ 210	
Loans in forbearance[2]	284		446		667	
Loans in repayment and percentage of each status:						
Loans current	5,573	87.8%	6,023	91.0%	5,988	91.6%
Loans delinquent 31-60 days[3]	269	4.2	199	3.0	224	3.5
Loans delinquent 61-90 days[3]	143	2.3	120	1.8	124	1.9
Loans delinquent greater than 90 days[3]	363	5.7	274	4.2	198	3.0
Total TDR loans in repayment	6,348	100%	6,616	100%	6,534	100%
Total TDR loans	6,796		7,256		7,411	
TDR loans allowance for losses	(666)		(829)		(814)	
TDR loans, net	$ 6,130		$ 6,427		$ 6,597	
Percentage of TDR loans in repayment		93.4%		91.2%		88.2%
Delinquencies as a percentage of TDR loans in repayment		12.2%		9.0%		8.4%
Loans in forbearance as a percentage of TDR loans in repayment and forbearance		4.3%		6.3%		9.3%

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

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

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

2. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies					
	Non-TDRs					
	September 30, 2022		December 31, 2021		September 30, 2021	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment(1)	$ 184		$ 167		$ 179	
Loans in forbearance(2)	87		89		147	
Loans in repayment and percentage of each status:						
Loans current	12,853	99.4%	13,611	99.6%	13,208	99.6%
Loans delinquent 31-60 days(3)	36	.3	23	.2	23	.2
Loans delinquent 61-90 days(3)	16	.1	11	.1	12	.1
Loans delinquent greater than 90 days(3)	31	.2	23	.1	18	.1
Total non-TDR loans in repayment	12,936	100%	13,668	100%	13,261	100%
Total non-TDR loans	13,207		13,924		13,587	
Non-TDR loans allowance for losses	(186)		(180)		(166)	
Non-TDR loans, net	$ 13,021		$ 13,744		$ 13,421	
Percentage of non-TDR loans in repayment		97.9%		98.2%		97.6%
Delinquencies as a percentage of non-TDR loans in repayment		.6%		.4%		.4%
Loans in forbearance as a percentage of non-TDR loans in repayment and forbearance		.7%		.6%		1.1%

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

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

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

3. Borrowings

The following table summarizes our borrowings.

(Dollars in millions)	September 30, 2022 Short Term	September 30, 2022 Long Term	September 30, 2022 Total	December 31, 2021 Short Term	December 31, 2021 Long Term	December 31, 2021 Total
Unsecured borrowings:						
Senior unsecured debt(1)	$ 1,299	$ 5,709	$ 7,008	$ —	$ 7,014	$ 7,014
Total unsecured borrowings	1,299	5,709	7,008	—	7,014	7,014
Secured borrowings:						
FFELP Loan securitizations(2)(3)	83	45,358	45,441	—	51,841	51,841
Private Education Loan securitizations(4)	813	13,300	14,113	543	14,074	14,617
FFELP Loan ABCP facilities	974	291	1,265	282	150	432
Private Education Loan ABCP facilities	2,418	—	2,418	1,363	1,152	2,515
Other(5)	105	—	105	302	—	302
Total secured borrowings	4,393	58,949	63,342	2,490	67,217	69,707
Total before hedge accounting adjustments	5,692	64,658	70,350	2,490	74,231	76,721
Hedge accounting adjustments	(15)	(660)	(675)	—	257	257
Total	$ 5,677	$ 63,998	$ 69,675	$ 2,490	$ 74,488	$ 76,978

(1) Includes principal amount of $1.3 billion and $0 of short-term debt as of September 30, 2022 and December 31, 2021, respectively. Includes principal amount of $5.7 billion and $7 billion of long-term debt as of September 30, 2022 and December 31, 2021, respectively.

(2) Includes $83 million and $0 of short-term debt related to the FFELP Loan asset-backed securitization repurchase facilities (FFELP Loan Repurchase Facilities) as of September 30, 2022 and December 31, 2021, respectively. Includes $0 and $49 million of long-term debt related to the FFELP Loan Repurchase Facilities as of September 30, 2022 and December 31, 2021, respectively.

(3) Includes defaulted FFELP secured debt tranches with a remaining principal amount of $778 million as of September 30, 2022 as a result of not maturing by their respective contractual maturity dates. Notices were delivered to the trustee, rating agencies and bondholders alerting them to these maturity date defaults. At this time, it is expected the bonds will be paid in full between 2030 and 2035. There is no impact to the principal amount owed or the coupon at which the bonds accrue, and there is no revised contractual maturity date.

(4) Includes $813 million and $543 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facilities (Private Education Loan Repurchase Facilities) as of September 30, 2022 and December 31, 2021, respectively.

(5) “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 September 30, 2022 and December 31, 2021, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

	September 30, 2022						
	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	$ 83	$ 45,358	$ 45,441	$ 45,484	$ 2,029	$ 1,636	$ 49,149
Private Education Loan securitizations	813	13,300	14,113	14,739	371	100	15,210
FFELP Loan ABCP facilities	974	291	1,265	1,269	27	43	1,339
Private Education Loan ABCP facilities	2,418	—	2,418	2,619	84	26	2,729
Total before hedge accounting adjustments	4,288	58,949	63,237	64,111	2,511	1,805	68,427
Hedge accounting adjustments	—	(362)	(362)	—	—	(409)	(409)
Total	$ 4,288	$ 58,587	$ 62,875	$ 64,111	$ 2,511	$ 1,396	$ 68,018

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

4. Derivative Financial Instruments

Summary of Derivative Financial Statement Impact

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

Impact of Derivatives on Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Sep 30, 2022	Cash Flow Dec 31, 2021	Fair Value(3) Sep 30, 2022	Fair Value(3) Dec 31, 2021	Trading Sep 30, 2022	Trading Dec 31, 2021	Total Sep 30, 2022	Total Dec 31, 2021
Fair Values(1)									
Derivative Assets:									
Interest rate swaps	Interest rate	$ —	$ —	$ 56	$ 222	$ —	$ 2	$ 56	$ 224
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	—	—	—	—	—	—
Total derivative assets(2)		—	—	56	222	—	2	56	224
Derivative Liabilities:									
Interest rate swaps	Interest rate	—	—	(7)	—	(2)	(5)	(9)	(5)
Floor Income Contracts	Interest rate	—	—	—	—	—	(65)	—	(65)
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(407)	(190)	—	—	(407)	(190)
Total derivative liabilities(2)		—	—	(414)	(190)	(2)	(70)	(416)	(260)
Net total derivatives		$ —	$ —	$ (358)	$ 32	$ (2)	$ (68)	$ (360)	$ (36)

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

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

(Dollar in millions)	Other Assets September 30, 2022	Other Assets December 31, 2021	Other Liabilities September 30, 2022	Other Liabilities December 31, 2021
Gross position	$ 56	$ 224	$ (416)	$ (260)
Impact of master netting agreements	—	(6)	—	6
Derivative values with impact of master netting agreements (as carried on balance sheet)	56	218	(416)	(254)
Cash collateral (held) pledged	(62)	(244)	69	147
Net position	$ (6)	$ (26)	$ (347)	$ (107)

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

(Dollar in millions)	As of September 30, 2022 Carrying Value	As of September 30, 2022 Hedge Basis Adjustments	As of December 31, 2021 Carrying Value	As of December 31, 2021 Hedge Basis Adjustments
Short-term borrowings	$ 1,283	$ (15)	$ —	$ —
Long-term borrowings	$ 6,102	$ (664)	$ 8,503	$ 252

4. Derivative Financial Instruments (Continued)

The above fair values include adjustments when necessary for counterparty credit risk for both when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the asset position at September 30, 2022 and December 31, 2021 by $8 million and $8 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at September 30, 2022 and December 31, 2021 by $1 million and $2 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	Sep 30, 2022	Dec 31, 2021	Sep 30, 2022	Dec 31, 2021	Sep 30, 2022	Dec 31, 2021	Sep 30, 2022	Dec 31, 2021
Notional Values:								
Interest rate swaps	$ 9.9	$ 12.1	$ 6.2	$ 6.2	$ 25.5	$ 28.4	$ 41.6	$ 46.7
Floor Income Contracts	—	—	—	—	6.0	12.5	6.0	12.5
Cross-currency interest rate swaps	—	—	1.9	2.1	—	—	1.9	2.1
Total derivatives	$ 9.9	$ 12.1	$ 8.1	$ 8.3	$ 31.5	$ 40.9	$ 49.5	$ 61.3

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

	Total Gains (Losses)			
	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Fair Value Hedges:				
Interest Rate Swaps				
Gains (losses) recognized in net income on derivatives	$ (193)	$ (53)	$ (629)	$ (228)
Gains (losses) recognized in net income on hedged items	210	60	680	251
Net fair value hedge ineffectiveness gains (losses)	17	7	51	23
Cross currency interest rate swaps				
Gains (losses) recognized in net income on derivatives	(127)	(48)	(217)	138
Gains (losses) recognized in net income on hedged items	104	51	251	(90)
Net fair value hedge ineffectiveness gains (losses)	(23)	3	34	48
Total fair value hedges(1)(2)	(6)	10	85	71
Cash Flow Hedges:				
Total cash flow hedges(2)	—	—	—	—
Trading:				
Interest rate swaps	40	(2)	120	13
Floor income contracts	—	(3)	41	8
Cross currency interest rate swaps	—	—	—	—
Other	—	—	—	—
Total trading derivatives(3)	40	(5)	161	21
Mark-to-market gains (losses) recognized	$ 34	$ 5	$ 246	$ 92

(1) Recorded in interest expense in the consolidated statements of income.

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

(3) Recorded in “gains (losses) on derivative and hedging activities, net” in the consolidated statements of income.

4. Derivative Financial Instruments (Continued)

Impact of Derivatives on Other Comprehensive Income (Equity)

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Total gains (losses) on cash flow hedges	$ 52	$ (1)	$ 179	$ 21
Reclassification adjustments for derivative (gains) losses included in net income (interest expense)(1)	2	21	38	64
Net changes in cash flow hedges, net of tax	$ 54	$ 20	$ 217	$ 85

(1) Includes net settlement income/expense.

Collateral

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

(Dollars in millions)	September 30, 2022	December 31, 2021
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	$ 62	$ 244
Securities at fair value — corporate derivatives (not recorded in financial statements)(1)	—	—
Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements)(2)	—	1
Total collateral held	$ 62	$ 245
Derivative asset at fair value including accrued interest	$ 60	$ 242
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 69	$ 147
Total collateral pledged	$ 69	$ 147
Derivative liability at fair value including accrued interest and premium receivable	$ 419	$ 271

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

4. Derivative Financial Instruments (Continued)

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 $.5 million with our counterparties. Downgrades in our unsecured credit rating would not result in any additional collateral requirements. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings. At September 30, 2022 and December 31, 2021, we had a net positive exposure (derivative gain positions to us less collateral which has been posted by counterparties to us) related to Navient Corporation derivatives of $7 million and $9 million, respectively. The trusts are not required to post collateral to the counterparties. At September 30, 2022 and December 31, 2021, the net positive exposure on swaps in securitization trusts was $0 and $0, respectively.

The table below highlights credit exposure related to our derivative counterparties at September 30, 2022.

(Dollars in millions)	Corporate Contracts	Securitization Trust Contracts
Exposure, net of collateral	$ 7	$ —
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	100%	—%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	—%	—%

5. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	September 30, 2022	December 31, 2021
Accrued interest receivable	$ 1,933	$ 1,881
Benefit and insurance-related investments	450	462
Income tax asset, net	145	369
Derivatives at fair value	56	218
Accounts receivable	91	159
Fixed assets	77	95
Other	35	39
Total	$ 2,787	$ 3,223

6. Stockholders' Equity

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars and shares in millions, except per share amounts)	2022	2021	2022	2021
Common stock repurchased(1)	6.3	7.0	19.4	26.9
Common stock repurchased (in dollars)(1)	$ 95	$ 150	$ 315	$ 450
Average purchase price per share(1)	$ 15.19	$ 21.42	$ 16.25	$ 16.71
Remaining common stock repurchase authority(1)	$ 685	$ 150	$ 685	$ 150
Shares repurchased related to employee stock-based compensation plans(2)	—	.2	1.1	3.0
Average purchase price per share(2)	$ —	$ 21.36	$ 17.91	$ 13.59
Common shares issued(3)	—	.6	2.4	4.8
Dividends paid	$ 22	$ 26	$ 69	$ 82
Dividends per share	$ .16	$ .16	$ .48	$ .48

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

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

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

The closing price of our common stock on September 30, 2022 was $14.69.

7. Earnings (Loss) per Common Share

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In millions, except per share data)	2022	2021	2022	2021
Numerator:				
Net income	$ 105	$ 173	$ 540	$ 728
Denominator:				
Weighted average shares used to compute basic EPS	139	165	145	174
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units, and Employee Stock Purchase Plan (ESPP)(1)	2	2	2	2
Dilutive potential common shares(2)	2	2	2	2
Weighted average shares used to compute diluted EPS	141	167	147	176
Basic earnings per common share	$ .75	$ 1.05	$ 3.71	$ 4.20
Diluted earnings per common share	$ .75	$ 1.04	$ 3.67	$ 4.15

(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 the ESPP, determined by the treasury stock method.

(2) For the three months ended September 30, 2022 and 2021, securities covering approximately 0 million and 0 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive. For the nine months ended September 30, 2022 and 2021, securities covering approximately 0 million and 0 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive

8. Fair Value Measurements

We use estimates of fair value in applying various accounting standards in our financial statements. We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. See “Note 11 – Fair Value Measurements” in our 2021 Form 10-K for a full discussion.

During the three and nine months ended September 30, 2022, there were no significant transfers of financial instruments between levels, or changes in our methodology used to value our financial instruments.

8. Fair Value Measurements (Continued)

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

	Fair Value Measurements on a Recurring Basis							
	September 30, 2022				December 31, 2021			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivative instruments:(1)								
Interest rate swaps	—	56	—	56	—	223	1	224
Cross-currency interest rate swaps	—	—	—	—	—	—	—	—
Total derivative assets(2)	—	56	—	56	—	223	1	224
Total	$ —	$ 56	$ —	$ 56	$ —	$ 223	$ 1	$ 224
Liabilities(3)								
Derivative instruments(1)								
Interest rate swaps	$ —	(7)	$ (2)	$ (9)	$ —	$ —	$ (5)	$ (5)
Floor Income Contracts	—	—	—	—	—	(65)	—	(65)
Cross-currency interest rate swaps	—	—	(407)	(407)	—	—	(190)	(190)
Total derivative liabilities(2)	—	(7)	(409)	(416)	—	(65)	(195)	(260)
Total	$ —	$ (7)	$ (409)	$ (416)	$ —	$ (65)	$ (195)	$ (260)

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

(2) See "Note 4 – Derivative Financial Instruments" for a reconciliation of gross positions without the impact of master netting agreements to the balance sheet classification.

(3) Borrowings which are the hedged item in a fair value hedge relationship and which are adjusted for changes in value due to benchmark interest rates only are not carried at full fair value and not reflected in this table.

8. Fair Value Measurements (Continued)

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

	Three Months Ended September 30,							
	2022				2021			
	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	$ (3)	$ (279)	$ —	$ (282)	$ (6)	$ (108)	$ —	$ (114)
Total gains/(losses):								
Included in earnings(1)	1	(141)	—	(140)	1	(53)	—	(52)
Included in other comprehensive income	—	—	—	—	—	—	—	—
Settlements	—	13	—	13	—	5	—	5
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Balance, end of period	$ (2)	$ (407)	$ —	$ (409)	$ (5)	$ (156)	$ —	$ (161)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 1	$ (128)	$ —	$ (127)	$ 1	$ (48)	$ —	$ (47)

	Nine Months Ended September 30,							
	2022				2021			
	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	$ (4)	$ (190)	$ —	$ (194)	$ (8)	$ (294)	$ —	$ (302)
Total gains/(losses):								
Included in earnings(1)	1	(244)	—	(243)	2	120	—	122
Included in other comprehensive income	—	—	—	—	—	—	—	—
Settlements	1	27	—	28	1	18	—	19
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Balance, end of period	$ (2)	$ (407)	$ —	$ (409)	$ (5)	$ (156)	$ —	$ (161)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 1	$ (217)	$ —	$ (216)	$ 2	$ (122)	$ —	$ (120)

(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 September 30,		Nine Months Ended September 30,	
(Dollars in millions)	2022	2021	2022	2021
Gains (losses) on derivative and hedging activities, net	$ 1	$ 1	$ 1	$ 2
Interest expense	(141)	(53)	(244)	120
Total	$ (140)	$ (52)	$ (243)	$ 122

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

8. Fair Value Measurements (Continued)

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

(Dollars in millions)	Fair Value at September 30, 2022	Valuation Technique	Input	Range and Weighted Average
Derivatives				
Prime/LIBOR basis swaps	$ (2)	Discounted cash flow	Constant Prepayment Rate	10%
			Bid/ask adjustment to discount rate	.08%
Cross-currency interest rate swaps	(407)	Discounted cash flow	Constant Prepayment Rate	5%
Other	—			
Total	$ (409)			

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

	September 30, 2022			December 31, 2021		
(Dollars in millions)	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP Loans	$ 44,627	$ 46,891	$ (2,264)	$ 53,632	$ 52,641	$ 991
Private Education Loans	18,287	19,151	(864)	21,140	20,171	969
Cash and investments	4,088	4,088	—	3,845	3,845	—
Total earning assets	67,002	70,130	(3,128)	78,617	76,657	1,960
Interest-bearing liabilities						
Short-term borrowings	5,684	5,677	(7)	2,492	2,490	(2)
Long-term borrowings	60,787	63,998	3,211	74,548	74,488	(60)
Total interest-bearing liabilities	66,471	69,675	3,204	77,040	76,978	(62)
Derivative financial instruments						
Floor Income Contracts	—	—	—	(65)	(65)	—
Interest rate swaps	47	47	—	219	219	—
Cross-currency interest rate swaps	(407)	(407)	—	(190)	(190)	—
Other	—	—	—	—	—	—
Excess of net asset fair value over carrying value			$ 76			$ 1,898

9. Commitments and Contingencies

Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the normal course of business. We believe that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations, except as otherwise disclosed. Most of these matters are claims including individual and class action lawsuits against our servicing or business processing subsidiaries alleging the violation of state or federal laws in connection with servicing or collection activities on their education loans and other debts.

In the ordinary course of our business, the Company and our subsidiaries and affiliates receive information and document requests and investigative demands from various entities including State Attorneys General, U.S. Attorneys, legislative committees, individual members of Congress and administrative agencies. These requests may be informational, regulatory or enforcement in nature and may relate to our business practices, the industries in which we operate, or companies with whom we conduct business. Generally, our practice has been and continues to be to cooperate with these bodies and to be responsive to any such requests.

The number of these inquiries and the volume of related information demands continue to increase and therefore continue to increase the time, costs and resources we must dedicate to timely respond to these requests and may, depending on their outcome, result in payments of restitution, fines and penalties.

Certain Cases

During the first quarter of 2016, Navient Corporation, certain Navient officers and directors, and the underwriters of certain Navient securities offerings were sued in three putative securities class action lawsuits filed on behalf of certain investors in Navient stock or Navient unsecured debt. These three cases, which were filed in the U.S. District Court for the District of Delaware, were consolidated by the District Court, with Lord Abbett Funds appointed as Lead Plaintiff. The caption of the consolidated case is *Lord Abbett Affiliated Fund, Inc., et al. v. Navient Corporation, et al.* 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. The cases were consolidated by the Court in February 2018 under the caption *In Re Navient Corporation Securities Litigation* and the plaintiffs filed a consolidated amended complaint in April 2018. In the third quarter of 2021, the Company reached tentative agreements to settle both cases. The settlements, in which the Company and other defendants expressly deny any admission or concession of wrongdoing or fault, have received final court approval and are covered by insurance.

In January 2017, the Consumer Financial Protection Bureau (the CFPB) and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of certain Federal and State consumer protection statutes, including the CFPA, FCRA, FDCPA and various state consumer protection laws. The Attorneys General for the States of Pennsylvania, California, Mississippi, and New Jersey also initiated actions against the Company and certain subsidiaries alleging violations of various state and federal consumer protection laws based upon similar alleged acts or failures to act. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or, in the future, may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the State Attorneys General. In January 2022, we entered into a series of Consent Judgment and Orders (the “Agreements”) with 40 State Attorneys General to resolve all matters in dispute related to the State Attorneys General cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators. These Agreements do not resolve the litigation involving the Company and the CFPB. The Company has cancelled the loan balance of approximately 66,000 borrowers with qualifying Private Education Loans that were originated largely between 2002 and 2010 and later defaulted and charged off. The loans cancelled have aggregate outstanding balances of approximately $1.7 billion. The expense to the Company to cancel these loans was approximately $50 million which represents the amount of expected future recoveries of these charged-off loans on the balance sheet. In addition, the Company agreed to make a one-time payment of approximately $145 million to the states. In the fourth quarter of 2021 when such loss became probable, the Company recognized total regulatory expenses of approximately $205 million related to this matter.

9. Commitments and Contingencies (Continued)

As the Company has previously stated, we believe the allegations in the CFPB suit are false and that they improperly seek to impose penalties on Navient based on new, previously unannounced servicing standards applied retroactively against only one servicer. We therefore have denied these allegations and are vigorously defending against the allegations in that case. At this point in time, it is reasonably possible that a loss contingency exists; however, the Company is unable to anticipate the timing of a resolution or the impact that an adverse ruling in the CFPB case may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with this matter and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

The Company has been named as defendant in a number of putative class action cases alleging violations of various state and federal consumer protection laws including the Telephone Consumer Protection Act (TCPA), the Consumer Financial Protection Act of 2010 (CFPA), the Fair Credit Reporting Act (FCRA), the Fair Debt Collection Practices Act (FDCPA), in adversarial proceedings under the U.S. Bankruptcy Code, and various state consumer protection laws. At this point in time, the Company is unable to anticipate the timing of a resolution or the impact that these legal proceedings may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Regulatory Matters

In addition, Navient and its subsidiaries are subject to examination or regulation by various federal regulatory, state licensing or other regulatory agencies as part of its ordinary course of business including the SEC, CFPB, FFIEC and ED. Items or matters similar to or different from those described above may arise during the course of those examinations. We also routinely receive inquiries or requests from various regulatory entities or bodies or government agencies concerning our business or our assets. Generally, the Company endeavors to cooperate with each such inquiry or request. The Company has received separate CIDs or subpoenas from multiple State Attorneys General, including for the District of Columbia, Kansas, Oregon, Colorado, New Jersey, New York and Indiana that are similar to the CIDs or subpoenas that preceded the lawsuits referenced above. Those CIDs and subpoenas have been resolved as part of the Company's settlement with the State Attorneys General. Nevertheless, we have and, in the future, may receive additional CIDs or subpoenas and other inquiries from these or other Attorneys General with respect to similar or different matters.

Under the terms of the Separation and Distribution Agreement between the Company and SLM BankCo, Navient agreed to indemnify SLM BankCo for claims, actions, damages, losses or expenses that may arise from the conduct of activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in that agreement. Also, as part of the Separation and Distribution Agreement, SLM BankCo agreed to indemnify Navient for certain claims, actions, damages, losses or expenses subject to the terms, conditions and limitations set forth in that agreement. As a result, subject to the terms, conditions and limitations set forth in that agreement, Navient agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank from liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above. In addition, we asserted various claims for indemnification against Sallie Mae and Sallie Mae Bank for such specifically excluded items arising out of the CFPB and the State Attorneys General lawsuits if and to the extent any indemnified liabilities exist now or in the future. Navient has no reserves related to indemnification matters with SLM BankCo as of September 30, 2022.

9. Commitments and Contingencies (Continued)

OIG Audit

The Office of the Inspector General (the OIG) of ED commenced an audit regarding Special Allowance Payments (SAP) on September 10, 2007. In September 2013, we received the final audit determination of Federal Student Aid (the Final Audit Determination) on the final audit report issued by the OIG in August 2009 related to this audit. The Final Audit Determination concurred with the final audit report issued by the OIG and instructed us to make adjustment to our government billing to reflect the policy determination. In August 2016, we filed our notice of appeal to the Administrative Actions and Appeals Service Group of ED, and a hearing was held in April 2017. In March 2019, the administrative law judge hearing the appeal affirmed the audit's findings, holding the then-existing Dear Colleague letter relied upon by the Company and other industry participants was inconsistent with the statutory framework creating the SAP rules applicable to loans funded by certain types of debt obligations at issue. We appealed the administrative law judge's decision to the Secretary of Education given Navient's adherence to ED-issued guidance and the potential impact on participants in any ED program student loan servicers if such guidance is deemed unreliable and may not be relied upon. In January 2021, the Acting Secretary of Education upheld the decision of the administrative law judge. In March 2021, we filed a complaint for declaratory judgment in federal court seeking to set aside the Acting Secretary's decision. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. We filed a lawsuit in federal court challenging the Acting Secretary's decision. That case is pending. The Company first established a reserve for this matter in 2014 and increased the reserve in 2020 in response to the decision by the Acting Secretary. We do not believe, at this time, that an adverse ruling will have a material effect on the Company as a whole.

Contingencies

In the ordinary course of business, we and our subsidiaries are defendants in or parties to pending and threatened legal actions and proceedings including actions brought on behalf of various classes of claimants. These actions and proceedings may be based on alleged violations of consumer protection, securities, employment and other laws. In certain of these actions and proceedings, claims for substantial monetary damage are asserted against us and our subsidiaries. We and our subsidiaries are also subject to potential unasserted claims by third parties.

In the ordinary course of business, we and our subsidiaries are subject to regulatory examinations, information gathering requests, inquiries and investigations. In connection with formal and informal inquiries in these cases, we and our subsidiaries receive requests, subpoenas and orders for documents, testimony and information in connection with various aspects of our regulated activities.

We are required to establish reserves for litigation and regulatory matters where those matters present loss contingencies that are both probable and estimable. When loss contingencies are not both probable and estimable, we do not establish reserves.

In view of the inherent difficulty of predicting the outcome of litigation and regulatory matters, we may not be able to predict what the eventual outcome of the pending matters will be, what the timing or the ultimate resolution of these matters will be, or what the eventual loss, fines or penalties, if any, related to each pending matter may be.

Based on current knowledge, reserves have been established for certain litigation, regulatory matters, and unasserted contract claims where the loss is both probable and estimable. Based on current knowledge, management does not believe that loss contingencies, if any, arising from pending investigations, litigation or regulatory matters will have a material adverse effect on our consolidated financial position, liquidity, results of operations or cash flows, except as otherwise disclosed.

10. Revenue from Contracts with Customers Accounted for in Accordance with ASC 606

The following tables illustrate the disaggregation of revenue from contracts accounted for under ASC 606 with customers according to service type and client type by reportable operating segment.

Revenue by Service Type

	Three Months Ended September 30,					
	2022			2021		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal Education Loan asset recovery services	$ —	$ —	$ —	$ 5	$ —	$ 5
Government services	—	47	47	—	75	75
Healthcare services	—	32	32	—	47	47
Total	$ —	$ 79	$ 79	$ 5	$ 122	$ 127

	Nine Months Ended September 30,					
	2022			2021		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal Education Loan asset recovery services	$ 1	$ —	$ 1	$ 14	$ —	$ 14
Government services	—	149	149	—	204	204
Healthcare services	—	111	111	—	173	173
Total	$ 1	$ 260	$ 261	$ 14	$ 377	$ 391

10. Revenue from Contracts with Customers Accounted for in Accordance with ASC 606 (Continued)

Revenue by Client Type

	Three Months Ended September 30,					
	2022			2021		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal government	$ —	$ 2	$ 2	$ —	$ 4	$ 4
Guarantor agencies	—	—	—	5	—	5
Other institutions	—	—	—	—	—	—
State and local government	—	27	27	—	56	56
Tolling authorities	—	18	18	—	15	15
Hospitals and other healthcare providers	—	32	32	—	47	47
Total	$ —	$ 79	$ 79	$ 5	$ 122	$ 127

	Nine Months Ended September 30,					
	2022			2021		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal government	$ —	$ 6	$ 6	$ 1	$ 18	$ 19
Guarantor agencies	1	—	1	13	—	13
Other institutions	—	—	—	—	—	—
State and local government	—	95	95	—	144	144
Tolling authorities	—	48	48	—	42	42
Hospitals and other healthcare providers	—	111	111	—	173	173
Total	$ 1	$ 260	$ 261	$ 14	$ 377	$ 391

As of September 30, 2022 and September 30, 2021, there was $76 million and $124 million respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

11. Segment Reporting

We monitor and assess our ongoing operations and results based on the following four reportable operating segments: Federal Education Loans, Consumer Lending, Business Processing and Other.

These segments meet the quantitative thresholds for reportable operating segments. Accordingly, the results of operations of these reportable operating segments are presented separately. The underlying operating segments are used by the Company's chief operating decision maker to manage the business, review operating performance and allocate resources, and qualify to be aggregated as part of the primary reportable operating segments. As discussed further below, we measure the profitability of our operating segments based on Core Earnings net income. Accordingly, information regarding our reportable operating segments net income is provided on a Core Earnings basis.

Federal Education Loans Segment

Navient owns FFELP Loans and performs servicing and asset recovery services on this portfolio. We also service and perform asset recovery services on FFELP Loans owned by other institutions. Our servicing quality, data-driven strategies and omnichannel education about federal repayment options translate into positive results for the millions of borrowers we serve. We generate revenue primarily through net interest income on our FFELP Loans. This segment is expected to generate significant earnings and cash flow over the remaining life of the portfolio.

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

(Dollars in millions)	September 30, 2022	December 31, 2021
FFELP Loans, net	$ 46,891	$ 52,641
Cash and investments[1]	2,059	2,071
Other	2,039	2,183
Total assets	$ 50,989	$ 56,895

(1) Includes restricted cash and investments.

Consumer Lending Segment

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

The following table includes asset information for our Consumer Lending segment

(Dollars in millions)	September 30, 2022	December 31, 2021
Private Education Loans, net	$ 19,151	$ 20,171
Cash and investments[1]	583	824
Other	549	815
Total assets	$ 20,283	$ 21,810

(1) Includes restricted cash and investments.

11. Segment Reporting (Continued)

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. Our support enables our clients to better serve their constituents, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities. Our clients include:

- **Government:** We offer our solutions to federal agencies, state governments, tolling and parking authorities, other public sector clients.

- **Healthcare:** Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

At September 30, 2022 and December 31, 2021, the Business Processing segment had total assets of $398 million and $397 million, respectively.

Other Segment

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

Unallocated shared services expenses are comprised of costs primarily related to information technology costs related to infrastructure and operations, stock-based compensation expense, accounting, finance, legal, compliance and risk management, regulatory-related expenses, human resources, certain executive management and the board of directors. Regulatory-related expenses include actual settlement amounts as well as third-party professional fees we incur in connection with such regulatory matters and are presented net of any insurance reimbursements for covered costs related to such matters.

At September 30, 2022 and December 31, 2021, the Other segment had total assets of $2.0 billion and $1.5 billion, respectively.

11. Segment Reporting (Continued)

Measure of Profitability

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

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

1. Mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks that do not qualify for hedge accounting treatment or do qualify for hedge accounting treatment but result in ineffectiveness; and
2. The accounting for goodwill and acquired intangible assets.

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

11. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

	Three Months Ended September 30, 2022								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 555	$ 309	$ —	$ —	$ 864	$ —	$ (2)	$ (2)	$ 862
Cash and investments	9	3	—	7	19	—	—	—	19
Total interest income	564	312	—	7	883	—	(2)	(2)	881
Total interest expense	444	159	—	33	636	(1)	6	5	641
Net interest income (loss)	120	153	—	(26)	247	1	(8)	(7)	240
Less: provisions for loan losses	—	28	—	—	28	—	—	—	28
Net interest income (loss) after provisions for loan losses	120	125	—	(26)	219	1	(8)	(7)	212
Other income (loss):									
Servicing revenue	21	3	—	—	24	—	—	—	24
Asset recovery and business processing revenue	1	—	79	—	80	—	—	—	80
Other income (loss)	6	—	—	—	6	(1)	41	40	46
Total other income (loss)	28	3	79	—	110	(1)	41	40	150
Expenses:									
Direct operating expenses	25	43	67	—	135	—	—	—	135
Unallocated shared services expenses	—	—	—	59	59	—	—	—	59
Operating expenses	25	43	67	59	194	—	—	—	194
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	10	10	10
Restructuring/other reorganization expenses	—	—	—	21	21	—	—	—	21
Total expenses	25	43	67	80	215	—	10	10	225
Income (loss) before income tax expense (benefit)	123	85	12	(106)	114	—	23	23	137
Income tax expense (benefit)(2)	29	20	3	(25)	27	—	5	5	32
Net income (loss)	$ 94	$ 65	$ 9	$ (81)	$ 87	$ —	$ 18	$ 18	$ 105

(1) Core Earnings adjustments to GAAP:

	Three Months Ended September 30, 2022		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ (7)	$ —	$ (7)
Total other income (loss)	40	—	40
Goodwill and acquired intangible asset impairment and amortization	—	10	10
Total Core Earnings adjustments to GAAP	$ 33	$ (10)	23
Income tax expense (benefit)			5
Net income (loss)			$ 18

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

11. Segment Reporting (Continued)

	Three Months Ended September 30, 2021								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 353	$ 291	$ —	$ —	$ 644	$ 25	$ (10)	$ 15	$ 659
Cash and investments	—	1	—	—	1	—	—	—	1
Total interest income	353	292	—	—	645	25	(10)	15	660
Total interest expense	202	129	—	15	346	(3)	(17)	(20)	326
Net interest income (loss)	151	163	—	(15)	299	28	7	35	334
Less: provisions for loan losses	—	22	—	—	22	—	—	—	22
Net interest income (loss) after provisions for loan losses	151	141	—	(15)	277	28	7	35	312
Other income (loss):									
Servicing revenue	47	—	—	—	47	—	—	—	47
Asset recovery and business processing revenue	13	—	122	—	135	—	—	—	135
Other income (loss)	1	—	—	2	3	(28)	23	(5)	(2)
Losses on debt repurchases	—	—	—	(20)	(20)	—	—	—	(20)
Total other income (loss)	61	—	122	(18)	165	(28)	23	(5)	160
Expenses:									
Direct operating expenses	53	45	87	—	185	—	—	—	185
Unallocated shared services expenses	—	—	—	63	63	—	—	—	63
Operating expenses	53	45	87	63	248	—	—	—	248
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	4	4	4
Restructuring/other reorganization expenses	—	—	—	—	—	—	—	—	—
Total expenses	53	45	87	63	248	—	4	4	252
Income (loss) before income tax expense (benefit)	159	96	35	(96)	194	—	26	26	220
Income tax expense (benefit)(2)	37	23	8	(23)	45	—	2	2	47
Net income (loss)	$ 122	$ 73	$ 27	$ (73)	$ 149	$ —	$ 24	$ 24	$ 173

(1) Core Earnings adjustments to GAAP:

	Three Months Ended September 30, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 35	$ —	$ 35
Total other income (loss)	(5)	—	(5)
Goodwill and acquired intangible asset impairment and amortization	—	4	4
Total Core Earnings adjustments to GAAP	$ 30	$ (4)	26
Income tax expense (benefit)			2
Net income (loss)			$ 24

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

11. Segment Reporting (Continued)

(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
	Nine Months Ended September 30, 2022								
Interest income:									
Education loans	$ 1,298	$ 862	$ —	$ —	$ 2,160	$ 23	$ (9)	$ 14	$ 2,174
Cash and investments	12	5	—	8	25	—	—	—	25
Total interest income	1,310	867	—	8	2,185	23	(9)	14	2,199
Total interest expense	905	421	—	65	1,391	3	(93)	(90)	1,301
Net interest income (loss)	405	446	—	(57)	794	20	84	104	898
Less: provisions for loan losses	—	62	—	—	62	—	—	—	62
Net interest income (loss) after provisions for loan losses	405	384	—	(57)	732	20	84	104	836
Other income (loss):									
Servicing revenue	51	9	—	—	60	—	—	—	60
Asset recovery and business processing revenue	4	—	260	—	264	—	—	—	264
Other income (loss)	24	1	—	(3)	22	(20)	181	161	183
Total other income (loss)	79	10	260	(3)	346	(20)	181	161	507
Expenses:									
Direct operating expenses	79	113	216	—	408	—	—	—	408
Unallocated shared services expenses	—	—	—	180	180	—	—	—	180
Operating expenses	79	113	216	180	588	—	—	—	588
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	17	17	17
Restructuring/other reorganization expenses	—	—	—	25	25	—	—	—	25
Total expenses	79	113	216	205	613	—	17	17	630
Income (loss) before income tax expense (benefit)	405	281	44	(265)	465	—	248	248	713
Income tax expense (benefit)(2)	95	66	11	(63)	109	—	64	64	173
Net income (loss)	$ 310	$ 215	$ 33	$ (202)	$ 356	$ —	$ 184	$ 184	$ 540

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
	Nine Months Ended September 30, 2022		
Net interest income (loss) after provisions for loan losses	$ 104	$ —	$ 104
Total other income (loss)	161	—	161
Goodwill and acquired intangible asset impairment and amortization	—	17	17
Total Core Earnings adjustments to GAAP	$ 265	$ (17)	248
Income tax expense (benefit)			64
Net income (loss)			$ 184

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

11. Segment Reporting (Continued)

	Nine Months Ended September 30, 2021								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 1,062	$ 905	$ —	$ —	$ 1,967	$ 73	$ (29)	$ 44	$ 2,011
Cash and investments	—	1	—	1	2	—	—	—	2
Total interest income	1,062	906	—	1	1,969	73	(29)	44	2,013
Total interest expense	627	416	—	51	1,094	(6)	(93)	(99)	995
Net interest income (loss)	435	490	—	(50)	875	79	64	143	1,018
Less: provisions for loan losses	—	(66)	—	—	(66)	—	—	—	(66)
Net interest income (loss) after provisions for loan losses	435	556	—	(50)	941	79	64	143	1,084
Other income (loss):									
Servicing revenue	146	3	—	—	149	—	—	—	149
Asset recovery and business processing revenue	39	—	377	—	416	—	—	—	416
Other income (loss)	3	1	—	5	9	(66)	87	21	30
Gains on sales of loans	—	91	—	—	91	(13)	—	(13)	78
Losses on debt repurchases	—	—	—	(32)	(32)	—	—	—	(32)
Total other income (loss)	188	95	377	(27)	633	(79)	87	8	641
Expenses:									
Direct operating expenses	170	124	270	—	564	—	—	—	564
Unallocated shared services expenses	—	—	—	194	194	—	—	—	194
Operating expenses	170	124	270	194	758	—	—	—	758
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	14	14	14
Restructuring/other reorganization expenses	—	—	—	8	8	—	—	—	8
Total expenses	170	124	270	202	766	—	14	14	780
Income (loss) before income tax expense (benefit)	453	527	107	(279)	808	—	137	137	945
Income tax expense (benefit)(2)	107	123	25	(65)	190	—	27	27	217
Net income (loss)	$ 346	$ 404	$ 82	$ (214)	$ 618	$ —	$ 110	$ 110	$ 728

(1) Core Earnings adjustments to GAAP:

	Nine Months Ended September 30, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 143	$ —	$ 143
Total other income (loss)	8	—	8
Goodwill and acquired intangible asset impairment and amortization	—	14	14
Total Core Earnings adjustments to GAAP	$ 151	$ (14)	137
Income tax expense (benefit)			27
Net income (loss)			$ 110

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

11. Segment Reporting (Continued)

Summary of Core Earnings Adjustments to GAAP

(Dollars in millions)	Three Months Ended September 30, 2022	Three Months Ended September 30, 2021	Nine Months Ended September 30, 2022	Nine Months Ended September 30, 2021
Core Earnings net income	$ 87	$ 149	$ 356	$ 618
Core Earnings adjustments to GAAP:				
Net impact of derivative accounting[1]	33	30	265	151
Net impact of goodwill and acquired intangible assets[2]	(10)	(4)	(17)	(14)
Net tax effect[3]	(5)	(2)	(64)	(27)
Total Core Earnings adjustments to GAAP	18	24	184	110
GAAP net income	$ 105	$ 173	$ 540	$ 728

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

(2) **Goodwill and acquired intangible assets:** Our Core Earnings exclude goodwill and intangible asset impairment and amortization of acquired intangible assets.

(3) **Net tax effect:** Such tax effect is based upon our Core Earnings effective tax rate for the year.

SIGNATURES

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

NAVIENT CORPORATION
(Registrant)

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

Date: October 26, 2022

APPENDIX A

FORM 10-Q CROSS-REFERENCE INDEX

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)
October 26, 2022

Exhibit 31.2

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

I, Joe Fisher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navient Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOE FISHER

Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
October 26, 2022

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 September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Remondi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
October 26, 2022

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 September 30, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joe Fisher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JOE FISHER
Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
October 26, 2022