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, 2018

or

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

For the transition period from to

Commission File Number: 001-36228

Navient Corporation
(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

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

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

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

Class	Outstanding at March 31, 2018
Common Stock, $0.01 par value	264,606,504 shares

NAVIENT CORPORATION

TABLE OF CONTENTS

Part I. Financial Information

Item 1.	Financial Statements	1
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	42
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	81
Item 4.	Controls and Procedures	86

Part II. Other Information

Item 1.	Legal Proceedings	87
Item 1A.	Risk Factors	89
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	90
Item 3.	Defaults Upon Senior Securities	90
Item 4.	Mine Safety Disclosures	90
Item 5.	Other Information	90
Item 6.	Exhibits	90

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NAVIENT CORPORATION

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

	March 31, 2018	December 31, 2017
Assets		
FFELP Loans (net of allowance for losses of $59 and $60, respectively)	$ 79,403	$ 81,703
Private Education Loans (net of allowance for losses of $1,298 and $1,297 respectively)	22,923	23,419
Investments		
Available-for-sale	2	2
Other	354	386
Total investments	356	388
Cash and cash equivalents	2,398	1,518
Restricted cash and cash equivalents	3,399	3,128
Goodwill and acquired intangible assets, net	802	810
Other assets	3,928	4,025
Total assets	$ 113,209	$ 114,991
Liabilities		
Short-term borrowings	$ 5,131	$ 4,771
Long-term borrowings	102,797	105,012
Other liabilities	1,613	1,723
Total liabilities	109,541	111,506
Commitments and contingencies		
Equity		
Common stock, par value $0.01 per share, 1.125 billion shares authorized: 445 million and 440 million shares issued, respectively	4	4
Additional paid-in capital	3,127	3,077
Accumulated other comprehensive income (net of tax expense of $55 and $36, respectively)	173	61
Retained earnings	3,073	3,004
Total Navient Corporation stockholders’ equity before treasury stock	6,377	6,146
Less: Common stock held in treasury at cost: 180 million and 177 million shares, respectively	(2,740)	(2,692)
Total Navient Corporation stockholders’ equity	3,637	3,454
Noncontrolling interest	31	31
Total equity	3,668	3,485
Total liabilities and equity	$ 113,209	$ 114,991

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

	March 31, 2018	December 31, 2017
FFELP Loans	$ 75,767	$ 77,710
Private Education Loans	20,369	20,886
Restricted cash	3,327	3,091
Other assets, net	1,202	1,160
Short-term borrowings	2,292	2,906
Long-term borrowings	88,603	89,317
Net assets of consolidated variable interest entities	$ 9,770	$ 10,624

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended March 31,	
	2018	2017
Interest income:		
FFELP Loans	$ 723	$ 629
Private Education Loans	431	374
Other loans	1	5
Cash and investments	17	7
Total interest income	1,172	1,015
Total interest expense	843	675
Net interest income	329	340
Less: provisions for loan losses	87	107
Net interest income after provisions for loan losses	242	233
Other income (loss):		
Servicing revenue	69	76
Asset recovery and business processing revenue	109	100
Other income (loss)	(15)	(8)
Losses on debt repurchases	—	—
Gains (losses) on derivative and hedging activities, net	48	(16)
Total other income	211	152
Expenses:		
Salaries and benefits	134	130
Other operating expenses	141	108
Total operating expenses	275	238
Goodwill and acquired intangible asset impairment and amortization expense	9	6
Restructuring/other reorganization expenses	7	—
Total expenses	291	244
Income before income tax expense	162	141
Income tax expense	36	53
Net income attributable to Navient Corporation	$ 126	$ 88
Basic earnings per common share attributable to Navient Corporation	$ .48	$ .31
Average common shares outstanding	264	289
Diluted earnings per common share attributable to Navient Corporation	$ .47	$ .30
Average common and common equivalent shares outstanding	269	296
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,	
	2018	2017
Net income	$ 126	$ 88
Other comprehensive income:		
Unrealized gains (losses) on derivatives:		
Unrealized hedging gains (losses) on derivatives	131	25
Reclassification adjustments for derivative (gains) losses included in net income (interest expense)	—	—
Total unrealized gains (losses) on derivatives	131	25
Income tax expense	(32)	(9)
Other comprehensive income, net of tax expense	99	16
Total comprehensive income attributable to Navient Corporation	$ 225	$ 104

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares										
	Issued	Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2016	436,037,666	(145,173,548)	290,864,118	$ 4	$ 3,022	$ 6	$ 2,890	$ (2,223)	$ 3,699	$ 24	$ 3,723
Comprehensive income:											
Net income	—	—	—	—	—	—	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	438,832,176	(153,891,120)	284,941,056	$ 4	$ 3,047	$ 22	$ 2,930	$ (2,355)	$ 3,648	$ 24	$ 3,672

See accompanying notes to consolidated financial statements.

Table of Contents

NAVIENT CORPORATION

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

	Common Stock Shares										
	Issued	Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrollng Interest	Total Equity
Balance at December 31, 2017	439,718,145	(176,667,573)	263,050,572	$ 4	$ 3,077	$ 61	$ 3,004	$ (2,692)	$ 3,454	$ 31	$ 3,485
Comprehensive income:											
Net income	—	—	—	—	—	—	126	—	126	—	126
Other comprehensive income, net of tax	—	—	—	—	—	99	—	—	99	—	99
Total comprehensive income	—	—	—	—	—	—	—	—	225	—	225
Cash dividends:											
Common stock ($.16 per share)	—	—	—	—	—	—	(42)	—	(42)	—	(42)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	5,021,067	—	5,021,067	—	37	—	—	—	37	—	37
Stock-based compensation expense	—	—	—	—	13	—	—	—	13	—	13
Common stock repurchased	—	—	—	—	—	—	—	—	—	—	—
Shares repurchased related to employee stock-based compensation plans	—	(3,465,135)	(3,465,135)	—	—	—	—	(48)	(48)	—	(48)
Reclassification from adoption of ASU No. 2018-02	—	—	—	—	—	13	(13)	—	—	—	—
Balance at March 31, 2018	444,739,212	(180,132,708)	264,606,504	$ 4	$ 3,127	$ 173	$ 3,073	$ (2,740)	$ 3,637	$ 31	$ 3,668

See accompanying notes to consolidated financial statements.

Table of Contents

NAVIENT CORPORATION

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

	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Operating activities		
Net income	$ 126	$ 88
Adjustments to reconcile net income to net cash provided by operating activities:		
Goodwill and acquired intangible asset impairment and amortization expense	9	6
Stock-based compensation expense	13	14
Unrealized (gains)/losses on derivative and hedging activities	(63)	13
Provision for losses	87	107
Decrease in accrued interest receivable	18	60
Decrease in accrued interest payable	(33)	(65)
Decrease in other assets	167	84
(Decrease) increase in other liabilities	(40)	50
Total net cash provided by operating activities	284	357
Investing activities		
Education loans acquired	(821)	(798)
Reduction of education loans:		
Installment payments	3,547	3,918
Other investing activities, net	(9)	15
Purchases of other securities	(1)	—
Proceeds from maturities of other securities	5	8
Total net cash provided by investing activities	2,721	3,143
Financing activities		
Borrowings collateralized by loans in trust — issued	3,930	1,919
Borrowings collateralized by loans in trust — repaid	(3,668)	(3,203)
Asset-backed commercial paper conduits, net	(1,848)	(1,930)
Long-term notes issued	—	807
Long-term notes repaid	(167)	(567)
Other financing activities, net	(59)	(130)
Common stock repurchased	—	(110)
Common dividends paid	(42)	(46)
Total net cash used in financing activities	(1,854)	(3,260)
Net increase in cash, cash equivalents, restricted cash and restricted cash equivalents	1,151	240
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	4,646	4,712
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 5,797	$ 4,952
Cash disbursements made (refunds received) for:		
Interest	$ 798	$ 670
Income taxes paid	$ 2	$ 9
Income taxes received	$ (2)	$ —
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 2,398	$ 1,364
Restricted cash and restricted cash equivalents	3,399	3,588
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 5,797	$ 4,952

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of Navient have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of Navient and its majority-owned and controlled subsidiaries and those Variable Interest Entities ("VIEs") for which we are the primary beneficiary, after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2018 are not necessarily indicative of the results for the year ending December 31, 2018 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2017 (the "2017 Form 10-K"). Definitions for certain capitalized terms used but not otherwise defined in this Quarterly Report on Form 10-Q can be found in our 2017 Form 10-K.

Reclassifications

Certain reclassifications have been made to the balances as of and for the three months ended March 31, 2017 to be consistent with classifications adopted for 2018, and had no effect on net income, total assets, or total liabilities.

Recently Issued Accounting Pronouncements

Effective in 2018

Revenue Recognition

As of January 1, 2018, we adopted Accounting Standard Codification ("ASC") 606, "Revenue from Contracts with Customers," which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. The contract transaction price is allocated to each distinct contractual performance obligation and recognized as revenue at a point in time or over time when or as the good or service is provided to the customer and the performance obligation is satisfied. Generally, our performance obligations are satisfied over time. In conjunction with our implementation plan, we identified revenue streams related to asset recovery and other business processing within our Federal Education Loans and Business Processing segments that are within the scope of the new standard and reviewed related contracts. We determined there was no material change in the timing of our recognition of our asset recovery and business processing revenue or expenses and we did not record a cumulative adjustment as of January 1, 2018 as a result of the adoption of ASC 606. In connection with adopting ASC 606, we recognized $8 million of revenue and $5 million of expenses in first-quarter 2018 related to a contract in our Business Processing segment that would have not been recognized under the prior accounting standard until later in 2018.

1. Significant Accounting Policies (Continued)

The new guidance does not apply to financial instruments and transfers and servicing that are accounted for under other U.S. GAAP. Accordingly, the new revenue recognition guidance does not have an impact on our recognition of revenue and costs associated with our loan portfolios, investments, derivatives and servicing contracts. However, we considered the ASC 606 principal versus agent guidance with respect to certain asset recovery guarantor servicing contracts pursuant to which we serve in a portfolio management role and use third-party collection agencies. We determined that we are required under the new accounting standard to reflect payments to third-party collection agencies as revenue and operating expense. Under the prior accounting standards, we netted payments to third-party collection agencies against revenue. We adopted the new accounting standard using the “cumulative effect transition adjustment” which results in prospectively making this change in 2018. This change in accounting policy resulted in both asset recovery revenue and operating expense in the Federal Education Loan segment being $9 million higher in the first-quarter 2018 with no impact on net income. See “Note 11 – Revenue from Contracts with Customers” for the new required disclosures.

Classification and Measurement

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

Intra-Entity Transfer of Assets

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

Income Taxes

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

1. Significant Accounting Policies (Continued)

Effective in 2019

Leases

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

Hedging Activities

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

Effective in 2020

Allowance for Loan Losses

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

2. Allowance for Loan Losses

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

2. Allowance for Loan Losses (Continued)

Allowance for Loan Losses Metrics

	Three Months Ended March 31, 2018			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 60	$ 1,297	$ 10	$ 1,367
Total provision	10	77	—	87
Charge-offs(1)	(11)	(78)	—	(89)
Reclassification of interest reserve(2)	—	2	—	2
Ending balance	$ 59	$ 1,298	$ 10	$ 1,367
Allowance Ending Balance:				
Individually evaluated for impairment — TDR	$ —	$ 1,165	$ 9	$ 1,174
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	59	133	1	193
Purchased Non-Credit Impaired Loans acquired at a discount(3)	—	—	—	—
Purchased Credit Impaired Loans(3)	—	—	—	—
Ending total allowance	$ 59	$ 1,298	$ 10	$ 1,367
Loans Ending Balance:				
Individually evaluated for impairment — TDR	$ —	$ 10,824	$ 29	$ 10,853
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	75,673	11,545	42	87,260
Purchased Non-Credit Impaired Loans acquired at a discount(3)	3,139	2,500	—	5,639
Purchased Credit Impaired Loans(3)	—	242	—	242
Ending total loans(4)	$ 78,812	$ 25,111	$ 71	$ 103,994
Charge-offs as a percentage of average loans in repayment	.07%	1.40%	1.56%	
Allowance coverage of charge-offs	1.4	4.1	9.2	
Allowance as a percentage of the ending total loan balance(3)	.08%	5.17%	14.37%	
Allowance as a percentage of the ending loans in repayment(3)	.09%	5.80%	14.37%	
Ending total loans(4)	$ 78,812	$ 25,111	$ 71	
Average loans in repayment	$ 65,650	$ 22,660	$ 71	
Ending loans in repayment	$ 64,603	$ 22,372	$ 71	

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

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

(3) The Purchased Credit Impaired Loans’ losses are not provided for by the allowance for loan losses in the above table as these loans are separately reserved for, if needed. No allowance for loan losses has been established for these loans as of March 31, 2018. The losses of the Purchased Non-Credit Impaired Loans acquired at a discount are not provided for by the allowance for loan losses in the above table as the remaining purchased discount associated with the FFELP and Private Education Loans of $42 million and $378 million, respectively, as of March 31, 2018 is greater than the incurred losses and as a result no allowance for loan losses has been established for these loans as of March 31, 2018. As a result, excluding these loans that are accounted for under these two accounting policies, the allowance as a percentage of the ending total loan balance and the allowance as a percentage of the ending loans in repayment would be 0.08 percent and 0.10 percent for FFELP Loans and 5.80 percent and 6.56 percent for Private Education Loans, respectively.

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

2. Allowance for Loan Losses (Continued)

	Three Months Ended March 31, 2017			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Allowance for Loan Losses				
Beginning balance	$ 67	$ 1,351	$ 15	$ 1,433
Total provision	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
Allowance Ending Balance:				
Individually evaluated for impairment - TDR	$ —	$ 1,176	$ 10	$ 1,186
Collectively evaluated for impairment	64	135	6	205
Ending total allowance	$ 64	$ 1,311	$ 16	$ 1,391
Loans Ending Balance:				
Individually evaluated for impairment - TDR	$ —	$ 11,096	$ 31	$ 11,127
Collectively evaluated for impairment	84,513	13,201	152	97,866
Ending total loans(3)	$ 84,513	$ 24,297	$ 183	$ 108,993
Charge-offs as a percentage of average loans in repayment	.07%	2.56%	2.06%	
Allowance coverage of charge-offs	1.2	2.4	4.6	
Allowance as a percentage of the ending total loan balance(3)	.08%	5.39%	9.00%	
Allowance as a percentage of the ending loans in repayment(3)	.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.

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.

	FFELP Loan Delinquencies			
	March 31, 2018		December 31, 2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 4,701		$ 4,711	
Loans in forbearance[2]	9,508		8,533	
Loans in repayment and percentage of each status:				
Loans current	56,166	86.9%	59,264	87.3%
Loans delinquent 31-60 days[3]	1,909	3.0	2,638	3.9
Loans delinquent 61-90 days[3]	1,534	2.4	1,763	2.6
Loans delinquent greater than 90 days[3]	4,994	7.7	4,188	6.2
Total FFELP Loans in repayment	64,603	100%	67,853	100%
Total FFELP Loans, gross	78,812		81,097	
FFELP Loan unamortized premium	650		666	
Total FFELP Loans	79,462		81,763	
FFELP Loan allowance for losses	(59)		(60)	
FFELP Loans, net	$ 79,403		$ 81,703	
Percentage of FFELP Loans in repayment		82.0%		83.7%
Delinquencies as a percentage of FFELP Loans in repayment		13.1%		12.7%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		12.8%		11.2%

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

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

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

2. Allowance for Loan Losses (Continued)

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

	Private Education Loan Credit Quality Indicators TDR			
	March 31, 2018		December 31, 2017	
(Dollars in millions)	Balance(2)	% of Balance	Balance(2)	% of Balance
Credit Quality Indicators				
Original Winning FICO Scores:				
FICO 640 and above	$ 9,567	92%	$ 9,647	92%
FICO below 640	874	8	889	8
Total	$ 10,441	100%	$ 10,536	100%
School Type:				
Not-for-profit	$ 8,194	78%	$ 8,247	78%
For-profit	2,247	22	2,289	22
Total	$ 10,441	100%	$ 10,536	100%
Cosigners:				
With cosigner	$ 6,407	61%	$ 6,441	61%
Without cosigner	4,034	39	4,095	39
Total	$ 10,441	100%	$ 10,536	100%
Seasoning(1):				
1-12 payments	$ 447	4%	$ 506	5%
13-24 payments	589	6	644	6
25-36 payments	864	8	947	9
37-48 payments	1,184	11	1,271	12
More than 48 payments	6,867	66	6,691	63
Not yet in repayment	490	5	477	5
Total	$ 10,441	100%	$ 10,536	100%

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

(2) Balance equals the gross Private Education Loans.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Credit Quality Indicators							
	Non-TDR							
	March 31, 2018				December 31, 2017			
(Dollars in millions)	Balance[2]		% of Balance		Balance[2]		% of Balance	
Credit Quality Indicators								
Original Winning FICO Scores:								
FICO 640 and above	$	13,367	96	%	$	13,752	96	%
FICO below 640		562	4			592	4	
Total	$	13,929	100	%	$	14,344	100	%
School Type:								
Not-for-profit	$	12,079	87	%	$	12,431	87	%
For-profit		1,850	13			1,913	13	
Total	$	13,929	100	%	$	14,344	100	%
Cosigners:								
With cosigner	$	8,559	61	%	$	9,193	64	%
Without cosigner		5,370	39			5,151	36	
Total	$	13,929	100	%	$	14,344	100	%
Seasoning[1]:								
1-12 payments	$	1,686	12	%	$	1,424	10	%
13-24 payments		504	3			437	3	
25-36 payments		392	3			466	3	
37-48 payments		661	5			867	6	
More than 48 payments		10,147	73			10,566	74	
Not yet in repayment		539	4			584	4	
Total	$	13,929	100	%	$	14,344	100	%

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

(2) Balance equals the gross Private Education Loans.

2. Allowance for Loan Losses (Continued)

	TDR Private Education Loan Delinquencies			
	March 31, 2018		December 31, 2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 490		$ 477	
Loans in forbearance[2]	755		681	
Loans in repayment and percentage of each status:				
Loans current	8,131	88.4%	8,333	88.9%
Loans delinquent 31-60 days[3]	334	3.6	351	3.7
Loans delinquent 61-90 days[3]	266	2.9	207	2.2
Loans delinquent greater than 90 days[3]	465	5.1	487	5.2
Total TDR loans in repayment	9,196	100%	9,378	100%
Total TDR loans, gross	10,441		10,536	
TDR loans unamortized discount	(223)		(225)	
Total TDR loans	10,218		10,311	
TDR loans receivable for partially charged-off loans	383		385	
TDR loans allowance for losses	(1,165)		(1,171)	
TDR loans, net	$ 9,436		$ 9,525	
Percentage of TDR loans in repayment		88.1%		89.0%
Delinquencies as a percentage of TDR loans in repayment		11.6%		11.1%
Loans in forbearance as a percentage of TDR loans in repayment and forbearance		7.6%		6.8%

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

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

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

2. Allowance for Loan Losses (Continued)

	Non-TDR Private Education Loan Delinquencies			
	March 31, 2018		December 31, 2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 539		$ 584	
Loans in forbearance[2]	214		214	
Loans in repayment and percentage of each status:				
Loans current	12,965	98.4%	13,257	97.9%
Loans delinquent 31-60 days[3]	82	.6	120	.9
Loans delinquent 61-90 days[3]	47	.4	59	.4
Loans delinquent greater than 90 days[3]	82	.6	110	.8
Total non-TDR loans in repayment	13,176	100%	13,546	100%
Total non-TDR loans, gross	13,929		14,344	
Non-TDR loans unamortized discount	(667)		(699)	
Total non-TDR loans	13,262		13,645	
Non-TDR loans receivable for partially charged-off loans	358		375	
Non-TDR loans allowance for losses	(133)		(126)	
Non-TDR loans, net	$ 13,487		$ 13,894	
Percentage of non-TDR loans in repayment		94.6%		94.4%
Delinquencies as a percentage of non-TDR loans in repayment		1.6%		2.1%
Loans in forbearance as a percentage of non-TDR loans in repayment and forbearance		1.6%		1.6%

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

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

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

2. Allowance for Loan Losses (Continued)

Receivable for Partially Charged-Off Private Education Loans

At the end of each month, for loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. 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 Private Education Loans.

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Receivable at beginning of period	$ 760	$ 815
Expected future recoveries of current period defaults[1]	19	34
Recoveries[2]	(38)	(44)
Charge-offs[3]	—	(5)
Receivable at end of period	$ 741	$ 800

(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, 2018 and December 31, 2017, respectively. The unpaid principal balance of TDR loans that were in an interest rate reduction plan as of March 31, 2018 and December 31, 2017 was $2.5 billion and $2.7 billion, respectively.

2. Allowance for Loan Losses (Continued)

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

(Dollars in millions)	TDR Loans		
	Recorded Investment(1)	Total Ending Loans(2)	Related Allowance
March 31, 2018	$ 10,796	$ 10,824	$ 1,165
December 31, 2017	10,890	10,921	1,171

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

(2) Total ending loans includes the receivable for partially charged-off loans.

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

(Dollars in millions)	Three Months Ended March 31,			
	2018		2017	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
Total	10,855	180	11,093	172

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,					
	2018			2017		
	Modified Loans(1)	Charge-Offs(2)	Payment Default	Modified Loans(1)	Charge-Offs(2)	Payment Default
Total	$ 170	$ 60	$ 37	$ 215	$ 106	$ 54

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

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

2. Allowance for Loan Losses (Continued)

Accrued Interest Receivable

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

(Dollars in millions)	Total	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
March 31, 2018			
TDR	$ 196	$ 19	$ 20
Non-TDR	175	4	5
Total	$ 371	$ 23	$ 25
December 31, 2017			
TDR	$ 196	$ 20	$ 20
Non-TDR	187	4	6
Total	$ 383	$ 24	$ 26

3. Borrowings

The following table summarizes our borrowings.

	March 31, 2018			December 31, 2017		
(Dollars in millions)	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings:						
Senior unsecured debt[1]	$ 2,359	$ 11,413	$ 13,772	$ 1,306	$ 12,624	$ 13,930
Total unsecured borrowings	2,359	11,413	13,772	1,306	12,624	13,930
Secured borrowings:						
FFELP Loan securitizations	—	71,038	71,038	—	71,208	71,208
Private Education Loan securitizations[2]	—	13,791	13,791	686	12,646	13,332
FFELP Loan — other facilities	1,487	5,023	6,510	1,536	6,830	8,366
Private Education Loan — other facilities	805	1,602	2,407	684	1,710	2,394
Other[3]	476	—	476	538	—	538
Total secured borrowings	2,768	91,454	94,222	3,444	92,394	95,838
Total before hedge accounting adjustments	5,127	102,867	107,994	4,750	105,018	109,768
Hedge accounting adjustments	4	(70)	(66)	21	(6)	15
Total	$ 5,131	$ 102,797	$ 107,928	$ 4,771	$ 105,012	$ 109,783

(1) Includes principal amount of $2.4 billion and $1.3 billion of short-term debt as of March 31, 2018 and December 31, 2017, respectively. Includes principal amount of $11.5 billion and $12.7 billion of long-term debt as of March 31, 2018 and December 31, 2017, respectively.

(2) Includes $0 million and $686 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facilities ("Repurchase Facilities") as of March 31, 2018 and December 31, 2017, respectively. Includes $2.7 billion and $1.3 billion of long-term debt related to the Repurchase Facilities as of March 31, 2018, and December 31, 2017, respectively.

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

3. Borrowings (Continued)

Variable Interest Entities

We consolidated the following financing VIEs as of March 31, 2018 and December 31, 2017, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

	March 31, 2018						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ —	$ 71,038	$ 71,038	$ 71,987	$ 2,416	$ 1,092	$ 75,495
Private Education Loan securitizations(1)	—	13,791	13,791	17,114	645	222	17,981
FFELP Loan — other facilities	1,487	2,290	3,777	3,780	184	98	4,062
Private Education Loan — other facilities	805	1,602	2,407	3,255	82	35	3,372
Total before hedge accounting adjustments	2,292	88,721	91,013	96,136	3,327	1,447	100,910
Hedge accounting adjustments	—	(118)	(118)	—	—	(245)	(245)
Total	$ 2,292	$ 88,603	$ 90,895	$ 96,136	$ 3,327	$ 1,202	$ 100,665

	December 31, 2017						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ —	$ 71,208	$ 71,208	$ 72,145	$ 2,335	$ 1,078	$ 75,558
Private Education Loan securitizations(1)	686	12,646	13,332	17,739	484	237	18,460
FFELP Loan — other facilities	1,536	3,999	5,535	5,565	204	156	5,925
Private Education Loan — other facilities	684	1,710	2,394	3,147	68	31	3,246
Total before hedge accounting adjustments	2,906	89,563	92,469	98,596	3,091	1,502	103,189
Hedge accounting adjustments	—	(246)	(246)	—	—	(342)	(342)
Total	$ 2,906	$ 89,317	$ 92,223	$ 98,596	$ 3,091	$ 1,160	$ 102,847

(1) Includes $0 million of short-term debt, $2.7 billion of long-term debt and $175 million of restricted cash related to the Repurchase Facilities as of March 31, 2018. Includes $686 million of short-term debt, $1.3 billion of long-term debt and $96 million of restricted cash related to the Repurchase Facilities as of December 31, 2017.

4. Derivative Financial Instruments

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

Summary of Derivative Financial Statement Impact

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

4. Derivative Financial Instruments (Continued)

Impact of Derivatives on Consolidated Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Mar 31, 2018	Cash Flow Dec 31, 2017	Fair Value Mar 31, 2018	Fair Value Dec 31, 2017	Trading Mar 31, 2018	Trading Dec 31, 2017	Total Mar 31, 2018	Total Dec 31, 2017
Fair Values(1)									
Derivative Assets:									
Interest rate swaps	Interest rate	$ 211	$ 95	$ 204	$ 290	$ 46	$ 7	$ 461	$ 392
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	86	88	—	—	86	88
Total derivative assets(2)		211	95	290	378	46	7	547	480
Derivative Liabilities:									
Interest rate swaps	Interest rate	(1)	(16)	(203)	(102)	(86)	(71)	(290)	(189)
Floor Income Contracts	Interest rate	—	—	—	—	(49)	(74)	(49)	(74)
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(332)	(410)	(27)	(44)	(359)	(454)
Other(3)	Interest rate	—	—	—	—	(12)	(18)	(12)	(18)
Total derivative liabilities(2)		(1)	(16)	(535)	(512)	(174)	(207)	(710)	(735)
Net total derivatives		$ 210	$ 79	$ (245)	$ (134)	$ (128)	$ (200)	$ (163)	$ (255)

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

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

(Dollar in millions)	Other Assets March 31, 2018	Other Assets December 31, 2017	Other Liabilities March 31, 2018	Other Liabilities December 31, 2017
Gross position	$ 547	$ 480	$ (710)	$ (735)
Impact of master netting agreements	(47)	(42)	47	42
Derivative values with impact of master netting agreements (as carried on balance sheet)	500	438	(663)	(693)
Cash collateral (held) pledged	(474)	(536)	207	235
Net position, as presented on the balance sheet	$ 26	$ (98)	$ (456)	$ (458)

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

4. Derivative Financial Instruments (Continued)

The above fair values include adjustments when necessary for counterparty credit risk for both when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the asset position at March 31, 2018 and December 31, 2017 by $19 million and $6 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at March 31, 2018 and December 31, 2017 by $27 million and $30 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	Mar 31, 2018	Dec 31, 2017	Mar 31, 2018	Dec 31, 2017	Mar 31, 2018	Dec 31, 2017	Mar 31, 2018	Dec 31, 2017
Notional Values:								
Interest rate swaps	$ 24.0	$ 24.1	$ 12.4	$ 12.4	$ 79.7	$ 72.0	$ 116.1	$ 108.5
Floor Income Contracts	—	—	—	—	24.9	21.9	24.9	21.9
Cross-currency interest rate swaps	—	—	5.0	6.7	.3	.3	5.3	7.0
Other[1]	—	—	—	—	.4	.5	.4	.5
Total derivatives	$ 24.0	$ 24.1	$ 17.4	$ 19.1	$ 105.3	$ 94.7	$ 146.7	$ 137.9

(1) "Other" includes derivatives related to our Total Return Swap Facility.

Impact of Derivatives on Consolidated Statements of Income

	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)	
(Dollars in millions)	2018	2017	2018	2017	2018	2017	2018	2017
Fair Value Hedges:								
Interest rate swaps	$ (188)	$ (84)	$ 30	$ 54	$ 225	$ 61	$ 67	$ 31
Cross-currency interest rate swaps	76	118	(27)	(29)	(129)	(162)	(80)	(73)
Total fair value derivatives	(112)	34	3	25	96	(101)	(13)	(42)
Cash Flow Hedges:								
Interest rate swaps	—	—	(4)	(16)	—	—	(4)	(16)
Total cash flow derivatives	—	—	(4)	(16)	—	—	(4)	(16)
Trading:								
Interest rate swaps	25	(7)	(3)	20	—	—	22	13
Floor Income Contracts	31	53	(8)	(20)	—	—	23	33
Cross-currency interest rate swaps	17	12	(2)	(1)	—	—	15	11
Other	6	(4)	(2)	(2)	—	—	4	(6)
Total trading derivatives	79	54	(15)	(3)	—	—	64	51
Total	(33)	88	(16)	6	96	(101)	47	(7)
Less: realized gains (losses) recorded in interest expense	—	—	(1)	9	—	—	(1)	9
Gains (losses) on derivative and hedging activities, net	$ (33)	$ 88	$ (15)	$ (3)	$ 96	$ (101)	$ 48	$ (16)

(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."

4. Derivative Financial Instruments (Continued)

Collateral

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

(Dollars in millions)	March 31, 2018	December 31, 2017
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	$ 474	$ 536
Securities at fair value — corporate derivatives (not recorded in financial statements)(1)	—	—
Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements)(2)	143	297
Total collateral held	$ 617	$ 833
Derivative asset at fair value including accrued interest	$ 592	$ 618
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 207	$ 235
Total collateral pledged	$ 207	$ 235
Derivative liability at fair value including accrued interest and premium receivable	$ 579	$ 659

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

Our corporate derivatives contain credit contingent features. At our current unsecured credit rating, we have fully collateralized our corporate derivative liability position (including accrued interest and net of premiums receivable) of $233 million with our counterparties. Downgrades in our unsecured credit rating would not result in any additional collateral requirements, except to increase the frequency of collateral calls. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings.

5. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	March 31, 2018	December 31, 2017
Accrued interest receivable, net	$ 1,979	$ 1,965
Derivatives at fair value	500	438
Benefit and insurance-related investments	481	481
Income tax asset, net current and deferred	312	380
Fixed assets, net	150	156
Accounts receivable	99	108
Other loans, net	60	59
Other	347	438
Total	$ 3,928	$ 4,025

6. Business Combinations, Goodwill and Acquired Intangible Assets

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

Goodwill resulting from our acquisitions is assigned to a reporting unit or units. A reporting unit is the same or one level below an operating segment. As discussed in “Note 12 – Segment Reporting," we have the following new reportable operating segments effective first-quarter 2018: Federal Education Loans, Consumer Lending, Business Processing and Other. As a result of this change in our reporting structure, our reporting units with goodwill as of March 31, 2018 include (1) FFELP Loans within the Federal Education Loans reportable operating segment, (2) Private Education Loans (Other) and Private Education Refinance Loans (inclusive of what formerly constituted our Earnest reporting unit), both of which are included in our Consumer Lending reportable operating segment, and (3) Government Services (formerly our Gila reporting unit) and Healthcare Services, both of which are included in our Business Processing reportable operating segment. No change in our allocation of goodwill was warranted as a result of this change in reportable operating segments and reporting units.

Acquisition of Earnest

In November 2017, Navient acquired a 95 percent majority controlling interest in Earnest for approximately $149 million in cash. Earnest is a leading financial technology and education finance company that originates Private Education Refinance Loans. We have engaged an independent appraiser to assist in the valuation of the assets acquired and liabilities assumed including identifiable intangible assets, primarily the trade name and developed technology. We anticipate the purchase price allocation will be completed by the end of the second quarter 2018. The preliminary estimate of goodwill is $89 million. The results of operations of Earnest have been included in Navient’s consolidated financial statements since the acquisition date and are reflected in Navient’s Consumer Lending segment and its Private Education Refinance Loans reporting unit. Navient has not disclosed the pro forma impact of this acquisition to the results of operations for the three months ended March 31, 2018 and 2017, as the pro forma impact was deemed immaterial.

Acquisition of Duncan Solutions

In July 2017, Navient acquired a 100 percent controlling interest in Duncan Solutions for approximately $86 million in cash. Duncan Solutions is a leading transportation revenue management company serving municipalities and toll authorities, offering a range of technology-enabled products and services to support its clients’ parking and tolling operations. We have engaged an independent appraiser to assist in the valuation of the assets acquired and liabilities assumed including identifiable intangible assets, primarily customer relationships, the trade name and developed technology. The preliminary estimate of goodwill is $20 million. We anticipate the purchase price allocation will be completed by the end of the second quarter 2018. The results of operations of Duncan Solutions have been included in Navient’s consolidated financial statements since the acquisition date and are reflected in Navient’s Business Processing segment and its Government Services reporting unit. Navient has not disclosed the pro forma impact of this acquisition to the results of operations for the three months ended March 31, 2018 and 2017, as the pro forma impact was deemed immaterial.

7. Stockholders' Equity

The following table summarizes common share repurchases and issuances.

	Three Months Ended March 31,	
	2018	2017
Common stock repurchased[1]	—	7,363,292
Average purchase price per share	$ —	$ 14.95
Shares repurchased related to employee stock-based compensation plans[2]	3,465,135	1,354,280
Average purchase price per share	$ 13.75	$ 15.55
Common shares issued[3]	5,021,067	2,794,510

(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 29, 2018 was $13.12.

Dividend and Share Repurchase Program

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

Effective October 4, 2017, Navient temporarily suspended its share repurchase program. On January 24, 2018, we announced that we expect to restart our share repurchases in the second half of 2018. As of March 31, 2018, the remaining repurchase authority was $160 million.

In the three months ended March 31, 2017, we repurchased 7.4 million shares for $110 million.

8. Earnings per Common Share

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

(In millions, except per share data)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Numerator:		
Net income attributable to Navient Corporation	$ 126	$ 88
Denominator:		
Weighted average shares used to compute basic EPS	264	289
Effect of dilutive securities:		
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units and Employee Stock Purchase Plan ("ESPP")(1)	5	7
Dilutive potential common shares(2)	5	7
Weighted average shares used to compute diluted EPS	269	296
Basic earnings per common share attributable to Navient Corporation	$ .48	$ .31
Diluted earnings per common share attributable to Navient Corporation	$ .47	$ .30

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

(2) For the three months ended March 31, 2018 and 2017, stock options covering approximately 6 million and 5 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

9. Fair Value Measurements

We use estimates of fair value in applying various accounting standards in our financial statements. We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. Please refer to "Note 12 — Fair Value Measurements" in our 2017 Form 10-K for a full discussion.

During the three months ended March 31, 2018, there were no significant transfers of financial instruments between levels, or changes in our methodology or assumptions used to value our financial instruments.

9. Fair Value Measurements (Continued)

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

	Fair Value Measurements on a Recurring Basis							
	March 31, 2018				December 31, 2017			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale investments:								
Agency residential mortgage-backed securities	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Other	—	2	—	2	—	2	—	2
Total available-for-sale investments	—	2	—	2	—	2	—	2
Derivative instruments:(1)								
Interest rate swaps	—	454	7	461	—	388	4	392
Cross-currency interest rate swaps	—	—	86	86	—	—	88	88
Total derivative assets(2)	—	454	93	547	—	388	92	480
Total	$ —	$ 456	$ 93	$ 549	$ —	$ 390	$ 92	$ 482
Liabilities(3)								
Derivative instruments(1)								
Interest rate swaps	$ —	$ (246)	$ (44)	$ (290)	$ —	$ (144)	$ (45)	$ (189)
Floor Income Contracts	—	(49)	—	(49)	—	(74)	—	(74)
Cross-currency interest rate swaps	—	(27)	(332)	(359)	—	(44)	(410)	(454)
Other	—	—	(12)	(12)	—	—	(18)	(18)
Total derivative liabilities(2)	—	(322)	(388)	(710)	—	(262)	(473)	(735)
Total	$ —	$ (322)	$ (388)	$ (710)	$ —	$ (262)	$ (473)	$ (735)

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

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

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

9. Fair Value Measurements (Continued)

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

	Three Months Ended March 31,							
	2018				2017			
	Derivative instruments				Derivative instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (41)	$ (322)	$ (18)	$ (381)	$ (46)	$ (1,243)	$ (13)	$ (1,302)
Total gains/(losses) (realized and unrealized):								
Included in earnings(1)	3	49	4	56	2	89	(5)	86
Included in other comprehensive income	—	—	—	—	—	—	—	—
Settlements	1	27	2	30	2	29	2	33
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Balance, end of period	$ (37)	$ (246)	$ (12)	$ (295)	$ (42)	$ (1,125)	$ (16)	$ (1,183)
Change in unrealized gains/(losses) relating to instruments still held at the reporting date(2)	$ 4	$ 103	$ 6	$ 113	$ 4	$ 57	$ (4)	$ 57

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

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
Gains (losses) on derivative and hedging activities, net	$ 83	$ 115
Interest expense	(27)	(29)
Total	$ 56	$ 86

(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, 2018	Valuation Technique	Input	Range (Weighted Average)
Derivatives				
Prime/LIBOR basis swaps	$ (37)	Discounted cash flow	Constant Prepayment Rate	6%
			Bid/ask adjustment to discount rate	.08% — .08% (.08%)
Cross-currency interest rate swaps	(246)	Discounted cash flow	Constant Prepayment Rate	4%
Other	(12)			
Total	$ (295)			

9. 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.

	March 31, 2018			December 31, 2017		
(Dollars in millions)	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP Loans	$ 79,784	$ 79,403	$ 381	$ 82,271	$ 81,703	$ 568
Private Education Loans	24,065	22,923	1,142	24,421	23,419	1,002
Cash and investments(1)	6,153	6,153	—	5,034	5,034	—
Total earning assets	110,002	108,479	1,523	111,726	110,156	1,570
Interest-bearing liabilities						
Short-term borrowings	5,155	5,131	(24)	4,783	4,771	(12)
Long-term borrowings	102,970	102,797	(173)	104,921	105,012	91
Total interest-bearing liabilities	108,125	107,928	(197)	109,704	109,783	79
Derivative financial instruments						
Floor Income Contracts	(49)	(49)	—	(74)	(74)	—
Interest rate swaps	171	171	—	203	203	—
Cross-currency interest rate swaps	(273)	(273)	—	(366)	(366)	—
Other	(12)	(12)	—	(18)	(18)	—
Excess of net asset fair value over carrying value			$ 1,326			$ 1,649

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

10. Commitments and Contingencies

Legal Proceedings

The Company has been named as defendant in a number of putative class action cases alleging violations of various state and federal consumer protection laws, including the Telephone Consumer Protection Act ("TCPA"), the Consumer Financial Protection Act of 2010 ("CFPA"), the Fair Credit Reporting Act ("FCRA"), the Fair Debt Collection Practices Act ("FDCPA") and various other state consumer protection laws.

10. Commitments and Contingencies (Continued)

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of certain Federal and State consumer protection statutes, including the CFPA, the FCPA, FCRA, FDCPA and various state consumer protection laws. On October 5, 2017, the Attorney General for the Commonwealth of Pennsylvania initiated a civil action against Navient Corporation and Navient Solutions, LLC, containing similar alleged violations of the CFPA and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. We refer to the Illinois Attorney General, the Pennsylvania Attorney General and the Washington Attorney General collectively as the "Attorneys General." We intend to vigorously defend against the allegations in each of these cases. For additional information on these civil actions, please refer to the section entitled "Regulatory Matters" below.

At this point in time, the Company is unable to anticipate the timing of a resolution or the ultimate impact that these legal proceedings may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Regulatory Matters

With respect to alleged civil violations of the Servicemembers Civil Relief Act (the "SCRA"), Navient Solutions, LLC ("Solutions"), a wholly owned subsidiary of Navient, and Sallie Mae Bank entered into a consent order with the DOJ in May 2014. The DOJ consent order (the "DOJ Order") covers all loans either owned by Sallie Mae Bank or serviced by Solutions from November 28, 2005 until the effective date of the settlement. In the third quarter of 2016, the Company completed the monetary portion of the order by distributing the remaining funds to charities approved by the DOJ. The Company believes it has fulfilled the terms of the DOJ order. The total reserves established by the Company in 2013 and 2014 to cover these costs were $177 million, and as of March 31, 2018, substantially all of this amount had been paid to customers or credited or refunded to customer accounts. The final cost of these proceedings will remain uncertain until the remaining consent order is lifted or terminates in accordance with its terms in late 2018.

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. The Company subsequently received separate but similar CIDs or subpoenas from the Attorneys General of the District of Columbia, Kansas and Colorado.
- In April 2014, Solutions received a CID from the Consumer Financial Protection Bureau (the "CFPB") as part of the CFPB's separate investigation regarding allegations relating to Navient's disclosures and assessment of late fees and other matters. Navient has received a series of supplemental CIDs on these matters. In August 2015, Solutions received a letter from the CFPB notifying Solutions that, in accordance with the CFPB's discretionary Notice and Opportunity to Respond and Advise ("NORA") process, the CFPB's Office of Enforcement was considering recommending that the CFPB take legal action against Solutions. The NORA letter related to a previously disclosed investigation into Solutions' disclosures and assessment of late fees and other matters and states that, in connection with any action, the CFPB may seek restitution, civil monetary penalties and corrective action against Solutions. The Company responded to the NORA letter in September 2015.
- In November 2014, Navient's subsidiary, Pioneer Credit Recovery, Inc. ("Pioneer"), received a CID from the CFPB as part of an investigation regarding Pioneer's activities relating to rehabilitation loans and collection of defaulted student debt.

10. Commitments and Contingencies (Continued)

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

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the DFPA, FCRA, FDCPA and various state consumer protection laws. On October 5, 2017, the Attorney General for the Commonwealth of Pennsylvania initiated a civil action against Navient Corporation and Navient Solutions, LLC, alleging violations of the CFPA and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. These civil actions are related to matters which were covered under the CIDs and the NORA letter discussed above. 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. In relation to the CFPB action, after a hearing, our Motion to Dismiss was denied in full in August 2017. In relation to the Washington action, following a hearing, our Motion to Dismiss was denied in full in July 2017. In relation to the Illinois action, a hearing on our Motion to Dismiss was held on July 18, 2017 and no ruling has been issued as of the date of this Form 10-Q. In relation to the Pennsylvania Attorney General lawsuit, the Company filed its Motion to Dismiss on December 22, 2017. This motion has not been heard by the court. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or, in the future, may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the Attorneys General. As the Company has previously stated, we believe the suits improperly seek to impose penalties on Navient based on new, unannounced servicing standards applied retroactively only against one servicer, and that the allegations are false. As stated above, we intend to vigorously defend against the allegations in each of these cases.

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

Under the terms of the Separation Agreement between the Company and SLM BankCo, Navient has agreed to indemnify SLM BankCo for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. As a result, subject to the terms, conditions and limitations set forth in the Separation and Distribution Agreement, Navient has agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank, from liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above, other than fines or penalties directly levied against Sallie Mae Bank and other matters specifically excluded. Navient has no additional reserves related to indemnification matters with SLM BankCo as of March 31, 2018.

OIG Audit

The Office of the Inspector General (the "OIG") of ED commenced an audit regarding Special Allowance Payments ("SAP") on September 10, 2007. 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 to the Administrative Actions and Appeals Service Group of ED. A hearing was held in April 2017 and a ruling has not yet been issued. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company established a reserve for this matter in 2014 as part of the total reserve for pending regulatory matters discussed previously and does not believe, at this time, that an adverse ruling would have a material effect on the Company as a whole.

10. Commitments and Contingencies (Continued)

Contingencies

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

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

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.

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

11. Revenue from Contracts with Customers

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

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

11. Revenue from Contracts with Customers (Continued)

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

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

Revenue by Service Type

	Three Months Ended March 31, 2018		
(Dollars in millions)	Federal Education Loans Reportable Operating Segment	Business Processing Reportable Operating Segment	Total Revenue
Federal Education Loan asset recovery services	$ 20	$ —	$ 20
Government services	—	53	53
Healthcare services	—	20	20
Total	$ 20	$ 73	$ 93

Revenue by Client Type

	Three Months Ended March 31, 2018		
(Dollars in millions)	Federal Education Loans Reportable Operating Segment	Business Processing Reportable Operating Segment	Total Revenue
Federal government	$ 1	$ 1	$ 2
Guarantor agencies	16	—	16
Other institutions	3	—	3
State and local government	—	26	26
Tolling authorities	—	26	26
Hospitals and other healthcare providers	—	20	20
Total	$ 20	$ 73	$ 93

As of January 1, 2018 and March 31, 2018, there was $63 million and $74 million, respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

12. Segment Reporting

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

12. Segment Reporting (Continued)

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

Business Lines	New Reportable Operating Segment	Prior Reportable Operating Segment
FFELP Loans	Federal Education Loans	FFELP Loans
Federal Education Loans Servicing	Federal Education Loans	Business Services
Federal Education Loans Asset Recovery	Federal Education Loans	Business Services
Private Education Refinance Loans	Consumer Lending	Private Education Loans
Private Education Loans – Other	Consumer Lending	Private Education Loans
Other Consumer Loans	Consumer Lending	Other
Non-Education Government Services	Business Processing	Business Services
Non-Education Healthcare Services	Business Processing	Business Services
Unallocated Overhead Expenses	Other	Other
Corporate Liquidity Portfolio	Other	Other

These segments meet the quantitative thresholds for reportable operating segments. Accordingly, the results of operations of these reportable operating segments are presented separately. The underlying operating segments are used by the Company’s chief operating decision maker to manage the business, review operating performance and allocate resources, and qualify to be aggregated as part of the primary reportable operating segments. As discussed further below, we measure the profitability of our operating segments based on “Core Earnings” net income. Accordingly, information regarding our reportable operating segments is provided on a “Core Earnings” basis. As a result of this change in segment reporting in the first quarter of 2018, prior periods have been recast for comparison purposes.

Federal Education Loans Segment

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

Navient is currently the largest private sector holder of FFELP Loans as well as the largest servicer and collector of loans made under the FFELP program. In 2010, Congress passed legislation ending the origination of education loans under FFELP. As a result, the revenue we earn in this segment is expected to decline over time. The Higher Education Act of 1965 (“HEA”) continues to regulate every aspect of FFELP Loans, including ongoing communications with borrowers and default aversion requirements. Failure to service FFELP Loans properly could jeopardize the insurance, guarantees and federal support on these loans. The insurance and guarantees on Navient’s existing FFELP Loans were not affected by the termination of FFELP originations.

12. Segment Reporting (Continued)

FFELP Loans

Navient's portfolio of FFELP Loans as of March 31, 2018 was $79.4 billion. We expect this portfolio to have an amortization period in excess of 20 years with a 7-year remaining weighted average life. During the first-quarter 2018, Navient acquired $283 million of FFELP Loans compared to $707 million in first-quarter 2017. FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guaranty agreements generally cover at least 97 percent of a FFELP Loan's principal and accrued interest for loans disbursed. As of March 31, 2018, approximately 86 percent of the FFELP Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

Federal Education Servicing and Asset Recovery

As part of Navient's servicing business, we have provided loan servicing for federal loans owned by ED since 2009. Under the contract, we seek to improve on the performance metrics that determine the allocation of new accounts under the servicing contract with ED. Under this servicing contract as of March 31, 2018, we service approximately 6.0 million accounts, or $207.4 billion in loans. We earned $38 million of revenue under the contract for the first quarter of 2018. This contract currently expires in 2019. We continually strive to help our customers successfully navigate the repayment of their loans.

In April 2016, ED began the solicitation process for its new servicing platform and service providers. In the latest step, ED issued on February 20, 2018, Phase 1 of a new RFP entitled the Solicitation for the Next Generation Financial Services Environment which is intended to centralize student loan servicing on a single platform. The Company and its partners submitted a comprehensive bid on April 18, 2018.

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 did not renew our contracts with USAF and Northwest Education Loan Association ("NELA"), effective as of December 31, 2017. In the third quarter of 2017, we entered into a new contract with Great Lakes in which we agreed to provide asset recovery and portfolio management services on the combined Great Lakes, USAF and NELA portfolios. Education related fee revenues related to these services totaled $25 million in first-quarter 2018 compared to $50 million in first-quarter 2017.

Since 1997, Navient has provided asset recovery services on defaulted education loans to ED. In February 2015, ED did not grant an additional term extension ("ATE") and this contract expired by its terms on February 21, 2015. As a result, our Pioneer Credit Recovery ("Pioneer") subsidiary stopped receiving new account placements under the contract. Shortly after that decision by ED, Pioneer filed a bid protest against ED, which bid protest was eventually consolidated with several other related protests. In an effort to resolve that litigation, in May 2017, ED awarded Pioneer a new ATE on substantially similar terms to the additional term extensions awarded to other contractors in 2015. In December 2017, Pioneer began receiving new accounts under that new contract.

12. Segment Reporting (Continued)

In January 2018, ED completed its ongoing procurement for replacement collection contracts originally begun in 2016. Neither Pioneer nor our other subsidiary, General Revenue Corporation, received a contract award. In February 2018, Pioneer filed a bid protest which protest has been consolidated with the other protests on this procurement. As of the date of this report, ED has the right to place additional accounts with Pioneer under its ATE during the pendency of the new protests. ED's ability to do so may be affected by any temporary restraining order or injunction granted by the court in the consolidated protests. As a leading provider of asset recovery services, Pioneer Credit Recovery has a long track record of assisting individuals who default on their student loan payments to recover from the negative consequences of default. Since 2012, Navient and its subsidiaries have helped more than 261,000 borrowers successfully rehabilitate their loans.

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

(Dollars in millions)	March 31, 2018	December 31, 2017
FFELP Loans, net	$ 79,403	$ 81,703
Cash and investments(1)	2,763	2,821
Other	2,540	2,601
Total assets	$ 84,706	$ 87,125

(1) Includes restricted cash and investments.

Consumer Lending Segment

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

We began to originate Private Education Refinance Loans in 2017 with the acquisition of Earnest. Our loan products are focused on helping consumers refinance their education loans at the lower rates they have earned. We believe our product offerings, digital marketing strategies and origination platform provide a unique competitive advantage. Earnest, which was acquired in November 2017, originated $900 million of Private Education Refinance Loans in 2017 and $500 million in first-quarter 2018. At March 31, 2018, Navient held $1.2 billion of Private Education Refinance Loans.

Navient is currently the largest holder of Private Education Loans. Navient's portfolio of Private Education Loans as of March 31, 2018 was $22.9 billion. We expect this portfolio to have an amortization period in excess of 20 years with a 6-year remaining weighted average life. Unlike FFELP Loans, the holder of a Private Education Loan bears the full credit risk of the borrower and any cosigner. Navient believes the credit risk of the Private Education Loans it owns is well managed through the rigorous underwriting practices and risk-based pricing applied when the loans were originated, the continued high levels of qualified cosigners, our internal servicing and risk mitigation practices, and our careful use of forbearance and loan modification programs. Navient believes that these elements and practices reduce the risk of payment interruptions and defaults on its Private Education Loan portfolio. As of March 31, 2018, approximately 57 percent of the Private Education Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

12. Segment Reporting (Continued)

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

(Dollars in millions)	March 31, 2018	December 31, 2017
Private Education Loans, net	$ 22,923	$ 23,419
Cash and investments(1)	797	706
Other	1,140	1,143
Total assets	$ 24,860	$ 25,268

(1) Includes restricted cash and investments.

Business Processing Segment

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

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
Revenue from government services	$ 53	$ 28
Revenue from healthcare services	20	16
Total fee revenue	$ 73	$ 44
Contingent collection receivables inventory (in billions)	$ 11.3	$ 9.9

At March 31, 2018 and December 31, 2017, the Business Processing segment had total assets of $492 million and $466 million, respectively, on a GAAP basis.

Other Segment

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

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

At March 31, 2018 and December 31, 2017, the Other segment had total assets of $3.2 billion and $2.1 billion, respectively, on a GAAP basis.

12. Segment Reporting (Continued)

Measure of Profitability

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

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

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

12. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

	Three Months Ended March 31, 2018								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total "Core Earnings"	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 732	$ 431	$ —	$ —	$ 1,163	$ 8	$ (17)	$ (9)	$ 1,154
Other loans	1	—	—	—	1	—	—	—	1
Cash and investments	9	2	—	6	17	—	—	—	17
Total interest income	742	433	—	6	1,181	8	(17)	(9)	1,172
Total interest expense	571	238	—	42	851	(7)	(1)	(8)	843
Net interest income (loss)	171	195	—	(36)	330	15	(16)	(1)	329
Less: provisions for loan losses	10	77	—	—	87	—	—	—	87
Net interest income (loss) after provisions for loan losses	161	118	—	(36)	243	15	(16)	(1)	242
Other income (loss):									
Servicing revenue	66	3	—	—	69	—	—	—	69
Asset recovery and business processing revenue	36	—	73	—	109	—	—	—	109
Other income (loss)	—	—	—	1	1	(15)	47	32	33
Total other income (loss)	102	3	73	1	179	(15)	47	32	211
Expenses:									
Direct operating expenses	80	56	59	—	195	—	—	—	195
Overhead expenses	—	—	—	80	80	—	—	—	80
Operating expenses	80	56	59	80	275	—	—	—	275
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	9	9	9
Restructuring/other reorganization expenses	—	—	—	7	7	—	—	—	7
Total expenses	80	56	59	87	282	—	9	9	291
Income (loss) before income tax expense (benefit)	183	65	14	(122)	140	—	22	22	162
Income tax expense (benefit)(2)	42	15	4	(28)	33	—	3	3	36
Net income (loss)	$ 141	$ 50	$ 10	$ (94)	$ 107	$ —	$ 19	$ 19	$ 126

(1) "Core Earnings" adjustments to GAAP:

	Three Months Ended March 31, 2018		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ (1)	$ —	$ (1)
Total other income (loss)	32	—	32
Goodwill and acquired intangible asset impairment and amortization	—	9	9
Total "Core Earnings" adjustments to GAAP	$ 31	$ (9)	22
Income tax expense (benefit)			3
Net income (loss)			$ 19

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

12. Segment Reporting (Continued)

	Three Months Ended March 31, 2017								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total "Core Earnings"	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 623	$ 374	$ —	$ —	$ 997	$ 20	$ (14)	$ 6	$ 1,003
Other loans	5	—	—	—	5	—	—	—	5
Cash and investments	5	1	—	1	7	—	—	—	7
Total interest income	633	375	—	1	1,009	20	(14)	6	1,015
Total interest expense	459	187	—	29	675	3	(3)	—	675
Net interest income (loss)	174	188	—	(28)	334	17	(11)	6	340
Less: provisions for loan losses	12	95	—	—	107	—	—	—	107
Net interest income (loss) after provisions for loan losses	162	93	—	(28)	227	17	(11)	6	233
Other income (loss):									
Servicing revenue	72	4	—	—	76	—	—	—	76
Asset recovery and business processing revenue	56	—	44	—	100	—	—	—	100
Other income (loss)	—	—	—	5	5	(17)	(12)	(29)	(24)
Total other income (loss)	128	4	44	5	181	(17)	(12)	(29)	152
Expenses:									
Direct operating expenses	86	35	39	—	160	—	—	—	160
Overhead expenses	—	—	—	78	78	—	—	—	78
Operating expenses	86	35	39	78	238	—	—	—	238
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	6	6	6
Total expenses	86	35	39	78	238	—	6	6	244
Income (loss) before income tax expense (benefit)	204	62	5	(101)	170	—	(29)	(29)	141
Income tax expense (benefit)(2)	75	24	2	(38)	63	—	(10)	(10)	53
Net income (loss)	$ 129	$ 38	$ 3	$ (63)	$ 107	$ —	$ (19)	$ (19)	$ 88

(1) "Core Earnings" adjustments to GAAP:

	Three Months Ended March 31, 2017		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ 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)

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

12. Segment Reporting (Continued)

Summary of "Core Earnings" Adjustments to GAAP

(Dollars in millions)	Three Months Ended March 31, 2018	2017
"Core Earnings" adjustments to GAAP:		
Net impact of derivative accounting[1]	$ 31	$ (23)
Net impact of goodwill and acquired intangible assets[2]	(9)	(6)
Net tax effect[3]	(3)	10
Total "Core Earnings" adjustments to GAAP	$ 19	$ (19)

(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 Federal Education Loans, Consumer Lending and Other reportable 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.

Table of Contents

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

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

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

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

We could also be affected by, among other things:

- unanticipated repayment trends on loans including prepayments or deferrals in our FFELP securitization trusts that could accelerate or 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 those of our third-party vendors or customers, or potential disclosure of confidential customer information;
- damage to our reputation resulting from cyber-breaches, litigation, the politicization of student loan servicing or other actions or factors;
- failure to successfully implement cost-cutting initiatives and adverse effects of such initiatives on our business;
- failure to adequately integrate acquisitions or realize anticipated benefits from acquisitions including delays or errors in converting portfolio acquisitions to our servicing platform;
- changes in law and regulations whether new laws or regulations, or new interpretations of existing laws and regulations applicable to any of our businesses or activities or those of our vendors, suppliers or customers;

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

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

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

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

Navient's Business

Navient is a leading provider of asset management and business processing solutions for education, healthcare, and government clients at the federal, state, and local levels. We help our clients and millions of Americans achieve financial success through services and support. Headquartered in Wilmington, Delaware, Navient also employs team members in western New York, northeastern Pennsylvania, Indiana, Tennessee, Texas, Virginia, Wisconsin, California and other locations.

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

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

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

As of March 31, 2018, Navient's principal assets consisted of:

- $79.4 billion in FFELP Loans, with a Federal Education Loans segment net interest margin of 0.83 percent for the three months ended March 31, 2018 on a "Core Earnings" basis and a FFELP Loan weighted average life of 7 years;
- $22.9 billion in Private Education Loans, with a Consumer Lending segment net interest margin of 3.23 percent for the three months ended March 31, 2018 on a "Core Earnings" basis and a Private Education Loan weighted average life of 6 years;
- a leading education loan servicing business that services loans for approximately 12 million DSLP Loan, FFELP Loan and Private Education Loan customers (including cosigners), including 6.0 million customer accounts serviced under Navient's contract with ED;
- a leading loan origination business that assists borrowers in refinancing their education loan debt; and
- a leading business processing offering through which we provide services for over 600 clients in the government and healthcare sectors.

Strengths and Opportunities

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

Large, high quality asset base generating significant and predictable cash flows. At March 31, 2018, Navient's $102.3 billion education loan portfolio is 80 percent funded to term and is expected to produce predictable cash flows over the remaining life of the portfolio. Navient's $79.4 billion portfolio of FFELP Loans generally bears a maximum 3 percent loss exposure under the terms of the federal guaranty. Navient's $22.9 billion portfolio of Private Education Loans bears the full credit risk of the borrower and any cosigner. Navient expects that cash flows from its FFELP Loan and Private Education Loan portfolios will significantly exceed future debt service obligations. Our interest earning assets are funded by both secured and unsecured debt.

Efficient and large-scale operating platforms. Navient services more than $300 billion in education loans for approximately 12 million customers. Navient's inventory of contingent asset recovery receivables is $27.5 billion as of March 31, 2018. We provide services to more than 1,000 education, healthcare and public sector clients. Navient has demonstrated scalable infrastructure with capacity to add volume at a low cost. 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 37 percent lower than our peers, as calculated from the most recent CDR released by ED in September 2017. We are consistently a top performer in our asset recovery business and deliver superior service to our public and private sector clients. We continually leverage data-driven insights and customer service to identify new ways to add value to our clients.

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

Strong capital return. As a result of our significant cash flow and capital generation, Navient expects to return excess capital to stockholders through dividends and share repurchases. Effective October 4, 2017, Navient temporarily suspended its remaining share repurchase program ($160 million authorization remains) to allocate capital towards building book value. The Company's dividend policy is unchanged. On January 24, 2018, we announced that we expect to restart our share repurchases in the second half of 2018. Depending upon market conditions, our share price, available counterparties and other factors, we may utilize derivative transactions entered into in the second quarter for settlement in the second half of 2018 to restart these repurchases.

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, 2018, Navient paid $42 million in dividends.

Meaningful growth opportunities. In the Asset Management business, Navient offers Private Education Refinance Loans to financially responsible professionals as a meaningful growth opportunity. In November 2017,

Navient acquired Earnest to accelerate its growth opportunity originating Private Education Refinance Loans. Earnest originated $900 million in Private Education Refinance Loans in 2017 and $500 million in first-quarter 2018 and positions Navient to be a leading player in the growing education loan refinance space. Navient originated or acquired $771 million of Private Education Refinance Loans in 2017. Navient will continue to pursue opportunistic acquisitions of FFELP and Private Education Loan portfolios. In the first-quarter 2018, Navient acquired (originated and purchased) $824 million of education loans including $283 million of FFELP loans and $541 million of Private Education Loans.

In the Business Processing Solutions business, Navient has acquired several complementary businesses since 2015 as part of its strategy of leveraging its core skills to pursue meaningful growth opportunities. Navient leverages its large-scale operating platforms, superior and data-driven default prevention and asset recovery performance, operating efficiency, and regulatory compliance and risk management infrastructure in growing these businesses and in pursuing other growth opportunities. Navient provides a variety of business processing solutions that help our clients improve financial performance.

Navient's Approach to Helping Education Loan Borrowers Achieve Success

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

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

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

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

In 2009, we pioneered the creation of a loan modification program to help Private Education Loan borrowers needing additional assistance. As of March 31, 2018, $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. We offer Path to Success, a series of interactive financial literacy videos, and Career Playbook, a career development video series. We also conduct a national research study, *Money Under 35*, that measures the financial health of Americans ages 22 to 35.

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

Selected Historical Financial Information and Ratios

(In millions, except per share data)	Three Months Ended March 31, 2018	2017
GAAP Basis		
Net income attributable to Navient Corporation	$ 126	$ 88
Diluted earnings per common share attributable to Navient Corporation	$ .47	$ .30
Weighted average shares used to compute diluted earnings per common share	269	296
Net interest margin, Federal Education Loan segment	.79%	.81%
Net interest margin, Consumer Lending segment	3.31%	3.15%
Return on assets	.47%	.31%
Ending FFELP Loans, net	$ 79,403	$ 85,284
Ending Private Education Loans, net	22,923	22,552
Ending total education loans, net	$ 102,326	$ 107,836
Average FFELP Loans	$ 80,801	$ 86,752
Average Private Education Loans	23,754	23,500
Average total education loans	$ 104,555	$ 110,252
"Core Earnings" Basis(1)		
Net income attributable to Navient Corporation	$ 107	$ 107
Diluted earnings per common share attributable to Navient Corporation	$ .40	$ .36
Weighted average shares used to compute diluted earnings per common share	269	296
Net interest margin, Federal Education Loan segment	.83%	.78%
Net interest margin, Consumer Lending segment	3.23%	3.16%
Return on assets	.40%	.38%
Ending FFELP Loans, net	$ 79,403	$ 85,284
Ending Private Education Loans, net	22,923	22,552
Ending total education loans, net	$ 102,326	$ 107,836
Average FFELP Loans	$ 80,801	$ 86,752
Average Private Education Loans	23,754	23,500
Average total education loans	$ 104,555	$ 110,252

(1) "Core Earnings" are non-GAAP financial measures and do not represent a comprehensive basis of accounting. For a greater explanation of "Core Earnings," see the section titled "'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, 2018.

New Reporting Segments

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

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

Business Lines	New Reportable Operating Segment	Prior Reportable Operating Segment
FFELP Loans	Federal Education Loans	FFELP Loans
Federal Education Loans Servicing	Federal Education Loans	Business Services
Federal Education Loans Asset Recovery	Federal Education Loans	Business Services
Private Education Refinance Loans	Consumer Lending	Private Education Loans
Private Education Loans – Other	Consumer Lending	Private Education Loans
Other Consumer Loans	Consumer Lending	Other
Non-Education Government Services	Business Processing	Business Services
Non-Education Healthcare Services	Business Processing	Business Services
Unallocated Overhead Expenses	Other	Other
Corporate Liquidity Portfolio	Other	Other

These segments meet the quantitative thresholds for reportable operating segments. Accordingly, the results of operations of these reportable operating segments are presented separately. The underlying operating segments ("Business Lines") are used by the Company's chief operating decision maker to manage the business, review operating performance and allocate resources, and qualify to be aggregated as part of the primary reportable operating segments. As discussed further below, we measure the profitability of our operating segments based on "Core Earnings" net income. Accordingly, information regarding our reportable operating segments is provided on a "Core Earnings" basis. As a result of this change in segment reporting in the first quarter of 2018, prior periods have been recast for comparison purposes.

Federal Education Loans Segment

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

Navient is currently the largest private sector holder of FFELP Loans as well as the largest servicer and collector of loans made under the FFELP program. In 2010, Congress passed legislation ending the origination of education loans under FFELP. As a result, the revenue we earn in this segment is expected to decline over time. The Higher Education Act of 1965 ("HEA") continues to regulate every aspect of FFELP Loans, including ongoing communications with borrowers and default aversion requirements. Failure to service FFELP Loans properly could jeopardize the insurance, guarantees and federal support on these loans. The insurance and guarantees on Navient's existing FFELP Loans were not affected by the termination of FFELP originations.

FFELP Loans

Navient's portfolio of FFELP Loans as of March 31, 2018 was $79.4 billion. We expect this portfolio to have an amortization period in excess of 20 years with a 7-year remaining weighted average life. During the first-quarter

2018, Navient acquired $283 million of FFELP Loans compared to $707 million in first-quarter 2017. FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guaranty agreements generally cover at least 97 percent of a FFELP Loan's principal and accrued interest for loans disbursed. As of March 31, 2018, approximately 86 percent of the FFELP Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

Federal Education Servicing and Asset Recovery

As part of Navient's servicing business, we have provided loan servicing for federal loans owned by ED since 2009. Under the contract, we seek to improve on the performance metrics that determine the allocation of new accounts under the servicing contract with ED. Under this servicing contract as of March 31, 2018, we service approximately 6.0 million accounts, or $207.4 billion in loans. We earned $38 million of revenue under the contract for the first quarter of 2018. This contract currently expires in 2019. We continually strive to help our customers successfully navigate the repayment of their loans.

In April 2016, ED began the solicitation process for its new servicing platform and service providers. In the latest step, ED issued on February 20, 2018, Phase 1 of a new RFP entitled the Solicitation for the Next Generation Financial Services Environment which is intended to centralize student loan servicing on a single platform. The Company and its partners submitted a comprehensive bid on April 18, 2018.

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 did not renew our contracts with USAF and Northwest Education Loan Association ("NELA"), effective as of December 31, 2017. In the third quarter of 2017, we entered into a new contract with Great Lakes in which we agreed to provide asset recovery and portfolio management services on the combined Great Lakes, USAF and NELA portfolios. Education related fee revenues related to these services totaled $25 million in first-quarter 2018 compared to $50 million in first-quarter 2017.

Since 1997, Navient has provided asset recovery services on defaulted education loans to ED. In February 2015, ED did not grant an additional term extension ("ATE") and this contract expired by its terms on February 21, 2015. As a result, our Pioneer Credit Recovery ("Pioneer") subsidiary stopped receiving new account placements under the contract. Shortly after that decision by ED, Pioneer filed a bid protest against ED, which bid protest was eventually consolidated with several other related protests. In an effort to resolve that litigation, in May 2017, ED awarded Pioneer a new ATE on substantially similar terms to the additional term extensions awarded to other contractors in 2015. In December 2017, Pioneer began receiving new accounts under that new contract.

In January 2018, ED completed its ongoing procurement for replacement collection contracts originally begun in 2016. Neither Pioneer nor our other subsidiary, General Revenue Corporation, received a contract award. In February 2018, Pioneer filed a bid protest which protest has been consolidated with the other protests on this procurement. As of the date of this report, ED has the right to place additional accounts with Pioneer under its ATE during the pendency of the new protests. ED's ability to do so may be affected by any temporary restraining order or injunction granted by the court in the consolidated protests. As a leading provider of asset recovery services, Pioneer Credit Recovery has a long track record of assisting individuals who default on their student loan payments to recover from the negative consequences of default. Since 2012, Navient and its subsidiaries have helped more than 261,000 borrowers successfully rehabilitate their loans.

Consumer Lending Segment

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

We began to originate Private Education Refinance Loans in 2017 with the acquisition of Earnest. Our loan products are focused on helping consumers refinance their education loans at the lower rates they have earned. We believe our product offerings, digital marketing strategies and origination platform provide a unique competitive advantage. Earnest, which was acquired in November 2017, originated $900 million of Private Education Refinance Loans in 2017 and $500 million in first-quarter 2018. At March 31, 2018, Navient held $1.2 billion of Private Education Refinance Loans.

Navient is currently the largest holder of Private Education Loans. Navient's portfolio of Private Education Loans as of March 31, 2018 was $22.9 billion. We expect this portfolio to have an amortization period in excess of 20 years with a 6-year remaining weighted average life. Unlike FFELP Loans, the holder of a Private Education Loan bears the full credit risk of the borrower and any cosigner. Navient believes the credit risk of the Private Education Loans it owns is well managed through the rigorous underwriting practices and risk-based pricing applied when the loans were originated, the continued high levels of qualified cosigners, our internal servicing and risk mitigation practices, and our careful use of forbearance and loan modification programs. Navient believes that these elements and practices reduce the risk of payment interruptions and defaults on its Private Education Loan portfolio. As of March 31, 2018, approximately 57 percent of the Private Education Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

Business Processing Segment

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

(Dollars in millions)	Three Months Ended March 31, 2018	2017
Revenue from government services	$ 53	$ 28
Revenue from healthcare services	20	16
Total fee revenue	$ 73	$ 44
Contingent collection receivables inventory (in billions)	$ 11.3	$ 9.9

Other

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

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

Key Financial Measures

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

First-Quarter 2018 Summary of Results

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

For the first-quarter 2018, GAAP net income was $126 million ($0.47 diluted earnings per share), compared with $88 million ($0.30 diluted earnings per share) for the year-ago quarter. The changes in GAAP net income are impacted by the same "Core Earnings" items discussed below, as well as changes in net income attributable to (1) 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 are not included in "Core Earnings" results. First-quarter 2018 GAAP results included gains of $31 million from derivative accounting treatment that are excluded from "Core Earnings" results, compared with losses of $23 million from this derivative accounting treatment 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."

"Core Earnings" for the quarter were $107 million ($0.40 diluted "Core Earnings" per share), compared with $107 million ($0.36 diluted "Core Earnings" per share) for the year-ago quarter. The increase in diluted core earnings per share was primarily the result of a $20 million reduction in provisions for loan losses, a $20 million reduction in income tax expense as a result of a lower tax rate in connection with the passage of the TCJA, and fewer common shares outstanding. First-quarter 2018 and 2017 diluted "Core Earnings" per share were $0.43 and $0.37, respectively, excluding restructuring and regulatory-related expenses of $11 million and $4 million, respectively. During the first three months of 2018, we:

- acquired (originated and purchased) $824 million of education loans, which included $500 million of originated Private Education Refinance Loans;
- issued $2.0 billion of FFELP asset-backed securities ("ABS") and $507 million of Private Education Loan ABS;
- closed on Private Education Loan ABS repurchase facilities totaling $1.4 billion;
- retired or repurchased $167 million of our senior unsecured debt;
- announced a make-whole call, effective April 27, 2018, for $1.2 billion par amount of unsecured debt due June 2018; and
- paid $42 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 reportable segments: Federal Education Loans, Consumer Lending, Business Processing 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").

GAAP Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	Increase (Decrease) $	Increase (Decrease) %
Interest income:				
FFELP Loans	$ 723	$ 629	$ 94	15%
Private Education Loans	431	374	57	15
Other loans	1	5	(4)	(80)
Cash and investments	17	7	10	143
Total interest income	1,172	1,015	157	15
Total interest expense	843	675	168	25
Net interest income	329	340	(11)	(3)
Less: provisions for loan losses	87	107	(20)	(19)
Net interest income after provisions for loan losses	242	233	9	4
Other income (loss):				
Servicing revenue	69	76	(7)	(9)
Asset recovery and business processing revenue	109	100	9	9
Other income (loss)	(15)	(8)	(7)	88
Gains (losses) on derivative and hedging activities, net	48	(16)	64	400
Total other income	211	152	59	39
Expenses:				
Operating expenses	275	238	37	16
Goodwill and acquired intangible asset impairment and amortization expense	9	6	3	50
Restructuring/other reorganization expenses	7	—	7	100
Total expenses	291	244	47	19
Income before income tax expense	162	141	21	15
Income tax expense	36	53	(17)	(32)
Net income attributable to Navient Corporation	$ 126	$ 88	$ 38	43%
Basic earnings per common share attributable to Navient Corporation	$ .48	$ .31	$ .17	55%
Diluted earnings per common share attributable to Navient Corporation	$ .47	$ .30	$ .17	57%
Dividends per common share attributable to Navient Corporation	$ .16	$ .16	$ —	—%

Consolidated Earnings Summary — GAAP basis

Three Months Ended March 31, 2018 Compared with Three Months Ended March 31, 2017

For the three months ended March 31, 2018, net income was $126 million, or $0.47 diluted earnings per common share, compared with net income of $88 million, or $0.30 diluted earnings per common share, for the three months ended March 31, 2017. The increase in net income was primarily due to a $20 million decrease in the provision for loan losses, a $64 million increase in net gains on derivative and hedging activities and a $17 million decrease in income tax expense. This was partially offset by an $11 million decrease in net interest income and a $37 million increase in operating expenses.

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 $11 million, primarily as a result of the amortization of the education loan portfolio.
- Provisions for loan losses decreased $20 million from the year-ago quarter, primarily related to the provision for Private Education Loan losses. The provision for Private Education Loan losses was $77 million in the first quarter of 2018, down $18 million from the first quarter of 2017. Excluding the Purchased Non-Credit Impaired Private Education Loans acquired at a discount, Private Education provision for loan losses decreased $24 million, outstanding loans decreased $1.8 billion, charge-offs decreased $65 million and loan delinquencies of 90 days or more decreased $234 million compared with the year-ago quarter. These items were the primary drivers of the decrease in the provisions for loan losses. See “Financial Condition — Private Education Loan Portfolio Performance — Allowance for Private Education Loan Losses— GAAP and ‘Core Earnings’ Basis,” for a discussion of our allowance for loan losses accounting policy related to the Purchased Non-Credit Impaired Private Education Loans purchased at a discount.
- Net gains on derivative and hedging activities increased $64 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 2018 and 2017 operating expenses included regulatory-related costs of $4 million in each period. Excluding these regulatory-related costs, operating expenses were $271 million in first-quarter 2018, a $37 million increase from first-quarter 2017. This increase was primarily due to $29 million of operating costs related to both Duncan Solutions (acquired in July 2017) and to Earnest (acquired in November 2017). First-quarter 2018 operating expenses also included a $9 million one-time fee paid to convert $3 billion of Private Education Loans from a third-party servicer to Navient’s servicing platform and $14 million in connection with a new revenue recognition accounting standard adopted (see below for further discussion). These items were partially offset by a general reduction in operating expenses across the business in connection with cost savings initiatives.

  During the first quarter of 2018, the Company incurred $7 million of restructuring/other reorganization expenses in connection with an effort that will reduce costs and improve operating efficiency. These charges were due primarily to severance-related costs.
- The effective income tax rates for the first quarters of 2018 and 2017 were 22 percent and 37 percent, respectively. The decrease in the effective income tax rate was primarily the result of the TCJA which lowered the corporate federal statutory tax rate from 35 percent to 21 percent effective January 1, 2018. Income tax expense decreased $17 million of which $23 million was a result of the lower tax rate in connection with the passage of the TCJA.

We repurchased 7 million shares of our common stock during the first-quarter 2017. There were no repurchases in the current quarter. As a result of repurchases made prior to the first-quarter 2018, our average outstanding diluted shares decreased by 27 million common shares (or 9 percent) from the year-ago period.

As of January 1, 2018, we adopted Accounting Standard Codification (“ASC”) 606, “Revenue from Contracts with Customers,” which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to its customers. The contract transaction price is allocated to each distinct contractual performance obligation and recognized as revenue at a point in time or over time when or as the good or service is provided to the customer and the performance obligation is satisfied. Generally, our performance obligations are satisfied over time. In conjunction with our implementation plan, we identified revenue streams related to asset recovery and other business processing within our Federal Education Loans and Business Processing segments that are within the scope of the new standard and reviewed related contracts. We determined there was no material change in the timing of our recognition of our asset recovery and business processing revenue or expenses and we did not record a cumulative adjustment as of January 1, 2018 as a result of the adoption of ASC 606. In connection with ASC 606, we recognized $8 million of revenue and $5 million of expenses in first-quarter 2018 related to a contract in our Business Processing segment that would not have been recognized under the prior accounting standard until later in 2018.

The new guidance does not apply to financial instruments and transfers and servicing that are accounted for under other U.S. GAAP. Accordingly, the new revenue recognition guidance does not have an impact on our recognition of revenue and costs associated with our loan portfolios, investments, derivatives and servicing contracts. However, we considered the ASC 606 principal versus agent guidance with respect to certain asset recovery guarantor servicing contracts pursuant to which we serve in a portfolio management role and use third-party collection agencies. We determined that we are required under the new accounting standard to reflect payments to third-party collection agencies as revenue and operating expense. Under the prior accounting standards, we netted payments to third-party collection agencies against revenue. We adopted the new accounting standard using the "cumulative effect transition adjustment" which results in prospectively making this change in 2018. This change in accounting policy resulted in both asset recovery revenue and operating expense in the Federal Education Loan segment being $9 million higher in the first-quarter 2018 with no impact on net income.

"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 two items, discussed below, that create significant volatility mostly due to timing factors generally beyond the control of management. Accordingly, we believe that "Core Earnings" provide management with a useful basis from which to better evaluate results from ongoing operations against the business plan or against results from prior periods. Consequently, we disclose this information because we believe it provides investors with additional information regarding the operational and performance indicators that are most closely assessed by management. When compared to GAAP results, the two items we remove that 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; and
2. The accounting for goodwill and acquired intangible assets.

While GAAP provides a uniform, comprehensive basis of accounting, for the reasons described above, our "Core Earnings" basis of presentation does not. "Core Earnings" are subject to certain general and specific limitations that investors should carefully consider. For example, there is no comprehensive, authoritative guidance for management reporting. Our "Core Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. Accordingly, our "Core Earnings" presentation does not represent a comprehensive basis of accounting. Investors, therefore, may not be able to compare our performance with that of other financial services companies based upon "Core Earnings." "Core Earnings" results are only meant to supplement GAAP results by providing additional information regarding the operational and performance indicators that are most closely used by management, our board of directors, credit rating agencies, lenders and investors to assess performance. The following tables show "Core Earnings" for each business segment and our business as a whole along with the adjustments made to the income/expense items to reconcile the amounts to our reported GAAP results as required by GAAP and reported in "Note 12 — Segment Reporting."

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

	Three Months Ended March 31, 2018								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total "Core Earnings"	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 732	$ 431	$ —	$ —	$ 1,163	$ 8	$ (17)	$ (9)	$ 1,154
Other loans	1	—	—	—	1	—	—	—	1
Cash and investments	9	2	—	6	17	—	—	—	17
Total interest income	742	433	—	6	1,181	8	(17)	(9)	1,172
Total interest expense	571	238	—	42	851	(7)	(1)	(8)	843
Net interest income (loss)	171	195	—	(36)	330	15	(16)	(1)	329
Less: provisions for loan losses	10	77	—	—	87	—	—	—	87
Net interest income (loss) after provisions for loan losses	161	118	—	(36)	243	15	(16)	(1)	242
Other income (loss):									
Servicing revenue	66	3	—	—	69	—	—	—	69
Asset recovery and business processing revenue	36	—	73	—	109	—	—	—	109
Other income (loss)	—	—	—	1	1	(15)	47	32	33
Total other income (loss)	102	3	73	1	179	(15)	47	32	211
Expenses:									
Direct operating expenses	80	56	59	—	195	—	—	—	195
Overhead expenses	—	—	—	80	80	—	—	—	80
Operating expenses	80	56	59	80	275	—	—	—	275
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	9	9	9
Restructuring/other reorganization expenses	—	—	—	7	7	—	—	—	7
Total expenses	80	56	59	87	282	—	9	9	291
Income (loss) before income tax expense (benefit)	183	65	14	(122)	140	—	22	22	162
Income tax expense (benefit)(2)	42	15	4	(28)	33	—	3	3	36
Net income (loss)	$ 141	$ 50	$ 10	$ (94)	$ 107	$ —	$ 19	$ 19	$ 126

(1) "Core Earnings" adjustments to GAAP:

	Three Months Ended March 31, 2018		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangible Assets	Total
Net interest income (loss) after provisions for loan losses	$ (1)	$ —	$ (1)
Total other income (loss)	32	—	32
Goodwill and acquired intangible asset impairment and amortization	—	9	9
Total "Core Earnings" adjustments to GAAP	$ 31	$ (9)	22
Income tax expense (benefit)			3
Net income (loss)			$ 19

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

(Dollars in millions)	Three Months Ended March 31, 2017					Adjustments			
	Federal Education Loans	Consumer Lending	Business Processing	Other	Total "Core Earnings"	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 623	$ 374	$ —	$ —	$ 997	$ 20	$ (14)	$ 6	$ 1,003
Other loans	5	—	—	—	5	—	—	—	5
Cash and investments	5	1	—	1	7	—	—	—	7
Total interest income	633	375	—	1	1,009	20	(14)	6	1,015
Total interest expense	459	187	—	29	675	3	(3)	—	675
Net interest income (loss)	174	188	—	(28)	334	17	(11)	6	340
Less: provisions for loan losses	12	95	—	—	107	—	—	—	107
Net interest income (loss) after provisions for loan losses	162	93	—	(28)	227	17	(11)	6	233
Other income (loss):									
Servicing revenue	72	4	—	—	76	—	—	—	76
Asset recovery and business processing revenue	56	—	44	—	100	—	—	—	100
Other income (loss)	—	—	—	5	5	(17)	(12)	(29)	(24)
Total other income (loss)	128	4	44	5	181	(17)	(12)	(29)	152
Expenses:									
Direct operating expenses	86	35	39	—	160	—	—	—	160
Overhead expenses	—	—	—	78	78	—	—	—	78
Operating expenses	86	35	39	78	238	—	—	—	238
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	6	6	6
Total expenses	86	35	39	78	238	—	6	6	244
Income (loss) before income tax expense (benefit)	204	62	5	(101)	170	—	(29)	(29)	141
Income tax expense (benefit)(2)	75	24	2	(38)	63	—	(10)	(10)	53
Net income (loss)	$ 129	$ 38	$ 3	$ (63)	$ 107	$ —	$ (19)	$ (19)	$ 88

(1) "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)

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

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, 2018	2017
"Core Earnings" net income attributable to Navient Corporation	$ 107	$ 107
"Core Earnings" adjustments to GAAP:		
Net impact of derivative accounting	31	(23)
Net impact of goodwill and acquired intangible assets	(9)	(6)
Net tax effect	(3)	10
Total "Core Earnings" adjustments to GAAP	19	(19)
GAAP net income attributable to Navient Corporation	$ 126	$ 88

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 Federal Education Loans, Consumer Lending and Other reportable 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 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, 2018	2017
"Core Earnings" derivative adjustments:		
Gains (losses) on derivative and hedging activities, net, included in other income	$ 48	$ (16)
Plus: Realized losses on derivative and hedging activities, net[1]	15	17
Unrealized gains on derivative and hedging activities, net[2]	63	1
Amortization of net premiums on Floor Income Contracts in net interest income for "Core Earnings"	(17)	(14)
Other derivative accounting adjustments[3]	(15)	(10)
Total net impact of derivative accounting	$ 31	$ (23)

(1) See "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, 2018	2017
Floor Income Contracts	$ 31	$ 53
Basis swaps	45	(1)
Foreign currency hedges	(36)	(32)
Other	23	(19)
Total unrealized gains on derivative and hedging activities, net	$ 63	$ 1

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

Reclassification of 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.

(Dollars in millions)	Three Months Ended March 31, 2018	2017
Reclassification of realized gains (losses) on derivative and hedging activities:		
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ (8)	$ (20)
Net settlement income on interest rate swaps reclassified to net interest income	(7)	3
Total reclassifications of realized losses on derivative and hedging activities	$ (15)	$ (17)

Table of Contents

Cumulative Impact of Derivative Accounting under GAAP compared to "Core Earnings"

As of March 31, 2018, derivative accounting has increased GAAP equity by approximately $115 million as a result of cumulative net unrealized gains (after tax) recognized under GAAP, but not in "Core Earnings." The following table rolls forward the cumulative impact to GAAP equity due to these unrealized after tax net losses related to derivative accounting.

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Beginning impact of derivative accounting on GAAP equity	$ 5	$ (90)
Net impact of net unrealized gains (losses) under derivative accounting(1)	110	—
Ending impact of derivative accounting on GAAP equity	$ 115	$ (90)

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

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Total pre-tax net impact of derivative accounting recognized in net income(2)	$ 31	$ (23)
Tax impact of derivative accounting adjustments	(20)	8
Change in unrealized gain (losses) on derivatives, net of tax recognized in other comprehensive income	99	15
Net impact of net unrealized gains (losses) under derivative accounting	$ 110	$ —

(2) See "'Core Earnings' derivative adjustments" table above.

Hedging FFELP Loan Embedded Floor Income

Net Floor premiums received on Floor Income Contracts that have not been amortized into "Core Earnings" as of the respective year-ends are presented in the table below. These net premiums will be recognized in "Core Earnings" in future periods. As of March 31, 2018, the remaining amortization term of the net floor premiums was approximately 5 years. Historically, we have sold Floor Income Contracts on a periodic basis and depending upon market conditions and pricing, we may enter into additional Floor Income Contracts in the future. The balance of unamortized Floor Income Contracts will increase as we sell new contracts and decline due to the amortization of existing contracts.

In addition to using Floor Income Contracts, we also use pay-fixed interest rate swaps to hedge the embedded Floor Income within FFELP Loans. These interest rate swaps qualify as GAAP hedges and are accounted for as cash flow hedges of variable rate debt. For GAAP, gains and losses on the effective portion of these hedges are recorded in accumulated other comprehensive income and gains and losses on the ineffective portion are recorded immediately to earnings. Hedged Floor Income from these cash flow hedges that has not been recognized into "Core Earnings" and GAAP as of the respective period-ends is presented in the table below. This hedged Floor Income will be recognized in "Core Earnings" and GAAP in future periods and is presented net of tax. As of March 31, 2018, the remaining hedged period is approximately 5 years. Historically, we have used pay-fixed interest rate swaps on a periodic basis to hedge embedded Floor Income and depending upon market conditions and pricing, we may enter into swaps in the future. The balance of unrecognized hedged Floor Income will increase as we enter into new swaps and decline as revenue is recognized.

(Dollars in millions)	March 31, 2018(1)	March 31, 2017
Unamortized net Floor premiums (net of tax)	$ (160)	$ (158)
Unrecognized hedged Floor Income related to pay-fixed interest rate swaps (net of tax)	(678)	(537)
Total(2)(3)	$ (838)	$ (695)

(1) First-quarter 2018 reflects a 23 percent effective tax rate as a result of the TCJA enacted on December 22, 2017. The year-ago period reflects a 37 percent effective tax rate.
(2) $(1.1) billion and $(1.1) billion on a pre-tax basis as of March 31, 2018 and March 31, 2017, respectively.
(3) Of the $838 million as of March 31, 2018, approximately $176 million, $218 million and $189 million will be recognized as part of "Core Earnings" net income in 2018, 2019 and 2020, respectively.

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

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
"Core Earnings" goodwill and acquired intangible asset adjustments	$ (9)	$ (6)

Table of Contents

Reportable Segment Earnings Summary — “Core Earnings” Basis

Federal Education Loans Segment

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

(Dollars in millions)	Three Months Ended March 31, 2018	2017	% Increase (Decrease) 2018 vs. 2017
“Core Earnings” interest income:			
FFELP Loans	$ 732	$ 623	17%
Other loans	1	5	(80)
Cash and investments	9	5	80
Total “Core Earnings” interest income	742	633	17
Total “Core Earnings” interest expense	571	459	24
Net “Core Earnings” interest income	171	174	(2)
Less: provision for loan losses	10	12	(17)
Net “Core Earnings” interest income after provision for loan losses	161	162	(1)
Servicing revenue	66	72	(8)
Asset recovery and business processing revenue	36	56	(36)
Total other income	102	128	(20)
Direct operating expenses	80	86	(7)
Income before income tax expense	183	204	(10)
Income tax expense	42	75	(44)
“Core Earnings”	$ 141	$ 129	9%

“Core Earnings” for the segment were $141 million in first-quarter 2018, compared with the year-ago quarter’s $129 million. This increase was primarily the result of a $6 million decrease in operating expenses and a $26 million decrease in income tax expense as a result of the TCJA. These items were partially offset by a $3 million decrease in net interest income and a $26 million decrease in fee income. The decrease in fee income was primarily the result of the new terms contained in a previously disclosed modified asset recovery and portfolio management contract.

“Core Earnings” key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2018	2017
Segment net interest margin	.83%	.78%
FFELP Loans:		
FFELP Loan spread	.89%	.86%
Provision for loan losses	$ 10	$ 10
Charge-offs	$ 11	$ 13
Charge-off rate	.07%	.07%
Total delinquency rate	13.1%	11.4%
Greater than 90-day delinquency rate	7.7%	6.2%
Forbearance rate	12.8%	13.5%
(Dollars in billions)		
Number of accounts serviced for ED (in millions)	6.0	6.1
Total federal loans serviced	$ 295	$ 295
Contingent collections receivables inventory	$ 16.2	$ 8.8

Segment Net Interest Margin

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

	Three Months Ended March 31,	
	2018	2017
"Core Earnings" basis FFELP Loan yield	4.12%	3.33%
Hedged Floor Income	.40	.30
Unhedged Floor Income	.02	.17
Consolidation Loan Rebate Fees	(.69)	(.67)
Repayment Borrower Benefits	(.11)	(.11)
Premium amortization	(.07)	(.11)
"Core Earnings" basis FFELP Loan net yield	3.67	2.91
"Core Earnings" basis FFELP Loan cost of funds	(2.78)	(2.05)
"Core Earnings" basis FFELP Loan spread	.89	.86
"Core Earnings" basis other interest-earning asset spread impact	(.06)	(.08)
"Core Earnings" basis segment net interest margin(1)	.83%	.78%
"Core Earnings" basis segment net interest margin(1)	.83%	.78%
Adjustment for GAAP accounting treatment(2)	(.04)	.03
GAAP basis segment net interest margin(1)	.79%	.81%

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

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
FFELP Loans	$ 80,801	$ 86,752
Other interest-earning assets	2,657	3,498
Total FFELP Loan "Core Earnings" basis interest-earning assets	$ 83,458	$ 90,250

(2) Represents the reclassification of periodic interest accruals on derivative contracts from net interest income to other income, the reversal of the amortization of premiums received on Floor Income Contracts, and other derivative accounting adjustments. For further discussion of these adjustments, see section titled "'Core Earnings' — Definition and Limitations — Difference between 'Core Earnings' and GAAP" above.

The Company acquired $283 million of FFELP Loans in first-quarter 2018. As of March 31, 2018, our FFELP Loan portfolio totaled $79.4 billion, comprised of $27.5 billion of FFELP Stafford Loans and $51.9 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of March 31, 2018 was 5 years and 8 years, respectively, assuming a Constant Prepayment Rate ("CPR") of 6 percent and 4 percent, respectively.

Floor Income

The following table analyzes on a "Core Earnings" basis the ability of the FFELP Loans in our portfolio to earn Floor Income after March 31, 2018 and 2017, based on interest rates as of those dates.

(Dollars in billions)	March 31, 2018 Fixed Borrower Rate	March 31, 2018 Variable Borrower Rate	March 31, 2018 Total	March 31, 2017 Fixed Borrower Rate	March 31, 2017 Variable Borrower Rate	March 31, 2017 Total
Education loans eligible to earn Floor Income	$ 69.7	$ 9.0	$ 78.7	$ 74.3	$ 10.0	$ 84.3
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(35.4)	(.6)	(36.0)	(38.3)	(.7)	(39.0)
Less: economically hedged Floor Income	(24.0)	—	(24.0)	(20.6)	—	(20.6)
Education loans eligible to earn Floor Income	$ 10.3	$ 8.4	$ 18.7	$ 15.4	$ 9.3	$ 24.7
Education loans earning Floor Income	$ 1.9	$ —	$ 1.9	$ 4.7	$ —	$ 4.7

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, 2018 to December 31, 2023.

(Dollars in billions)	April 1, 2018 to December 31, 2018	2019	2020	2021	2022	2023
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	$ 23.8	$ 20.4	$ 17.6	$ 12.3	$ 7.8	$ 1.1

Servicing Revenue

The Company services education loans for approximately 6.3 million customer accounts for third parties including ED as of March 31, 2018 and 2017. Third-party loan servicing fees in the three months ended March 31, 2018 and 2017 included $38 million and $37 million, respectively, of servicing revenue related to the ED Servicing Contract.

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased $20 million from the year-ago quarter primarily as a result of the new terms contained in the previously disclosed modified asset recovery and portfolio management contract as well as a decrease in volume. This was partially offset by a $9 million increase in revenue (and expenses) in connection with a new revenue recognition accounting standard adopted (see “Note 1 – Significant Accounting Policies”).

Operating Expenses

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

Consumer Lending Segment

The following table includes “Core Earnings” results for our Consumer Lending segment.

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	% Increase (Decrease) 2018 vs. 2017
“Core Earnings” interest income:			
Private Education Loans	$ 431	$ 374	15%
Cash and investments	2	1	100
Total “Core Earnings” interest income	433	375	15
Total “Core Earnings” interest expense	238	187	27
Net “Core Earnings” interest income	195	188	4
Less: provision for loan losses	77	95	(19)
Net “Core Earnings” interest income after provision for loan losses	118	93	27
Servicing revenue	3	4	(25)
Direct operating expenses	56	35	60
Income before income tax expense	65	62	5
Income tax expense	15	24	(38)
“Core Earnings”	$ 50	$ 38	32%

“Core Earnings” for the segment were $50 million in first-quarter 2018, compared with the year-ago quarter’s $38 million. This increase was primarily the result of a $7 million increase in net interest income, an $18 million decrease in provision for loan losses and a $9 million decrease in income tax expense as a result of the TCJA. These items were partially offset by a $21 million increase in operating expenses primarily related to operating costs for Earnest, acquired in November 2017, and a $9 million one-time fee paid to convert $3 billion of Private Education Loans from a third-party servicer to Navient’s servicing platform.

“Core Earnings” key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2018	2017
Segment net interest margin	3.23%	3.16%
Private Education Loans (including Refinance Loans):		
Private Education Loan spread	3.46%	3.33%
Provision for loan losses	$ 77	$ 95
Charge-offs	$ 78	$ 137
Charge-off rate	1.4%	2.6%
Total delinquency rate	5.7%	6.8%
Greater than 90-day delinquency rate	2.4%	3.5%
Forbearance rate	4.2%	3.6%
Private Education Refinance Loans:		
Charge-offs	$ —	$ —
Greater than 90-day delinquency rate	—%	—%
Average balance of Private Education Refinance Loans	$ 940	$ —
Ending balance of Private Education Refinance Loans	$ 1,201	$ —
Private Education Refinance Loan originations	$ 500	$ —

Segment Net Interest Margin

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

	Three Months Ended March 31,	
	2018	2017
"Core Earnings" basis Private Education Loan yield	7.35%	6.45%
"Core Earnings" basis Private Education Loan cost of funds	(3.89)	(3.12)
"Core Earnings" basis Private Education Loan spread	3.46	3.33
"Core Earnings" basis other interest-earning asset spread impact	(.23)	(.17)
"Core Earnings" basis segment net interest margin(1)	3.23%	3.16%
"Core Earnings" basis segment net interest margin(1)	3.23%	3.16%
Adjustment for GAAP accounting treatment(2)	0.08	(.01)
GAAP basis segment net interest margin(1)	3.31%	3.15%

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

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
Private Education Loans	$ 23,754	$ 23,500
Other interest-earning assets	780	578
Total Private Education Loan "Core Earnings" basis interest-earning assets	$ 24,534	$ 24,078

(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 — Difference between 'Core Earnings' and GAAP" above.

The Company acquired (originated and purchased) $541 million of Private Education Loans in first-quarter 2018. As of March 31, 2018, our Private Education Loan portfolio totaled $22.9 billion. The weighted-average life of this portfolio as of March 31, 2018 was 6 years assuming a CPR of 6 percent.

Private Education Loan Provision for Loan Losses

Purchased Credit Impaired ("PCI") Loans

Loans acquired with evidence of deterioration of credit quality since origination for which it is probable, at acquisition, that the investor will be unable to collect all contractually required payments receivable are PCI loans accounted for under Accounting Standard Codification ("ASC") 310-30, "Loans and Debt Securities Acquired with Deteriorated Credit Quality." When considering whether evidence of credit quality deterioration exists as of the purchase date, the Company considers loan guarantees and the following credit attributes: delinquency status, use of forbearance, recent borrower FICO scores, use of loan modification programs, and borrowers who have filed for bankruptcy.

The Company aggregates loans with common risk characteristics into pools and accounts for each pool as a single asset with a single composite interest rate and an aggregate expectation of cash flows. The pools are initially recorded at fair value. The Company recognizes interest income based on each pool's effective interest rate which is based on our estimate of all cash flows expected to be received and includes an assumption about prepayment rates. The pools are tested quarterly for impairment by re-estimating the future cash flows to be received from the pools. If the new estimated cash flows result in a pool's effective interest rate increasing, then this new yield is used prospectively over the remaining life of the pool. If the new estimated cash flows result in a pool's effective interest rate decreasing, the pool is impaired and written down through a valuation allowance to maintain the effective interest rate. Loans classified as PCI do not have charge-offs reported nor are they reported as Troubled Debt Restructuring ("TDR") loans.

Based on the credit attributes discussed above, we determined that $261 million principal amount of Private Education Loans acquired in 2017 are accounted for as PCI loans with a fair value and resulting carrying value of $101 million as of the acquisition date. As of acquisition, this portfolio's contractually required payments receivable (the total undiscounted amount of all uncollected contractual principal and interest payments both past due and scheduled for the future, adjusted for prepayments) was $411 million with an estimated accretable yield (income expected to be recognized in future periods) of $108 million. As of March 31, 2018, the carrying amount was $95 million with no valuation allowance recorded.

Purchased Non-Credit Impaired Loans

Loans acquired that do not have evidence of credit deterioration since origination are recorded at fair value with no allowance for loan losses established at the acquisition date. Loan premiums and discounts are amortized as a part of interest income using the interest method under ASC 310-20, "Nonrefundable Fees and Other Costs." An allowance for loan losses would be established if incurred losses in the loans exceed the remaining unamortized discount recorded at the time of acquisition (i.e., the next two years of expected charge-offs as well as any additional TDR allowance required is greater than the remaining discount). As a result of this policy, to the extent that actual charge-offs exceed any related allowance for loan losses recognized post-acquisition, provision for loan losses is recorded when the loans are charged off. Charge-offs are recorded through the allowance for loan losses. In 2017, we acquired Private Education Loans with unpaid principal balance of $2.8 billion at a discount of $424 million that are accounted for under this policy. No allowance for loan losses has been established for these loans as of March 31, 2018, as the remaining purchased discount associated with the Private Education Loans of $378 million as of March 31, 2018 remains greater than the incurred losses.

Table of Contents

Allowance for Private Education Loan Losses

As discussed above, our allowance for Private Education Loan losses does not include PCI loans as those loans are separately reserved for, as needed. Related to the $2.8 billion of Purchased Non-Credit Impaired Loans acquired in 2017 at a discount, there is no allowance for loan losses established as of March 31, 2018. However, in accordance with our policy described above, there was $6 million of both charge-offs and provision recorded for Purchased Non-Credit Impaired Loans in the first-quarter 2018.

(Dollars in millions)	Three Months Ended March 31, 2018	2017
Allowance at beginning of period	$ 1,297	$ 1,351
Provision for Private Education Loan losses:		
Purchased Non-Credit Impaired Loans, acquired at a discount	6	—
Remaining loans	71	95
Total provision	77	95
Charge-offs		
Purchased Non-Credit Impaired Loans, acquired at a discount	(6)	—
Remaining loans	(72)	(137)
Total charge-offs[1]	(78)	(137)
Reclassification of interest reserve[2]	2	2
Allowance at end of period	$ 1,298	$ 1,311
Charge-offs as a percentage of average loans in repayment (annualized)	1.4%	2.6%
Allowance coverage of net charge-offs (annualized)	4.1	2.4
Allowance as a percentage of ending total loans[3]	5.2%	5.4%
Allowance as a percentage of ending loans in repayment[3]	5.8%	6.1%
Ending total loans[4]	$ 25,111	$ 24,297
Average loans in repayment	$ 22,660	$ 21,791
Ending loans in repayment	$ 22,372	$ 21,367

(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) As discussed above, Purchased Credit Impaired Loans' losses are not provided for by the allowance for loan losses in the above table as these loans are separately reserved for, if needed. Related to the Purchased Non-Credit Impaired Loans acquired at a discount, no allowance for loan losses has been established for these loans as of March 31, 2018. As a result, excluding these loans that are accounted for under these two accounting policies, the allowance as a percentage of the ending total loan balance and the allowance as a percentage of the ending loans in repayment would be 5.8 percent and 6.6 percent as of March 31, 2018, respectively.

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

In establishing the allowance for Private Education Loan losses as of March 31, 2018, we considered several factors with respect to our Private Education Loan portfolio. As discussed above, there is no allowance for loan losses recorded as of March 31, 2018 related to the $3.0 billion of loans purchased in 2017 at a discount. Excluding the $3.0 billion of Private Education Loans purchased in 2017, there was a $1.8 billion decrease in Private Education Loans outstanding, total loan delinquencies of $1.2 billion were down $246 million from $1.4 billion in the prior year and loan delinquencies of 90 days or more decreased to $512 million, down $234 million from $746 million in the prior year. Charge-offs decreased to $72 million, down $65 million from $137 million in the prior year. Loans in forbearance increased to $880 million, up $87 million from $793 million in the prior year.

The provision for Private Education Loan losses was $77 million in the first quarter of 2018, down $18 million from 2017. Excluding the $3.0 billion of Private Education Loans purchased in 2017 at a discount, the provision for loan losses decreased $24 million primarily as a result of the items discussed in the preceding paragraph.

Operating Expenses

Operating expenses for our Consumer Lending segment include costs incurred to originate, acquire, service and collect on our consumer loan portfolio. Operating expenses were $56 million and $35 million for the quarters

ended March 31, 2018 and 2017, respectively. The increase from the year-ago quarter is primarily related to operating costs for Earnest, acquired in November 2017, as well as a $9 million one-time fee paid to convert $3 billion of Private Education Loans form a third-party servicer to Navient's servicing platform.

Business Processing Segment

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

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	% Increase (Decrease) 2018 vs. 2017
Net interest income	$ —	$ —	$ —
Business processing revenue	73	44	66
Direct operating expenses	59	39	51
Income before income tax expense	14	5	180
Income tax expense	4	2	100
"Core Earnings"	$ 10	$ 3	$ 233

"Core earnings" for the segment were $10 million in first-quarter 2018, compared with $3 million in the year-ago quarter. This increase was primarily the result of a $29 million increase in fee income partially offset by a $20 million increase in operating expenses. The increases in fee income and operating expenses were primarily related to organic growth of business processing contracts as well as to Duncan Solutions, acquired in July 2017.

Key segment metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Revenue from government services	$ 53	$ 28
Revenue from healthcare services	20	16
Total fee revenue	$ 73	$ 44
Contingent collection receivables inventory (in billions)	$ 11.3	$ 9.9

Revenue

Revenue increased $29 million in first-quarter 2018 compared to the year-ago period primarily due to organic growth of business processing contracts as well as to Duncan Solutions, acquired by the Company in July 2017. In addition, there was an $8 million increase in revenue in connection with a new revenue recognition accounting standard adopted (see "Note 1 – Significant Accounting Policies").

Operating Expenses

The $20 million increase in operating expenses in the first quarter of 2018 compared with the year-ago quarter was primarily due to organic growth of business processing contracts as well as to Duncan Solution. In addition, there was a $5 million increase in expense in connection with a new revenue recognition accounting standard adopted (see "Note 1 – Significant Accounting Policies").

Other Segment

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

(Dollars in millions)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017	% Increase (Decrease) 2018 vs. 2017
Net interest loss after provision for loan losses	$ (36)	$ (28)	29%
Other income	1	5	(80)
Overhead expenses:			
Unallocated information technology costs	30	28	7
Unallocated corporate costs	50	50	—
Total overhead expenses	80	78	3
Restructuring/other reorganization expenses	7	—	—
Total expenses	87	78	12
Loss before income tax benefit	(122)	(101)	21
Income tax benefit	(28)	(38)	(26)
“Core Earnings” (loss)	$ (94)	$ (63)	49%

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.

Overhead

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

Restructuring/Other Reorganization Expenses

During the first quarter of 2018, the Company incurred $7 million of restructuring/other reorganization expense in connection with an effort that will reduce costs and improve operating efficiency. The charges were due primarily to severance-related costs.

Financial Condition

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

Average Balance Sheets — GAAP

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

(Dollars in millions)	Three Months Ended March 31, 2018 Balance	2018 Rate	2017 Balance	2017 Rate
Average Assets				
FFELP Loans	$ 80,801	3.63%	$ 86,752	2.94%
Private Education Loans	23,754	7.35	23,500	6.45
Other loans	71	7.09	173	11.16
Cash and investments	5,276	1.30	5,025	.57
Total interest-earning assets	109,902	4.32%	115,450	3.57%
Non-interest-earning assets	3,425		4,213	
Total assets	$ 113,327		$ 119,663	
Average Liabilities and Equity				
Short-term borrowings	$ 5,291	4.19%	$ 2,221	3.53%
Long-term borrowings	102,955	3.10	111,207	2.39
Total interest-bearing liabilities	108,246	3.16%	113,428	2.41%
Non-interest-bearing liabilities	1,479		2,505	
Equity	3,602		3,730	
Total liabilities and equity	$ 113,327		$ 119,663	
Net interest margin		1.21%		1.19%

Rate/Volume Analysis — GAAP

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

(Dollars in millions)	Increase (Decrease)	Change Due To[1] Rate	Change Due To[1] Volume
Three Months Ended March 31, 2018 vs. 2017			
Interest income	$ 157	$ 207	$ (50)
Interest expense	168	200	(32)
Net interest income	$ (11)	$ 7	$ (18)

(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.

Table of Contents

Summary of our Education Loan Portfolio

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

(Dollars in millions)	March 31, 2018				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 86	$ —	$ 86	$ 48	$ 134
Grace, repayment and other(2)	27,004	51,722	78,726	24,322	103,048
Total, gross	27,090	51,722	78,812	24,370	103,182
Unamortized premium/(discount)	396	254	650	(890)	(240)
Receivable for partially charged-off loans	—	—	—	741	741
Allowance for loan losses	(34)	(25)	(59)	(1,298)	(1,357)
Total education loan portfolio	$ 27,452	$ 51,951	$ 79,403	$ 22,923	$ 102,326
% of total FFELP	35%	65%	100%		
% of total	27%	51%	78%	22%	100%

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

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

(2) Includes loans in deferment or forbearance.

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

(Dollars in millions)	Three Months Ended March 31, 2018				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total	$ 28,165	$ 52,636	$ 80,801	$ 23,754	$ 104,555
% of FFELP	35%	65%	100%		
% of total	27%	50%	77%	23%	100%

(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%

Education Loan Activity — GAAP and "Core Earnings" Basis

(Dollars in millions)	Three Months Ended March 31, 2018				
	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Total Private Education Loans	Total Portfolio
Beginning balance	$ 28,409	$ 53,294	$ 81,703	$ 23,419	$ 105,122
Acquisitions	157	123	280	541	821
Capitalized interest and premium/discount amortization	227	226	453	95	548
Consolidations to third parties	(542)	(541)	(1,083)	(220)	(1,303)
Repayments and other	(799)	(1,151)	(1,950)	(912)	(2,862)
Ending balance	$ 27,452	$ 51,951	$ 79,403	$ 22,923	$ 102,326

(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

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

(Dollars in millions)	Three Months Ended March 31,					
	2018			2017		
	FFELP Loans	Private Education Loans	Total Portfolio	FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 60	$ 1,297	$ 1,357	$ 67	$ 1,351	$ 1,418
Less:						
Charge-offs[1]	(11)	(78)	(89)	(13)	(137)	(150)
Plus:						
Provision for loan losses	10	77	87	10	95	105
Reclassification of interest reserve[2]	—	2	2	—	2	2
Ending balance	$ 59	$ 1,298	$ 1,357	$ 64	$ 1,311	$ 1,375
Percent of total	4%	96%	100%	5%	95%	100%
Troubled debt restructuring[3]	$ —	$ 10,796	$ 10,796	$ —	$ 10,684	$ 10,684

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

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

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

Table of Contents

FFELP Loan Portfolio Performance

FFELP Loan Delinquencies and Forbearance — GAAP and "Core Earnings" Basis

	FFELP Loan Delinquencies March 31,			
	2018		2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 4,701		$ 5,791	
Loans in forbearance[2]	9,508		10,627	
Loans in repayment and percentage of each status:				
Loans current	56,166	86.9%	60,310	88.6%
Loans delinquent 31-60 days[3]	1,909	3.0	2,300	3.4
Loans delinquent 61-90 days[3]	1,534	2.4	1,204	1.8
Loans delinquent greater than 90 days[3]	4,994	7.7	4,281	6.2
Total FFELP Loans in repayment	64,603	100%	68,095	100%
Total FFELP Loans, gross	78,812		84,513	
FFELP Loan unamortized premium	650		835	
Total FFELP Loans	79,462		85,348	
FFELP Loan allowance for losses	(59)		(64)	
FFELP Loans, net	$ 79,403		$ 85,284	
Percentage of FFELP Loans in repayment		82.0%		80.6%
Delinquencies as a percentage of FFELP Loans in repayment		13.1%		11.4%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		12.8%		13.5%

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

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

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

Allowance for FFELP Loan Losses — GAAP and "Core Earnings" Basis

	Three Months Ended March 31,	
(Dollars in millions)	2018	2017
Allowance at beginning of period	$ 60	$ 67
Provision for FFELP Loan losses	10	10
Charge-offs	(11)	(13)
Allowance at end of period	$ 59	$ 64
Charge-offs as a percentage of average loans in repayment (annualized)	.07%	.07%
Allowance coverage of charge-offs (annualized)	1.4	1.2
Allowance as a percentage of ending total loans, gross	.08%	.08%
Allowance as a percentage of ending loans in repayment	.09%	.09%
Ending total loans, gross	$ 78,812	$ 84,513
Average loans in repayment	$ 65,650	$ 69,302
Ending loans in repayment	$ 64,603	$ 68,095

Private Education Loan Portfolio Performance

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

	Private Education Loan Delinquencies			
	March 31,			
	2018		2017	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 1,029		$ 1,337	
Loans in forbearance[2]	969		793	
Loans in repayment and percentage of each status:				
Loans current	21,096	94.3%	19,918	93.2%
Loans delinquent 31-60 days[3]	416	1.9	424	2.0
Loans delinquent 61-90 days[3]	313	1.4	279	1.3
Loans delinquent greater than 90 days[3]	547	2.4	746	3.5
Total Private Education Loans in repayment	22,372	100%	21,367	100%
Total Private Education Loans, gross	24,370		23,497	
Private Education Loan unamortized discount	(890)		(434)	
Total Private Education Loans	23,480		23,063	
Private Education Loan receivable for partially charged-off loans	741		800	
Private Education Loan allowance for losses	(1,298)		(1,311)	
Private Education Loans, net	$ 22,923		$ 22,552	
Percentage of Private Education Loans in repayment		91.8%		90.9%
Delinquencies as a percentage of Private Education Loans in repayment		5.7%		6.8%
Loans in forbearance as a percentage of loans in repayment and forbearance		4.2%		3.6%
Loans in repayment with more than 12 payments made		91%		95%
Percentage of Private Education Loans with a cosigner		61%		64%

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

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

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

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

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

Receivable for Partially Charged-Off Private Education Loans

At the end of each month, for loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. 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 Private Education Loans.

(Dollars in millions)	Three Months Ended March 31, 2018	2017
Receivable at beginning of period	$ 760	$ 815
Expected future recoveries of current period defaults[1]	19	34
Recoveries[2]	(38)	(44)
Charge-offs[3]	—	(5)
Receivable at end of period	$ 741	$ 800

(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, 2018, loans in forbearance status as a percentage of loans in repayment and forbearance were 8.1 percent for loans that have made less than 25 monthly payments. The percentage drops to 3.0 percent for loans that have made more than 48 monthly payments.

At March 31, 2018, loans in repayment that are delinquent greater than 90 days as a percentage of loans in repayment were 4.1 percent for loans that have made less than 25 monthly payments. The percentage drops to 1.7 percent for loans that have made more than 48 monthly payments.

For the three months ended March 31, 2018, charge-offs as a percentage of loans in repayment were 3.4 percent for loans that have made less than 25 monthly payments. The percentage drops to 0.8 percent for loans that have made more than 48 monthly payments.

GAAP and "Core Earnings" Basis:

(Dollars in millions)	Monthly Scheduled Payments Received						
March 31, 2018	0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 1,029	$ 1,029
Loans in forbearance	176	87	94	108	504	—	969
Loans in repayment — current	1,833	888	1,016	1,559	15,800	—	21,096
Loans in repayment — delinquent 31-60 days	28	30	37	52	269	—	416
Loans in repayment — delinquent 61-90 days	33	30	39	43	168	—	313
Loans in repayment — delinquent greater than 90 days	63	58	70	83	273	—	547
Total	$ 2,133	$ 1,093	$ 1,256	$ 1,845	$ 17,014	$ 1,029	24,370
Unamortized discount							(890)
Receivable for partially charged-off loans							741
Allowance for loan losses							(1,298)
Total Private Education Loans, net							$ 22,923
Loans in forbearance as a percentage of loans in repayment and forbearance	8.2%	8.0%	7.5%	5.9%	3.0%	—%	4.2%
Loans in repayment — delinquent greater than 90 days as a percentage of loans in repayment	3.2%	5.7%	6.0%	4.8%	1.7%	—%	2.4%
Charge-offs as a percentage of loans in repayment	3.2%	3.7%	3.1%	2.2%	.8%	—%	1.4%

(Dollars in millions)	Monthly Scheduled Payments Received						
March 31, 2017	0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 1,337	$ 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%

Liquidity and Capital Resources

Funding and Liquidity Risk Management

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

We define liquidity as cash and high-quality liquid assets that we can use to meet our cash requirements. Our two primary liquidity needs are: (1) servicing our debt and (2) our ongoing ability to meet our cash needs for running the operations of our businesses (including derivative collateral requirements) throughout market cycles, including during periods of financial stress. Secondary liquidity needs, which can be adjusted as needed, include the origination of Private Education Refinance Loans, acquisitions of Private Education Loan and FFELP Loan portfolios, acquisitions of companies, the payment of common stock dividends and the repurchase of common stock

under common share repurchase programs. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity and access diverse funding sources including the issuance of unsecured debt and the issuance of secured debt primarily through asset-backed securitizations and/or other financing facilities.

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

Credit ratings and outlooks are opinions subject to ongoing review by the ratings agencies and may change, from time to time, based on our financial performance, industry and market dynamics and other factors. Other factors that influence our credit ratings include the ratings agencies' assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, the level and volatility of earnings, corporate governance and risk management policies, capital position and capital management practices. A negative change in our credit rating could have a negative effect on our liquidity because it might raise the cost and availability of funding and potentially require additional cash collateral or restrict cash currently held as collateral on existing borrowings or derivative collateral arrangements. It is our objective to improve our credit ratings so that we can continue to efficiently access the capital markets even in difficult economic and market conditions. We have unsecured debt that totaled $13.8 billion at March 31, 2018. Three credit rating agencies currently rate our long-term unsecured debt at below investment grade.

We expect to fund our ongoing liquidity needs, including the repayment of $2.4 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 ($284 million in the three months ended March 31, 2018), the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt.

We originate Private Education Refinance Loans. We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Those originations and purchases are part of our ongoing liquidity needs. On January 24, 2018, we announced that we expect to restart our share repurchases in the second half of 2018.

Sources of Liquidity and Available Capacity

Ending Balances

(Dollars in millions)	March 31, 2018	December 31, 2017
Sources of primary liquidity:		
Total unrestricted cash and liquid investments	$ 2,401	$ 1,520
Unencumbered FFELP Loans	445	690
Total GAAP and "Core Earnings" basis	$ 2,846	$ 2,210

Average Balances

(Dollars in millions)	Three Months Ended March 31, 2018	2017
Sources of primary liquidity:		
Total unrestricted cash and liquid investments	$ 1,496	$ 1,093
Unencumbered FFELP Loans	902	904
Total GAAP and "Core Earnings" basis	$ 2,398	$ 1,997

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, 2018 and 2017, the maximum additional

capacity under these facilities was $2.4 billion and $3.1 billion, respectively. For the three months ended March 31, 2018 and 2017, the average maximum additional capacity under these facilities was $2.2 billion and $2.7 billion, respectively. As of March 31, 2018, the maturity dates of the FFELP Loan-other facilities ranged from November 2018 to January 2021.

Liquidity may also be available from our Private Education Loan asset-backed commercial paper (“ABCP”) facilities. Maximum borrowing capacity under the Private Education Loan-other facilities will vary and be subject to each agreement’s borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered Private Education Loans. As of March 31, 2018 and 2017, the maximum additional capacity under these facilities was $723 million and $209 million, respectively. For the three months ended March 31, 2018 and 2017, the average maximum additional capacity under these facilities was $891 million and $248 million, respectively. As of March 31, 2018, the maturity dates of these facilities ranged from June 2018 to June 2020.

At March 31, 2018, we had a total of $7.2 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $3.0 billion of our unencumbered tangible assets of which $2.6 billion and $0.4 billion related to Private Education Loans and FFELP Loans, respectively. In addition, as of March 31, 2018, we had $9.8 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). Since the fourth quarter of 2015, we have closed on $4.0 billion of Private Education Loan ABS Repurchase Facilities. These repurchase facilities are collateralized by Residual Interests in previously issued Private Education Loan ABS trusts. These are examples of how we can effectively finance previously encumbered assets to generate additional liquidity in addition to the unencumbered assets we traditionally have encumbered in the past. Additionally, these repurchase facilities had a cost of funds lower than that of a new unsecured debt issuance.

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

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

(Dollars in billions)	March 31, 2018	December 31, 2017
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 4.6	4.7
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	5.2	5.9
Tangible unencumbered assets(1)	7.2	6.6
Senior unsecured debt	(13.8)	(13.9)
Mark-to-market on unsecured hedged debt(2)	(.1)	(.3)
Other liabilities, net	(.2)	(.3)
Total tangible equity — GAAP Basis	$ 2.9	$ 2.7

(1) At March 31, 2018 and December 31, 2017, excludes goodwill and acquired intangible assets, net, of $802 million and $810 million, respectively.

(2) At March 31, 2018 and December 31, 2017, there were $1 million and $189 million, respectively, of net gains on derivatives hedging this debt in unencumbered assets, which partially offset these losses.

First-Quarter 2018 Financing Transactions

During the first-quarter 2018, Navient issued $2.0 billion in FFELP Loan ABS and $507 million in Private Education Loan ABS. Additionally, Navient closed on Private Education Loan ABS Repurchase Facilities totaling $1.4 billion.

Shareholder Distributions

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

Effective October 4, 2017, Navient temporarily suspended its remaining share repurchase program ($160 million authorization remains). The Company’s dividend policy is unchanged. On January 24, 2018, we announced that we expect to restart our share repurchases in the second half of 2018. Depending upon market

conditions, our share price, available counterparties and other factors, we may utilize derivative transactions entered into in the second quarter for settlement in the second half of 2018 to restart these repurchases. Since the Spin-Off in April 2014, we have repurchased 167 million shares for $2.5 billion.

Counterparty Exposure

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

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

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

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rate and foreign exchange rates, may require us to return cash collateral held or may require us to post collateral to counterparties. See "Note 7 — Derivative Financial Instruments" in our 2017 Form 10-K for more information on the amount of cash that has been received and delivered to derivative counterparties.

The table below highlights exposure related to our derivative counterparties at March 31, 2018.

(Dollars in millions)	Corporate Contracts	Securitization Trust Contracts
Exposure, net of collateral	$ 19	$ 80
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	83%	3%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	80%	—%

"Core Earnings" Basis Borrowings

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

(Dollars in millions)	March 31, 2018 Short Term	March 31, 2018 Long Term	March 31, 2018 Total	December 31, 2017 Short Term	December 31, 2017 Long Term	December 31, 2017 Total
Unsecured borrowings:						
Senior unsecured debt[1]	$ 2,359	$ 11,413	$ 13,772	$ 1,306	$ 12,624	$ 13,930
Total unsecured borrowings	2,359	11,413	13,772	1,306	12,624	13,930
Secured borrowings:						
FFELP Loan securitizations	—	71,038	71,038	—	71,208	71,208
Private Education Loan securitizations[2]	—	13,791	13,791	686	12,646	13,332
FFELP Loan — other facilities	1,487	5,023	6,510	1,536	6,830	8,366
Private Education Loan — other facilities	805	1,602	2,407	684	1,710	2,394
Other[3]	476	—	476	538	—	538
Total secured borrowings	2,768	91,454	94,222	3,444	92,394	95,838
“Core Earnings” basis borrowings	5,127	102,867	107,994	4,750	105,018	109,768
Adjustment for GAAP accounting treatment	4	(70)	(66)	21	(6)	15
GAAP basis borrowings	$ 5,131	$ 102,797	$ 107,928	$ 4,771	$ 105,012	$ 109,783

(1) Includes principal amount of $2.4 billion and $1.3 billion of short-term debt as of March 31, 2018 and December 31, 2017, respectively. Includes principal amount of $11.5 billion and $12.7 billion of long-term debt as of March 31, 2018 and December 31, 2017, respectively.

(2) Includes $0 million and $686 million of short-term debt related to the Private Education Loan asset-backed securitization repurchase facilities (“Repurchase Facilities”) as of March 31, 2018 and December 31, 2017, respectively. Includes $2.7 billion and $1.3 billion of long-term debt related to the Repurchase Facilities as of March 31, 2018 and December 31, 2017, respectively.

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

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

Average Balances

(Dollars in millions)	Three Months Ended March 31, 2018 Average Balance	2018 Average Rate	2017 Average Balance	2017 Average Rate
Unsecured borrowings:				
Senior unsecured debt	$ 13,787	5.87%	$ 13,828	4.96%
Total unsecured borrowings	13,787	5.87	13,828	4.96
Secured borrowings:				
FFELP Loan securitizations	70,814	2.60	72,824	1.93
Private Education Loan securitizations[1]	13,205	3.86	14,167	3.00
FFELP Loan — other facilities	7,601	2.71	11,663	1.67
Private Education Loan — other facilities	2,349	3.37	501	2.66
Other[2]	490	1.58	445	2.72
Total secured borrowings	94,459	2.80	99,600	2.06
“Core Earnings” basis borrowings	$ 108,246	3.19%	$ 113,428	2.41%
“Core Earnings” basis borrowings	$ 108,246	3.19%	$ 113,428	2.41%
Adjustment for GAAP accounting treatment	—	(0.03)	—	—
GAAP basis borrowings	$ 108,246	3.16%	$ 113,428	2.41%

(1) Includes $2.1 billion and $1.0 billion of debt related to the Repurchase Facilities for the three months ended March 31, 2018 and 2017, respectively.

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

Critical Accounting Policies and Estimates

Management’s Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. A discussion of our critical accounting policies, which include allowance for loan losses, premium and discount amortization related to our loan portfolio, goodwill and intangible assets, fair value measurement, transfers of financial assets and the VIE consolidation model, and derivative accounting can be found in our 2017 Form 10-K. There were no significant changes to these critical accounting policies during the first three months of 2018.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

Our interest rate risk management seeks to limit the impact of short-term movements in interest rates on our results of operations and financial position. The following tables summarize the potential effect on earnings over the next 12 months and the potential effect on fair values of balance sheet assets and liabilities at March 31, 2018 and December 31, 2017, based upon a sensitivity analysis performed by management assuming a hypothetical increase in market interest rates of 100 basis points and 300 basis points while funding spreads remain constant. Additionally, as it relates to the effect on earnings before 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, 2018 Impact on Annual Earnings If:			As of March 31, 2017 Impact on Annual Earnings If:		
	Interest Rates		Funding Indices	Interest Rates		Funding Indices
(Dollars in millions, except per share amounts)	Increase 100 Basis Points	Increase 300 Basis Points	Increase 10 Basis Points(1)	Increase 100 Basis Points	Increase 300 Basis Points	Increase 10 Basis Points(1)
Effect on Earnings:						
Change in pre-tax net income before unrealized gains (losses) on derivative and hedging activities	$ (6)	$ 19	$ (89)	$ (15)	$ (8)	$ (95)
Unrealized gains (losses) on derivative and hedging activities	(36)	(162)	—	(21)	(204)	—
Increase (decrease) in income before taxes	$ (42)	$ (143)	$ (89)	$ (36)	$ (212)	$ (95)
Increase (decrease) in net income after taxes	$ (32)	$ (110)	$ (69)	$ (23)	$ (134)	$ (60)
Increase (decrease) in diluted earnings per common share	$ (.12)	$ (.41)	$ (.26)	$ (.08)	$ (.46)	$ (.20)

(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.

Table of Contents

(Dollars in millions)	At March 31, 2018 Fair Value	Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Increase of 300 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	103,849	(234)	—	(483)	—
Other earning assets	6,153	—	—	—	—
Other assets	4,730	181	4	663	14
Total assets gain/(loss)	$ 114,732	$ (53)	—%	$ 180	—%
Liabilities					
Interest-bearing liabilities	$ 108,125	$ (535)	—%	$ (1,484)	(1)%
Other liabilities	1,613	333	21	1,132	70
Total liabilities (gain)/loss	$ 109,738	$ (202)	—%	$ (352)	—%

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

A primary objective in our funding is to minimize our sensitivity to changing interest rates by generally funding our floating rate education loan portfolio with floating rate debt. However, due to the ability of some FFELP loans to earn Floor Income, we can have a fixed versus floating mismatch in funding if the education loan earns at the fixed borrower rate and the funding remains floating. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets.

During the three months ended March 31, 2018 and 2017, certain FFELP Loans were earning Floor Income and we locked in a portion of that Floor Income through the use of derivative contracts. The result of these hedging transactions was to fix the relative spread between the education loan asset rate and the variable rate liability.

In the preceding tables, under the scenario where interest rates increase 100 and 300 basis points, the change in pre-tax net income before the 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 variable rate debt in low interest rate environments; and (ii) a portion of our fixed rate assets being funded with variable rate liabilities. Both items will generally cause income to decrease when interest rates increase. In both 2018 and 2017, the impact to income is primarily due to both items (i) and (ii) above. The decrease in the loss in 2018 as compared to 2017 was due to both the natural amortization of the FFELP Loan portfolio as well as higher interest rates in first-quarter 2018 compared to first-quarter 2017, which resulted in a loss of unhedged Floor Income between the first quarter of 2017 and the first quarter of 2018. Item (ii) had a minor impact in both periods as the Company generally enters into derivative contracts as a part of its overall interest rate risk management strategy, match-funding its floating rate assets with variable rate debt and fixed rate assets with fixed rate debt.

In the preceding tables, under the scenario where interest rates increase 100 and 300 basis points, the change in unrealized gains (losses) on derivative and hedging activities in 2018 and 2017 are primarily due to (i) the

notional amount and remaining term of our derivative portfolio and related hedged debt and (ii) the interest rate environment. As of March 31, 2018, the Company's derivative portfolio 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 somewhat similar or 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, 2018 and 2017 analyses is primarily the result of daily reset one-month LIBOR-indexed FFELP Loans being funded with monthly reset one-month LIBOR, three-month LIBOR and other non-discrete indexed liabilities, as well as, to a lesser extent, Prime-indexed Private Education Loans being funded with LIBOR and other non-discrete indexed liabilities. See "Asset and Liability Funding Gap" of this Item 3 for a further discussion.

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

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of March 31, 2018. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest margin, as opposed to those reflected in the "gains (losses) on derivatives and hedging activities, net" line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

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

GAAP Basis:

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding[1]	Funding Gap
3-month Treasury bill	weekly	$ 3.7	$ —	$ 3.7
Prime	annual	.3	—	.3
Prime	quarterly	3.0	—	3.0
Prime	monthly	9.9	—	9.9
Prime	daily	—	—	—
PLUS Index	annual	.3	—	.3
3-month LIBOR	quarterly	.7	39.7	(39.0)
3-month LIBOR	daily	—	2.7	(2.7)
1-month LIBOR	monthly	6.1	40.1	(34.0)
1-month LIBOR daily	daily	74.9	—	74.9
CMT/CPI Index	monthly/quarterly	—	.1	(.1)
Non-Discrete reset[2]	monthly	—	10.8	(10.8)
Non-Discrete reset[3]	daily/weekly	6.1	.5	5.6
Fixed Rate[4]		8.2	19.3	(11.1)
Total		$ 113.2	$ 113.2	$ —

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

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

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

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

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

"Core Earnings" Basis:

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding(1)	Funding Gap
3-month Treasury bill	weekly	$ 3.7	$ —	$ 3.7
Prime	annual	.3	—	.3
Prime	quarterly	3.0	—	3.0
Prime	monthly	9.9	—	9.9
Prime	daily	—	—	—
PLUS Index	annual	.3	—	.3
3-month LIBOR	quarterly	.7	—	.7
3-month LIBOR	daily	—	2.5	(2.5)
1-month LIBOR	monthly	6.1	82.8	(76.7)
1-month LIBOR	daily	74.9	—	74.9
Non-Discrete reset(2)	monthly	—	10.8	(10.8)
Non-Discrete reset(3)	daily/weekly	6.1	.5	5.6
Fixed Rate(4)		7.7	16.1	(8.4)
Total		$ 112.7	$ 112.7	$ —

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

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

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

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

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

Weighted Average Life

The following table reflects the weighted average life of our earning assets and liabilities at March 31, 2018.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	6.6
Other loans	9.7
Cash and investments	.1
Total earning assets	6.2
Borrowings	
Short-term borrowings	.5
Long-term borrowings	6.0
Total borrowings	5.7

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, 2018. Based on this evaluation, our chief principal executive and principal financial officers concluded that, as of March 31, 2018, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our chief principal executive and principal financial officers as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2018 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

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

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

Certain Cases

On March 18, 2011, an education loan borrower filed a putative class action complaint against SLM Corporation as it existed prior to the Spin-Off (“Old SLM”) in the U.S. District Court for the Northern District of California. The complaint was captioned Tina M. Ubaldi v. SLM Corporation et. al. The plaintiff brought the complaint on behalf of a putative class consisting of other similarly situated California borrowers. 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 and other relief. In the fourth quarter of 2016, the parties reached a settlement in principle that would resolve the Ubaldi matter, as well as the related lawsuit of Marlene Blyden v. Navient Corporation, et al. A reserve was established for this matter as of December 31, 2016. Plaintiffs filed on September 25, 2017, an Amended Motion for Preliminary Approval of Settlement. On October 13, 2017, the Court entered an Order granting preliminary approval. The Final Approval Hearing is set for May 29, 2018. 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.

During the first quarter of 2016, Navient Corporation, certain Navient officers and directors, and the underwriters of certain Navient securities offerings were sued in three putative securities class action lawsuits filed on behalf of certain investors in Navient stock or Navient unsecured debt. These three cases, which were filed in the U.S. District Court for the District of Delaware, were consolidated by the District Court, with Lord Abbett Funds appointed as Lead Plaintiff. The caption of the consolidated case is *Lord Abbett Affiliated Fund, Inc., et al. v. Navient Corporation, et al.* The plaintiffs filed their amended and consolidated complaint in September 2016. In September 2017, the Court granted the Navient defendants’ motion and dismissed the complaint in its entirety with leave to amend. The plaintiffs filed a second amended complaint with the court on November 17, 2017. The Navient defendants deny the allegations and intend to vigorously defend against the allegation in this lawsuit and filed a motion to dismiss in January 2018. Additionally, two putative class actions have been filed in the U.S. District Court for the District of New Jersey captioned *Eli Pope v. Navient Corporation*, *John F. Remondi*, *Somsak Chivavibul and Christian Lown*, and *Melvin Gross v. Navient Corporation*, *John F. Remondi*, *Somsak Chivavibul and Christian M. Lown*, both of which allege violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. These cases have been consolidated and we anticipate a consolidated amended complaint will be filed in early 2018. The Company denies the allegations and intends to vigorously defend itself.

The Company has been named as defendant in a number of putative class action cases alleging violations of various state and federal consumer protection laws including the Telephone Consumer Protection Act (“TCPA”), the Consumer Financial Protection Act of 2010 (“CFPA”), the Fair Credit Reporting Act (“FCRA”), the Fair Debt Collection Practices Act (“FDCPA”) and various other state consumer protection laws.

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of

certain Federal and State consumer protection statutes, including the CFPA, the FCPA, FCRA, FDCPA and various state consumer protection laws. On October 5, 2017, the Attorney General for the Commonwealth of Pennsylvania initiated a civil action against Navient Corporation and Navient Solutions, LLC, containing similar alleged violations of the CFPA and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. We refer to the Illinois Attorney General, the Pennsylvania Attorney General and the Washington Attorney General collectively as the "Attorneys General." We intend to vigorously defend against the allegations in each of these cases. For additional information on these civil actions, please refer to section entitled "Regulatory Matters" below.

At this point in time, the Company is unable to anticipate the timing of a resolution or the ultimate impact that these legal proceedings may have on the Company's consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Regulatory Matters

With respect to alleged civil violations of the Servicemembers Civil Relief Act (the "SCRA"), Navient Solutions LLC ("Solutions'), a wholly owned subsidiary of Navient, and Sallie Mae Bank entered into a consent order with the DOJ in May 2014. The DOJ consent order (the "DOJ Order") covers all loans either owned by Sallie Mae Bank or serviced by Solutions from November 28, 2005 until the effective date of the settlement. In the third quarter of 2016, the Company completed the monetary portion of the order by distributing the remaining funds to charities approved by the DOJ. The Company believes it has complied with the terms of the DOJ Order. The total reserves established by the Company in 2013 and 2014 to cover these costs were $177 million, and as of March 31, 2018, substantially all of this amount had been paid to customers or credited or refunded to customer accounts. The final cost of these proceedings will remain uncertain until the remaining consent order is lifted or terminates in accordance with its terms in late 2018.

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

On January 18, 2017, the CFPB and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of Federal and State consumer protection statutes, including the DFPA, FCRA, FDCPA and various state consumer protection laws. On October 5, 2017, the Attorney General for the Commonwealth of Pennsylvania initiated a civil action against Navient Corporation and Navient Solutions, LLC, alleging violations of the CFPA and the

Pennsylvania Unfair Trade Practices and Consumer Protection Law. These civil actions are related to matters which were covered under the CIDs and the NORA letter discussed above. 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. In relation to the CFPB action, after a hearing, our Motion to Dismiss was denied in full in August 2017. In relation to the Washington action, following a hearing, our Motion to Dismiss was denied in full in July 2017. In relation to the Illinois action, a hearing on our Motion to Dismiss was held on July 18, 2017 and no ruling has been issued as of the date of this Form 10-Q. In relation to the Pennsylvania Attorney General lawsuit, the Company filed its Motion to Dismiss on December 22, 2017. This motion has not been heard by the court. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or, in the future, may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the Attorneys General. As the Company has previously stated, we believe the suits improperly seek to impose penalties on Navient based on new, unannounced servicing standards applied retroactively only against one servicer, and that the allegations are false. As stated above, we intend to vigorously defend against the allegations in each of these cases.

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

Under the terms of the Separation Agreement between the Company and SLM BankCo, Navient has agreed to indemnify SLM BankCo for all claims, actions, damages, losses or expenses that may arise from the conduct of all activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in the Separation and Distribution Agreement. As a result, subject to the terms, conditions and limitations set forth in the Separation and Distribution Agreement, Navient has agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank from liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above, other than fines or penalties directly levied against Sallie Mae Bank and other matters specifically excluded. Navient has no additional reserves related to indemnification matters with SLM BankCo as of March 31, 2018.

OIG Audit

The Office of the Inspector General (the "OIG") of ED commenced an audit regarding Special Allowance Payments ("SAP") on September 10, 2007. 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 to the Administrative Actions and Appeals Service Group of ED. A hearing was held in April 2017 and a ruling has not yet been issued. We continue to believe that our SAP billing practices were proper, considering then-existing ED guidance and lack of applicable regulations. The Company established a reserve for this matter in 2014 as part of the total reserve for pending regulatory matters discussed previously and does not believe, at this time, that an adverse ruling would have a material effect on the Company as a whole.

Item 1A. Risk Factors

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

Table of Contents

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, 2018.

(In millions, except per share data)	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs(2)
Period:				
January 1 — January 31, 2018	2.5	$ 13.68	—	$ 160
February 1 — February 28, 2018	1.0	13.95	—	$ 160
March 1 — March 31, 2018	—	—	—	$ 160
Total first-quarter 2018	3.5	$ 13.75	—	

(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 29, 2018 was $13.12.

Item 3. Defaults upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Nothing to report.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

10.1†*	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.
12.1*	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends.
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	XBRL Instance Document.
101.SCH*	XBRL Taxonomy Extension Schema Document.
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document.

† Management Contract or Compensatory Plan or Arrangement

* Filed herewith

** Furnished herewith

SIGNATURES

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

NAVIENT CORPORATION
(Registrant)

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

Date: May 3, 2018

Exhibit 10.1

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 4, 2017 (the “Plan”), the Compensation and Personnel Committee (the “Committee”) of the Navient Corporation Board of Directors (“Board”) hereby grants to ________________ (the “Grantee”) on _____________, 2018 (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 2018, 2019 and 2020 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 $7.7 billion	$7.7 billion	$8.7 billion	$9.3 billion or greater
Cumulative Business Processing Revenue	30%	Less than $954 million	$954 million	$1.098 billion	$1.331 billion or greater
Strategic Objectives	20%	Determined by the Committee			

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

- 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 2020 is filed, and in no event later than March 15, 2021.
- “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 2018, 2019 and 2020, including student loan cash flows realized from new acquisitions, but excluding the impact of cash flows for fiscal years beyond 2020 that are accelerated through securitizing or pledging unencumbered student loans, or through loan sales.
- “Cumulative Business Processing Revenue” shall mean that portion of the Corporation’s aggregate revenue for the fiscal years 2018, 2019 and 2020 derived from business processing products and services, as identified by management and approved by the Committee.

- “Strategic Objectives” shall mean those qualitative business objectives identified by management and approved by the Committee.

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

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

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

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

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

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

- In the event of a Change in Control described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall vest based on the level of achievement of the performance goals in Section 1 above as of the date of the Change in Control, and shall be converted into shares of common stock as of immediately prior to the consummation of the Change in Control. The Committee shall proportionately reduce the “Net Student Loan Cash Flows” and the “Cumulative Revenue from Growth Businesses” performance goals in Section 1 above based on the portion of the performance period elapsed through the date of the Change in Control, and shall adjust any strategic objectives that are similarly cumulative in nature, to account for the shortened performance period.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

If to the Corporation to:

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

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

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

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

NAVIENT CORPORATION

By:

Jack Remondi
President and Chief Executive Officer

Accepted by:

Date

Exhibit 10.2

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 4, 2017 (the "Plan"), the Compensation and Personnel Committee (the "Committee") of the Navient Corporation Board of Directors (the "Board") hereby grants to __________________ (the "Grantee") on ______________, 2018 (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 ceases to be an employee of the Corporation (or a Subsidiary) for any reason, he/she shall forfeit any portion of the Award that has not vested as of the date of such termination of employment.

   If not previously vested, the Award will continue to vest, and will be 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 Cause, or (ii) the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) due to Retirement.

   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 Cause.

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

   (a) In the event of a Change in Control described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall become 100 percent vested, and shall be converted into shares of common stock as of immediately prior to the consummation of the Change in Control.

   (b) In the event of either (x) a Change in Control described in clause (a) of the definition thereof, or (y) a Change in Control described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction assumes or continues outstanding Awards, then no acceleration of vesting shall occur upon

such Change in Control, and the Award shall continue to vest in accordance with Section 1 hereof; provided, however, that if Grantee's employment shall terminate within twenty-four months following such Change in Control for any reason other than (i) by the Corporation (or a Subsidiary), or the surviving or acquiring entity in the transaction (as the case may be), for Cause, or (ii) by Grantee's voluntary termination of employment that is not a Retirement or a termination of employment for Good Reason, any portion of the Award not previously vested shall immediately become vested, and shall be converted into shares of common stock, upon such employment termination. Upon any termination of employment during such twenty-four month period described in clause (i) or (ii) of the preceding sentence, any unvested portion of the Award shall be forfeited. Upon any termination of employment occurring after the end of such twenty-four month period, vesting and settlement of any remaining unvested portion of the Award shall be governed by Section 2 hereof.

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

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

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

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

necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing Grantee's consent may adversely affect Grantee's ability to participate in the Plan.

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

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

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

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

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

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

If to the Corporation to:

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

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

15. Plan Controls; Entire Agreement; Capitalized Terms. In the event of any conflict between the provisions of this Agreement and the provisions of the Plan, the terms of the Plan control, except as expressly stated otherwise herein. This Agreement and the Plan together set forth the entire agreement and understanding between the parties as to the subject matter hereof and supersede all prior oral and written and all contemporaneous or subsequent oral

discussions, agreements and understandings of any kind or nature. Capitalized terms not defined herein shall have the meanings as described in the Plan.

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

NAVIENT CORPORATION

By:

Jack Remondi
President and Chief Executive Officer

Accepted by:

Date

Exhibit 10.3

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 4, 2017 (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 _________________, 2018 (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 Cause, or if the Grantee voluntarily ceases to be an employee of the Corporation (or a Subsidiary) due to Retirement, 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 later of (i) the termination date or (ii) the date such portion vests, but in no event later than the Expiration Date (as defined below).

- Upon termination of employment for death or Disability, all unvested Options will vest and all vested Options will be exercisable for one year from the date of such termination, but in no event later than the Expiration Date.

- Except as otherwise set forth herein, 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 Cause, 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 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 described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of 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) In the event of either (x) a Change in Control described in clause (a) of the definition thereof, or (y) a Change in Control described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction assumes or continues outstanding Awards, then no acceleration of vesting shall occur upon such Change in Control, and all unvested Options shall continue to vest in accordance with Section (D) hereof; provided, however, that if Grantee's employment shall terminate within twenty-four months following such Change in

Control other than for (i) Cause, or (ii) voluntary termination that is not a Retirement or termination of employment for Good Reason, 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. Upon any termination of employment during such twenty-four month period described in clause (i) or (ii) of the preceding sentence, any unvested Options shall be forfeited. Upon any termination of employment occurring after the end of such twenty-four month period, vesting and exercise of any remaining unvested Options shall be governed by Section (D) hereof.

(III) 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.

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

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

Exhibit 12.1

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,	
	2013	**2014**	**2015**	**2016**	**2017**	**2017**	**2018**
Income (loss) from continuing operations before income taxes	$ 2,087	$ 1,818	$ 1,580	$ 1,108	$ 764	$ 141	$ 162
Add: Fixed charges	2,213	2,066	2,077	2,445	2,975	676	844
Total earnings	$ 4,300	$ 3,884	$ 3,657	$ 3,553	$ 3,739	$ 817	$ 1,006
Interest expense	$ 2,210	$ 2,063	$ 2,074	$ 2,441	$ 2,971	$ 675	$ 843
Rental expense, net of income	3	3	3	4	4	1	1
Total fixed charges	2,213	2,066	2,077	2,445	2,975	676	844
Preferred stock dividends	31	10	—	—	—	—	—
Total fixed charges and preferred stock dividends	$ 2,244	$ 2,076	$ 2,077	$ 2,445	$ 2,975	$ 676	$ 844
Ratio of earnings to fixed charges(1)	**1.94**	**1.88**	**1.76**	**1.45**	**1.26**	**1.21**	**1.19**
Ratio of earnings to fixed charges and preferred stock dividends(1)	**1.92**	**1.87**	**1.76**	**1.45**	**1.26**	**1.21**	**1.19**

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

Exhibit 31.1

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

I, John F. Remondi, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

/s/ JOHN F. REMONDI
John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
May 3, 2018

Exhibit 31.2

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

I, Christian M. Lown, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Navient Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

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

Exhibit 32.1

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Navient Corporation (the “Company”) on Form 10-Q for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John F. Remondi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ JOHN F. REMONDI
John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
May 3, 2018

Exhibit 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report of Navient Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Christian M. Lown, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

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