

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

Form 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-36228

Navient Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

123 Justison Street, Wilmington, Delaware

(Address of principal executive offices)

46-4054283

(I.R.S. Employer
Identification No.)

19801

(Zip Code)

(302) 283-8000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company)

Accelerated filer

Smaller reporting company

Emerging growth company

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

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

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

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

| <u>Class</u> | <u>Outstanding at March 31, 2017</u> |
|--------------------------------|--------------------------------------|
| Common Stock, \$0.01 par value | 284,941,056 shares |

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NAVIENT CORPORATION

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

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

| | March 31, 2017 | December 31, 2016 |
|------------------------------------------------------------------------------------------------------------------------------------|-------------------|----------------------|
| Assets | | |
| FFELP Loans (net of allowance for losses of \$64 and \$67, respectively) | \$ 85,284 | \$ 87,730 |
| Private Education Loans (net of allowance for losses of \$1,311 and \$1,351 respectively) | 22,552 | 23,340 |
| Investments | | |
| Available-for-sale | 3 | 3 |
| Other | 311 | 347 |
| Total investments | 314 | 350 |
| Cash and cash equivalents | 1,364 | 1,253 |
| Restricted cash and investments | 3,720 | 3,600 |
| Goodwill and acquired intangible assets, net | 664 | 670 |
| Other assets | 3,992 | 4,193 |
| Total assets | <u>\$ 117,890</u> | <u>\$ 121,136</u> |
| Liabilities | | |
| Short-term borrowings | \$ 2,160 | \$ 2,334 |
| Long-term borrowings | 109,586 | 112,368 |
| Other liabilities | 2,472 | 2,711 |
| Total liabilities | <u>114,218</u> | <u>117,413</u> |
| Commitments and contingencies | | |
| Equity | | |
| Common stock, par value \$0.01 per share, 1.125 billion shares authorized: 439 million and 436 million shares issued, respectively | 4 | 4 |
| Additional paid-in capital | 3,047 | 3,022 |
| Accumulated other comprehensive income (net of tax expense of \$13 and \$3, respectively) | 22 | 6 |
| Retained earnings | 2,930 | 2,890 |
| Total Navient Corporation stockholders' equity before treasury stock | 6,003 | 5,922 |
| Less: Common stock held in treasury at cost: 154 million and 145 million shares, respectively | (2,355) | (2,223) |
| Total Navient Corporation stockholders' equity | 3,648 | 3,699 |
| Noncontrolling interest | 24 | 24 |
| Total equity | 3,672 | 3,723 |
| Total liabilities and equity | <u>\$ 117,890</u> | <u>\$ 121,136</u> |

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

| | March 31, 2017 | December 31, 2016 |
|-------------------------------------------------------|-------------------|----------------------|
| FFELP Loans | \$ 80,964 | \$ 83,429 |
| Private Education Loans | 19,815 | 20,500 |
| Other loans | 104 | 79 |
| Restricted cash | 3,556 | 3,434 |
| Other assets, net | 95 | (11) |
| Short-term borrowings | 1,177 | 1,078 |
| Long-term borrowings | 92,559 | 95,492 |
| Net assets of consolidated variable interest entities | <u>\$ 10,798</u> | <u>\$ 10,861</u> |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended March 31, | |
|------------------------------------------------------------------------------|---------------------------------|--------|
| | 2017 | 2016 |
| Interest income: | | |
| FFELP Loans | \$ 629 | \$ 634 |
| Private Education Loans | 374 | 411 |
| Other loans | 5 | 1 |
| Cash and investments | 7 | 5 |
| Total interest income | 1,015 | 1,051 |
| Total interest expense | 675 | 565 |
| Net interest income | 340 | 486 |
| Less: provisions for loan losses | 107 | 111 |
| Net interest income after provisions for loan losses | 233 | 375 |
| Other income (loss): | | |
| Servicing revenue | 76 | 82 |
| Asset recovery and business processing revenue | 100 | 90 |
| Other income (loss) | (8) | (13) |
| Gains (losses) on derivative and hedging activities, net | (16) | 1 |
| Total other income | 152 | 160 |
| Expenses: | | |
| Salaries and benefits | 130 | 132 |
| Other operating expenses | 108 | 115 |
| Total operating expenses | 238 | 247 |
| Goodwill and acquired intangible asset impairment and amortization expense | 6 | 4 |
| Total expenses | 244 | 251 |
| Income before income tax expense | 141 | 284 |
| Income tax expense | 53 | 103 |
| Net income | 88 | 181 |
| Less: net loss attributable to noncontrolling interest | — | — |
| Net income attributable to Navient Corporation | \$ 88 | \$ 181 |
| Basic earnings per common share attributable to Navient Corporation | \$.31 | \$.53 |
| Average common shares outstanding | 289 | 339 |
| Diluted earnings per common share attributable to Navient Corporation | \$.30 | \$.53 |
| Average common and common equivalent shares outstanding | 296 | 343 |
| Dividends per common share attributable to Navient Corporation | \$.16 | \$.16 |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended | |
|------------------------------------------------------------------------------------------------------|--------------------|---------------|
| | March 31, | |
| | 2017 | 2016 |
| Net income | \$ 88 | \$ 181 |
| Other comprehensive income (loss): | | |
| Unrealized gains (losses) on derivatives: | | |
| Unrealized hedging gains (losses) on derivatives | 25 | (129) |
| Reclassification adjustments for derivative (gains) losses included in net income (interest expense) | — | — |
| Total unrealized gains (losses) on derivatives | 25 | (129) |
| Income tax (expense) benefit | (9) | 48 |
| Other comprehensive income (loss), net of tax expense (benefit) | 16 | (81) |
| Total comprehensive income attributable to Navient Corporation | <u>\$ 104</u> | <u>\$ 100</u> |

See accompanying notes to consolidated financial statements.

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

| | Common Stock Shares | | | 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, 2015 | 430,561,656 | (82,350,868) | 348,210,788 | \$ 4 | \$ 2,967 | \$ (51) | \$ 2,414 | \$ (1,425) | \$ 3,909 | \$ 24 | \$ 3,933 |
| Comprehensive income: | | | | | | | | | | | |
| Net income | — | — | — | — | — | — | 181 | — | 181 | — | 181 |
| Other comprehensive loss, net of tax | — | — | — | — | — | (81) | — | — | (81) | — | (81) |
| Total comprehensive income | — | — | — | — | — | — | — | — | 100 | — | 100 |
| Cash dividends: | | | | | | | | | | | |
| Common stock (\$.16 per share) | — | — | — | — | — | — | (54) | — | (54) | — | (54) |
| Dividend equivalent units related to employee stock-based compensation plans | — | — | — | — | — | — | (3) | — | (3) | — | (3) |
| Issuance of common shares | 2,499,585 | — | 2,499,585 | — | 4 | — | — | — | 4 | — | 4 |
| Tax impact of employee stock-based compensation plans | — | — | — | — | (8) | — | — | — | (8) | — | (8) |
| Stock-based compensation expense | — | — | — | — | 12 | — | — | — | 12 | — | 12 |
| Common stock repurchased | — | (19,210,281) | (19,210,281) | — | — | — | — | (200) | (200) | — | (200) |
| Shares repurchased related to employee stock-based compensation plans | — | (986,273) | (986,273) | — | — | — | — | (11) | (11) | — | (11) |
| Balance at March 31, 2016 | <u>433,061,241</u> | <u>(102,547,422)</u> | <u>330,513,819</u> | <u>\$ 4</u> | <u>\$ 2,975</u> | <u>\$ (132)</u> | <u>\$ 2,538</u> | <u>\$ (1,636)</u> | <u>\$ 3,749</u> | <u>\$ 24</u> | <u>\$ 3,773</u> |
| Balance at December 31, 2016 | 436,037,666 | (145,173,548) | 290,864,118 | \$ 4 | \$ 3,022 | \$ 6 | \$ 2,890 | \$ (2,223) | \$ 3,699 | \$ 24 | \$ 3,723 |
| Comprehensive income: | | | | | | | | | | | |
| Net income | — | — | — | — | — | — | 88 | — | 88 | — | 88 |
| Other comprehensive income, net of tax | — | — | — | — | — | 16 | — | — | 16 | — | 16 |
| Total comprehensive income | — | — | — | — | — | — | — | — | 104 | — | 104 |
| Cash dividends: | | | | | | | | | | | |
| Common stock (\$.16 per share) | — | — | — | — | — | — | (46) | — | (46) | — | (46) |
| Dividend equivalent units related to employee stock-based compensation plans | — | — | — | — | — | — | (2) | — | (2) | — | (2) |
| Issuance of common shares | 2,794,510 | — | 2,794,510 | — | 11 | — | — | — | 11 | — | 11 |
| Stock-based compensation expense | — | — | — | — | 14 | — | — | — | 14 | — | 14 |
| Common stock repurchased | — | (7,363,292) | (7,363,292) | — | — | — | — | (110) | (110) | — | (110) |
| Shares repurchased related to employee stock-based compensation plans | — | (1,354,280) | (1,354,280) | — | — | — | — | (22) | (22) | — | (22) |
| Balance at March 31, 2017 | <u>438,832,176</u> | <u>(153,891,120)</u> | <u>284,941,056</u> | <u>\$ 4</u> | <u>\$ 3,047</u> | <u>\$ 22</u> | <u>\$ 2,930</u> | <u>\$ (2,355)</u> | <u>\$ 3,648</u> | <u>\$ 24</u> | <u>\$ 3,672</u> |

See accompanying notes to consolidated financial statements.

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

| | Three Months Ended March 31, | |
|-----------------------------------------------------------------------------------|------------------------------|-----------------|
| | 2017 | 2016 |
| Operating activities | | |
| Net income | \$ 88 | \$ 181 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Goodwill and acquired intangible asset impairment and amortization expense | 6 | 4 |
| Stock-based compensation expense | 14 | 12 |
| Unrealized (gains) losses on derivative and hedging activities | 13 | (131) |
| Provisions for loan losses | 107 | 111 |
| Increase in restricted cash — other | (7) | (5) |
| Decrease in accrued interest receivable | 60 | 71 |
| Decrease in accrued interest payable | (65) | (145) |
| Decrease in other assets | 84 | 308 |
| Increase (decrease) in other liabilities | 50 | (64) |
| Total net cash provided by operating activities | <u>350</u> | <u>342</u> |
| Investing activities | | |
| Education loans acquired | (798) | (1,537) |
| Reduction of education loans: | | |
| Installment payments, claims and other | 3,918 | 3,734 |
| Other investing activities, net | 15 | 69 |
| Purchases of other securities | — | (42) |
| Proceeds from maturities of other securities | 8 | 41 |
| Increase in restricted cash — variable interest entities | (132) | (80) |
| Total net cash provided by investing activities | <u>3,011</u> | <u>2,185</u> |
| Financing activities | | |
| Borrowings collateralized by loans in trust — issued | 1,919 | 1,545 |
| Borrowings collateralized by loans in trust — repaid | (3,203) | (3,228) |
| Asset-backed commercial paper conduits, net | (1,930) | (155) |
| Other short-term borrowings repaid | (25) | — |
| Other long-term borrowings issued | 807 | — |
| Other long-term borrowings repaid | (542) | (974) |
| Other financing activities, net | (120) | 113 |
| Common stock repurchased | (110) | (200) |
| Common stock dividends paid | (46) | (54) |
| Net cash used in financing activities | <u>(3,250)</u> | <u>(2,953)</u> |
| Net increase (decrease) in cash and cash equivalents | 111 | (426) |
| Cash and cash equivalents at beginning of period | 1,253 | 1,594 |
| Cash and cash equivalents at end of period | <u>\$ 1,364</u> | <u>\$ 1,168</u> |
| Cash disbursements made (refunds received) for: | | |
| Interest | <u>\$ 670</u> | <u>\$ 515</u> |
| Income taxes paid | <u>\$ 9</u> | <u>\$ 20</u> |
| Income taxes received | <u>\$ —</u> | <u>\$ (2)</u> |

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited)

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-month period ended March 31, 2017 are not necessarily indicative of the results for the year ending December 31, 2017 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, 2016 (the “2016 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 2016 Form 10-K.

Reclassifications

Certain reclassifications have been made to the balances as of and for the three months ended March 31, 2016 to be consistent with classifications adopted for 2017, and had no effect on net income, total assets, or total liabilities.

Recently Issued Accounting Pronouncements

Revenue Recognition

On May 28, 2014, the Financial Accounting Standards Board (the “FASB”) issued Accounting Standards Update (“ASU”) No 2014-09, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. The new guidance supersedes current U.S. GAAP guidance on revenue recognition and requires the use of more estimates and judgements than the current revenue standards. The new guidance does not apply to revenue associated with financial instruments, including loans, that are accounted for under other U.S. GAAP. Accordingly, we do not expect the new revenue recognition guidance to have a material impact on our consolidated results of operations associated with our loan portfolios including net interest income.

We plan to adopt the new standard as of January 1, 2018, the effective date. The new standard permits the use of either the retrospective or cumulative effect transition method. Our implementation efforts to date include the identification of revenue and review of related contracts within the scope of the new standard. We have not yet identified nor do we anticipate material changes in the timing of revenue recognition. However, our review is ongoing as we continue to evaluate both contract revenue and certain contract costs.

Classification and Measurement

On January 5, 2016, the FASB issued ASU No. 2016-01, “Recognition and Measurement of Financial Assets and Financial Liabilities,” which reconsiders the classification and measurement of financial instruments. The new standard requires certain equity instruments be measured at fair value, with fair value changes

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

1. Significant Accounting Policies (Continued)

recognized in earnings. In addition, the standard requires a cumulative-effect adjustment to retained earnings as of the beginning of the reporting period of adoption. It will be effective for the Company as of January 1, 2018. We have concluded that adopting this new accounting standard will be immaterial to our consolidated financial statements and footnote disclosures.

Leases

On February 25, 2016, the FASB issued ASU No. 2016-02, "Leases," which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve-month term, these arrangements must be recognized as assets and liabilities on the balance sheet of the lessee. A right-of-use asset and lease obligation will be recorded for all leases, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. The balance sheet amount recorded for existing leases at the date of adoption must be calculated using the applicable incremental borrowing rate at the date of adoption. The standard requires the use of the modified retrospective transition method, which will require adjustment to all comparative periods presented. It will be effective for the Company as of January 1, 2019. Early adoption is permitted. We are currently assessing the impact that adopting this new accounting standard will have on our consolidated financial statements and footnote disclosures, but expect it to be immaterial.

Stock Compensation

On March 30, 2016, the FASB issued ASU No. 2016-09, "Compensation — Stock Compensation," which identifies areas for simplification involving several aspects of accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, an option to recognize gross stock compensation expense with actual forfeitures recognized as they occur, as well as certain classifications on the statement of cash flows. The new standard also requires that all excess tax benefits and tax deficiencies that pertain to employee stock-based incentive payments be recognized within income tax expense in the consolidated statements of income, rather than as previously reported within additional paid-in capital. The new standard was adopted on January 1, 2017 and is expected to have an immaterial impact on our consolidated financial statements and footnote disclosures. In the first quarter of 2017, this new standard resulted in a \$3 million reduction to income tax expense.

Allowance for Loan Losses

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

1. Significant Accounting Policies (Continued)

Intra-Entity Transfer of Assets

On October 24, 2016, the FASB issued ASU No. 2016-16, "Income Taxes — Intra-Entity Transfer of Assets Other and Inventory," which requires recognition of the income tax consequences of an intra-entity transfer of non-inventory assets when the transfer occurs. The new standard is effective for the Company as of January 1, 2018. We are currently assessing the impact that adopting this new accounting standard will have on our consolidated financial statements and footnote disclosures, but expect it to be immaterial.

Goodwill Impairment

On January 26, 2017, the FASB issued ASU No. 2017-04, "Intangibles — Goodwill and Other," which eliminates the two-step process that required identification of potential impairment and a separate measure of the actual impairment. The annual assessment of goodwill impairment will be determined by using the difference between the carrying amount and the fair value of the reporting unit. The new standard will be effective for the Company as of January 1, 2020. Early adoption is permitted. We are currently assessing the impact that adopting this new standard will have on our consolidated financial statements and footnote disclosures.

2. Allowance for Loan Losses

Our provisions for loan losses represent the periodic expense of maintaining an allowance sufficient to absorb incurred probable losses, net of expected recoveries, in the held-for-investment loan portfolios. The evaluation of the provisions for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe that the allowance for loan losses is appropriate to cover probable losses incurred in the loan portfolios.

We segregate our Private Education Loan portfolio into two classes of loans — traditional and non-traditional. Non-traditional loans are loans to (i) customers attending for-profit schools with an original Fair Isaac and Company ("FICO") score of less than 670 and (ii) customers attending not-for-profit schools with an original FICO score of less than 640. The FICO score used in determining whether a loan is non-traditional is the greater of the customer or cosigner FICO score at or near origination. Traditional loans are defined as all other Private Education Loans that are not classified as non-traditional.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

Allowance for Loan Losses Metrics

| (Dollars in millions) | Three Months Ended March 31, 2017 | | | |
|------------------------------------------------------------------------|-----------------------------------|-------------------------|-------------|-----------|
| | FFELP Loans | Private Education Loans | Other Loans | Total |
| Allowance for Loan Losses | | | | |
| Beginning balance | \$ 67 | \$ 1,351 | \$ 15 | \$ 1,433 |
| Provision for loan losses | 10 | 95 | 2 | 107 |
| Charge-offs ⁽¹⁾ | (13) | (137) | (1) | (151) |
| Reclassification of interest reserve ⁽²⁾ | — | 2 | — | 2 |
| Ending balance | \$ 64 | \$ 1,311 | \$ 16 | \$ 1,391 |
| <i>Allowance:</i> | | | | |
| Ending balance: individually evaluated for impairment | \$ — | \$ 1,176 | \$ 10 | \$ 1,186 |
| Ending balance: collectively evaluated for impairment | \$ 64 | \$ 135 | \$ 6 | \$ 205 |
| <i>Loans:</i> | | | | |
| Ending balance: individually evaluated for impairment ⁽³⁾ | \$ — | \$ 11,096 | \$ 31 | \$ 11,127 |
| Ending balance: collectively evaluated for impairment ⁽³⁾ | \$ 84,513 | \$ 13,201 | \$ 152 | \$ 97,866 |
| Charge-offs as a percentage of average loans in repayment (annualized) | .07% | 2.56% | 2.06% | |
| Allowance coverage of charge-offs (annualized) | 1.2 | 2.4 | 4.6 | |
| Allowance as a percentage of the ending total loan balance | .08% | 5.39% | 9.00% | |
| Allowance as a percentage of the ending loans in repayment | .09% | 6.13% | 9.00% | |
| Ending total loans ⁽³⁾ | \$ 84,513 | \$ 24,297 | \$ 183 | |
| Average loans in repayment | \$ 69,302 | \$ 21,791 | \$ 173 | |
| Ending loans in repayment | \$ 68,095 | \$ 21,367 | \$ 183 | |

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

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

⁽³⁾ Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

| (Dollars in millions) | Three Months Ended March 31, 2016 | | | |
|------------------------------------------------------------------------|-----------------------------------|-------------------------|-------------|------------|
| | FFELP Loans | Private Education Loans | Other Loans | Total |
| Allowance for Loan Losses | | | | |
| Beginning balance | \$ 78 | \$ 1,471 | \$ 15 | \$ 1,564 |
| Provision for loan losses | 7 | 104 | — | 111 |
| Charge-offs ⁽¹⁾ | (16) | (144) | — | (160) |
| Reclassification of interest reserve ⁽²⁾ | — | 3 | — | 3 |
| Ending balance | \$ 69 | \$ 1,434 | \$ 15 | \$ 1,518 |
| <i>Allowance:</i> | | | | |
| Ending balance: individually evaluated for impairment | \$ — | \$ 1,185 | \$ 11 | \$ 1,196 |
| Ending balance: collectively evaluated for impairment | \$ 69 | \$ 249 | \$ 4 | \$ 322 |
| <i>Loans:</i> | | | | |
| Ending balance: individually evaluated for impairment | \$ — | \$ 11,088 | \$ 33 | \$ 11,121 |
| Ending balance: collectively evaluated for impairment | \$ 93,977 | \$ 16,408 | \$ 50 | \$ 110,435 |
| Charge-offs as a percentage of average loans in repayment (annualized) | .09% | 2.39% | 2.04% | |
| Allowance coverage of charge-offs (annualized) | 1.1 | 2.5 | 8.6 | |
| Allowance as a percentage of the ending total loan balance | .07% | 5.22% | 17.91% | |
| Allowance as a percentage of the ending loans in repayment | .09% | 6.03% | 17.91% | |
| Ending total loans ⁽³⁾ | \$ 93,977 | \$ 27,496 | \$ 83 | |
| Average loans in repayment | \$ 73,697 | \$ 24,180 | \$ 85 | |
| Ending loans in repayment | \$ 73,630 | \$ 23,786 | \$ 83 | |

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

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

⁽³⁾ Ending total loans for Private Education Loans includes the receivable for partially charged-off loans.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

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

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

| (Dollars in millions) | Private Education Loans Credit Quality Indicators | | | |
|----------------------------------|------------------------------------------------------|--------------|------------------------|--------------|
| | March 31, 2017 | | December 31, 2016 | |
| | Balance ⁽³⁾ | % of Balance | Balance ⁽³⁾ | % of Balance |
| Credit Quality Indicators | | | | |
| School Type/FICO Scores: | | | | |
| Traditional | \$ 21,601 | 92% | \$ 22,367 | 92% |
| Non-Traditional ⁽¹⁾ | 1,896 | 8 | 1,966 | 8 |
| Total | \$ 23,497 | 100% | \$ 24,333 | 100% |
| Cosigners: | | | | |
| With cosigner | \$ 15,024 | 64% | \$ 15,610 | 64% |
| Without cosigner | 8,473 | 36 | 8,723 | 36 |
| Total | \$ 23,497 | 100% | \$ 24,333 | 100% |
| Seasoning ⁽²⁾ : | | | | |
| 1-12 payments | \$ 1,276 | 5% | \$ 1,340 | 5% |
| 13-24 payments | 1,130 | 5 | 1,271 | 5 |
| 25-36 payments | 1,684 | 7 | 1,908 | 8 |
| 37-48 payments | 2,440 | 10 | 2,723 | 11 |
| More than 48 payments | 15,630 | 67 | 15,698 | 65 |
| Not yet in repayment | 1,337 | 6 | 1,393 | 6 |
| Total | \$ 23,497 | 100% | \$ 24,333 | 100% |

⁽¹⁾ Defined as loans to customers attending for-profit schools (with a FICO score of less than 670 at origination) and customers attending not-for-profit schools (with a FICO score of less than 640 at origination).

⁽²⁾ Number of months in active repayment for which a scheduled payment was received.

⁽³⁾ Balance represents gross Private Education Loans.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

The following tables provide information regarding the loan status and aging of past due loans.

| (Dollars in millions) | FFELP Loan Delinquencies | | | |
|----------------------------------------------------------------------------------|---------------------------------|----------|---------------------|----------|
| | March 31, | | December 31, | |
| | 2017 | % | 2016 | % |
| Loans in-school/grace/deferment ⁽¹⁾ | \$ 5,791 | | \$ 5,871 | |
| Loans in forbearance ⁽²⁾ | 10,627 | | 10,490 | |
| Loans in repayment and percentage of each status: | | | | |
| Loans current | 60,310 | 88.6% | 61,977 | 87.8% |
| Loans delinquent 31-60 days ⁽³⁾ | 2,300 | 3.4 | 2,820 | 4.0 |
| Loans delinquent 61-90 days ⁽³⁾ | 1,204 | 1.8 | 1,325 | 1.9 |
| Loans delinquent greater than 90 days ⁽³⁾ | 4,281 | 6.2 | 4,435 | 6.3 |
| Total FFELP Loans in repayment | 68,095 | 100% | 70,557 | 100% |
| Total FFELP Loans, gross | 84,513 | | 86,918 | |
| FFELP Loan unamortized premium | 835 | | 879 | |
| Total FFELP Loans | 85,348 | | 87,797 | |
| FFELP Loan allowance for losses | (64) | | (67) | |
| FFELP Loans, net | \$85,284 | | \$87,730 | |
| Percentage of FFELP Loans in repayment | | 80.6% | | 81.2% |
| Delinquencies as a percentage of FFELP Loans in repayment | | 11.4% | | 12.2% |
| FFELP Loans in forbearance as a percentage of loans in repayment and forbearance | | 13.5% | | 12.9% |

⁽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.

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

| (Dollars in millions) | Traditional Private Education Loan Delinquencies | | | |
|----------------------------------------------------------------------------|---------------------------------------------------------|--------------|--------------------------|--------------|
| | March 31, 2017 | | December 31, 2016 | |
| | Balance | % | Balance | % |
| Loans in-school/grace/deferment ⁽¹⁾ | \$ 1,218 | | \$ 1,271 | |
| Loans in forbearance ⁽²⁾ | 702 | | 700 | |
| Loans in repayment and percentage of each status: | | | | |
| Loans current | 18,471 | 93.9% | 19,020 | 93.3% |
| Loans delinquent 31-60 days ⁽³⁾ | 362 | 1.8 | 444 | 2.2 |
| Loans delinquent 61-90 days ⁽³⁾ | 236 | 1.2 | 269 | 1.3 |
| Loans delinquent greater than 90 days ⁽³⁾ | 612 | 3.1 | 663 | 3.2 |
| Total traditional loans in repayment | <u>19,681</u> | <u>100%</u> | <u>20,396</u> | <u>100%</u> |
| Total traditional loans, gross | 21,601 | | 22,367 | |
| Traditional loans unamortized discount | (381) | | (402) | |
| Total traditional loans | 21,220 | | 21,965 | |
| Traditional loans receivable for partially charged-off loans | 518 | | 526 | |
| Traditional loans allowance for losses | <u>(1,107)</u> | | <u>(1,138)</u> | |
| Traditional loans, net | <u>\$20,631</u> | | <u>\$21,353</u> | |
| Percentage of traditional loans in repayment | | <u>91.1%</u> | | <u>91.2%</u> |
| Delinquencies as a percentage of traditional loans in repayment | | <u>6.1%</u> | | <u>6.7%</u> |
| Loans in forbearance as a percentage of loans in repayment and forbearance | | <u>3.4%</u> | | <u>3.3%</u> |

⁽¹⁾ Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

⁽²⁾ Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, 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.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

| (Dollars in millions) | Non-Traditional Private Education Loan Delinquencies | | | |
|----------------------------------------------------------------------------|-------------------------------------------------------------|--------------|--------------------------|--------------|
| | March 31, 2017 | | December 31, 2016 | |
| | Balance | % | Balance | % |
| Loans in-school/grace/deferment ⁽¹⁾ | \$ 119 | | \$ 122 | |
| Loans in forbearance ⁽²⁾ | 91 | | 90 | |
| Loans in repayment and percentage of each status: | | | | |
| Loans current | 1,447 | 85.9% | 1,486 | 84.8% |
| Loans delinquent 31-60 days ⁽³⁾ | 62 | 3.6 | 78 | 4.5 |
| Loans delinquent 61-90 days ⁽³⁾ | 43 | 2.5 | 52 | 2.9 |
| Loans delinquent greater than 90 days ⁽³⁾ | 134 | 8.0 | 138 | 7.8 |
| Total non-traditional loans in repayment | <u>1,686</u> | <u>100%</u> | <u>1,754</u> | <u>100%</u> |
| Total non-traditional loans, gross | 1,896 | | 1,966 | |
| Non-traditional loans unamortized discount | (53) | | (55) | |
| Total non-traditional loans | 1,843 | | 1,911 | |
| Non-traditional loans receivable for partially charged-off loans | 282 | | 289 | |
| Non-traditional loans allowance for losses | (204) | | (213) | |
| Non-traditional loans, net | <u>\$ 1,921</u> | | <u>\$ 1,987</u> | |
| Percentage of non-traditional loans in repayment | | <u>88.9%</u> | | <u>89.2%</u> |
| Delinquencies as a percentage of non-traditional loans in repayment | | <u>14.1%</u> | | <u>15.2%</u> |
| Loans in forbearance as a percentage of loans in repayment and forbearance | | <u>5.1%</u> | | <u>4.9%</u> |

⁽¹⁾ Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

⁽²⁾ Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, 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.

Receivable for Partially Charged-Off Private Education Loans

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

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

| <u>(Dollars in millions)</u> | Three Months Ended | |
|----------------------------------------------------------------------|---------------------------|---------------|
| | March 31, | |
| | 2017 | 2016 |
| Receivable at beginning of period | \$ 815 | \$ 881 |
| Expected future recoveries of current period defaults ⁽¹⁾ | 34 | 36 |
| Recoveries ⁽²⁾ | (44) | (47) |
| Charge-offs ⁽³⁾ | (5) | (3) |
| Receivable at end of period | <u>\$ 800</u> | <u>\$ 867</u> |

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

⁽²⁾ Current period cash collections.

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

Troubled Debt Restructurings (“TDRs”)

We sometimes modify the terms of loans for certain customers when we believe such modifications may increase the ability and willingness of a customer to make payments and thus increase the ultimate overall amount collected on a loan. These modifications generally take the form of a forbearance, a temporary interest rate reduction or an extended repayment plan. 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 62 percent and 61 percent of the loans granted forbearance have qualified as a TDR loan at March 31, 2017 and December 31, 2016, respectively. The unpaid principal balance of TDR loans that were in an interest rate reduction plan as of March 31, 2017 and December 31, 2016 was \$2.5 billion and \$2.6 billion, respectively.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

At March 31, 2017 and December 31, 2016, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

| <u>(Dollars in millions)</u> | <u>TDR Loans</u> | | |
|-------------------------------------------|------------------------------------------|---------------------------------|--------------------------|
| | <u>Recorded Investment⁽¹⁾</u> | <u>Unpaid Principal Balance</u> | <u>Related Allowance</u> |
| March 31, 2017 | | | |
| Private Education Loans — Traditional | \$ 9,336 | \$ 9,376 | \$ 994 |
| Private Education Loans — Non-Traditional | 1,348 | 1,351 | 182 |
| Total | <u>\$ 10,684</u> | <u>\$10,727</u> | <u>\$ 1,176</u> |
| December 31, 2016 | | | |
| Private Education Loans — Traditional | \$ 9,386 | \$ 9,429 | \$ 1,003 |
| Private Education Loans — Non-Traditional | 1,373 | 1,376 | 187 |
| Total | <u>\$ 10,759</u> | <u>\$10,805</u> | <u>\$ 1,190</u> |

⁽¹⁾ The recorded investment is equal to the unpaid principal balance and accrued interest receivable net of unamortized deferred fees and costs.

The following table provides the average recorded investment and interest income recognized for our TDR loans.

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | | | |
|-------------------------------------------|-------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|
| | <u>2017</u> | | <u>2016</u> | |
| | <u>Average Recorded Investment</u> | <u>Interest Income Recognized</u> | <u>Average Recorded Investment</u> | <u>Interest Income Recognized</u> |
| Private Education Loans — Traditional | \$ 9,367 | \$ 145 | \$ 9,221 | \$ 138 |
| Private Education Loans — Non-Traditional | 1,361 | 27 | 1,434 | 27 |
| Total | <u>\$ 10,728</u> | <u>\$ 172</u> | <u>\$ 10,655</u> | <u>\$ 165</u> |

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

The following table provides information regarding the loan status and aging of TDR loans that are past due.

| (Dollars in millions) | TDR Loan Delinquencies | | | |
|------------------------------------------------------|-------------------------------|----------|--------------------------|----------|
| | March 31, 2017 | | December 31, 2016 | |
| | Balance | % | Balance | % |
| Loans in deferment ⁽¹⁾ | \$ 580 | | \$ 579 | |
| Loans in forbearance ⁽²⁾ | 598 | | 588 | |
| Loans in repayment and percentage of each status: | | | | |
| Loans current | 8,309 | 87.0% | 8,273 | 85.8% |
| Loans delinquent 31-60 days ⁽³⁾ | 346 | 3.6 | 412 | 4.3 |
| Loans delinquent 61-90 days ⁽³⁾ | 237 | 2.5 | 267 | 2.8 |
| Loans delinquent greater than 90 days ⁽³⁾ | 657 | 6.9 | 686 | 7.1 |
| Total TDR loans in repayment | 9,549 | 100% | 9,638 | 100% |
| Total TDR loans, gross | \$ 10,727 | | \$ 10,805 | |

⁽¹⁾ Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

⁽²⁾ Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, 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.

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.

| (Dollars in millions) | Three Months Ended March 31, | | | | | |
|-------------------------------------------|-------------------------------------|----------------------------------|------------------------|-------------------------------------|----------------------------------|------------------------|
| | 2017 | | | 2016 | | |
| | Modified Loans⁽¹⁾ | Charge-Offs⁽²⁾ | Payment Default | Modified Loans⁽¹⁾ | Charge-Offs⁽²⁾ | Payment Default |
| Private Education Loans — Traditional | \$ 199 | \$ 86 | \$ 47 | \$ 341 | \$ 80 | \$ 62 |
| Private Education Loans — Non-Traditional | 16 | 20 | 7 | 27 | 22 | 11 |
| Total | \$ 215 | \$ 106 | \$ 54 | \$ 368 | \$ 102 | \$ 73 |

⁽¹⁾ Represents period ending balance of loans that have been modified during the period and resulted in a TDR.

⁽²⁾ Represents loans that charged off that were classified as TDRs.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

2. Allowance for Loan Losses (Continued)

Accrued Interest Receivable

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

| <u>(Dollars in millions)</u> | <u>Accrued Interest Receivable</u> | <u>Greater Than 90 Days Past Due</u> | <u>Allowance for Uncollectible Interest</u> |
|-------------------------------------------|--------------------------------------------|----------------------------------------------|-----------------------------------------------------|
| March 31, 2017 | | | |
| Private Education Loans — Traditional | \$ 326 | \$ 23 | \$ 20 |
| Private Education Loans — Non-Traditional | 45 | 7 | 6 |
| Total | <u>\$ 371</u> | <u>\$ 30</u> | <u>\$ 26</u> |
| December 31, 2016 | | | |
| Private Education Loans — Traditional | \$ 344 | \$ 26 | \$ 23 |
| Private Education Loans — Non-Traditional | 47 | 7 | 7 |
| Total | <u>\$ 391</u> | <u>\$ 33</u> | <u>\$ 30</u> |

3. Borrowings

The following table summarizes our borrowings.

| <u>(Dollars in millions)</u> | <u>March 31, 2017</u> | | | <u>December 31, 2016</u> | | |
|-------------------------------------------------------|-----------------------|----------------------|------------------|--------------------------|----------------------|------------------|
| | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> |
| Unsecured borrowings: | | | | | | |
| Senior unsecured debt | \$ 571 | \$ 13,424 | \$ 13,995 | \$ 717 | \$ 13,029 | \$ 13,746 |
| Total unsecured borrowings | 571 | 13,424 | 13,995 | 717 | 13,029 | 13,746 |
| Secured borrowings: | | | | | | |
| FFELP Loan securitizations | — | 73,047 | 73,047 | — | 73,522 | 73,522 |
| Private Education Loan securitizations ⁽¹⁾ | 548 | 13,343 | 13,891 | 548 | 14,125 | 14,673 |
| FFELP Loan — other facilities | — | 10,409 | 10,409 | — | 12,443 | 12,443 |
| Private Education Loan — other facilities | 540 | — | 540 | 464 | — | 464 |
| Other ⁽²⁾ | 502 | — | 502 | 606 | — | 606 |
| Total secured borrowings | <u>1,590</u> | <u>96,799</u> | <u>98,389</u> | <u>1,618</u> | <u>100,090</u> | <u>101,708</u> |
| Total before hedge accounting adjustments | 2,161 | 110,223 | 112,384 | 2,335 | 113,119 | 115,454 |
| Hedge accounting adjustments | (1) | (637) | (638) | (1) | (751) | (752) |
| Total | <u>\$2,160</u> | <u>\$109,586</u> | <u>\$111,746</u> | <u>\$2,334</u> | <u>\$112,368</u> | <u>\$114,702</u> |

⁽¹⁾ Includes \$548 million and \$548 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facility (“Repurchase Facility”) as of March 31, 2017 and December 31, 2016, respectively. Includes \$476 million and \$475 million of long-term debt related to the Repurchase Facility as of March 31, 2017 and December 31, 2016, respectively.

⁽²⁾ “Other” primarily includes the obligation to return cash collateral held related to derivative exposures, which includes \$95 million and \$193 million of securities re-pledged subject to an overnight repurchase transaction as of March 31, 2017 and December 31, 2016, respectively.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

3. Borrowings (Continued)
Variable Interest Entities

We consolidated the following financing VIEs as of March 31, 2017 and December 31, 2016, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

| (Dollars in millions) | March 31, 2017 | | | | | | |
|-------------------------------------------------------|------------------|-----------------|-----------------|-----------------------------------------------------|----------------|----------------|------------------|
| | Debt Outstanding | | | Carrying Amount of Assets Securing Debt Outstanding | | | |
| | Short Term | Long Term | Total | Loans | Cash | Other Assets | Total |
| Secured Borrowings — VIEs: | | | | | | | |
| FFELP Loan securitizations | \$ — | \$73,047 | \$73,047 | \$ 73,669 | \$2,764 | \$ 818 | \$ 77,251 |
| Private Education Loan securitizations ⁽¹⁾ | 548 | 13,343 | 13,891 | 19,030 | 490 | 243 | 19,763 |
| FFELP Loan — other facilities | — | 7,208 | 7,208 | 7,295 | 279 | 158 | 7,732 |
| Private Education Loan — other facilities | 540 | — | 540 | 785 | 17 | 13 | 815 |
| Other | 89 | — | 89 | 104 | 6 | (1) | 109 |
| Total before hedge accounting adjustments | 1,177 | 93,598 | 94,775 | 100,883 | 3,556 | 1,231 | 105,670 |
| Hedge accounting adjustments | — | (1,039) | (1,039) | — | — | (1,136) | (1,136) |
| Total | <u>\$1,177</u> | <u>\$92,559</u> | <u>\$93,736</u> | <u>\$100,883</u> | <u>\$3,556</u> | <u>\$ 95</u> | <u>\$104,534</u> |
| December 31, 2016 | | | | | | | |
| (Dollars in millions) | Debt Outstanding | | | Carrying Amount of Assets Securing Debt Outstanding | | | |
| | Short Term | Long Term | Total | Loans | Cash | Other Assets | Total |
| Secured Borrowings — VIEs: | | | | | | | |
| FFELP Loan securitizations | \$ — | \$73,522 | \$73,522 | \$ 74,197 | \$2,676 | \$ 778 | \$ 77,651 |
| Private Education Loan securitizations ⁽¹⁾ | 548 | 14,125 | 14,673 | 19,815 | 455 | 260 | 20,530 |
| FFELP Loan — other facilities | — | 9,046 | 9,046 | 9,232 | 289 | 172 | 9,693 |
| Private Education Loan — other facilities | 464 | — | 464 | 685 | 10 | 14 | 709 |
| Other | 66 | — | 66 | 79 | 4 | — | 83 |
| Total before hedge accounting adjustments | 1,078 | 96,693 | 97,771 | 104,008 | 3,434 | 1,224 | 108,666 |
| Hedge accounting adjustments | — | (1,201) | (1,201) | — | — | (1,235) | (1,235) |
| Total | <u>\$1,078</u> | <u>\$95,492</u> | <u>\$96,570</u> | <u>\$104,008</u> | <u>\$3,434</u> | <u>\$ (11)</u> | <u>\$107,431</u> |

⁽¹⁾ Includes \$548 million of short-term debt, \$476 million of long-term debt and \$39 million of restricted cash related to the Repurchase Facility as of March 31, 2017. Includes \$548 million of short-term debt, \$475 million of long-term debt and \$49 million of restricted cash related to the Repurchase Facility as of December 31, 2016.

4. Derivative Financial Instruments

Our risk management strategy and use of and accounting for derivatives have not materially changed from that discussed in our 2016 Form 10-K. Please refer to “Note 7—Derivative Financial Instruments” in our 2016 Form 10-K for a full discussion.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

4. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at March 31, 2017 and December 31, 2016, and their impact on other comprehensive income and earnings for the three months ended March 31, 2017 and 2016.

Impact of Derivatives on Consolidated Balance Sheet

| (Dollars in millions) | Hedged Risk Exposure | Cash Flow | | Fair Value | | Trading | | Total | |
|---------------------------------------------|------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | | Mar. 31, 2017 | Dec. 31, 2016 | Mar. 31, 2017 | Dec. 31, 2016 | Mar. 31, 2017 | Dec. 31, 2016 | Mar. 31, 2017 | Dec. 31, 2016 |
| Fair Values⁽¹⁾ | | | | | | | | | |
| <i>Derivative Assets:</i> | | | | | | | | | |
| Interest rate swaps | Interest rate | \$ 70 | \$ 78 | \$ 391 | \$ 465 | \$ 10 | \$ 22 | \$ 471 | \$ 565 |
| Cross-currency interest rate swaps | Foreign currency and interest rate | — | — | — | — | — | — | — | — |
| Other ⁽²⁾ | Interest rate | — | — | — | — | — | — | — | — |
| Total derivative assets ⁽³⁾ | | 70 | 78 | 391 | 465 | 10 | 22 | 471 | 565 |
| <i>Derivative Liabilities:</i> | | | | | | | | | |
| Interest rate swaps | Interest rate | (56) | (76) | (72) | (62) | (66) | (70) | (194) | (208) |
| Floor Income Contracts | Interest rate | — | — | — | — | (164) | (184) | (164) | (184) |
| Cross-currency interest rate swaps | Foreign currency and interest rate | — | — | (1,125) | (1,243) | (41) | (53) | (1,166) | (1,296) |
| Other ⁽²⁾ | Interest rate | — | — | — | — | (16) | (13) | (16) | (13) |
| Total derivative liabilities ⁽³⁾ | | (56) | (76) | (1,197) | (1,305) | (287) | (320) | (1,540) | (1,701) |
| Net total derivatives | | \$ 14 | \$ 2 | \$ (806) | \$ (840) | \$ (277) | \$ (298) | \$ (1,069) | \$ (1,136) |

⁽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⁾ "Other" includes embedded derivatives bifurcated from securitization debt as well as derivatives related to our Total Return Swap Facility.

⁽³⁾ The following table reconciles gross positions without the impact of master netting agreements to the balance sheet classification:

| (Dollar in millions) | Other Assets | | Other Liabilities | |
|------------------------------------------------------------------------------------------|----------------|-------------------|-------------------|-------------------|
| | March 31, 2017 | December 31, 2016 | March 31, 2017 | December 31, 2016 |
| Gross position | \$ 471 | \$ 565 | \$ (1,540) | \$ (1,701) |
| Impact of master netting agreements | (48) | (31) | 48 | 31 |
| Derivative values with impact of master netting agreements (as carried on balance sheet) | 423 | 534 | (1,492) | (1,670) |
| Cash collateral (held) pledged | (317) | (345) | 282 | 319 |
| Net position | \$ 106 | \$ 189 | \$ (1,210) | \$ (1,351) |

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

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. There were no adjustments to the overall net asset positions at March 31, 2017 and December 31, 2016. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at March 31, 2017 and December 31, 2016 by \$28 million and \$31 million, respectively.

| (Dollars in billions) | Cash Flow | | Fair Value | | Trading | | Total | |
|------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | Mar. 31, 2017 | Dec. 31, 2016 | Mar. 31, 2017 | Dec. 31, 2016 | Mar. 31, 2017 | Dec. 31, 2016 | Mar. 31, 2017 | Dec. 31, 2016 |
| Notional Values: | | | | | | | | |
| Interest rate swaps | \$ 15.6 | \$ 15.2 | \$ 12.3 | \$ 11.8 | \$ 30.3 | \$ 23.8 | \$ 58.2 | \$ 50.8 |
| Floor Income Contracts | — | — | — | — | 21.4 | 18.5 | 21.4 | 18.5 |
| Cross-currency interest rate swaps | — | — | 7.6 | 8.5 | .3 | .3 | 7.9 | 8.8 |
| Other ⁽¹⁾ | — | — | — | — | 2.3 | 2.6 | 2.3 | 2.6 |
| Total derivatives | <u>\$ 15.6</u> | <u>\$ 15.2</u> | <u>\$ 19.9</u> | <u>\$ 20.3</u> | <u>\$ 54.3</u> | <u>\$ 45.2</u> | <u>\$ 89.8</u> | <u>\$ 80.7</u> |

⁽¹⁾ "Other" includes embedded derivatives bifurcated from securitization debt as well as derivatives related to our Total Return Swap Facility.

Impact of Derivatives on Consolidated Statements of Income

| (Dollars in millions) | Three Months Ended March 31, | | | | | | | |
|------------------------------------------------------------|---------------------------------------------------------|---------------|----------------------------------------------------|-----------------|------------------------------------------------------|-----------------|-------------------|-------------|
| | Unrealized Gain (Loss) on Derivatives ⁽¹⁾⁽²⁾ | | Realized Gain (Loss) on Derivatives ⁽³⁾ | | Unrealized Gain (Loss) on Hedged Item ⁽¹⁾ | | Total Gain (Loss) | |
| | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 | 2017 | 2016 |
| Fair Value Hedges: | | | | | | | | |
| Interest rate swaps | \$ (84) | \$ 244 | \$ 54 | \$ 71 | \$ 61 | \$ (280) | \$ 31 | \$ 35 |
| Cross-currency interest rate swaps | 118 | 374 | (29) | (16) | (162) | (306) | (73) | 52 |
| Total fair value derivatives | 34 | 618 | 25 | 55 | (101) | (586) | (42) | 87 |
| Cash Flow Hedges: | | | | | | | | |
| Interest rate swaps | — | — | (16) | — | — | — | (16) | — |
| Total cash flow derivatives | — | — | (16) | — | — | — | (16) | — |
| Trading: | | | | | | | | |
| Interest rate swaps | (7) | 53 | 20 | 10 | — | — | 13 | 63 |
| Floor Income Contracts | 53 | 27 | (20) | (138) | — | — | 33 | (111) |
| Cross-currency interest rate swaps | 12 | 20 | (1) | (1) | — | — | 11 | 19 |
| Other | (4) | (2) | (2) | — | — | — | (6) | (2) |
| Total trading derivatives | 54 | 98 | (3) | (129) | — | — | 51 | (31) |
| Total | 88 | 716 | 6 | (74) | (101) | (586) | (7) | 56 |
| Less: realized gains (losses) recorded in interest expense | — | — | 9 | 55 | — | — | 9 | 55 |
| Gains (losses) on derivative and hedging activities, net | <u>\$ 88</u> | <u>\$ 716</u> | <u>\$ (3)</u> | <u>\$ (129)</u> | <u>\$ (101)</u> | <u>\$ (586)</u> | <u>\$ (16)</u> | <u>\$ 1</u> |

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

⁽²⁾ Represents ineffectiveness related to cash flow hedges.

⁽³⁾ For fair value and cash flow hedges, recorded in interest expense. For trading derivatives, recorded in "Gains (losses) on derivative and hedging activities, net."

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

4. Derivative Financial Instruments (Continued)

Collateral

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

| <u>(Dollars in millions)</u> | <u>March 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|------------------------------------------------------------------------------------------------------------------------------|---------------------------------|------------------------------------|
| Collateral held: | | |
| Cash (obligation to return cash collateral is recorded in short-term borrowings) | \$ 317 | \$ 345 |
| Securities at fair value — corporate derivatives (not recorded in financial statements) ⁽¹⁾ | 97 | 193 |
| Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements) ⁽²⁾ | 237 | 230 |
| Total collateral held | \$ 651 | \$ 768 |
| Derivative asset at fair value including accrued interest | \$ 526 | \$ 689 |
| Collateral pledged to others: | | |
| Cash (right to receive return of cash collateral is recorded in investments) | \$ 282 | \$ 319 |
| Total collateral pledged | \$ 282 | \$ 319 |
| Derivative liability at fair value including accrued interest and premium receivable | \$ 1,510 | \$ 1,670 |

⁽¹⁾ The Company has the ability to sell or re-pledge securities it holds as collateral.

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

Our corporate derivatives contain credit contingent features. At our current unsecured credit rating, we have fully collateralized our corporate derivative liability position (including accrued interest and net of premiums receivable) of \$355 million with our counterparties. Downgrades in our unsecured credit rating would not result in any additional collateral requirements, except to increase the frequency of collateral calls. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings.

5. Other Assets

The following table provides the detail of our other assets.

| <u>(Dollars in millions)</u> | <u>March 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|--------------------------------------------|---------------------------------|------------------------------------|
| Accrued interest receivable, net | \$ 1,604 | \$ 1,663 |
| Income tax asset, net current and deferred | 673 | 725 |
| Benefit and insurance-related investments | 491 | 488 |
| Derivatives at fair value | 423 | 534 |
| Other loans, net | 166 | 148 |
| Fixed assets, net | 157 | 160 |
| Accounts receivable | 100 | 95 |
| Other | 378 | 380 |
| Total | \$ 3,992 | \$ 4,193 |

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

6. Stockholders' Equity

The following table summarizes common share repurchases and issuances.

| | Three Months Ended | |
|--------------------------------------------------------------------------------------|--------------------|------------|
| | March 31, | |
| | 2017 | 2016 |
| Common shares repurchased ⁽¹⁾ | 7,363,292 | 19,210,281 |
| Average purchase price per share | \$ 14.95 | \$ 10.42 |
| Shares repurchased related to employee stock-based compensation plans ⁽²⁾ | 1,354,280 | 986,273 |
| Average purchase price per share | \$ 15.55 | \$ 9.96 |
| Common shares issued ⁽³⁾ | 2,794,510 | 2,499,585 |

⁽¹⁾ Common shares purchased under our share repurchase program.

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

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

The closing price of our common stock on March 31, 2017 was \$14.76.

Dividend and Share Repurchase Program

In March 2017, we paid a common stock dividend of \$0.16 per share.

We repurchased 7.4 million shares of common stock for \$110 million in the first quarter of 2017. The shares were repurchased under our previously disclosed share repurchase program. As of March 31, 2017, the remaining repurchase authority was \$490 million. In the first quarter of 2016, we repurchased 19.2 million shares for \$200 million.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
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7. Earnings per Common Share

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

| <u>(In millions, except per share data)</u> | Three Months Ended | |
|--------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------|
| | March 31, | |
| | 2017 | 2016 |
| Numerator: | | |
| Net income attributable to Navient Corporation | <u>\$ 88</u> | <u>\$ 181</u> |
| Denominator: | | |
| Weighted average shares used to compute basic EPS | 289 | 339 |
| Effect of dilutive securities: | | |
| Dilutive effect of stock options, non-vested restricted stock, restricted stock units and Employee Stock Purchase Plans ("ESPPs") ⁽¹⁾ | <u>7</u> | <u>4</u> |
| Dilutive potential common shares ⁽²⁾ | <u>7</u> | <u>4</u> |
| Weighted average shares used to compute diluted EPS | <u>296</u> | <u>343</u> |
| Basic earnings (loss) per common share attributable to Navient Corporation | <u><u>\$.31</u></u> | <u><u>\$.53</u></u> |
| Diluted earnings (loss) per common share attributable to Navient Corporation | <u><u>\$.30</u></u> | <u><u>\$.53</u></u> |

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

⁽²⁾ For the three months ended March 31, 2017 and 2016, stock options covering approximately 5 million and 9 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

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. Please refer to “Note 12—Fair Value Measurements” in our 2016 Form 10-K for a full discussion.

During the three months ended March 31, 2017, there were no significant transfers of financial instruments between levels, or changes in our methodology or assumptions used to value our financial instruments.

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

| (Dollars in millions) | Fair Value Measurements on a Recurring Basis | | | | | | | |
|---------------------------------------------------|----------------------------------------------|-----------------|-------------------|-------------------|-------------------|-----------------|-------------------|-------------------|
| | March 31, 2017 | | | | December 31, 2016 | | | |
| | Level 1 | Level 2 | Level 3 | Total | Level 1 | Level 2 | Level 3 | Total |
| Assets | | | | | | | | |
| Available-for-sale investments: | | | | | | | | |
| Agency residential mortgage-backed securities | \$ — | \$ 1 | \$ — | \$ 1 | \$ — | \$ 1 | \$ — | \$ 1 |
| Other | — | 2 | — | 2 | — | 2 | — | 2 |
| Total available-for-sale investments | — | 3 | — | 3 | — | 3 | — | 3 |
| Derivative instruments: ⁽¹⁾ | | | | | | | | |
| Interest rate swaps | — | 467 | 4 | 471 | — | 553 | 12 | 565 |
| Cross-currency interest rate swaps | — | — | — | — | — | — | — | — |
| Other | — | — | — | — | — | — | — | — |
| Total derivative assets⁽²⁾ | — | 467 | 4 | 471 | — | 553 | 12 | 565 |
| Total | \$ — | \$ 470 | \$ 4 | \$ 474 | \$ — | \$ 556 | \$ 12 | \$ 568 |
| Liabilities⁽³⁾ | | | | | | | | |
| Derivative instruments ⁽¹⁾ | | | | | | | | |
| Interest rate swaps | \$ — | \$ (148) | \$ (46) | \$ (194) | \$ — | \$ (150) | \$ (58) | \$ (208) |
| Floor Income Contracts | — | (164) | — | (164) | — | (184) | — | (184) |
| Cross-currency interest rate swaps | — | (41) | (1,125) | (1,166) | — | (53) | (1,243) | (1,296) |
| Other | — | — | (16) | (16) | — | — | (13) | (13) |
| Total derivative liabilities⁽²⁾ | — | (353) | (1,187) | (1,540) | — | (387) | (1,314) | (1,701) |
| Total | \$ — | \$ (353) | \$ (1,187) | \$ (1,540) | \$ — | \$ (387) | \$ (1,314) | \$ (1,701) |

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

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

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

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.

| (Dollars in millions) | Three Months Ended March 31, | | | | | | | |
|-------------------------------------------------------------------------------------------------------------|------------------------------|---------------------------------------------|----------------|------------------------------------|------------------------|---------------------------------------------|---------------|------------------------------------|
| | 2017 | | | | 2016 | | | |
| | Derivative instruments | | | | Derivative instruments | | | |
| | 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 | \$ (46) | \$ (1,243) | \$ (13) | \$ (1,302) | \$ (44) | \$ (903) | \$ (2) | \$ (949) |
| Total gains/(losses) (realized and unrealized): | | | | | | | | |
| Included in earnings ⁽¹⁾ | 2 | 89 | (5) | 86 | 11 | 358 | (2) | 367 |
| Included in other comprehensive income | — | — | — | — | — | — | — | — |
| Settlements | 2 | 29 | 2 | 33 | 1 | 17 | — | 18 |
| Transfers in and/or out of level 3 | — | — | — | — | — | — | — | — |
| Balance, end of period | <u>\$ (42)</u> | <u>\$ (1,125)</u> | <u>\$ (16)</u> | <u>\$ (1,183)</u> | <u>\$ (32)</u> | <u>\$ (528)</u> | <u>\$ (4)</u> | <u>\$ (564)</u> |
| Change in unrealized gains/(losses) relating to instruments still held at the reporting date ⁽²⁾ | <u>\$ 4</u> | <u>\$ 57</u> | <u>\$ (4)</u> | <u>\$ 57</u> | <u>\$ 12</u> | <u>\$ 375</u> | <u>\$ (2)</u> | <u>\$ 385</u> |

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

| (Dollars in millions) | Three Months Ended March 31, | |
|----------------------------------------------------------|------------------------------|---------------|
| | 2017 | 2016 |
| Gains (losses) on derivative and hedging activities, net | \$ 115 | \$ 384 |
| Interest expense | (29) | (17) |
| Total | <u>\$ 86</u> | <u>\$ 367</u> |

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

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

| (Dollars in millions) | Fair Value at March 31, 2017 | Valuation Technique | Input | Range (Weighted Average) |
|------------------------------------|---------------------------------|------------------------|-------------------------------------|--------------------------------|
| Derivatives | | | | |
| Prime/LIBOR basis swaps | \$ (42) | Discounted cash flow | Constant prepayment rate | 4.9% |
| | | | Bid/ask adjustment to discount rate | .05% — .05% |
| | | | | (.05%) |
| Cross-currency interest rate swaps | (1,125) | Discounted cash flow | Constant prepayment rate | 3.3% |
| Other | (16) | | | |
| Total | <u>\$ (1,183)</u> | | | |

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
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8. Fair Value Measurements (Continued)

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

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

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

| <u>(Dollars in millions)</u> | March 31, 2017 | | | December 31, 2016 | | |
|-----------------------------------------------------------|----------------|----------------|-----------------|-------------------|----------------|-----------------|
| | Fair Value | Carrying Value | Difference | Fair Value | Carrying Value | Difference |
| Earning assets | | | | | | |
| FFELP Loans | \$ 84,531 | \$ 85,284 | \$ (753) | \$ 86,626 | \$ 87,730 | \$ (1,104) |
| Private Education Loans | 22,687 | 22,552 | 135 | 23,191 | 23,340 | (149) |
| Cash and investments ⁽¹⁾ | 5,398 | 5,398 | — | 5,203 | 5,203 | — |
| Total earning assets | 112,616 | 113,234 | (618) | 115,020 | 116,273 | (1,253) |
| Interest-bearing liabilities | | | | | | |
| Short-term borrowings | 2,169 | 2,160 | (9) | 2,346 | 2,334 | (12) |
| Long-term borrowings | 107,743 | 109,586 | 1,843 | 109,826 | 112,368 | 2,542 |
| Total interest-bearing liabilities | 109,912 | 111,746 | 1,834 | 112,172 | 114,702 | 2,530 |
| Derivative financial instruments | | | | | | |
| Floor Income Contracts | (164) | (164) | — | (184) | (184) | — |
| Interest rate swaps | 277 | 277 | — | 357 | 357 | — |
| Cross-currency interest rate swaps | (1,166) | (1,166) | — | (1,296) | (1,296) | — |
| Other | (16) | (16) | — | (13) | (13) | — |
| Excess of net asset fair value over carrying value | | | \$ 1,216 | | | \$ 1,277 |

⁽¹⁾ "Cash and investments" includes available-for-sale investments whose cost basis is \$3 million and \$3 million at March 31, 2017 and December 31, 2016, respectively, versus a fair value of \$3 million and \$3 million at March 31, 2017 and December 31, 2016, respectively.

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9. Commitments and Contingencies

Legal Proceedings

The Company has been named as defendant in a number of putative class action cases alleging violations of various state and federal consumer protection laws. One of these putative class action suits is *Randy Johnson v. Navient Solutions, Inc.* (“NSI”). On May 4, 2015, Randy Johnson filed a putative class action in the United States District Court for the Southern District of Indiana alleging violations of the Telephone Consumer Protection Act (“TCPA”). During the fourth quarter of 2016, the parties entered into a settlement agreement and, on December 23, 2016, filed a Motion to Approve the Class Action Settlement with the Court. The Court preliminarily approved the settlement on January 26, 2017. NSI denied all claims asserted, but agreed to settle the case to avoid the burden, expense, risk and uncertainty of continued litigation. A reserve was established for this matter as of December 31, 2016. The proposed settlement is subject to Court approval with a hearing currently scheduled for July 2017.

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington (collectively the “Attorneys General”) initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the Consumer Financial Protection Act of 2010, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act and various State consumer protection laws. For additional information on these civil actions, please refer to section entitled “Regulatory Matters” below.

Regulatory Matters

On May 2, 2014, Navient Solutions, Inc., now known as Navient Solutions, LLC (“Solutions”), a wholly-owned subsidiary of Navient, and Sallie Mae Bank entered into consent orders, without admitting any wrongdoing, with the Federal Deposit Insurance Corporation (the “FDIC”) (respectively, the “Solutions Order” and the “Bank Order”); collectively, the “FDIC Orders”) to settle matters related to certain cited violations of Section 5 of the Federal Trade Commission Act, including the disclosures and assessments of certain late fees, as well as alleged violations under the Servicemembers Civil Relief Act (the “SCRA”). The FDIC Orders, which became effective upon the signing of the consent order with the United States Department of Justice (the “DOJ”) by Solutions and SLM BankCo on May 13, 2014, required Solutions to pay \$3.3 million in civil monetary penalties. Solutions paid its civil monetary penalties. In addition, the FDIC Orders required the establishment of a restitution reserve account totaling \$30 million to provide restitution with respect to loans owned or originated by Sallie Mae Bank, from November 28, 2005 until the effective date of the FDIC Orders. The FDIC lifted the consent order effective as of March 23, 2017 with no conditions.

With respect to alleged civil violations of the SCRA, Solutions and Sallie Mae Bank entered into a consent order with the DOJ in May 2014. The DOJ consent order (the “DOJ Order”) covers all loans either owned by Sallie Mae Bank or serviced by Solutions from November 28, 2005 until the effective date of the settlement. The DOJ Order required Solutions to fund a \$60 million settlement fund, which represents the total amount of compensation due to service members under the DOJ agreement, and to pay \$55,000 in civil penalties. The DOJ Order was approved by the United States District Court in Delaware on September 29, 2014 and has a term of four years. Shortly thereafter, Navient funded the settlement fund and paid the civil money penalties pursuant to the terms of the order. The funds were disbursed beginning in the second quarter of 2015. In the third quarter of 2016, the Company completed the distributions from the fund by distributing the remaining funds to charities approved by the DOJ.

The total reserves established by the Company in 2013 and 2014 to cover these costs were \$177 million, and as of March 31, 2017, substantially all of this amount had been paid or credited or refunded to customer

NAVIENT CORPORATION
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9. Commitments and Contingencies (Continued)

accounts. The final cost of these proceedings will remain uncertain until all of the work under the consent orders has been completed and the remaining consent order is lifted.

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

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

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington (collectively the “Attorneys General”) initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the Consumer Financial Protection Act of 2010, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act and various state consumer protection laws. These civil actions are related to the aforementioned CIDs and the NORA letter that were previously issued by the CFPB and the Attorneys General. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the Attorneys General. The Company filed its Motion to Dismiss on March 20, 2017 with respect to the Attorneys General actions and on March 24, 2017 with respect to the CFPB action. On April 25, 2017, the CFPB filed their response to our Motion to Dismiss. As the Company has previously stated, we believe the suit improperly seeks to impose penalties on Navient based on new servicing standards applied retroactively and applied only against one servicer and that the allegations are false. We intend to vigorously defend against the allegations. At this point in time, the Company is unable to anticipate the timing of a resolution or the ultimate impact that these legal proceedings may have on the Company’s consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

9. Commitments and Contingencies (Continued)

In addition, Navient and its subsidiaries are subject to examination or regulation by the SEC, CFPB, FDIC, ED and various state agencies as part of its ordinary course of business. Items or matters similar to or different from those described above may arise during the course of those examinations. We also routinely receive inquiries or requests from various regulatory entities or bodies or government agencies concerning our business or our assets. The Company endeavors to cooperate with each such inquiry or request.

Under the terms of the Separation Agreement, Navient has agreed to indemnify SLM BankCo for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. As a result, liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above, other than fines or penalties directly levied against Sallie Mae Bank and other matters specifically excluded, are the responsibility of, or assumed by, Navient or one of its subsidiaries, and Navient has agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank, therefrom. Navient has no additional reserves related to indemnification matters with SLM BankCo as of March 31, 2017.

OIG Audit

The Office of the Inspector General (the "OIG") of ED commenced an audit regarding Special Allowance Payments ("SAP") on September 10, 2007. On September 25, 2013, we received the final audit determination of Federal Student Aid (the "Final Audit Determination") on the final audit report issued by the OIG on August 3, 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 relating to this Final Audit Determination to the Administrative Actions and Appeals Service Group of ED. This matter remains open. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company established a reserve for this matter in 2014 as part of the total reserve for pending regulatory matters discussed previously and does not believe, at this time, that an adverse ruling would have a material effect on the Company as a whole.

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.

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 numerous requests, subpoenas and orders for documents, testimony and information in connection with various aspects of our regulated activities.

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

9. Commitments and Contingencies (Continued)

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.

Based on current knowledge, reserves have been established for certain litigation or regulatory matters 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. Segment Reporting

FFELP Loans Segment

In the FFELP Loans segment, we acquire and finance FFELP Loans. Although FFELP Loans are no longer originated, we continue to pursue acquisitions of FFELP Loan portfolios. These acquisitions leverage our servicing scale and generate incremental earnings and cash flow. In this segment, we generate revenue primarily through net interest income on the FFELP Loan portfolio (after provision for loan losses). This segment is expected to generate significant amounts of earnings and cash flow as the portfolio amortizes.

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

| <u>(Dollars in millions)</u> | <u>March 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|-------------------------------------|---------------------------------|------------------------------------|
| FFELP Loans, net | \$ 85,284 | \$ 87,730 |
| Cash and investments ⁽¹⁾ | 3,265 | 3,212 |
| Other | 1,852 | 1,907 |
| Total assets | <u>\$ 90,401</u> | <u>\$ 92,849</u> |

⁽¹⁾ Includes restricted cash and investments.

Private Education Loans Segment

In this segment, we acquire, finance, and service our Private Education Loans. Private Education Loans primarily bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or students' and families' resources. They also allow borrowers to refinance existing education loans at a lower rate. We pursue acquisitions of Private Education Loan portfolios. These acquisitions leverage our servicing scale and generate incremental earnings and cash flow. In this segment, we generate revenue primarily through net interest income on the Private Education Loan portfolio (after provision for loan losses). This segment is expected to generate significant amounts of earnings and cash flow as the portfolio amortizes.

NAVIENT CORPORATION
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(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

10. Segment Reporting (Continued)

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

| <u>(Dollars in millions)</u> | <u>March 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|-------------------------------------|---------------------------------|------------------------------------|
| Private Education Loans, net | \$ 22,552 | \$ 23,340 |
| Cash and investments ⁽¹⁾ | 697 | 667 |
| Other | 1,428 | 1,567 |
| Total assets | <u>\$ 24,677</u> | <u>\$ 25,574</u> |

⁽¹⁾ Includes restricted cash and investments.

Business Services Segment

Our Business Services segment generates revenue from business processing solutions related to servicing, asset recovery and other business processing activities. Within this segment, we generate revenue primarily through servicing our FFELP Loan portfolio as well as servicing education loans for Guarantors of FFELP Loans and other institutions, including ED. We provide asset recovery services for loans and receivables on behalf of Guarantors of FFELP Loans and higher education institutions. In addition, we provide asset recovery and other business processing solutions for federal, state, court, and municipal clients, public authorities, and health care organizations.

At March 31, 2017 and December 31, 2016, the Business Services segment had total assets of \$587 million in each period on a GAAP basis.

Other Segment

Our Other segment primarily consists of activities of our holding company, including the repurchase of debt, our corporate liquidity portfolio, unallocated overhead and regulatory-related costs. We also include results from certain smaller wind-down operations within this segment.

At March 31, 2017 and December 31, 2016, the Other segment had total assets of \$2.2 billion and \$2.1 billion, respectively, on a GAAP basis.

Measure of Profitability

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

“Core Earnings” are not a substitute for reported results under GAAP. We use “Core Earnings” to manage our business segments because “Core Earnings” reflect adjustments to GAAP financial results for three items,

NAVIENT CORPORATION
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(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

10. Segment Reporting (Continued)

discussed below, that are either related to the Spin-Off or 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 three items we remove to result in our “Core Earnings” presentations are:

1. Unrealized 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;
2. The accounting for goodwill and acquired intangible assets; and
3. The financial results attributable to the operations of SLM BankCo prior to the Spin-Off and related restructuring and reorganization expense incurred in connection with the Spin-Off, including the restructuring expenses related to the restructuring initiative launched in second-quarter 2015 to simplify and streamline the Company’s management structure post-Spin-Off. For GAAP purposes, Navient reflected the deemed distribution of SLM BankCo on April 30, 2014. For “Core Earnings,” we exclude the consumer banking business (SLM BankCo) as if it had never been a part of Navient’s historical results prior to the deemed distribution of SLM BankCo on April 30, 2014. There are no adjustments related to this for the periods presented in this Form 10-Q (see 2016 Form 10-K for description of how earlier periods were impacted by this adjustment).

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.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Information at March 31, 2017 and for the three months ended
March 31, 2017 and 2016 is unaudited) (Continued)

10. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

| (Dollars in millions) | Three Months Ended March 31, 2017 | | | | | | | | | |
|--------------------------------------------------------------------|------------------------------------------|----------------------------------------|------------------------------|----------------|-----------------------------------|--------------------------------------|--------------------------------|------------------------------------------------------|--------------------------------------------|-----------------------|
| | FFELP Loans | Private Education Loans | Business Services | Other | Eliminations⁽¹⁾ | Total "Core Earnings" | Reclassi- fications | Adjustments Additions/ (Subtractions) | Total Adjustments⁽²⁾ | Total GAAP |
| Interest income: | | | | | | | | | | |
| Education loans | \$ 623 | \$ 374 | \$ — | \$ — | \$ — | \$ 997 | \$ 20 | \$ (14) | \$ 6 | \$ 1,003 |
| Other loans | — | — | — | 5 | — | 5 | — | — | — | 5 |
| Cash and investments | 5 | — | — | 2 | — | 7 | — | — | — | 7 |
| Total interest income | 628 | 374 | — | 7 | — | 1,009 | 20 | (14) | 6 | 1,015 |
| Total interest expense | 457 | 187 | — | 31 | — | 675 | 3 | (3) | — | 675 |
| Net interest income (loss) | 171 | 187 | — | (24) | — | 334 | 17 | (11) | 6 | 340 |
| Less: provisions for loan losses | 10 | 95 | — | 2 | — | 107 | — | — | — | 107 |
| Net interest income (loss) after provisions for loan losses | 161 | 92 | — | (26) | — | 227 | 17 | (11) | 6 | 233 |
| Other income (loss): | | | | | | | | | | |
| Servicing revenue | 13 | 4 | 149 | — | (90) | 76 | — | — | — | 76 |
| Asset recovery and business processing revenue | — | — | 100 | — | — | 100 | — | — | — | 100 |
| Other income (loss) | — | — | — | 5 | — | 5 | (17) | (12) | (29) | (24) |
| Total other income (loss) | 13 | 4 | 249 | 5 | (90) | 181 | (17) | (12) | (29) | 152 |
| Expenses: | | | | | | | | | | |
| Direct operating expenses | 93 | 40 | 126 | 7 | (90) | 176 | — | — | — | 176 |
| Overhead expenses | — | — | — | 62 | — | 62 | — | — | — | 62 |
| Operating expenses | 93 | 40 | 126 | 69 | (90) | 238 | — | — | — | 238 |
| Goodwill and acquired intangible asset impairment and amortization | — | — | — | — | — | — | — | 6 | 6 | 6 |
| Total expenses | 93 | 40 | 126 | 69 | (90) | 238 | — | 6 | 6 | 244 |
| Income (loss) before income tax expense (benefit) | 81 | 56 | 123 | (90) | — | 170 | — | (29) | (29) | 141 |
| Income tax expense (benefit) ⁽³⁾ | 30 | 21 | 46 | (34) | — | 63 | — | (10) | (10) | 53 |
| Net income (loss) | \$ 51 | \$ 35 | \$ 77 | \$ (56) | \$ — | \$ 107 | \$ — | \$ (19) | \$ (19) | \$ 88 |

⁽¹⁾ The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

⁽²⁾ "Core Earnings" adjustments to GAAP:

| (Dollars in millions) | Three Months Ended March 31, 2017 | | |
|--------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------|--------------|
| | Net Impact of Derivative Accounting | Net Impact of Goodwill and Acquired Intangible Assets | Total |
| Net interest income (loss) after provisions for loan losses | \$ 6 | \$ — | \$ 6 |
| Total other income (loss) | (29) | — | (29) |
| Goodwill and acquired intangible asset impairment and amortization | — | 6 | 6 |
| Total "Core Earnings" adjustments to GAAP | \$ (23) | \$ (6) | \$ (29) |
| Income tax expense (benefit) | — | — | (10) |
| Net income (loss) | — | — | \$ (19) |

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

NAVIENT CORPORATION
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March 31, 2017 and 2016 is unaudited) (Continued)

10. Segment Reporting (Continued)

| (Dollars in millions) | Three Months Ended March 31, 2016 | | | | | | | | | |
|--------------------------------------------------------------------|------------------------------------------|----------------------------------------|------------------------------|----------------|-----------------------------------|--------------------------------------|--------------------------------|------------------------------------------------------|--------------------------------------------|-----------------------|
| | FFELP Loans | Private Education Loans | Business Services | Other | Eliminations⁽¹⁾ | Total "Core Earnings" | Reclassi- fications | Adjustments Additions/ (Subtractions) | Total Adjustments⁽²⁾ | Total GAAP |
| Interest income: | | | | | | | | | | |
| Education loans | \$ 555 | \$ 411 | \$ — | \$ — | \$ — | \$ 966 | \$ 138 | \$ (59) | \$ 79 | \$ 1,045 |
| Other loans | — | — | — | 1 | — | 1 | — | — | — | 1 |
| Cash and investments | 3 | 1 | — | 1 | — | 5 | — | — | — | 5 |
| Total interest income | 558 | 412 | — | 2 | — | 972 | 138 | (59) | 79 | 1,051 |
| Total interest expense | 358 | 172 | — | 26 | — | 556 | 9 | — | 9 | 565 |
| Net interest income (loss) | 200 | 240 | — | (24) | — | 416 | 129 | (59) | 70 | 486 |
| Less: provisions for loan losses | 7 | 104 | — | — | — | 111 | — | — | — | 111 |
| Net interest income (loss) after provisions for loan losses | 193 | 136 | — | (24) | — | 305 | 129 | (59) | 70 | 375 |
| Other income (loss): | | | | | | | | | | |
| Servicing revenue | 16 | 4 | 163 | — | (101) | 82 | — | — | — | 82 |
| Asset recovery and business processing revenue | — | — | 90 | — | — | 90 | — | — | — | 90 |
| Other income (loss) | — | — | 1 | 3 | — | 4 | (129) | 113 | (16) | (12) |
| Total other income (loss) | 16 | 4 | 254 | 3 | (101) | 176 | (129) | 113 | (16) | 160 |
| Expenses: | | | | | | | | | | |
| Direct operating expenses | 104 | 43 | 134 | 6 | (101) | 186 | — | — | — | 186 |
| Overhead expenses | — | — | — | 61 | — | 61 | — | — | — | 61 |
| Operating expenses | 104 | 43 | 134 | 67 | (101) | 247 | — | — | — | 247 |
| Goodwill and acquired intangible asset impairment and amortization | — | — | — | — | — | — | — | 4 | 4 | 4 |
| Total expenses | 104 | 43 | 134 | 67 | (101) | 247 | — | 4 | 4 | 251 |
| Income (loss) before income tax expense (benefit) | 105 | 97 | 120 | (88) | — | 234 | — | 50 | 50 | 284 |
| Income tax expense (benefit) ⁽³⁾ | 39 | 36 | 45 | (33) | — | 87 | — | 16 | 16 | 103 |
| Net income (loss) | <u>\$ 66</u> | <u>\$ 61</u> | <u>\$ 75</u> | <u>\$ (55)</u> | <u>\$ —</u> | <u>\$ 147</u> | <u>\$ —</u> | <u>\$ 34</u> | <u>\$ 34</u> | <u>\$ 181</u> |

⁽¹⁾ The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

⁽²⁾ "Core Earnings" adjustments to GAAP:

| (Dollars in millions) | Three Months Ended March 31, 2016 | | |
|--------------------------------------------------------------------|----------------------------------------------------|------------------------------------------------------------------------------|--------------|
| | Net Impact of Derivative Accounting | Net Impact of Goodwill and Acquired Intangible Assets | Total |
| Net interest income (loss) after provisions for loan losses | \$ 70 | \$ — | \$ 70 |
| Total other income (loss) | (16) | — | (16) |
| Goodwill and acquired intangible asset impairment and amortization | — | 4 | 4 |
| Total "Core Earnings" adjustments to GAAP | <u>\$ 54</u> | <u>\$ (4)</u> | <u>50</u> |
| Income tax expense (benefit) | | | 16 |
| Net income (loss) | | | <u>\$ 34</u> |

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

NAVIENT CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
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10. Segment Reporting (Continued)*Summary of “Core Earnings” Adjustments to GAAP*

| (Dollars in millions) | Three Months Ended | |
|-----------------------------------------------------------------------|--------------------|--------------|
| | March 31, | |
| | 2017 | 2016 |
| “Core Earnings” adjustments to GAAP: | | |
| Net impact of derivative accounting ⁽¹⁾ | \$ (23) | \$ 54 |
| Net impact of goodwill and acquired intangibles assets ⁽²⁾ | (6) | (4) |
| Net tax effect ⁽³⁾ | 10 | (16) |
| Total “Core Earnings” adjustments to GAAP | \$ (19) | \$ 34 |

⁽¹⁾ **Derivative accounting:** “Core Earnings” exclude periodic unrealized 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 unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP. These unrealized gains and losses occur in our FFELP Loans, Private Education Loans and Other business segments. Under GAAP, for our derivatives that are held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0 except for Floor Income Contracts where the cumulative unrealized gain will equal the amount for which we sold the contract. In our “Core Earnings” presentation, we recognize the economic effect of these hedges, which generally results in any net settlement cash paid or received being recognized ratably as an interest expense or revenue over the hedged item’s life.

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

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

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

This report contains “forward-looking” statements and other information that is based on management’s current expectations as of the date of this report. Statements that are not historical facts, including statements about our beliefs, opinions, or expectations and statements that assume or are dependent upon future events, are forward-looking statements and often contain words such as “expect,” “anticipate,” “intend,” “plan,” “believe,” “seek,” “see,” “will,” “would,” or “target.” Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements.

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

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

We could also be affected by, among other things:

- unanticipated deferrals in our FFELP securitization trusts that would delay repayment of the bonds beyond their legal final maturity date;
- reductions to our credit ratings, the credit ratings of asset-backed securitizations we sponsor or the credit ratings of the United States of America;
- failures of our operating systems or infrastructure, or those of third-party vendors;
- risks related to cybersecurity including the potential disruption of our systems or potential disclosure of confidential customer information;
- damage to our reputation resulting from cyber-breaches, litigation, the politicization of student loan servicing or other actions or factors;
- failure to successfully implement cost-cutting initiatives and adverse effects of such initiatives on our business;
- failure to adequately integrate acquisitions or realize anticipated benefits from acquisitions including delays or errors in converting portfolio acquisitions to our servicing platform;
- changes in law and regulations including but not limited to changes with respect to the student lending or servicing business and financial institutions generally, securitizations or derivatives;
- increased competition from banks and other consumer lenders;
- changes in the general interest rate environment, including the relationship between the relevant money-market index rate and the rate at which our assets are priced;

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- our ability to successfully effectuate any acquisitions and other strategic initiatives;
- changes in the demand for asset management and business processing solutions;
- changes in general economic conditions; and
- the other factors that are described in the “Risk Factors” section of our Annual Report on Form 10-K for the year ended December 31, 2016 (the “2016 Form 10-K”) and in our other reports filed with the Securities and Exchange Commission (“SEC”).

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

Definitions for certain capitalized terms used but not otherwise defined in this Quarterly Report on Form 10-Q can be found in the “Glossary” section of our 2016 Form 10-K.

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

Navient’s Business

Navient is a Fortune 500 company that provides asset management and business processing solutions to education, health care and government clients at the federal, state, and local levels. We help our clients and millions of Americans achieve financial success through our services and support. Headquartered in Wilmington, Delaware, Navient employs team members in Western New York, Northeastern Pennsylvania, Indiana, Tennessee, Texas, Virginia, and other locations.

Navient holds the largest portfolio of education loans insured or federally guaranteed under the Federal Family Education Loan Program (“FFELP”). We also hold the largest portfolio of Private Education Loans. Navient services its own portfolio of education loans, as well as education loans owned by the United States Department of Education (“ED”), financial institutions and nonprofit education lenders. Navient is one of the largest servicers to ED under its Direct Student Loan Program (“DSL”). Our data-driven insight, service and innovation support customers on the path to successful education loan repayment.

Navient also provides business processing solutions to education-related clients, such as guaranty agencies and colleges and universities.

Finally, the company leverages its scale and expertise to provide additional business processing solutions to a variety of other clients, including federal agencies, state and local governments, regional authorities, courts, hospitals, health care systems and other health care providers, financial service providers, and municipalities.

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

As of March 31, 2017, Navient’s principal assets consisted of:

- \$85.3 billion in FFELP Loans, with a net interest margin of .77 percent for the quarter ended March 31, 2017 on a “Core Earnings” basis and a weighted average life of 7.1 years;
- \$22.6 billion in Private Education Loans, with a net interest margin of 3.16 percent for the quarter ended March 31, 2017 on a “Core Earnings” basis and a weighted average life of 6.5 years;

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- a leading education loan servicing platform that services loans for more than 12 million DSLP Loan, FFELP Loan and Private Education Loan customers (including cosigners), including 6.1 million customer accounts serviced under Navient's contract with ED; and
- a leading business processing platform through which we provide services for over 1,000 clients in the education, health care and public sectors.

Strengths and Opportunities

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

Large, high quality asset base generating significant and predictable cash flows. At March 31, 2017, Navient's \$107.8 billion education loan portfolio is 78 percent funded to term and is expected to produce consistent and predictable cash flows over the remaining life of the portfolio. Navient's \$85.3 billion portfolio of FFELP Loans generally bears a maximum 3 percent loss exposure under the terms of the federal guaranty. Navient's \$22.6 billion portfolio of Private Education Loans bears the full credit risk of the borrower and any cosigner. Navient expects that cash flows from its FFELP Loan and Private Education Loan portfolios will significantly exceed future debt service obligations. Our interest earning assets are funded by both secured and unsecured debt.

Efficient and large-scale operating platforms. Navient is the largest servicer of education loans, servicing over \$300 billion in education loans for more than 12 million customers. Navient's inventory of contingent asset recovery receivables is \$18.7 billion as of March 31, 2017. We provide services to over 1,000 education, health care and public sector clients. Navient has demonstrated scalable infrastructure with capacity to add volume at a low cost. Our market share and tested infrastructure have enabled expansion to additional clients and asset types.

Superior performance. Navient has demonstrated superior default prevention performance and industry-leading services. The combined portfolio of federal loans serviced by Navient experienced a Cohort Default Rate ("CDR") that is 31 percent lower than our peers, as calculated from the most recent CDR released by ED in September 2016. We are consistently a top performer in our asset recovery business and deliver superior service to our public and private sector clients. We continually leverage data-driven insights and customer service to identify new ways to add value to our clients.

Commitment to compliance and customer centricity. Navient fosters a robust compliance culture driven by a "customer first" approach. We invest in rigorous training programs, internal and external auditing, escalated service tracking and analysis, and customer research to enhance our compliance and customer service.

Strong capital return. As a result of our significant cash flow and capital generation, Navient expects to return excess capital to stockholders through dividends and share repurchases. In December 2016, Navient's board of directors authorized a new \$600 million share repurchase program effective January 1, 2017. For the quarter ended March 31, 2017, Navient repurchased 7.4 million shares of common stock for \$110 million. As of March 31, 2017, the remaining common share repurchase authority was \$490 million.

Navient has paid a quarterly dividend of \$0.16 per share of common stock since the first quarter of 2015. For the three months ended March 31, 2017, Navient paid \$46 million in dividends.

Meaningful growth opportunities. In the Asset Management business, Navient will continue pursuing opportunistic acquisitions of FFELP and Private Education Loan portfolios, including refinanced Private Education Loans, and other consumer loans. During the three months ended March 31, 2017, Navient acquired \$798 million of education loans. In April 2017, we agreed to purchase a \$6.9 billion education loan portfolio from JPMorgan Chase, comprised of \$3.7 billion in FFELP Loans and \$3.2 billion in Private Education Loans. We expect to close on this transaction in the second quarter of 2017.

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In the Business Processing Solutions business, Navient will pursue additional growth opportunities, including, among others:

- The continued expansion and growth of providing services to state and local governments through our Gila LLC subsidiary (commonly known as Municipal Services Bureau, or MSB). Gila provides receivables management services and account processing solutions for state governments, agencies, court systems, municipalities, toll authorities and financial services entities. Gila expands our customer base in the public sector and leverages our business processing solutions.
- The continued expansion and growth of providing services to federal agencies. For example, on September 26, 2016, the Internal Revenue Service announced that it plans to begin private collection of certain overdue federal tax debts in the spring of 2017. A Navient subsidiary, Pioneer Credit Recovery, was selected along with three other contractors to implement the new program. We began collecting under this new contract in April 2017.
- The continued expansion and growth of providing services to hospitals, health care systems and other health care providers through our Xtend Healthcare subsidiary, a health care revenue cycle management company. Xtend's services include full revenue cycle outsourcing, accounts receivable management, extended business office support and consulting engagements. Xtend leverages Navient's asset recovery and business processing capabilities into the health care payments sector.
- The continued expansion and growth of providing services to education related clients. On April 4, 2016, ED published the first part of a two-part RFP related to a new servicing platform for the Direct Student Loan Program. The first part of the RFP focused on screening candidates' capabilities relative to certain published criteria. In July 2016, Navient was selected as one of three companies eligible to submit responses in the second part of the RFP process. On October 26, 2016, ED published the second part of the RFP for which we submitted our bid on January 9, 2017. One of the two other bidders filed a bid protest in relation to this RFP on January 5, 2017. This protest was dismissed on April 13, 2017.

Navient intends to leverage its large-scale operating platforms, superior and data-driven default prevention and asset recovery performance, operating efficiency and regulatory compliance and risk management infrastructure in growing these businesses and in pursuing other growth opportunities.

Navient's Approach to Helping Education Loan Borrowers Achieve Success

Navient services loans for more than 12 million DSLP Loan, FFELP Loan, and Private Education Loan customers, including 6.1 million customers whose accounts are serviced under Navient's contract with ED. We help our customers navigate the path to financial success through proactive outreach and innovative, data-driven approaches.

Leveraging four decades of expertise: In our experience, customer success means making steady progress toward repayment and avoiding falling behind on or putting off payments. With customer success and default prevention as our top priorities, we apply data-driven outreach that draws from our more than 40 years of experience. Our strategists employ risk modeling to pinpoint struggling borrowers and deploy resources where needed. By tailoring our approach to each borrower's unique situation—e.g., recent graduates, students re-entering school, those experiencing hardships or those with student debt but no degree—we help ensure industry-leading outcomes, as evidenced by a default rate that is 31 percent lower than other servicers. Nine times out of 10 when we can reach federal loan customers who have missed payments, we can identify a solution to help them avoid default.

Getting borrowers into the right payment plans: We help customers understand the complex array of federal loan repayment options so they can make informed choices about the plans that are aligned with their financial circumstances and goals. We promote awareness of federal repayment plan options, including Income-Driven Repayment ("IDR"), through more than 170 million communications annually, including mail, email, phone calls, videos and text messages. For example, approximately one in four federal student borrowers and half

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of student loan balances serviced by Navient for the government were enrolled in an IDR plan (excluding loan types ineligible for the plans). We also help borrowers understand that options lengthening their repayment term may increase the total cost of their loans, while reminding them that they may pay extra or switch repayment plans at any time.

Leading the industry: Navient is a leader in recommending policy reforms aimed at improving upfront education and simplifying federal loan repayment options—reforms that we believe would make a meaningful difference for millions of Americans with student loans.

In 2009, we pioneered the creation of a loan modification program to help Private Education Loan borrowers needing additional assistance. As of March 31, 2017, \$2.5 billion of our Private Education Loans were enrolled in this interest rate reduction program, helping customers through more affordable monthly payments while making progress in repaying their principal loan balance.

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

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

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

We take seriously our commitment to serve military customers and have developed a best-in-class approach to assist them. Navient was the first student loan servicer to launch a dedicated military benefits customer service team, website (Navient.com/military), and toll-free number. Navient's military benefits team offers a single point of contact for all calls from service members and their families to help them learn about and access the benefits designed for them, including interest rate benefits, deferment and other options.

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Selected Historical Financial Information and Ratios

| <u>(In millions, except per share data)</u> | Three Months Ended | |
|---------------------------------------------------------------------------|---------------------------|-------------------|
| | March 31, | |
| | 2017 | 2016 |
| GAAP Basis | | |
| Net income attributable to Navient Corporation | \$ 88 | \$ 181 |
| Diluted earnings per common share attributable to Navient Corporation | \$.30 | \$.53 |
| Weighted average shares used to compute diluted earnings per common share | 296 | 343 |
| Net interest margin, FFELP Loans | .80% | 1.12% |
| Net interest margin, Private Education Loans | 3.15% | 3.49% |
| Return on assets | .31% | .57% |
| Ending FFELP Loans, net | \$ 85,284 | \$ 94,922 |
| Ending Private Education Loans, net | 22,552 | 25,547 |
| Ending total education loans, net | <u>\$ 107,836</u> | <u>\$ 120,469</u> |
| Average FFELP Loans | \$ 86,752 | \$ 95,721 |
| Average Private Education Loans | 23,500 | 26,577 |
| Average total education loans | <u>\$ 110,252</u> | <u>\$ 122,298</u> |
| “Core Earnings” Basis⁽¹⁾ | | |
| Net income attributable to Navient Corporation | \$ 107 | \$ 147 |
| Diluted earnings per common share attributable to Navient Corporation | \$.36 | \$.43 |
| Weighted average shares used to compute diluted earnings per common share | 296 | 343 |
| Net interest margin, FFELP Loans | .77% | .81% |
| Net interest margin, Private Education Loans | 3.16% | 3.56% |
| Return on assets | .38% | .46% |
| Ending FFELP Loans, net | \$ 85,284 | \$ 94,922 |
| Ending Private Education Loans, net | 22,552 | 25,547 |
| Ending total education loans, net | <u>\$ 107,836</u> | <u>\$ 120,469</u> |
| Average FFELP Loans | \$ 86,752 | \$ 95,721 |
| Average Private Education Loans | 23,500 | 26,577 |
| Average total education loans | <u>\$ 110,252</u> | <u>\$ 122,298</u> |

⁽¹⁾ “Core Earnings” are non-GAAP financial measures and do not represent a comprehensive basis of accounting. For a more detailed explanation of “Core Earnings,” see the section titled “‘Core Earnings’ — Definition and Limitations” and subsequent sections.

Overview

The following discussion and analysis presents a review of our business and operations as of and for the three months ended March 31, 2017.

We monitor and assess our ongoing operations and results based on the following four reportable segments: (1) FFELP Loans (2) Private Education Loans, (3) Business Services and (4) Other.

FFELP Loans Segment

In the FFELP Loans segment, we acquire and finance FFELP Loans. Although FFELP Loans are no longer originated, we continue to pursue acquisitions of FFELP Loan portfolios. These acquisitions leverage our servicing scale and generate incremental earnings and cash flow. In this segment, we generate revenue primarily through net interest income on the FFELP Loan portfolio (after provision for loan losses). This segment is expected to generate significant amounts of earnings and cash flow as the portfolio amortizes.

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Private Education Loans Segment

In this segment, we acquire, finance, and service our Private Education Loans. Private Education Loans primarily bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans, or students' and families' resources. They also allow borrowers to refinance existing education loans at a lower rate. We pursue acquisitions of Private Education Loan portfolios. These acquisitions leverage our servicing scale and generate incremental earnings and cash flow. In this segment, we generate revenue primarily through net interest income on the Private Education Loan portfolio (after provision for loan losses). This segment is expected to generate significant amounts of earnings and cash flow as the portfolio amortizes.

Business Services Segment

Our Business Services segment generates revenue from business processing solutions related to servicing, asset recovery and other business processing activities. Within this segment, we generate revenue primarily through servicing our FFELP Loan portfolio as well as servicing education loans for Guarantors of FFELP Loans and other institutions, including ED. We provide asset recovery services for loans and receivables on behalf of Guarantors of FFELP Loans and higher education institutions. In addition, we provide asset recovery and other business processing solutions for federal, state, court, and municipal clients, public authorities, and health care organizations.

Other

Our Other segment primarily consists of activities of our holding company, including the repurchase of debt, our corporate liquidity portfolio, unallocated overhead and regulatory-related costs. We also include results from certain smaller wind-down operations within this segment.

Key Financial Measures

Our operating results are primarily driven by net interest income, provisions for loan losses and expenses incurred in our education loan portfolios; the revenues and expenses generated by our servicing, asset recovery and business processing businesses; and gains and losses on loan sales and debt repurchases. We manage and assess the performance of each business segment separately as each is focused on different customers and each derives its revenue from different activities and services. A brief summary of our key financial measures (net interest income; provisions for loan losses; charge-offs and delinquencies; servicing, asset recovery and business processing revenues; other income (loss); and operating expenses) can be found in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2016 Form 10-K.

First-Quarter 2017 Summary of Results

We report financial results on a GAAP basis and also present certain "Core Earnings" performance measures. Our management, equity investors, credit rating agencies and debt capital providers use these "Core Earnings" measures to monitor our business performance. See "'Core Earnings' — Definition and Limitations" for a further discussion and a complete reconciliation between GAAP net income and "Core Earnings."

First-quarter 2017 GAAP net income was \$88 million (\$0.30 diluted earnings per share), versus net income of \$181 million (\$0.53 diluted earnings per share) in the first-quarter 2016. The changes in GAAP net income are impacted by the same "Core Earnings" items discussed below, as well as changes in net income attributable to (1) unrealized, mark-to-market gains/losses on derivatives and (2) goodwill and acquired intangible asset amortization and impairment. These items are recognized in GAAP but have not been included in "Core Earnings" results. First-quarter 2017 GAAP results included losses of \$23 million from derivative accounting treatment that are excluded from "Core Earnings" results, compared with gains of \$54 million in the year-ago period. See "'Core Earnings' — Definition and Limitations—Differences between 'Core Earnings' and GAAP" for a complete reconciliation between GAAP net income and "Core Earnings."

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“Core Earnings” for the quarter were \$107 million (\$0.36 diluted earnings per share), compared with \$147 million (\$0.43 diluted earnings per share) for the year-ago quarter. The decrease in diluted core earnings per share was primarily the result of an \$82 million reduction in net interest income primarily due to the amortization of the portfolio, partially offset by a \$4 million reduction in provisions for loan losses, a \$5 million increase in fee revenue, a \$9 million decrease in operating expenses, and fewer shares outstanding due to common share repurchases. First-quarter 2017 and 2016 diluted core earnings per share were \$0.37 and \$0.44, respectively, excluding regulatory-related costs of \$4 million recognized in each period.

During the first three months of 2017, we:

- acquired \$798 million of education loans;
- issued \$1.9 billion of FFELP asset-backed securities (“ABS”);
- extended the maturity date of our FFELP ABCP facility from March 2018 to April 2019; the maximum financing amount decreased as scheduled to \$6.75 billion from \$7.5 billion;
- issued \$843 million in unsecured debt;
- retired or repurchased \$568 million of our senior unsecured debt;
- repurchased 7.4 million common shares for \$110 million; and
- paid \$46 million in common dividends.

Results of Operations

We present the results of operations below first on a consolidated basis in accordance with GAAP. Following our discussion of consolidated earnings results on a GAAP basis, we present our results on a segment basis. We have four business segments: FFELP Loans, Private Education Loans, Business Services and Other. Since these segments operate in distinct business environments and we manage and evaluate the financial performance of these segments using non-GAAP financial measures, these segments are presented on a “Core Earnings” basis (see “Core Earnings’ — Definition and Limitations”).

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GAAP Statements of Income (Unaudited)

| <u>(In millions, except per share data)</u> | <u>Three Months Ended March 31,</u> | | <u>Increase (Decrease)</u> | |
|------------------------------------------------------------------------------|-------------------------------------|---------------|----------------------------|--------------|
| | <u>2017</u> | <u>2016</u> | <u>\$</u> | <u>%</u> |
| Interest income: | | | | |
| FFELP Loans | \$ 629 | \$ 634 | \$ (5) | (1)% |
| Private Education Loans | 374 | 411 | (37) | (9) |
| Other loans | 5 | 1 | 4 | 400 |
| Cash and investments | 7 | 5 | 2 | 40 |
| Total interest income | 1,015 | 1,051 | (36) | (3) |
| Total interest expense | 675 | 565 | 110 | 19 |
| Net interest income | 340 | 486 | (146) | (30) |
| Less: provisions for loan losses | 107 | 111 | (4) | (4) |
| Net interest income after provisions for loan losses | 233 | 375 | (142) | (38) |
| Other income (loss): | | | | |
| Servicing revenue | 76 | 82 | (6) | (7) |
| Asset recovery and business processing revenue | 100 | 90 | 10 | 11 |
| Other income (loss) | (8) | (13) | 5 | (38) |
| Gains (losses) on derivative and hedging activities, net | (16) | 1 | (17) | (1,700) |
| Total other income | 152 | 160 | (8) | (5) |
| Expenses: | | | | |
| Operating expenses | 238 | 247 | (9) | (4) |
| Goodwill and acquired intangible asset impairment and amortization expense | 6 | 4 | 2 | 50 |
| Total expenses | 244 | 251 | (7) | (3) |
| Income before income tax expense | 141 | 284 | (143) | (50) |
| Income tax expense | 53 | 103 | (50) | (49) |
| Net income | 88 | 181 | (93) | (51) |
| Less: net loss attributable to noncontrolling interest | — | — | — | — |
| Net income attributable to Navient Corporation | \$ 88 | \$ 181 | \$ (93) | (51)% |
| Basic earnings per common share attributable to Navient Corporation | \$.31 | \$.53 | \$ (.22) | (42)% |
| Diluted earnings per common share attributable to Navient Corporation | \$.30 | \$.53 | \$ (.23) | (43)% |
| Dividends per common share attributable to Navient Corporation | \$.16 | \$.16 | \$ — | —% |

Consolidated Earnings Summary — GAAP basis
Three Months Ended March 31, 2017 Compared with Three Months Ended March 31, 2016

For the three months ended March 31, 2017, net income was \$88 million, or \$0.30 diluted earnings per common share, compared with net income of \$181 million, or \$0.53 diluted earnings per common share, for the three months ended March 31, 2016. The decrease in net income was primarily due to a \$146 million decrease in net interest income and a \$17 million decrease in net gains on derivative and hedging activities. This was partially offset by a \$4 million decrease in the provision for loan losses and a \$9 million decrease in operating expenses.

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

- Net interest income decreased by \$146 million, primarily as a result of a decline in the net interest margin and the amortization of the education loan balance. The decline in net interest margin was primarily due to higher funding credit spreads and a widening of the asset and related funding interest rate indices.
- Provisions for loan losses decreased \$4 million from the year-ago quarter, primarily related to the provision for Private Education Loan losses. The provision for Private Education Loan losses was \$95 million in the first quarter of 2017, down \$9 million from the first quarter of 2016 primarily due to a 12 percent decrease in Private Education Loans outstanding and a \$7 million and \$24 million reduction in charge-offs and delinquent loans, respectively, compared to the year-ago quarter. These factors led to decreases in expected future charge-offs.
- Net gains on derivative and hedging activities decreased \$17 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which primarily affected the valuations of our Floor Income Contracts, basis swaps and foreign currency hedges during each period. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates, credit risk, foreign currency fluctuations and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods.
- First-quarter 2017 and 2016 expenses included regulatory-related costs of \$4 million in each period. Excluding these regulatory-related costs, operating expenses were \$234 million in first-quarter 2017, a \$9 million decrease from first-quarter 2016. This decrease was primarily due to a general reduction in costs primarily related to operating efficiency initiatives.

We repurchased 7.4 million and 19.2 million shares of our common stock during the three months ended March 31, 2017 and 2016, respectively, as part of our common share repurchase programs. Primarily as a result of ongoing common share repurchases, our average outstanding diluted shares decreased by 47 million common shares (or 14 percent) from the year-ago quarter.

“Core Earnings” — Definition and Limitations

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

“Core Earnings” are not a substitute for reported results under GAAP. We use “Core Earnings” to manage our business segments because “Core Earnings” reflect adjustments to GAAP financial results for three items, discussed below, that are either related to the Spin-Off or 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 three items we remove to result in our “Core Earnings” presentations are:

1. Unrealized 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;
2. The accounting for goodwill and acquired intangible assets; and

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3. The financial results attributable to the operations of SLM BankCo prior to the Spin-Off and related restructuring and reorganization expense incurred in connection with the Spin-Off, including the restructuring expenses related to the restructuring initiative launched in second-quarter 2015 to simplify and streamline the Company's management structure post-Spin-Off. For GAAP purposes, Navient reflected the deemed distribution of SLM BankCo on April 30, 2014. For "Core Earnings," we exclude the consumer banking business (SLM BankCo) as if it had never been a part of Navient's historical results prior to the deemed distribution of SLM BankCo on April 30, 2014. There are no adjustments related to this for the periods presented in this Form 10-Q (see 2016 Form 10-K for description of how earlier periods were impacted by this adjustment).

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.

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The following tables show “Core Earnings” for each business segment and our business as a whole along with the adjustments made to the income/expense items to reconcile the amounts to our reported GAAP results as required by GAAP and reported in “Note 10 — Segment Reporting.”

| (Dollars in millions) | Three Months Ended March 31, 2017 | | | | | | | | | |
|--------------------------------------------------------------------|-----------------------------------|-------------------------|-------------------|---------|-----------------------------|-----------------------|-------------------|---------------------------------------|----------------------------------|------------|
| | FFELP Loans | Private Education Loans | Business Services | Other | Eliminations ⁽¹⁾ | Total “Core Earnings” | Reclassifications | Adjustments Additions/ (Subtractions) | Total Adjustments ⁽²⁾ | Total GAAP |
| Interest income: | | | | | | | | | | |
| Education loans | \$ 623 | \$ 374 | \$ — | \$ — | \$ — | \$ 997 | \$ 20 | \$ (14) | \$ 6 | \$ 1,003 |
| Other loans | — | — | — | 5 | — | 5 | — | — | — | 5 |
| Cash and investments | 5 | — | — | 2 | — | 7 | — | — | — | 7 |
| Total interest income | 628 | 374 | — | 7 | — | 1,009 | 20 | (14) | 6 | 1,015 |
| Total interest expense | 457 | 187 | — | 31 | — | 675 | 3 | (3) | — | 675 |
| Net interest income (loss) | 171 | 187 | — | (24) | — | 334 | 17 | (11) | 6 | 340 |
| Less: provisions for loan losses | 10 | 95 | — | 2 | — | 107 | — | — | — | 107 |
| Net interest income (loss) after provisions for loan losses | 161 | 92 | — | (26) | — | 227 | 17 | (11) | 6 | 233 |
| Other income (loss): | | | | | | | | | | |
| Servicing revenue | 13 | 4 | 149 | — | (90) | 76 | — | — | — | 76 |
| Asset recovery and business processing revenue | — | — | 100 | — | — | 100 | — | — | — | 100 |
| Other income (loss) | — | — | — | 5 | — | 5 | (17) | (12) | (29) | (24) |
| Total other income (loss) | 13 | 4 | 249 | 5 | (90) | 181 | (17) | (12) | (29) | 152 |
| Expenses: | | | | | | | | | | |
| Direct operating expenses | 93 | 40 | 126 | 7 | (90) | 176 | — | — | — | 176 |
| Overhead expenses | — | — | — | 62 | — | 62 | — | — | — | 62 |
| Operating expenses | 93 | 40 | 126 | 69 | (90) | 238 | — | — | — | 238 |
| Goodwill and acquired intangible asset impairment and amortization | — | — | — | — | — | — | — | 6 | 6 | 6 |
| Total expenses | 93 | 40 | 126 | 69 | (90) | 238 | — | 6 | 6 | 244 |
| Income (loss) before income tax expense (benefit) | 81 | 56 | 123 | (90) | — | 170 | — | (29) | (29) | 141 |
| Income tax expense (benefit) ⁽³⁾ | 30 | 21 | 46 | (34) | — | 63 | — | (10) | (10) | 53 |
| Net income (loss) | \$ 51 | \$ 35 | \$ 77 | \$ (56) | \$ — | \$ 107 | \$ — | \$ (19) | \$ (19) | \$ 88 |

(1) The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

(2) “Core Earnings” adjustments to GAAP:

| (Dollars in millions) | Three Months Ended March 31, 2017 | | |
|--------------------------------------------------------------------|-------------------------------------|-------------------------------------------------------|---------|
| | Net Impact of Derivative Accounting | Net Impact of Goodwill and Acquired Intangible Assets | Total |
| Net interest income (loss) after provisions for loan losses | \$ 6 | \$ — | \$ 6 |
| Total other income (loss) | (29) | — | (29) |
| Goodwill and acquired intangible asset impairment and amortization | — | 6 | 6 |
| Total “Core Earnings” adjustments to GAAP | \$ (23) | \$ (6) | \$ (29) |
| Income tax expense (benefit) | | | (10) |
| Net income (loss) | | | \$ (19) |

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

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Three Months Ended March 31, 2016

| (Dollars in millions) | FFELP Loans | Private Education Loans | Business Services | Other | Eliminations ⁽¹⁾ | Total "Core Earnings" | Adjustments | | | Total GAAP |
|--------------------------------------------------------------------|----------------|-------------------------------|----------------------|---------|-----------------------------|-----------------------------|-------------------|------------------------------|-------------------------------------|---------------|
| | | | | | | | Reclassifications | Additions/ (Subtractions) | Total Adjustments ⁽²⁾ | |
| Interest income: | | | | | | | | | | |
| Education loans | \$ 555 | \$ 411 | \$ — | \$ — | \$ — | \$ 966 | \$ 138 | \$ (59) | \$ 79 | \$ 1,045 |
| Other loans | — | — | — | 1 | — | 1 | — | — | — | 1 |
| Cash and investments | 3 | 1 | — | 1 | — | 5 | — | — | — | 5 |
| Total interest income | 558 | 412 | — | 2 | — | 972 | 138 | (59) | 79 | 1,051 |
| Total interest expense | 358 | 172 | — | 26 | — | 556 | 9 | — | 9 | 565 |
| Net interest income (loss) | 200 | 240 | — | (24) | — | 416 | 129 | (59) | 70 | 486 |
| Less: provisions for loan losses | 7 | 104 | — | — | — | 111 | — | — | — | 111 |
| Net interest income (loss) after provisions for loan losses | 193 | 136 | — | (24) | — | 305 | 129 | (59) | 70 | 375 |
| Other income (loss): | | | | | | | | | | |
| Servicing revenue | 16 | 4 | 163 | — | (101) | 82 | — | — | — | 82 |
| Asset recovery and business processing revenue | — | — | 90 | — | — | 90 | — | — | — | 90 |
| Other income (loss) | — | — | 1 | 3 | — | 4 | (129) | 113 | (16) | (12) |
| Total other income (loss) | 16 | 4 | 254 | 3 | (101) | 176 | (129) | 113 | (16) | 160 |
| Expenses: | | | | | | | | | | |
| Direct operating expenses | 104 | 43 | 134 | 6 | (101) | 186 | — | — | — | 186 |
| Overhead expenses | — | — | — | 61 | — | 61 | — | — | — | 61 |
| Operating expenses | 104 | 43 | 134 | 67 | (101) | 247 | — | — | — | 247 |
| Goodwill and acquired intangible asset impairment and amortization | — | — | — | — | — | — | — | 4 | 4 | 4 |
| Total expenses | 104 | 43 | 134 | 67 | (101) | 247 | — | 4 | 4 | 251 |
| Income (loss) before income tax expense (benefit) | 105 | 97 | 120 | (88) | — | 234 | — | 50 | 50 | 284 |
| Income tax expense (benefit) ⁽³⁾ | 39 | 36 | 45 | (33) | — | 87 | — | 16 | 16 | 103 |
| Net income (loss) | \$ 66 | \$ 61 | \$ 75 | \$ (55) | \$ — | \$ 147 | \$ — | \$ 34 | \$ 34 | \$ 181 |

⁽¹⁾ The eliminations in servicing revenue and direct operating expense represent the elimination of intercompany servicing revenue where the Business Services segment performs the loan servicing function for the FFELP Loans segment.

⁽²⁾ "Core Earnings" adjustments to GAAP:

| (Dollars in millions) | Three Months Ended March 31, 2016 | | |
|--------------------------------------------------------------------|-------------------------------------------|-------------------------------------------------------------------|-------|
| | Net Impact of Derivative Accounting | Net Impact of Goodwill and Acquired Intangible Assets | Total |
| Net interest income (loss) after provisions for loan losses | \$ 70 | \$ — | \$ 70 |
| Total other income (loss) | (16) | — | (16) |
| Goodwill and acquired intangible asset impairment and amortization | — | 4 | 4 |
| Total "Core Earnings" adjustments to GAAP | \$ 54 | \$ (4) | 50 |
| Income tax expense (benefit) | — | — | 16 |
| Net income (loss) | — | — | \$ 34 |

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

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Differences between “Core Earnings” and GAAP

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

| (Dollars in millions) | Three Months Ended March 31, | |
|-----------------------------------------------------------------------|------------------------------|---------------|
| | 2017 | 2016 |
| “Core Earnings” net income attributable to Navient Corporation | \$ 107 | \$ 147 |
| “Core Earnings” adjustments to GAAP: | | |
| Net impact of derivative accounting | (23) | 54 |
| Net impact of goodwill and acquired intangible assets | (6) | (4) |
| Net tax effect | 10 | (16) |
| Total “Core Earnings” adjustments to GAAP | (19) | 34 |
| GAAP net income attributable to Navient Corporation | \$ 88 | \$ 181 |

1) Derivative Accounting: “Core Earnings” exclude periodic unrealized gains and losses that are caused by the fair value adjustments on derivatives that do not qualify for hedge accounting treatment under GAAP, as well as the periodic unrealized gains and losses that are a result of ineffectiveness recognized related to effective hedges under GAAP. These unrealized gains and losses occur in our FFELP Loans, Private Education Loans and Other business segments. Under GAAP, for our derivatives that are held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0 except for Floor Income Contracts, where the cumulative unrealized gain will equal the amount for which we sold the contract. In our “Core Earnings” presentation, we recognize the economic effect of these hedges, which generally results in any net settlement cash paid or received being recognized ratably as an interest expense or revenue over the hedged item’s life.

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

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

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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 March 31, | |
|---------------------------------------------------------------------------------------------------|-------------------------------------|--------------|
| | 2017 | 2016 |
| “Core Earnings” derivative adjustments: | | |
| Gains (losses) on derivative and hedging activities, net, included in other income | \$ (16) | \$ 1 |
| Plus: Realized losses on derivative and hedging activities, net ⁽¹⁾ | 17 | 129 |
| Unrealized gains on derivative and hedging activities, net ⁽²⁾ | 1 | 130 |
| Amortization of net premiums on Floor Income Contracts in net interest income for “Core Earnings” | (14) | (59) |
| Other derivative accounting adjustments ⁽³⁾ | (10) | (17) |
| Total net impact of derivative accounting⁽⁴⁾ | \$ (23) | \$ 54 |

⁽¹⁾ See the section titled “Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities” below for a detailed breakdown of the components of realized losses on derivative and hedging activities.

⁽²⁾ “Unrealized gains on derivative and hedging activities, net” comprises the following unrealized mark-to-market gains (losses):

| (Dollars in millions) | Three Months Ended March 31, | |
|-------------------------------------------------------------------------|-------------------------------------|---------------|
| | 2017 | 2016 |
| Floor Income Contracts | \$ 53 | \$ 27 |
| Basis swaps | (1) | 12 |
| Foreign currency hedges | (32) | 88 |
| Other | (19) | 3 |
| Total unrealized gains on derivative and hedging activities, net | \$ 1 | \$ 130 |

⁽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 adjustment 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 amortized into “Core Earnings” over the life of the hedged item.

⁽⁴⁾ Negative amounts are subtracted from “Core Earnings” net income to arrive at GAAP net income and positive amounts are added to “Core Earnings” net income to arrive at GAAP net income.

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Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities

Derivative accounting requires net settlement income/expense on derivatives and realized gains/losses related to derivative dispositions (collectively referred to as “realized gains (losses) on derivative and hedging activities”) 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 gains and losses are reclassified to the income statement line item of the economically hedged item. For our “Core Earnings” net interest margin, 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 basis swaps to debt interest expense. The table below summarizes the realized losses on derivative and hedging activities and the associated reclassification on a “Core Earnings” basis.

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | |
|------------------------------------------------------------------------------------------|-------------------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> |
| Reclassification of realized gains (losses) on derivative and hedging activities: | | |
| Net settlement expense on Floor Income Contracts reclassified to net interest income | \$ (20) | \$ (138) |
| Net settlement income on interest rate swaps reclassified to net interest income | 3 | 9 |
| Total reclassifications of realized losses on derivative and hedging activities | <u>\$ (17)</u> | <u>\$ (129)</u> |

Cumulative Impact of Derivative Accounting under GAAP compared to “Core Earnings”

As of March 31, 2017, derivative accounting has reduced GAAP equity by approximately \$90 million as a result of cumulative net unrealized 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 unrealized after-tax net losses related to derivative accounting.

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | |
|----------------------------------------------------------------------------------------|-------------------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> |
| Beginning impact of derivative accounting on GAAP equity | \$ (90) | \$ (281) |
| Net impact of net unrealized gains (losses) under derivative accounting ⁽¹⁾ | — | (48) |
| Ending impact of derivative accounting on GAAP equity | <u>\$ (90)</u> | <u>\$ (329)</u> |

⁽¹⁾ Net impact of net unrealized gains (losses) under derivative accounting is composed of the following:

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | |
|--------------------------------------------------------------------------------------------------------|-------------------------------------|----------------|
| | <u>2017</u> | <u>2016</u> |
| Total pre-tax net impact of derivative accounting recognized in net income ^(a) | \$ (23) | \$ 54 |
| Tax impact of derivative accounting adjustments recognized in net income | 8 | (20) |
| Change in unrealized gain (losses) on derivatives, net of tax recognized in other comprehensive income | 15 | (82) |
| Net impact of net unrealized gains (losses) under derivative accounting | <u>\$ —</u> | <u>\$ (48)</u> |

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

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Hedging FFELP Loan Embedded Floor Income

Net Floor premiums received on Floor Income Contracts that have not been amortized into “Core Earnings” as of the respective year-ends are presented in the table below. These net premiums will be recognized in “Core Earnings” in future periods. As of March 31, 2017, the remaining amortization term of the net floor premiums was approximately 5.0 years. Historically, we have sold Floor Income Contracts on a periodic basis and depending upon market conditions and pricing, we may enter into additional Floor Income Contracts in the future. The balance of unamortized Floor Income Contracts will increase as we sell new contracts and decline due to the amortization of existing contracts.

In addition to using Floor Income Contracts, we also use pay-fixed interest rate swaps to hedge the embedded Floor Income within FFELP Loans. These interest rate swaps qualify as GAAP hedges and are accounted for as cash flow hedges of variable rate debt. For GAAP, gains and losses on the effective portion of these hedges are recorded in accumulated other comprehensive income and gains and losses on the ineffective portion are recorded immediately to earnings. Hedged Floor Income from these cash flow hedges that has not been recognized into “Core Earnings” and GAAP as of the respective period-ends is presented in the table below. This hedged Floor Income will be recognized in “Core Earnings” and GAAP in future periods and is presented net of tax. As of March 31, 2017, the remaining hedged period is approximately 5.2 years. Historically, we have used pay-fixed interest rate swaps on a periodic basis to hedge embedded Floor Income and depending upon market conditions and pricing, we may enter into swaps in the future. The balance of unrecognized hedged Floor Income will increase as we enter into new swaps and decline as revenue is recognized.

| <u>(Dollars in millions)</u> | <u>March 31,</u> <u>2017</u> | <u>March 31,</u> <u>2016</u> |
|----------------------------------------------------------------------------------------|---------------------------------|---------------------------------|
| Unamortized net Floor premiums (net of tax) | \$ (158) | \$ (114) |
| Unrecognized hedged Floor Income related to pay-fixed interest rate swaps (net of tax) | (537) | (524) |
| Total⁽¹⁾ | <u>\$ (695)</u> | <u>\$ (638)</u> |

⁽¹⁾ \$(1.1) billion and \$(1.0) billion on a pre-tax basis as of March 31, 2017 and 2016, 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.

| <u>(Dollars in millions)</u> | <u>Three Months Ended</u> | |
|-----------------------------------------------------------------------------------|---------------------------|---------------------------------|
| | <u>2017</u> | <u>March 31,</u> <u>2016</u> |
| “Core Earnings” goodwill and acquired intangible asset adjustments ⁽¹⁾ | \$ (6) | \$ (4) |

⁽¹⁾ Negative amounts are subtracted from “Core Earnings” net income to arrive at GAAP net income.

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Business Segment Earnings Summary — “Core Earnings” Basis

FFELP Loans Segment

The following table includes “Core Earnings” results for our FFELP Loans segment.

| (Dollars in millions) | Three Months Ended March 31, | | % Increase (Decrease) 2017 vs. 2016 |
|---------------------------------------------------------------------|---------------------------------|--------------|-------------------------------------------|
| | 2017 | 2016 | |
| “Core Earnings” interest income: | | | |
| FFELP Loans | \$ 623 | \$ 555 | 12% |
| Cash and investments | 5 | 3 | 67 |
| Total “Core Earnings” interest income | 628 | 558 | 13 |
| Total “Core Earnings” interest expense | 457 | 358 | 28 |
| Net “Core Earnings” interest income | 171 | 200 | (15) |
| Less: provision for loan losses | 10 | 7 | 43 |
| Net “Core Earnings” interest income after provision for loan losses | 161 | 193 | (17) |
| Servicing revenue | 13 | 16 | (19) |
| Direct operating expenses | 93 | 104 | (11) |
| Income before income tax expense | 81 | 105 | (23) |
| Income tax expense | 30 | 39 | (23) |
| “Core Earnings” | <u>\$ 51</u> | <u>\$ 66</u> | <u>(23)%</u> |

“Core Earnings” for the segment were \$51 million in first-quarter 2017, compared with the year-ago quarter’s \$66 million. This decrease was primarily the result of a \$29 million decrease in net interest income due to the amortization of the portfolio and a decrease in net interest margin, partially offset by an \$11 million decrease in operating expenses. “Core Earnings” key performance metrics are as follows:

| (Dollars in millions) | Three Months Ended March 31, | |
|--------------------------------------|---------------------------------|-------|
| | 2017 | 2016 |
| FFELP Loan spread | .86% | .89% |
| Net interest margin | .77% | .81% |
| Provision for loan losses | \$ 10 | \$ 7 |
| Charge-offs | \$ 13 | \$ 16 |
| Charge-off rate | .07% | .09% |
| Total delinquency rate | 11.4% | 14.1% |
| Greater than 90-day delinquency rate | 6.2% | 7.0% |
| Forbearance rate | 13.5% | 14.4% |

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FFELP Loan Net Interest Margin

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

| | Three Months Ended March 31, | |
|---------------------------------------------------------------------|---------------------------------|--------------|
| | 2017 | 2016 |
| “Core Earnings” basis FFELP Loan yield | 3.33% | 2.86% |
| Hedged Floor Income | .30 | .25 |
| Unhedged Floor Income | .17 | .13 |
| Consolidation Loan Rebate Fees | (.67) | (.65) |
| Repayment Borrower Benefits | (.11) | (.11) |
| Premium amortization | (.11) | (.15) |
| “Core Earnings” basis FFELP Loan net yield | 2.91 | 2.33 |
| “Core Earnings” basis FFELP Loan cost of funds | (2.05) | (1.44) |
| “Core Earnings” basis FFELP Loan spread | .86 | .89 |
| “Core Earnings” basis other interest-earning asset spread impact | (.09) | (.08) |
| “Core Earnings” basis FFELP Loan net interest margin ⁽¹⁾ | <u>.77%</u> | <u>.81%</u> |
| “Core Earnings” basis FFELP Loan net interest margin ⁽¹⁾ | .77% | .81% |
| Adjustment for GAAP accounting treatment ⁽²⁾ | .03 | .31 |
| GAAP basis FFELP Loan net interest margin ⁽¹⁾ | <u>.80%</u> | <u>1.12%</u> |

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

| <u>(Dollars in millions)</u> | Three Months Ended March 31, | |
|----------------------------------------------------------------|---------------------------------|------------------|
| | 2017 | 2016 |
| FFELP Loans | \$ 86,752 | \$ 95,721 |
| Other interest-earning assets | 3,319 | 3,603 |
| Total FFELP Loan “Core Earnings” basis interest-earning assets | <u>\$ 90,071</u> | <u>\$ 99,324</u> |

⁽²⁾ Represents the reclassification of periodic interest accruals on derivative contracts from net interest income to other income and other derivative accounting adjustments. For further discussion of these adjustments, see section titled “Core Earnings’ — Definition and Limitations — Differences between ‘Core Earnings’ and GAAP” above.

The Company acquired \$686 million of FFELP Loans in first-quarter 2017. As of March 31, 2017, our FFELP Loan portfolio totaled \$85.3 billion, comprising \$31.2 billion of FFELP Stafford Loans and \$54.1 billion of FFELP Consolidation Loans. The weighted average life of these portfolios as of March 31, 2017 was 4.6 years and 8.4 years, respectively, assuming a Constant Prepayment Rate (“CPR”) of 5 percent and 3 percent, respectively.

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Floor Income

The following table analyzes on a “Core Earnings” basis the ability of the FFELP Loans in our portfolio to earn Floor Income after March 31, 2017 and 2016, based on interest rates as of those dates.

| <u>(Dollars in billions)</u> | <u>March 31, 2017</u> | | | <u>March 31, 2016</u> | | |
|---------------------------------------------------------------------------|------------------------------------|---------------------------------------|----------------|------------------------------------|---------------------------------------|----------------|
| | <u>Fixed Borrower Rate</u> | <u>Variable Borrower Rate</u> | <u>Total</u> | <u>Fixed Borrower Rate</u> | <u>Variable Borrower Rate</u> | <u>Total</u> |
| Education loans eligible to earn Floor Income | \$ 74.3 | \$ 10.0 | \$ 84.3 | \$ 82.3 | \$ 11.4 | \$ 93.7 |
| Less: post-March 31, 2006 disbursed loans required to rebate Floor Income | (38.3) | (.7) | (39.0) | (42.7) | (.8) | (43.5) |
| Less: economically hedged Floor Income | (20.6) | — | (20.6) | (26.2) | — | (26.2) |
| Education loans eligible to earn Floor Income | <u>\$ 15.4</u> | <u>\$ 9.3</u> | <u>\$ 24.7</u> | <u>\$ 13.4</u> | <u>\$ 10.6</u> | <u>\$ 24.0</u> |
| Education loans earning Floor Income | <u>\$ 4.7</u> | <u>\$ —</u> | <u>\$ 4.7</u> | <u>\$ 6.4</u> | <u>\$.4</u> | <u>\$ 6.8</u> |

The following table presents a projection of the average balance of FFELP Consolidation Loans for which Fixed Rate Floor Income has been economically hedged with derivatives for the period April 1, 2017 to December 31, 2021.

| <u>(Dollars in billions)</u> | <u>April 1, 2017 to December 31, 2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|----------------------------------------------------------------------------------------|-------------------------------------------------------|---------------|---------------|---------------|---------------|--------------|
| Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged | <u>\$ 20.4</u> | <u>\$21.6</u> | <u>\$18.5</u> | <u>\$15.6</u> | <u>\$10.3</u> | <u>\$.7</u> |

Operating Expenses — FFELP Loans

Operating expenses for our FFELP Loans segment primarily include the contractual rates we pay to service loans in term asset-backed securitization trusts or a similar rate if a loan is not in a term financing facility (which is presented as an intercompany charge from the Business Services segment who services the loans), the fees we pay for third-party loan servicing and costs incurred to acquire loans. The intercompany revenue charged by the Business Services segment and included in those amounts was \$90 million and \$101 million for the quarters ended March 31, 2017 and 2016, respectively. These amounts exceed the actual cost of servicing the loans. Operating expenses were 44 basis points of average FFELP Loans in both of the quarters ended March 31, 2017 and 2016. The decrease in operating expenses from the year-ago quarter was primarily the result of the decrease in the balance of the portfolio.

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Private Education Loans Segment

The following table includes “Core Earnings” results for our Private Education Loans segment.

| <u>(Dollars in millions)</u> | Three Months Ended March 31, | | % Increase (Decrease) 2017 vs. 2016 |
|---------------------------------------------------------------------|-----------------------------------------|--------------|----------------------------------------------------|
| | 2017 | 2016 | |
| “Core Earnings” interest income: | | | |
| Private Education Loans | \$ 374 | \$ 411 | (9)% |
| Cash and investments | — | 1 | (100) |
| Total “Core Earnings” interest income | 374 | 412 | (9) |
| Total “Core Earnings” interest expense | 187 | 172 | 9 |
| Net “Core Earnings” interest income | 187 | 240 | (22) |
| Less: provision for loan losses | 95 | 104 | (9) |
| Net “Core Earnings” interest income after provision for loan losses | 92 | 136 | (32) |
| Servicing revenue | 4 | 4 | — |
| Direct operating expenses | 40 | 43 | (7) |
| Income before income tax expense | 56 | 97 | (42) |
| Income tax expense | 21 | 36 | (42) |
| “Core Earnings” | <u>\$ 35</u> | <u>\$ 61</u> | <u>(43)%</u> |

“Core Earnings” for the segment were \$35 million in first-quarter 2017, compared with the year-ago quarter’s \$61 million. This decrease was primarily the result of a \$53 million decrease in net interest income due to the amortization of the portfolio and a decrease in net interest margin, partially offset by a \$9 million decrease in the provision for loan losses. “Core Earnings” key performance metrics are as follows:

| <u>(Dollars in millions)</u> | Three Months Ended March 31, | |
|----------------------------------------------------|-----------------------------------------|-------------|
| | 2017 | 2016 |
| Private Education Loan spread | 3.33% | 3.70% |
| Net interest margin | 3.16% | 3.56% |
| Provision for loan losses | \$ 95 | \$ 104 |
| Charge-offs | \$ 137 | \$ 144 |
| Charge-off rate | 2.6% | 2.4% |
| Total delinquency rate | 6.8% | 6.2% |
| Greater than 90-day delinquency rate | 3.5% | 3.2% |
| Forbearance rate | 3.6% | 3.7% |
| Loans in repayment with more than 12 payments made | 95% | 95% |
| Cosigner rate | 64% | 64% |

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Private Education Loan Net Interest Margin

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

| | Three Months Ended March 31, | |
|---------------------------------------------------------------------------------|---------------------------------|--------|
| | 2017 | 2016 |
| “Core Earnings” basis Private Education Loan yield | 6.45% | 6.22% |
| “Core Earnings” basis Private Education Loan cost of funds | (3.12) | (2.52) |
| “Core Earnings” basis Private Education Loan spread | 3.33 | 3.70 |
| “Core Earnings” basis other interest-earning asset spread impact | (.17) | (.14) |
| “Core Earnings” basis Private Education Loan net interest margin ⁽¹⁾ | 3.16% | 3.56% |
| “Core Earnings” basis Private Education Loan net interest margin ⁽¹⁾ | 3.16% | 3.56% |
| Adjustment for GAAP accounting treatment ⁽²⁾ | (.01) | (.07) |
| GAAP basis Private Education Loan net interest margin ⁽¹⁾ | 3.15% | 3.49% |

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

| (Dollars in millions) | Three Months Ended March 31, | |
|----------------------------------------------------------------------------|---------------------------------|-----------|
| | 2017 | 2016 |
| Private Education Loans | \$ 23,500 | \$ 26,577 |
| Other interest-earning assets | 578 | 601 |
| Total Private Education Loan “Core Earnings” basis interest-earning assets | \$ 24,078 | \$ 27,178 |

⁽²⁾ Represents the reclassification of periodic interest accruals on derivative contracts from net interest income to other income and other derivative accounting adjustments. For further discussion of these adjustments, see section titled “Core Earnings”—Definition and Limitations — Differences between “Core Earnings” and GAAP” above.

The decline in the net interest margin primarily relates to an increase in the cost of funds as a result of higher funding credit spreads, as well as a widening of the asset and related funding interest rate indices.

The Company acquired \$112 million of Private Education Loans in the first-quarter 2017. As of March 31, 2017, our Private Education Loan portfolio totaled \$22.6 billion. The weighted-average life of this portfolio as of March 31, 2017 was 6.5 years assuming a CPR of 5 percent.

Private Education Loan Provision for Loan Losses

In establishing the allowance for Private Education Loan losses as of March 31, 2017, we considered several factors with respect to our Private Education Loan portfolio. Among these factors were: total loan delinquencies decreased to \$1.45 billion, down \$24 million from \$1.47 billion in the year-ago quarter. Loan delinquencies of 90 days or more decreased to \$746 million, down \$3 million from \$749 million in the year-ago quarter. Charge-offs decreased to \$137 million, down \$7 million from \$144 million in the year-ago quarter. Loans in forbearance decreased to \$793 million, down \$123 million from \$916 million in the year-ago quarter.

The provision for Private Education Loan losses was \$95 million in the first quarter of 2017, down \$9 million from the first quarter of 2016 primarily due to a 12 percent decrease in Private Education Loans outstanding and a \$7 million and \$24 million reduction in charge-offs and delinquent loans, respectively, compared to the year-ago period. These factors led to decreases in expected future charge-offs.

Operating Expenses — Private Education Loans Segment

Operating expenses for our Private Education Loans segment include costs incurred to service and collect on our Private Education Loan portfolio. Operating expenses were \$40 million and \$43 million for the three months ended March 31, 2017 and 2016, respectively.

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Business Services Segment

The following table includes “Core Earnings” results for our Business Services segment.

| (Dollars in millions) | Three Months Ended March 31, | | % Increase (Decrease) |
|------------------------------------------------|------------------------------|-------|-----------------------|
| | 2017 | 2016 | 2017 vs. 2016 |
| Net interest income | \$ — | \$ — | —% |
| Servicing revenue: | | | |
| Intercompany loan servicing | 90 | 101 | (11) |
| Third-party loan servicing | 54 | 54 | — |
| Guarantor servicing | 5 | 8 | (38) |
| Total servicing revenue | 149 | 163 | (9) |
| Asset recovery and business processing revenue | 100 | 90 | 11 |
| Other Business Services revenue | — | 1 | (100) |
| Total other income | 249 | 254 | (2) |
| Direct operating expenses | 126 | 134 | (6) |
| Income before income tax expense | 123 | 120 | 3 |
| Income tax expense | 46 | 45 | 2 |
| “Core Earnings” | \$ 77 | \$ 75 | 3% |

“Core Earnings” were \$77 million in the first quarter of 2017, compared with \$75 million in the year-ago quarter. Key segment metrics are as follows:

| (Dollars in billions) | As of | |
|----------------------------------------------------|--------|--------|
| | 2017 | 2016 |
| Number of accounts serviced for ED (in millions) | 6.1 | 6.3 |
| Total federal loans serviced | \$ 295 | \$ 291 |
| Contingent collections receivables inventory: | | |
| Education loans | \$ 8.8 | \$10.1 |
| Other | 9.9 | 9.1 |
| Total contingent collections receivables inventory | \$18.7 | \$19.2 |

Revenues related to services performed on FFELP Loans accounted for 66 percent and 64 percent, respectively, of total Business Services segment revenues for the quarters ended March 31, 2017 and 2016.

Servicing Revenue

Our Business Services segment includes intercompany loan servicing fees from servicing the FFELP Loans in our FFELP Loans segment. The average balance of this portfolio was \$86 billion and \$94 billion for the quarters ended March 31, 2017 and 2016, respectively. The decline in the intercompany loan servicing revenue from the year-ago quarter was the primary reason for the decline in servicing revenue and was due to the decline in the average balance of FFELP Loans serviced.

The Company services education loans for more than 12 million DSLP Loan, FFELP Loan and Private Education Loan customers (including cosigners), including 6.1 million customer accounts under the ED Servicing Contract as of March 31, 2017, compared with 6.3 million customer accounts serviced at March 31, 2016. Third-party loan servicing fees in the quarters ended March 31, 2017 and 2016 included \$37 million and \$37 million, respectively, of servicing revenue related to the ED Servicing Contract. On June 13, 2014, ED extended its servicing contract with us to service Direct Student Loan Program federal loans for five more years.

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On April 4, 2016, ED published the first part of a two-part RFP related to a new servicing platform for the Direct Student Loan Program. The first part of the RFP focused on screening candidates' capabilities relative to certain published criteria. In July 2016, Navient was selected as one of three companies eligible to submit responses in the second part of the RFP process. On October 26, 2016, ED published the second part of the RFP for which we submitted our bid on January 9, 2017. One of the two other bidders filed a bid protest in relation to this RFP on January 5, 2017. This protest was dismissed on April 13, 2017.

Asset Recovery and Business Processing Revenue

Our asset recovery and business processing revenue consists of fees we receive for asset recovery of delinquent and defaulted debt on behalf of third-party clients performed on a contingent basis. Business processing revenue consists of fees we earn processing transactions on behalf of our municipal, public authority and health care clients. Asset recovery and business processing revenue increased \$10 million primarily due to an increase in revenue related to an increase in education loan-related asset recovery volume.

Since 1997, Navient has provided asset recovery services on defaulted education loans to ED. This contract expired by its terms on February 21, 2015 and our Pioneer Credit Recovery ("Pioneer") subsidiary received no new account placements under the contract. We engaged with ED to learn more about their decision and address any questions or concerns they may have. In addition, in March 2015, Pioneer filed a bid protest with the U.S. Government Accountability Office ("GAO") which protest was dismissed in March 2015 from the GAO based upon overlapping jurisdiction. Following the bid protest dismissal, Pioneer filed its own complaint with the U.S. Court of Federal Claims ("COFC"), which complaint was consolidated with several similar cases filed by other private collection agencies. On April 16, 2015, Pioneer's complaint, together with the other plaintiffs' consolidated complaints, was dismissed for lack of jurisdiction. We appealed this decision to the United States Court of Appeals for the Federal Circuit and, on July 16, 2016, the Court of Appeals reversed the ruling of the Federal Court of Claims and remanded the case for further proceedings. This matter remains open.

Separately, we had submitted a response to ED's RFP in relation to a new contract for similar services. On December 9, 2016, Navient was informed by ED that neither of our subsidiaries, Pioneer nor General Revenue Corporation ("GRC"), was awarded a contract to perform collections and loan rehabilitation services for federal student loan borrowers. In December 2016, both Pioneer and GRC filed bid protests with the GAO. GRC's bid protest was dismissed in part in January 2017 and GRC filed a supplemental protest. GRC's protest was sustained on March 27, 2017. Pioneer's bid protest with the GAO was dismissed from the GAO on March 30, 2017 based upon overlapping jurisdiction. Pioneer filed a substantially similar complaint with the COFC on April 11, 2017. These matters are still outstanding.

In December 2016, Great Lakes Higher Education Assistance Corp. ("Great Lakes") assumed control of United Student Aid Funds, Inc. ("USAF"). As part of this transfer, Great Lakes notified us of their intent to rebid the services we currently provide for USAF and Northwest Education Loan Association ("NELA"). The services we provide primarily relate to FFELP-related servicing and asset recovery services. Prior to this announcement, Navient had not provided these services directly to Great Lakes. If we are unsuccessful in our efforts to win these services along with additional opportunities with Great Lakes, the current agreements would be terminated effective as of December 31, 2017.

Operating Expenses — Business Services Segment

Operating expenses for our Business Services segment primarily include costs incurred to service our FFELP Loan portfolio, third-party servicing and asset recovery and business processing costs, and other operating costs. The \$8 million decrease in operating expenses in the first quarter of 2017 compared with the year-ago quarter was primarily due to a general reduction in costs primarily related to operating efficiency initiatives.

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Other Segment

The following table includes “Core Earnings” results of our Other segment.

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | | <u>% Increase (Decrease)</u> |
|---------------------------------------------------|-------------------------------------|----------------|------------------------------|
| | <u>2017</u> | <u>2016</u> | <u>2017 vs. 2016</u> |
| Net interest loss after provision for loan losses | \$ (26) | \$ (24) | 8% |
| Other income | 5 | 3 | 67 |
| Direct operating expenses | 7 | 6 | 17 |
| Overhead expenses: | | | |
| Corporate overhead | 36 | 34 | 6 |
| Unallocated information technology costs | 26 | 27 | (4) |
| Total overhead expenses | 62 | 61 | 2 |
| Total operating expenses | 69 | 67 | 3 |
| Loss before income tax benefit | (90) | (88) | 2 |
| Income tax benefit | (34) | (33) | 3 |
| “Core Earnings” (loss) | <u>\$ (56)</u> | <u>\$ (55)</u> | <u>2%</u> |

Net Interest Loss after Provision for Loan Losses

Net interest loss after provision for loan losses includes net interest loss related to our corporate liquidity portfolio, partially offset by net interest income related to our mortgage and consumer loan portfolios.

Overhead — Other Segment

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

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Financial Condition

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

Average Balance Sheets — GAAP

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

| <u>(Dollars in millions)</u> | Three Months Ended March 31, | | | |
|---------------------------------------|-------------------------------------|-------------|----------------|-------------|
| | 2017 | | 2016 | |
| | Balance | Rate | Balance | Rate |
| Average Assets | | | | |
| FFELP Loans | \$ 86,752 | 2.94% | \$ 95,721 | 2.66% |
| Private Education Loans | 23,500 | 6.45 | 26,577 | 6.22 |
| Other loans | 173 | 11.16 | 69 | 8.50 |
| Cash and investments | 5,025 | .57 | 5,418 | .39 |
| Total interest-earning assets | 115,450 | 3.57% | 127,785 | 3.31% |
| Non-interest-earning assets | 4,213 | | 4,141 | |
| Total assets | \$119,663 | | \$131,926 | |
| Average Liabilities and Equity | | | | |
| Short-term borrowings | \$ 2,221 | 3.53% | \$ 2,433 | 2.62% |
| Long-term borrowings | 111,207 | 2.39 | 123,107 | 1.80 |
| Total interest-bearing liabilities | 113,428 | 2.41% | 125,540 | 1.81% |
| Non-interest-bearing liabilities | 2,505 | | 2,571 | |
| Equity | 3,730 | | 3,815 | |
| Total liabilities and equity | \$119,663 | | \$131,926 | |
| Net interest margin | | 1.19% | | 1.53% |

Rate/Volume Analysis — GAAP

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

| <u>(Dollars in millions)</u> | Increase (Decrease) | Change Due To⁽¹⁾ | |
|---------------------------------------------------|--------------------------------|------------------------------------|---------------|
| | | Rate | Volume |
| Three Months Ended March 31, 2017 vs. 2016 | | | |
| Interest income | \$ (36) | \$ 77 | \$ (113) |
| Interest expense | 110 | 173 | (63) |
| Net interest income | \$ (146) | \$ (96) | \$ (50) |

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

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Summary of our Education Loan Portfolio

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

| | March 31, 2017 | | | | |
|--------------------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------------------|--------------------|
| | FFELP Stafford and Other | FFELP Consolidation Loans | Total FFELP Loans | Private Education Loans | Total Portfolio |
| (Dollars in millions) | | | | | |
| Total education loan portfolio: | | | | | |
| In-school ⁽¹⁾ | \$ 137 | \$ — | \$ 137 | \$ 92 | \$ 229 |
| Grace, repayment and other ⁽²⁾ | 30,599 | 53,777 | 84,376 | 23,405 | 107,781 |
| Total, gross | 30,736 | 53,777 | 84,513 | 23,497 | 108,010 |
| Unamortized premium/(discount) | 485 | 350 | 835 | (434) | 401 |
| Receivable for partially charged-off loans | — | — | — | 800 | 800 |
| Allowance for loan losses | (37) | (27) | (64) | (1,311) | (1,375) |
| Total education loan portfolio | <u>\$ 31,184</u> | <u>\$ 54,100</u> | <u>\$85,284</u> | <u>\$22,552</u> | <u>\$107,836</u> |
| % of total FFELP | 37% | 63% | 100% | | |
| % of total | 29% | 50% | 79% | 21% | 100% |

| | December 31, 2016 | | | | |
|--------------------------------------------|--------------------------------|---------------------------------|-------------------------|-------------------------------|--------------------|
| | FFELP Stafford and Other | FFELP Consolidation Loans | Total FFELP Loans | Private Education Loans | Total Portfolio |
| (Dollars in millions) | | | | | |
| Total education loan portfolio: | | | | | |
| In-school ⁽¹⁾ | \$ 148 | \$ — | \$ 148 | \$ 104 | \$ 252 |
| Grace, repayment and other ⁽²⁾ | 31,700 | 55,070 | 86,770 | 24,229 | 110,999 |
| Total, gross | 31,848 | 55,070 | 86,918 | 24,333 | 111,251 |
| Unamortized premium/(discount) | 510 | 369 | 879 | (457) | 422 |
| Receivable for partially charged-off loans | — | — | — | 815 | 815 |
| Allowance for loan losses | (39) | (28) | (67) | (1,351) | (1,418) |
| Total education loan portfolio | <u>\$ 32,319</u> | <u>\$ 55,411</u> | <u>\$87,730</u> | <u>\$23,340</u> | <u>\$111,070</u> |
| % of total FFELP | 37% | 63% | 100% | | |
| % of total | 29% | 50% | 79% | 21% | 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.

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

| (Dollars in millions) | Three Months Ended March 31, 2017 | | | | |
|-----------------------|-----------------------------------|---------------------------------|-------------------------|-------------------------------|--------------------|
| | FFELP Stafford and Other | FFELP Consolidation Loans | Total FFELP Loans | Private Education Loans | Total Portfolio |
| Total | \$ 31,989 | \$ 54,763 | \$86,752 | \$ 23,500 | \$110,252 |
| % of FFELP | 37% | 63% | 100% | | |
| % of total | 29% | 50% | 79% | 21% | 100% |

| (Dollars in millions) | Three Months Ended March 31, 2016 | | | | |
|-----------------------|-----------------------------------|---------------------------------|-------------------------|-------------------------------|--------------------|
| | FFELP Stafford and Other | FFELP Consolidation Loans | Total FFELP Loans | Private Education Loans | Total Portfolio |
| Total | \$ 36,492 | \$ 59,229 | \$95,721 | \$ 26,577 | \$122,298 |
| % of FFELP | 38% | 62% | 100% | | |
| % of total | 30% | 48% | 78% | 22% | 100% |

Education Loan Activity — GAAP and “Core Earnings” Basis

| (Dollars in millions) | Three Months Ended March 31, 2017 | | | | |
|--------------------------------------------------------|-----------------------------------|---------------------------------|-------------------------|-------------------------------------|--------------------|
| | FFELP Stafford and Other | FFELP Consolidation Loans | Total FFELP Loans | Total Private Education Loans | Total Portfolio |
| Beginning balance | \$ 32,319 | \$ 55,411 | \$87,730 | \$ 23,340 | \$111,070 |
| Acquisitions | 309 | 377 | 686 | 112 | 798 |
| Capitalized interest and premium/discount amortization | 242 | 252 | 494 | 85 | 579 |
| Consolidations to third parties | (765) | (743) | (1,508) | (160) | (1,668) |
| Repayments and other | (921) | (1,197) | (2,118) | (825) | (2,943) |
| Ending balance | \$ 31,184 | \$ 54,100 | \$85,284 | \$ 22,552 | \$107,836 |

| (Dollars in millions) | Three Months Ended March 31, 2016 | | | | |
|--------------------------------------------------------|-----------------------------------|---------------------------------|-------------------------|-------------------------------------|--------------------|
| | FFELP Stafford and Other | FFELP Consolidation Loans | Total FFELP Loans | Total Private Education Loans | Total Portfolio |
| Beginning balance | \$ 36,854 | \$ 59,548 | \$96,402 | \$ 26,394 | \$122,796 |
| Acquisitions | 273 | 1,258 | 1,531 | 6 | 1,537 |
| Capitalized interest and premium/discount amortization | 270 | 262 | 532 | 114 | 646 |
| Consolidations to third parties | (679) | (470) | (1,149) | (121) | (1,270) |
| Repayments and other | (1,072) | (1,322) | (2,394) | (846) | (3,240) |
| Ending balance | \$ 35,646 | \$ 59,276 | \$94,922 | \$ 25,547 | \$120,469 |

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

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | | | | | |
|-----------------------------------------------------|-------------------------------------|----------------------------------------|----------------------------|------------------------|----------------------------------------|----------------------------|
| | <u>2017</u> | | | <u>2016</u> | | |
| | <u>FFELP Loans</u> | <u>Private Education Loans</u> | <u>Total Portfolio</u> | <u>FFELP Loans</u> | <u>Private Education Loans</u> | <u>Total Portfolio</u> |
| Beginning balance | \$ 67 | \$ 1,351 | \$ 1,418 | \$ 78 | \$ 1,471 | \$ 1,549 |
| Less: | | | | | | |
| Charge-offs ⁽¹⁾ | (13) | (137) | (150) | (16) | (144) | (160) |
| Plus: | | | | | | |
| Provision for loan losses | 10 | 95 | 105 | 7 | 104 | 111 |
| Reclassification of interest reserve ⁽²⁾ | — | 2 | 2 | — | 3 | 3 |
| Ending balance | <u>\$ 64</u> | <u>\$ 1,311</u> | <u>\$ 1,375</u> | <u>\$ 69</u> | <u>\$ 1,434</u> | <u>\$ 1,503</u> |
| Percent of total | <u>5%</u> | <u>95%</u> | <u>100%</u> | <u>5%</u> | <u>95%</u> | <u>100%</u> |
| Troubled debt restructuring ⁽³⁾ | \$ — | \$ 10,684 | \$ 10,684 | \$ — | \$ 10,701 | \$ 10,701 |

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

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

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

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FFELP Loan Portfolio Performance

FFELP Loan Delinquencies and Forbearance — GAAP and “Core Earnings” Basis

| <u>(Dollars in millions)</u> | FFELP Loan Delinquencies | | | |
|----------------------------------------------------------------------------------|---------------------------------|----------|----------------|----------|
| | March 31, | | | |
| | 2017 | | 2016 | |
| | Balance | % | Balance | % |
| Loans in-school/grace/deferment ⁽¹⁾ | \$ 5,791 | | \$ 7,974 | |
| Loans in forbearance ⁽²⁾ | 10,627 | | 12,373 | |
| Loans in repayment and percentage of each status: | | | | |
| Loans current | 60,310 | 88.6% | 63,278 | 85.9% |
| Loans delinquent 31-60 days ⁽³⁾ | 2,300 | 3.4 | 3,554 | 4.8 |
| Loans delinquent 61-90 days ⁽³⁾ | 1,204 | 1.8 | 1,655 | 2.3 |
| Loans delinquent greater than 90 days ⁽³⁾ | 4,281 | 6.2 | 5,143 | 7.0 |
| Total FFELP Loans in repayment | 68,095 | 100% | 73,630 | 100% |
| Total FFELP Loans, gross | 84,513 | | 93,977 | |
| FFELP Loan unamortized premium | 835 | | 1,014 | |
| Total FFELP Loans | 85,348 | | 94,991 | |
| FFELP Loan allowance for losses | (64) | | (69) | |
| FFELP Loans, net | \$85,284 | | \$94,922 | |
| Percentage of FFELP Loans in repayment | | 80.6% | | 78.3% |
| Delinquencies as a percentage of FFELP Loans in repayment | | 11.4% | | 14.1% |
| FFELP Loans in forbearance as a percentage of loans in repayment and forbearance | | 13.5% | | 14.4% |

⁽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 the 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 extension of grace period during employment transition or who have temporarily ceased making payments due to hardship or other factors.

⁽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.

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

Allowance for FFELP Loan Losses — GAAP and “Core Earnings” Basis

| <u>(Dollars in millions)</u> | Three Months Ended | |
|------------------------------------------------------------------------|---------------------------|-------------|
| | March 31, | |
| | 2017 | 2016 |
| Allowance at beginning of period | \$ 67 | \$ 78 |
| Provision for FFELP Loan losses | 10 | 7 |
| Charge-offs | (13) | (16) |
| Allowance at end of period | \$ 64 | \$ 69 |
| Charge-offs as a percentage of average loans in repayment (annualized) | .07% | .09% |
| Allowance coverage of charge-offs (annualized) | 1.2 | 1.1 |
| Allowance as a percentage of ending total loans, gross | .08% | .07% |
| Allowance as a percentage of ending loans in repayment | .09% | .09% |
| Ending total loans, gross | \$84,513 | \$93,977 |
| Average loans in repayment | \$69,302 | \$73,697 |
| Ending loans in repayment | \$68,095 | \$73,630 |

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Private Education Loan Portfolio Performance

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

| (Dollars in millions) | Private Education Loan Delinquencies | | | |
|----------------------------------------------------------------------------|--------------------------------------|--------------|-----------------|--------------|
| | March 31, | | | |
| | 2017 | | 2016 | |
| | Balance | % | Balance | % |
| Loans in-school/grace/deferment ⁽¹⁾ | \$ 1,337 | | \$ 1,927 | |
| Loans in forbearance ⁽²⁾ | 793 | | 916 | |
| Loans in repayment and percentage of each status: | | | | |
| Loans current | 19,918 | 93.2% | 22,313 | 93.8% |
| Loans delinquent 31-60 days ⁽³⁾ | 424 | 2.0 | 434 | 1.8 |
| Loans delinquent 61-90 days ⁽³⁾ | 279 | 1.3 | 290 | 1.2 |
| Loans delinquent greater than 90 days ⁽³⁾ | 746 | 3.5 | 749 | 3.2 |
| Total Private Education Loans in repayment | <u>21,367</u> | <u>100%</u> | <u>23,786</u> | <u>100%</u> |
| Total Private Education Loans, gross | 23,497 | | 26,629 | |
| Private Education Loan unamortized discount | (434) | | (515) | |
| Total Private Education Loans | <u>23,063</u> | | <u>26,114</u> | |
| Private Education Loan receivable for partially charged-off loans | 800 | | 867 | |
| Private Education Loan allowance for losses | (1,311) | | (1,434) | |
| Private Education Loans, net | <u>\$22,552</u> | | <u>\$25,547</u> | |
| Percentage of Private Education Loans in repayment | | <u>90.9%</u> | | <u>89.3%</u> |
| Delinquencies as a percentage of Private Education Loans in repayment | | <u>6.8%</u> | | <u>6.2%</u> |
| Loans in forbearance as a percentage of loans in repayment and forbearance | | <u>3.6%</u> | | <u>3.7%</u> |
| Loans in repayment with more than 12 payments made | | <u>95%</u> | | <u>95%</u> |
| Percentage of Private Education Loans with a cosigner | | <u>64%</u> | | <u>64%</u> |

⁽¹⁾ Deferment includes customers who have returned to school or are engaged in other permitted educational activities and are not yet required to make payments on their loans, e.g., residency periods for medical students or a grace period for bar exam preparation.

⁽²⁾ Loans for customers who have requested extension of grace period generally during employment transition or who have temporarily ceased making full payments due to hardship or other factors, 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.

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

| (Dollars in millions) | Three Months Ended March 31, | |
|------------------------------------------------------------------------|------------------------------|-----------|
| | 2017 | 2016 |
| Allowance at beginning of period | \$ 1,351 | \$ 1,471 |
| Provision for Private Education Loan losses | 95 | 104 |
| Charge-offs ⁽¹⁾ | (137) | (144) |
| Reclassification of interest reserve ⁽²⁾ | 2 | 3 |
| Allowance at end of period | \$ 1,311 | \$ 1,434 |
| Charge-offs as a percentage of average loans in repayment (annualized) | 2.6% | 2.4% |
| Allowance coverage of charge-offs (annualized) | 2.4 | 2.5 |
| Allowance as a percentage of ending total loans | 5.4% | 5.2% |
| Allowance as a percentage of ending loans in repayment | 6.1% | 6.0% |
| Ending total loans ⁽³⁾ | \$ 24,297 | \$ 27,496 |
| Average loans in repayment | \$ 21,791 | \$ 24,180 |
| Ending loans in repayment | \$ 21,367 | \$ 23,786 |

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

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

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

Receivable for Partially Charged-Off Private Education Loans

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

| (Dollars in millions) | Three Months Ended March 31, | |
|----------------------------------------------------------------------|------------------------------|--------|
| | 2017 | 2016 |
| Receivable at beginning of period | \$ 815 | \$ 881 |
| Expected future recoveries of current period defaults ⁽¹⁾ | 34 | 36 |
| Recoveries ⁽²⁾ | (44) | (47) |
| Charge-offs ⁽³⁾ | (5) | (3) |
| Receivable at end of period | \$ 800 | \$ 867 |

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

⁽²⁾ Current period cash collections.

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

Use of Forbearance as a Private Education Loan Collection Tool

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

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

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

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

At March 31, 2017, loans in forbearance status as a percentage of loans in repayment and forbearance were 13.6 percent for loans that have made less than 25 monthly payments. The percentage drops to 1.8 percent for loans that have made more than 48 monthly payments.

At March 31, 2017, loans in repayment that are delinquent greater than 90 days as a percentage of loans in repayment were 9.9 percent for loans that have made less than 25 monthly payments. The percentage drops to 1.9 percent for loans that have made more than 48 monthly payments.

For the three months ended March 31, 2017, charge-offs as a percentage of loans in repayment were 9.3 percent for loans that have made less than 25 monthly payments. The percentage drops to 1.2 percent for loans that have made more than 48 monthly payments.

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GAAP and “Core Earnings” Basis:

| (Dollars in millions) | | | | | | | |
|--------------------------------------------------------------------------------------------|--------------------------------------------|-----------------|-----------------|-----------------|---------------------|-------------------|-----------------|
| March 31, 2017 | | | | | | | |
| | Monthly Scheduled Payments Received | | | | | Not Yet in | Total |
| | 0 to 12 | 13 to 24 | 25 to 36 | 37 to 48 | More than 48 | Repayment | |
| Loans in-school/grace/deferment | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 1,337 | \$ 1,337 |
| Loans in forbearance | 229 | 99 | 92 | 97 | 276 | — | 793 |
| Loans in repayment — current | 854 | 859 | 1,378 | 2,109 | 14,718 | — | 19,918 |
| Loans in repayment — delinquent 31-60 days | 45 | 43 | 54 | 64 | 218 | — | 424 |
| Loans in repayment — delinquent 61-90 days | 38 | 33 | 37 | 44 | 127 | — | 279 |
| Loans in repayment — delinquent greater than 90 days | 110 | 96 | 123 | 126 | 291 | — | 746 |
| Total | \$1,276 | \$1,130 | \$1,684 | \$2,440 | \$ 15,630 | \$ 1,337 | 23,497 |
| Unamortized discount | | | | | | | (434) |
| Receivable for partially charged-off loans | | | | | | | 800 |
| Allowance for loan losses | | | | | | | (1,311) |
| Total Private Education Loans, net | | | | | | | \$22,552 |
| Loans in forbearance as a percentage of loans in repayment and forbearance | 17.9% | 8.8% | 5.5% | 4.0% | 1.8% | —% | 3.6% |
| Loans in repayment — delinquent greater than 90 days as a percentage of loans in repayment | 10.5% | 9.3% | 7.7% | 5.4% | 1.9% | —% | 3.5% |
| Charge-offs as a percentage of loans in repayment | 11.7% | 6.8% | 5.0% | 3.4% | 1.2% | —% | 2.6% |

| (Dollars in millions) | | | | | | | |
|--------------------------------------------------------------------------------------------|--------------------------------------------|-----------------|-----------------|-----------------|---------------------|-------------------|-----------------|
| March 31, 2016 | | | | | | | |
| | Monthly Scheduled Payments Received | | | | | Not Yet in | Total |
| | 0 to 12 | 13 to 24 | 25 to 36 | 37 to 48 | More than 48 | Repayment | |
| Loans in-school/grace/deferment | \$ — | \$ — | \$ — | \$ — | \$ — | \$ 1,927 | \$ 1,927 |
| Loans in forbearance | 312 | 124 | 122 | 111 | 247 | — | 916 |
| Loans in repayment — current | 939 | 1,420 | 2,297 | 3,273 | 14,384 | — | 22,313 |
| Loans in repayment — delinquent 31-60 days | 71 | 53 | 70 | 62 | 178 | — | 434 |
| Loans in repayment — delinquent 61-90 days | 56 | 42 | 49 | 41 | 102 | — | 290 |
| Loans in repayment — delinquent greater than 90 days | 162 | 117 | 133 | 109 | 228 | — | 749 |
| Total | \$1,540 | \$1,756 | \$2,671 | \$3,596 | \$ 15,139 | \$ 1,927 | 26,629 |
| Unamortized discount | | | | | | | (515) |
| Receivable for partially charged-off loans | | | | | | | 867 |
| Allowance for loan losses | | | | | | | (1,434) |
| Total Private Education Loans, net | | | | | | | \$25,547 |
| Loans in forbearance as a percentage of loans in repayment and forbearance | 20.3% | 7.1% | 4.6% | 3.1% | 1.6% | —% | 3.7% |
| Loans in repayment — delinquent greater than 90 days as a percentage of loans in repayment | 13.2% | 7.2% | 5.2% | 3.1% | 1.5% | —% | 3.2% |
| Charge-offs as a percentage of loans in repayment | 13.5% | 5.1% | 3.4% | 2.0% | 1.0% | —% | 2.4% |

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Private Education Loan Repayment Options

Certain loan programs allow customers to select from a variety of repayment options depending on their loan type and their enrollment/loan status, which include the ability to extend their repayment term or change their monthly payment. The chart below provides the optional repayment offerings in addition to the standard level principal and interest payments as of March 31, 2017.

| <u>(Dollars in millions)</u> | Loan Program | | | Total |
|--------------------------------------|----------------------------------------------|-------------------------------------------------------------------|--------------------------------------|----------|
| | Signature and Other | Smart Option | Career Training | |
| \$ in repayment | \$17,493 | \$3,296 | \$578 | \$21,367 |
| \$ in total | \$19,303 | \$3,597 | \$597 | \$23,497 |
| Payment method by enrollment status: | | | | |
| In-school/grace | Deferred ⁽¹⁾ | Deferred ⁽¹⁾ , interest-only or fixed \$25/month | Interest-only or fixed \$25/month | |
| Repayment | Level principal and interest or graduated | Level principal and interest | Level principal and interest | |

⁽¹⁾ "Deferred" includes loans for which no payments are required and interest charges are capitalized into the loan balance.

The graduated repayment program that is part of Signature and Other Loans includes an interest-only payment feature that may be selected at the option of the customer. Customers elect to participate in this program at the time they enter repayment following their grace period. This program is available to customers in repayment, after their grace period, who would like a temporary lower payment from the required principal and interest payment amount. Customers participating in this program pay monthly interest with no amortization of their principal balance for up to 48 payments after entering repayment (dependent on the loan product type). The maturity date of the loan is not extended when a customer participates in this program. As of March 31, 2017 and 2016, customers in repayment owing approximately \$0.6 billion (3 percent of loans in repayment) and \$1.5 billion (6 percent of loans in repayment), respectively, were enrolled in the interest-only program.

Liquidity and Capital Resources

Funding and Liquidity Risk Management

The following "Liquidity and Capital Resources" discussion concentrates on our FFELP Loans and Private Education Loans segments. Our Business Services and Other segments require minimal capital and funding.

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

We define our liquidity risk as the potential inability to meet our obligations when they become due without incurring unacceptable losses or to invest in future asset growth and business operations at reasonable market rates. Our primary liquidity risk relates to our ability to service our debt, meet our other business obligations and to continue to grow our business. The ability to access the capital markets is impacted by general market and

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economic conditions, our credit ratings, as well as the overall availability of funding sources in the marketplace. In addition, credit ratings may be important to customers or counterparties when we compete in certain markets and when we seek to engage in certain transactions, including over-the-counter derivatives.

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

We have unsecured debt that totaled \$14.0 billion at March 31, 2017. Three credit rating agencies currently rate our long-term unsecured debt at below investment grade. From May 1, 2014 (Spin-Off) to March 31, 2017, we issued \$3.6 billion of unsecured debt (\$1.0 billion in fourth-quarter 2014, \$500 million in first-quarter 2015, \$1.3 billion in third-quarter 2016 and \$843 million in first-quarter 2017) at an average all-in cost of one-month LIBOR plus 4.73 percent and an average term to maturity of 6.2 years.

We no longer originate Private Education Loans or FFELP Loans and therefore have no liquidity requirements for new originations. We have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties such as the \$6.9 billion portfolio acquisition from JPMorgan Chase expected to close in the second quarter of 2017. This portfolio purchase and any future purchases will be part of our ongoing liquidity needs.

We expect to fund our ongoing liquidity needs, including the repayment of \$0.6 billion of senior unsecured notes that mature in the next twelve months, primarily through our current cash, investments and unencumbered FFELP Loan portfolio, the predictable operating cash flows provided by operating activities (\$350 million in the three months ended March 31, 2017), 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 secured loan facilities or additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt.

Sources of Liquidity and Available Capacity

Ending Balances

| <u>(Dollars in millions)</u> | <u>March 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|------------------------------------------------|---------------------------------|------------------------------------|
| Sources of primary liquidity: | | |
| Total unrestricted cash and liquid investments | \$ 1,366 | \$ 1,256 |
| Unencumbered FFELP Loans | 594 | 359 |
| Total GAAP and "Core Earnings" basis | <u>\$ 1,960</u> | <u>\$ 1,615</u> |

Average Balances

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | |
|------------------------------------------------|-------------------------------------|-----------------|
| | <u>2017</u> | <u>2016</u> |
| Sources of primary liquidity: | | |
| Total unrestricted cash and liquid investments | \$ 1,093 | \$ 1,186 |
| Unencumbered FFELP Loans | 904 | 1,108 |
| Total GAAP and "Core Earnings" basis | <u>\$ 1,997</u> | <u>\$ 2,294</u> |

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Liquidity may also be available under secured credit facilities to the extent we have eligible collateral and capacity available. Maximum borrowing capacity under the FFELP Loan-other facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered FFELP Loans. As of March 31, 2017 and 2016, the maximum additional capacity under these facilities was \$3.1 billion and \$1.2 billion, respectively. For the three months ended March 31, 2017 and 2016, the average maximum additional capacity under these facilities was \$2.7 billion and \$1.9 billion, respectively.

In addition to the FFELP Loan-other facilities, liquidity may also be available from our Private Education Loan asset-backed commercial paper ("ABCP") facility which matures on June 26, 2017. This facility's maximum financing amount is \$750 million. At March 31, 2017, the available capacity under this facility was \$209 million. Borrowing under this facility will vary and is subject to the availability of qualifying collateral from unencumbered Private Education Loans and the other terms and conditions set forth in the agreement.

Depending upon market conditions and other available funding at the time of each portfolio purchase, we expect a portion of the JPMorgan Chase portfolio acquisition to be funded through our existing ABCP facilities.

At March 31, 2017, we had a total of \$6.9 billion of unencumbered assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised \$3.3 billion of our unencumbered assets of which \$2.7 billion and \$0.6 billion related to Private Education Loans and FFELP Loans, respectively. In addition, as of March 31, 2017, we had \$10.8 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). In fourth-quarter 2015, we closed on a \$550 million Private Education Loan ABS Repurchase Facility and in the second-quarter 2016, we closed on a second \$478 million Private Education Loan ABS Repurchase Facility. Both repurchase facilities are collateralized by Residual Interests in previously issued Private Education Loan ABS trusts. These are examples of how we can effectively finance previously encumbered assets to generate additional liquidity in addition to the unencumbered assets we traditionally have encumbered in the past. Additionally, these repurchase facilities had a cost of funds lower than that of a new unsecured debt issuance.

For further discussion of our various sources of liquidity, our access to the ABS market, our asset-backed financing facilities, and our issuance of unsecured debt, see "Note 6—Borrowings" in our Annual Report on Form 10-K for the year ended December 31, 2016.

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

| <u>(Dollars in billions)</u> | <u>March 31,</u> <u>2017</u> | <u>December 31,</u> <u>2016</u> |
|-------------------------------------------------------------------------------------|---------------------------------|------------------------------------|
| Net assets of consolidated variable interest entities (encumbered assets) — FFELP | | |
| Loans | \$ 4.7 | \$ 4.7 |
| Net assets of consolidated variable interest entities (encumbered assets) — Private | | |
| Education Loans | 6.1 | 6.1 |
| Tangible unencumbered assets ⁽¹⁾ | 6.9 | 6.8 |
| Senior unsecured debt | (14.0) | (13.7) |
| Mark-to-market on unsecured hedged debt ⁽²⁾ | (.4) | (.4) |
| Other liabilities, net | (.3) | (.4) |
| Total tangible equity — GAAP Basis | <u>\$ 3.0</u> | <u>\$ 3.1</u> |

⁽¹⁾ At March 31, 2017, December 31, 2016 and March 31, 2016, excludes goodwill and acquired intangible assets, net, of \$664 million and \$670 million, respectively.

⁽²⁾ At March 31, 2017 and December 31, 2016, there were \$319 million and \$403 million, respectively, of net gains on derivatives hedging this debt in unencumbered assets, which partially offset these losses.

First-Quarter 2017 Financing Transactions

During the first-quarter 2017, Navient issued \$1.9 billion in FFELP asset-backed securities ("ABS") and \$843 million in unsecured debt.

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In the first-quarter 2017, Navient extended the maturity date of its FFELP ABCP facility. The facility's maturity date was extended to April 2019 from March 2018 and its maximum financing amount was decreased as scheduled to \$6.75 billion from \$7.5 billion, with a step down to \$6.0 billion in April 2018. This facility provides liquidity for FFELP loans.

Shareholder Distributions

In March 2017, we paid a common stock dividend of \$0.16 per share.

We repurchased 7.4 million shares of common stock for \$110 million in the first quarter of 2017. The shares were repurchased under our previously disclosed share repurchase program. As of March 31, 2017, the remaining repurchase authority was \$490 million. In the first quarter of 2016, we repurchased 19.2 million shares for \$200 million.

Recent Second-Quarter 2017 Financing Transactions

In April 2017, we issued \$1.0 billion in FFELP ABS.

Counterparty Exposure

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

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

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

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rate and foreign exchange rates, may require us to return cash collateral held or may require us to access primary liquidity to post collateral to counterparties. See "Note 7—Derivative Financial Instruments" in our 2016 Form 10-K for more information on the amount of cash that has been received and delivered to derivative counterparties.

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The table below highlights exposure related to our derivative counterparties at March 31, 2017.

| <u>(Dollars in millions)</u> | <u>Corporate Contracts</u> | <u>Securitization Trust Contracts</u> |
|------------------------------------------------------------------------------------------|--------------------------------|-------------------------------------------|
| Exposure, net of collateral | \$ 87 | \$ 4 |
| Percent of exposure to counterparties with credit ratings below S&P AA-or Moody's Aa3 | 79% | 20% |
| Percent of exposure to counterparties with credit ratings below S&P A-or Moody's A3 | 20% | 0% |

“Core Earnings” Basis Borrowings

The following tables present the ending balances of our “Core Earnings” basis borrowings at March 31, 2017 and December 31, 2016, and average balances and average interest rates of our “Core Earnings” basis borrowings for the three months ended March 31, 2017 and 2016. The average interest rates include derivatives that are economically hedging the underlying debt but do not qualify for hedge accounting treatment. (See ““Core Earnings” — Definition and Limitations — Differences between ‘Core Earnings’ and GAAP — Reclassification of Realized Gains (Losses) on Derivative and Hedging Activities” of this Item 2.)

Ending Balances

| <u>(Dollars in millions)</u> | <u>March 31, 2017</u> | | | <u>December 31, 2016</u> | | |
|-------------------------------------------------------|-----------------------|----------------------|------------------|--------------------------|----------------------|------------------|
| | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> | <u>Short Term</u> | <u>Long Term</u> | <u>Total</u> |
| Unsecured borrowings: | | | | | | |
| Senior unsecured debt | \$ 571 | \$ 13,424 | \$ 13,995 | \$ 717 | \$ 13,029 | \$ 13,746 |
| Total unsecured borrowings | 571 | 13,424 | 13,995 | 717 | 13,029 | 13,746 |
| Secured borrowings: | | | | | | |
| FFELP Loan securitizations | — | 73,047 | 73,047 | — | 73,522 | 73,522 |
| Private Education Loan securitizations ⁽¹⁾ | 548 | 13,343 | 13,891 | 548 | 14,125 | 14,673 |
| FFELP Loan — other facilities | — | 10,409 | 10,409 | — | 12,443 | 12,443 |
| Private Education Loan — other facilities | 540 | — | 540 | 464 | — | 464 |
| Other ⁽²⁾ | 502 | — | 502 | 606 | — | 606 |
| Total secured borrowings | 1,590 | 96,799 | 98,389 | 1,618 | 100,090 | 101,708 |
| Total before hedge accounting adjustments | 2,161 | 110,223 | 112,384 | 2,335 | 113,119 | 115,454 |
| Hedge accounting adjustments | (1) | (637) | (638) | (1) | (751) | (752) |
| Total | \$2,160 | \$109,586 | \$111,746 | \$2,334 | \$112,368 | \$114,702 |

⁽¹⁾ Includes \$548 million and \$548 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facility (“Repurchase Facility”) as of March 31, 2017 and December 31, 2016, respectively. Includes \$476 million and \$475 million of long-term debt related to the Repurchase Facility as of March 31, 2017 and December 31, 2016, respectively.

⁽²⁾ “Other” primarily includes the obligation to return cash collateral held related to derivative exposures, which includes \$95 million and \$193 million of securities re-pledged subject to an overnight repurchase transaction as of March 31, 2017 and December 31, 2016, respectively.

Secured borrowings comprised 88 percent of our “Core Earnings” basis debt outstanding at March 31, 2017 and December 31, 2016.

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Average Balances

| <u>(Dollars in millions)</u> | <u>Three Months Ended March 31,</u> | | | |
|-------------------------------------------------------|-------------------------------------|---------------------|------------------------|---------------------|
| | <u>2017</u> | | <u>2016</u> | |
| | <u>Average Balance</u> | <u>Average Rate</u> | <u>Average Balance</u> | <u>Average Rate</u> |
| Unsecured borrowings: | | | | |
| Senior unsecured debt | \$ 13,828 | 4.96% | \$ 14,392 | 4.29% |
| Total unsecured borrowings | <u>13,828</u> | <u>4.96</u> | <u>14,392</u> | <u>4.29</u> |
| Secured borrowings: | | | | |
| FFELP Loan securitizations | 72,824 | 1.93 | 76,735 | 1.33 |
| Private Education Loan securitizations ⁽¹⁾ | 14,167 | 3.00 | 16,668 | 2.43 |
| FFELP Loan — other facilities | 11,663 | 1.67 | 16,341 | 1.10 |
| Private Education Loan — other facilities | 501 | 2.66 | 484 | 2.25 |
| Other ⁽²⁾ | 445 | 2.72 | 920 | .86 |
| Total secured borrowings | <u>99,600</u> | <u>2.06</u> | <u>111,148</u> | <u>1.46</u> |
| “Core Earnings” basis borrowings | <u>\$113,428</u> | <u>2.41%</u> | <u>\$125,540</u> | <u>1.78%</u> |
| “Core Earnings” basis borrowings | \$113,428 | 2.41% | \$125,540 | 1.78% |
| Adjustment for GAAP accounting treatment | — | — | — | .03 |
| GAAP basis borrowings | <u>\$113,428</u> | <u>2.41%</u> | <u>\$125,540</u> | <u>1.81%</u> |

⁽¹⁾ Includes \$1.0 billion and \$546 million of debt related to the Private Education Loan asset-backed securitization repurchase facility (“Repurchase Facility”) for the three months ended March 31, 2017 and 2016, respectively.

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

Critical Accounting Policies and Estimates

Management’s Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. A discussion of our critical accounting policies, which include allowance for loan losses, premium and discount amortization related to our loan portfolio, fair value measurement, transfers of financial assets and the VIE consolidation model, and derivative accounting can be found in our 2016 Form 10-K. There were no significant changes to these critical accounting policies during the first three months of 2017.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

Our interest rate risk management seeks to limit the impact of short-term movements in interest rates on our results of operations and financial position. The following tables summarize the potential effect on earnings over the next 12 months and the potential effect on fair values of balance sheet assets and liabilities at March 31, 2017 and December 31, 2016, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points while funding spreads remain constant. Additionally, as it relates to the effect on earnings before unrealized gains (losses) on derivative and hedging activities, a sensitivity analysis was performed assuming the funding index increases 10 basis points while holding the asset index constant, if the funding index and repricing frequency are different than the asset index. These earnings sensitivities are applied only to financial assets and liabilities, including hedging instruments that existed at the balance sheet date and does not take into account new assets, liabilities or hedging instruments that may arise over the next 12 months.

| | As of March 31, 2017 | | | As of March 31, 2016 | | |
|----------------------------------------------------------------------------------------------------|-------------------------------|---------------------------|-----------------------------------------|-------------------------------|---------------------------|-----------------------------------------|
| | Impact on Annual Earnings If: | | | Impact on Annual Earnings If: | | |
| | Interest Rates | | Funding Indices | Interest Rates | | Funding Indices |
| | Increase 100 Basis Points | Increase 300 Basis Points | Increase 10 Basis Points ⁽¹⁾ | Increase 100 Basis Points | Increase 300 Basis Points | Increase 10 Basis Points ⁽¹⁾ |
| (Dollars in millions, except per share amounts) | | | | | | |
| Effect on Earnings: | | | | | | |
| Change in pre-tax net income before unrealized gains (losses) on derivative and hedging activities | \$ (23) | \$ (52) | \$ (95) | \$ (79) | \$ (140) | \$ (116) |
| Unrealized gains (losses) on derivative and hedging activities | (21) | (204) | — | (53) | (338) | — |
| Increase (decrease) in income before taxes | \$ (44) | \$ (256) | \$ (95) | \$ (132) | \$ (478) | \$ (116) |
| Increase (decrease) in net income after taxes | \$ (28) | \$ (161) | \$ (60) | \$ (83) | \$ (301) | \$ (73) |
| Increase (decrease) in diluted earnings per common share | \$ (.09) | \$ (.55) | \$ (.20) | \$ (.25) | \$ (.89) | \$ (.22) |

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

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| At March 31, 2017 | | | | | |
|--------------------------------------|-------------------|------------------------------------------|-----------|------------------------------------------|-------------|
| (Dollars in millions) | Fair Value | Interest Rates: | | | |
| | | Change from Increase of 100 Basis Points | | Change from Increase of 300 Basis Points | |
| | | \$ | % | \$ | % |
| Effect on Fair Values: | | | | | |
| Assets | | | | | |
| FFELP Loans | \$ 84,531 | \$ (347) | —% | \$ (726) | (1)% |
| Private Education Loans | 22,687 | — | — | — | — |
| Other earning assets | 5,398 | — | — | — | — |
| Other assets | 4,656 | 6 | — | 344 | 7 |
| Total assets gain/(loss) | \$ 117,272 | \$ (341) | —% | \$ (382) | —% |
| Liabilities | | | | | |
| Interest-bearing liabilities | \$ 109,912 | \$ (602) | (1)% | \$ (1,683) | (2)% |
| Other liabilities | 2,472 | 226 | 9 | 1,097 | 44 |
| Total liabilities (gain)/loss | \$ 112,384 | \$ (376) | —% | \$ (586) | (1)% |

| At December 31, 2016 | | | | | |
|--------------------------------------|-------------------|------------------------------------------|-----------|------------------------------------------|-------------|
| (Dollars in millions) | Fair Value | Interest Rates: | | | |
| | | Change from Increase of 100 Basis Points | | Change from Increase of 300 Basis Points | |
| | | \$ | % | \$ | % |
| Effect on Fair Values: | | | | | |
| Assets | | | | | |
| FFELP Loans | \$ 86,626 | \$ (378) | —% | \$ (782) | (1)% |
| Private Education Loans | 23,191 | — | — | — | — |
| Other earning assets | 5,203 | — | — | — | — |
| Other assets | 4,863 | (34) | (1) | 304 | 6 |
| Total assets gain/(loss) | \$ 119,883 | \$ (412) | —% | \$ (478) | —% |
| Liabilities | | | | | |
| Interest-bearing liabilities | \$ 112,172 | \$ (607) | (1)% | \$ (1,695) | (2)% |
| Other liabilities | 2,711 | 155 | 6 | 980 | 36 |
| Total liabilities (gain)/loss | \$ 114,883 | \$ (452) | —% | \$ (715) | (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. However, due to the ability of some FFELP loans to earn Floor Income, we can have a fixed versus floating mismatch in funding if the education loan earns at the fixed borrower rate and the funding remains floating. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets.

During the three months ended March 31, 2017 and 2016, certain FFELP Loans were earning Floor Income and we locked in a portion of that Floor Income through the use of derivative contracts. The result of these hedging transactions was to fix the relative spread between the education loan asset rate and the variable rate liability.

In the preceding tables, under the scenario where interest rates increase 100 and 300 basis points, the change in pre-tax net income before the unrealized gains (losses) on derivative and hedging activities is primarily due to the impact of (i) our unhedged loans being in a fixed-rate mode due to Floor Income, while being funded with

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variable rate debt in low interest rate environments; and (ii) a portion of our variable rate assets being funded with fixed rate liabilities and equity. Item (i) will generally cause income to decrease when interest rates increase from a low interest rate environment, whereas item (ii) will generally cause income to increase when interest rates increase. In both 2017 and 2016, the loss of income is due almost entirely to item (i) above. The decrease in the loss in 2017 as compared to 2016 was due to both the natural amortization of the FFELP loan portfolio as well as higher interest rates in first-quarter 2017 compared to first-quarter 2016, which resulted in a loss of unhedged Floor Income between the first quarter of 2016 and the first quarter of 2017. Item (ii) had little impact in either period as the Company entered into derivative contracts in 2015 to convert a portion of fixed rate debt to variable rate debt as a part of its overall interest rate risk management strategy, thereby better match-funding its floating rate assets with variable rate debt.

In the preceding tables, under the scenario where interest rates increase 100 and 300 basis points, the change in unrealized gains (losses) on derivative and hedging activities in 2017 and 2016 are primarily due to (1) the notional amount and remaining term of our derivative portfolio and related hedged debt and (2) the interest rate environment. As of March 31, 2017, the Company's derivative portfolio has declined in size and has a shorter remaining term than the prior year period due to the natural amortization of the education loan portfolios over the year. Both factors contribute to the Company losing less income in an increasing interest rate environment in the current period as compared to the prior-year period.

Under the scenario in the tables above labeled "Impact on Annual Earnings If: Funding Indices Increase 10 Basis Points," the main driver of the decrease in pre-tax income before unrealized gains (losses) on derivative and hedging activities in both the March 31, 2017 and 2016 analyses is primarily the result of one-month LIBOR-indexed FFELP Loans being funded with three-month LIBOR and other non-discrete indexed liabilities, as well as, to a lesser extent, Prime-indexed Private Education Loans being funded with LIBOR and other non-discrete indexed liabilities. See "Asset and Liability Funding Gap" of this Item 3 for a further discussion.

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

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Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of March 31, 2017. 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:

| <u>Index</u> <u>(Dollars in billions)</u> | <u>Frequency of</u> <u>Variable</u> <u>Resets</u> | <u>Assets⁽¹⁾</u> | <u>Funding⁽²⁾</u> | <u>Funding</u> <u>Gap</u> |
|----------------------------------------------|---------------------------------------------------------|-----------------------------|------------------------------|------------------------------|
| 3-month Treasury bill | weekly | \$ 4.2 | \$ — | \$ 4.2 |
| Prime | annual | .4 | — | .4 |
| Prime | quarterly | 2.3 | — | 2.3 |
| Prime | monthly | 11.6 | — | 11.6 |
| Prime | daily | — | — | — |
| PLUS Index | annual | .3 | — | .3 |
| 3-month LIBOR | quarterly | — | 44.6 | (44.6) |
| 3-month LIBOR | daily | — | 1.0 | (1.0) |
| 1-month LIBOR | monthly | 6.1 | 38.2 | (32.1) |
| 1-month LIBOR daily | daily | 80.2 | — | 80.2 |
| CMT/CPI Index | monthly/quarterly | — | .1 | (.1) |
| Non-Discrete reset ⁽³⁾ | monthly | — | 13.0 | (13.0) |
| Non-Discrete reset ⁽⁴⁾ | daily/weekly | 5.4 | .4 | 5.0 |
| Fixed Rate ⁽⁵⁾ | | 7.4 | 20.6 | (13.2) |
| Total | | <u>\$ 117.9</u> | <u>\$ 117.9</u> | <u>\$ —</u> |

(1) FFELP Loans of \$22.7 billion (\$20.1 billion LIBOR index and \$2.6 billion Treasury bill index) are currently earning a fixed rate of interest as a result of the low interest rate environment.

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

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

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

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

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

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“Core Earnings” Basis:

| <u>Index (Dollars in billions)</u> | <u>Frequency of Variable Resets</u> | <u>Assets⁽¹⁾</u> | <u>Funding⁽²⁾</u> | <u>Funding Gap</u> |
|----------------------------------------|---------------------------------------------|-----------------------------|------------------------------|------------------------|
| 3-month Treasury bill | weekly | \$ 4.2 | \$ — | \$ 4.2 |
| Prime | annual | .4 | — | .4 |
| Prime | quarterly | 2.3 | — | 2.3 |
| Prime | monthly | 11.6 | — | 11.6 |
| Prime | daily | — | — | — |
| PLUS Index | annual | .3 | — | .3 |
| 3-month LIBOR | quarterly | — | 41.2 | (41.2) |
| 3-month LIBOR | daily | — | 1.0 | (1.0) |
| 1-month LIBOR | monthly | 6.1 | 44.7 | (38.6) |
| 1-month LIBOR | daily | 80.2 | — | 80.2 |
| Non-Discrete reset ⁽³⁾ | monthly | — | 13.0 | (13.0) |
| Non-Discrete reset ⁽⁴⁾ | daily/weekly | 5.4 | .4 | 5.0 |
| Fixed Rate ⁽⁵⁾ | | 6.9 | 17.1 | (10.2) |
| Total | | <u>\$ 117.4</u> | <u>\$ 117.4</u> | <u>\$ —</u> |

(1) FFELP Loans of \$4.8 billion (\$4.8 billion LIBOR index) are currently earning a fixed rate of interest as a result of the low interest rate environment.

(2) 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.

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

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

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

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or, when economical, have interest rate characteristics that we believe are highly correlated. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in prior years) can lead to a temporary divergence between indices resulting in a negative impact to our earnings.

Weighted Average Life

The following table reflects the weighted average life of our earning assets and liabilities at March 31, 2017.

| <u>(Averages in Years)</u> | <u>Weighted Average Life</u> |
|----------------------------|----------------------------------|
| Earning assets | |
| Education loans | 6.9 |
| Other loans | 5.3 |
| Cash and investments | .1 |
| Total earning assets | <u>6.6</u> |
| Borrowings | |
| Short-term borrowings | .4 |
| Long-term borrowings | 6.2 |
| Total borrowings | <u>6.1</u> |

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive and principal financial officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”) as of March 31, 2017. Based on this evaluation, our chief principal executive and principal financial officers concluded that, as of March 31, 2017, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our chief principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2017 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits and other actions that arise in the normal course of business. We believe that these claims, lawsuits and other actions will not, individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations, except as otherwise disclosed. Most of these matters are claims including individual and class action lawsuits against our servicing and collection subsidiaries by borrowers and debtors 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, our subsidiaries and affiliates may receive information and document requests and investigative demands from state attorneys general, U.S. Attorneys, legislative committees and administrative agencies. These requests may be informational or regulatory in nature and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and to be responsive to any such requests.

These inquiries and the volume of related information demands are increasing the costs and resources we must dedicate to timely respond to these requests and may, depending on their outcome, result in payments of additional amounts of restitution, fines and penalties in addition to those described below.

On March 18, 2011, an education loan borrower filed a putative class action complaint against SLM Corporation as it existed prior to the Spin-Off (“Old SLM”) in the U.S. District Court for the Northern District of California. The complaint was captioned *Tina M. Ubaldi v. SLM Corporation et. al.* The plaintiff brought the complaint on behalf of a putative class consisting of other similarly situated California borrowers. The complaint alleged, among other things, that Old SLM’s practice of charging late fees that were proportional to the amount of missed payments constituted liquidated damages in violation of California law and that Old SLM engaged in unfair business practices by charging daily interest on private educational loans. Plaintiffs subsequently amended their complaint to include usury claims under California state law and to seek restitution of late charges and interest paid by members of the putative class, injunctive relief, cancellation of all future interest payments, treble damages as permitted by law, as well as costs and attorneys’ fees, among other relief. In the fourth quarter of 2016, the parties reached a settlement in principle that would resolve the Ubaldi matter, as well as the related lawsuit of *Marlene Blyden v. Navient Corporation, et al.* While we cannot provide any assurances that we will be able to finalize the proposed settlement on terms that are acceptable to the Company or if the Court will ultimately approve of the proposed settlement, we do not believe that the financial impact of the final settlement, if any, will be material. The Company agreed to settle these matters to avoid the burden, expense, risk, and uncertainty of continued litigation. A reserve was established for this matter as of December 31, 2016.

During the first quarter of 2016, Navient Corporation, certain Navient officers and directors, and the underwriters of certain Navient securities offerings were sued in three putative securities class action lawsuits filed on behalf of certain investors in Navient stock or Navient unsecured debt. These three cases, which were filed in the U.S. District Court for the District of Delaware, were consolidated by the District Court, with Lord Abbett Funds appointed as Lead Plaintiff. The caption of the consolidated case is *Lord Abbett Affiliated Fund, Inc., et al. v. Navient Corporation, et al.* The plaintiffs filed their amended and consolidated complaint in September 2016. The Navient defendants intend to vigorously defend against the allegations in this lawsuit, and filed a Motion to Dismiss the Consolidated Amended Class Action Complaint in November 2016. Plaintiffs filed an Opposition in December 2016. At this stage in the proceedings, we are unable to anticipate the timing of resolution or the ultimate impact, if any, that the legal proceedings may have on the consolidated financial position, liquidity, results of operations or cash-flows of Navient and its affiliates. 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.

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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. One of these putative class action suits is *Randy Johnson v. Navient Solutions, Inc.* (“NSI”). On May 4, 2015, Randy Johnson filed a putative class action in the United States District Court for the Southern District of Indiana alleging violations of the Telephone Consumer Protection Act (“TCPA”). During the fourth quarter of 2016, the parties entered into a settlement agreement and, on December 23, 2016, filed a Motion to Approve the Class Action Settlement with the Court. The Court preliminarily approved the settlement on January 26, 2017. NSI denied all claims asserted, but agreed to settle the case to avoid the burden, expense, risk and uncertainty of continued litigation. A reserve was established for this matter as of December 31, 2016. The proposed settlement is subject to Court approval with a hearing currently scheduled for July 2017.

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington (collectively the “Attorneys General”) initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the Consumer Financial Protection Act of 2010, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act and various state consumer protection laws. For additional information on these civil actions, please refer to section entitled “Regulatory Matters” below.

Regulatory Matters

On May 2, 2014, Navient Solutions, Inc., now known as Navient Solutions, LLC (“Solutions”), a wholly-owned subsidiary of Navient, and Sallie Mae Bank entered into consent orders, without admitting any wrongdoing, with the Federal Deposit Insurance Corporation (the “FDIC”) (respectively, the “Solutions Order” and the “Bank Order”; collectively, the “FDIC Orders”) to settle matters related to certain cited violations of Section 5 of the Federal Trade Commission Act, including the disclosures and assessments of certain late fees, as well as alleged violations under the Servicemembers Civil Relief Act (the “SCRA”). The FDIC Orders, which became effective upon the signing of the consent order with the United States Department of Justice (the “DOJ”) by Solutions and SLM BankCo on May 13, 2014, required Solutions to pay \$3.3 million in civil monetary penalties. Solutions paid its civil monetary penalties. In addition, the FDIC Orders required the establishment of a restitution reserve account totaling \$30 million to provide restitution with respect to loans owned or originated by Sallie Mae Bank, from November 28, 2005 until the effective date of the FDIC Orders. The FDIC lifted the consent order effective as of March 23, 2017 with no conditions.

With respect to alleged civil violations of the SCRA, Solutions and Sallie Mae Bank entered into a consent order with the DOJ in May 2014. The DOJ consent order (the “DOJ Order”) covers all loans either owned by Sallie Mae Bank or serviced by Solutions from November 28, 2005 until the effective date of the settlement. The DOJ Order required Solutions to fund a \$60 million settlement fund, which represents the total amount of compensation due to service members under the DOJ agreement, and to pay \$55,000 in civil penalties. The DOJ Order was approved by the United States District Court in Delaware on September 29, 2014 and has a term of four years. Shortly thereafter, Navient funded the settlement fund and paid the civil money penalties pursuant to the terms of the order. The funds were disbursed beginning in the second quarter of 2015. In the third quarter of 2016, the Company completed the distributions from the fund by distributing the remaining funds to charities approved by the DOJ.

The total reserves established by the Company in 2013 and 2014 to cover these costs were \$177 million, and as of March 31, 2017, substantially all of this amount had been paid or credited or refunded to customer accounts. The final cost of these proceedings will remain uncertain until all of the work under the consent orders has been completed and the remaining consent order is lifted.

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

- In December 2013, Navient received Civil Investigative Demands (“CIDs”) issued by the State of Illinois Office of Attorney General and the State of Washington Office of the Attorney General and multiple

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other state Attorneys General. According to the CIDs, the investigations were initiated to ascertain whether any practices declared to be unlawful under the Consumer Fraud and Deceptive Business Practices Act have occurred or are about to occur.

- In April 2014, Solutions received a CID from the Consumer Financial Protection Bureau (the “CFPB”) as part of the CFPB’s separate investigation regarding allegations relating to Navient’s disclosures and assessment of late fees and other matters. Navient has received a series of supplemental CIDs on these matters. In August 2015, Solutions received a letter from the CFPB notifying Solutions that, in accordance with the CFPB’s discretionary Notice and Opportunity to Respond and Advise (“NORA”) process, the CFPB’s Office of Enforcement is considering recommending that the CFPB take legal action against Solutions. The NORA letter relates to a previously disclosed investigation into Solutions’ disclosures and assessment of late fees and other matters and states that, in connection with any action, the CFPB may seek restitution, civil monetary penalties and corrective action against Solutions. The Company responded to the NORA letter in September 2015.
- In November 2014, Navient’s subsidiary, Pioneer Credit Recovery, Inc. (“Pioneer”), received a CID from the CFPB as part of the CFPB’s investigation regarding Pioneer’s activities relating to rehabilitation loans and collection of defaulted student debt. The CFPB has informed the Company that they have combined this matter with the aforementioned servicing matter.
- In December 2014, Solutions received a subpoena from the New York Department of Financial Services (the “NY DFS”) as part of the NY DFS’s inquiry with regard to whether persons or entities have engaged in fraud or misconduct with respect to a financial product or service under New York Financial Services Law or other laws.

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington (collectively the “Attorneys General”) initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the Consumer Financial Protection Act of 2010, the Fair Credit Reporting Act, the Fair Debt Collection Practices Act and various state consumer protection laws. These civil actions are related to the aforementioned CIDs and the NORA letter that were previously issued by the CFPB and the Attorneys General. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the Attorneys General. The Company filed its Motion to Dismiss on March 20, 2017 with respect to the Attorneys General actions and on March 24, 2017 with respect to the CFPB action. On April 25, 2017, the CFPB filed their response to our Motion to Dismiss. As the Company has previously stated, we believe the suit improperly seeks to impose penalties on Navient based on new servicing standards applied retroactively and applied only against one servicer and that the allegations are false. We intend to vigorously defend against the allegations. At this point in time, the Company is unable to anticipate the timing of a resolution or the ultimate impact that these legal proceedings may have on the Company’s consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

In addition, Navient and its subsidiaries are subject to examination or regulation by the SEC, CFPB, FDIC, ED and various state agencies as part of its ordinary course of business. Items or matters similar to or different from those described above may arise during the course of those examinations. We also routinely receive inquiries or requests from various regulatory entities or bodies or government agencies concerning our business or our assets. The Company endeavors to cooperate with each such inquiry or request.

Under the terms of the Separation Agreement, Navient has agreed to indemnify SLM BankCo for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. As a result, liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above, other than fines or penalties directly levied against Sallie Mae Bank and other matters specifically excluded, are the responsibility of, or assumed by, Navient or one of its subsidiaries, and Navient has

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agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank, therefrom. Navient has no additional reserves related to indemnification matters with SLM BankCo as of March 31, 2017.

OIG Audit

The Office of the Inspector General (the “OIG”) of ED commenced an audit regarding Special Allowance Payments (“SAP”) on September 10, 2007. On September 25, 2013, we received the final audit determination of Federal Student Aid (the “Final Audit Determination”) on the final audit report issued by the OIG on August 3, 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 relating to this Final Audit Determination to the Administrative Actions and Appeals Service Group of ED. This matter remains open. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company established a reserve for this matter in 2014 as part of the total reserve for pending regulatory matters discussed previously and does not believe, at this time, that an adverse ruling would have a material effect on the Company as a whole.

Item 1A. Risk Factors

There have been no material changes from the risk factors previously disclosed in our 2016 Form 10-K.

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

Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended March 31, 2017.

| <u>(In millions, except per share data)</u> | <u>Total Number of Shares Purchased⁽¹⁾</u> | <u>Average Price Paid per Share</u> | <u>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs⁽²⁾</u> | <u>Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs⁽²⁾</u> |
|---------------------------------------------|-------------------------------------------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------|
| Period: | | | | |
| January 1 — January 31, 2017 | .6 | \$ 15.45 | .2 | \$ 597 |
| February 1 — February 28, 2017 | 4.0 | 15.46 | 3.1 | \$ 549 |
| March 1 — March 31, 2017 | 4.1 | 14.57 | 4.1 | \$ 490 |
| Total first-quarter 2017 | 8.7 | \$ 15.04 | 7.4 | |

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

⁽²⁾ In December 2016, our board of directors authorized us to purchase up to \$600 million of shares of our common stock.

The closing price of our common stock on the NASDAQ Global Select Market on March 31, 2017 was \$14.76.

Item 3. Defaults upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Nothing to report.

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Item 5. Other Information

Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

| | |
|----------|-----------------------------------------------------------------------------------------------------------------------------------|
| 10.1†* | Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement. |
| 10.2†* | Form of Navient Corporation 2014 Omnibus Incentive Plan Restricted Stock Unit Agreement. |
| 10.3†* | Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement. |
| 10.4*+ | Federal Student Loan Sale Agreement dated April 18, 2017 between Navient Credit Finance Corporation and JPMorgan Chase Bank, N.A. |
| 10.5*+ | Private Student Loan Sale Agreement dated April 18, 2017 between Navient Credit Finance Corporation and JPMorgan Chase Bank, N.A. |
| 12.1* | Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends. |
| 31.1* | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2* | Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32.1** | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 32.2** | Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 101.INS* | XBRL Instance Document. |
| 101.SCH* | XBRL Taxonomy Extension Schema Document. |
| 101.CAL* | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.DEF* | XBRL Taxonomy Extension Definition Linkbase Document. |
| 101.LAB* | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE* | XBRL Taxonomy Extension Presentation Linkbase Document. |

† Management Contract or Compensatory Plan or Arrangement

* Filed herewith

** Furnished herewith

+ Portions of these exhibits have been redacted pursuant to a confidential treatment request filed with the U.S. Securities and Exchange Commission.

SIGNATURES

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

NAVIENT CORPORATION
(Registrant)

By: _____ /s/ CHRISTIAN M. LOWN

Christian M. Lown
Chief Financial Officer
(Principal Financial Officer)

Date: April 27, 2017

**Navient Corporation 2014 Omnibus Incentive Plan
Performance Stock Unit Agreement**

Pursuant to the terms and conditions of the Navient Corporation 2014 Omnibus Incentive Plan, amended and restated as of April 6, 2015 (the “Plan”), the Compensation and Personnel Committee (the “Committee”) of the Navient Corporation Board of Directors (“Board”) hereby grants to _____ (the “Grantee”) on February 6, 2017 (the “Grant Date”) an award (the “Award”) of _____ shares of Performance Stock Units (“PSUs”), which represent the right to acquire shares of common stock of Navient Corporation (the “Corporation”) subject to the following terms and conditions of this Performance Stock Unit Agreement (the “Agreement”):

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

- Subject to the other provisions of this Section 1, a specified percentage of the total PSUs granted shall vest based on the Corporation’s performance for fiscal years 2017, 2018 and 2019 in the aggregate, as shown in the following performance chart:

| Performance Metric | Weight | Percentage of PSUs Vesting | | | |
|----------------------------------------------|--------|-----------------------------|----------------|----------------|------------------------------|
| | | 0% | 50% | 100% | 150% |
| Net Student Loan Cash Flows | 50% | Less than \$6.75 billion | \$6.75 billion | \$7.85 billion | \$9.25 billion or greater |
| Cumulative Revenue from Growth Businesses | 30% | Less than \$770 million | \$770 million | \$995 million | \$1.27 billion or greater |
| Strategic Objectives | 20% | Determined by the Committee | | | |

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

- If compensation paid to the Grantee might be subject to the tax deduction limitations of Section 162(m) of the Internal Revenue Code (“Section 162(m)”), vesting of the PSUs is contingent upon certification by the Committee that the applicable Section 162(m) performance targets (as pre-determined by the Committee) have been met on or prior to the applicable vesting event; provided, however, that in no event will the conversion of the PSUs into shares of the Corporation’s common stock occur after the end of the calendar year following the calendar year in which ends the performance period described in this Section 1.
- Each vested PSU will be settled in shares of the Corporation’s common stock. PSUs shall vest on the second business day after the Corporation’s annual report on Form 10-K for the fiscal year 2019 is filed, and in no event later than March 15, 2020.

- “Net Student Loan Cash Flows” shall mean the Corporation’s aggregate cash flows net of secured borrowings from student loans realized for the fiscal years 2017, 2018 and 2019, including student loan cash flows realized from new acquisitions, but excluding the impact of cash flows for fiscal years beyond 2019 that are accelerated through securitizing or pledging unencumbered student loans, or through loan sales.
- “Cumulative Revenue from Growth Businesses” shall mean that portion of the Corporation’s aggregate revenue for the fiscal years 2017, 2018, and 2019 derived from products and services in existing and new business lines that have been targeted for long-run growth, as identified by management and approved by the Committee, excluding private education loans volume related to the loans refinanced from within the Corporation’s existing loan portfolio resulting from company initiated marketing activity.
- “Strategic Objectives” shall mean those qualitative business objectives identified by management and approved by the Committee.
- In measuring actual corporate performance relative to the pre-established corporate performance goals, regulatory-related charges will be excluded from actual results. Additionally, the Committee may adjust performance results for certain extraordinary items identified by the Committee, such as changes in accounting, the regulatory environment, strategic corporate transactions, and other unusual or unplanned events.

2. Employment Termination; Death; Disability. Except as provided below, if the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) for any reason, or his or her employment is terminated by the Corporation (or a Subsidiary) for Misconduct or cause, as determined by the Corporation in its sole discretion, he/she shall forfeit any portion of the Award that has not vested as of the date of such termination of employment. For purposes of this Agreement, “Misconduct” is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation (or a Subsidiary), breach of fiduciary duty or deliberate disregard of Corporation (or Subsidiary) rules; an unauthorized disclosure of any Corporation (or Subsidiary) trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation (or a Subsidiary) to breach a contract with the Corporation (or a Subsidiary) or any principal for whom the Corporation (or a Subsidiary) acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

If not previously vested, the Award will continue to vest, and will be settled in shares of the Corporation’s common stock, subject to the original performance goals and performance period set forth above, and on the original vesting terms and vesting dates set forth above, in the event that the Grantee’s employment is terminated by the Corporation (or a Subsidiary) for any reason other than for Misconduct or cause, as determined by the Corporation in its sole discretion.

If not previously vested, a portion of the Award (as determined below) will continue to vest, and will be settled in shares of the Corporation’s common stock, subject to the original performance goals and performance period set forth above, and on the original

vesting terms and vesting dates set forth above, in the event that the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) and meets the Corporation's retirement eligibility requirements under the Corporation's then current retirement eligibility policy, which shall be determined by the Corporation in its sole discretion. For purposes of the immediately preceding sentence: (i) the entire Award will continue to vest if the Grantee ceases employment on or after the third anniversary of the Grant Date; (ii) two-thirds of the Award will continue to vest if the Grantee ceases employment on or after the second anniversary (but before the third anniversary) of the Grant Date; (iii) one-third of the Award will continue to vest if the Grantee ceases employment on or after the first anniversary (but before the second anniversary) of the Grant Date; and (iv) no portion of the Award will vest if the Grantee ceases employment before the first anniversary of the Grant Date.

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

The Award shall be forfeited upon termination of employment due to Misconduct or cause, as determined by the Corporation in its sole discretion.

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

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

- In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall vest at the 100% target level set forth in the vesting schedules herein; provided, however, the settlement of the accelerated portion of the PSUs into shares of the Corporation's common stock (i.e., the settlement of the Award) will nevertheless be made at the same time or times as if such PSUs had vested in accordance with the vesting schedule set forth in Section 1 or, if earlier, upon the termination of Grantee's employment for reasons other than Misconduct or cause, as determined by the Corporation in its sole discretion.
- If Grantee's employment shall terminate within twenty-four months following a Change in Control for any reason other than (i) by the Corporation (or a Subsidiary) for Misconduct or cause, as determined by the Corporation in its sole discretion, or (ii) by Grantee's voluntary termination of employment that is not a Termination of Employment for Good Reason, as defined in the Change in Control Severance Plan for Senior Officers, any portion of the Award not previously vested shall immediately become vested at the 100% target level set forth in the vesting schedules herein, and shall be settled in shares of the Corporation's common stock, upon such employment termination.

4. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Committee hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on an unvested Award will not be paid currently. Instead, amounts equal to such dividends will be credited to an account established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("Dividend Equivalents"). Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject. Upon vesting of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (and any fractional share amount) will also vest and will be converted into shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash).
5. Section 409A. For purposes of Section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all PSUs provided under this Agreement and shares issuable hereunder comply with the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the PSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated PSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the PSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such PSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such PSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), such PSUs will be settled.

6. Clawback Provision. Notwithstanding anything to the contrary herein, if the Board of Directors of the Corporation, or an appropriate committee thereof, determines that, any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee's conduct or the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, and the Grantee at the time of such violation, fraud or Misconduct (or at any time thereafter) was an officer of the Corporation (or its subsidiaries) at the Senior Vice President level or above, then the Board or committee shall consider all factors, with particular scrutiny when one of the top 20 members of management are involved, and the Board or such committee, may in its sole discretion require reimbursement of any compensation resulting from the vesting, exercise or settlement of Options and/or Restricted Stock/PSUs and the cancellation of any outstanding Options and/or Restricted Stock/PSUs from the Grantee (whether or not such individual is currently employed by the Corporation (or its subsidiaries)) during the three-year period following the date the Board first learns of the violation, fraud or Misconduct. In addition, the Award shall be subject to any recoupment or clawback policy that is adopted by, or applicable to, the Company, pursuant to any requirement of law or any exchange listing requirement related to clawback or other recovery of compensation, including any policy that is adopted after the Grant Date, to the extent provided therein.
7. Securities Law Compliance. The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of Common Stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.
8. Data Privacy. As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any

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

9. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation (or one of its subsidiaries) and thereafter until withdrawn in writing by Grantee.
10. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.
11. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.
12. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.
13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.
14. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:

If to the Corporation to:

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

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

15. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan.
16. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to Grantee, including federal and state securities reporting laws.

NAVIENT CORPORATION

By: _____
Jack Remondi
President and Chief Executive Officer

Accepted by:

Date

**Navient Corporation 2014 Omnibus Incentive Plan
Restricted Stock Unit Agreement**

Pursuant to the terms and conditions of the Navient Corporation 2014 Omnibus Incentive Plan, amended and restated as of April 6, 2015 (the "Plan"), the Compensation and Personnel Committee (the "Committee") of the Navient Corporation Board of Directors (the "Board") hereby grants to _____ (the "Grantee") on February 6, 2017 (the "Grant Date") an award (the "Award") of _____ Restricted Stock Units ("RSUs"), which represent the right to acquire shares of common stock of Navient Corporation (the "Corporation") subject to the following terms and conditions of this Restricted Stock Unit Agreement (the "Agreement"):

1. Vesting Schedule. Unless vested earlier as set forth below, the Award will vest, and will be converted into shares of common stock, in one-third increments the first, second, and third anniversary of the Grant Date.
2. Employment Termination; Death; Disability. Except as provided below, if the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) for any reason or his or her employment is terminated by the Corporation (or a Subsidiary) for Misconduct or cause, as determined by the Corporation in its sole discretion, he/she shall forfeit any portion of the Award that has not vested as of the date of such termination of employment. For purposes of this Agreement, "Misconduct" is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation (or a Subsidiary), breach of fiduciary duty or deliberate disregard of Corporation (or Subsidiary) rules; an unauthorized disclosure of any Corporation (or Subsidiary) trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation (or a Subsidiary) to breach a contract with the Corporation (or a Subsidiary) or any principal for whom the Corporation (or a Subsidiary) acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

If not previously vested, the Award will continue to vest, and will be converted into shares of common stock, on the original vesting terms and vesting dates set forth above in the event that (i) the Grantee's employment is terminated by the Corporation (or a Subsidiary) for any reason other than for Misconduct or cause, as determined by the Corporation in its sole discretion, or (ii) the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) and meets the Corporation's retirement eligibility requirements under the Corporation's retirement eligibility policy in effect as of the Grant Date, which shall be determined by the Corporation in its sole discretion.

If not previously vested, the Award will vest, and will be converted into shares of common stock, upon death or Disability (provided that such Disability qualifies as a "disability" within the meaning of Treasury Regulation Section 1.409A-3(i)(4)).

The Award shall be forfeited upon termination of employment due to Misconduct or cause, as determined by the Corporation in its sole discretion.

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

3. Change in Control. Notwithstanding anything to the contrary in this Agreement:
 - (a) In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall become 100 percent vested; provided, however, the conversion of the accelerated portion of the RSUs into shares of common stock (i.e., the settlement of the Award) will nevertheless be made at the same time or times as if such RSUs had vested in accordance with the vesting schedule set forth in Section 1 or, if earlier, upon the termination of Grantee's employment for reasons other than Misconduct.
 - (b) If Grantee's employment shall terminate within twenty-four months following a Change in Control for any reason other than (i) by the Corporation (or a Subsidiary) for Misconduct or cause, as determined by the Corporation in its sole discretion, or (ii) by Grantee's voluntary termination of employment that is not a Termination of Employment for Good Reason, as defined in the Change in Control Severance Plan for Senior Officers (if applicable to the Grantee), any portion of the Award not previously vested shall immediately become vested, and shall be converted into shares of common stock, upon such employment termination.
4. Taxes; Dividends. The Grantee of the Award shall make such arrangements as may reasonably be required by the Corporation, including transferring a sufficient number of shares of the Corporation's stock, to satisfy the income and employment tax withholding requirements that accrue upon the Award becoming vested or, if applicable, settled in shares of the Corporation's common stock (by approving this Agreement, the Committee hereby approves the transfer of such shares to the Corporation for purposes of SEC Rule 16b-3). Dividends declared on an unvested Award will not be paid currently. Instead, amounts equal to such dividends will be credited to an account established on behalf of the Grantee and such amounts will be deemed to be invested in additional shares of the Corporation's common stock ("Dividend Equivalents"). Such Dividend Equivalents will be subject to the same vesting schedule to which the Award is subject. Upon vesting of any portion of the Award, the amount of Dividend Equivalents allocable to such Award (and any fractional share amount) will also vest and will be converted into shares of the Corporation's common stock (provided that any fractional share amount shall be paid in cash).
5. Section 409A. For purposes of Section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all RSUs provided under this Agreement and shares issuable hereunder comply with or be exempt from the

requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the RSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated RSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the RSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such RSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such RSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), such RSUs will be settled.

6. Clawback Provision. Notwithstanding anything to the contrary herein, if the Board of Directors of the Corporation, or an appropriate committee thereof, determines that, any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee's conduct or the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, then the Board or committee shall consider all factors, with particular scrutiny when one of the top 20 members of management are involved, and the Board or such committee, may in its sole discretion require reimbursement of any compensation resulting from the vesting, exercise or settlement of Options and/or Restricted Stock/RSUs and the cancellation of any outstanding Options and/or Restricted Stock/RSUs from the Grantee (whether or not such individual is currently employed by the Corporation) during the three-year period following the date the Board first learns of the violation, fraud or Misconduct. In addition, the Award shall be subject to any recoupment or clawback policy that is adopted by, or applicable to, the Company, pursuant to any requirement of law or any exchange listing requirement related to clawback or other recovery of compensation, including any policy that is adopted after the Grant Date, to the extent provided therein.
7. Securities Law Compliance. The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any transfer or sale by the Grantee of any shares of the Corporation's common stock, including without limitation (a) restrictions under an insider trading policy and (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the shares of the Corporation's common stock. The sale of the shares must also comply with other applicable laws and regulations governing the sale of such shares.

8. Data Privacy. As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing Grantee's consent may adversely affect Grantee's ability to participate in the Plan.
9. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation (or its subsidiaries) and thereafter until withdrawn in writing by Grantee.
10. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Committee concerning any questions arising under this Agreement or the Plan.
11. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.
12. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.

13. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.
14. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:
If to the Corporation to:
Navient Corporation
Attn: Human Resources, Equity Plan Administration
123 Justison Street
Wilmington, DE 19801
If to the Grantee, to (i) the last address maintained in the Corporation's Human Resources files for the Grantee or (ii) the Grantee's mail delivery code or place of work at the Corporation (or its subsidiaries).
15. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan.
16. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to Grantee, including federal and state securities reporting laws.

By: _____
Jack Remondi
President and Chief Executive Officer

Accepted by:

Date

**Navient Corporation 2014 Omnibus Incentive Plan
Stock Option Agreement**

- A. Option Grant. Net-Settled Stock Options (the “Options”) to purchase a total of _____ shares of Common Stock, par value \$.01 per share, of Navient Corporation (the “Corporation”) are hereby granted to _____ (the “Grantee”), subject in all respects to the terms and provisions of the Navient Corporation 2014 Omnibus Incentive Plan, amended and restated as of April 6, 2015 (the “Plan”), which is incorporated herein by reference, and this Stock Option Agreement (the “Agreement”). The Options are non-qualified stock options and are not intended to qualify as incentive stock options under Section 422 of the Internal Revenue Code of 1986, as amended, and will be interpreted accordingly.
- B. Option Price. The purchase price per share is \$_____ (the “Option Price”), which is the fair market value per share of Common Stock on the Grant Date.
- C. Grant Date. The date of grant of these Options is February 6, 2017 (the “Grant Date”).
- D. Vesting; Exercisability. The Options are not vested as of the Grant Date. Unless vested earlier as set forth below, the Options will vest as follows: One-third of the Options will vest on each of the first, second, and third anniversary of the Grant Date, respectively.
- Except as set forth below, if the Grantee ceases to be an employee of the Corporation (or a Subsidiary) for any reason, he/she will forfeit any unvested Options as of the date of such termination of employment.
 - Except as otherwise set forth herein, including Section H, if the Grantee’s employment with the Corporation (or a Subsidiary) is terminated by the Corporation (or a Subsidiary) for any reason other than for Misconduct or cause, as determined by the Corporation in its sole discretion, or if the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) and meets the Corporation’s retirement eligibility requirements under the Corporation’s retirement eligibility policy in effect as of the Grant Date, which shall be determined by the Corporation in its sole discretion, all unvested Options will continue to vest based on their original vesting terms and each vested portion of the Options will be exercisable for one year from the date such portion vests, but in no event later than the Expiration Date (as defined below). For purposes of this Agreement, “Misconduct” is defined as an act of embezzlement, fraud, dishonesty, nonpayment of any obligation owed to the Corporation (or a Subsidiary), breach of fiduciary duty or deliberate disregard of Corporation (or Subsidiary) rules; an unauthorized disclosure of any Corporation (or Subsidiary) trade secret or confidential information; any conduct constituting unfair competition; inducing any customer of the Corporation (or a Subsidiary) to breach a contract with the Corporation (or a Subsidiary) or any principal for whom the Corporation (or a Subsidiary) acts as agent to terminate such agency relationship; or engaging in any other act or conduct proscribed by the senior human resources officer as Misconduct.

- Upon termination of employment for death, Disability or as provided for under the Navient Corporation Change in Control Severance Plan for Senior Officers, all unvested Options will vest and will be exercisable for one year from the date of such vesting.
 - Except as otherwise set forth herein and except as otherwise provided in the Navient Corporation Change in Control Severance Plan, vested Options (taking into account any vesting acceleration, if any) are exercisable until the earlier of: (1) the Expiration Date; or (2) three months from the date of termination.
 - Upon termination of employment for Misconduct or for cause, as determined by the Corporation in its sole discretion, all Options, vested or unvested, are forfeited.
- E. Expiration. These Options expire five years from the Grant Date (the “Expiration Date”), subject to the provisions of the Plan and this Agreement, which may provide for earlier expiration in certain instances, including Grantee’s termination of employment.
- F. Non-Transferable; Binding Effect. These Options may not be transferred except as provided for herein. All or any part of these Options may be transferred by the Grantee by will or by the laws of descent and distribution. In addition, Grantee may transfer all or any part of any Option to “Immediate Family Members.” “Immediate Family Members” means children, grandchildren, spouse or common law spouse, siblings or parents of the Grantee or bona fide trusts, partnerships or other entities controlled by and of which all beneficiaries are Immediate Family Members of the Grantee. Any Options that are transferred are further conditioned on the Grantee’s transferees and Immediate Family Members agreeing to abide by the Corporation’s then current stock option transfer guidelines. The terms of these Options shall be binding upon the executors, administrators, heirs, and successors of the Grantee.
- G. Net-Settlement upon Option Exercise; Taxes. These Options shall be exercised only in accordance with the terms of this Agreement. Each exercise must be for no fewer than fifty (50) Options, other than an exercise for all remaining Options. Upon exercise of all or part of the Options, the Grantee shall receive from the Corporation the number of shares of Common Stock resulting from the following formula: the total number of Options exercised less the sum of “Shares for the Option Cost” and “Shares for Taxes”, rounded up to the nearest whole share. “Shares for the Option Cost” equals the Option Price multiplied by the number of Options exercised divided by the fair market value per share of the Corporation’s common stock at the time of exercise. “Shares for Taxes” equals the tax liability (the statutory withholding minimum) divided by the fair market value per share of the Corporation’s common stock at the time of exercise. Grantee shall receive cash for any resulting fractional share amount. As a condition to the issuance of shares of Common Stock of the Corporation pursuant to these Options, the Grantee agrees to remit to the Corporation (through the procedure described in this paragraph) at the time of any exercise of these Options any taxes required to be withheld by the Corporation under federal, state, or local law as a result of the exercise of these Options.

- H. Vesting Upon Change In Control. Notwithstanding anything to the contrary in this Agreement, including Section (D):
- (I) In the event of a Change in Control in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of these Options that were not vested shall become 100 percent vested and exercisable effective immediately prior to the consummation of such Change in Control; and
 - (II) If Grantee's employment shall terminate within twenty-four months following a Change in Control other than for (i) Misconduct or for cause, as determined by the Corporation in its sole discretion, or (ii) voluntary termination, any Options not previously vested shall immediately become vested and exercisable upon such employment termination and such Options shall be exercisable until the earlier of: (1) the Expiration Date; or (2) one year from the date of termination.
- I. Clawback Provision. Notwithstanding anything to the contrary herein, if the Board of Directors (the "Board") of the Corporation, or an appropriate committee thereof, determines that, any material misstatement of financial results or a performance metric criteria has occurred as a result of the Grantee's conduct or the Grantee has committed a material violation of corporate policy or has committed fraud or Misconduct, then the Board or committee shall consider all factors, with particular scrutiny when one of the top 20 members of management are involved, and the Board or such committee, may in its sole discretion require reimbursement of any compensation resulting from the vesting and exercise of Options and the cancellation of any outstanding Options from the Grantee (whether or not such individual is currently employed by the Corporation (or its subsidiaries)) during the three-year period following the date the Board first learns of the violation, fraud or Misconduct. In addition, the Options shall be subject to any recoupment or clawback policy that is adopted by, or applicable to, the Company, pursuant to any requirement of law or any exchange listing requirement related to clawback or other recovery of compensation, including any policy that is adopted after the Grant Date, to the extent provided therein.
- J. Board Interpretation. The Grantee hereby agrees to accept as binding, conclusive, and final all decisions and interpretations of the Board and, where applicable, the Compensation and Personnel Committee of the Board concerning any questions arising under this Agreement or the Plan.
- K. Stockholder Rights. The Grantee shall not be deemed a stockholder of the Corporation with respect to any of the shares of Common Stock subject to the Options, except to the extent that such shares shall have been purchased and transferred to the Grantee. The Corporation shall not be required to issue or transfer any shares of Common Stock purchased upon exercise of the Options until all applicable requirements of law have been complied with and such shares shall have been duly listed on any securities exchange on which the Common Stock may then be listed.

- L. No Right to Continued Employment. Nothing in the Plan, in this Agreement or any other instrument executed pursuant thereto or hereto shall confer upon the Grantee any right to continued employment with the Corporation or any of its subsidiaries or affiliates.
- M. Amendments for Accounting Charges. The Committee reserves the right to unilaterally amend this Agreement to reflect any changes in applicable law or financial accounting standards.
- N. Securities Law Compliance; Restrictions on Resales of Option Shares. The Corporation may impose such restrictions, conditions or limitations as it determines appropriate as to the timing and manner of any exercise of the Option and/or any resales by the Grantee or other subsequent transfers by the Grantee of any shares of Common Stock issued as a result of the exercise of the Option, including without limitation (a) restrictions under an insider trading policy, (b) restrictions that may be necessary in the absence of an effective registration statement under the Securities Act of 1933, as amended, covering the Option and/or the Common Stock underlying the Option and (c) restrictions as to the use of a specified brokerage firm or other agent for exercising the Option and/or for such resales or other transfers. The sale of the shares of Common Stock underlying the Option must also comply with other applicable laws and regulations governing the sale of such shares.
- O. Data Privacy. As an essential term of this Option, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described in this Agreement for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. By entering into this Agreement and accepting the Option, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of Common Stock acquired upon exercise of the Option. Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing Grantee's consent may adversely affect Grantee's ability to participate in the Plan.

- P. Electronic Delivery. The Corporation may, in its sole discretion, decide to deliver any documents related to any awards granted under the Plan by electronic means or to request Grantee's consent to participate in the Plan by electronic means. Grantee hereby consents to receive such documents by electronic delivery and, if requested, to agree to participate in the Plan through an on-line or electronic system established and maintained by the Corporation or another third party designated by the Corporation, and such consent shall remain in effect throughout Grantee's term of service with the Corporation and thereafter until withdrawn in writing by Grantee.
- Q. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Delaware, without giving effect to principles of conflicts of law.
- R. Notices. All notices, requests, demands and other communications under this Agreement shall be in writing and shall be deemed to have been duly given if personally delivered, telefaxed or telecopied to, or, if mailed, when received by, the other party at the following addresses:
- If to the Corporation to:
- Navient Corporation
Attn: Human Resources, Equity Plan Administration
123 Justison Street
Wilmington, DE 19801
- If to the Grantee, to (i) the last address maintained in the Corporation's Human Resources files for the Grantee or (ii) the Grantee's mail delivery code or place of work at the Corporation (or its subsidiaries).
- S. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan.
- T. Miscellaneous. In the event that any provision of this Agreement is declared to be illegal, invalid or otherwise unenforceable by a court of competent jurisdiction, such provision shall be reformed, if possible, to the extent necessary to render it legal, valid and enforceable, or otherwise deleted, and the remainder of this Agreement shall not be affected except to the extent necessary to reform or delete such illegal, invalid or unenforceable provision. The headings in this Agreement are solely for convenience of reference, and shall not constitute a part of this Agreement, nor shall they affect its meaning, construction or effect. The Grantee shall cooperate and take such actions as may be reasonably requested by the Corporation in order to carry out the provisions and purposes of the Agreement. The Grantee is responsible for complying with all laws applicable to Grantee, including federal and state securities reporting laws.

The Grantee must contact Merrill Lynch to accept the terms of this grant. Merrill Lynch can be contacted at www.benefits.ml.com or by phone at 1-877-756-ESOP. If Grantee fails to accept the terms of this grant, the Options may not be exercised.

NAVIENT CORPORATION

By: _____
Jack Remondi
President and Chief Executive Officer

Accepted by:

Date

FEDERAL STUDENT LOAN SALE AGREEMENT

This Federal Student Loan Sale Agreement (the “Agreement”) is made and entered into as of April 18, 2017 (the “Effective Date”), by and between NAVIENT CREDIT FINANCE CORPORATION, a Delaware corporation (the “Purchaser”), and JPMORGAN CHASE BANK, N.A., a national banking association (the “Seller”).

RECITALS

WHEREAS, the Seller desires to sell a portfolio of federal student loans to the Purchaser, and the Purchaser is willing to purchase such student loan portfolio from the Seller on the terms and conditions set forth in this Agreement; and

WHEREAS, the parties desire to provide for the purchase of such portfolio of federal student loans by the Purchaser on one or more purchase dates, if necessary or advisable to accommodate the orderly transfer of servicing;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

**ARTICLE I
DEFINITIONS**

SECTION 1.01 Certain Definitions. Except as otherwise specified herein or as the context may otherwise require, for purposes of this Agreement, the following terms have the meaning specified:

“ACS” means Conduent Incorporated (formerly known as Xerox Education Services, LLC) and ACS Education Loan Services, LLC.

“Action” has the meaning assigned to such term in Section 9.03.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person, and the term “control” (as well as the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by Contract or otherwise.

“Agreement” has the meaning assigned to such term in the preamble hereto.

“Applicable Law and Regulation” means applicable law, rule, regulation, governmental order or decree, or any legal or administrative process or proceeding.

“Bankruptcy Loan” means any Loan that has been submitted to the Guarantor by the Seller for a claim solely by reason of a related Borrower being the subject of a bankruptcy

proceeding (and not, for the avoidance of doubt, by reason of a default claim) and which bankruptcy proceeding has subsequently been closed by the applicable court and the principal and accrued interest on such Loan remains guaranteed by a Guarantor to the extent provided in the Higher Education Act.

“Bill of Sale” means the bill of sale in the form set forth as **Exhibit B** hereto.

“Blanket Endorsement” means the blanket endorsement in the form set forth as **Exhibit B** hereto.

“Borrower” means any Person who is an obligor on a Loan.

“Borrower Benefits” has the meaning assigned to such term in Section 2.06.

“Business Day” means any day other than a Saturday or a Sunday on which commercial banking institutions are not required or authorized to be closed in New York, New York.

“CELT 2007-A Residual Sale Agreement” means the Certificate Purchase Agreement, dated as of April 18, 2017, among JPMorgan Chase Bank, N.A., as seller, Navient Credit Finance Corporation, as buyer and Navient Solutions, LLC, as assignee master servicer and assignee administrator.

“CFPB” means the United States Consumer Financial Protection Bureau.

“Claim Notice” has the meaning assigned to such term in Section 9.03.

“Claim Status Loan” means a Loan for which a claim has been submitted to the applicable Guarantor.

“Collegiate Sale Agreement” means the Member Interest Purchase Agreement, dated as of April 18, 2017, relating to Collegiate Funding Services, LLC, between JPMorgan Chase Bank, N.A., as seller and Navient Credit Finance Corporation, as buyer.

“Conduent Corrections File” means the summary document entitled “Post Closing Corrections – Conduent” which was uploaded to the Data Room on April 17, 2017.

“Confidential Information” means (a) all information (whether oral, electronic and/or written or otherwise) that is furnished by or on behalf of the Seller to the Purchaser or its Representatives, or by or on behalf of the Purchaser to the Seller or its Representatives, in connection with this Agreement or the transactions contemplated hereby and (b) all notes, analyses, compilations, studies, interpretations, memoranda or other documents (regardless of the form) prepared by or on behalf of the Purchaser or its Representatives containing, in whole or in part, or generated from and reflecting, any information referenced in the immediately preceding sub-clause (a); provided that, notwithstanding the foregoing, the term “Confidential Information” does not include information that (i) is or becomes generally available to the public other than as a result of disclosure by the Purchaser or the Seller, as applicable, or its respective Representatives in violation of this Agreement; (ii) is or becomes available to the Purchaser or the Seller, as applicable, or its respective Representatives on a non-confidential basis from a

source other than the other party or its Representatives in connection with this Agreement or the transactions contemplated hereby; provided, however, that such source is not known by the Purchaser or the Seller, as applicable, or its respective Representatives to be prohibited from transmitting such information to the Purchaser, its Affiliates or its Representatives by a contractual, legal, fiduciary or other obligation, (iii) has been independently developed by or on behalf of the Purchaser or its Affiliates without reference to or use of any Confidential Information, (iv) Customer Information relating to any Purchased Loan or (v) any historical performance data, static pool data, loan pool stratifications or other data of the type customarily disclosed to student loan securitization or whole loan investors, whether by custom, practice of the Purchaser or as required by Applicable Law.

“Consolidation Loan” means a Loan made pursuant to Section 428C of the Higher Education Act, under which the Borrower consolidates two or more PLUS/SLS Loans, Stafford Loans and/or direct Loans made by the Department of Education.

“Contract” means any contract, agreement, indenture, note, bond, mortgage, loan, instrument, lease or license.

“Cure Period” has the meaning assigned to such term in Section 6.01(a).

“Customer Information” has the meaning assigned to such term in Section 10.01(d).

“Data Room” means the JPMorgan Chase [****] 2016 data room [****] maintained for purposes of the transactions contemplated by this Agreement, and including all documents and files saved in such data room at 9:00 a.m. on the Effective Date as well as any other documents and files saved after Effective Date to the extent agreed to by the Parties.

“Debtor Relief Laws” means any and all applicable liquidation, conservatorship, bankruptcy, insolvency, rearrangement, moratorium, reorganization or similar debtor relief laws and usual principles of equity affecting the rights of creditors generally from time to time in effect in any State or under the laws of the United States.

“Deductible Amount” means \$[****] per annum.

“Department of Education” means the U.S. Department of Education or other department of the federal government that is responsible for regulating guaranteed student loan programs and student financial assistance programs.

“Dispute Notice” has the meaning assigned to such term in Section 9.03.

“Effective Date” has the meaning assigned to such term in the preamble hereto.

“Eligible Borrower” means a borrower who is eligible under the Higher Education Act to

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be the obligor of a loan for financing a program of education at an Eligible Institution, including a borrower who is eligible under the Higher Education Act to be an obligor of a loan made pursuant to Section 428A, 428B and 428C of the Higher Education Act.

“Eligible Institution” means (i) an institution of higher education, (ii) a vocational school or (iii) any other institution which, in each case, has been approved by the Department of Education and the applicable Guarantor.

“E-Sign” or “E-Signed” means the process by which a Loan was electronically signed.

“Estimated Purchase Price” means, with respect to any Purchased Loans, the Purchase Price as determined as of the applicable Purchase Date based upon the applicable Purchase Date Portfolio File, which amount shall be used as an estimate of the Purchase Price for such Purchased Loans for purposes of settlement on such Purchase Date.

“Excess Deconversion Fee” means the amount by which the product of (i) \$[****] and (ii) the number of loan packets relating to the Federal Loans, exceeds \$[****].

“FCRA” has the meaning assigned to such term in Section 10.01(d).

“Federal Buyer Losses” means the aggregate amount of all “Losses” as such term is defined in each Federal Sale Agreement (including Losses under this Agreement) that have been or are the subject of an indemnification claim against the Purchaser or its Affiliates under any Federal Sale Agreement.

“Federal Sale Agreements” means collectively, this Agreement, the CELT 2007-A Residual Sale Agreement and the Collegiate Sale Agreement.

“Federal Seller Losses” means the aggregate amount of all “Losses” or “Loan Losses” as such terms are defined in each Federal Sale Agreement (including Losses and Loan Losses under this Agreement) that have been or are the subject of an indemnification claim against the Seller or its Affiliates under any Federal Sale Agreement.

“FFEL Program” means the Federal Family Education Loan Program authorized under the Higher Education Act.

“Final Purchase Price” has the meaning assigned to such term in Section 2.02.

“Financing Agreements” means the [****], in each case substantially on the terms described in the commitment letter from the Seller to the Purchaser dated April 18, 2017.

“GLBA” has the meaning assigned to such term in Section 10.01(d).

“Governmental Authority” means the government of the United States of America, any

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other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantee Agreement” means an agreement between (a) a Guarantor and the Seller or (b) a Guarantor and the Purchaser providing for the guarantee by such Guarantor to the extent provided in the Higher Education Act of the principal and accrued interest on Loans, including the Purchased Loans acquired by the Purchaser hereunder.

“Guarantor” means a state or private non-profit agency that has an agreement with the Secretary to administer a loan guarantee program under the Higher Education Act.

“Guarantor Repurchase Loan” has the meaning assigned to such term in Section 2.01(b).

“Higher Education Act” means Title IV, Parts B, F and G of the Higher Education Act of 1965, as amended or supplemented from time to time, and all regulations and guidelines promulgated thereunder, including any rule, regulation, instruction or procedure issued by the Secretary under the Higher Education Act or by the applicable Guarantor.

“Indemnified Person” has the meaning assigned to such term in Section 9.03.

“Indemnifying Person” has the meaning assigned to such term in Section 9.03.

“Initial Purchase Date” means the first Purchase Date occurring on or after the Effective Date, which date shall be the earliest practicable date following the date on which the parties mutually agree that the conditions of purchase set forth in Section 3.01 have been satisfied.

“Interest Subsidy Payments” means interest subsidy payments received from the Secretary pursuant to Section 428 of the Higher Education Act or similar payments authorized by federal law or regulation.

“Loan” means a student loan made under the Higher Education Act.

“Loan Documents” means, with respect to a Loan, the following documents:

- (i) loan application, and any supplement thereto;
- (ii) evidence that such Loan is guaranteed by a Guarantor;
- (iii) any other document and/or record which the Seller or the Servicer or other agent may be required to retain pursuant to the Higher Education Act;

(iv) if applicable, payment history (or similar documentation) including (A) an indication of the Principal Balance and the date through which interest has been paid, each as of the related date of determination and (B) an accounting of the allocation of all payments by the Borrower or on the Borrower’s behalf to principal and interest on the Loan;

(v) if applicable, documentation which supports periods of current or past deferment or past forbearance;

(vi) if applicable, a collection history, if the Loan was ever in a delinquent status, including detailed summaries of contacts and including the addresses or telephone numbers used in contacting or attempting to contact the related Borrower and any endorser and, if required by the Guarantor, copies of all letters and other correspondence relating to due diligence processing;

(vii) if applicable, evidence of all requests for skip-tracing assistance and current address of the related Borrower, if located;

(viii) if applicable, evidence of requests for pre-claims assistance, and evidence that the Borrower's school(s) have been notified; and

(ix) if applicable, a record of any event resulting in a change to or confirmation of any data in the Loan file.

“Loan Loss” has the meaning assigned to such term in Section 6.01.

“Loan Schedule” means the schedule of Loans attached as **Exhibit A** to this Agreement.

“Loss” has the meaning assigned to such term in Section 9.01.

“Note” means the original promissory note executed by a Borrower (or electronic records evidencing the same) to evidence such Borrower's obligation to repay the related Loan.

“Notice Period” has the meaning assigned to such term in Section 9.03.

“Person” means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.

“Pleadings” has the meaning assigned to such term in Section 5.03(a).

“PLUS/SLS Loan” means a Loan originated under the authority set forth in Section 428A or B (or a predecessor section thereto) of the Higher Education Act and shall include a Loan designated as a “PLUS Loan” (including a “Grad PLUS Loan”) or “SLS Loan,” as defined under the Higher Education Act.

“Portfolio File” means, collectively, the electronic files reflecting loan characteristics of applicable student loans and produced by ACS in a format consistent with the data files labeled “Disburse” and “Packet” uploaded to the Data Room.

“Post-Purchase Portfolio File” means, with respect to any Purchased Loan, the Portfolio File delivered by or on behalf of the Seller to the Purchaser reflecting the loan characteristics of such Purchased Loan as of such Purchase Date.

“Power of Attorney” means the power of attorney in the form set forth as **Exhibit C** hereto.

“Pre-Claim Status Loan” means any Loan that is reported or reflected on ACS’s servicing system as being in a status that would cause such Loan to be eligible for submission of a claim to the applicable Guarantor.

“Pre-Effective Date Portfolio File” means the Portfolio File delivered by or on behalf of the Seller to the Purchaser reflecting loan characteristics as of February 28, 2017.

“Pre-Purchase Portfolio File” means, with respect to any Purchased Loan, the Portfolio File delivered by or on behalf of the Seller to the Purchaser reflecting the loan characteristics of such Purchased Loan as of the last day of the calendar month that is the second month preceding the month in which the applicable Purchase Date occurs.

“Principal Balance” means the original principal amount of a Loan, including capitalized interest and capitalized origination fees and accrued and unpaid interest to be capitalized, charged to and payable by the Borrower or cosigner, as applicable, less principal payments received.

“Pro Rata Portion of Consolidation Loan Rebate Amount” means that portion of the Consolidation Loan Rebate Amount which shall be attributable to the Seller, calculated as follows:

(A) multiplied by [****]%, and then divided by (B), where:

(A) = the aggregate Principal Balance plus accrued interest of the Consolidation Loan in the sale portfolio as of the applicable Purchase Date; and

(B) = the quotient of 360 days divided by the number of calendar days from the beginning of the calendar month in which the applicable Purchase Date occurs through such Purchase Date.

“Purchase Date” means (i) with respect to a Purchased Loan other than a Guarantor Repurchase Loan, the date of transfer and payment with respect to such Purchased Loan, which date shall be no later than December 31, 2017, or such later date as the parties hereto may agree and (ii) with respect to a Guarantor Repurchase Loan, the applicable date of transfer and payment.

“Purchase Price” has the meaning assigned to such term in Section 2.02.

“Purchased Loans” has the meaning assigned to such term in Section 2.01(a).

“Purchaser” has the meaning assigned to such term in the preamble hereto.

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“Purchaser Indemnified Person” has the meaning assigned to such term in Section 9.01.

“Purchaser Review Period” shall mean a period commencing on the date on which the Seller has notified the Purchaser in writing or the Purchaser has otherwise reasonably determined that an event has occurred that would preclude the Seller from satisfying the closing condition required under Section 3.01(b)(i) (other than with respect to Section 4.01(a)(vi)) and ending on the date that is thirty (30) days following such notice or determination.

“Regulatory Proceeding” means any truth-in-lending, fair lending, predatory or abusive lending, unfair collection practices, equal credit opportunity, privacy of information or other consumer, Higher Education Act or FFEL Program related regulatory action (either formal or informal), suit, proceeding, investigation, claim, allegation, or adverse determination by or before a Governmental Authority.

“Representatives” means, with respect to any Person, the Affiliates of such Person, and the respective directors, officers, employees, agents, representatives, advisors (including financial advisors, accountants, attorneys and actuaries) of such Person and its Affiliates.

“Residual Interests” means the trust certificate, the economic rights of the sponsor (with respect to the trusts named in clauses (i), (ii) and (iii), below), the master servicing rights and the trust administration rights with respect to the following securitization trusts: (i) Collegiate Funding Services Education Loan Trust 2004-A; (ii) Collegiate Funding Services Education Loan Trust 2005-A; (iii) Collegiate Funding Services Education Loan Trust 2005-B; and (iv) Chase Education Loan Trust 2007-A.

“Secretary” means the United States Secretary of Education.

“Seller” has the meaning assigned to such term in the preamble hereto.

“Seller Breach” has the meaning assigned to such term in Section 6.01.

“Seller Indemnified Person” has the meaning assigned to such term in Section 9.02.

“Seller Review Period” shall mean a period commencing on the date on which the Purchaser has notified the Seller in writing or the Seller has otherwise reasonably determined that an event has occurred that would preclude the Purchaser from satisfying the closing condition required under Section 3.01(d)(i) or (iv) and ending on the date that is thirty (30) days following such notice or determination.

“Seller’s Knowledge” means the actual knowledge of any of the officers of the Seller listed on **Schedule I** hereto, it being understood that any representation or warranty made to “Seller’s Knowledge” is made solely to the extent that any such officer has actual knowledge of the matter being represented and does not imply or suggest that the representation is otherwise in fact correct.

“Special Allowance Payments” means the payments the Secretary pays the holder of a Loan as authorized and calculated under a Section 438 of the Higher Education Act.

“Stafford Loan” means a Subsidized Stafford Loan or an Unsubsidized Stafford Loan.

“Subsidized Stafford Loan” means a Loan made under Section 428 of the Higher Education Act.

“Third Party Claim” means any claim, suit, proceeding, regulatory action, demand or other action asserted by any Person other than the Seller, the Purchaser and their respective Affiliates.

“Third-Party Servicer” means ACS and its Affiliates, designees and subcontractors.

“Transaction Information” has the meaning assigned to such term in Section 10.02.

“UCC” means the Uniform Commercial Code of the State of New York.

“Unsubsidized Stafford Loan” means a Loan made under Section 428H of the Higher Education Act.

SECTION 1.02 Accounting Terms and Determinations. Unless otherwise defined or specified herein, all accounting terms shall be construed herein and all accounting determinations hereunder shall be made in accordance with GAAP.

SECTION 1.03 Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

SECTION 1.04 Interpretation. (a) When used in this Agreement, unless a contrary intention appears: (i) a term has the meaning assigned to it; (ii) “or” is not exclusive; (iii) “including” means “including without limitation”; (iv) words in the singular include the plural and words in the plural include the singular; (v) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; (vi) references to a Person are also to its successors and permitted assigns; (vii) the words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision hereof; (viii) references contained herein to Section, Schedule and Exhibit, as applicable, are references to Sections, Schedules and Exhibits in this Agreement unless otherwise specified; (ix) references to “writing” include printing, typing, lithography and other means of reproducing words in a visible form; and (x) the term “proceeds” has the meaning set forth in the applicable UCC.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring either party hereto by virtue of the authorship of any provision of this Agreement.

**ARTICLE II
PURCHASE AND SALE OF LOANS**

SECTION 2.01 Purchase and Sale of Loans.

(a) Subject to the terms and conditions and in reliance on the representations, warranties and agreements hereinafter set forth, the Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller, from time to time on one or more Purchase Dates occurring after the Effective Date, all of the Seller's right, title and interest in and to the Loans identified on the Loan Schedule (together with the Guarantor Repurchase Loans (as defined below), the "Purchased Loans").

(b) Subject to the terms and conditions and in reliance on the representations, warranties and agreements hereinafter set forth, the Purchaser agrees that after the Effective Date it will purchase on behalf of the Seller, directly from a Guarantor any Bankruptcy Loan that had been previously submitted for claim to such Guarantor by the Seller if a repurchase of such Loan by the Seller (or its designee) is required by such Guarantor pursuant to the applicable provisions of the Higher Education Act (each such Loan, a "Guarantor Repurchase Loan"). In the event that the Purchaser purchases a Guarantor Repurchase Loan from a Guarantor pursuant to this Section, the Purchaser shall pay the Guarantor the amount that the Seller would have been required to pay the Guarantor had the Seller itself repurchased the Bankruptcy Loan from the Guarantor pursuant to the applicable provisions of the Higher Education Act.

(c) The conveyance by the Seller under this Agreement shall be without recourse (except as is otherwise expressly set forth in this Agreement) and shall constitute the sale, transfer, assignment, setting over and in all other respects the conveyance to the Purchaser of all right, title and interest of the Seller in and to:

(i) the Purchased Loans, including the underlying Notes and other Loan Documents;

(ii) all collections, revenues and recoveries of principal and interest from the Purchased Loans, including all Interest Subsidy Payments, Special Allowance Payments, Borrower payments and reimbursements of principal and accrued interest on default claims from any Guarantor or the Department of Education to the extent due or to become due or to the extent accruing on the Purchased Loans on and after the applicable Purchase Date;

(iii) the servicing rights relating to the Purchased Loans; and

(iv) the proceeds of any and all of the foregoing received on and after the applicable Purchase Date.

SECTION 2.02 Consideration.

(a) On each Purchase Date, the Purchaser shall purchase the Purchased Loans to be purchased on such date from the Seller at a purchase price (the "Purchase Price") equal to the sum of the following:

- (i) [****]% of the aggregate Principal Balance of such Purchased Loans as of such Purchase Date, plus
- (ii) [****]% of the accrued but unpaid and uncapitalized interest (to the extent not included in the Principal Balance of a Purchased Loan) on such Purchased Loans minus
- (iii) the Pro Rata Portion of Consolidation Loan Rebate Amount minus
- (iv) the Excess Deconversion Fee.

Notwithstanding the foregoing, if the Initial Purchase Date for the Purchased Loans shall occur on a date after June 9, 2017 and the Purchaser has notified the Seller, or the Seller has notified the Purchaser, in writing that a change in market conditions has occurred that has caused the market price of the Loans to be materially different than the foregoing Purchase Price, the parties agree that they shall negotiate in good faith to determine an appropriate Purchase Price for any Loans remaining to be purchased in light of then-current market conditions; provided, however, that (x) the Seller shall not be required to negotiate as set forth in this sentence during a Seller Review Period and (y) the Purchaser shall not be required to negotiate as set forth in this sentence during a Purchaser Review Period. The Purchaser shall pay the Estimated Purchase Price for each Purchased Loan not later than 2:00 p.m. (New York City time) by wire transfer of immediately available funds on the applicable Purchase Date to such account as the Seller shall direct in writing to the Purchaser prior to the applicable Purchase Date. The purchase and sale of the Purchased Loans shall be evidenced by the Bill of Sale duly executed and delivered by the Seller in connection with each Purchase Date.

(b) No later than five (5) Business Days after each Purchase Date, the Seller shall deliver to the Purchaser a calculation of the Purchase Price determined as of such Purchase Date (the "Final Purchase Price") and a Post-Purchase Portfolio File with respect to the applicable Purchased Loans. The Purchaser shall have five (5) Business Days to review and comment on the Seller's calculation of the Final Purchase Price. If during this five (5) Business Day period the Purchaser notifies the Seller that the Purchaser disagrees with these calculations, the Seller and the Purchaser will meet to attempt to resolve any differences. If they are unable to agree on the adjustments within the next thirty (30) days, then the Seller and the Purchaser will be free to pursue an additional review by jointly selecting an independent accounting firm to review the calculations and make a determination as to the Final Purchase Price. If the Purchaser and the Seller are unable to agree on an accounting firm, then they will apply to the American Arbitration Association to make the selection. The independent accounting firm selected pursuant to this Section 2.02(b) is referred to herein as the "Arbitration Firm". The Arbitration Firm will be instructed to complete its review within twenty (20) days and to calculate the Final Purchase Price in accordance with this Section 2.02. The decision of the Arbitration Firm will be final and binding on the Seller and the Purchaser.

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

(c) If the Final Purchase Price is greater than the Estimated Purchase Price, then the Purchaser shall pay to the Seller the amount of such difference. If the Final Purchase Price is less than the Estimated Purchase Price, then the Seller shall pay to the Purchaser the amount of such difference. The payment of any amount pursuant to this Section 2.02(c) shall be made, together with interest thereon accrued from the applicable Purchase Date until the date of such payment at a rate *per annum* equal to the "prime rate" published in the *Wall Street Journal*, within thirty (30) days of such Purchase Date (or, if the Purchaser has disputed the Seller's calculation of the Final Purchase Price, the date on which the Final Purchase Price has been determined pursuant to Section 2.02(b)), by wire transfer of immediately available funds in accordance with the instructions of the payee thereof.

(d) Not later than the last day of each month following the Initial Purchase Date, the Seller shall notify the Purchaser if any of the items described in the Conduent Corrections File have been corrected. If such corrections result in a revised Principal Balance of any Purchased Loans, the parties will arrange for settlement of an adjustment to the Purchase Price paid for the affected Purchased Loans in a mutually acceptable manner based on such revised Principal Balances. Notwithstanding anything to the contrary herein or in in the Collegiate Sale Agreement or the CELT 2007-A Residual Sale Agreement, the parties agree that such adjusted Purchase Price, if in favor of the Purchaser, shall not be subject to the Deductible Amount or the \$[****] limit on indemnities described in Section 9.01.

SECTION 2.03 Retention of Documents and Customer Information.

Notwithstanding the sale of the Purchased Loans, the Seller shall be entitled to retain copies of all Loan Documents and Customer Information subject to the requirements and restrictions of this Agreement regarding Customer Information, and the adopted document retention policies of the Seller or its Affiliates. Any copy of a Note retained by the Seller shall be clearly labeled as a copy. Except to the extent required under Applicable Law and Regulation, nothing in this Agreement shall require the Seller to destroy or delete copies of any Loan Documents, Customer Information or any computer models, databases, electronic files or other electronic material prepared by the Seller or its Affiliates based in whole or in part on any Loan Documents or Customer Information.

SECTION 2.04 Servicing.

(a) The Purchased Loans are sold and conveyed to the Purchaser on a servicing-released basis. Commencing on the applicable Purchase Date, immediately upon giving effect to the sale of the Purchased Loans, the servicing of the Purchased Loans by ACS will be conducted on behalf of the Purchaser pursuant to its servicing agreements with ACS. The Seller shall be responsible for all amounts payable, or to become payable, to ACS or any other Person with respect to servicing of the Purchased Loans incurred or accrued prior to the applicable Purchase Date. The Purchaser shall be responsible for all amounts due, or to become due, to ACS or any other Person with respect to servicing of the Purchased Loans incurred or accrued on or after the

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applicable Purchase Date, including servicing compensation for the period from and after such Purchase Date, deboarding fees, deconversion fees, termination fees, transfer fees or other make-whole payments in connection with the transfer of servicing to the Purchaser or the servicing of the Purchased Loans from and after such Purchase Date.

(b) The Seller makes no representation, warranty or covenant and assumes no obligation to the Purchaser (including pursuant to Section 6.01 or Section 9.01) with respect to the servicing of the Purchased Loans by any Third-Party Servicer whether on, before or after the applicable Purchase Date, and shall have no liability to the Purchaser for any liabilities, claims, breaches, disputes, indemnities or other costs, expenses, losses or other matters, including any of the foregoing that may at any time be alleged by the Purchaser or any third-party, relating to the servicing of the Purchased Loans by any Third-Party Servicer, except that the Seller will remain responsible for all amounts due to the applicable Third-Party Servicer or any other Person with respect to servicing of the Purchased Loans incurred prior to the applicable Purchase Date.

(c) The Seller shall be subrogated to any claims or rights of the Purchaser as against any Third-Party Servicer with respect to any amounts paid by the Seller under Article VI hereof. The Purchaser shall reasonably cooperate with the Seller, at the Seller's expense, in the Seller's assertion of any claim based on the right of subrogation.

SECTION 2.05 Limits on Purchaser's Recourse; Nature of Purchased Loans.

(a) The sale and purchase of the Purchased Loans provided for in this agreement is expressly made without recourse, and without representations or warranties of any kind or character, expressed or implied other than the representations and warranties expressly set forth herein.

(b) The Purchaser acknowledges that it is a sophisticated federal student loan holder, and has specific knowledge and experience in Loans that enable it to evaluate the merits and risks of the transactions contemplated hereunder. The Purchaser has made such independent investigation, including due diligence and financial and legal analyses, as the Purchaser determined to be warranted into the nature, validity, enforceability, collectability and value of the Purchased Loans, and all other facts it deems material to its purchase.

(c) The Purchaser's bid and decision to purchase the Purchased Loans is based upon its own comprehensive review and independent expert evaluation and analysis of the Purchased Loans. The Purchaser is not acting in reliance on any representation or warranty by the Seller or its Affiliates other than the representations and warranties expressly set forth herein.

(d) The Purchaser acknowledges and agrees that the Purchase Price for the Purchased Loans reflects the quality of the assets (including any faults, defects or other adverse matters that may be associated with the Purchased Loans) and the "as is" nature of the sale. The Purchaser further acknowledges and agrees that it has been fully informed as to the nature of the Purchased Loans and has agreed to purchase them as contemplated by this Agreement.

(e) The Purchaser acknowledges and agrees that the Seller will not be obligated to participate in any future securitization or whole loan sale or offering of the Purchased Loans or provide originator disclosure, servicer disclosure or static pool information or any similar disclosures in connection with a securitization or subsequent whole loan sale or offering.

SECTION 2.06 Borrower Benefits. The Purchaser acknowledges that the Seller currently grants certain interest rate reductions and other benefits to certain Borrowers as set forth in **Exhibit E** (collectively, the "Borrower Benefits"). The Purchaser agrees to honor all Borrower Benefits identified in **Exhibit E**, including those Borrower Benefits currently earned by Borrowers and those for which the Borrowers are eligible but which are not yet earned, with the Purchaser being responsible for the cost of such Borrower Benefits for periods after the applicable Purchase Date. The Purchaser shall not be obligated to maintain any borrower benefits other than those described in **Exhibit E**.

SECTION 2.07 No Assignment of Contract Rights. The Purchaser acknowledges and agrees that, except as expressly provided in Section 2.01 with respect to certain claims against the Guarantors and Interest Subsidy Payments and Special Allowance Payments owing from the Department of Education, the Seller will not assign to the Purchaser any of the Seller's rights in, to or under any agreement, including those pursuant to which the Purchased Loans have been originated, acquired, disbursed, guaranteed, insured or serviced and including any contract or other rights that the Seller may have against any school attended by a Borrower or any originator or origination agent, disbursement agent, servicer, guarantor, the Department of Education, other third party service provider or prior owner of any Purchased Loan.

SECTION 2.08 Rights and Risks Transferred; Security Interest. The transfer of the Purchased Loans pursuant to Section 2.01 shall constitute a sale and assignment to the Purchaser of the Purchased Loans. As purchaser of the Purchased Loans, the Purchaser shall bear the risk of future performance of the Purchased Loans, including risk of future default, except as set forth in Section 6.01 and Article IX. In the event, however, that it is determined by a court of competent jurisdiction that the transactions evidenced by this Agreement constitute a loan and not a purchase and sale, the parties hereto intend that this Agreement constitute a security agreement under Applicable Law and Regulation and that the Seller shall be deemed to have granted, and does hereby grant, to the Purchaser a security interest in all of the Seller's right, title and interest, whether now owned or hereafter acquired, in, to and under all Purchased Loans and all other items set forth in clauses (i) through (iv) of Section 2.01(c). The grant set forth in the preceding sentence is solely for additional protection of the Purchaser's interests in the Purchased Loans and shall not be deemed to contradict the express intent of the Seller and the Purchaser that the transfer of Purchased Loans under this Agreement is an absolute assignment of such Purchased Loans and is not a transfer of such Purchased Loans as security for a debt. The Seller hereby authorizes the Purchaser to file UCC financing statements, all amendments thereto and continuations thereof deemed necessary or appropriate by the Purchaser that identify the Seller as seller and/or debtor and the Purchaser as purchaser and/or secured party and describe the Purchased Loans.

ARTICLE III
CONDITIONS PRECEDENT

SECTION 3.01 Conditions of Purchase.

(a) The Purchaser's obligations on the Effective Date shall be subject to the following conditions precedent:

(i) All representations and warranties of the Seller contained in this Agreement shall be true and correct in all material respects on, and as if made as of, the Effective Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).

(ii) The Seller or its applicable Affiliates, on the one hand, and the Purchaser or its applicable Affiliates, on the other hand, shall have executed and delivered an agreement pursuant to which the Purchaser or one or more of its Affiliates will purchase the Residual Interests by entering into the Collegiate Sale Agreement and the CELT 2007-A Residual Sale Agreement, together with all agreements, certificates and opinions required to be delivered thereunder on or prior to the Effective Date.

(iii) The Purchaser shall have received (A) one or more officer's certificates of the Seller certifying the names, signatures and authorization of the officers of the Seller authorized to sign this Agreement, and attaching certified organizational documents and excerpts of resolutions of the Seller's board of directors or a relevant committee of the board relating to the transactions contemplated by this Agreement, and (B) opinions of counsel from Sidley Austin LLP (or another nationally recognized law firm), counsel to the Seller, in form and substance satisfactory to the Purchaser relating to valid existence, due authorization, execution and delivery, enforceability and non-contravention of charter and of New York or Federal law.

(b) The Purchaser's obligation to purchase and pay for the Purchased Loans (other than the Guarantor Repurchase Loans) hereunder on the applicable Purchase Date shall be subject to the following conditions precedent:

(i) The Purchaser shall have received a written certification dated as of the applicable Purchase Date from the Seller that all representations and warranties of the Seller contained in this Agreement shall be true and correct in all material respects on, and as if made as of, such Purchase Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).

(ii) The Seller shall have delivered to the Purchaser on or before such Purchase Date, the Bill of Sale, the Blanket Endorsement and the Power of Attorney.

(iii) Any approval by the Secretary or a Guarantor required by the Higher Education Act or a Guarantee Agreement as a condition to the assignment or sale of the Purchased Loans shall have been made or received and evidence thereof delivered to the Purchaser.

(iv) On or prior to such Purchase Date, funding under the Financing Agreements shall have been made available to the Purchaser (or its applicable Affiliate) in an aggregate amount at least equal to the Purchase Price.

- (v) The Purchaser shall have received written acknowledgement from ACS that the Purchaser shall have the right to proceed against ACS for breaches, errors and omissions in servicing the Purchased Loans occurring prior to the applicable Purchase Date.
- (vi) The Purchaser shall have received evidence reasonably satisfactory to it that the Seller has directed ACS in writing to hold physical custody and possession of the Notes evidencing the Purchased Loans on behalf of the Purchaser and not on behalf of the Seller.
- (vii) The Purchaser shall have received evidence reasonably satisfactory to it that ACS has updated its records to reflect that it is servicing the Purchased Loans on behalf of the Purchaser.
- (viii) On or prior to such Purchase Date, the Purchaser shall have received an opinion of counsel from Sidley Austin LLP (or another nationally recognized law firm), counsel to the Seller, in form and substance satisfactory to the Purchaser, relating to the creation and perfection of the security interest granted hereunder.
- (ix) The Seller shall have delivered to the Purchaser copies of the E-Sign evidentiary package for each electronic signature process that was used in respect of the Purchased Loans.
- (x) Such Purchase Date shall be no later than December 31, 2017.
- (c) The Seller's obligations on the Effective Date shall be subject to the following conditions precedent:
- (i) All representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects on, and as if made as of, the Effective Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).
- (d) The Seller's obligation to sell the Purchased Loans (other than the Guarantor Repurchase Loans) hereunder on each Purchase Date shall be subject to the following conditions precedent:
- (i) The Seller shall have received a written certification dated as of the applicable Purchase Date from the Purchaser that all representations and warranties of the Purchaser contained in this Agreement shall be true in all material respects on, and as if made as of, such Purchase Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).
- (ii) The Purchaser shall have received written acknowledgement from ACS that the Purchaser shall have the right to proceed against ACS for breaches, errors and omissions in servicing the Purchased Loans occurring prior to the applicable Purchase Date.

(iii) The Seller shall have received evidence reasonably satisfactory to it that ACS has updated its records to reflect that it is servicing the Purchased Loans on behalf of the Purchaser.

(iv) The Seller shall have received a written certification dated as of the applicable Purchase Date from the Purchaser that [****].

(v) The Purchaser shall have received evidence reasonably satisfactory to it that the Seller has directed ACS in writing to hold physical custody and possession of the Notes evidencing the Purchased Loans on behalf of the Purchaser and not on behalf of the Seller.

(vi) Such Purchase Date shall be no later than December 31, 2017.

(vii) The Seller shall have received the Estimated Purchase Price in accordance with Section 2.02.

(e) The Purchaser's obligation to purchase and pay for any Guarantor Repurchase Loan hereunder on the applicable Purchase Date for such Loan shall be subject to the following conditions precedent:

(i) The representations and warranties of the Seller contained in Section 4.01(b) of this Agreement shall be true and correct in all material respects on, and as if made as of, the applicable Purchase Date for such Guarantor Repurchase Loan (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).

(ii) The applicable Guarantor shall have delivered to the Purchaser on or before the applicable Purchase Date such Guarantor's usual and customary documentation evidencing such transfer.

(iii) The Seller shall have received the Estimated Purchase Price in accordance with Section 2.02.

**ARTICLE IV
REPRESENTATIONS AND WARRANTIES**

SECTION 4.01 Representations and Warranties of the Seller.

(a) The Seller represents and warrants to the Purchaser as of the Effective Date and each Purchase Date as follows:

(i) The Seller is a national banking association that is duly organized and validly existing under the laws of the United States of America.

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(ii) The Seller has taken all legal and corporate action necessary to permit it to enter into and perform all of its obligations in this Agreement.

(iii) This Agreement has been duly and validly authorized, duly executed and delivered by the Seller.

(iv) Neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement, will conflict with or result in a breach of any of the terms, conditions or provisions of its governing documents or result in a material breach of any legal restriction by which the Seller is bound, or constitute a material default or result in an acceleration under any of the foregoing, or result in the violation of any material law, rule, regulation, order, judgment or decree to which the Seller is subject.

(v) There are no actions or proceedings, and to the Seller's Knowledge there are no investigations, pending or threatened, against it before any court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over it or its properties: (1) asserting the invalidity of this Agreement, (2) seeking to prevent the consummation of any transactions contemplated by this Agreement or (3) seeking any determination or ruling that would reasonably be expected to have a material and adverse effect on the execution, delivery or enforceability of this Agreement or the performance by the Seller of its obligations hereunder.

(vi) Each of the representations and warranties set forth in **Exhibit D** is true and correct as of the Effective Date and will be true and correct as of the applicable Purchase Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date) with respect to each Purchased Loan (other than a Guarantor Repurchase Loan).

(vii) The Seller (A) is an "eligible lender" under the FFEL Program and (B) has in effect valid agreements with the Guarantors necessary to qualify the Purchased Loans for all benefits available under the Higher Education Act.

(viii) The transfer, assignment and conveyance of the Purchased Loans by the Seller pursuant to, and during the term of, this Agreement are not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction. The Seller is not transferring the Purchased Loans with an actual intent to hinder, delay, or defraud any of its creditors. The Seller is solvent and will not be rendered insolvent by the sale of any of the Purchased Loans.

(ix) No broker, investment banker or other person is entitled to any broker's, finder's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Seller that would become an obligation of the Purchaser or any of its Affiliates.

(b) The Seller represents and warrants to the Purchaser on the Purchase Date of each Guarantor Repurchase Loan that (i) each of the representations and warranties set forth in items 3, 4, 8, 9, 10, 12, 14 and 18 on **Exhibit D** is true and correct as of the Purchase Date of such Guarantor Repurchase Loan and (ii) each of the representations and warranties set forth in items 15 and 17 on Exhibit D is true and correct as of the date such Guarantor Repurchase Loan was transferred to the applicable Guarantor.

(c) The representations and warranties set forth in Section 4.01(a) and (b) shall survive the sale of the Purchased Loans to the Purchaser.

(d) Except as expressly provided in Section 4.01(a) and (b), no representation, warranty or covenant of any kind or nature, whether express or implied, including any warranties of a transferor under the UCC or pursuant to any other statute, law, rule or regulation, is being made in this Agreement or otherwise by the Seller with respect to the Purchased Loans, the related Loan Documents, the Pre-Effective Date Portfolio File, any Pre-Purchase Portfolio File, any Post-Purchase Portfolio File or the nature, condition or value of the same, including, without limiting the foregoing, any representation, warranty or covenant regarding the completeness or accuracy of any information provided by the Seller, the collectability of any Purchased Loan or the creditworthiness of any Borrower or Guarantor. The representations and warranties of the Seller contained in **Exhibit D** related to or concerning (i) compliance with Applicable Law and Regulation and the Higher Education Act and (ii) with respect to any Bankruptcy Loan purchased after the Effective Date, any related Borrower being the subject of a bankruptcy proceeding are made as of the applicable Purchase Date based on judicial and regulatory proceedings, actions or publications in existence on the applicable Purchase Date that interpret such Applicable Law and Regulation and the Higher Education Act, and the Seller assumes no responsibility or liability for the impact on the foregoing representations and warranties of any changes in Applicable Law and Regulation, including the Higher Education Act, and interpretations thereof that occur after the applicable Purchase Date.

SECTION 4.02 Representations and Warranties of Purchaser. The Purchaser represents and warrants to, the Seller as of the Effective Date and each Purchase Date as follows:

(a) The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The Purchaser has taken all legal and corporate action necessary to permit it to enter into and perform all of its obligations in this Agreement. Assuming due authorization, execution and delivery by the Seller, this Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with the terms hereof, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(c) Neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement, will conflict with or result in a breach of any of the terms, conditions or provisions of its governing documents or result in a material breach of any legal restriction by which the Purchaser is bound, or constitute a material default or result in an acceleration under any of the foregoing, or result in the violation of any material law, rule, regulation, order, judgment or decree to which the Purchaser is subject.

(d) No Governmental Authority has commenced, enacted, issued, promulgated, enforced or entered any suit, proceeding, order or law with respect to the Purchaser or its business, operations or properties which is then in effect and has, or could reasonably be expected to have, the effect of making the transactions contemplated by this Agreement illegal or otherwise prohibiting the consummation of such transactions.

(e) The Purchaser (i) is an “eligible lender” under the FFEL Program, (ii) is taking title to the Purchased Loans using its own eligible lender identification number separate from that of the Seller, (iii) has entered into a servicing agreement or servicing agreements with ACS to service the Purchased Loans and accept custody of the Notes evidencing the Purchased Loans from and after the applicable Purchase Date, provided that the Purchaser shall have no obligation to retain ACS as servicer of any Purchased Loans after the applicable Purchase Date, and (iv) has or will execute in a timely manner Guarantee Agreements with each of the Guarantors that guarantees a Loan included in the Purchased Loans as of the Purchase Date.

(f) No broker, investment banker or other person is entitled to any broker’s, finder’s or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser that would become an obligation of the Seller or any of its Affiliates.

ARTICLE V COVENANTS

SECTION 5.01 Covenants of the Seller.

(a) The Seller shall as soon as reasonably practicable after identification thereof remit or credit, or cause to be remitted or credited, to the Purchaser all funds whatsoever received by the Seller on or after the applicable Purchase Date (including Interest Subsidy Payments or Special Allowance Payments) in respect of the Purchased Loans acquired by the Purchaser hereunder. Prior to such remittance, such amounts shall be held by the Seller for the benefit of the Purchaser.

(b) The Seller shall as soon as reasonably practicable transmit to the Purchaser any written communication received by the Seller after the applicable Purchase Date that is identified as pertaining to any Purchased Loan. Such communication shall include letters, notices of death or disability, adjudication of bankruptcy and similar documents and forms requesting deferment of repayment or loan cancellations. For avoidance of doubt, communications received by ACS or its Affiliates shall not be deemed to have been received by the Seller, and this Section 5.01(b) covers only communications actually received by the Seller.

(c) From and after the Initial Purchase Date, until May 31, 2020, the Seller agrees to use commercially reasonable efforts (taking into account that the Seller is no longer conducting a student loan-related business) in responding to reasonable requests by the Purchaser for any records, documents or data related to Purchased Loans that are in the possession of the Seller and not already in the possession of the Purchaser, ACS or any of their respective Affiliates, designees or subcontractors.

SECTION 5.02 Covenants of Purchaser. The Purchaser covenants and agrees that at all times on and after the applicable Purchase Date for a Purchased Loan:

(a) The Purchaser shall, and shall cause its successors and assigns to, maintain the Borrower Benefits for each Borrower of a Purchased Loan as may be receiving Borrower Benefits as of such Purchase Date or as may thereafter qualify to receive such Borrower Benefits in accordance with the terms and conditions established by the Seller under the terms of the applicable Loan Documents prior to such Purchase Date.

(b) The Purchaser shall comply with all Applicable Law and Regulation in connection with the deconversion, ownership and collection of the Purchased Loans. The Purchaser will not violate, and will not permit the violation of, any laws relating to unfair credit collection practices in connection with the Purchased Loans in a manner that would create or expose the Seller to any claim, demand or assertion that, after the applicable Purchase Date, the Seller, its Affiliates or any of their respective employees, agents, attorneys, representatives or servicers was in any way involved in or had in any way authorized any unlawful collection practices in connection with the related Purchased Loans.

(c) The Purchaser will not use or refer to the Seller's name, trademark, logo or other identifying marks (or the name of any Affiliate of the Seller) (collectively, "Marks") for any purpose relating to any Purchased Loan, except that the Purchaser may use the Seller's Marks in connection with (i) any initial welcome letter that the Purchaser elects to send to Borrowers on Purchased Loans (solely for the purpose of disclosing that the Seller has assigned the applicable Purchased Loan to the Purchaser); provided that the Purchaser shall not send any such welcome letter to any Borrower unless the Seller has approved the form and substance of such letter (such approval not to be unreasonably withheld, conditioned or delayed), (ii) matters relating to Debtor Relief Laws or for the purpose of identifying a Purchased Loan to a Borrower in connection with the collection thereof or identifying to a potential purchaser or lender the chain of title of a Purchased Loan, (iii) communications with Borrowers with respect to Borrower Benefits and similar historical information concerning the Purchased Loans that occurred or is directly related to the period prior to the applicable Purchase Date, (iv) matters contemplated with respect to the Power of Attorney or (v) the notifications required by Section 5.02(g). Any such use by the Purchaser of the Seller's Marks shall not in any way disparage the Seller, be injurious to the reputation of the Seller, or cause the Seller to lose goodwill. Except as provided in the Power of Attorney, neither the Purchaser nor anyone acting for the Purchaser will act or purport to act for or in the name of the Seller (or any Affiliate of the Seller) with respect to collection of any Purchased Loan or any other matter.

(d) The Purchaser will not portray or hold itself out as an agent, partner or joint venture of the Seller (or any Affiliate of the Seller) in connection with any Purchased Loans.

(e) The Purchaser shall not institute or continue any legal, collection or enforcement proceeding in the name of the Seller or any of its predecessors or Affiliates or mislead, whether through misrepresentation or nondisclosure or otherwise, a Borrower or any other Person as to the identity of the owner of the Purchased Loans.

(f) Upon the written request of the Seller describing in reasonable detail the purpose of such request, the Purchaser shall provide within a reasonable time, at the Seller's sole cost and expense and subject to restrictions under Applicable Law and Regulation, copies of the books and records relating to the Purchased Loans solely to the extent relating to the period prior to the applicable Purchase Date and to the extent necessary for (i) the preparation of financial statements, regulatory filings or tax returns of the Seller or its Affiliates in respect of periods ending on or prior to the applicable Purchase Date, (ii) responding to matters referred to in Section 5.03, (iii) evaluating and responding to any actual or threatened litigation or other legal or administrative proceedings or inquiries involving the Purchased Loans, (iv) satisfying any audit or regulatory review requirement or (v) assessing or determining the amount of or the basis for any indemnification payment or attempting to cure the related Seller Breach. Notwithstanding anything herein to the contrary, the Purchaser shall not be required to disclose information (a) that is subject to attorney-client or other legal privilege, (b) that is deemed by the Purchaser in its reasonable judgment to be competitively sensitive or (c) the disclosure of which would conflict with any confidentiality obligations by which the Purchaser is bound.

(g) Within thirty (30) days after the applicable Purchase Date, the Purchaser shall notify Borrowers of the assignment and transfer to the Purchaser of the Seller's interest in the Purchased Loans, and the Purchaser shall direct each Borrower to make all payments thereon directly to the Purchaser, or as the Purchaser may otherwise designate. The Seller hereby grants to the Purchaser the authority (i) to make any such notifications on the Seller's behalf or (ii) to direct ACS or a servicer or subcontractor to make such notification; provided, that the form and content of any such notification shall be as mutually agreed upon by the Seller and the Purchaser.

(h) The Purchaser understands that the Seller will report the Purchased Loans to the appropriate credit reporting agencies as having been sold to the Purchaser. Except as required by Applicable Law and Regulation, after the applicable Purchase Date, all Borrower inquiries with respect to credit reporting shall be the responsibility of the Purchaser.

SECTION 5.03 Notice of Complaints.

(a) The Purchaser shall, or shall cause its servicer to, transmit to the Seller, to the extent not prohibited from so doing under Applicable Law and Regulation and as soon as is reasonably practicable but in any event within five (5) Business Days after receipt thereof and identification thereof as relating to the Purchased Loans or the Seller, any written complaint or inquiry or notice of any actual or threatened litigation or administrative proceedings or governmental inquiry, from or on behalf of any Borrower, any school attended by any Borrower or any Guarantor, the Department of Education or other governmental authority that relates to any (i) action, omission or practice of or by the Seller or any servicer (during the time that the Seller owned the Purchased Loans) with respect to any one or more of the Purchased Loans, (ii) issue relating to the sale of any one or more of the Purchased Loans to the Purchaser or the transition of servicing of any one or more of the Purchased Loans in connection with such sale or (iii) claim against the Seller relating to any Purchased Loan. If the Purchaser receives any pleadings, subpoena, investigative demand or inquiry or similar request or process (collectively, "Pleadings") relating to any Purchased Loan (A) that name the Seller or one of its Affiliates as a party or (B) that relate to events or circumstances prior to the applicable Purchase Date or this

Agreement or the transactions contemplated hereby, then, within five (5) Business Days after the Purchaser's receipt of any such Pleadings, the Purchaser shall notify the Seller thereof and promptly deliver copies of any such Pleadings to the Seller.

(b) The Seller shall transmit to the Purchaser, to the extent not prohibited from so doing under Applicable Law and Regulation and as soon as is reasonably practicable but in any event within five (5) Business Days after receipt thereof and identification thereof as relating to the Purchased Loans or the Purchaser, any written complaint or inquiry or notice of any actual or threatened litigation or administrative proceedings or governmental inquiry, from or on behalf of any Borrower, any school attended by any Borrower or any Guarantor, the Department of Education or other governmental authority that relates to any (i) action, omission or practice of or by the Purchaser or any servicer (during the time that the Seller owned the Purchased Loans) with respect to any one or more of the Purchased Loans, or the transition of servicing of any one or more of the Purchased Loans in connection with such sale or (ii) claim against the Purchaser relating to any Purchased Loan. If the Seller receives any Pleadings relating to any Purchased Loan, including any Pleadings that name the Purchaser or one of its Affiliates as a party, then, within five (5) Business Days after the Seller's receipt of any such Pleadings, the Seller shall notify the Purchaser thereof and promptly deliver copies of any such Pleadings to the Purchaser.

(c) In connection with (i) any complaints, inquiries, litigation or administrative proceedings of the nature referred to in Section 5.03(a) or Section 5.03(b), (ii) any similar complaints or inquiries received by the Seller or (iii) to the extent that the Seller determines to disclose any such matter, any adverse findings or proposed adverse findings by the Seller's bank regulators (including the CFPB) that is not required to be disclosed under Section 5.03(a) or Section 5.03(b), the Seller and the Purchaser agree to cooperate reasonably in evaluating and preparing any response to any such matter, and each shall, to the extent not prohibited from so doing under Applicable Law and Regulation, inform the other party hereto of information within its control regarding the investigation and disposition of each such matter. So long as any such response does not include any statement reflecting negatively on the Purchaser, involve any non-de minimis expense on the part of or place any obligation or liability on the Purchaser or contain any agreement that would adversely affect the Purchaser or any of its Affiliates or the enforceability of any Purchased Loans, the Purchaser agrees that the Seller shall have the right to determine (after consultation with the Purchaser) the content and manner of delivery of any such response.

(d) Each party hereto agrees to notify the other party hereto, promptly after obtaining actual knowledge thereof, of the initiation of any litigation or administrative or judicial proceeding or investigation by or against such party hereto asserting the invalidity of this Agreement, seeking to prevent the consummation of any of the transactions contemplated hereby, or seeking any determination or ruling that would reasonably be expected to have a material adverse effect on the Purchased Loans (taken as a whole) or the ability of such party hereto to consummate the transactions contemplated by this Agreement.

**ARTICLE VI
LOAN LIABILITY.**

SECTION 6.01 Loan Level Indemnity.

(a) In the event that the Purchaser discovers that a breach of the representation and warranty made in Section 4.01(a)(vi) or (vii) or 4.01(b) has occurred, such breach shall be a "Seller Breach" hereunder if (A) it constitutes a breach of the representation and warranty made in Section 4.01(a)(vi) or 4.01(b) and such breach (x) materially and adversely affects the validity, enforceability or collectability of one or more of the Purchased Loans, (y) relates to Item 2 of **Exhibit D** and represents a discrepancy from the balances and the loan terms as reflected in the Pre-Effective Date Portfolio File or in the applicable Pre-Purchase Portfolio File or Post-Purchase Portfolio File that are represented to in such Item 2 or (z) relates to Item 1 of **Exhibit D** and affects the Purchaser's right, title and interest in and to one or more of the Purchased Loans, or (B) such breach (i) causes the applicable Guarantor or Secretary to reject a claim for all or part of a guarantee payment, after the Purchaser makes reasonable attempts to respond to requests from the Guarantor or the Secretary for further information or further loan documentation (such reasonable attempts to include promptly contacting the Seller for assistance in resolving information or document requests that the Purchaser cannot resolve without the Seller's assistance), or (ii) constitutes the sole and proximate basis, under the requirements of the Higher Education Act or applicable Guarantee Agreement, that prevents the Purchaser from being able to submit a claim for all or part of a guarantee payment to the Guarantor or the Secretary, after the Purchaser makes reasonable attempts to contact the Seller for assistance in resolving the relevant facts or circumstances so as to enable the claim submission. In the event of a Seller Breach, the Purchaser shall provide prompt written notice of the claimed Seller Breach to the Seller accompanied by (1) the identity of the affected Purchased Loan with respect to which the Seller Breach is alleged to have occurred and (2) sufficient documentation to enable the Seller to determine the validity of the Purchaser's claim that a Seller Breach has occurred, including reasonably detailed information relating to the circumstances set forth in clauses (i) or (ii), above, as applicable to the Purchased Loan to which such claimed Seller Breach relates. If within 12 months from receipt of written notice to the Seller of a Seller Breach (the "Cure Period"), such Seller Breach shall not have been cured (by the Seller or otherwise) in all material respects, the Seller shall indemnify the Purchaser for any actual losses, damages, judgments or related costs (including reasonable attorneys' fees) ("Loan Losses") to the extent arising from or due to the Seller Breach. In no event shall the Seller (1) have any obligation to provide any indemnification in respect of a Seller Breach if the Seller does not receive written notice and adequate supporting documentation of such Seller Breach, (2) have an indemnification obligation with respect to any Purchased Loan in an amount that exceeds (i) the outstanding Principal Balance of such Purchased Loan as of the end of the Cure Period multiplied by the original Purchase Price percentage for such Loan as set forth in Section 2.02 of this Agreement, plus (ii) the accrued and unpaid interest and Special Allowance Payments with respect to such Purchased Loan as of the end of the Cure Period or (3) have any obligation to the extent that a Seller Breach is caused by the acts or omissions of, or the servicing of the Purchased Loans by, any Third-Party Servicer.

(b) Notwithstanding any other provision of this Agreement, the Purchaser will not be entitled to indemnity pursuant to this Section 6.01 unless Federal Seller Losses exceed, on an annual basis, the Deductible Amount, and then only to the extent of such excess. This Section shall survive any termination of this Agreement.

(c) It is understood that, except for the indemnification in respect of Third Party Claims as provided in Section 9.01, the obligation of the Seller to indemnify after the related

Cure Period, as provided in and subject to the limitations in this Section 6.01, constitutes the sole remedy of the Purchaser with respect to any breach of the representations and warranties made in Section 4.01(a)(vi) or (vii) or Section 4.01(b) (whether sounding in contract, fraud or otherwise).

(d) Notwithstanding any other provision of this Agreement, the Seller shall not be required to indemnify for any Purchased Loan in the event that:

(i) the Purchaser or its servicer has released or impaired the applicable Guarantor's obligations under the related Guarantee Agreement or the Secretary's payment or reinsurance obligations with respect to such Purchased Loan;

(ii) the Purchaser or its designee has not serviced the Purchased Loan in accordance with all applicable federal, state and local laws and regulations, including the Higher Education Act, or the guidelines or requirements of the applicable Guarantor or the Secretary from and after the applicable Purchase Date to and including to the date of indemnification; provided, however, that the exclusion in this clause (d)(ii) shall not apply if the Purchaser or its servicer has cured such servicing failure and such failure (A) is not the cause of the rejection of a claim with respect to such Loan for all or part of a guarantee payment by the Guarantor or the Secretary, or (B) does not constitute a basis, under the requirements of the Higher Education Act or applicable Guarantee Agreement, for preventing the Purchaser from being able to submit a claim for all or part of a guarantee payment to the Guarantor or the Secretary; or

(iii) the Purchaser or any of its employees, officers, agents, representatives, attorneys or Affiliates acted with gross negligence, bad faith or willful misconduct in connection with the events or circumstances which gave rise to such indemnity claim.

ARTICLE VII ELECTRONIC SIGNATURES.

SECTION 7.01 Electronic Signatures. In addition to other provisions herein and not by way of limitation, the following will apply to Loans that are E-Signed:

(a) Each of the Seller and the Purchaser further represents and agrees that such party will use commercially reasonable efforts to cooperate with any subsequent holder, including the applicable Guarantor or the Secretary, in all activities reasonably necessary to enforce an E-Signed Note.

(b) The Seller shall assume sole responsibility for defending the validity or enforceability of such E-Signed Note (or for requiring such of the provider of the E-Sign process that was used to E-Sign the particular Note) to the extent that a Borrower claims in a legal proceeding that he or she did not sign the Note or to the extent of any Borrower claim in a legal proceeding or other Third-Party Claim asserting that the electronic signature of the Note is invalid.

**ARTICLE VIII
PAYMENT OF EXPENSES**

SECTION 8.01 Payment of Expenses. Unless otherwise expressly set forth in this Agreement, each party to this Agreement shall pay its own expenses incurred in connection with the preparation, execution, and delivery of this Agreement and the transactions herein contemplated, including, but not limited to, the fees and disbursements of counsel. Except for the Excess Deconversion Fee credited to the Purchase Price, the Purchaser shall be responsible for all deconversion, servicing transfer and onboarding costs associated with the sale of the Purchased Loans and transfer of servicing to the Purchaser's servicing agreement(s).

**ARTICLE IX
INDEMNIFICATION**

SECTION 9.01 By the Seller. The Seller shall indemnify, defend, and hold harmless the Purchaser and any officer, director, employee or agent of the Purchaser (each, a "**Purchaser Indemnified Person**") against, any and all liabilities, losses, costs, damages and expenses, including reasonable attorneys' fees and legal expenses and sums paid, liabilities incurred or expenses paid or incurred (collectively, "**Losses**") as a result of any Third Party Claim to the extent arising from any breach of any representation, warranty or covenant of the Seller contained herein or any act of gross negligence or willful misconduct of the Seller relating to the Purchased Loans occurring prior to the applicable Purchase Date. Notwithstanding the foregoing, (a) except for the indemnification in respect of Third Party Claims as provided in this Section 9.01, Section 6.01 shall be the Purchaser's sole and exclusive remedy with respect to any breach of the representations and warranties made in Section 4.01(a)(vi) or (vii) or Section 4.01(b), (b) the Seller shall have no obligation to indemnify any Purchaser Indemnified Person for any matter that arises, or for which the Claim Notice by the Purchaser Indemnified Person in accordance with Section 9.03 is made, other than with respect to a Loss arising as described above from a breach of a covenant, more than three (3) years after the applicable Purchase Date of a Purchased Loan, and (c) the Seller's indemnification obligations shall not arise to the extent the related Loss relates to the acts or omissions of the Purchaser or its Affiliates, designees or subcontractors occurring after the applicable Purchase Date of a Purchased Loan, or to the acts or omissions of any Third-Party Servicer or to the servicing of the Purchased Loans by any Third-Party Servicer, or to the breach of any representation or warranty made or given to or for the benefit of the Seller by the Purchaser under this Agreement or to the gross negligence or willful misconduct of the Purchaser. Notwithstanding the limitation in clause (b) of the immediately preceding sentence, any obligation to indemnify, defend and hold harmless pursuant to this Section 9.01 shall not terminate with respect to any item as to which any Purchaser Indemnified Person shall have, before the expiration of the applicable survival period, previously made a bona fide claim by delivering notice of such claim to the Seller indemnifying party in accordance with this Section 9.01 until final resolution of such claim. Further notwithstanding any other provision of this Agreement, the Purchaser will not be entitled to indemnity pursuant to this Section 9.01 (A) unless Federal Seller Losses exceed, on an annual basis, the Deductible Amount, and then only to the extent of such excess and (B) for any Losses or Loan Losses to the extent that making payment thereon would cause the aggregate amount paid for all Federal Seller Losses to exceed \$[****]; provided that such monetary limitation shall not apply to any Losses

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

the causes of which are (i) the failure of the representation and warranty in item 1 of **Exhibit D** to be true and correct in all material respects as of the applicable Purchase Date of a Purchased Loan or (ii) the acts or omissions of the Seller or any Affiliate of the Seller acting as servicer of the Purchased Loans or to the servicing of the Purchased Loans by the Seller or any Affiliate of the Seller acting as servicer of the Purchased Loans. This Section shall survive any termination of this Agreement.

SECTION 9.02 By the Purchaser. The Purchaser shall indemnify, defend, and hold harmless the Seller and any officer, director, employee or agent of the Seller (each, a "Seller Indemnified Person") against, any and all Losses as a result of any Third Party Claim to the extent arising from (x) any breach of any representation, warranty or covenant of the Purchaser contained herein; (y) any act of gross negligence or willful misconduct of the Purchaser relating to the Purchased Loans occurring after the applicable Purchase Date; and (z) the acts or omissions of any servicer or relating to the servicing of the Purchased Loans, in either case occurring after the applicable Purchase Date. Notwithstanding the foregoing, (a) the Purchaser shall have no obligation to indemnify any Seller Indemnified Person for any matter that arises, or for which the Claim Notice by the Seller Indemnified Person in accordance with Section 9.03 is made, other than with respect to a Loss arising as described above from a breach of a covenant, more than three (3) years, after the applicable Purchase Date, and (b) the Purchaser's indemnification obligations shall not arise to the extent the related Loss relates to (1) the acts or omissions of the Seller or its Affiliates, designees, or subcontractors occurring prior to the applicable Purchase Date, (2) the acts or omissions of any servicer or to the servicing of the Purchased Loans prior to the applicable Purchase Date, (3) the breach of any representation or warranty made or given to or for the benefit of the Purchaser by the Seller under this Agreement or (4) the gross negligence or willful misconduct of the Seller. Notwithstanding the limitation in clause (a) of the immediately preceding sentence, any obligation to indemnify, defend and hold harmless pursuant to this Section 9.02 shall not terminate with respect to any item as to which any Seller Indemnified Person shall have, before the expiration of the applicable survival period, previously made a bona fide claim by delivering notice of such claim to the Purchaser indemnifying party in accordance with this Section 9.02 until final resolution of such claim. Further notwithstanding any other provision of this Agreement, the Seller will not be entitled to indemnity pursuant to this Section 9.02 unless Federal Buyer Losses exceed, on an annual basis, the Deductible Amount, and then only to the extent of such excess. This Section shall survive any termination of this Agreement.

SECTION 9.03 Procedures. (a) In the event that any claim or demand for which an indemnifying party would be liable to a Seller Indemnified Person or a Purchaser Indemnified Person (each, an "Indemnified Person") hereunder is asserted against or sought to be collected from an Indemnified Person by a third party (each, an "Action"), the Indemnified Person shall promptly notify the indemnifying party of such Action (each, an "Indemnifying Person"), specifying the nature of such claim or demand in reasonable detail and the amount or the estimated amount thereof to the extent feasible, which estimate the parties hereto agree shall not be conclusive of the final amount of such claims and demand (the "Claim Notice"). Except as provided in Section 9.01 and Section 9.02, the failure to provide the Claim Notice to the Indemnifying Person promptly will not relieve the Indemnifying Person of any liability it may have to the Indemnified Person giving the Claim Notice, except to the extent that the Indemnifying Person demonstrates that the defense of such action is actually and materially

prejudiced by the Indemnified Person's failure to give such Claim Notice promptly. The Indemnifying Person shall have ten (10) Business Days from receipt of the Claim Notice (the "Notice Period") to notify the Indemnified Person in writing whether or not the Indemnifying Person, acting reasonably and in good faith, disputes liability to the Indemnified Person hereunder with respect to such claim or demand and such notification shall provide the rationale and factual basis for any such dispute (a "Dispute Notice"). Any Dispute Notice shall be resolved by the mutual agreement of the Indemnified Person and the Indemnifying Person, by a final consent order or regulatory finding by a regulator, or by a final order, decree or judgment of a court of competent jurisdiction. The Indemnified Person hereby covenants, undertakes and agrees that if it is ultimately determined (either by mutual agreement of the parties, by a final consent order or regulatory finding by a regulator, or by such final order, decree or judgment referred to in the previous sentence) that Indemnified Person was not entitled to be indemnified by the Indemnifying Person, the Indemnified Person shall reimburse the Indemnifying Person, within ten (10) Business Days of such agreement, final consent order or regulatory finding, or final order, decree or judgment, for all out-of-pocket costs and expenses (including reasonable attorneys' fees and legal expenses) incurred by the Indemnifying Person in defending the related claim or demand, from the date on which the Indemnifying Person began defending such claim or demand. During any period when the Indemnifying Person has retained its own counsel in accordance with this Section 9.03(b), the Indemnified Person shall not pay, compromise or settle such Action without the Indemnifying Person's consent, which may be granted or withheld in the Indemnifying Person's sole discretion; provided that the Indemnified Person may nonetheless pay, compromise or settle such Action without such consent during such period, in which event it shall, automatically and without any further action on its part, waive any right (whether or not pursuant to this Agreement) to indemnify in respect of all Losses relating to such Action.

(b) The Indemnifying Person will be entitled to assume and control the defense of the Action for which indemnity is sought at its expense and through counsel of its choice, reasonably acceptable to the Indemnified Person, if it gives notice of its intention to do so to the Indemnified Person within thirty days of the receipt of such notice from the Indemnified Person; provided that if (i) there is a material legal conflict of interest between the Indemnifying Person and the Indemnified Person, (ii) there are specific defenses available to the Indemnified Person that are different from or additional to those available to the Indemnifying Person that could be adverse to the Indemnifying Person or (iii) the Action seeks an injunction or other equitable relief against the Indemnified Person, then the Indemnified Person shall be entitled to retain its own counsel at the reasonable expense of the Indemnifying Person. If the Indemnifying Person exercises the right to undertake any such defense against any such Action as provided above, then (1) the Indemnified Person will cooperate reasonably with the Indemnifying Person in such defense and make available to the Indemnifying Person, at the Indemnifying Person's reasonable expense, all witnesses, pertinent records, materials and information in the Indemnified Person's possession or control relating thereto as is reasonably required by the Indemnifying Person and (2) any separate counsel retained by the Indemnified Person (which shall be at the sole expense of the Indemnified Person) shall cooperate with the counsel retained by the Indemnifying Person in such defense. Similarly, if the Indemnified Person is, directly or indirectly, conducting the defense against any such Action, then the Indemnifying Person will cooperate with the Indemnified Person in such defense and make available to the Indemnified Person, at the Indemnifying Person's reasonable expense, all such witnesses, records, materials and information in the Indemnifying Person's possession or control relating thereto as is reasonably required by the Indemnified Person.

(c) The Indemnifying Person will not, without the written consent of the Indemnified Person, settle or compromise any Action or consent to the entry of any judgment or order that imposes any obligation on the Indemnified Person to take or refrain from taking any particular conduct or that does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnified Person of a written release from all liability in respect of such Action. If the Indemnifying Person, within thirty days after receipt of notice of any such Action, fails to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Person, then the Indemnified Person shall have the right to undertake the defense or, with the consent of the Indemnifying Person, to undertake a compromise or settlement of such Action on behalf of and for the account and at the risk of the Indemnifying Person. During any period when the Indemnifying Person is not contesting any such Action in good faith, the Indemnifying Person shall not be liable for any compromise or settlement of any such Action effected without its written consent, which will not be unreasonably withheld, conditioned or delayed (taking into account the nature of the claim and the terms of the proposed settlement, including whether the proposed settlement includes a full and unconditional release of the Indemnifying Person by the claimant and whether the proposed settlement would require the Indemnifying Person to take or refrain from taking any action or course of conduct). During any period when the Indemnifying Person is contesting any such Action in good faith, the Indemnified Person shall not pay, compromise or settle such Action without the Indemnifying Person's consent, which may be granted or withheld in the Indemnifying Person's sole discretion; provided that the Indemnified Person may nonetheless pay, compromise or settle such Action without such consent during such period, in which event it shall, automatically and without any further action on its part, waive any right (whether or not pursuant to this Agreement) to indemnity in respect of all Losses relating to such Action. If the Indemnifying Person shall defend any such Action until such Action shall be adjudicated by order, decree, ruling or other action, then the Indemnifying Person shall have the right, in the exercise of its reasonable discretion, to determine whether or not to appeal such adjudication.

(d) The Seller and the Purchaser agree that any payment by the Seller in respect of a Seller Breach pursuant to Section 6.01 shall be treated as an adjustment to the Purchase Price for all tax purposes, except as otherwise required by Applicable Law and Regulation.

**ARTICLE X
CONFIDENTIALITY, PRIVACY AND INFORMATION SECURITY**

SECTION 10.01 Confidential Information.

(a) The Purchaser and the Seller each agrees that it (i) shall (and shall require its respective Representatives to whom Confidential Information is provided to) treat and safeguard the Confidential Information (other than the Loan Documents) as private and confidential and hold it in complete confidence and (ii) shall not (and shall require its Representatives to whom Confidential Information is provided not to), except as hereinafter provided, disclose Confidential Information (other than the Loan Documents) to any person in any manner whatsoever. Without limiting the foregoing, the Purchaser and the Seller each shall (and require

its respective Representatives to whom Confidential Information is provided to) treat the Confidential Information with at least the same degree of care that the Purchaser or the Seller, as applicable, uses to protect its own confidential and proprietary information of a similar nature, but no less than a reasonable degree of care. The Purchaser or the Seller, as applicable, shall be liable for any failure by its Representatives to comply with the applicable terms of this Agreement and shall promptly notify the other party in writing of any actual or suspected misuse or unauthorized access to or disclosure of Confidential Information by the Purchaser or the Seller, as applicable, or any of its respective Representatives, of which unauthorized access, misuse or disclosure the Purchaser or the Seller, as applicable, or its respective Affiliates become aware.

(b) Except to the extent of any right, title or interest expressly transferred to the Purchaser hereunder, the Purchaser acknowledges and agrees (on behalf of itself and its Affiliates) that the Seller and its Affiliates reserve and retain all of their rights and interests in the Confidential Information disclosed to the Purchaser or its Representatives in connection with this Agreement, and none of such rights and/or interests shall pass to the Purchaser or any of its Representatives as a result of such disclosure. The Seller acknowledges and agrees (on behalf of itself and its Affiliates) that the Purchaser and its Affiliates reserve and retain all of their rights and interests in the Confidential Information disclosed to the Seller or its Representatives in connection with this Agreement, and none of such rights and/or interests shall pass to the Seller or any of its Representatives as a result of such disclosure.

(c) [Reserved].

(d) The Purchaser shall, and shall require its Representatives, to collect, hold, disclose and use, all “Nonpublic Personal Information”, as defined by the Gramm Leach Bliley Act (together with the regulations promulgated thereunder, “GLBA”), and all other personally identifiable information about Borrowers collected by the Seller or its Affiliates prior to the applicable Purchase Date (including any such information contained in the Loan Documents) and disclosed to the Purchaser as a result of the consummation of the transactions contemplated by this Agreement (collectively, the “Customer Information”), in compliance with the GLBA, the Fair Credit Reporting Act (“FCRA”) and all other applicable federal and state data protection and privacy laws. The Purchaser shall, and shall require its Representatives to, take all reasonable measures to ensure that the Customer Information is not disclosed, published, released, transferred, duplicated or otherwise made available to others in contravention of the provisions of this Agreement or of the GLBA, the FCRA or other Applicable Law and Regulation, and that Customer Information shall be destroyed as and when required by Applicable Law and Regulation. Moreover, the Purchaser represents and warrants that it has in place appropriate administrative, technical and physical safeguards for the Customer Information designed to ensure the security and confidentiality of such information, protect against any anticipated threats or hazards to the security or integrity of such information, and protect against unauthorized access to or use of such information, which could result in substantial harm or inconvenience to any Borrower.

SECTION 10.02 Confidentiality of Transaction Information.

Except as provided in Section 10.03, none of the Seller, the Purchaser and their respective Representatives, without the prior written consent of the other party hereto, shall disclose to any Person the fact that (i) this Agreement exists or the terms hereof, (ii) discussions or negotiations are taking or have taken place regarding the transactions contemplated hereby or the content and status of such discussions or negotiations, (iii) Confidential Information has been made available to the Purchaser or any of its Representatives, or (iv) the Purchaser or any of its Representatives have inspected any portion of the Confidential Information (such information set forth in clauses (i) through (iv), collectively, the “Transaction Information”).

SECTION 10.03 Disclosure of Confidential Information and Transaction Information.

(a) Notwithstanding anything to the contrary herein, the disclosure of Confidential Information (in the case of the Purchaser) or Transaction Information (in the case of either party hereto) shall not be precluded under this Agreement if such disclosure is, in the reasonable determination of the disclosing party after consultation with counsel, required by Applicable Law and Regulation, including by any administrative or regulatory authority having jurisdiction over the disclosing party or any of its Affiliates; provided that the disclosing party shall first give prompt written notice to the other party hereto (unless such notice is legally prohibited) and reasonably cooperate with the other party hereto and its Affiliates so that the other party hereto or its Affiliates, as the case may be, may take legally available steps to resist or narrow any applicable request, subpoena or order and obtain an appropriate protective order. If, in the absence of a protective order or other remedy obtained by the other party hereto, the disclosing party (or its Affiliate) should nonetheless, in the reasonable determination of the disclosing party after consultation with counsel, be required to disclose the Confidential Information or Transaction Information, then only that portion of the Confidential Information or Transaction Information that counsel advises is legally required to be disclosed, may be disclosed; provided that the disclosing party (or such Affiliate) shall request confidential treatment of any Confidential Information or Transaction Information so disclosed. Notwithstanding the foregoing, the Seller, the Purchaser and their respective Affiliates may disclose any Transaction Information to any regulatory authority having jurisdiction over the Seller, the Purchaser or any of such Affiliates, as applicable, without notice to the Purchaser or any other person.

(b) Each party hereto acknowledges and agrees that failure by a disclosing party or its Representatives to comply with this Article X might result in irreparable harm to the other party hereto and that monetary damages might not be an adequate remedy. Therefore, each party hereto agrees that a disclosing party, in addition to any other remedy to which it may be entitled at law or equity, shall be entitled to seek specific performance and injunctive or other equitable relief to enforce the provisions of this Article X. The terms and provisions of this Article X shall survive the termination of this Agreement.

ARTICLE XI
MISCELLANEOUS.

SECTION 11.01 Further Assurances. Subject to the terms and conditions of this Agreement, each of the Seller and the Purchaser shall (and shall cause its Affiliates to) use its commercially reasonable efforts to take, or cause to be taken, any and all actions and to do, or

cause to be done, any and all things necessary under Applicable Law and Regulation, so as to: (i) consummate of the purchase of the Purchased Loans in accordance with this Agreement, and (ii) otherwise enable consummation of the transactions contemplated by this Agreement.

SECTION 11.02 Waiver or Modification. The provisions of this Agreement cannot be waived or modified unless such waiver or modification shall be in writing and signed by the parties hereto.

SECTION 11.03 GOVERNING LAW; JURISDICTION AND VENUE. THIS AGREEMENT AND ALL DISPUTES, CLAIMS, CONTROVERSIES, DISAGREEMENTS, ACTIONS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING THE SCOPE OR VALIDITY OF THIS PROVISION, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICTS OF LAW PROVISIONS (OTHER THAN §§ 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW). EACH OF THE PARTIES HERETO HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, BOROUGH OF MANHATTAN, AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 11.04 WAIVER OF JURY TRIAL. THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, OR ANY OTHER DOCUMENTS OR INSTRUMENTS EXECUTED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTION OF THE PARTIES HERETO.

SECTION 11.05 Successors. All representations, warranties, covenants, and agreements herein contained shall inure to the benefit of and be obligatory upon all successors of the respective parties hereto, whether through merger, acquisition or purchase of assets substantially equivalent to an acquisition, and, subject to Sections 4.01(c), 9.01 and 9.02, shall survive the sale of any Purchased Loans hereunder and any termination of this Agreement.

SECTION 11.06 Counterparts. This Agreement may be executed in one or many counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. Such counterparts may be delivered by e-mail or other electronic copy. Facsimile and .pdf signatures shall be deemed valid and binding to the same extent as the original.

SECTION 11.07 Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including communication by electronic means) and e-mailed, mailed, delivered by nationally recognized overnight courier service, transmitted or delivered by hand, as to each party hereto, at its address set forth below or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, upon receipt, or in the case of notice by (i) mail, two (2) Business Days after being deposited in the United States mails, first class postage prepaid or (ii) e-mail or other electronic copy, when verbal communication of receipt is obtained:

If to the Purchaser:

Navient Credit Finance Corporation
11100 USA Parkway
Fishers, IN 46038
Attn: [****] Senior Vice President
Email: [****]

With a copy to:

Navient Corporation
123 Justison Street
Wilmington, DE 19801
Attn: [****] Chief Legal Officer
Email: [****]

With a further copy to:

Navient Corporation
2001 Edmund Halley Drive
Reston, Virginia 20191
Attn: [****] Senior Vice President & Treasurer
Email: [****]

If to the Seller:

JPMorgan Chase Bank, N.A.
201 North Walnut Street, Floor 14
Wilmington, DE 19801
Attn: [****]
Email: [****]

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

With a copy to:

JPMorgan Chase Bank, N.A.
14800 Frye Road, Floor 01
Fort Worth, TX 76155-2732
Attn: [****]
Email: [****]

Either party hereto may change the address and name of the addressee to which subsequent notices are to be sent to it by notice to the other party hereto given as aforesaid.

SECTION 11.08 Restrictions on Assignment. This Agreement, and all rights benefits and obligations contained herein, shall not be assignable by either party hereto, in whole or in part, without the express written consent of the other party hereto. The Purchaser may sell and transfer one or more of the Purchased Loans; provided, that such sale or transfer shall not be effected through any assignment of this Agreement or any of the Purchaser's rights hereunder and any related transferee will not be deemed to be "Purchaser" hereunder.

SECTION 11.09 No Third Party Beneficiaries. This Agreement does not and is not intended to confer any rights or remedies upon any person other than the Seller and the Purchaser and the respective permitted successors of the Seller and the Purchaser.

SECTION 11.10 Limitation on Liability. No director, member, officer, employee or agent of any party of this Agreement shall be individually liable to any other party for the taking of any action, or for refraining to take any action, in good faith pursuant to this Agreement. The Agreement is a corporate obligation of each party and any liability arising hereunder shall be a corporate liability.

SECTION 11.11 Limitation on Remedies. Notwithstanding any other provision of this Agreement to the contrary, except in cases of fraud by such party, neither party hereto shall be responsible for any amounts constituting, or liable to any other party for, any indirect, consequential, special, exemplary or punitive damages with respect to any matter whatsoever arising out of this Agreement, including lost profits, even if such party has been advised of the possibility of such loss or damage.

SECTION 11.12 Severability. The invalidity, illegality or unenforceability of any provision or term of this Agreement in any instance shall not affect the validity or enforceability of such provision in any other instance or the validity or enforceability of any other provision, and each such provision shall be enforced to the fullest extent possible.

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

SECTION 11.13 Survival. This Agreement and any non-disclosure agreements entered into by any of the parties hereto in connection with the Purchased Loans and the transactions contemplated under this Agreement that explicitly survive the consummation of the transactions contemplated hereunder constitute the entire understanding between the parties hereto with respect to the Purchased Loans and supersede all prior or contemporaneous oral or written communications regarding same. The parties hereto understand and agree that no employee, agent or other representative of a party has any authority to bind such party with respect to any statement, representation, warranty or other expression unless said statement, representation, warranty or other expression is specifically included within the express terms of this Agreement.

SECTION 11.14 Sale Treatment. It is the express intention of the parties that the transactions contemplated by this Agreement be, and be construed as, a sale of the Purchased Loans by the Seller and not a pledge of the Purchased Loans by the Seller to the Purchaser to secure a debt or other obligation of the Seller. Further, the transactions contemplated by this Agreement are not intended in any way to constitute the sale of a “security” or “securities” within the meaning of any applicable securities laws, and none of the representations, warranties or agreements of the Seller or the Purchaser shall create any inference that the transactions involve any “security” or “securities.” Consequently, the sale of each Purchased Loan shall be reflected as a sale on the Seller’s and the Purchaser’s business records, tax returns and financial statements. Accordingly, the Seller and the Purchaser shall each treat the transaction for federal income tax purposes as a sale by the Seller, and a purchase by the Purchaser, of the Purchased Loans.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day and year first above written.

SELLER:
JPMORGAN CHASE BANK, N.A.

PURCHASER:
NAVIENT CREDIT FINANCE CORPORATION

By: /s/ Sarah Youngwood
Printed Name: Sarah Youngwood
Title: Managing Director

By: /s/ Jerry Maher
Printed Name: Jerry Maher
Title: Vice President

Signature page to Federal Student Loan Sale Agreement

**EXHIBIT A TO
LOAN SALE AGREEMENT**

LOAN SCHEDULE

[Consolidation: _____]

Stafford: _____

PLUS/SLS: _____

[To be provided for each Purchase Date]

Exh. A-1

**EXHIBIT B TO
LOAN SALE AGREEMENT**

BILL OF SALE

FOR VALUE RECEIVED, JPMORGAN CHASE BANK, N.A. (the "Seller"), pursuant to the terms and conditions of that certain Federal Student Loan Sale Agreement dated as of April 18, 2017 (the "Agreement") by and between the Seller and Navient Credit Finance Corporation, a Delaware corporation (the "Purchaser"), does hereby sell, transfer, assign, and otherwise convey to the Purchaser and its successors and assigns, all right, title, and interest of the Seller in and to the following: (1) the Loans identified in Annex I attached hereto (the "Purchased Loans"), including the underlying Notes and other Loan Documents related thereto; (2) all revenues and recoveries of principal and interest from the Purchased Loans, including all Interest Subsidy Payments, Special Allowance Payments, Borrower payments and reimbursements of principal and accrued interest on default claims from any Guarantor or the Department of Education due or to become due or that accrue on the Purchased Loans as of or after the applicable Purchase Date; (3) the servicing rights relating to the Purchased Loans; and (4) the proceeds of any and all of the foregoing received on and after the Purchase Date. All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

The Seller authorize the Purchaser to use a copy of this document (in lieu of OE Form 1074) as official notification to the Guarantor(s) of assignment to the Purchaser of the Loans.

TO HAVE AND TO HOLD the same unto the Purchaser, its successors and assigns, forever. This Bill of Sale is made pursuant to and is subject to the terms and provisions of the Agreement, and is without recourse, except as provided in the Agreement.

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed by one of its officers duly authorized to be effective as of the day of , 2017.

JPMORGAN CHASE BANK, N.A.

By: _____
Printed Name: _____
Title: _____

Exh. B-1

**EXHIBIT B TO
LOAN SALE AGREEMENT
(Continued)**

Annex I

[Identification of Purchased Loans]¹

¹ Reference Exhibit A if that is final schedule. May also reference servicing reports or Portfolio File (detailed listing).

Exh. B-2

**EXHIBIT B TO
LOAN SALE AGREEMENT
(Continued)**

**BLANKET ENDORSEMENT OF
STUDENT LOAN PROMISSORY NOTES**

Pursuant to the Federal Student Loan Sale Agreement dated April 18, 2017 (the "Agreement"), the undersigned (the "Seller"), by execution of this instrument, hereby endorses the attached promissory note, which is one (1) of the promissory notes (the "Notes") listed on the Bill of Sale attached as Annex I hereto dated the date hereof and executed by the Seller in favor of NAVIENT CREDIT FINANCE CORPORATION (the "Purchaser") as described in the executed Bill of Sale. If the promissory notes include any Master Promissory Notes, the Seller endorses such Master Promissory Notes only to the extent they evidence particular loans that are described in said Bill of Sale. This endorsement is in blank, unrestricted form. Except as stated in the foregoing sentence, this endorsement is without recourse, except as provided under the terms of the Agreement. All right, title, and interest of the Seller in and to the promissory notes and related documentation identified in the attached loan ledger are transferred and assigned to the Purchaser. All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

This endorsement may be further manifested by attaching this instrument or a facsimile hereof to each or any of the promissory notes and related documentation acquired by the Purchaser from the Seller, or by attaching this instrument to the loan ledger schedule, as the Purchaser may require or deem necessary.

Dated this day of , 2017.

JPMORGAN CHASE BANK, N.A.

By: _____

Printed Name: _____

Title: _____

**EXHIBIT C TO
LOAN SALE AGREEMENT**

LIMITED POWER OF ATTORNEY

THIS POWER OF ATTORNEY is made on the [] day of [], 2017, by JPMorgan Chase Bank, N.A. ("JPMorgan") in favor of Navient Credit Finance Corporation (the "Purchaser") (JPMorgan together with the Purchaser, collectively, the "Parties" and each, individually, a "Party").

WHEREAS:

- (A) Pursuant to the Federal Student Loan Sale Agreement dated as of April 18, 2017 (the "Sale Agreement") between the Parties and subject to the terms and conditions contained therein, on the Initial Purchase Date and from time to time thereafter on the applicable Purchase Date, JPMorgan shall sell, and the Purchaser shall purchase, the Purchased Loans.
- (B) Pursuant to the Sale Agreement, JPMorgan is required to execute and deliver this Power of Attorney.

NOW THIS DEED WITNESSETH, in consideration of the closing of the transactions contemplated by the Sale Agreement and for good and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

- (1) Capitalized terms used in this Power of Attorney but not otherwise defined herein shall have the meaning assigned to them in the Sale Agreement.
- (2) In this Power of Attorney words importing the singular number only include the plural and *vice versa*.
- (3) Effective as of the applicable Purchase Date of each Purchased Loan, JPMorgan irrevocably appoints the Purchaser to be its true and lawful attorney for the sole purpose of signing and endorsing any:
 - (a) checks or other forms of payment in respect of any Purchased Loan that are provided in payment for any receivable in respect of any Purchased Loan, which check or other form of payment has been made out to JPMorgan by the Borrower under such Purchased Loan;
 - (b) Notes and other Loan Documents relating to the Purchased Loans; and
 - (c) Other notes, instruments, and other documents necessary to carry out the intent of the Sale Agreement and the transfers provided for therein.

- (4) This Power of Attorney will expire, without any further action required to be taken by either Party, on the 365th day following the applicable Purchase Date of each Purchased Loan.
- (5) This Power of Attorney shall be binding upon and enforceable by, and shall inure to the benefit of, the Parties hereto and their respective successors and assigns and no others, and shall not be construed as conferring and is not intended to confer any rights on any other Person.
- (6) The laws of the State of New York and the federal laws applicable therein shall apply to this Power of Attorney and the interpretation thereof.
- (7) This Power of Attorney may be executed in counterparts, each of which may be delivered electronically, including by facsimile transmission.

[The remainder of this page has been left blank intentionally. Signature page follows]

Exh. C-2

JPMorgan has executed and delivered this Power of Attorney as of the date first above written.

JPMORGAN CHASE BANK, N.A.

By: _____
Name:
Title:

Acknowledgment and acceptance:

The undersigned accepts the above appointment.

NAVIENT CREDIT FINANCE CORPORATION

By: _____
Name:
Title:

Exh. C-3

**EXHIBIT D TO
LOAN SALE AGREEMENT**

REPRESENTATIONS AND WARRANTIES WITH RESPECT TO LOANS

1. The Seller is the sole owner of such Loan, free and clear of any liens, claims or encumbrances of any nature; and the Seller is free to transfer, and has transferred, title to such Loan to the Purchaser.
2. The information presented with respect to such Loan in each applicable Portfolio File in the data fields identified on Schedule II to this Agreement is true and correct in all material respects, as of the date specified in such Portfolio File.
3. Such Loan is a fully disbursed Consolidation Loan, Stafford Loan or PLUS/SLS Loan. Such Loan is made to an Eligible Borrower for Loans of that type under the Higher Education Act.
4. Such loan, if it is (a) a Subsidized Stafford Loan, qualifies the holder thereof to receive Interest Subsidy Payments and Special Allowance Payments from the Department of Education, (b) a Consolidation Loan, qualifies the holder thereof to receive Interest Subsidy Payments and Special Allowance Payments from the Department of Education to the extent applicable and (c) a PLUS/SLS Loan or an Unsubsidized Stafford Loan, qualifies the holder thereof to receive Special Allowance Payments from the Department of Education to the maximum extent permitted by the Higher Education Act for such type of loan, except in each case to the extent affected by Borrower Benefits for which the Borrower has qualified.
5. Such Loan is not subject to a final claim denial determination by the applicable Guarantor.
6. Such Loan is not a Claim Status Loan or a Pre-Claim Status Loan.
7. Such Loan is serviced by ACS immediately prior to sale.
8. Such Loan has been originated, including payment of all applicable origination fees and other fees, and serviced in accordance with all Applicable Law and Regulation; provided, that, no representation or warranty is made with respect to the servicing of such Loan by any Third-Party Servicer.
9. Such Loan is the legal, valid and binding obligation of the Borrower thereof and is subject to no defenses (except the defense of infancy), subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws relating to or affecting creditors' rights generally (including the Servicemembers' Civil Relief Act), and subject to general principles of equity. Except for the Borrower Benefits, the Seller has previously paid for all other rebates that were promised to the Borrowers.
10. Such Loan is guaranteed by a Guarantor at no less than the maximum allowable percentage under the Higher Education Act of the principal of and accrued interest on such Loan and is reinsured by the Secretary to the fullest extent permitted under the Higher Education Act.

Exh. D-1

11. Such Loan is registered with the Guarantor under the ownership number that the Seller has provided to the Purchaser. All fees due and payable to the Guarantor from the Seller prior to the applicable Purchase Date have been paid.
12. The Note for such Loan provides for payments on a periodic basis that will fully amortize the Principal Balance thereof by its maturity, as such maturity may be modified in accordance with applicable deferral and forbearance periods granted in accordance with Applicable Law and Regulation, including the Higher Education Act and any Guarantee Agreements, as applicable.
13. Such Loan is assignable to the Purchaser and for such assignment does not by its terms require the consent of or notice to the related Borrower.
14. Such Loan does not have any borrower incentive in effect as of the applicable Purchase Date other than the Borrower Benefits, and the related Borrower is not eligible for any borrower incentives other than the Borrower Benefits.
15. The Seller has applied to such Loan all the Borrower Benefits for which the related Borrower is eligible and which have been earned.
16. Immediately prior to the applicable Purchase Date, the Note and the Loan Documents evidencing such Loan are in the possession of ACS as custodian for the Seller.
17. The Seller has not waived, altered or modified any of the material terms, covenants or conditions of such Loan (or the related Note) except as permitted by the Higher Education Act or pursuant to Borrower Benefits.
18. Except for Purchased Loans executed electronically, there is only one original executed copy of the Note evidencing each Purchased Loan. For Purchased Loans that were executed electronically, either (i) the Seller has possession of the electronic records evidencing the Note or (ii) the Seller has agreements with the previous holders or servicers of such Note under which the relevant holder or servicer agrees to hold and maintain the electronic records evidencing the Note, in each case as may be necessary to enforce the Note or as may be required by applicable e-sign laws.
19. The Borrower of such Loan is not the subject of a current bankruptcy proceeding.
20. No payment or portion thereof with respect to such Loan is more than 270 days past due from the original due date thereof.
21. The Principal Balance of such Loan is not less than \$100.00.

The parties acknowledge that since no representation or warranty is made with respect to the servicing of, or the reporting or record-keeping with respect to, any Loan by any Third-Party Servicer, if any representation or warranty in this Exhibit D is untrue or inaccurate due to an act or omission by a Third-Party Servicer, then the untruth or inaccuracy of such representation or warranty shall not constitute a basis for a claim of a breach of such representation or warranty.

**EXHIBIT E TO
LOAN SALE AGREEMENT**

BORROWER BENEFITS

[See attached]

**** Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

| <u>Incentive Plan</u> | <u>Plan Name</u> | <u>Ach Reduction (Bill Type = A)</u> | <u>On Time Int Reduction</u> | <u>When?</u> | <u>Rebate%</u> | <u>Rebate Type</u> | <u>When?</u> | <u>Constant INT Reduction</u> | <u>Max Days Late Before DQ (Constant)</u> | <u>When?</u> |
|-----------------------|------------------|--------------------------------------|------------------------------|--------------|----------------|--------------------|--------------|-------------------------------|-------------------------------------------|--------------|
| [****] | **** | **** | **** | **** | **** | **** | **** | | | |
| **** | **** | **** | **** | **** | **** | **** | ****] | | | |

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

**SCHEDULE I TO
LOAN SALE AGREEMENT**

Officers of Seller

1. [****], Managing Director (Manager Chase Student Loans)
2. [****], Executive Director, Operations Manager (Student Loan Servicing)
3. [****], Executive Director, Analytics and Reporting
4. [****], Managing Director, Risk Manager
5. [****], Executive Director, Accounting Manager
6. [****], Executive Director, Operations Manager (Student Loan Collections)
7. [****], Executive Director, Vendor Management and Customer Experience

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

PRIVATE STUDENT LOAN SALE AGREEMENT

This Private Student Loan Sale Agreement (the “Agreement”) is made and entered into as of April 18, 2017 (the “Effective Date”), by and between NAVIENT CREDIT FINANCE CORPORATION, a Delaware corporation (the “Purchaser”), and JPMORGAN CHASE BANK, N.A., a national banking association (the “Seller”).

RECITALS

WHEREAS, the Seller desires to sell a portfolio of private student loans to the Purchaser, and the Purchaser is willing to purchase such student loan portfolio from the Seller on the terms and conditions set forth in this Agreement; and

WHEREAS, the parties desire to provide for the purchase of such portfolio of private student loans by the Purchaser on one or more purchase dates, if necessary or advisable to accommodate the orderly transfer of servicing;

NOW, THEREFORE, in consideration of the premises and the mutual covenants herein contained, the parties hereto agree as follows:

**ARTICLE I
DEFINITIONS**

SECTION 1.01 Certain Definitions. Except as otherwise specified herein or as the context may otherwise require, for purposes of this Agreement, the following terms have the meaning specified:

“Action” has the meaning assigned to such term in Section 9.03.

“AES” means The Pennsylvania Higher Education Assistance Agency.

“AES Corrections File” means the summary document entitled “Post Closing Corrections – AES” which was uploaded to the Data Room on April 17, 2017.

“AES Servicing Agreement” means that certain Master Loan Servicing Agreement dated as of July 30, 2014, by and between the Seller and AES, together with Schedule 1 thereto dated as of July 30, 2014, as amended by the First Amended and Restated Schedule 1 dated as of March 21, 2017.

“Affiliate” means, with respect to any Person, any other Person that, directly or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such Person, and the term “control” (as well as the terms “controlled by” and “under common control with”) means the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person, whether through ownership of voting securities, by Contract or otherwise.

“Agreement” has the meaning assigned to such term in the preamble hereto.

“Applicable Law and Regulation” means applicable law, rule, regulation, governmental order or decree, or any legal or administrative process or proceeding.

“Bankruptcy Loan” means any Loan the Borrower of which is the subject of an ongoing bankruptcy proceeding as of the applicable Purchase Date as reported or reflected in AES’ servicing system.

“Bill of Sale” means the bill of sale in the form set forth as **Exhibit B** hereto.

“Blanket Endorsement” means the blanket endorsement in the form set forth as **Exhibit B** hereto.

“Borrower” means any Person who is an obligor on a Loan, including, without limitation, any guarantor, co-signor, insurer or surety bond provider.

“Borrower Benefits” has the meaning assigned to such term in Section 2.06.

“Business Day” means any day other than a Saturday or a Sunday on which commercial banking institutions are not required or authorized to be closed in New York, New York.

“CFPB” means the United States Consumer Financial Protection Bureau.

“Charged-Off Loan” means a defaulted loan that is 120 days or more past due, or which a Third-Party Servicer has ceased to service pursuant to the Seller’s charge-off procedures set forth within the AES Servicing Agreement, but excluding any Bankruptcy Loan or Post-Bankruptcy Loan that was not 120 or more days past due at the time that the related Borrower became the subject of a bankruptcy proceeding.

“Claim Notice” has the meaning assigned to such term in Section 9.03.

“Confidential Information” means (a) all information (whether oral, electronic and/or written or otherwise) that is furnished by or on behalf of the Seller to the Purchaser or its Representatives, or by or on behalf of the Purchaser to the Seller or its Representatives, in connection with this Agreement or the transactions contemplated hereby and (b) all notes, analyses, compilations, studies, interpretations, memoranda or other documents (regardless of the form) prepared by or on behalf of the Purchaser or its Representatives containing, in whole or in part, or generated from and reflecting, any information referenced in the immediately preceding sub-clause (a); provided that, notwithstanding the foregoing, the term “Confidential Information” does not include information that (i) is or becomes generally available to the public other than as a result of disclosure by the Purchaser or the Seller, as applicable, or its respective Representatives in violation of this Agreement; (ii) is or becomes available to the Purchaser or the Seller, as applicable, or its respective Representatives on a non-confidential basis from a source other than the other party or its Representatives in connection with this Agreement or the transactions contemplated hereby; provided, however, that such source is not known by the Purchaser or the Seller, as applicable, or its respective Representatives to be prohibited from transmitting such information to the Purchaser, its Affiliates or its Representatives by a

contractual, legal, fiduciary or other obligation, (iii) has been independently developed by or on behalf of the Purchaser or its Affiliates without reference to or use of any Confidential Information, (iv) Customer Information relating to any Purchased Loan or (v) any historical performance data, static pool data, loan pool stratifications or other data of the type customarily disclosed to student loan securitization or whole loan investors, whether by custom, practice of the Purchaser or as required by Applicable Law.

“Contract” means any contract, agreement, indenture, note, bond, mortgage, loan, instrument, lease or license.

“Cure Period” has the meaning assigned to such term in Section 6.01(a).

“Customer Information” has the meaning assigned to such term in Section 10.01(d).

“Data Room” means the JPMorgan Chase [****] 2016 data room [****] maintained for purposes of the transactions contemplated by this Agreement, and including all documents and files saved in such data room at 9:00 a.m. on the Effective Date as well as any other documents and files saved after Effective Date to the extent agreed to by the Parties.

“Debtor Relief Laws” means any and all applicable liquidation, conservatorship, bankruptcy, insolvency, rearrangement, moratorium, reorganization or similar debtor relief laws and usual principles of equity affecting the rights of creditors generally from time to time in effect in any State or under the laws of the United States.

“Deductible Amount” means \$[****] per annum.

“Delinquent Purchased Loan” means any Purchased Loan which is more than 60 days past due as of the applicable Purchase Date as reported or reflected in AES’ servicing system.

“Dispute Notice” has the meaning assigned to such term in Section 9.03.

“Effective Date” has the meaning assigned to such term in the preamble hereto.

“E-Sign” or “E-Signed” means the process by which a Loan was electronically signed.

“Estimated Purchase Price” means, with respect to any Purchased Loans, the Purchase Price as determined as of the applicable Purchase Date based upon the applicable Purchase Date Portfolio File, which amount shall be used as an estimate of the Purchase Price for such Purchased Loans for purposes of settlement on such Purchase Date.

“FCRA” has the meaning assigned to such term in Section 10.01(d).

“Final Purchase Price” has the meaning assigned to such term in Section 2.02.

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

“Financing Agreements” means [****], in each case substantially on the terms described in the commitment letter from the Seller to the Purchaser dated April 18, 2017.

“GLBA” has the meaning assigned to such term in Section 10.01(d).

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Indemnified Person” has the meaning assigned to such term in Section 9.03.

“Indemnifying Person” has the meaning assigned to such term in Section 9.03.

“Initial Purchase Date” means the first Purchase Date occurring on or after the Effective Date, which date shall be the earliest practicable date following the date on which the parties mutually agree that the conditions of purchase set forth in Section 3.01 have been satisfied.

“Limited Performance Post-Bankruptcy Purchased Loan” means any Purchased Loan which is a Post-Bankruptcy Loan and with respect to which six or fewer scheduled payments have been made since the termination of the applicable bankruptcy proceeding as reported or reflected in AES’ servicing system.

“Loan” means a private education loan.

“Loan Documents” means, with respect to a Purchased Loan, all documents and other documentation or information relating to such Purchased Loan that have been delivered to or created by or on behalf of AES and are held by AES, whether in paper, electronic, digital, or other form or format, including but not limited to:

(i) the loan application, and any supplement thereto;

(ii) original promissory note and any addendum thereto (or a certified copy thereof if more than one loan is represented by a single promissory note and all loans so represented are not being sold) or the electronic records therefor;

(iii) if applicable, any other document and/or record which the Seller or the Servicer or other agent may be required to retain pursuant to the program under which such Loan was originated;

(iv) payment history (or similar documentation) including:

(A) an indication of the Principal Balance and the date through which interest has been paid, each as of the related date of determination; and

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- (B) an accounting of the allocation of all payments by the Borrower or on the Borrower's behalf to principal and interest on such Loan;
- (v) if applicable, documentation which supports periods of current or past deferment or past forbearance;
- (vi) if applicable, a collection history, if such Loan was ever in a delinquent status, including detailed summaries of contacts and including the addresses or telephone numbers used in contacting or attempting to contact the related Borrower and any endorser;
- (vii) if applicable, evidence of all requests for skip-tracing assistance and current address of the related Borrower, if located; and
- (viii) if applicable, a record of any event resulting in a change to or confirmation of any data in the Loan file.

“Loan Loss” has the meaning assigned to such term in Section 6.01.

“Loan Schedule” means the schedule of Loans attached as **Exhibit A** to this Agreement.

“Loss” has the meaning assigned to such term in Section 9.01.

“Northland” means Northland Group, Inc.

“Northland Services Agreement” means that certain Master Agreement dated as of September 1, 2014, by and between the Seller and Northland (as assignee of Accounts Receivable Management, Inc.), together with Schedule One – Pre-Charge Off Services thereto dated as of November 1, 2014, as amended by that certain letter agreement dated as of April 2, 2015.

“Note” means the original promissory note executed by a Borrower (or electronic records evidencing the same) to evidence such Borrower's obligation to repay the related Loan.

“Notice Period” has the meaning assigned to such term in Section 9.03.

“Performing Post-Bankruptcy Purchased Loan” means any Purchased Loan which is a Post-Bankruptcy Loan and with respect to which more than six scheduled payments have been made since the termination of the applicable bankruptcy proceeding as reported or reflected in AES' servicing system.

“Person” means any individual, corporation, partnership, limited liability company, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Authority or other entity.

“Pleadings” has the meaning assigned to such term in Section 5.03(a).

“Portfolio File” means, collectively, the electronic files reflecting loan characteristics of the applicable Loans and produced by AES in a format consistent with the data files labeled “AES MR50”, “AES Benefits File” “Chase Additional Attributes File” and “Index Grid File” uploaded to the Data Room.

“Post-Bankruptcy Loan” means any Loan the Borrower of which was, prior to the applicable Purchase Date, the subject of a bankruptcy proceeding, and which bankruptcy proceeding has subsequently been closed by the applicable court and the principal of and accrued interest on such Loan has not been discharged by the bankruptcy court.

“Post-Purchase Portfolio File” means, with respect to any Purchased Loan, the Portfolio File delivered by or on behalf of the Seller to the Purchaser reflecting the loan characteristics of such Purchased Loan as of such Purchase Date.

“Power of Attorney” means the power of attorney in the form set forth as **Exhibit C** hereto.

“Pre-Effective Date Portfolio File” means the Portfolio File delivered by or on behalf of the Seller to the Purchaser reflecting loan characteristics as of February 28, 2017.

“Pre-Purchase Portfolio File” means, with respect to any Purchased Loan, the Portfolio File delivered by or on behalf of the Seller to the Purchaser reflecting the loan characteristics of such Purchased Loan as of the last day of the calendar month that is the second month preceding the month in which the applicable Purchase Date occurs.

“Principal Balance” means the original principal amount of a Loan, including capitalized interest and capitalized origination fees and accrued and unpaid interest to be capitalized, charged to and payable by the Borrower or cosigner, as applicable, less principal payments received.

“Purchase Date” means with respect to a Purchased Loan, the date of transfer and payment with respect to such Purchased Loan, which date shall be no later than December 31, 2017, or such later date as the parties hereto may agree.

“Purchase Price” has the meaning assigned to such term in Section 2.02.

“Purchased Loans” has the meaning assigned to such term in Section 2.01.

“Purchaser” has the meaning assigned to such term in the preamble hereto.

“Purchaser Indemnified Person” has the meaning assigned to such term in Section 9.01.

“Purchaser Review Period” shall mean a period commencing on the date on which the Seller has notified the Purchaser in writing or the Purchaser has otherwise reasonably determined that an event has occurred that would preclude the Seller from satisfying the closing condition required under Section 3.01(b)(i) (other than with respect to Section 4.01(a)(vi)) and ending on the date that is thirty (30) days following such notice or determination.

“Regulatory Proceeding” means any truth-in-lending, fair lending, predatory or abusive lending, unfair collection practices, equal credit opportunity, privacy of information or other consumer regulatory action (either formal or informal), suit, proceeding, investigation, claim, allegation, or adverse determination by or before a Governmental Authority.

“Representatives” means, with respect to any Person, the Affiliates of such Person, and the respective directors, officers, employees, agents, representatives, advisors (including financial advisors, accountants, attorneys and actuaries) of such Person and its Affiliates.

“Seller” has the meaning assigned to such term in the preamble hereto.

“Seller Breach” has the meaning assigned to such term in Section 6.01.

“Seller Indemnified Person” has the meaning assigned to such term in Section 9.02.

“Seller Review Period” shall mean a period commencing on the date on which the Purchaser has notified the Seller in writing or the Seller has otherwise reasonably determined that an event has occurred that would preclude the Purchaser from satisfying the closing condition required under Section 3.01(d)(i) or (iv) and ending on the date that is thirty (30) days following such notice or determination.

“Seller’s Knowledge” means the actual knowledge of any of the officers of the Seller listed on **Schedule I** hereto, it being understood that any representation or warranty made to “Seller’s Knowledge” is made solely to the extent that any such officer has actual knowledge of the matter being represented and does not imply or suggest that the representation is otherwise in fact correct.

“Seller’s Policies and Servicing Practices” means the policies and practices of the Seller for the origination, servicing and collection of Loans, which are attached hereto as **Exhibit F**.

“Servicer” means AES.

“Servicing Agreement” means the AES Servicing Agreement and the Northland Services Agreement.

“Third Party Claim” means any claim, suit, proceeding, regulatory action, demand or other action asserted by any Person other than the Seller, the Purchaser and their respective Affiliates.

“Third-Party Servicer” means AES, Northland and their respective Affiliates, designees and subcontractors.

“Transaction Information” has the meaning assigned to such term in Section 10.02.

“UCC” means the Uniform Commercial Code of the State of New York.

SECTION 1.02 Accounting Terms and Determinations. Unless otherwise defined or specified herein, all accounting terms shall be construed herein and all accounting determinations hereunder shall be made in accordance with GAAP.

SECTION 1.03 Computation of Time Periods. Unless otherwise stated in this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

SECTION 1.04 Interpretation. (a) When used in this Agreement, unless a contrary intention appears: (i) a term has the meaning assigned to it; (ii) “or” is not exclusive; (iii) “including” means “including without limitation”; (iv) words in the singular include the plural and words in the plural include the singular; (v) any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; (vi) references to a Person are also to its successors and permitted assigns; (vii) the words “hereof,” “herein” and “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision hereof; (viii) references contained herein to Section, Schedule and Exhibit, as applicable, are references to Sections, Schedules and Exhibits in this Agreement unless otherwise specified; (ix) references to “writing” include printing, typing, lithography and other means of reproducing words in a visible form; and (x) the term “proceeds” has the meaning set forth in the applicable UCC.

(b) The parties hereto have participated jointly in the negotiation and drafting of this Agreement and, in the event an ambiguity or question of intent or interpretation arises, this Agreement shall be construed as jointly drafted by the parties hereto and no presumption or burden of proof shall arise favoring or disfavoring either party hereto by virtue of the authorship of any provision of this Agreement.

ARTICLE II PURCHASE AND SALE OF LOANS

SECTION 2.01 Purchase and Sale of Loans.

(a) Subject to the terms and conditions and in reliance on the representations, warranties and agreements hereinafter set forth, the Seller agrees to sell to the Purchaser and the Purchaser agrees to purchase from the Seller, from time to time on one or more Purchase Dates occurring after the Effective Date, all of the Seller’s right, title and interest in and to the Loans identified on the Loan Schedule (the “Purchased Loans”).

(b) The conveyance by the Seller under this Agreement shall be without recourse (except as is otherwise expressly set forth in this Agreement) and shall constitute the sale, transfer, assignment, setting over and in all other respects the conveyance to the Purchaser of all right, title and interest of the Seller in and to:

- (i) the Purchased Loans, including the underlying Notes and other Loan Documents;

(ii) all collections, revenues and recoveries of principal and interest from the Purchased Loans, including all Borrower payments to the extent due or to become due or to the extent accruing on the Purchased Loans on and after the applicable Purchase Date;

(iii) the servicing rights relating to the Purchased Loans; and

(iv) the proceeds of any and all of the foregoing received on and after the applicable Purchase Date.

SECTION 2.02 Consideration.

(a) On each Purchase Date, the Purchaser shall purchase the Purchased Loans to be purchased on such date from the Seller at a purchase price (the "Purchase Price") equal to the sum of the following:

(i) with respect to Purchased Loans which are not Post-Bankruptcy Loans or Bankruptcy Loans,

[****]

(ii) with respect to Purchased Loans which are Post-Bankruptcy Loans,

[****]

(iii) with respect to Purchased Loans which are Bankruptcy Loans, [****].

Notwithstanding the foregoing, if the Initial Purchase Date for the Purchased Loans shall occur on a date after July 31, 2017 and the Purchaser has notified the Seller, or the Seller has notified the Purchaser, in writing that a change in market conditions has occurred that has caused the market price of the Loans to be materially different than the foregoing Purchase Price, the parties agree that they shall negotiate in good faith to determine an appropriate Purchase Price for any Loans remaining to be purchased in light of then-current market conditions; provided, however, that (x) the Seller shall not be required to negotiate as set forth in this sentence during a Seller Review Period and (y) the Purchaser shall not be required to negotiate as set forth in this sentence during a Purchaser Review Period. The Purchaser shall pay the Estimated Purchase Price for each Purchased Loan not later than 2:00 p.m. (New York City time) by wire transfer of immediately available funds on the applicable Purchase Date to such account as the Seller shall direct in writing to the Purchaser prior to the applicable Purchase Date. The purchase and sale of the Purchased Loans shall be evidenced by the Bill of Sale duly executed and delivered by the Seller in connection with each Purchase Date.

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(b) No later than five (5) Business Days after each Purchase Date, the Seller shall deliver to the Purchaser a calculation of the Purchase Price determined as of such Purchase Date (the “Final Purchase Price”) and a Post-Purchase Portfolio File with respect to the applicable Purchased Loans. The Purchaser shall have five (5) Business Days to review and comment on the Seller’s calculation of the Final Purchase Price. If during this five (5) Business Day period the Purchaser notifies the Seller that the Purchaser disagrees with these calculations, the Seller and the Purchaser will meet to attempt to resolve any differences. If they are unable to agree on the adjustments within the next thirty (30) days, then the Seller and the Purchaser will be free to pursue an additional review by jointly selecting an independent accounting firm to review the calculations and make a determination as to the Final Purchase Price. If the Purchaser and the Seller are unable to agree on an accounting firm, then they will apply to the American Arbitration Association to make the selection. The independent accounting firm selected pursuant to this Section 2.02(b) is referred to herein as the “Arbitration Firm”. The Arbitration Firm will be instructed to complete its review within twenty (20) days and to calculate the Final Purchase Price in accordance with this Section 2.02. The decision of the Arbitration Firm will be final and binding on the Seller and the Purchaser.

(c) If the Final Purchase Price is greater than the Estimated Purchase Price, then the Purchaser shall pay to the Seller the amount of such difference. If the Final Purchase Price is less than the Estimated Purchase Price, then the Seller shall pay to the Purchaser the amount of such difference. The payment of any amount pursuant to this Section 2.02(c) shall be made, together with interest thereon accrued from the applicable Purchase Date until the date of such payment at a rate *per annum* equal to the “prime rate” published in the *Wall Street Journal*, within thirty (30) days of the applicable Purchase Date (or, if the Purchaser has disputed the Seller’s calculation of the Final Purchase Price, the date on which the Final Purchase Price has been determined pursuant to Section 2.02(b)), by wire transfer of immediately available funds in accordance with the instructions of the payee thereof.

(d) Not later than the last day of each month following the Initial Purchase Date, the Seller shall notify the Purchaser if any of the items described in the AES Corrections File have been corrected. If such corrections result in a revised Principal Balance of any Purchased Loans, the parties will arrange for settlement of an adjustment to the Purchase Price paid for the affected Purchased Loans in a mutually acceptable manner based on such revised Principal Balances. Notwithstanding anything to the contrary herein, the parties agree that such adjusted Purchase Price, if in favor of the Purchaser, shall not be subject to the Deductible Amount or the \$[****] limit on indemnities described in Section 9.01. The Seller shall continue to work with AES and the Purchaser to complete the corrections until they have been satisfied.

SECTION 2.03 Retention of Documents and Customer Information. Notwithstanding the sale of the Purchased Loans, the Seller shall be entitled to retain copies of all Loan Documents and Customer Information subject to the requirements and restrictions of this Agreement regarding Customer Information, and the adopted document retention policies of

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the Seller or its Affiliates. Any copy of a Note retained by the Seller shall be clearly labeled as a copy. Except to the extent required under Applicable Law and Regulation, nothing in this Agreement shall require the Seller to destroy or delete copies of any Loan Documents, Customer Information or any computer models, databases, electronic files or other electronic material prepared by the Seller or its Affiliates based in whole or in part on any Loan Documents or Customer Information.

SECTION 2.04 Servicing. (a) The Purchased Loans are sold and conveyed to the Purchaser on a servicing-released basis. Commencing on the applicable Purchase Date, immediately upon giving effect to the sale of the Purchased Loans, the servicing of the Purchased Loans by the Servicer will be conducted on behalf of the Purchaser pursuant to the AES Servicing Agreement, and the services provided by Northland with respect to the Purchased Loans will be conducted on behalf of the Purchaser pursuant to the Northland Services Agreement. The Purchaser shall be responsible for all amounts due, or to become due, to the Servicer, Northland or any other Person with respect to servicing of the Purchased Loans incurred on or after the applicable Purchase Date, including servicing compensation for the period from and after the applicable Purchase Date, deboarding fees, deconversion fees, termination fees, transfer fees or other make-whole payments in connection with the transfer of servicing to the Purchaser or the servicing of the Purchased Loans from and after such Purchase Date.

(b) The Seller makes no representation, warranty or covenant and assumes no obligation to the Purchaser (including pursuant to Section 6.01 or Section 9.01) with respect to the servicing of the Purchased Loans by any Third-Party Servicer whether on, before or after the applicable Purchase Date, and shall have no liability to the Purchaser for any liabilities, claims, breaches, disputes, indemnities or other costs, expenses, losses or other matters, including any of the foregoing that may at any time be alleged by the Purchaser or any third-party, relating to the servicing of the Purchased Loans by any Third-Party Servicer, except that the Seller will remain responsible for all amounts due or accrued to the applicable Third-Party Servicer or any other Person with respect to servicing of the Purchased Loans incurred prior to the applicable Purchase Date.

(c) The Seller shall be subrogated to any claims or rights of the Purchaser as against any Third-Party Servicer with respect to any amounts paid by the Seller under Article VI hereof. The Purchaser shall reasonably cooperate with the Seller, at the Seller's expense, in the Seller's assertion of any claim based on the right of subrogation.

SECTION 2.05 Limits on Purchaser's Recourse; Nature of Purchased Loans.

(a) The sale and purchase of the Purchased Loans provided for in this agreement is expressly made without recourse, and without representations or warranties of any kind or character, expressed or implied other than the representations and warranties expressly set forth herein.

(b) The Purchaser acknowledges that it is a sophisticated private education loan holder, and has specific knowledge and experience in Loans that enable it to evaluate the merits and risks of the transactions contemplated hereunder. The Purchaser has made such independent

investigation, including due diligence and financial and legal analyses, as the Purchaser determined to be warranted into the nature, validity, enforceability, collectability and value of the Purchased Loans, and all other facts it deems material to its purchase.

(c) The Purchaser's bid and decision to purchase the Purchased Loans is based upon its own comprehensive review and independent expert evaluation and analysis of the Purchased Loans. The Purchaser is not acting in reliance on any representation or warranty by the Seller or its Affiliates other than the representations and warranties expressly set forth herein.

(d) The Purchaser acknowledges and agrees that the Purchase Price for the Purchased Loans reflects the quality of the assets (including any faults, defects or other adverse matters that may be associated with the Purchased Loans) and the "as is" nature of the sale. The Purchaser further acknowledges and agrees that it has been fully informed as to the nature of the Purchased Loans and has agreed to purchase them as contemplated by this Agreement.

(e) The Purchaser acknowledges and agrees that the Seller will not be obligated to participate in any future securitization or whole loan sale or offering of the Purchased Loans or provide originator disclosure, servicer disclosure or static pool information or any similar disclosures in connection with a securitization or subsequent whole loan sale or offering.

SECTION 2.06 Borrower Benefits. The Purchaser acknowledges that the Seller currently grants certain interest rate reductions and other benefits to certain Borrowers as set forth in **Exhibit E** (collectively, the "Borrower Benefits"). The Purchaser agrees to honor all Borrower Benefits identified in **Exhibit E**, including those Borrower Benefits currently earned by Borrowers and those for which the Borrowers are eligible but which are not yet earned, with the Purchaser being responsible for the cost of such Borrower Benefits for periods after the applicable Purchase Date. Except for any applicable Seller's Policies and Servicing Practices required to be maintained in accordance with Section 5.02(a), the Purchaser shall not be obligated to maintain any borrower benefits other than those described in **Exhibit E**.

SECTION 2.07 No Assignment of Contract Rights. The Purchaser acknowledges and agrees that the Seller will not assign to the Purchaser any of the Seller's rights in, to or under any agreement, including those pursuant to which the Purchased Loans have been originated, acquired, disbursed, guaranteed, insured or serviced and including any contract or other rights that the Seller may have against any school attended by a Borrower or any originator or origination agent, disbursement agent, servicer, guarantor, other third party service provider or prior owner of any Purchased Loan.

SECTION 2.08 Rights and Risks Transferred; Security Interest. The transfer of the Purchased Loans pursuant to Section 2.01 shall constitute a sale and assignment to the Purchaser of the Purchased Loans. As purchaser of the Purchased Loans, the Purchaser shall bear the risk of future performance of the Purchased Loans, including risk of future default, except as set forth in Section 6.01 and Article IX. In the event, however, that it is determined by a court of competent jurisdiction that the transactions evidenced by this Agreement constitute a loan and not a purchase and sale, the parties hereto intend that this Agreement constitute a security agreement under Applicable Law and Regulation and that the Seller shall be deemed to have granted, and does hereby grant, to the Purchaser a security interest in all of the Seller's right, title

and interest, whether now owned or hereafter acquired, in, to and under all Purchased Loans and all other items set forth in clauses (i) through (iv) of Section 2.01(b). The grant set forth in the preceding sentence is solely for additional protection of the Purchaser's interests in the Purchased Loans and shall not be deemed to contradict the express intent of the Seller and the Purchaser that the transfer of Purchased Loans under this Agreement is an absolute assignment of such Purchased Loans and is not a transfer of such Purchased Loans as security for a debt. The Seller hereby authorizes the Purchaser to file UCC financing statements, all amendments thereto and continuations thereof deemed necessary or appropriate by the Purchaser that identify the Seller as seller and/or debtor and the Purchaser as purchaser and/or secured party and describe the Purchased Loans.

ARTICLE III CONDITIONS PRECEDENT

SECTION 3.01 Conditions of Purchase.

(a) The Purchaser's obligations on the Effective Date shall be subject to the following conditions precedent:

(i) All representations and warranties of the Seller contained in this Agreement shall be true and correct in all material respects on, and as if made as of, the Effective Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).

(ii) The Purchaser shall have received (A) one or more officer's certificates of the Seller certifying the names, signatures and authorization of the officers of the Seller authorized to sign this Agreement, and attaching certified organizational documents and excerpts of resolutions of the Seller's board of directors or a relevant committee of the board relating to the transactions contemplated by this Agreement, and (B) opinions of counsel from Sidley Austin LLP (or another nationally recognized law firm), counsel to the Seller in form and substance satisfactory to the Purchaser relating to valid existence, due authorization, execution and delivery, enforceability and non-contravention of charter and of New York or Federal law.

(b) The Purchaser's obligation to purchase and pay for the Purchased Loans hereunder on the applicable Purchase Date shall be subject to the following conditions precedent:

(i) The Purchaser shall have received a written certification dated as of the applicable Purchase Date from the Seller that all representations and warranties of the Seller contained in this Agreement shall be true and correct in all material respects on, and as if made as of, such Purchase Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).

(ii) The Seller shall have delivered to the Purchaser on or before such Purchase Date the Bill of Sale, the Blanket Endorsement and the Power of Attorney.

(iii) On or prior to such Purchase Date, the Purchaser shall have received opinions of counsel from Sidley Austin LLP (or another nationally recognized law firm), counsel to the Seller, in form and substance satisfactory to the Purchaser relating to creation and perfection of the security interest granted hereunder.

(iv) On or prior to such Purchase Date, funding under the Financing Agreements shall have been made available to the Purchaser (or its applicable Affiliate) in an aggregate amount at least equal to the Purchase Price.

(v) The Purchaser shall have received evidence reasonably satisfactory to it that the Seller has directed AES in writing to hold physical custody and possession of the Notes evidencing the Purchased Loans on behalf of the Purchaser and not on behalf of the Seller.

(vi) The Purchaser shall have received written acknowledgement from the Servicer and Northland that the Purchaser shall have the right to proceed against the Servicer and Northland for breaches, errors and omissions in servicing the Purchased Loans occurring prior to the applicable Purchase Date.

(vii) The Purchaser shall have received evidence reasonably satisfactory to it that the Servicer has updated its records to reflect that it is servicing the Purchased Loans on behalf of the Purchaser.

(viii) The Purchaser shall have received executed counterparts of (A) an Assignment and Assumption between the Seller, as assignor, and the Purchaser, as assignee, relating to AES Servicing Agreement, (B) an Assignment and Assumption between the Seller, as assignor, and the Purchaser, as assignee, relating to the Northland Services Agreement, and (C) an Assignment and Assumption between the Seller, as assignor, and the Purchaser, as assignee, relating to the Remote Access, Confidentiality and Indemnification Agreement, dated December 21, 2015, among the Seller, AES and Northland.

(ix) Such Purchase Date shall be no later than December 31, 2017.

(c) The Seller's obligations on the Effective Date shall be subject to the following conditions precedent:

(i) All representations and warranties of the Purchaser contained in this Agreement shall be true and correct in all material respects on, and as if made as of, the Effective Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).

(d) The Seller's obligation to sell Purchased Loans hereunder on each Purchase Date shall be subject to the following conditions precedent:

(i) The Seller shall have received a written certification dated as of the applicable Purchase Date from the Purchaser that all representations and warranties of the Purchaser contained in this Agreement shall be true in all material respects on, and as if made as of, such Purchase Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date).

(ii) The Purchaser shall have received evidence reasonably satisfactory to it that the Seller has directed AES in writing to hold physical custody and possession of the Notes evidencing the Purchased Loans on behalf of the Purchaser and not on behalf of the Seller.

(iii) The Purchaser shall have received written acknowledgement from the Servicer and Northland that the Purchaser shall have the right to proceed against the Servicer and Northland for breaches, errors and omissions in servicing the Purchased Loans occurring prior to the applicable Purchase Date. The Seller shall have received evidence reasonably satisfactory to it that the Servicer has updated its records to reflect that it is servicing the Purchased Loans on behalf of the Purchaser.

(iv) The Seller shall have received a written certification dated as of the applicable Purchase Date from the Purchaser that [****].

(v) Such Purchase Date shall be no later than December 31, 2017.

(vi) The Seller shall have received the Estimated Purchase Price in accordance with Section 2.02.

ARTICLE IV REPRESENTATIONS AND WARRANTIES

SECTION 4.01 Representations and Warranties of the Seller.

(a) The Seller represents and warrants to the Purchaser as of the Effective Date and each Purchase Date as follows:

(i) The Seller is a national banking association that is duly organized and validly existing under the laws of the United States of America.

(ii) The Seller has taken all legal and corporate action necessary to permit it to enter into and perform all of its obligations in this Agreement.

(iii) This Agreement has been duly and validly authorized, duly executed and delivered by the Seller.

(iv) Neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement, will conflict with

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or result in a breach of any of the terms, conditions or provisions of its governing documents or result in a material breach of any legal restriction by which the Seller is bound, or constitute a material default or result in an acceleration under any of the foregoing, or result in the violation of any material law, rule, regulation, order, judgment or decree to which the Seller is subject.

(v) There are no actions or proceedings, and to the Seller's Knowledge there are no investigations, pending or threatened, against it before any court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over it or its properties: (1) asserting the invalidity of this Agreement, (2) seeking to prevent the consummation of any transactions contemplated by this Agreement or (3) seeking any determination or ruling that would reasonably be expected to have a material and adverse effect on the execution, delivery or enforceability of this Agreement or the performance by the Seller of its obligations hereunder.

(vi) Each of the representations and warranties set forth in **Exhibit D** is true and correct as of the Effective Date and will be true and correct as of the applicable Purchase Date (unless any such representation and warranty is made only as of a specific date, in which event such representation or warranty shall be true in all material respects only as of such specific date) with respect to each Purchased Loan.

(vii) The transfer, assignment and conveyance of the Purchased Loans by the Seller pursuant to, and during the term of, this Agreement are not subject to the bulk transfer or any similar statutory provisions in effect in any applicable jurisdiction. The Seller is not transferring the Purchased Loans with an actual intent to hinder, delay, or defraud any of its creditors. The Seller is solvent and will not be rendered insolvent by the sale of any of the Purchased Loans.

(viii) No broker, investment banker or other person is entitled to any broker's, finder's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Seller that would become an obligation of the Purchaser or any of its Affiliates.

(b) The representations and warranties set forth in Section 4.01(a) shall survive the sale of the Purchased Loans to the Purchaser.

(c) Except as expressly provided in Section 4.01(a), no representation, warranty or covenant of any kind or nature, whether express or implied, including any warranties of a transferor under the UCC or pursuant to any other statute, law, rule or regulation, is being made in this Agreement or otherwise by the Seller with respect to the Purchased Loans, the related Loan Documents, the Pre-Effective Date Portfolio File, any Pre-Purchase Portfolio File, any Post-Purchase Portfolio File or the nature, condition or value of the same, including, without limiting the foregoing, any representation, warranty or covenant regarding the completeness or accuracy of any information provided by the Seller, the collectability of any Purchased Loan or the creditworthiness of any Borrower. The representations and warranties of the Seller contained in **Exhibit D** related to or concerning compliance with Applicable Law and Regulation are made as of the applicable Purchase Date based on judicial and regulatory proceedings, actions or publications in existence on the applicable Purchase Date that interpret such Applicable Law and

Regulation and the Seller assumes no responsibility or liability for the impact on the foregoing representations and warranties of any changes in Applicable Law and Regulation and interpretations thereof that occur after the applicable Purchase Date.

SECTION 4.02 Representations and Warranties of Purchaser. The Purchaser represents and warrants to, the Seller as of the Effective Date and each Purchase Date as follows:

(a) The Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware.

(b) The Purchaser has taken all legal and corporate action necessary to permit it to enter into and perform all of its obligations in this Agreement. Assuming due authorization, execution and delivery by the Seller, this Agreement constitutes the legal, valid and binding obligation of the Purchaser, enforceable against the Purchaser in accordance with the terms hereof, except as such enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and except as such enforceability may be limited by general principles of equity (whether considered in a suit at law or in equity).

(c) Neither the consummation of the transactions contemplated hereby nor the fulfillment of or compliance with the terms and conditions of this Agreement, will conflict with or result in a breach of any of the terms, conditions or provisions of its governing documents or result in a material breach of any legal restriction by which the Purchaser is bound, or constitute a material default or result in an acceleration under any of the foregoing, or result in the violation of any material law, rule, regulation, order, judgment or decree to which the Purchaser is subject.

(d) No Governmental Authority has commenced, enacted, issued, promulgated, enforced or entered any suit, proceeding, order or law with respect to the Purchaser or its business, operations or properties which is then in effect and has, or could reasonably be expected to have, the effect of making the transactions contemplated by this Agreement illegal or otherwise prohibiting the consummation of such transactions.

(e) No broker, investment banker or other person is entitled to any broker's, finder's or other similar fee or commission in connection with the transactions contemplated by this Agreement based upon arrangements made by or on behalf of the Purchaser that would become an obligation of the Seller or any of its Affiliates.

ARTICLE V COVENANTS

SECTION 5.01 Covenants of the Seller.

(a) The Seller shall as soon as reasonably practicable after identification thereof remit or credit, or cause to be remitted or credited, to the Purchaser all funds whatsoever received by the Seller on or after the applicable Purchase Date in respect of the Purchased Loans acquired by the Purchaser hereunder. Prior to such remittance, such amounts shall be held by the Seller for the benefit of the Purchaser.

(b) The Seller shall as soon as reasonably practicable transmit to the Purchaser any written communication received by the Seller after the applicable Purchase Date that is identified as pertaining to any Purchased Loan. Such communication shall include letters, notices of death or disability, adjudication of bankruptcy and similar documents and forms requesting deferment of repayment or loan cancellations. For avoidance of doubt, communications received by the Servicer or Northland or their respective Affiliates shall not be deemed to have been received by the Seller, and this Section 5.01(b) covers only communications actually received by the Seller.

(c) From and after the Initial Purchase Date, until May 31, 2020, the Seller agrees to use commercially reasonable efforts (taking into account that the Seller is no longer conducting a student loan-related business) in responding to reasonable requests by the Purchaser for any records or documents related to Purchased Loans that are in the possession of the Seller and not already in the possession of the Purchaser, the Servicer, Northland or any of their respective Affiliates, designees or subcontractors.

SECTION 5.02 Covenants of Purchaser. The Purchaser covenants and agrees that at all times on and after the applicable Purchase Date for a Purchased Loan:

(a) The Purchaser shall, and shall cause its successors and assigns to, maintain the Borrower Benefits for each Borrower of a Purchased Loan as may be receiving Borrower Benefits as of such Purchase Date or as may thereafter qualify to receive such Borrower Benefits in accordance with the terms and conditions established by the Seller under the terms of the applicable Loan Documents prior to such Purchase Date. The Purchaser acknowledges that certain other policies, practices and procedures or programs adopted by the Seller in connection with the origination, servicing and administration of the Loans and identified as Seller's Policies and Servicing Practices may give rise to rights of, or certain benefits to, the Borrowers in addition to rights and benefits expressly provided for in the Loan Documents. The Purchaser agrees with respect to (x) any Purchased Loan which as of such Purchase Date is enjoying any right or benefit pursuant to any of the Seller's Policies and Servicing Practices and (y) any other Purchased Loan, if the related Borrower requests any such right or benefit and submits the required documentation therefor to the Servicer at any time prior to the date that is 120 days after such Purchase Date and such Purchased Loan and/or such Borrower is eligible for such right or benefit as of the time of such submission, it shall provide each right and benefit under the Seller's Policies and Servicing Practices for so long as such Purchased Loan and/or the related Borrower remains eligible for such right or benefit including any extensions or renewals thereof.

(b) The Purchaser shall comply with all Applicable Law and Regulation in connection with the deconversion, ownership and collection of the Purchased Loans. The Purchaser will not violate, and will not permit the violation of, any laws relating to unfair credit collection practices in connection with the Purchased Loans in a manner that would create or expose the Seller to any claim, demand or assertion that, after the applicable Purchase Date, the Seller, its Affiliates or any of their respective employees, agents, attorneys, representatives or servicers was in any way involved in or had in any way authorized any unlawful collection practices in connection with the related Purchased Loans.

(c) The Purchaser will not use or refer to the Seller's name, trademark, logo or other identifying marks (or the name of any Affiliate of the Seller) (collectively, "Marks") for any

purpose relating to any Purchased Loan, except that the Purchaser may use the Seller's Marks in connection with (i) any initial welcome letter that the Purchaser elects to send to Borrowers on Purchased Loans (solely for the purpose of disclosing that the Seller has assigned the applicable Purchased Loan to the Purchaser); provided that the Purchaser shall not send any such welcome letter to any Borrower unless the Seller has approved the form and substance of such letter (such approval not to be unreasonably withheld, conditioned or delayed), (ii) matters relating to Debtor Relief Laws or for the purpose of identifying a Purchased Loan to a Borrower in connection with the collection thereof or identifying to a potential purchaser or lender the chain of title of a Purchased Loan, (iii) communications with Borrowers with respect to Borrower Benefits and similar historical information concerning the Purchased Loans that occurred or is directly related to the period prior to the applicable Purchase Date, (iv) matters contemplated with respect to the Power of Attorney or (v) the notifications required by Section 5.02(g). Any such use by the Purchaser of the Seller's Marks shall not in any way disparage the Seller, be injurious to the reputation of the Seller, or cause the Seller to lose goodwill. Except as provided in the Power of Attorney, neither the Purchaser nor anyone acting for the Purchaser will act or purport to act for or in the name of the Seller (or any Affiliate of the Seller) with respect to collection of any Purchased Loan or any other matter.

(d) The Purchaser shall not retroactively charge or otherwise attempt to collect any late fees with respect to any period prior to the first anniversary of the applicable Purchase Date. For the avoidance of doubt, the Purchaser may, subject to Applicable Law and Regulation, charge and collect late fees with respect to any period subsequent to the first anniversary of the applicable Purchase Date, so long as the Purchaser shall have first provided all Borrowers of the Purchased Loans notice of the potential for the incurrence of such late fees at least 90 days (or such longer period as may be required by Applicable Law and Regulation or indicated under guidance provided by regulators) prior to charging such fees.

(e) The Purchaser will not portray or hold itself out as an agent, partner or joint venture of the Seller (or any Affiliate of the Seller) in connection with any Purchased Loans.

(f) The Purchaser shall not institute or continue any legal, collection or enforcement proceeding in the name of the Seller or any of its predecessors or Affiliates or mislead, whether through misrepresentation or nondisclosure or otherwise, a Borrower or any other Person as to the identity of the owner of the Purchased Loans.

(g) Upon the written request of the Seller describing in reasonable detail the purpose of such request, the Purchaser shall provide within a reasonable time, at the Seller's sole cost and expense and subject to restrictions under Applicable Law and Regulation, copies of the books and records relating to the Purchased Loans solely to the extent relating to the period prior to the applicable Purchase Date and to the extent necessary for (i) the preparation of financial statements, regulatory filings or tax returns of the Seller or its Affiliates in respect of periods ending on or prior to the applicable Purchase Date, (ii) responding to matters referred to in Section 5.03, (iii) evaluating and responding to any actual or threatened litigation or other legal or administrative proceedings or inquiries involving the Purchased Loans, (iv) satisfying any audit or regulatory review requirement or (v) assessing or determining the amount of or the basis for any indemnification payment or attempting to cure the related Seller Breach. Notwithstanding anything herein to the contrary, the Purchaser shall not be required to disclose

information (a) that is subject to attorney-client or other legal privilege, (b) that is deemed by the Purchaser in its reasonable judgment to be competitively sensitive or (c) the disclosure of which would conflict with any confidentiality obligations by which the Purchaser is bound.

(h) Within thirty (30) days after the applicable Purchase Date, the Purchaser shall notify Borrowers of the assignment and transfer to the Purchaser of the Seller's interest in the Purchased Loans, and the Purchaser shall direct each Borrower to make all payments thereon directly to the Purchaser, or as the Purchaser may otherwise designate. The Seller hereby grants to the Purchaser the authority (i) to make any such notifications on the Seller's behalf or (ii) to direct the Servicer, Northland or a subservicer or subcontractor to make such notification; provided, that the form and content of any such notification shall be as mutually agreed upon by the Seller and the Purchaser.

(i) The Purchaser understands that the Seller will report the Purchased Loans to the appropriate credit reporting agencies as having been sold to the Purchaser. Except as required by Applicable Law and Regulation, after the applicable Purchase Date, all Borrower inquiries with respect to credit reporting shall be the responsibility of the Purchaser.

SECTION 5.03 Notice of Complaints.

(a) The Purchaser shall, or shall cause its servicer to, transmit to the Seller, to the extent not prohibited from so doing under Applicable Law and Regulation and as soon as is reasonably practicable but in any event within five (5) Business Days after receipt thereof and identification thereof as relating to the Purchased Loans or the Seller, any written complaint or inquiry or notice of any actual or threatened litigation or administrative proceedings or governmental inquiry, from or on behalf of any Borrower, any school attended by any Borrower or any governmental authority that relates to any (i) action, omission or practice of or by the Seller or any servicer (during the time that the Seller owned the Purchased Loans) with respect to any one or more of the Purchased Loans, (ii) issue relating to the sale of any one or more of the Purchased Loans to the Purchaser or the transition of servicing of any one or more of the Purchased Loans in connection with such sale or (iii) claim against the Seller relating to any Purchased Loan. If the Purchaser receives any pleadings, subpoena, investigative demand or inquiry or similar request or process (collectively, "Pleadings") relating to any Purchased Loan (A) that names the Seller or one of its Affiliates as a party or (B) that relates to events or circumstances prior to the applicable Purchase Date or this Agreement or the transactions contemplated hereby, then, within five (5) Business Days after the Purchaser's receipt of any such Pleadings, the Purchaser shall notify the Seller thereof and promptly deliver copies of any such Pleadings to the Seller.

(b) The Seller shall transmit to the Purchaser, to the extent not prohibited from so doing under Applicable Law and Regulation and as soon as is reasonably practicable but in any event within five (5) Business Days after receipt thereof and identification thereof as relating to the Purchased Loans or the Purchaser, any written complaint or inquiry or notice of any actual or threatened litigation or administrative proceedings or governmental inquiry, from or on behalf of any Borrower, any school attended by any Borrower or any governmental authority that relates to any (i) action, omission or practice of or by the Purchaser or any servicer (during the time that the Seller owned the Purchased Loans) with respect to any one or more of the Purchased Loans,

or the transition of servicing of any one or more of the Purchased Loans in connection with such sale or (ii) claim against the Purchaser relating to any Purchased Loan. If the Seller receives any Pleadings relating to any Purchased Loan, including any Pleadings that name the Purchaser or one of its Affiliates as a party, then, within five (5) Business Days after the Seller's receipt of any such Pleadings, the Seller shall notify the Purchaser thereof and promptly deliver copies of any such Pleadings to the Purchaser.

(c) In connection with (i) any complaints, inquiries, litigation or administrative proceedings of the nature referred to in Section 5.03(a) or Section 5.03(b), (ii) any similar complaints or inquiries received by the Seller or (iii) to the extent that the Seller determines to disclose any such matter, any adverse findings or proposed adverse findings by the Seller's bank regulators (including the CFPB) that is not required to be disclosed under Section 5.03(a) or Section 5.03(b), the Seller and the Purchaser agree to cooperate reasonably in evaluating and preparing any response to any such matter, and each shall, to the extent not prohibited from so doing under Applicable Law and Regulation, inform the other party hereto of information within its control regarding the investigation and disposition of each such matter. So long as any such response does not include any statement reflecting negatively on the Purchaser, involve any non-*de minimis* expense on the part of or place any obligation or liability on the Purchaser or contain any agreement that would adversely affect the Purchaser or any of its Affiliates or the enforceability of any Purchased Loans, the Purchaser agrees that the Seller shall have the right to determine (after consultation with the Purchaser) the content and manner of delivery of any such response.

(d) Each party hereto agrees to notify the other party hereto, promptly after obtaining actual knowledge thereof, of the initiation of any litigation or administrative or judicial proceeding or investigation by or against such party hereto asserting the invalidity of this Agreement, seeking to prevent the consummation of any of the transactions contemplated hereby, or seeking any determination or ruling that would reasonably be expected to have a material adverse effect on the Purchased Loans (taken as a whole) or the ability of such party hereto to consummate the transactions contemplated by this Agreement.

ARTICLE VI LOAN LIABILITY

SECTION 6.01 Loan Level Indemnity.

(a) In the event that the Purchaser discovers that a breach of the representation and warranty made in Section 4.01(a)(vi) has occurred and such breach (x) materially and adversely affects the validity, enforceability or collectability of one or more of the Purchased Loans, (y) relates to Item 2 of **Exhibit D** and represents a discrepancy from the balances and the loan terms as reflected in the Pre-Effective Date Portfolio File or in the applicable Pre-Purchase Portfolio File or Post-Purchase Portfolio File that are represented to in such Item 2 or (z) relates to Item 1 of **Exhibit D** and affects the Purchaser's right, title and interest in and to one or more of the Purchased Loans (a "Seller Breach"), then the Purchaser shall provide prompt written notice of the claimed Seller Breach to the Seller accompanied by (1) the identity of the affected Purchased Loan with respect to which the Seller Breach is alleged to have occurred and (2) sufficient documentation to enable the Seller to determine the validity of the Purchaser's claim that a Seller

Breach has occurred, including reasonably detailed information of the material and adverse effect on the validity, enforceability or collectability of the Purchased Loan, or the effect on the Purchaser's right, title and interest in and to the Purchased Loan, as applicable, to which such claimed Seller Breach relates. If within 60 days from receipt of written notice to the Seller of a Seller Breach (the "Cure Period"), such Seller Breach shall not have been cured (by the Seller or otherwise) in all material respects, the Seller shall indemnify the Purchaser for any actual losses, damages, judgments or related costs (including reasonable attorneys' fees) ("Loan Losses") to the extent arising from or due to the Seller Breach. In no event shall the Seller (1) have any obligation to provide any indemnification in respect of a Seller Breach if the Seller does not receive written notice and adequate supporting documentation of such Seller Breach, (2) have an indemnification obligation with respect to any Purchased Loan in an amount that exceeds (i) the applicable outstanding Principal Balance of such Purchased Loan as of the end of the Cure Period multiplied by the original Purchase Price percentage for such Loan as set forth in Section 2.02 of this Agreement, plus (ii) the accrued and unpaid interest with respect to such Purchased Loan as of the end of the Cure Period or (3) have any obligation to the extent that a Seller Breach is caused by the acts or omissions of, or the servicing of the Purchased Loans by, any Third-Party Servicer.

(b) Notwithstanding any other provision of this Agreement, the Purchaser will not be entitled to indemnity pursuant to this Section 6.01 unless the aggregate amount for all Loan Losses that are subject to indemnification pursuant to this Section 6.01, together with all Losses that are subject to indemnification pursuant to Section 9.01, exceeds, on an annual basis, the Deductible Amount, and then only to the extent of such excess. This Section shall survive any termination of this Agreement.

(c) It is understood that, except for the indemnification in respect of Third Party Claims as provided in Section 9.01, the obligation of the Seller to indemnify after the related Cure Period, as provided in and subject to the limitations in this Section 6.01, constitutes the sole remedy of the Purchaser with respect to any breach of the representations and warranties made in Section 4.01(a)(vi) (whether sounding in contract, fraud or otherwise).

(d) The Purchaser acknowledges receipt of the document uploaded to the Data Room entitled "Loans Missing Promissory Notes" which sets forth certain Loans for which no copy of the related promissory note can be located as of the Effective Date. For any such Loan, the Purchaser agrees that it shall not be entitled to pursue a Seller Breach under this Section 6.01 solely for the absence of a promissory note; provided, however in the event that any such Loan is not collectible due to the absence of a promissory note, in the reasonable determination of the Purchaser the Seller shall indemnify the Purchaser with respect to such Loan in accordance with this Section 6.01 and such indemnity shall not be subject to the Deductible Amount or the \$[****] limit on indemnities in Section 9.01. In addition, the Purchaser acknowledges receipt of

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

the AES Corrections File, and the Purchaser agrees that it shall not be entitled to pursue a Seller Breach under this Section 6.01 with respect to any Loan on the basis of the items noted therein; provided, however if the Principal Balance of any such Loan is revised as of a result of the correction of any such item, the Seller shall reimburse the Purchaser in accordance with Section 2.02(d).

(e) Notwithstanding any other provision of this Agreement, the Seller shall not be required to indemnify for any Purchased Loan in the event that:

(i) the Purchaser or its designee has not serviced the Purchased Loan in accordance with all applicable federal, state and local laws and regulations from and after the applicable Purchase Date to and including to the date of indemnification; *provided, however*, that the exclusion in this clause (e) (i) shall not apply if the Purchaser or its servicer has cured such servicing failure and such failure is not the cause of the Loan Loss; or

(ii) the Purchaser or any of its employees, officers, agents, representatives, attorneys or Affiliates acted with gross negligence, bad faith or willful misconduct in connection with the events or circumstances which gave rise to such indemnity claim.

ARTICLE VII ELECTRONIC SIGNATURES.

SECTION 7.01 Electronic Signatures. In addition to other provisions herein and not by way of limitation, the following will apply to Loans that are E-Signed:

(a) Each of the Seller and the Purchaser further represents and agrees that such party will use commercially reasonable efforts to cooperate with any subsequent holder in all activities reasonably necessary to enforce an E-Signed Note.

(b) The Seller shall assume sole responsibility for defending the validity or enforceability of such E-Signed Note (or for requiring such of the provider of the E-Sign process that was used to E-Sign the particular Note) to the extent that a Borrower claims in a legal proceeding that he or she did not sign the Note or to the extent of any Borrower claim in a legal proceeding or other Third-Party Claim asserting that the electronic signature of the Note is invalid.

ARTICLE VIII PAYMENT OF EXPENSES

SECTION 8.01 Payment of Expenses. Unless otherwise expressly set forth in this Agreement, each party to this Agreement shall pay its own expenses incurred in connection with the preparation, execution, and delivery of this Agreement and the transactions herein contemplated, including, but not limited to, the fees and disbursements of counsel. The Purchaser shall be responsible for all deconversion, servicing transfer and onboarding costs associated with the sale of the Purchased Loans or the assignment to the Purchaser of rights under the Servicing Agreements or other arrangement for the servicing of the Loans after the applicable Purchase Date.

**ARTICLE IX
INDEMNIFICATION**

SECTION 9.01 By the Seller. The Seller shall indemnify, defend, and hold harmless the Purchaser and any officer, director, employee or agent of the Purchaser (each, a "Purchaser Indemnified Person") against, any and all liabilities, losses, costs, damages and expenses (including account adjustments), including reasonable attorneys' fees and legal expenses and sums paid, liabilities incurred or expenses paid or incurred (collectively, "Losses") as a result of any Third Party Claim to the extent arising from any breach of any representation, warranty or covenant of the Seller contained herein or any act of gross negligence or willful misconduct of the Seller relating to the Purchased Loans occurring prior to the applicable Purchase Date. Notwithstanding the foregoing, (a) except for the indemnification in respect of Third Party Claims as provided in this Section 9.01, Section 6.01 shall be the Purchaser's sole and exclusive remedy with respect to any breach of the representations and warranties made in Section 4.01(a)(vi), (b) the Seller shall have no obligation to indemnify any Purchaser Indemnified Person for any matter that arises, or for which the Claim Notice by the Purchaser Indemnified Person in accordance with Section 9.03 is made, other than with respect to a Loss arising as described above from a breach of a covenant, more than three (3) years after the applicable Purchase Date, and (c) the Seller's indemnification obligations shall not arise to the extent the related Loss relates to the acts or omissions of the Purchaser or its Affiliates, designees or subcontractors occurring after the applicable Purchase Date, or to the acts or omissions of any Third-Party Servicer or to the servicing of the Purchased Loans by any Third-Party Servicer, or to the breach of any representation or warranty made or given to or for the benefit of the Seller by the Purchaser under this Agreement or to the gross negligence or willful misconduct of the Purchaser. Notwithstanding the limitation in clause (b) of the immediately preceding sentence, any obligation to indemnify, defend and hold harmless pursuant to this Section 9.01 shall not terminate with respect to any item as to which any Purchaser Indemnified Person shall have, before the expiration of the applicable survival period, previously made a bona fide claim by delivering notice of such claim to the Seller indemnifying party in accordance with this Section 9.01 until final resolution of such claim. Further notwithstanding any other provision of this Agreement, the Purchaser will not be entitled to indemnity pursuant to this Section 9.01 (A) unless the aggregate amount for all Losses that are subject to indemnification pursuant to this Section 9.01, together with all Loan Losses that are subject to indemnification pursuant to Section 6.01, exceeds, on an annual basis, the Deductible Amount, and then only to the extent of such excess; and (B) for any Losses or Loan Losses to the extent that making payment thereon would cause the aggregate amount paid for all Losses and Loan Losses to exceed \$[****]; provided that such monetary limitation shall not apply to any Losses the causes of which are (i) the failure of the representation and warranty in item 1 of **Exhibit D** to be true and correct in all material respects as of the applicable Purchase Date; or (ii) the acts or omissions of the Seller or any Affiliate of the Seller acting as originator or servicer of the Purchased Loans or to the origination or servicing of the Purchased Loans by the Seller or any Affiliate of the Seller acting as servicer of the Purchased Loans. This Section shall survive any termination of this Agreement.

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

SECTION 9.02 By the Purchaser. The Purchaser shall indemnify, defend, and hold harmless the Seller and any officer, director, employee or agent of the Seller (each, a “Seller Indemnified Person”) against, any and all Losses as a result of any Third Party Claim to the extent arising from (x) any breach of any representation, warranty or covenant of the Purchaser contained herein, (y) any act of gross negligence or willful misconduct of the Purchaser relating to the Purchased Loans occurring after the applicable Purchase Date, and (z) the acts or omissions of any servicer or relating to the servicing of the Purchased Loans, in either case occurring after the applicable Purchase Date. Notwithstanding the foregoing, (a) the Purchaser shall have no obligation to indemnify any Seller Indemnified Person for any matter that arises, or for which the Claim Notice by the Seller Indemnified Person in accordance with Section 9.03 is made, other than with respect to a Loss arising as described above from a breach of a covenant, more than three (3) years, after the applicable Purchase Date, and (b) the Purchaser’s indemnification obligations shall not arise to the extent the related Loss relates to (1) the acts or omissions of the Seller or its Affiliates, designees, or subcontractors occurring prior to the applicable Purchase Date, (2) the acts or omissions of any servicer or to the servicing of the Purchased Loans prior to the applicable Purchase Date, (3) the breach of any representation or warranty made or given to or for the benefit of the Purchaser by the Seller under this Agreement or (4) the gross negligence or willful misconduct of the Seller. Notwithstanding the limitation in clause (a) of the immediately preceding sentence, any obligation to indemnify, defend and hold harmless pursuant to this Section 9.02 shall not terminate with respect to any item as to which any Seller Indemnified Person shall have, before the expiration of the applicable survival period, previously made a bona fide claim by delivering notice of such claim to the Purchaser indemnifying party in accordance with this Section 9.02 until final resolution of such claim. Further notwithstanding any other provision of this Agreement, the Seller will not be entitled to indemnity pursuant to this Section 9.02 unless the aggregate amount for all Losses that are subject to indemnification pursuant to this Section 9.02 exceeds, on an annual basis, the Deductible Amount, and then only to the extent of such excess. This Section shall survive any termination of this Agreement.

SECTION 9.03 Procedures. (a) In the event that any claim or demand for which an indemnifying party would be liable to a Seller Indemnified Person or a Purchaser Indemnified Person (each, an “Indemnified Person”) hereunder is asserted against or sought to be collected from an Indemnified Person by a third party (each, an “Action”), the Indemnified Person shall promptly notify the indemnifying party of such Action (each, an “Indemnifying Person”), specifying the nature of such claim or demand in reasonable detail and the amount or the estimated amount thereof to the extent feasible, which estimate the parties hereto agree shall not be conclusive of the final amount of such claims and demand (the “Claim Notice”). Except as provided in Section 9.01 and Section 9.02, the failure to provide the Claim Notice to the Indemnifying Person promptly will not relieve the Indemnifying Person of any liability it may have to the Indemnified Person giving the Claim Notice, except to the extent that the Indemnifying Person demonstrates that the defense of such action is actually and materially prejudiced by the Indemnified Person’s failure to give such Claim Notice promptly. The Indemnifying Person shall have ten (10) Business Days from receipt of the Claim Notice (the “Notice Period”) to notify the Indemnified Person in writing whether or not the Indemnifying Person, acting reasonably and in good faith, disputes liability to the Indemnified Person

hereunder with respect to such claim or demand and such notification shall provide the rationale and factual basis for any such dispute (a “Dispute Notice”). Any Dispute Notice shall be resolved by the mutual agreement of the Indemnified Person and the Indemnifying Person, by a final consent order or regulatory finding by a regulator, or by a final order, decree or judgment of a court of competent jurisdiction. The Indemnified Person hereby covenants, undertakes and agrees that if it is ultimately determined (either by mutual agreement of the parties, by a final consent order or regulatory finding by a regulator, or by such final order, decree or judgment referred to in the previous sentence) that Indemnified Person was not entitled to be indemnified by the Indemnifying Person, the Indemnified Person shall reimburse the Indemnifying Person, within ten (10) Business Days of such agreement, final consent order or regulatory finding, or final order, decree or judgment, for all out-of-pocket costs and expenses (including reasonable attorneys’ fees and legal expenses) incurred by the Indemnifying Person in defending the related claim or demand, from the date on which the Indemnifying Person began defending such claim or demand. During any period when the Indemnifying Person has retained its own counsel in accordance with this Section 9.03(b), the Indemnified Person shall not pay, compromise or settle such Action without the Indemnifying Person’s consent, which may be granted or withheld in the Indemnifying Person’s sole discretion; provided that the Indemnified Person may nonetheless pay, compromise or settle such Action without such consent during such period, in which event it shall, automatically and without any further action on its part, waive any right (whether or not pursuant to this Agreement) to indemnity in respect of all Losses relating to such Action.

(b) The Indemnifying Person will be entitled to assume and control the defense of the Action for which indemnity is sought at its expense and through counsel of its choice, reasonably acceptable to the Indemnified Person, if it gives notice of its intention to do so to the Indemnified Person within thirty days of the receipt of such notice from the Indemnified Person; provided that if (i) there is a material legal conflict of interest between the Indemnifying Person and the Indemnified Person, (ii) there are specific defenses available to the Indemnified Person that are different from or additional to those available to the Indemnifying Person that could be adverse to the Indemnifying Person or (iii) the Action seeks an injunction or other equitable relief against the Indemnified Person, then the Indemnified Person shall be entitled to retain its own counsel at the reasonable expense of the Indemnifying Person. If the Indemnifying Person exercises the right to undertake any such defense against any such Action as provided above, then (1) the Indemnified Person will cooperate reasonably with the Indemnifying Person in such defense and make available to the Indemnifying Person, at the Indemnifying Person’s reasonable expense, all witnesses, pertinent records, materials and information in the Indemnified Person’s possession or control relating thereto as is reasonably required by the Indemnifying Person and (2) any separate counsel retained by the Indemnified Person (which shall be at the sole expense of the Indemnified Person) shall cooperate with the counsel retained by the Indemnifying Person in such defense. Similarly, if the Indemnified Person is, directly or indirectly, conducting the defense against any such Action, then the Indemnifying Person will cooperate with the Indemnified Person in such defense and make available to the Indemnified Person, at the Indemnifying Person’s reasonable expense, all such witnesses, records, materials and information in the Indemnifying Person’s possession or control relating thereto as is reasonably required by the Indemnified Person.

(c) The Indemnifying Person will not, without the written consent of the Indemnified Person, settle or compromise any Action or consent to the entry of any judgment or order that

imposes any obligation on the Indemnified Person to take or refrain from taking any particular conduct or that does not include as an unconditional term thereof the delivery by the claimant or plaintiff to the Indemnified Person of a written release from all liability in respect of such Action. If the Indemnifying Person, within thirty days after receipt of notice of any such Action, fails to assume the defense thereof with counsel reasonably satisfactory to the Indemnified Person, then the Indemnified Person shall have the right to undertake the defense or, with the consent of the Indemnifying Person, to undertake a compromise or settlement of such Action on behalf of and for the account and at the risk of the Indemnifying Person. During any period when the Indemnifying Person is not contesting any such Action in good faith, the Indemnifying Person shall not be liable for any compromise or settlement of any such Action effected without its written consent, which will not be unreasonably withheld, conditioned or delayed (taking into account the nature of the claim and the terms of the proposed settlement, including whether the proposed settlement includes a full and unconditional release of the Indemnifying Person by the claimant and whether the proposed settlement would require the Indemnifying Person to take or refrain from taking any action or course of conduct). During any period when the Indemnifying Person is contesting any such Action in good faith, the Indemnified Person shall not pay, compromise or settle such Action without the Indemnifying Person's consent, which may be granted or withheld in the Indemnifying Person's sole discretion; provided that the Indemnified Person may nonetheless pay, compromise or settle such Action without such consent during such period, in which event it shall, automatically and without any further action on its part, waive any right (whether or not pursuant to this Agreement) to indemnity in respect of all Losses relating to such Action. If the Indemnifying Person shall defend any such Action until such Action shall be adjudicated by order, decree, ruling or other action, then the Indemnifying Person shall have the right, in the exercise of its reasonable discretion, to determine whether or not to appeal such adjudication.

(d) The Seller and the Purchaser agree that any payment by the Seller in respect of a Seller Breach pursuant to Section 6.01 shall be treated as an adjustment to the Purchase Price for all tax purposes, except as otherwise required by Applicable Law and Regulation.

ARTICLE X CONFIDENTIALITY, PRIVACY AND INFORMATION SECURITY

SECTION 10.01 Confidential Information.

(a) The Purchaser and the Seller each agrees that it (i) shall (and shall require its respective Representatives to whom Confidential Information is provided to) treat and safeguard the Confidential Information (other than the Loan Documents) as private and confidential and hold it in complete confidence and (ii) shall not (and shall require its Representatives to whom Confidential Information is provided not to), except as hereinafter provided, disclose Confidential Information (other than the Loan Documents) to any person in any manner whatsoever. Without limiting the foregoing, the Purchaser and the Seller each shall (and require its respective Representatives to whom Confidential Information is provided to) treat the Confidential Information with at least the same degree of care that the Purchaser or the Seller, as applicable, uses to protect its own confidential and proprietary information of a similar nature, but no less than a reasonable degree of care. The Purchaser or the Seller, as applicable, shall be liable for any failure by its Representatives to comply with the applicable terms of this

Agreement and shall promptly notify the other party in writing of any actual or suspected misuse or unauthorized access to or disclosure of Confidential Information by the Purchaser or the Seller, as applicable, or any of its respective Representatives, of which unauthorized access, misuse or disclosure the Purchaser or the Seller, as applicable, or its respective Affiliates become aware.

(b) Except to the extent of any right, title or interest expressly transferred to the Purchaser hereunder, the Purchaser acknowledges and agrees (on behalf of itself and its Affiliates) that the Seller and its Affiliates reserve and retain all of their rights and interests in the Confidential Information disclosed to the Purchaser or its Representatives in connection with this Agreement, and none of such rights and/or interests shall pass to the Purchaser or any of its Representatives as a result of such disclosure. The Seller acknowledges and agrees (on behalf of itself and its Affiliates) that the Purchaser and its Affiliates reserve and retain all of their rights and interests in the Confidential Information disclosed to the Seller or its Representatives in connection with this Agreement, and none of such rights and/or interests shall pass to the Seller or any of its Representatives as a result of such disclosure.

(c) [Reserved].

(d) The Purchaser shall, and shall require its Representatives, to collect, hold, disclose and use, all “Nonpublic Personal Information”, as defined by the Gramm Leach Bliley Act (together with the regulations promulgated thereunder, “GLBA”), and all other personally identifiable information about Borrowers collected by the Seller or its Affiliates prior to the applicable Purchase Date (including any such information contained in the Loan Documents) and disclosed to the Purchaser as a result of the consummation of the transactions contemplated by this Agreement (collectively, the “Customer Information”), in compliance with the GLBA, the Fair Credit Reporting Act (“FCRA”) and all other applicable federal and state data protection and privacy laws. The Purchaser shall, and shall require its Representatives to, take all reasonable measures to ensure that the Customer Information is not disclosed, published, released, transferred, duplicated or otherwise made available to others in contravention of the provisions of this Agreement or of the GLBA, the FCRA or other Applicable Law and Regulation, and that Customer Information shall be destroyed as and when required by Applicable Law and Regulation. Moreover, the Purchaser represents and warrants that it has in place appropriate administrative, technical and physical safeguards for the Customer Information designed to ensure the security and confidentiality of such information, protect against any anticipated threats or hazards to the security or integrity of such information, and protect against unauthorized access to or use of such information, which could result in substantial harm or inconvenience to any Borrower.

SECTION 10.02 Confidentiality of Transaction Information.

Except as provided in Section 10.03, none of the Seller, the Purchaser and their respective Representatives, without the prior written consent of the other party hereto, shall disclose to any Person the fact that (i) this Agreement exists or the terms hereof, (ii) discussions or negotiations are taking or have taken place regarding the transactions contemplated hereby or the content and status of such discussions or negotiations, (iii) Confidential Information has been made available to the Purchaser or any of its Representatives, or (iv) the Purchaser or any of its Representatives have inspected any portion of the Confidential Information (such information set forth in clauses (i) through (iv), collectively, the “Transaction Information”).

SECTION 10.03 Disclosure of Confidential Information and Transaction Information.

(a) Notwithstanding anything to the contrary herein, the disclosure of Confidential Information (in the case of the Purchaser) or Transaction Information (in the case of either party hereto) shall not be precluded under this Agreement if such disclosure is, in the reasonable determination of the disclosing party after consultation with counsel, required by Applicable Law and Regulation, including by any administrative or regulatory authority having jurisdiction over the disclosing party or any of its Affiliates; provided that the disclosing party shall first give prompt written notice to the other party hereto (unless such notice is legally prohibited) and reasonably cooperate with the other party hereto and its Affiliates so that the other party hereto or its Affiliates, as the case may be, may take legally available steps to resist or narrow any applicable request, subpoena or order and obtain an appropriate protective order. If, in the absence of a protective order or other remedy obtained by the other party hereto, the disclosing party (or its Affiliate) should nonetheless, in the reasonable determination of the disclosing party after consultation with counsel, be required to disclose the Confidential Information or Transaction Information, then only that portion of the Confidential Information or Transaction Information that counsel advises is legally required to be disclosed, may be disclosed; provided that the disclosing party (or such Affiliate) shall request confidential treatment of any Confidential Information or Transaction Information so disclosed. Notwithstanding the foregoing, the Seller, the Purchaser and their respective Affiliates may disclose any Transaction Information to any regulatory authority having jurisdiction over the Seller, the Purchaser or any of such Affiliates, as applicable, without notice to the Purchaser or any other person.

(b) Each party hereto acknowledges and agrees that failure by a disclosing party or its Representatives to comply with this Article X might result in irreparable harm to the other party hereto and that monetary damages might not be an adequate remedy. Therefore, each party hereto agrees that a disclosing party, in addition to any other remedy to which it may be entitled at law or equity, shall be entitled to seek specific performance and injunctive or other equitable relief to enforce the provisions of this Article X. The terms and provisions of this Article X shall survive the termination of this Agreement.

**ARTICLE XI
MISCELLANEOUS.**

SECTION 11.01 Further Assurances. Subject to the terms and conditions of this Agreement, each of the Seller and the Purchaser shall (and shall cause its Affiliates to) use its commercially reasonable efforts to take, or cause to be taken, any and all actions and to do, or cause to be done, any and all things necessary under Applicable Law and Regulation, so as to: (i) consummate of the purchase of the Purchased Loans in accordance with this Agreement, and (ii) otherwise enable consummation of the transactions contemplated by this Agreement.

SECTION 11.02 Waiver or Modification. The provisions of this Agreement cannot be waived or modified unless such waiver or modification shall be in writing and signed by the parties hereto.

SECTION 11.03 GOVERNING LAW; JURISDICTION AND VENUE. THIS AGREEMENT AND ALL DISPUTES, CLAIMS, CONTROVERSIES, DISAGREEMENTS, ACTIONS AND PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT, INCLUDING THE SCOPE OR VALIDITY OF THIS PROVISION, SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT REFERENCE TO ITS CONFLICTS OF LAW PROVISIONS (OTHER THAN §§ 5-1401 AND 5-1402 OF THE NEW YORK GENERAL OBLIGATIONS LAW). EACH OF THE PARTIES HERETO HEREBY AGREES TO THE NON-EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY, BOROUGH OF MANHATTAN, AND OF THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE JURISDICTION OF SUCH COURTS AND AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO HEREBY WAIVES ANY OBJECTION BASED ON FORUM NON CONVENIENS, AND ANY OBJECTION TO VENUE OF ANY ACTION INSTITUTED HEREUNDER IN ANY OF THE AFOREMENTIONED COURTS AND CONSENTS TO THE GRANTING OF SUCH LEGAL OR EQUITABLE RELIEF AS IS DEEMED APPROPRIATE BY SUCH COURT.

SECTION 11.04 WAIVER OF JURY TRIAL. THE PARTIES HERETO HEREBY KNOWINGLY, VOLUNTARILY AND INTENTIONALLY WAIVE ANY AND ALL RIGHTS THEY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION BASED ON, OR ARISING OUT OF, UNDER, OR IN CONNECTION WITH, THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY, OR ANY OTHER DOCUMENTS OR INSTRUMENTS EXECUTED IN CONNECTION HERewith, OR ANY COURSE OF CONDUCT, COURSE OF DEALING, STATEMENTS (WHETHER ORAL OR WRITTEN), OR ACTION OF THE PARTIES HERETO.

SECTION 11.05 Successors. All representations, warranties, covenants, and agreements herein contained shall inure to the benefit of and be obligatory upon all successors of the respective parties hereto, whether through merger, acquisition or purchase of assets substantially equivalent to an acquisition, and, subject to Sections 4.01(b), 9.01 and 9.02, shall survive the sale of any Purchased Loans hereunder and any termination of this Agreement.

SECTION 11.06 Counterparts. This Agreement may be executed in one or many counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument. Such counterparts may be delivered by e-mail or other electronic copy. Facsimile and .pdf signatures shall be deemed valid and binding to the same extent as the original.

SECTION 11.07 Notices. All notices and other communications provided for hereunder shall, unless otherwise stated herein, be in writing (including communication by electronic means) and e-mailed, mailed, delivered by nationally recognized overnight courier service, transmitted or delivered by hand, as to each party hereto, at its address set forth below or at such other address as shall be designated by such party in a written notice to the other parties hereto. All such notices and communications shall be effective, upon receipt, or in the case of notice by (i) mail, two (2) Business Days after being deposited in the United States mails, first class postage prepaid or (ii) e-mail or other electronic copy, when verbal communication of receipt is obtained:

If to the Purchaser:

Navient Credit Finance Corporation
11100 USA Parkway
Fishers, IN 46038
Attn: [****] Senior Vice President
Email: [****]

With a copy to:

Navient Corporation
123 Justison Street
Wilmington, DE 19801
Attn: [****] Chief Legal Officer
Email: [****]

With a further copy to:

Navient Corporation
2001 Edmund Halley Drive
Reston, Virginia 20191
Attn: [****] Senior Vice President & Treasurer
Email: [****]

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

If to the Seller:

JPMorgan Chase Bank, N.A.
201 North Walnut Street, Floor 14
Wilmington, DE 19801
Attn: [****]
Email: [****]

With a copy to:

JPMorgan Chase Bank, N.A.
14800 Frye Road, Floor 01
Fort Worth, TX 76155-2732
Attn: [****]
Email: [****]

Either party hereto may change the address and name of the addressee to which subsequent notices are to be sent to it by notice to the other party hereto given as aforesaid.

SECTION 11.08 Restrictions on Assignment. This Agreement, and all rights benefits and obligations contained herein, shall not be assignable by either party hereto, in whole or in part, without the express written consent of the other party hereto. The Purchaser may sell and transfer one or more of the Purchased Loans; provided, that such sale or transfer shall not be effected through any assignment of this Agreement or any of the Purchaser's rights hereunder and any related transferee will not be deemed to be "Purchaser" hereunder.

SECTION 11.09 No Third Party Beneficiaries. This Agreement does not and is not intended to confer any rights or remedies upon any person other than the Seller and the Purchaser and the respective permitted successors of the Seller and the Purchaser.

SECTION 11.10 Limitation on Liability. No director, member, officer, employee or agent of any party of this Agreement shall be individually liable to any other party for the taking of any action, or for refraining to take any action, in good faith pursuant to this Agreement. The Agreement is a corporate obligation of each party and any liability arising hereunder shall be a corporate liability.

SECTION 11.11 Limitation on Remedies. Notwithstanding any other provision of this Agreement to the contrary, except in cases of fraud by such party, neither party hereto shall be responsible for any amounts constituting, or liable to any other party for, any indirect, consequential, special, exemplary or punitive damages with respect to any matter whatsoever arising out of this Agreement, including lost profits, even if such party has been advised of the possibility of such loss or damage.

SECTION 11.12 Severability. The invalidity, illegality or unenforceability of any provision or term of this Agreement in any instance shall not affect the validity or enforceability of such provision in any other instance or the validity or enforceability of any other provision, and each such provision shall be enforced to the fullest extent possible.

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

SECTION 11.13 Survival. This Agreement and any non-disclosure agreements entered into by any of the parties hereto in connection with the Purchased Loans and the transactions contemplated under this Agreement that explicitly survive the consummation of the transactions contemplated hereunder constitute the entire understanding between the parties hereto with respect to the Purchased Loans and supersede all prior or contemporaneous oral or written communications regarding same. The parties hereto understand and agree that no employee, agent or other representative of a party has any authority to bind such party with respect to any statement, representation, warranty or other expression unless said statement, representation, warranty or other expression is specifically included within the express terms of this Agreement.

SECTION 11.14 Sale Treatment. It is the express intention of the parties that the transactions contemplated by this Agreement be, and be construed as, a sale of the Purchased Loans by the Seller and not a pledge of the Purchased Loans by the Seller to the Purchaser to secure a debt or other obligation of the Seller. Further, the transactions contemplated by this Agreement are not intended in any way to constitute the sale of a “security” or “securities” within the meaning of any applicable securities laws, and none of the representations, warranties or agreements of the Seller or the Purchaser shall create any inference that the transactions involve any “security” or “securities.” Consequently, the sale of each Purchased Loan shall be reflected as a sale on the Seller’s and the Purchaser’s business records, tax returns and financial statements. Accordingly, the Seller and the Purchaser shall each treat the transaction for federal income tax purposes as a sale by the Seller, and a purchase by the Purchaser, of the Purchased Loans.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have hereunto set their hands as of the day and year first above written.

SELLER:
JPMORGAN CHASE BANK, N.A.

PURCHASER:
NAVIENT CREDIT FINANCE CORPORATION

By: /s/ Sarah Youngwood
Printed Name: Sarah Youngwood
Title: Managing Director

By: /s/ Jerry Maher
Printed Name: Jerry Maher
Title: Vice President

Signature page to Private Student Loan Sale Agreement

**EXHIBIT A TO
LOAN SALE AGREEMENT**

LOAN SCHEDULE

[To be provided for each Purchase Date]

Exh. A-1

**EXHIBIT B TO
LOAN SALE AGREEMENT**

BILL OF SALE

FOR VALUE RECEIVED, JPMORGAN CHASE BANK, N.A. (the "Seller"), pursuant to the terms and conditions of that certain Private Student Loan Sale Agreement dated as of April 18, 2017 (the "Agreement") by and between the Seller and Navient Credit Finance Corporation, a Delaware corporation (the "Purchaser"), does hereby sell, transfer, assign, and otherwise convey to the Purchaser and its successors and assigns, all right, title, and interest of the Seller in and to the following: (1) the Loans identified in Annex I attached hereto (the "Purchased Loans"), including the underlying Notes and other Loan Documents related thereto; (2) all revenues and recoveries of principal and interest from the Purchased Loans, including all Borrower payments due or to become due or that accrue on the Purchased Loans as of or after the applicable Purchase Date; (3) the servicing rights relating to the Purchased Loans; and (4) the proceeds of any and all of the foregoing received on and after the applicable Purchase Date. All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

TO HAVE AND TO HOLD the same unto the Purchaser, its successors and assigns, forever. This Bill of Sale is made pursuant to and is subject to the terms and provisions of the Agreement, and is without recourse, except as provided in the Agreement.

IN WITNESS WHEREOF, the Seller has caused this Bill of Sale to be executed by one of its officers duly authorized to be effective as of the [] day of [], 2017.

JPMORGAN CHASE BANK, N.A.

By: _____

Printed Name: _____

Title: _____

Exh. B-1

**EXHIBIT B TO
LOAN SALE AGREEMENT
(Continued)**

Annex I

[Identification of Purchased Loans]¹

¹ Reference Exhibit A if that is final schedule. May also reference servicing reports or Portfolio File (detailed listing). May be an exceptions schedule if nonconforming loans to be sold.

Exh. B-2

**EXHIBIT B TO
LOAN SALE AGREEMENT
(Continued)**

**BLANKET ENDORSEMENT OF
STUDENT LOAN PROMISSORY NOTES**

Pursuant to the Private Student Loan Sale Agreement dated April 18, 2017 (the "Agreement"), the undersigned (the "Seller"), by execution of this instrument, hereby endorses the attached promissory note, which is one (1) of the promissory notes (the "Notes") listed on the Bill of Sale attached as Annex I hereto dated the date hereof and executed by the Seller in favor of NAVIENT CREDIT FINANCE CORPORATION (the "Purchaser") as described in the executed Bill of Sale. If the promissory notes include any Master Promissory Notes, the Seller endorses such Master Promissory Notes only to the extent they evidence particular loans that are described in said Bill of Sale. This endorsement is in blank, unrestricted form. Except as stated in the foregoing sentence, this endorsement is without recourse, except as provided under the terms of the Agreement. All right, title, and interest of the Seller in and to the promissory notes and related documentation identified in the attached loan ledger are transferred and assigned to the Purchaser. All capitalized terms used and not otherwise defined herein shall have the meaning ascribed to them in the Agreement.

This endorsement may be further manifested by attaching this instrument or a facsimile hereof to each or any of the promissory notes and related documentation acquired by the Purchaser from the Seller, or by attaching this instrument to the loan ledger schedule, as the Purchaser may require or deem necessary.

Dated this [] day of [], 2017.

JPMORGAN CHASE BANK, N.A.

By: _____
Printed Name: _____
Title: _____

**EXHIBIT C TO
LOAN SALE AGREEMENT**

LIMITED POWER OF ATTORNEY

THIS POWER OF ATTORNEY is made on the [] day of [], 2017, by JPMorgan Chase Bank, N.A. (“JPMorgan”) in favor of Navient Credit Finance Corporation (the “Purchaser”) (JPMorgan together with the Purchaser, collectively, the “Parties” and each, individually, a “Party”).

WHEREAS:

- (A) Pursuant to the Private Student Loan Sale Agreement dated as of April 18, 2017 (the “Sale Agreement”) between the Parties and subject to the terms and conditions contained therein, on the Initial Purchase Date and from time to time thereafter on the applicable Purchase Date, JPMorgan shall sell, and the Purchaser shall purchase, the Purchased Loans.
- (B) Pursuant to the Sale Agreement, JPMorgan is required to execute and deliver this Power of Attorney.

NOW THIS DEED WITNESSETH, in consideration of the closing of the transactions contemplated by the Sale Agreement and for good and other valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties agree as follows:

- (1) Capitalized terms used in this Power of Attorney but not otherwise defined herein shall have the meaning assigned to them in the Sale Agreement.
- (2) In this Power of Attorney words importing the singular number only include the plural and *vice versa*.
- (3) Effective as of the applicable Purchase Date of each Purchased Loan, JPMorgan irrevocably appoints the Purchaser to be its true and lawful attorney for the sole purpose of signing and endorsing any:
 - (a) checks or other forms of payment in respect of any Purchased Loan that are provided in payment for any receivable in respect of any Purchased Loan, which check or other form of payment has been made out to JPMorgan by the Borrower under such Purchased Loan;
 - (b) Notes and other Loan Documents relating to the Purchased Loans; and
 - (c) Other notes, instruments, and other documents necessary to carry out the intent of the Sale Agreement and the transfers provided for therein.

- (4) This Power of Attorney will expire, without any further action required to be taken by either Party, on the 365th day following the applicable Purchase Date of each Purchased Loan.
- (5) This Power of Attorney shall be binding upon and enforceable by, and shall inure to the benefit of, the Parties hereto and their respective successors and assigns and no others, and shall not be construed as conferring and is not intended to confer any rights on any other Person.
- (6) The laws of the State of New York and the federal laws applicable therein shall apply to this Power of Attorney and the interpretation thereof.
- (7) This Power of Attorney may be executed in counterparts, each of which may be delivered electronically, including by facsimile transmission.

[The remainder of this page has been left blank intentionally. Signature page follows]

Exh. C-2

JPMorgan has executed and delivered this Power of Attorney as of the date first above written.

JPMORGAN CHASE BANK, N.A.

By: _____
Name:
Title:

Acknowledgment and acceptance:

The undersigned accepts the above appointment.

NAVIENT CREDIT FINANCE CORPORATION

By: _____
Name:
Title:

Exh. C-3

**EXHIBIT D TO
LOAN SALE AGREEMENT**

REPRESENTATIONS AND WARRANTIES WITH RESPECT TO LOANS

1. The Seller is the sole owner of such Loan, free and clear of any liens, claims or encumbrances of any nature; and the Seller is free to transfer, and has transferred, title to such Loan to the Purchaser.
2. The information presented with respect to such Loan in each applicable Portfolio File in the data fields identified on **Schedule II** to this Agreement is true and correct in all material respects, as of the date specified in such Portfolio File.
3. It is a Loan that has either been fully disbursed to the related Borrower or directly to the school on the related Borrower's behalf. Such Loan was marketed as an education loan and, in connection with the origination thereof, the school which the related Borrower intended to attend was noted on the application therefor, the original amount of such Loan was considered reasonably in line with published costs of attendance of such school and enrollment in such school was verified via a national clearinghouse search or based on upon documents submitted by the related Borrower.
4. Such Loan is serviced by the Servicer immediately prior to sale.
5. As of the applicable Purchase Date, such Loan is not a Charged-Off Loan.
6. Such Loan has been originated, including payment of all applicable origination fees and other fees, and serviced in accordance with all Applicable Law and Regulation; provided, that, no representation or warranty is made with respect to the servicing of such Loan by any Third-Party Servicer.
7. Such Loan is denominated and payable solely in U.S. Dollars in the United States and was made for the purpose of attendance by the Borrower thereof at a school in the United States.
8. Such Loan is the legal, valid and binding obligation of the Borrower thereof and is subject to no defenses (except the defense of infancy), subject to applicable bankruptcy, insolvency, reorganization, moratorium, fraudulent transfer and similar laws relating to or affecting creditors' rights generally (including the Service members' Civil Relief Act), and subject to general principles of equity and except for any rights that the Borrower may have pursuant to the Seller's Policies and Servicing Practices, under the Borrower Benefits or consistent with the Seller's Policies and Servicing Practices. Except for the Borrower Benefits, the Seller has previously paid for all other rebates that were promised to the Borrowers.
9. Such Loan provides for payments on a periodic basis that will fully amortize the Principal Balance thereof by its maturity, as such maturity may be modified in accordance with applicable deferral and forbearance periods granted in accordance with Applicable Law and Regulation or the Seller's Policies and Servicing Practices.

Exh. D-1

10. Such Loan is assignable to the Purchaser and for such assignment does not by its terms require the consent of or notice to the related Borrower.
11. Such Loan does not have any borrower incentive in effect as of the applicable Purchase Date other than the Borrower Benefits, and the related Borrower is not eligible for any borrower incentives other than the Borrower Benefits.
12. The Seller has applied to such Loan all the Borrower Benefits for which the related Borrower is eligible and which have been earned.
13. Immediately prior to the applicable Purchase Date, the Note evidencing such Loan is in the possession of AES as custodian for the Seller.
14. The Seller has not waived, altered or modified any of the material terms, covenants or conditions of such Loan (or the related Note) except (i) as reflected in the related Portfolio File, (ii) in accordance with Seller's Policies and Servicing Practices or pursuant to Borrower Benefits or (iii) for grants of forbearance, extensions of grace periods and other modifications or concessions made in accordance with Seller's Policies and Servicing Practices or as exceptions to such policies and practices approved by the Seller.
15. Except for Purchased Loans executed electronically, there is only one original executed or authenticated copy of the Note evidencing such Loan. For Purchased Loans that were executed electronically, either (i) the Seller has possession of the electronic records evidencing the Note or (ii) the Seller has agreements with the previous holders or servicers of such Note under which the relevant holder or servicer agrees to hold and maintain the electronic records evidencing the Note, in each case as may be necessary to enforce the Note or as may be required by applicable e-sign laws.
16. With respect to any Bankruptcy Loan, as of the applicable Purchase Date, (i) such Loan is not the subject of any adversary proceeding currently pending in a bankruptcy court or on appeal from a bankruptcy court decision, including any adversary proceeding asserting that such Loan should be discharged in the bankruptcy case and (ii) no claim arising from such Loan has been deemed disallowed or expunged in a pending bankruptcy proceeding.
17. The Principal Balance of such Loan is not less than \$100.00.

The parties acknowledge that since no representation or warranty is made with respect to the servicing of, or the reporting or record-keeping with respect to, any Loan by any Third-Party Servicer, if any representation or warranty in this **Exhibit D** is untrue or inaccurate due to an act or omission by a Third-Party Servicer, then the untruth or inaccuracy of such representation or warranty shall not constitute a basis for a claim of a breach of such representation or warranty.

**EXHIBIT E TO
LOAN SALE AGREEMENT**

BORROWER BENEFITS

| <u>AES Benefit Code</u> | <u>Description</u> |
|-------------------------|--------------------|
| [**** | **** |
| **** | **** |
| **** | **** |
| **** | **** |
| **** | **** |
| ****] | |

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

**EXHIBIT F TO
LOAN SALE AGREEMENT**

SELLER'S POLICIES AND SERVICING PRACTICES

| | Servicing Practice | General Description / Notes |
|---|---------------------------|------------------------------------|
| 1 | **** | **** |
| 2 | **** | **** |
| 3 | **** | **** |
| 4 | **** | **** |
| 5 | **** | **** |
| 6 | **** | **** |
| 7 | **** | **** |
| 8 | **** | **** |

| | Servicing Practice | General Description / Notes |
|----|---------------------------|------------------------------------|
| 9 | **** | **** |
| 10 | **** | ****] |

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

**SCHEDULE I TO
LOAN SALE AGREEMENT**

Officers of Seller

1. [****], Managing Director (Manager Chase Student Loans)
2. [****], Executive Director, Operations Manager (Student Loan Servicing)
3. [****], Executive Director, Analytics and Reporting
4. [****], Managing Director, Risk Manager
5. [****], Executive Director, Accounting Manager
6. [****], Executive Director, Operations Manager (Student Loan Collections)
7. [****], Executive Director, Vendor Management and Customer Experience

[****] Confidential treatment has been requested for portions of this exhibit. The copy filed herewith omits information subject to the confidentiality request. Omissions are designated with brackets containing asterisks. As part of our confidential treatment request, a complete version of this exhibit has been filed separately with the U.S. Securities and Exchange Commission.

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

| | Years Ended December 31, | | | | | Three Months Ended Mar. 31, | |
|----------------------------------------------------------------------------|--------------------------|----------------|----------------|----------------|----------------|-----------------------------|---------------|
| | 2012 | 2013 | 2014 | 2015 | 2016 | 2016 | 2017 |
| Income (loss) from continuing operations before income taxes | \$1,437 | \$2,087 | \$1,818 | \$1,580 | \$1,108 | \$ 284 | \$ 141 |
| Add: Fixed charges | 2,565 | 2,213 | 2,066 | 2,077 | 2,445 | 566 | 676 |
| Total earnings | \$4,002 | \$4,300 | \$3,884 | \$3,657 | \$3,553 | \$ 850 | \$ 817 |
| Interest expense | \$2,561 | \$2,210 | \$2,063 | \$2,074 | \$2,441 | \$ 565 | \$ 675 |
| Rental expense, net of income | 4 | 3 | 3 | 3 | 4 | 1 | 1 |
| Total fixed charges | 2,565 | 2,213 | 2,066 | 2,077 | 2,445 | 566 | 676 |
| Preferred stock dividends | 31 | 31 | 10 | — | — | — | — |
| Total fixed charges and preferred stock dividends | \$2,596 | \$2,244 | \$2,076 | \$2,077 | \$2,445 | \$ 566 | \$ 676 |
| Ratio of earnings to fixed charges(1) | 1.56 | 1.94 | 1.88 | 1.76 | 1.45 | 1.50 | 1.21 |
| Ratio of earnings to fixed charges and preferred stock dividends(1) | 1.54 | 1.92 | 1.87 | 1.76 | 1.45 | 1.50 | 1.21 |

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

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

I, John F. Remondi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
April 27, 2017

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

I, Christian M. Lown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ CHRISTIAN M. LOWN

Christian M. Lown
Chief Financial Officer
(Principal Financial Officer)
April 27, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Navient Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Remondi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
April 27, 2017

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Navient Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2017 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian M. Lown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ CHRISTIAN M. LOWN

Christian M. Lown
Chief Financial Officer
(Principal Financial Officer)
April 27, 2017