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

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2021

or

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

For the transition period from to

Commission file number 001-36228

Navient Corporation
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**46-4054283**
(State or Other Jurisdiction of Incorporation or Organization)	***(I.R.S. Employer Identification No.)***
123 Justison Street, Wilmington, Delaware 19801	**(302) 283-8000**
(Address of Principal Executive Offices)	***(Telephone Number)***

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

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

Securities registered pursuant to Section 12(g) of the Act:
None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☒ No ☐

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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	☐
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 filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report. ☒

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

The aggregate market value of voting stock held by non-affiliates of the registrant as of June 30, 2021 was $3.2 billion (based on closing sale price of $19.33 per share as reported for the NASDAQ Global Select Market).

As of January 31, 2022, there were 152,132,902 shares of common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the proxy statement (the "2022 Proxy Statement") relating to the Registrant's 2022 Annual Meeting of Shareholders, to be filed no later than 120 days after the end of the fiscal year covered by this Annual Report on Form 10-K, are incorporated by reference into Part III of this Annual Report on Form 10-K.

Auditor Firm ID: 185 Auditor Name: KPMG LLP Auditor Location: McLean, VA

TABLE OF CONTENTS

Organization of Our Form 10-K

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

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

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

- the continuing impacts of the COVID-19 pandemic and related risks;
- the economic conditions and the creditworthiness of third parties;
- increased defaults on education loans held by us;
- the cost and availability of funding in the capital markets;
- the transition away from the LIBOR reference rate to an alternative reference rate;
- higher or lower than expected prepayments of loans could change the expected net interest income we receive or cause the bonds issued by a securitization trust to be paid at a different speed than anticipated;
- our unhedged Floor Income is dependent on the future interest rate environment and therefore is variable;
- a reduction in our credit ratings;
- adverse market conditions or an inability to effectively manage our liquidity risk could negatively impact us;
- the interest rate characteristics of our assets do not always match those of our funding arrangements;
- our use of derivatives exposes us to credit and market risk;
- our ability to continually and effectively align our cost structure with our business operations;
- a failure of our operating systems, infrastructure or information technology systems;
- failure by any third party providing us material services or products or a breach or violation of law by one of these third parties;
- changes to applicable laws, rules, regulations and government policies and expanded regulatory and governmental oversight;
- our work with government clients exposes us to additional risks inherent in the government contracting environment;
- shareholder activism;
- shareholders’ percentage ownership in Navient may be diluted in the future;
- reputational risk and social factors;
- obligations owed to parties under various transaction agreements that were executed as part of the spin-off of Navient from SLM Corporation (the Spin-Off); and
- acquisitions or strategic investments that we pursue.

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

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

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

AVAILABLE INFORMATION

Our website address is *www.navient.com*. Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act), are filed with the Securities and Exchange Commission (SEC). We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements and other information with the SEC. Copies of these reports, as well as any amendments to these reports, are available free of charge through our website at *www.navient.com/investors*, as soon as reasonably practicable after they are electronically filed with, or furnished to, the SEC.

In addition, copies of our Board Governance Guidelines, Code of Business Conduct (which includes the code of ethics applicable to our Principal Executive Officer, Principal Financial Officer and Principal Accounting Officer) and the governing charters for each committee of our Board of Directors are available free of charge on our website at navient.com/investors/corporate-governance, as well as in print to any shareholder upon request. We intend to disclose any amendments to or waivers from our Code of Business Conduct (to the extent applicable to our Principal Executive Officer or Principal Financial Officer) by posting such information on our website.

Information contained or referenced on the foregoing websites is not incorporated by reference into and does not form a part of this Annual Report on Form 10-K. Further, the Company's references to the URLs for these websites are intended to be inactive textual references only.

USE OF NON-GAAP FINANCIAL MEASURES

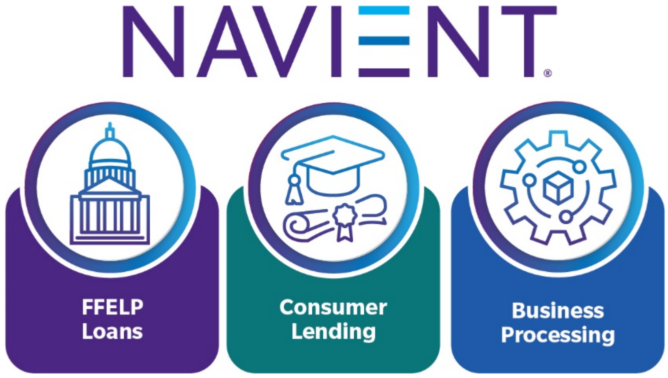
We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings, which is a non-GAAP financial measure.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

In addition to Core Earnings, we present the following non-GAAP financial measures: Adjusted Core Earnings, Tangible Equity, Adjusted Tangible Equity Ratio, Pro forma Adjusted Tangible Equity Ratio, and Earnings before Interest, Taxes, Depreciation and Amortization Expense (EBITDA) (for the Business Processing segment). See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures" for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

Overview and Fundamentals of Our Business

Navient is a leading provider of education loan management and business processing solutions for education, healthcare, and government clients at the federal, state, and local levels. We help our clients and millions of Americans achieve success through technology-enabled financing, services and support.

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



- **Federal Education Loans**

  We own a portfolio of $52.6 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. We service and provide asset recovery services on this portfolio and for third parties, deploying data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

- **Consumer Lending**

  We own, service and originate Private Education Loans that enable people to pursue higher education and improve their economic opportunities. Our $20.2 billion private loan portfolio demonstrates high customer success rates. We help people simplify their finances through student loan refinancing, and we help families finance their higher education through transparent, affordable Private Education Loans. In 2021, we originated $6.0 billion in Private Education Loans.

- **Business Processing**

  We provide business processing solutions for more than 600 public sector and healthcare organizations, and their tens of millions of clients, patients, and constituents. Our suite of solutions and customer experience expertise enable our clients to focus on their missions, optimize their cash flow and deliver essential services, while helping those they serve successfully navigate complex programs, transactions and decisions. For each client, we customize a blend of technologies to deliver personalized, omnichannel communication experiences; machine learning automation; root-cause business analytics; secure cloud computing; and intelligent customer relationship platforms.

Superior Operational Performance with a Strong Commitment to Customer Service and Compliance

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

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

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

  Using technology enabled solutions, we have rapidly staffed, trained, and activated several call centers with thousands of remote staff for clients needing urgent support, such as during the COVID-19 pandemic.

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

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

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

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

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

  - **Financial literacy:** We offer free resources, including videos, articles and online tools, to help customers and the general public build knowledge on personal finance topics. In 2021, we acquired Going Merry, a free online service enabling students to match to and apply for scholarships, institutional aid and government grants.

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

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

  We leverage leading-edge technology, data-driven insights, scale, and exemplary customer service to maximize our value for our clients and outperform the competition.

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

Navient is committed to a sustainable future. Our work is largely services based; as a result, our day-to-day operations require relatively small amounts of natural resource and energy inputs. We focus on reducing the total amount of CO_2 and CO_2 equivalents through various initiatives, including technology that minimizes energy usage in our office buildings and the widespread adoption of “paperless” digital customer communications. Navient prioritizes adding or updating insulation and other power-saving features to our buildings to further reduce our carbon emissions. We consider our energy efficiency in our growth and real estate decisions.

Strong Financial Performance Resulting in a Strong Capital Return

Our 2021 results continue to build upon our previous year’s results demonstrating the strength of our business model and our ability to deliver predictable and meaningful cash flow and earnings in all types of economic environments. Adjusted Core Earnings(1) per share grew 31% compared to the prior year.

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

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

On December 10, 2021, our Board approved a share repurchase program authorizing the purchase of up to $1 billion of the company’s outstanding common stock. At December 31, 2021, $1 billion remained in share repurchase authorization.

To inform our capital allocation decisions, we use the Adjusted Tangible Equity Ratio(1) in addition to other metrics. Our Adjusted Tangible Equity Ratio(1) was 5.9% as of December 31, 2021.

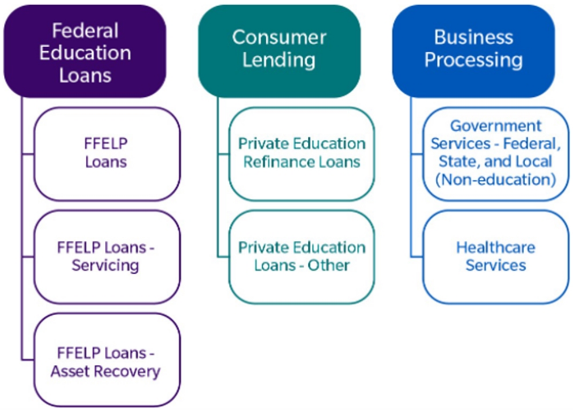
(Dollars and shares in millions)	2020	2021
Shares repurchased	30.6	34.4
Reduction in shares outstanding	14%	17%
Total repurchases in dollars	$ 400	$ 600
Dividends paid	$ 123	$ 107
Total Capital Returned(2)	$ 523	$ 707
Adjusted Tangible Equity Ratio(1)	5.0%	5.9%

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

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

How We Organize Our Business

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



Federal Education Loans Segment

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

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

Navient's portfolio of FFELP Loans as of December 31, 2021 was $52.6 billion. We expect this portfolio to have an amortization period in excess of 15 years, with a 7-year remaining weighted average life. The segment net interest margin was 0.99% in 2021. Navient's goal is to support customers to successfully pay off their loans while optimizing cash flows generated by our FFELP Loan portfolio. As a result of the long-term funding strategy used for our FFELP Loan portfolio and the guarantees provided on these loans, the portfolio generates consistent and predictable cash flows. As of December 31, 2021, approximately 95% of the FFELP Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

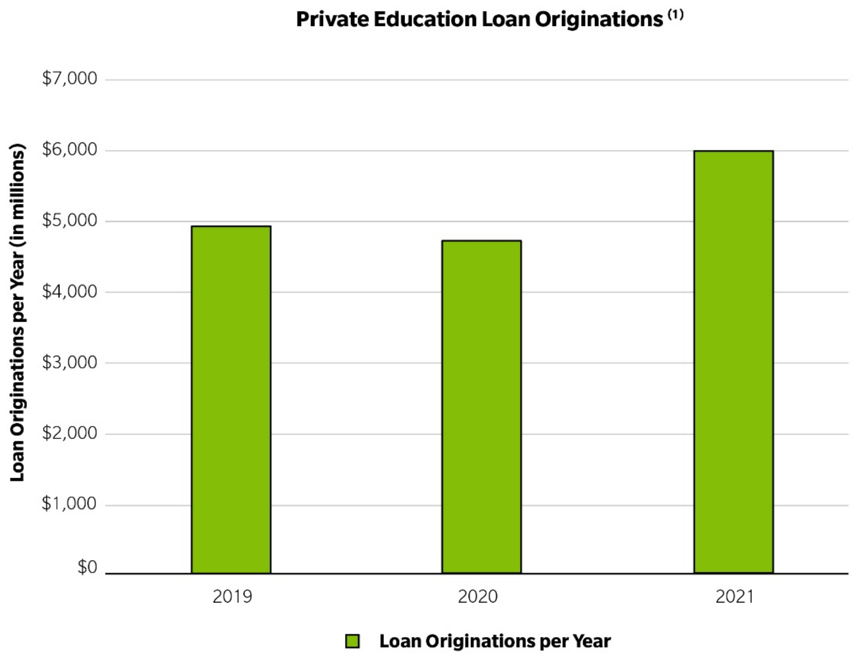
FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guaranty agreements generally cover at least 97% of a FFELP Loan's principal and accrued interest for loans that default. Legislation enacted in 2010 discontinued the FFELP program as of July 1, 2010, while keeping terms and conditions of previous education loans made under the program intact. As a result of the FFELP program being discontinued, this segment is expected to wind down over time.

In October 2021, Navient transferred its servicing contract for U.S. Department of Education (ED) owned student loan accounts to a third party, via a contract novation. Prior to the transfer, this contract had accounted for approximately 6% of Navient's annual revenue.

Consumer Lending Segment

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

Through our Earnest and NaviRefi brands, our refinancing loan products enable college graduates and professionals to refinance their student loans at lower interest rates with consumer-friendly terms. At December 31, 2021, Navient held $9.8 billion of Private Education Refinance Loans, with 2021 originations of $5.8 billion, a 28% increase from $4.6 billion in 2020. Our Earnest in-school Private Education Loan product offers consumer-friendly features to college students and their cosigners who need additional funding to pursue higher education. We also offer a parent loan, for parents, guardians, or sponsors to help cover the cost of a child's education.



(1) Total Private Education Loan originations include in-school and refinance loans.

(Dollars in millions)	2019	2020	2021
Loan originations	$ 4,903	$ 4,635	$ 6,023

Navient's total portfolio of Private Education Loans as of December 31, 2021 was $20.2 billion. We expect the portfolio to have an amortization period in excess of 15 years, with a 4-year remaining weighted average life. The segment net interest margin was 2.92% in 2021. Our goal is to support our customers to successfully pay off their loans, while optimizing the cash flows generated by our Private Education Loan portfolio.

We carefully manage the credit risk of our portfolio through rigorous underwriting, high-quality servicing and risk mitigation practices, and appropriate use of forbearance and loan modification programs. As of December 31, 2021, approximately 70% of the Private Education Loans held by Navient were funded to term with non-recourse, long-term securitization debt.

Business Processing Segment

In this segment, Navient performs business processing services for over 600 government and healthcare clients.

- **Government services**: We provide state governments, agencies, court systems, municipalities, and parking and tolling authorities with leveraging our scale, integrated technology solutions, decades of differentiated customer experience expertise and evidence-based approach. Our support enables our clients to better serve their constituents, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities.

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

We see meaningful growth opportunities as we leverage integrated technology solutions, superior data-driven strategies, omnichannel customer service expertise, operating efficiency, and regulatory compliance and risk management infrastructure to extend our business processing services into new markets. For example, in 2021 we supported states in providing unemployment benefits and contact tracing and vaccine coordination services in connection with the COVID-19 pandemic. Navient generated EBITDA[1] of $136 million in 2021, up $79 million, or 139%, from 2020.

Other Segment

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

Human Capital

Employing a talented team is central to the success of Navient's many business lines, and our attractive value proposition for prospective and current employees includes a strong and positive cultural framework, comprehensive benefits and competitive compensation, and a commitment to diversity and fair and equitable treatment. We succeed in delivering business results by attracting, retaining, motivating and developing a skilled and energized workforce.

Core Values and Code of Conduct. Our employees work to enhance the financial success of our customers by delivering innovative solutions and insights with compassion and personalized service. Our employees are guided by our core values:

- *We strive to be the best.* By relentlessly pursuing the right solutions, we deliver on our promises to each other and those we serve.
- *We're stronger together.* We succeed because we're inclusive and authentic, and we know good ideas can come from anywhere and anyone.
- *We earn the trust of our customers and colleagues.* We hold each other accountable and act with integrity.
- *We innovate always and everywhere.* We empower each other to think differently, develop ourselves and grow our Company.

At Navient, we understand that our reputation begins and ends with our individual and collective integrity, and our adherence to high ethical standards. Our unwavering approach to conducting business with integrity is clearly communicated through our Code of Business Conduct, which provides clear principles and sets high expectations for all Navient employees, officers and directors.

Community Engagement. Our team also supports the communities where we live and work. The Navient Community Fund supports organizations that work to address the root causes that limit financial success for all Americans. Navient has partnered with BGCA to provide career and college planning resources to youth, including those from under-resourced communities. Through this partnership, we have helped develop digital tools and curriculum to help youth learn about college and financial aid and explore careers relevant to their unique interests. Navient employees also volunteer at BGCA clubs in the communities where we live and work, including hosting college fairs, speaking at career days, painting club buildings and organizing back-to-school supply drives. Navient offers paid time off per month to empower our employees to volunteer for a Navient-supported nonprofit organization in their community. Through employee-led fundraising efforts, Team Navient gives back to our local communities by supporting a variety of local nonprofit organizations serving thousands of families each year.

Compensation, Wellness and Benefits. Navient offers competitive, sound and equitable pay that is designed to attract, retain and motivate highly qualified employees. This ensures that the total compensation paid to our employees is appropriate in a market context and provides a mix of fixed and variable elements that appropriately balance risk while rewarding performance aligned with the Company's long-term goals. The Company maintains a comprehensive governance program to administer incentive compensation programs which reward staff and management for the achievement of business results, customer satisfaction, and compliance with regulatory requirements. Navient provides a comprehensive and competitive benefits package to assist the needs of employees and their families. In support of overall wellbeing, we take a holistic approach, providing our employees with resources to assist in managing their physical, emotional and financial health, such as medical plan choices; a 401(k) savings plan with a 5% company match; an employee stock purchase program; generous paid time off and holiday schedule; life and disability insurance; adoption assistance; tuition reimbursement; and numerous health support and wellness programs.

Ensuring the health and safety of our employees is a top priority at Navient. In response to the COVID-19 pandemic, we have taken critical actions to support our employees. See "Management's Discussion and Analysis of Financial Conditions and Results of Operations – Navient's Response to COVID-19" for more information on the actions Navient has taken to protect the health and safety of our employees during the COVID-19 pandemic.

Employee Engagement and Development. We combine competitive pay and benefits with positive engagement, career development and succession planning to keep and build a strong team.

- Maintaining strong employee engagement is a priority for Navient, and we routinely conduct engagement surveys via an independent firm enabling us to better understand employee morale, satisfaction, and engagement at Navient. We complete a rigorous review of results for each business unit and division, use action planning teams to analyze and interpret results, and address areas of opportunity to improve engagement and retention.
- We offer opportunities for employees to participate in both internal and external programs to support their growth and development. An example is the Leadership Development Program for high-performing front-line and mid-level leaders who demonstrate effective leadership practices and are ready for further development. Navient has been recognized as a Training Top 100 award-winning organization – the premier learning industry awards program recognizing the most successful learning and development programs in the world.
- We conduct succession planning and preparation annually to assess Navient's bench strength and readiness to backfill for all leadership positions in the top three levels at the Company. Development plans guide team members in becoming ever more ready for their next career advancement.

Inclusion, Diversity and Equity. With a commitment to inclusion, diversity and equity, Navient maintains a workplace where employees are welcomed and respected for who they are as individuals. Through our inclusion, diversity and equity strategy, Navient employees lead and participate in initiatives such as our Inclusion, Diversity & Equity Council and inclusion and diversity awareness campaigns. Our voluntary, staff-led employee resource groups enable individuals to join together in the workplace based on their common interests, shared life experiences, backgrounds, and demographic factors such as gender, race and ethnicity. To attract a diverse population of potential employees Navient markets all open positions through over 100 diversity job boards, extensive national, state, and community-based alliances, and job banks in all 50 states and U.S. territories.

Navient is a member of Employers for Pay Equity; has been recognized by the Human Rights Campaign via its Corporate Equality Index; is a member of the Veterans Jobs Mission; and has been recognized as a Military Friendly Employer and Military Friendly Spouse Employer. We are committed to ensuring each of our employees feels welcomed, valued, and included, and can bring their whole selves to work so they can contribute in a meaningful way. We know that being deliberately inclusive creates a diverse, highly engaged workforce that drives positive Company performance. We fuel innovation and growth by providing opportunities for employees with diverse perspectives to come together and work toward new solutions to enhance the financial success of our customers, and we provide compassionate, personalized service with a workforce that reflects and understands our diverse customer base.

Team Size. As of December 31, 2021, we had approximately 4,330 regular employees and approximately 1,865 temporary employees. Nearly all of our temporary employees were hired to support the expanding needs of clients in providing critical COVID-19 services to their constituents. None of our employees are covered by collective bargaining agreements.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K. This discussion and analysis also contains forward-looking statements and should be read in conjunction with the disclosures and information contained in "Forward-Looking and Cautionary Statements" and "Risk Factors" in this Annual Report on Form 10-K.

The objective of this discussion and analysis is to allow investors to view the company from management's perspective. Accordingly, we provide the reader with 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. The discussion that follows is primarily focused on 2021 versus 2020 results. Discussion and analysis of 2020 results compared to 2019 is included in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the year ended December 31, 2020 as filed with the SEC on February 26, 2021.

Selected Historical Financial Information and Ratios

	Years Ended December 31,		
(In millions, except per share data)	**2021**	**2020**	**2019**
GAAP Basis			
Net income[1]	$ 717	$ 412	$ 597
Diluted earnings per common share	$ 4.18	$ 2.12	$ 2.56
Weighted average shares used to compute diluted earnings per share	172	195	233
Return on assets	.88%	.47%	.63%
Dividends per common share	$ .64	$ .64	$ .64
Return on common stockholders' equity	27%	17%	18%
Dividend payout ratio	15%	30%	25%
Average equity/average assets	3.20%	2.60%	3.39%
Total assets	$ 80,605	$ 87,412	$ 94,903
Total borrowings	$ 76,978	$ 83,945	$ 90,198
Total Navient Corporation stockholders' equity	$ 2,597	$ 2,433	$ 3,336
Book value per common share	$ 16.89	$ 13.06	$ 15.49
Core Earnings Basis[2]			
Net income[1][2]	$ 551	$ 631	$ 607
Diluted earnings per common share[2]	$ 3.21	$ 3.24	$ 2.60
Adjusted diluted earnings per common share[2]	$ 4.45	$ 3.40	$ 2.64
Weighted average shares used to compute diluted earnings per share	172	195	233
Net interest margin, Federal Education Loans segment	.99%	.99%	.83%
Net interest margin, Consumer Lending segment	2.92%	3.20%	3.30%
Return on assets	.68%	.71%	.64%
Education Loan Portfolios			
Ending FFELP Loans, net	$ 52,641	$ 58,284	$ 64,575
Ending Private Education Loans, net	20,171	21,079	22,245
Ending total education loans, net	$ 72,812	$ 79,363	$ 86,820
Average FFELP Loans	$ 56,018	$ 61,522	$ 68,271
Average Private Education Loans	21,225	22,720	22,512
Average total education loans	$ 77,243	$ 84,242	$ 90,783

(1) Regulatory expenses (which are excluded from Adjusted Core Earnings[2] expenses) for 2021 include $170 million, on an after-tax basis, related to the resolution of previously disclosed State Attorneys General litigation and investigations. See "Results of Operations – GAAP Comparison of 2021 Results with 2020" for further details. This expense equals $0.99 per share for 2021.

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

The Year in Review

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

2021 GAAP net income was $717 million(1) ($4.18 diluted earnings per share), compared with $412 million ($2.12 diluted earnings per share) in the prior year. See "Results of Operations – Comparison of 2021 Results with 2020" for a discussion of the primary contributors to the change in GAAP earnings between periods.

2021 Core Earnings(2) net income was $551 million(1) ($3.21 diluted Core Earnings per share), compared with $631 million ($3.24 diluted Core Earnings per share) for 2020. Full-year 2021 and 2020 adjusted Core Earnings(2) diluted earnings per share were $4.45 and $3.40 respectively. See "Segment Results" for a discussion of the primary contributors to the change in Core Earnings between periods.

2021 was a year where we exceeded all of our original financial targets, demonstrated the value of our education loan portfolio, leveraged our technology and infrastructure to grow our business processing segment, increased returns to shareholders, strengthened capital and took significant steps to simplify and de-risk the business. Financial highlights of 2021 versus 2020 include:

Federal Education Loans segment:

- Net income decreased $83 million, or 15%, from $537 million to $454 million;
- FFELP Loan delinquency rate increased from 9.2% to 10.6% and is below pre-pandemic levels;
- Transferred the servicing contract for ED owned student loan accounts to a third party in October 2021;

Consumer Lending segment:

- Net income increased $132 million, or 37%, from $360 million to $492 million;
- Originated $6.0 billion of Private Education Loans, a 30% increase over the prior year;
- Private Education Loan delinquency rate increased from 2.6% to 3.2% and is below pre-pandemic levels;

Business Processing segment:

- EBITDA(2) increased $79 million, or 139%, from $57 million to $136 million;
- Revenue increased $184 million, or 61%, to $488 million;

Capital, funding and liquidity:

- Adjusted tangible equity ratio(2) increased to 5.9% from 5.0%;
- Repurchased $600 million of common shares. Authorized $1 billion in a new multi-year share repurchase program in December, all of which remains outstanding;
- Paid $107 million in common stock dividends;
- Issued $9.5 billion in term ABS and $1.3 billion in unsecured debt;
- Repurchased $2.6 billion of unsecured debt, resulting in a pre-tax loss of $73 million ($0.33 per share), compared with $768 million repurchased at a $6 million loss ($0.02 per share) in the year-ago period; and

Expenses:

- Adjusted Core Earnings expenses(2) increased $43 million to $974 million. This increase was primarily a result of a $106 million increase in expenses in the Business Processing segment related to the increase in revenue discussed above.

(1) Regulatory expenses (which are excluded from Adjusted Core Earnings(2) expenses) for 2021 include $170 million, on an after-tax basis, related to the resolution of previously disclosed State Attorneys General litigation and investigations. See "Results of Operations – GAAP Comparison of 2021 Results with 2020" for further details. This expense equals $0.99 per share for 2021.

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

Navient’s Response to COVID-19

Since its emergence in early 2020, the COVID-19 pandemic has been dynamic and unpredictable. Variants continue to emerge while efforts to mitigate and contain the impact of the pandemic continue to evolve. In response to the COVID-19 pandemic, we have prioritized the safety of our employees and business partners, while continually striving to support the needs of our customers and communities during this unprecedented period. During 2021, the COVID-19 pandemic continued to affect our business operations, as set forth below.

Our Team Members

Since the onset of the pandemic, we have taken decisive action to protect the health and safety of our employees. We expanded our work-from-home capabilities and implemented best practices in our facilities with regard to safety and hygiene to protect those who were unable to work remotely. We were able to quickly and successfully enable 90% of our team to work from home. As of December 31, 2021, approximately 85% of our team remains on work-from-home status. To facilitate the work-from-home experience, we have implemented various digital platforms and virtual collaboration tools to maintain productivity and to remain in contact with one another and our business partners. As a result of these steps, the pandemic has not adversely affected our ability to maintain our operations or service our customers and borrowers. While we had anticipated that some of our team members would begin returning to the office in the second half of 2021, the Delta and Omicron variants of the virus caused us to delay their return for the immediate future. Once we begin the return-to-office process, we anticipate that many of our team members may continue to work remotely or utilize a hybrid work model. The return-to-office is likely to take place in stages and we anticipate that the environment may require a continuation of various safety protocols.

Customers and Education Loan Performance

Our FFELP and Private Education Loan portfolios have been impacted and may continue to be impacted by the pandemic. To date, we have offered COVID-19 relief options such as the use of forbearance to those borrowers. Private Education Loans in forbearance decreased to $535 million or 2.6% of the portfolio at December 31, 2021, after peaking at $3.4 billion or 14.7% during the second quarter of 2020. Despite the COVID-19 crisis, we have seen most borrowers continue to make payments according to their payment plans. As a result, the delinquency and forbearance rates on the Private Education portfolio as of December 31, 2021, are below pre-pandemic levels as of December 31, 2019. Our Private Education Loan charge-offs declined 49% to $184 million for the full year of 2020 compared with $364 million in full year 2019. This decline was largely due to the strength of the economy heading into March 2020 and the COVID-19 forbearance granted to borrowers. We see this continued decline with charge-offs of $153 million in 2021. Our allowance for loan losses covers our expectation that defaults will begin to increase in 2022 given the default timing impact related to the use of forbearance and the end of various payment relief and stimulus benefit programs recently, and in the near future. Our total reserves were $1.6 billion (excluding the expected future recoveries on charged-off loans) at December 31, 2021, which represent reserves equal to 6.3% of our Private Education Loans and 0.5% of our FFELP Loan portfolio.

The pandemic initially required us to reduce our marketing efforts and tighten credit related to our Private Education Loan origination business until we had greater visibility into the uncertainty and volatility in the capital markets and the overall economic outlook. This resulted in second-quarter 2020 originations of $238 million. With improved visibility in both credit and funding costs, we restarted marketing efforts in the third quarter of 2020 and increased third-quarter and fourth-quarter originations to $1.3 billion and $1.1 billion, respectively. Total originations increased 30% from 2020 to 2021 with $6.0 billion, $4.6 billion and $4.9 billion of originations in 2021, 2020 and 2019, respectively.

Clients and Business Processing Segment Performance

Our Business Processing Segment (BPS) has experienced record revenue and profitability during the pandemic. EBITDA(1) for this segment increased from $57 million a year ago to $136 million in 2021. This rapid increase in revenue has been largely the result of our ability to transition our technology-enabled solutions and team members to support state clients working to help residents access various benefits implemented in connection with the CARES Act. BPS has also provided contact tracing and vaccine administration services to numerous state and local governments during the pandemic. The revenue derived from these new service offerings has greatly exceeded the negative revenue impact BPS experienced as a result of COVID-19 on the traditional services provided. While the revenue from these new business opportunities has declined as the impact of the pandemic abates, we also expect new opportunities for this segment as a result of services provided to these clients during the pandemic.

Liquidity, Financings and Capital

The impact of the pandemic on the capital markets was significant during the early part of the pandemic, decreasing the number of transactions brought to market and increasing the pricing of those that were successfully marketed. However, in the second half of 2020 the capital markets began to improve with ready access to the markets, albeit at a higher cost than pre-COVID-19 levels. In 2021, we issued $1.3 billion of unsecured debt and $9.5 billion of ABS below pre-COVID-19 cost of funds levels. Throughout the pandemic we have maintained a strong liquidity position. As of December 31, 2021, we had $1.4 billion of primary sources of liquidity, $905 million of which was cash. We also had, as of December 31, 2021, additional capacity in our funding facilities of $2.2 billion for Private Education Loans and $546 million for FFELP Loans. In addition, cash flow from our loan portfolio and services contracts remains strong as our very seasoned loan portfolio experiences lower levels of stress.

We ended 2021 with an Adjusted Tangible Equity Ratio(1) of 5.9% compared to 5.0% as of December 31,2020. In 2020, our GAAP equity was reduced due to the implementation of CECL on January 1, 2020 as well as a result of the net mark-to-market losses related to derivative accounting as a result of the significant decrease in interest rates. These mark-to-market losses recognized under GAAP cumulatively totaled $616 million (after tax) as of December 31, 2020 and $299 million (after tax) as of December 31, 2021. These losses will reverse over time as these derivatives mature.

Other Matters

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

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

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

Results of Operations

GAAP Income Statements

(Dollars in millions, except per share amounts)	Years Ended December 31, 2021	2020	2019	Increase (Decrease) 2021 vs. 2020 $	2021 vs. 2020 %	2020 vs. 2019 $	2020 vs. 2019 %
Interest income							
FFELP Loans	$ 1,464	$ 1,837	$ 2,847	$ (373)	(20)%	$ (1,010)	(35)%
Private Education Loans	1,181	1,445	1,731	(264)	(18)	(286)	(17)
Other loans	—	—	2	—	—	(2)	(100)
Cash and investments	3	16	93	(13)	(81)	(77)	(83)
Total interest income	2,648	3,298	4,673	(650)	(20)	(1,375)	(29)
Total interest expense	1,316	2,046	3,488	(730)	(36)	(1,442)	(41)
Net interest income	1,332	1,252	1,185	80	6	67	6
Less: provisions for loan losses	(61)	155	258	(216)	(139)	(103)	(40)
Net interest income after provisions for loan losses	1,393	1,097	927	296	27	170	18
Other income (loss):							
Servicing revenue	168	214	240	(46)	(21)	(26)	(11)
Asset recovery and business processing revenue	539	458	488	81	18	(30)	(6)
Other income	30	20	45	10	50	(25)	(56)
Gains on sales of loans	78	—	16	78	100	(16)	(100)
Gains (losses) on debt repurchases	(73)	(6)	45	(67)	1,117	(51)	(113)
Gains (losses) on derivative and hedging activities, net	64	(256)	22	320	125	(278)	(1,264)
Total other income	806	430	856	376	87	(426)	(50)
Expenses:							
Operating expenses	1,207	964	984	243	25	(20)	(2)
Goodwill and acquired intangible assets impairment and amortization expense	30	22	30	8	36	(8)	(27)
Restructuring/other reorganization expenses	26	9	6	17	189	3	50
Total expenses	1,263	995	1,020	268	27	(25)	(2)
Income before income tax expense	936	532	763	404	76	(231)	(30)
Income tax expense	219	120	166	99	83	(46)	(28)
Net income	$ 717	$ 412	$ 597	$ 305	74%	$ (185)	(31)%
Basic earnings per common share	$ 4.23	$ 2.14	$ 2.59	$ 2.09	98%	$ (.45)	(17)%
Diluted earnings per common share	$ 4.18	$ 2.12	$ 2.56	$ 2.06	97%	$ (.44)	(17)%
Dividends per common share	$ .64	$ .64	$ .64	$ —	—%	$ —	—%

GAAP Comparison of 2021 Results with 2020

For the year ended December 31, 2021, net income was $717 million, or $4.18 diluted earnings per common share, compared with net income of $412 million, or $2.12 diluted earnings per common share, for the year-ago period.

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

- Net interest income increased by $80 million, primarily as a result of a $105 million increase in mark-to-market gains on fair value hedges recorded in interest expense. Also contributing to the increase is the growth in the Private Education Refinance Loan portfolio. Partially offsetting this increase is the continued natural paydown of the FFELP and non-refinance Private Education Loan portfolios, as well as the $1.6 billion of Private Education Loans sales in first-quarter 2021.
- Provisions for loan losses decreased $216 million from $155 million to $(61) million:
    - The provision for FFELP loan losses decreased $13 million to $0.
    - The provision for Private Education Loan losses decreased $203 million from $142 million to $(61) million.

  The negative provision for 2021 of $(61) million was comprised of $64 million in connection with loan originations less the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans, as well as $18 million related to a decrease in expected losses for the overall portfolio. There has been an improvement in the current and forecasted economic conditions since December 31,2020, but such improvement has not mitigated the uncertainty related to the potential negative impact on the portfolio from the end of various payment relief and stimulus benefits recently and in the future. The provision in the year-ago period primarily related to an increase in expected losses due to COVID-19's negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020.
- Servicing revenue decreased $46 million primarily related to the transfer of the servicing contract for 5.6 million ED owned student loan accounts from Navient to a third party on October 6, 2021. As a result, Navient no longer is a party to the ED servicing contract. To aid in the transition, Navient will provide certain services into 2022 to the third party through a transition services agreement (see discussion below related to "Other income"). As part of the transaction, approximately 700 Navient employees were transferred to the third party. This transaction provided a seamless transition for millions of borrowers ensuring the ongoing servicing capacity for the Department of ED through the knowledge transfer and ongoing employment of 700 employees. Additional benefits to Navient of this transaction are the simplification of our business, reducing our overall risk profile and avoiding significant severance expense.
- Asset recovery and business processing revenue increased $81 million primarily as a result of a $184 million increase in revenue earned in our Business Processing segment, primarily due to contracts to support states in providing pandemic relief services, as well as revenue from our traditional Business Processing segment services we perform for our government and healthcare services clients. These increases were partially offset by the impact of COVID-19 on certain collection activities and the planned wind-down of the ED asset recovery contract in the Federal Education Loan segment.
- Other income increased $10 million primarily related to the transition services being performed in connection with the transfer of the ED servicing contract to a third party discussed above.
- Gains on sales of loans increased $78 million in connection with the sale of approximately $1.6 billion of Private Education Loans in 2021. There were no such sales in the year-ago period. The sale of Private Education Loans was comprised as follows:
    - Approximately $590 million of non-Refinance Loans, resulting in a $48 million gain on sale (of which $560 million were sold in the first quarter and $30 million were sold in the second quarter); and
    - Approximately $1.03 billion of Refinance Loans, resulting in a $30 million gain on sale. In addition, there was a $13 million gain related to derivatives that were used to hedge this transaction that did not qualify for hedge accounting. As a result, this gain related to the derivatives was included as a part of "gains (losses) on derivative and hedging activities, net" on the income statement.
- Losses on debt repurchases increased $67 million. We repurchased $2.6 billion of debt at a $73 million loss in the current period compared to $768 million repurchased at a $6 million loss in the year-ago period. As a part of our asset liability management, we regularly repurchase debt to optimize the funding of our portfolio of educations loans to better match asset and liability maturities and reduce our interest costs.
- Net gains on derivative and hedging activities increased $320 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of derivative instruments including Floor Income Contracts, basis swaps and foreign currency hedges during each period. Valuations of derivative instruments fluctuate based upon many factors including changes in

interest rates, credit risk, foreign currency fluctuations and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods. In particular, the net loss in 2020 was primarily related to the significant reduction in interest rates and resulting impact on the mark-to-market of the derivatives used to economically hedge FFELP Loan Floor Income that do not qualify for hedge accounting. In 2021, interest rates have increased which has resulted in mark-to-market gains on these instruments.

- Excluding net regulatory-related expenses of $233 million and $33 million in 2021 and 2020, respectively, operating expenses were $974 million and $931 million in 2021 and 2020, respectively. This $43 million increase was primarily a result of a $106 million increase in expenses in the Business Processing segment in connection with the increase in segment revenue, with an offsetting $64 million decrease in expenses primarily in the Federal Education Loans segment as a result of the decrease of Federal Education Loan asset recovery revenue discussed above.

  Included in current period regulatory expenses is $205 million related to the settlements with State Attorneys General, which were entered into on January 13, 2022, to resolve all matters in dispute related to certain previously disclosed Attorneys General litigation and investigations. In fourth-quarter 2021, when such loss became probable, the Company recognized this contingent liability. The $205 million expense is comprised of approximately $155 million of cash payments and $50 million in connection with forgiving certain loans and the related amount of the expected future recoveries of these charged-off loans carried on the balance sheet. Prior to the fourth quarter, this contingent liability was neither probable nor reasonably estimable and, as a result, no contingent liability had been previously established. See "Note 12 – Commitments, Contingencies and Guarantees" for further discussion.

- Goodwill and acquired intangible asset impairment and amortization expense increased $8 million primarily related to $8 million of goodwill that was written off in connection with the transfer of the ED servicing contract discussed above.
- During 2021 and 2020, the Company incurred $26 million and $9 million, respectively of restructuring/other reorganization expenses in connection with an effort to reduce costs and improve operating efficiency. These charges were primarily due to facility lease terminations, severance-related costs and the impairment of a facility held for sale. The increase from the year-ago period is primarily related to the impairment of a facility held for sale.

We repurchased 34.4 million and 30.6 million shares of our common stock during the years ended December 31, 2021 and 2020, respectively. As a result of repurchases, our average outstanding diluted shares decreased by 23 million common shares (or 12%) from the year-ago period.

Segment Results

Federal Education Loans Segment

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019	% Increase (Decrease) 2021 vs. 2020	2020 vs. 2019
Interest income:					
FFELP Loans	$ 1,405	$ 1,813	$ 2,907	(23)%	(38)%
Other loans	—	—	1	—	(100)
Cash and investments	—	7	50	(100)	(86)
Total interest income	1,405	1,820	2,958	(23)	(38)
Total interest expense	830	1,194	2,376	(30)	(50)
Net interest income	575	626	582	(8)	8
Less: provision for loan losses	—	13	30	(100)	(57)
Net interest income after provision for loan losses	575	613	552	(6)	11
Other income (loss):					
Servicing revenue	162	208	229	(22)	(9)
Asset recovery and business processing revenue	51	154	230	(67)	(33)
Other income	25	9	28	178	(68)
Total other income	238	371	487	(36)	(24)
Direct operating expenses	223	287	359	(22)	(20)
Income before income tax expense	590	697	680	(15)	3
Income tax expense	136	160	155	(15)	3
Core Earnings	$ 454	$ 537	$ 525	(15)%	2%

Highlights of 2021 vs. 2020

- Core Earnings were $454 million compared to $537 million.
- Net interest income decreased $51 million, primarily due to a less favorable interest environment as a result of an increase in interest rates, as well as the natural paydown of the portfolio.
- Provision for loan losses decreased $13 million.
    - Charge-offs were $26 million compared with $49 million.
    - Delinquencies greater than 30 days were $4.7 billion compared with $4.4 billion.
    - Forbearances were $6.3 billion, down $1.4 billion from $7.7 billion.
- Other revenue decreased $133 million which was primarily a result of the impact of COVID-19 on certain collection activities, the planned winddown of the ED asset recovery contract, as well as the transfer of the ED servicing contract to a third party in October 2021.
- Expenses were $64 million lower primarily as a result of the decrease in other revenue discussed above.

Key performance metrics are as follows:

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Segment net interest margin	.99%	.99%	.83%
FFELP Loans:			
FFELP Loan spread	1.06%	1.06%	.89%
Provision for loan losses	$ —	$ 13	$ 30
Charge-offs	$ 26	$ 49	$ 42
Charge-off rate	.06%	.10%	.07%
Greater than 30-days delinquency rate	10.6%	9.2%	11.7%
Greater than 90-days delinquency rate	4.8%	4.6%	5.8%
Forbearance rate	12.4%	13.8%	12.2%
Average FFELP Loans	$ 56,018	$ 61,522	$ 68,271
Ending FFELP Loans, net	$ 52,641	$ 58,284	$ 64,575
(Dollars in billions)			
Number of accounts serviced for ED (in millions)(1)	—	5.6	5.6
Total federal loans serviced(1)	$ 61	$ 284	$ 287
Contingent collections receivables inventory	$ 11.7	$ 10.2	$ 19.0

(1) Closed on the novation and transfer of our ED servicing contract to a third party in October 2021. As of year-end 2021, we serviced $61 billion in FFELP (federally guaranteed) loans.

Net Interest Margin

The following table details the net interest margin.

	Years Ended December 31, 2021	2020	2019
FFELP Loan yield	1.91%	2.30%	3.79%
Hedged Floor Income	.41	.40	.42
Unhedged Floor Income	.19	.25	.05
FFELP Loan net yield	2.51	2.95	4.26
FFELP Loan cost of funds	(1.45)	(1.89)	(3.37)
FFELP Loan spread	1.06	1.06	.89
Other interest-earning asset spread impact	(.07)	(.07)	(.06)
Net interest margin(1)	.99%	.99%	.83%

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
FFELP Loans	$ 56,018	$ 61,522	$ 68,271
Other interest-earning assets	1,816	1,847	2,297
Total FFELP Loan interest-earning assets	$ 57,834	$ 63,369	$ 70,568

As of December 31, 2021, our FFELP Loan portfolio totaled $52.6 billion, comprised of $18.2 billion of FFELP Stafford Loans and $34.4 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of December 31, 2021 was 6 years and 7 years, respectively, assuming a Constant Prepayment Rate (CPR) of 9% and 5%, respectively.

Floor Income

The following table analyzes on a Core Earnings basis the ability of the FFELP Loans in our portfolio to earn Floor Income after December 31, 2021 and 2020, based on interest rates as of those dates.

(Dollars in billions)	December 31, 2021	December 31, 2020
Education loans eligible to earn Floor Income	$ 52.4	$ 57.8
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(24.3)	(26.5)
Less: economically hedged Floor Income	(11.7)	(18.1)
Education loans eligible to earn Floor Income after rebates and economically hedged	$ 16.4	$ 13.2
Education loans earning Floor Income	$ 11.3	$ 13.0

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 January 1, 2022 to December 31, 2026.

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

Provision for Loan Losses

The provision for FFELP Loan losses was $0 in 2021, down $13 million from 2020. There has been an improvement in the current and forecasted economic conditions since the prior year, but such improvement has not mitigated the uncertainty related to the potential negative impact on the portfolio from the end of various payment relief and stimulus benefits recently and in the future. The provision in 2020 primarily related to an increase in expected losses due to COVID-19's negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020.

Servicing Revenue

Servicing revenue decreased $46 million primarily related to the transfer of the servicing contract for 5.6 million ED owned student loan accounts from Navient to a third party on October 6, 2021. As a result, Navient no longer is a party to the ED servicing contract. To aid in the transition, Navient will provide certain services into 2022 to the third party through a transition services agreement (see discussion below related to "Other income"). As part of the transaction, approximately 700 Navient employees were transferred to the third party. This transaction provided a seamless transition for millions of borrowers ensuring the ongoing servicing capacity for the Department of ED through the knowledge transfer and ongoing employment of 700 employees. Additional benefits to Navient of this transaction are the simplification of our business, reducing our overall risk profile and avoiding significant severance expense.

Third-party loan servicing fees in 2021 and 2020 included $104 million and $141 million, respectively, of servicing revenue related to the ED servicing contract.

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased $103 million primarily as a result of the impact of COVID-19 on certain collection and processing activities (temporary stoppage or other restrictions on certain activities) and the planned wind-down of the ED asset recovery contract.

Other Income

Other income increased $16 million primarily related to the transition services being performed in connection with the transfer of the ED Servicing contract to a third party as discussed above.

Operating Expenses

Operating expenses for the Federal Education Loans segment primarily include costs incurred to perform servicing and asset recovery activities on our FFELP Loan portfolio and federal education loans held by other institutions. Expenses were $64 million lower primarily as a result of the decrease in asset recovery revenue discussed above.

Consumer Lending Segment

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019	% Increase (Decrease) 2021 vs. 2020	2020 vs. 2019
Interest income:					
Private Education Loans	$ 1,181	$ 1,445	$ 1,731	(18)%	(17)%
Other Loans	—	—	1	—	(100)
Cash and investments	2	3	16	(33)	(81)
Interest income	1,183	1,448	1,748	(18)	(17)
Interest expense	541	699	980	(23)	(29)
Net interest income	642	749	768	(14)	(2)
Less: provision for loan losses	(61)	142	228	(143)	(38)
Net interest income after provision for loan losses	703	607	540	16	12
Other income (loss):					
Servicing revenue	6	6	11	—	(45)
Other income	—	—	1	—	(100)
Gains on sales of loans	91	—	16	100	(100)
Total other income	97	6	28	1,517	(79)
Direct operating expenses	162	146	156	11	(6)
Income before income tax expense	638	467	412	37	13
Income tax expense	146	107	96	36	11
Core Earnings	$ 492	$ 360	$ 316	37%	14%

Highlights of 2021 vs. 2020

- Originated $6.0 billion of Private Education Loans, an increase of 30% compared to $4.6 billion.
- Core Earnings were $492 million compared to $360 million.
- Net interest income decreased $107 million primarily due to the natural paydown of the non-refinance loan portfolio, as well as the $1.6 billion of loan sales in first-quarter 2021. Partially offsetting this decrease was the growth of the Private Education Refinance Loan portfolio.
- The negative provision for 2021 of $(61) million was comprised of $64 million in connection with loan originations less the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans, as well as $18 million related to a decrease in expected losses for the overall portfolio. There has been an improvement in the current and forecasted economic conditions since December 31,2020, but such improvement has not mitigated the uncertainty related to the potential negative impact on the portfolio from the end of various payment relief and stimulus benefits recently and in the future. The provision in the year-ago period primarily related to an increase in expected losses due to COVID-19’s negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020.
    - Excluding the $16 million and $23 million, respectively, related to the change in the portion of the loan amount charged off at default, charge-offs were $153 million compared with $184 million.
    - Private Education Loan delinquencies greater than 90 days: $297 million, up $80 million from $217 million.
    - Private Education Loan delinquencies greater than 30 days: $650 million, up $96 million from $554 million.
    - Private Education Loan forbearances: $535 million, down $309 million from $844 million.
- Gains on sales of loans increased $91 million in connection with the sale of approximately $1.6 billion of Private Education Loans in 2021. There were no such sales in the prior year.
- Expenses were $16 million higher primarily as a result of the increase in refinance and in-school loan originations.

Key performance metrics are as follows:

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Segment net interest margin	2.92%	3.20%	3.30%
Private Education Loans (including Refinance Loans):			
Private Education Loan spread	3.12%	3.40%	3.52%
Provision for loan losses	$ (61)	$ 142	$ 226
Charge-offs(1)	$ 153	$ 184	$ 364
Charge-off rate(1)	.76%	.88%	1.67%
Greater than 30-days delinquency rate	3.2%	2.6%	4.6%
Greater than 90-days delinquency rate	1.5%	1.0%	2.0%
Forbearance rate	2.6%	3.9%	2.7%
Average Private Education Loans	$ 21,225	$ 22,720	$ 22,512
Ending Private Education Loans, net	$ 20,171	$ 21,079	$ 22,245
Private Education Refinance Loans:			
Charge-offs	$ 11	$ 8	$ 3
Greater than 90-day delinquency rate	.1%	.1%	—%
Average balance of Private Education Refinance Loans	$ 8,876	$ 7,700	$ 4,669
Ending balance of Private Education Refinance Loans	$ 9,791	$ 8,202	$ 6,423
Private Education Refinance Loan originations	$ 5,811	$ 4,564	$ 4,893

(1) Excludes the $16 million, $23 million and $21 million of charge-offs in 2021, 2020 and 2019, respectively, on the expected future recoveries of charged-off loans that occurred as a result of changing the charge-off rate from 81.4% to 81.7%, 81% to 81.4% and 80.5% to 81% in 2021, 2020 and 2019, respectively.

Net Interest Margin

The following table details the net interest margin.

	Years Ended December 31, 2021	2020	2019
Private Education Loan yield	5.57%	6.36%	7.69%
Private Education Loan cost of funds	(2.45)	(2.96)	(4.17)
Private Education Loan spread	3.12	3.40	3.52
Other interest-earning asset spread impact	(.20)	(.20)	(.22)
Net interest margin(1)	2.92%	3.20%	3.30%

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Private Education Loans	$ 21,225	$ 22,720	$ 22,512
Other interest-earning assets	787	751	772
Total Private Education Loan interest-earning assets	$ 22,012	$ 23,471	$ 23,284

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

As of December 31, 2021, our Private Education Loan portfolio totaled $20.2 billion, comprised of $9.8 billion of refinance loans and $10.4 billion of non-refinance loans. The weighted-average life of this portfolio as of December 31, 2021 was 3 years and 5 years, respectively, assuming a Constant Prepayment Rate (CPR) of 20% and 9%, respectively.

Provision for Loan Losses

The provision for Private Education Loan losses decreased $203 million. The negative provision of $(61) million in 2021 was comprised of $64 million in connection with loan originations less the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans, as well as $18 million related to a decrease in expected losses for the overall portfolio. There has been an improvement in the current and forecasted economic conditions since the prior year, but such improvement has not mitigated the uncertainty related to the potential negative impact on the portfolio from the end of various payment relief and stimulus benefits recently and in the future. The provision in 2020 primarily related to an increase in expected losses due to COVID-19's negative impact on the current and forecasted economic conditions that occurred subsequent to the adoption of CECL on January 1, 2020.

Gains on Sales of Loans

The sales of Private Education Loans for 2021 were comprised of the following transactions that occurred in the first quarter:

- Approximately $590 million of non-Refinance Loans, resulting in a $48 million gain on sale (of which $560 million were sold in the first quarter and $30 million were sold in the second quarter); and
- Approximately $1.03 billion of Refinance Loans, resulting in a $43 million gain on sale.

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 $16 million higher as a result of the increase in refinance and in-school loan originations.

Business Processing Segment

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

	Years Ended December 31,			% Increase (Decrease)	
(Dollars in millions)	**2021**	**2020**	**2019**	**2021 vs. 2020**	**2020 vs. 2019**
Business processing revenue	$ 488	$ 304	$ 258	61%	18%
Direct operating expenses	360	254	215	42	18
Income before income tax expense	128	50	43	156	16
Income tax expense	29	11	10	164	10
Core Earnings	$ 99	$ 39	$ 33	154%	18%

Highlights of 2021 vs. 2020

- Core Earnings were $99 million compared to $39 million.
- Revenue increased $184 million, or 61%, primarily due to contracts to provide unemployment benefits, contact tracing and vaccine administration services, as well as revenue increases from traditional services we perform for our government and healthcare services clients.
- EBITDA(1) was $136 million, up $79 million, or 139%. The increase in EBITDA(1) is primarily the result of the revenue increase discussed above. The EBITDA(1) margin increased to 28% from 19%.

Key performance metrics are as follows:

	As of December 31,		
(Dollars in billions)	**2021**	**2020**	**2019**
Revenue from government services	$ 258	$ 191	$ 154
Revenue from healthcare services	230	113	104
Total fee revenue	$ 488	$ 304	$ 258
EBITDA(1)	$ 136	$ 57	$ 49
EBITDA margin(1)	28%	19%	19%
Contingent collections receivables inventory (in billions)	$ 9.6	$ 16.0	$ 14.9

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

Other Segment

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019	% Increase (Decrease) 2021 vs. 2020	2020 vs. 2019
Net interest loss after provision for loan losses	$ (69)	$ (114)	$ (134)	(39)%	(15)%
Other income:					
Other income	5	11	14	(55)	(21)
Gains (losses) on debt repurchases	(73)	(6)	33	1,117	(118)
Total other income	(68)	5	47	(1,460)	(89)
Expenses:					
Unallocated shared services expenses:					
Unallocated information technology costs	65	87	80	(25)	9
Unallocated corporate costs	397	190	174	109	9
Total unallocated shared services expenses	462	277	254	67	9
Restructuring/other reorganization expenses	26	9	6	189	50
Total expenses	488	286	260	71	10
Loss before income tax benefit	(625)	(395)	(347)	58	14
Income tax benefit	(131)	(90)	(80)	46	13
Core Earnings (loss)	$ (494)	$ (305)	$ (267)	62%	14%

Net Interest Loss after Provision for Loan Losses

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

Gains (Losses) on Debt Repurchases

Losses on debt repurchases increased $67 million. We repurchased $2.6 billion of debt at a $73 million loss in 2021 compared to $768 million at a $6 million loss in the prior year. As a part of our asset liability management, we regularly repurchase debt to optimize the funding of our portfolio of educations loans to better match asset and liability maturities and reduce our interest costs.

Unallocated Shared Services Expenses

Unallocated shared services expenses are comprised of costs primarily related to information technology costs related to infrastructure and operations, stock-based compensation expense, accounting, finance, legal, compliance and risk management, regulatory-related expenses, human resources, certain executive management and the board of directors. Regulatory-related expenses include actual settlement amounts as well as third-party professional fees we incur in connection with such regulatory matters and are presented net of any insurance reimbursements for covered costs related to such matters. On an adjusted basis, expenses decreased $15 million from the prior year. Adjusted expenses exclude $233 million and $33 million, respectively, of regulatory-related expenses in 2021 and 2020.

Included in current period regulatory expenses is $205 million related to the settlements with State Attorneys General, which were entered into on January 13, 2022, to resolve all matters in dispute related to certain previously disclosed Attorneys General litigation and investigations. In the fourth quarter, when such loss became probable, the Company recognized this contingent liability. The $205 million expense is comprised of approximately $155 million of cash payments and $50 million in connection with forgiving certain loans and the related amount of the expected future recoveries of these charged-off loans carried on the balance sheet. Prior to the fourth quarter, this contingent liability was neither probable nor reasonably estimable and, as a result, no contingent liability had been previously established. See “Note 12 – Commitments, Contingencies and Guarantees” for further discussion.

See “Note 12 – Commitments, Contingencies and Guarantees” for a discussion of legal and regulatory matters where it is reasonably possible that a loss contingency exists. The Company is unable to anticipate the timing of a resolution or the impact that these matters may have on the Company’s consolidated financial position, liquidity, results of operation or cash flows. As a result, it is not possible at this time to estimate a range of potential exposure, if any, for amounts that may be payable in connection with these matters and reserves have not been established. It is possible that an adverse ruling or rulings may have a material adverse impact on the Company.

Restructuring/Other Reorganization Expenses

During 2021 and 2020, the Company incurred $26 million and $9 million, respectively, of restructuring/other reorganization expenses in connection with an effort to reduce costs and improve operating efficiency. These charges were primarily due to facility lease terminations, severance-related costs and the impairment of a facility held for sale. The increase from the year-ago period is primarily related to the impairment of a facility held for sale.

Financial Condition

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

Summary of our Education Loan Portfolio

Ending Education Loan Balances, net

(Dollars in millions)	December 31, 2021 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 20	$ —	$ 20	$ 19	$ 39
Grace, repayment and other(2)	18,379	34,504	52,883	21,161	74,044
Total(3)	18,399	34,504	52,903	21,180	74,083
Allowance for loan losses(3)	(180)	(82)	(262)	(1,009)	(1,271)
Total education loan portfolio	$ 18,219	$ 34,422	$ 52,641	$ 20,171	$ 72,812
% of total FFELP	35%	65%	100%		
% of total	25%	47%	72%	28%	100%

(Dollars in millions)	December 31, 2020 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 30	$ —	$ 30	$ 14	$ 44
Grace, repayment and other(2)	19,771	38,771	58,542	22,154	80,696
Total(3)	19,801	38,771	58,572	22,168	80,740
Allowance for loan losses(3)	(194)	(94)	(288)	(1,089)	(1,377)
Total education loan portfolio	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363
% of total FFELP	34%	66%	100%		
% of total	25%	49%	74%	26%	100%

(Dollars in millions)	December 31, 2019 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school(1)	$ 41	$ —	$ 41	$ 19	$ 60
Grace, repayment and other(2)	21,387	42,666	64,053	23,303	87,356
Total, gross	21,428	42,666	64,094	23,322	87,416
Unamortized premium/(discount)	337	208	545	(617)	(72)
Receivable for partially charged-off loans	—	—	—	588	588
Allowance for loan losses	(42)	(22)	(64)	(1,048)	(1,112)
Total education loan portfolio	$ 21,723	$ 42,852	$ 64,575	$ 22,245	$ 86,820
% of total FFELP	34%	66%	100%		
% of total	25%	49%	74%	26%	100%

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

(2) Includes loans in deferment or forbearance.

(3) In connection with the adoption of CECL on January 1, 2020, (1) the $448 million premium and $356 million discount on the FFELP Loans and Private Education Loans, respectively, as of December 31, 2021 and the $497 million premium and $475 million discount on the FFELP Loans and Private Education Loans, respectively, as of December 31, 2020, are now included as part of the respective balance for this disclosure and (2) the receivable for partially charged-off loans has been reclassified from the Private Education Loan balance to the allowance for loan losses. Both of these changes are prospective in nature as prior balances are not restated under CECL.

Education Loan Activity

(Dollars in millions)	Year Ended December 31, 2021 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363
Acquisitions (originations and purchases)[1]	70	41	111	5,993	6,104
Capitalized interest and premium/discount amortization	666	762	1,428	186	1,614
Refinancings and consolidations to third parties	(906)	(1,819)	(2,725)	(529)	(3,254)
Loan sales	—	—	—	(1,613)	(1,613)
Repayments and other	(1,218)	(3,239)	(4,457)	(4,945)	(9,402)
Ending balance	$ 18,219	$ 34,422	$ 52,641	$ 20,171	$ 72,812

(Dollars in millions)	Year Ended December 31, 2020 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 21,723	$ 42,852	$ 64,575	$ 22,245	$ 86,820
Acquisitions (originations and purchases)[1]	19	18	37	4,604	4,641
Capitalized interest and premium/discount amortization	715	737	1,452	231	1,683
Refinancings and consolidations to third parties	(934)	(1,285)	(2,219)	(578)	(2,797)
Repayments and other	(1,916)	(3,645)	(5,561)	(5,423)	(10,984)
Ending balance	$ 19,607	$ 38,677	$ 58,284	$ 21,079	$ 79,363

(Dollars in millions)	Year Ended December 31, 2019 FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Beginning balance	$ 24,641	$ 47,612	$ 72,253	$ 22,245	$ 94,498
Acquisitions (originations and purchases)	210	226	436	4,975	5,411
Capitalized interest and premium/discount amortization	754	775	1,529	337	1,866
Refinancings and consolidations to third parties	(1,432)	(1,618)	(3,050)	(618)	(3,668)
Repayments and other	(2,450)	(4,143)	(6,593)	(4,694)	(11,287)
Ending balance	$ 21,723	$ 42,852	$ 64,575	$ 22,245	$ 86,820

(1) Includes the origination of $1.7 billion and $1.0 billion of Private Education Refinance Loans in 2021 and 2020, respectively, that refinanced FFELP and Private Education Loans that were on our balance sheet.

FFELP Loan Portfolio Performance

	December 31,					
	2021		2020		2019	
(Dollars in millions)	**Balance**	**%**	**Balance**	**%**	**Balance**	**%**
Loans in-school/grace/deferment[1]	$ 2,220		$ 2,791		$ 3,114	
Loans in forbearance[2]	6,292		7,725		7,442	
Loans in repayment and percentage of each status:						
Loans current	39,679	89.4%	43,623	90.8%	47,255	88.3%
Loans delinquent 31-60 days[3]	1,696	3.8	1,374	2.9	2,094	3.9
Loans delinquent 61-90 days[3]	904	2.0	836	1.7	1,082	2.0
Loans delinquent greater than 90 days[3]	2,112	4.8	2,223	4.6	3,107	5.8
Total FFELP Loans in repayment	44,391	100%	48,056	100%	53,538	100%
Total FFELP Loans, gross	52,903		58,572		64,094	
FFELP Loan unamortized premium [4]	—		—		545	
Total FFELP Loans	52,903		58,572		64,639	
FFELP Loan allowance for losses	(262)		(288)		(64)	
FFELP Loans, net	$ 52,641		$ 58,284		$ 64,575	
Percentage of FFELP Loans in repayment		83.9%		82.0%		83.5%
Delinquencies as a percentage of FFELP Loans in repayment		10.6%		9.2%		11.7%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		12.4%		13.8%		12.2%

(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 payments due to hardship or other factors such as disaster relief, including COVID-19 relief programs.

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

(4) In connection with the adoption of CECL on January 1, 2020, the $448 million and $497 million premium as of December 31, 2021 and 2020, respectively, associated with the loans is now included as part of the respective loan balance for this disclosure. This change is prospective in nature as prior balances are not restated under CECL.

Private Education Loan Portfolio Performance

	December 31,					
	2021		2020		2019	
(Dollars in millions)	**Balance**	**%**	**Balance**	**%**	**Balance**	**%**
Loans in-school/grace/deferment(1)	$ 361		$ 483		$ 629	
Loans in forbearance(2)	535		844		604	
Loans in repayment and percentage of each status:						
Loans current	19,634	96.8%	20,287	97.4%	21,083	95.4%
Loans delinquent 31-60 days(3)	222	1.1	211	1.0	349	1.6
Loans delinquent 61-90 days(3)	131	.6	126	.6	218	1.0
Loans delinquent greater than 90 days(3)	297	1.5	217	1.0	439	2.0
Total Private Education Loans in repayment	20,284	100%	20,841	100%	22,089	100%
Total Private Education Loans, gross	21,180		22,168		23,322	
Private Education Loan unamortized discount(4)	—		—		(617)	
Total Private Education Loans	21,180		22,168		22,705	
Private Education Loan receivable for partially charged-off loans (4)	—		—		588	
Private Education Loan allowance for losses	(1,009)		(1,089)		(1,048)	
Private Education Loans, net	$ 20,171		$ 21,079		$ 22,245	
Percentage of Private Education Loans in repayment		95.8%		94.0%		94.7%
Delinquencies as a percentage of Private Education Loans in repayment		3.2%		2.6%		4.6%
Loans in forbearance as a percentage of loans in repayment and forbearance		2.6%		3.9%		2.7%
Percentage of Private Education Loans with a cosigner (5)		35%		41%		47%

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

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

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

(4) In connection with the adoption of CECL on January 1, 2020, (1) the $356 million and $475 million discount as of December 31, 2021 and 2020, respectively, associated with the loans is now included as part of the respective loan balance for this disclosure and (2) the receivable for partially charged-off loans has been reclassified from the Private Education Loan balance to the allowance for loan loss. Both of these changes are prospective in nature as prior balances are not restated under CECL.

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

Allowance for Loan Losses

(Dollars in millions)	Year Ended December 31, 2021 FFELP Loans	Private Education Loans	Total
Beginning balance	$ 288	$ 1,089	$ 1,377
Provision:			
Reversal of allowance related to loan sales[1]	—	(107)	(107)
Remaining provision	—	46	46
Total provision	—	(61)	(61)
Charge-offs:			
Net adjustment resulting from the change in the charge-off rate[2]	—	(16)	(16)
Net charge-offs remaining[3]	(26)	(153)	(179)
Total charge-offs[3]	(26)	(169)	(195)
Decrease in expected future recoveries on charged-off loans[4]	—	150	150
Allowance at end of period	262	1,009	1,271
Plus: expected future recoveries on charged-off loans[4]	—	329	329
Allowance at end of period excluding expected future recoveries on charged-off loans[5]	$ 262	$ 1,338	$ 1,600
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate[2]	.06%	.76%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[2]	—%	.08%	
Allowance coverage of charge-offs[5]	10.0	7.9	
Allowance as a percentage of the ending total loan balance[5]	.5%	6.3%	
Allowance as a percentage of the ending loans in repayment[5]	.6%	6.6%	
Ending total loans	$ 52,903	$ 21,180	
Average loans in repayment	$ 45,781	$ 20,150	
Ending loans in repayment	$ 44,390	$ 20,284	

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

(2) In 2021, the portion of the loan amount charged off at default on Private Education Loans increased from 81.4% to 81.7%. This change resulted in a $16 million reduction to the balance of the expected future recoveries on charged-off loans.

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

(4) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the "expected future recoveries on charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries for charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on charged-off loans:

(Dollars in millions)	Year Ended December 31, 2021
Beginning of period expected recoveries	$ 479
Expected future recoveries of current period defaults	22
Recoveries	(87)
Charge-offs	(35)
Reduction in expected recoveries related to regulatory settlement[6]	(50)
End of period expected recoveries	$ 329
Change in balance during period	$ (150)

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

(6) See "Results of Operations – GAAP Comparison of 2021 Results with 2020" for further details.

(Dollars in millions)	Year Ended December 31, 2020 FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 64	$ 1,048	$ 1,112
Transition adjustment made under CECL on January 1, 2020(1)	260	(3)	257
Allowance at beginning of period after transition adjustment to CECL	324	1,045	1,369
Total provision	13	142	155
Charge-offs:			
Net adjustment resulting from the change in the charge-off rate(2)	—	(23)	(23)
Net charge-offs remaining(3)	(49)	(184)	(233)
Total charge-offs(3)	(49)	(207)	(256)
Decrease in expected future recoveries on charged-off loans(4)	—	109	109
Allowance at end of period	288	1,089	1,377
Plus: expected future recoveries on charged-off loans(4)	—	479	479
Allowance at end of period excluding expected future recoveries on charged-off loans(5)	$ 288	$ 1,568	$ 1,856
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate(2)	.10%	.88%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment(2)	—%	.11%	
Allowance coverage of charge-offs(5)	5.9	7.6	
Allowance as a percentage of the ending total loan balance(5)	.5%	7.1%	
Allowance as a percentage of the ending loans in repayment(5)	.6%	7.5%	
Ending total loans	$ 58,572	$ 22,168	
Average loans in repayment	$ 48,130	$ 20,790	
Ending loans in repayment	$ 48,057	$ 20,841	

(1) For a further discussion of our adoption of CECL, see "Note 2 – Significant Accounting Policies."

(2) In 2020, the portion of the loan amount charged off at default on our Private Education Loans increased from 81% to 81.4%. This change resulted in a $23 million reduction to the balance of the receivable for partially charged-off loans in 2020.

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

(4) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the expected future recoveries on charged-off loans. If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries for charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on charged-off loans.

(Dollars in millions)	Year Ended December 31, 2020
Beginning of period expected recoveries	$ 588
Expected future recoveries of current period defaults	32
Recoveries	(107)
Charge-offs	(34)
End of period expected recoveries	$ 479
Change in balance during period	$ (109)

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

(Dollars in millions)	Year Ended December 31, 2019 FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 76	$ 1,201	$ 1,277
Total provision	30	226	256
Charge-offs:			
Net adjustment resulting from the change in the charge-off rate(1)	—	(21)	(21)
Net charge-offs remaining(2)	(42)	(364)	(406)
Total charge-offs(2)	(42)	(385)	(427)
Reclassification of interest reserve(3)	—	7	7
Loan sales	—	(1)	(1)
Allowance at end of period	$ 64	$ 1,048	$ 1,112
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate(1)	.07%	1.67%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment(1)	—%	.10%	
Allowance coverage of charge-offs	1.5	2.7	
Allowance as a percentage of the ending total loan balance	.10%	4.38%	
Allowance as a percentage of the ending loans in repayment	.12%	4.74%	
Ending total loans(4)	$ 64,094	$ 23,910	
Average loans in repayment	$ 55,978	$ 21,859	
Ending loans in repayment	$ 53,538	$ 22,089	

(1) In 2019, the portion of the loan amount charged off at default on our Private Education Loans increased from 80.5% to 81%. This change resulted in a $21 million reduction to the balance of the receivable for partially charged-off loans in 2019.

(2) 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. The table below summarizes the activity in the Private Education Loan receivable for partially charged-off loans. For FFELP Loans, the recovery is received at the time of charge-off.

(Dollars in millions)	Year Ended December 31, 2019
Receivable at beginning of period	$ 674
Expected future recoveries of current period defaults	74
Recoveries	(126)
Charge-offs	(34)
Receivable at end of period	$ 588

(3) 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.

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

Liquidity and Capital Resources

Funding and Liquidity Risk Management

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

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

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

Credit ratings and outlooks are opinions subject to ongoing review by the rating agencies and may change, from time to time, based on our financial performance, industry and market dynamics and other factors. Other factors that influence our credit ratings include the rating agencies’ assessment of the general operating environment, our relative positions in the markets in which we compete, reputation, liquidity position, the level and volatility of earnings, corporate governance and risk management policies, capital position and capital management practices. A negative change in our credit rating could have a negative effect on our liquidity because it might raise the cost and availability of funding and potentially require additional cash collateral or restrict cash currently held as collateral on existing borrowings or derivative collateral arrangements. It is our objective to improve our credit ratings so that we can continue to efficiently access the capital markets even in difficult economic and market conditions. We have unsecured debt totaling $7.0 billion at December 31, 2021. Three credit rating agencies currently rate our long-term unsecured debt at below investment grade.

We expect to fund our ongoing liquidity needs, including the repayment of $7.0 billion of senior unsecured notes that mature in 2023 to 2043, with 84% maturing by 2029, through a number of sources. These sources primarily are our cash on hand, unencumbered FFELP Loan and Private Education Refinance Loan portfolios (see “Sources of Primary Liquidity” below), the predictable operating cash flows provided by operating activities ($702 million in 2021), the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt.

We originate Private Education Loans (a portion of which are done through a forward purchase agreement). We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Those originations and purchases are part of our ongoing liquidity needs. We repurchased 34.4 million shares of common stock for $600 million in 2021 and have $1.0 billion of unused share repurchase authority as of December 31, 2021.

Sources of Primary Liquidity

(Dollars in millions)	Ending Balances December 31, 2021	Ending Balances December 31, 2020	Average Balances Years Ended December 31, 2021	Average Balances Years Ended December 31, 2020	Average Balances Years Ended December 31, 2019
Unrestricted cash and liquid investments	$ 905	$ 1,183	$ 1,209	$ 1,358	$ 1,261
Unencumbered FFELP Loans	124	208	220	320	433
Unencumbered Private Education Refinance Loans	383	274	642	582	670
Total	$ 1,412	$ 1,665	$ 2,071	$ 2,260	$ 2,364

Sources of Additional Liquidity

Liquidity may also be available under our secured credit facilities. Maximum borrowing capacity under the FFELP Loan and Private Education Loan asset-backed commercial paper (ABCP) facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered loans. The following tables detail the additional borrowing capacity of these facilities with maturity dates ranging from June 2022 to June 2023.

(Dollars in millions)	Maximum Additional Capacity December 31, 2021	Maximum Additional Capacity December 31, 2020	Maximum Additional Capacity December 31, 2019	Average Maximum Additional Capacity Years Ended December 31, 2021	Average Maximum Additional Capacity Years Ended December 31, 2020	Average Maximum Additional Capacity Years Ended December 31, 2019
FFELP Loan ABCP facilities	$ 546	$ 506	$ 867	$ 514	$ 482	$ 1,266
Private Education Loan ABCP facilities	2,235	2,221	384	2,351	1,586	1,020
Total	$ 2,781	$ 2,727	$ 1,251	$ 2,865	$ 2,068	$ 2,286

At December 31, 2021, we had a total of $4.5 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $2.1 billion principal of our unencumbered tangible assets of which $2.0 billion and $124 million related to Private Education Loans and FFELP Loans, respectively. In addition, as of December 31, 2021, we had $5.5 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). Our secured financing facilities include Private Education Loan ABS Repurchase Facilities, which had $0.5 billion outstanding as of December 31, 2021. These repurchase facilities are collateralized by the net assets in previously issued Private Education Loan ABS trusts and have had a cost of funds lower than that of a new unsecured debt issuance.

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

(Dollars in billions)	December 31, 2021	December 31, 2020
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 3.8	$ 3.9
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	1.7	2.1
Tangible unencumbered assets(1)	4.5	5.4
Senior unsecured debt	(7.0)	(8.4)
Mark-to-market on unsecured hedged debt(2)	(.3)	(.7)
Other liabilities, net	(.8)	(.6)
Total Tangible Equity(1)	$ 1.9	$ 1.7

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

(2) At December 31, 2021 and 2020, there were $324 million and $634 million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

Borrowings

Ending Balances

(Dollars in millions)	December 31, 2021 Short Term	Long Term	Total	December 31, 2020 Short Term	Long Term	Total	December 31, 2019 Short Term	Long Term	Total
Unsecured borrowings:									
Senior unsecured debt	$ —	$ 7,014	$ 7,014	$ 677	$ 7,714	$ 8,391	$ 1,052	$ 8,461	$ 9,513
Total unsecured borrowings	—	7,014	7,014	677	7,714	8,391	1,052	8,461	9,513
Secured borrowings:									
FFELP Loan securitizations	—	51,841	51,841	—	54,697	54,697	72	59,735	59,807
Private Education Loan securitizations	543	14,074	14,617	960	13,891	14,851	2,120	11,430	13,550
FFELP Loan ABCP facilities	282	150	432	2,053	479	2,532	2,783	617	3,400
Private Education Loan ABCP facilities	1,363	1,152	2,515	2,582	—	2,582	2,114	1,513	3,627
Other	302	—	302	337	—	337	338	—	338
Total secured borrowings	2,490	67,217	69,707	5,932	69,067	74,999	7,427	73,295	80,722
Core Earnings basis borrowings(1)	2,490	74,231	76,721	6,609	76,781	83,390	8,479	81,756	90,235
Adjustment for GAAP accounting treatment	—	257	257	4	551	555	4	(41)	(37)
GAAP basis borrowings	$ 2,490	$ 74,488	$ 76,978	$ 6,613	$ 77,332	$ 83,945	$ 8,483	$ 81,715	$ 90,198

Average Balances

(Dollars in millions)	Years Ended December 31, 2021 Average Balance	Average Rate	2020 Average Balance	Average Rate	2019 Average Balance	Average Rate
Unsecured borrowings:						
Senior unsecured debt	$ 7,978	4.43%	$ 9,461	5.05%	$ 10,798	6.63%
Total unsecured borrowings	7,978	4.43	9,461	5.05	10,798	6.63
Secured borrowings:						
FFELP Loan securitizations	53,661	1.27	56,950	1.74	62,636	3.21
Private Education Loan securitizations	14,273	2.40	14,159	2.90	13,740	4.06
FFELP Loan ABCP facilities	1,012	1.55	3,134	1.67	4,128	3.42
Private Education Loan ABCP facilities	2,429	1.86	3,203	2.53	2,259	3.67
Other	303	.34	343	.68	307	3.59
Total secured borrowings	71,678	1.52	77,789	1.97	83,070	3.37
Core Earnings basis borrowings(1)	79,656	1.81	87,250	2.31	93,868	3.75
Adjustment for GAAP accounting treatment	—	(.16)	—	.03	—	(.03)
GAAP basis borrowings	$ 79,656	1.65%	$ 87,250	2.34%	$ 93,868	3.72%

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

Critical Accounting Policies and Estimates

Management’s Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). “Note 2 — Significant Accounting Policies” includes a summary of the significant accounting policies and methods used in the preparation of our consolidated financial statements. The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of income and expenses during the reporting periods. Actual results may differ from these estimates under varying assumptions or conditions. On a quarterly basis, management evaluates its estimates, particularly those that include the most difficult, subjective or complex judgments and are often about matters that are inherently uncertain. Critical accounting estimates involve a significant level of estimation uncertainty and have had or are reasonably likely to have a material impact on the financial condition or results of our operations. Our critical accounting policies and estimates are the allowance for loan losses, goodwill impairment assessment, and premium and discount amortization. As part of the discussion below, we have described how COVID-19 impacted the allowance for loan losses as well as how COVID-19 was considered in our assessment of goodwill impairment.

Allowance for Loan Losses

We measure and recognize an allowance for loan losses that estimates the remaining current expected credit losses (CECL) for financial assets measured at amortized cost held at the reporting date. We have determined that, for modeling current expected credit losses, in general, we can reasonably estimate expected losses that incorporate current and forecasted economic conditions over a “reasonable and supportable” period. For Private Education Loans, we incorporate a reasonable and supportable forecast of various macro-economic variables over the remaining life of the loans. The development of the reasonable and supportable forecast incorporates an assumption that each macro-economic variable will revert to a long-term expectation starting in years 2-4 of the forecast and largely completing within the first five years of the forecast. For FFELP Loans, after a three-year reasonable and supportable period, there is an immediate reversion to a long-term expectation.

The models used to project losses utilize key credit quality indicators of the loan portfolios and predict how those attributes are expected to perform in connection with the forecasted economic conditions. In connection with this methodology, our modeling of current expected credit losses utilizes historical loan repayment experience since 2008 identifying loan variables (key credit quality indicators) that are significantly predictive of loans that will default and predicts how loans will perform in connection with the forecasted economic conditions.

The key credit quality indicators used by the model for Private Education loans are credit scores (FICO scores), loan status, loan seasoning, whether a loan is a TDR, the existence of a cosigner and school type:

- Credit scores are an indicator of the credit risk of a customer and generally the higher the credit score the more likely it is the customer will be able to make all of their contractual payments.
- Loan status affects the credit risk because generally a past due loan is more likely to default than an up-to-date loan. Additionally, loans in a deferred payment status have different credit risk profiles compared with those in current payment status.
- Of the portfolio in repayment, loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments.
- A TDR loan is where an economic concession (forbearance, lower interest rate, extension of term) has been given to a borrower experiencing financial difficulties. A TDR loan is generally more likely to result in a default than a non-TDR loan.
- The existence of a cosigner generally lowers the likelihood of default, thus lowering the credit risk.
- The type of school customers attended can have an impact on their graduation rate and job prospects after graduation and therefore can affect their ability to make payments, which impacts the credit risk.

For FFELP loans, the key credit quality indicators are loan status and loan type (Stafford, Consolidation and Rehab loans).

We project losses over the contractual term of our loans, including any extension options within the control of the borrower. Further, we make estimates regarding prepayments when determining our expected credit losses which are derived in the same manner discussed above.

The forecasted economic conditions used in our modeling of expected losses are provided by a third party. The primary economic metrics we use in the economic forecast are unemployment, GDP, interest rates, consumer loan delinquency rates and consumer income. Several forecast scenarios are provided which represent the baseline economic expectations as well as favorable and adverse scenarios. We analyze and evaluate the alternative scenarios for reasonableness and determine the appropriate weighting of these alternative scenarios based upon the current economic conditions and our view of the likelihood and risks of the alternative scenarios.

We use historical customer payment experience to estimate the amount of future recoveries on defaulted private education loans. We use judgment in determining whether historical performance is representative of what we expect to collect in the future. The amount of expected future recoveries on defaulted FFELP loans is based on the contractual government guarantee (which generally limits the maximum loss to 3% of the loan balance).

Once our loss model calculations are performed, we determine if qualitative adjustments are needed for factors not reflected in the quantitative model. These adjustments may include, but are not limited to, changes in lending, servicing and collection policies and practices as well as the effect of other external factors such as the economy and changes in legal or regulatory requirements that impact the amount of future credit losses.

The negative provision for 2021 of $(61) million was comprised of $64 million in connection with loan originations less the reversal of both $107 million of allowance for loan losses in connection with the sale of approximately $1.6 billion of Private Education Loans, as well as $18 million related to a decrease in expected losses for the overall portfolio. We evaluated and considered several forecasted economic scenarios when determining our allowance for loan losses and provision. We also considered the characteristics of our loan portfolio and its expected behavior in the forecasted economic scenarios. There has been an improvement in the current and forecasted economic conditions since December 31, 2020, as is seen in a decrease in both the current and forecasted unemployment rates and consumer loan delinquency rates and an increase in GDP and in consumer income. However, such improvement has not mitigated the uncertainty related to the potential negative impact on the portfolio from the end of various payment relief and stimulus benefits that recently occurred or are currently forecasted to end in 2022. These conclusions and adjustments were based on an evaluation of current and forecasted economic conditions directly taking into consideration the impact of COVID-19 on the U.S. economy. If future economic conditions as a result of COVID-19 are significantly worse than what was assumed as a part of this assessment, it could result in additional provision for loan loss being recorded in future periods.

The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates and assumptions that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs and recoveries are significantly different than estimated, or management's assumptions or practices were to change, this could materially affect our estimate of the allowance for loan losses and the related provision for loan losses on our income statement.

Goodwill Impairment Assessment

In determining annually (or more frequently if required) whether goodwill is impaired, we complete a goodwill impairment analysis which may be a qualitative or a quantitative analysis depending on the facts and circumstances associated with the reporting unit. Qualitative factors considered in conjunction with a qualitative analysis include: (1) the amount of cushion that existed the last time a quantitative test was completed which requires performing a valuation of the reporting unit, the resulting value of which is compared to the carrying value of the reporting unit, (2) macroeconomic factors (economy), (3) industry specific factors (growth or deterioration of the market; regulatory/political developments), (4) cost factors (margins), (5) financial performance of the reporting unit itself, (6) other specific items (litigation, change in management or key personnel) and (7) whether a sustained decrease in our share price is indicative of a decline in value of the specific reporting unit. There can be significant judgment involved in assessing these qualitative factors. If, based on a qualitative analysis, we determine it is "more-likely-than-not" that the fair value of a reporting unit is less than its carrying amount, we also complete a quantitative impairment analysis. In lieu of performing a qualitative assessment, we may proceed directly to a quantitative impairment analysis. A quantitative goodwill impairment analysis requires a comparison of the fair value of the reporting unit to its carrying value. If the carrying value of the reporting unit exceeds the reporting unit's fair value (the amount we believe a third party would pay for such reporting unit), the goodwill associated with the reporting unit will be impaired in an amount equal to the difference between the reporting unit's fair value and its carrying value, not to exceed the carrying value of goodwill attributed to the reporting unit. There are significant judgments involved in determining the fair value of a reporting unit, including determining the appropriate valuation approach or approaches to utilize and the assumptions to apply including estimates of projected future cash flows which incorporate estimated future revenues, expenses, net income and capital expenditures from and related to existing and new business activities and appropriate market multiples, discount rates and growth rates. An appropriate resulting control premium is also considered. The reporting units with goodwill for which we estimate fair value are not publicly traded and for some reporting units directly comparable market data may not be available to aid in its valuation.

Navient tests goodwill as of October 1 each year or at interim dates if an event occurs or circumstances exist such that it is determined that it is more likely than not that the fair value of the reporting unit is less than its carrying value (the qualitative test). Such an event or circumstance is a triggering event. If it is concluded that a triggering event has occurred at an interim date, a quantitative impairment test must be performed. Despite the ongoing impacts of COVID-19, the financial results for each of our reporting units were strong in 2021. In addition, these reporting units have substantial cushion before being impaired (see below), Navient's stock price increased significantly, macroeconomic conditions improved and the economy as a whole and the markets in which our reporting units operate in particular began to rebound. As a result, at September 30, 2021, June 30, 2021 and March 31, 2021, we concluded that COVID-19 and its impact on Navient's individual reporting units as we perceived them did not constitute a triggering event during 2021.

We performed annual impairment testing as of October 1, 2021. For each of our reporting units with goodwill including our FFELP Loans, Private Education Legacy Loans, Private Education Refinance Loans, Private Education In-School Loans and Federal Education Loan Servicing reporting units (collectively, the Loan reporting units) and our Government Services and Healthcare Services reporting units (collectively, the Business Processing reporting units), we assessed relevant qualitative factors to determine whether it is "more-likely-than-not" that the fair value of an individual reporting unit is less than its carrying value. We considered the amount of excess fair values over the carrying values of each reporting unit as of October 1, 2019 and October 1, 2020 for the Loan reporting units and Business Processing reporting units, respectively, when we last performed a quantitative goodwill impairment test. The concluded fair values of the reporting units at October 1, 2019 and 2020, as applicable, were substantially in excess of their carrying amounts. Additionally, fair values resulting from sensitivity analyses factoring in more conservative discount rates and growth rates for each reporting unit also yielded fair values in excess of the carrying values of each reporting unit.

Despite COVID-19, the outlook and associated long-term cash flow projections of our FFELP Loans, Private Education Legacy Loans, Government Services and Healthcare Services reporting units have not changed significantly since our 2019 and 2020 assessments. Likewise, the outlook and cash flows for the Federal Education Loan Servicing components remaining after removing the cash flows attributed to the ED servicing contract have not changed significantly since 2019. For the Private Education Refinance Loans reporting unit, we considered origination volume and the demand for its refinance loan products as well as Navient's strong liquidity position and ability to issue Private Education Loan ABS comprised entirely of the reporting unit's refinance loans with marked improvement in 2021 in cost of funds. For Government Services and Healthcare Services, we considered financial performance in 2021 during which both of these reporting units significantly outperformed expectations due largely to significant contracts acquired in 2020 and 2021 to implement programs under the CARES Act and to perform contact tracing and vaccine administration services. Based on the substantial fair value determined as of October 1, 2019 and 2020, as applicable, in excess of their carrying values and these other qualitative factors, we concluded that it is not "more-likely-than-not" that the fair values of these reporting units were less than their carrying values at October 1, 2021. As a result, with respect to annual impairment testing, we concluded that goodwill attributed to these reporting units was not impaired.

If future economic conditions as a result of COVID-19 are significantly worse than what was assumed in the reporting units' long term cash flow projections, specifically related to the impact of COVID-19, as well as the inflationary environment stemming from the recovery in certain sectors, and other performance factors do not come to fruition, these factors could result in potential impairment of goodwill in future periods.

Premium and Discount Amortization

The Company had a net unamortized premium balance of $92 million, or 0.12%, in connection with its $74 billion education loan portfolio as of December 31, 2021. The most judgmental estimate for premium and discount amortization on education loans is the Constant Prepayment Rate (CPR), which measures the rate at which loans in the portfolio pay down principal compared to their stated terms. In determining the CPR we only consider payments made in excess of contractually required payments. This would include loans that are refinanced or consolidated and other early payoff activity. These activities are generally affected by changes in our business strategy, changes in our competitors' business strategies, legislative changes including the ability to consolidate, interest rates and changes to the current economic and credit environment. When we determine the CPR, we begin with historical prepayment rates. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustment may be needed to those historical prepayment rates.

In the past (prior to 2008), the consolidation of FFELP Loans and Private Education Loans significantly affected our CPRs and updating those assumptions often resulted in material adjustments to our premium and discount amortization expense. As a result of the passage of the Health Care and Education Reconciliation Act of 2010 (HCERA), there is no longer the ability to consolidate loans under the FFELP although there are other consolidation options with ED and private refinancing options with Navient and other lenders. As a result, we expect CPRs related to our FFELP Loans to remain relatively stable over time, unless there is a legislative change by ED or by Congress to either (1) forgive loan balances (which would result in Navient receiving cash for the amounts forgiven resulting in a prepayment of principal) or (2) encourage or force consolidation. Some education loan companies, including Navient, offer Private Education Loans to refinance a borrower's loan (both FFELP and Private Education Loans) and we anticipate more entrants to offer similar products. These products and expectations are built into the CPR assumption we use for FFELP and Private Education Loans. However, it is difficult to accurately project the timing and level at which this activity will continue, and our assumption may need to be updated by a material amount in the future based on changes in the economy, marketplace and legislation.

In 2021, there was a net $13 million decrease in net interest income due to a cumulative adjustment related to an increase in prepayment speed assumptions used to amortize loan premiums and discounts:

- The FFELP Loan CPR was increased specifically related to the limited opportunity waiver to the Public Service Loan Forgiveness Program (PSLF) that was announced in October 2021 and is effective from November 2021 to October 2022. FFELP loan borrowers, during this 12-month period, may consolidate their loans to ED in order to have them subsequently forgiven if they qualify under the PSLF program for loan forgiveness. We estimate an incremental $1.3 billion of FFELP loans (2% of the FFELP Loan portfolio as of December 31, 2021) will consolidate under this program.
- The Private Education Refinance Loan CPR was increased from 15% to 20%. This CPR assumption increase was primarily a result of increased voluntary payoffs primarily due to increased loan refinance activity and third-party consolidation activity related to the low interest rate environment.

Non-GAAP Financial Measures

In addition to financial results reported on a GAAP basis, Navient also provides certain performance measures which are non-GAAP financial measures. We present the following non-GAAP financial measures: (1) Core Earnings (as well as Adjusted Core Earnings), (2) Adjusted Tangible Equity Ratio and (3) EBITDA for the Business Processing segment.

1. Core Earnings

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

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

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

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

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

The following tables show Core Earnings for each reportable segment and our business as a whole along with the adjustments made to the income/expense items to reconcile the amounts to our reported GAAP results as required by GAAP and reported in “Note 15 — Segment Reporting.”

	Year Ended December 31, 2021								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 1,405	$ 1,181	$ —	$ —	$ 2,586	$ 98	$ (39)	$ 59	$ 2,645
Cash and investments	—	2	—	1	3	—	—	—	3
Total interest income	1,405	1,183	—	1	2,589	98	(39)	59	2,648
Total interest expense	830	541	—	70	1,441	(8)	(117)	(125)	1,316
Net interest income (loss)	575	642	—	(69)	1,148	106	78	184	1,332
Less: provisions for loan losses	—	(61)	—	—	(61)	—	—	—	(61)
Net interest income (loss) after provisions for loan losses	575	703	—	(69)	1,209	106	78	184	1,393
Other income (loss):						—			
Servicing revenue	162	6	—	—	168	—	—	—	168
Asset recovery and business processing revenue	51	—	488	—	539	—	—	—	539
Other income (loss)	25	—	—	5	30	(93)	157	64	94
Gains on sales of loans	—	91	—	—	91	(13)	—	(13)	78
Losses on debt repurchases	—	—	—	(73)	(73)	—	—	—	(73)
Total other income (loss)	238	97	488	(68)	755	(106)	157	51	806
Expenses:						—			
Direct operating expenses	223	162	360	—	745	—	—	—	745
Unallocated shared services expenses	—	—	—	462	462	—	—	—	462
Operating expenses	223	162	360	462	1,207	—	—	—	1,207
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	30	30	30
Restructuring/other reorganization expenses	—	—	—	26	26	—	—	—	26
Total expenses	223	162	360	488	1,233	—	30	30	1,263
Income (loss) before income tax expense (benefit)	590	638	128	(625)	731	—	205	205	936
Income tax expense (benefit)[2]	136	146	29	(131)	180	—	39	39	219
Net income (loss)	$ 454	$ 492	$ 99	$ (494)	$ 551	$ —	$ 166	$ 166	$ 717

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 184	$ —	$ 184
Total other income (loss)	51	—	51
Goodwill and acquired intangible asset impairment and amortization	—	30	30
Total Core Earnings adjustments to GAAP	$ 235	$ (30)	205
Income tax expense (benefit)			39
Net income (loss)			$ 166

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

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
	Year Ended December 31, 2020					Adjustments			
Interest income:									
Education loans	$ 1,813	$ 1,445	$ —	$ —	$ 3,258	$ 79	$ (55)	$ 24	$ 3,282
Cash and investments	7	3	—	6	16	—	—	—	16
Total interest income	1,820	1,448	—	6	3,274	79	(55)	24	3,298
Total interest expense	1,194	699	—	120	2,013	39	(6)	33	2,046
Net interest income (loss)	626	749	—	(114)	1,261	40	(49)	(9)	1,252
Less: provisions for loan losses	13	142	—	—	155	—	—	—	155
Net interest income (loss) after provisions for loan losses	613	607	—	(114)	1,106	40	(49)	(9)	1,097
Other income (loss):									
Servicing revenue	208	6	—	—	214	—	—	—	214
Asset recovery and business processing revenue	154	—	304	—	458	—	—	—	458
Other income (loss)	9	—	—	11	20	(40)	(216)	(256)	(236)
Losses on debt repurchases	—	—	—	(6)	(6)	—	—	—	(6)
Total other income (loss)	371	6	304	5	686	(40)	(216)	(256)	430
Expenses:									
Direct operating expenses	287	146	254	—	687	—	—	—	687
Unallocated shared services expenses	—	—	—	277	277	—	—	—	277
Operating expenses	287	146	254	277	964	—	—	—	964
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	22	22	22
Restructuring/other reorganization expenses	—	—	—	9	9	—	—	—	9
Total expenses	287	146	254	286	973	—	22	22	995
Income (loss) before income tax expense (benefit)	697	467	50	(395)	819	—	(287)	(287)	532
Income tax expense (benefit)[2]	160	107	11	(90)	188	—	(68)	(68)	120
Net income (loss)	$ 537	$ 360	$ 39	$ (305)	$ 631	$ —	$ (219)	$ (219)	$ 412

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
	Year Ended December 31, 2020		
Net interest income after provisions for loan losses	$ (9)	$ —	$ (9)
Total other income (loss)	(256)	—	(256)
Goodwill and acquired intangible asset impairment and amortization	—	22	22
Total Core Earnings adjustments to GAAP	$ (265)	$ (22)	(287)
Income tax expense (benefit)			(68)
Net income (loss)			$ (219)

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

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments Reclassi-fications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
	Year Ended December 31, 2019								
Interest income:									
Education loans	$ 2,907	$ 1,731	$ —	$ —	$ 4,638	$ 8	$ (68)	$ (60)	$ 4,578
Other loans	1	1	—	—	2	—	—	—	2
Cash and investments	50	16	—	27	93	—	—	—	93
Total interest income	2,958	1,748	—	27	4,733	8	(68)	(60)	4,673
Total interest expense	2,376	980	—	161	3,517	6	(35)	(29)	3,488
Net interest income (loss)	582	768	—	(134)	1,216	2	(33)	(31)	1,185
Less: provisions for loan losses	30	228	—	—	258	—	—	—	258
Net interest income (loss) after provisions for loan losses	552	540	—	(134)	958	2	(33)	(31)	927
Other income (loss):									
Servicing revenue	229	11	—	—	240	—	—	—	240
Asset recovery and business processing revenue	230	—	258	—	488	—	—	—	488
Other income (loss)	28	1	—	14	43	(41)	65	24	67
Gains on sales of loans	—	16	—	—	16	—	—	—	16
Gains on debt repurchases	—	—	—	33	33	39	(27)	12	45
Total other income (loss)	487	28	258	47	820	(2)	38	36	856
Expenses:									
Direct operating expenses	359	156	215	—	730	—	—	—	730
Unallocated shared services expenses	—	—	—	254	254	—	—	—	254
Operating expenses	359	156	215	254	984	—	—	—	984
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	30	30	30
Restructuring/other reorganization expenses	—	—	—	6	6	—	—	—	6
Total expenses	359	156	215	260	990	—	30	30	1,020
Income (loss) before income tax expense (benefit)	680	412	43	(347)	788	—	(25)	(25)	763
Income tax expense (benefit)[2]	155	96	10	(80)	181	—	(15)	(15)	166
Net income (loss)	$ 525	$ 316	$ 33	$ (267)	$ 607	$ —	$ (10)	$ (10)	$ 597

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
	Year Ended December 31, 2019		
Net interest income after provisions for loan losses	$ (31)	$ —	$ (31)
Total other income (loss)	36	—	36
Goodwill and acquired intangible asset impairment and amortization	—	30	30
Total Core Earnings adjustments to GAAP	$ 5	$ (30)	(25)
Income tax expense (benefit)			(15)
Net income (loss)			$ (10)

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

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

	Years Ended December 31,		
(Dollars in millions)	2021	2020	2019
Core Earnings net income	$ 551	$ 631	$ 607
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting	235	(265)	5
Net impact of goodwill and acquired intangible assets	(30)	(22)	(30)
Net income tax effect	(39)	68	15
Total Core Earnings adjustments to GAAP	166	(219)	(10)
GAAP net income	$ 717	$ 412	$ 597

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

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

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

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

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Core Earnings derivative adjustments:			
Gains (losses) on derivative and hedging activities, net, included in other income	$ 64	$ (256)	$ 22
Plus: Gains (losses) on fair value hedging activity included in interest expense	88	(17)	21
Total gains (losses) in GAAP net income	152	(273)	43
Plus: Reclassification of settlement expense (income) on derivative and hedging activities, net(1)	93	40	41
Mark-to-market gains (losses) on derivative and hedging activities, net(2)	245	(233)	84
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	(39)	(55)	(68)
Other derivative accounting adjustments(3)	29	23	(11)
Total net impact of derivative accounting	$ 235	$ (265)	$ 5

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Reclassification of settlements on derivative and hedging activities:			
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ (98)	$ (79)	$ (8)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	(8)	39	6
Net realized gains (losses) on terminated derivative contracts reclassified to other income	13	—	(39)
Total reclassifications of settlements on derivative and hedging activities	$ (93)	$ (40)	$ (41)

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

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Floor Income Contracts	$ 133	$ (130)	$ (15)
Basis swaps	8	3	—
Foreign currency hedges	49	9	65
Other	55	(115)	34
Total mark-to-market gains (losses) on derivative and hedging activities, net	$ 245	$ (233)	$ 84

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

Cumulative Impact of Derivative Accounting under GAAP compared to Core Earnings

As of December 31, 2021, derivative accounting has decreased GAAP equity by approximately $299 million as a result of cumulative net mark-to-market losses (after tax) recognized under GAAP, but not in Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains and losses related to derivative accounting.

	Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Beginning impact of derivative accounting on GAAP equity	$ (616)	$ (235)	$ (34)
Net impact of net mark-to-market gains (losses) under derivative accounting(1)	317	(381)	(201)
Ending impact of derivative accounting on GAAP equity	$ (299)	$ (616)	$ (235)

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

	Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Total pre-tax net impact of derivative accounting recognized in net income(2)	$ 235	$ (265)	$ 5
Tax and other impacts of derivative accounting adjustments	(59)	67	(2)
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	141	(183)	(204)
Net impact of net mark-to-market gains (losses) under derivative accounting	$ 317	$ (381)	$ (201)

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

Hedging Embedded Floor Income

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

	December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Total hedged Floor Income, net of tax(1)(2)	$ 325	$ 401	$ 552

(1) $422 million, $520 million and $717 million on a pre-tax basis as of December 31, 2021, 2020 and 2019, respectively.

(2) Of the $325 million as of December 31, 2021, approximately $130 million, $99 million, $39 million and $22 million will be recognized as part of Core Earnings in 2022, 2023, 2024 and 2025, respectively.

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

	Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Core Earnings goodwill and acquired intangible asset adjustments	$ (30)	$ (22)	$ (30)

Adjusted Core Earnings

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

The following table summarizes these expenses which are excluded:

	Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Restructuring/other reorganization expenses	$ 26	$ 9	$ 6
Regulatory-related expenses(1)	233	33	6
Total	$ 259	$ 42	$ 12

(1) 2021 includes $205 million related to the resolution of previously disclosed State Attorneys General litigation and investigations. See "Results of Operations – GAAP Comparison of 2021 Results with 2020" for further details.

2. Adjusted Tangible Equity Ratio

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

(Dollars in billions)	December 31, 2021	December 31, 2020
Navient Corporation's stockholders' equity	$ 2,597	$ 2,433
Less: Goodwill and acquired intangible assets	725	735
Tangible Equity	1,872	1,698
Less: Equity held for FFELP Loans	263	291
Adjusted Tangible Equity	$ 1,609	$ 1,407
Divided by:		
Total assets	$ 80,605	$ 87,412
Less:		
Goodwill and acquired intangible assets	725	735
FFELP Loans	52,641	58,284
Adjusted tangible assets	$ 27,239	$ 28,393
Adjusted Tangible Equity Ratio[1]	5.9%	5.0%

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

(Dollars in millions)	December 31, 2021	December 31, 2020
Adjusted Tangible Equity (from above table)	$ 1,609	$ 1,407
Plus: ending impact of derivative accounting on GAAP equity	299	616
Pro forma Adjusted Tangible Equity	$ 1,908	$ 2,023
Divided by: adjusted tangible assets (from above table)	$ 27,239	$ 28,393
Pro forma Adjusted Tangible Equity Ratio	7.0%	7.1%

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

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

	Years Ended December 31,		
(Dollars in millions)	2021	2020	2019
Pre-tax income	$ 128	$ 50	$ 43
Plus:			
Depreciation and amortization expense[1]	8	7	6
EBITDA	$ 136	$ 57	$ 49
Divided by:			
Total revenue	$ 488	$ 304	$ 258
EBITDA margin	28%	19%	19%

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

Risk Management

Our Approach

Navient's identification, understanding and effective management of the risks inherent in our business are critical to our continued success. We assign risk oversight, management and assessment responsibilities at various levels within our organization and continuously coordinate these activities. We maintain comprehensive risk management practices to identify, measure, monitor, evaluate, control and report on our significant risks and we routinely evaluate these practices to determine whether they are functioning properly and can be improved.

Risk Management Philosophy

Navient's risk management philosophy is to ensure all significant risks inherent in our business are identified, measured, monitored, evaluated, controlled and reported. In furtherance of these goals, Navient

- maintains a comprehensive and uniform risk management framework;
- follows a "three lines of defense" structure based upon: (1) accountability and ownership at the business area level for risks inherent in their activities (first line of defense); (2) supporting areas, such as Human Resources, Legal, Compliance, Finance and Accounting, Information Technology and Information Security, monitor, guide and advise the business areas in their respective areas of expertise (second line of defense); and (3) Internal Audit independently reviews business and support areas to ensure compliance with applicable laws, regulations and internal policies and procedures (third line of defense);
- provides appropriate reporting to management and our board of directors and their respective committees; and
- trains our employees on our risk management processes and philosophy.

Risk Oversight, Roles and Responsibilities

Responsibility for risk management is assigned at several different levels of our organization, including our board of directors and its committees. Each business area within our organization is primarily responsible for managing its specific risks. In addition, our second line of defense support areas are responsible for providing our business areas with the training, systems and specialized expertise necessary to properly perform their risk management responsibilities.

Board of Directors. The Navient board of directors and its standing committees oversee our strategic direction, including setting our risk management philosophy, tolerance and parameters; and assessing the risks our businesses face as well as our risk management practices. It approves our annual business plan, periodically reviews our strategic approach and priorities and spends significant time considering our capital requirements and our dividend and share repurchase levels and activities. We escalate to our board of directors any significant departures from established tolerances and parameters and review new and emerging risks with them. Standing committees of our board of directors include Executive, Audit, Compensation and Human Resources, Nominations and Governance, and Risk. Charters for each committee providing their specific responsibilities and areas of risk oversight are published on our website together with the names of the directors serving on these committees.

Chief Executive Officer. Our Chief Executive Officer is responsible for establishing our risk management culture and ensuring business areas operate within risk parameters and in accordance with our annual business plan.

Chief Risk and Compliance Officer. Our Chief Risk and Compliance Officer is responsible for ensuring proper oversight, management and reporting to our board of directors and management regarding our risk management practices.

Enterprise Risk and Compliance Committee. Our Enterprise Risk and Compliance Committee is an executive management-level committee where senior management reviews our significant risks, receives reports on adherence to established risk parameters, provides direction on mitigation of our risks and closure of issues and supervises our enterprise risk management program. This committee also oversees regulatory compliance risk management activities including compliance regulatory training, compliance regulatory change management, compliance risk assessment, transactional testing and monitoring, customer complaint monitoring, policies and procedures, privacy and information sharing practices, compliance with the Sarbanes-Oxley Act of 2002, and our Code of Business Conduct. This committee also evaluates risks associated with new or modified business and makes recommendations regarding proposed business initiatives based on their inherent risks and controls.

Credit and Loan Loss Committee. Our Credit and Loan Loss Committee is an executive management-level committee that oversees our credit and portfolio management monitoring and strategies, the sufficiency of our loan loss reserves, and current or emerging issues affecting delinquency and default trends which may result in adjustments in our allowances for loan losses.

Disclosure Committee. Our Disclosure Committee reviews our periodic SEC reporting documents, earnings releases and related disclosure policies and procedures, and evaluates whether modified or additional disclosures are required.

Asset and Liability Committee. Our Asset and Liability Committee oversees our investment portfolio and strategy and our compliance with our investment policy.

Other Management-Level Committees. We have other management-level committees that oversee various other Navient business activities including critical accounting assumptions, human resources management, and incentive compensation governance.

Internal Audit Risk Assessment

Navient's Internal Audit function monitors Navient's various risk management and compliance efforts, identifies areas that may require increased focus and resources, and reports its findings and recommendations to executive management and the Audit Committee of our board of directors. Internal Audit performs an annual risk assessment evaluating the risk of all significant components of our company and uses the results to develop an annual risk-based internal audit plan as well as a multi-year rotational audit schedule.

Risk Appetite Framework

Navient's Risk Appetite Framework establishes the level of risk we are willing to accept within each risk category in pursuit of our business strategy. The Risk Committee of our board of directors reviews our Risk Appetite Framework annually, helping to ensure consistency in our business decisions, monitoring and reporting. Our management-level Enterprise Risk and Compliance Committee monitors approved risk limits and thresholds to ensure our businesses are operating within approved risk limits. Through ongoing monitoring of risk exposures, management identifies potential risks and develops appropriate responses and mitigation strategies.

Risk Categories

Our Risk Appetite Framework segments Navient's risks across nine domains: (1) credit; (2) market; (3) funding and liquidity; (4) operational; (5) compliance; (6) legal; (7) governance; (8) reputational/political; and (9) strategic.

Credit Risk. Credit risk is the risk to earnings or capital resulting from an obligor's failure to meet the terms of any contract with us or otherwise fail to perform as agreed. Navient has credit or counterparty risk exposure with borrowers and cosigners of our Private Education Loans and Private Education Refinance Loans, counterparties with whom we have entered derivative or other similar contracts and entities with whom we make investments. Credit and counterparty risks are overseen by our Chief Risk and Compliance Officer and our management-level Credit and Loan Loss Committee. The credit risk related to our Private Education Loans and Private Education Refinance Loans is managed within a credit risk infrastructure which includes: (i) a well-defined underwriting, asset quality and collection policy framework; (ii) an ongoing monitoring and review process of portfolio concentration and trends; (iii) assignment and management of credit and loss forecasting authorities and responsibilities; and (iv) establishment of an allowance for loan losses. Credit risk related to derivative contracts is managed by reviewing counterparties for credit strength on an ongoing basis and through our credit policies, which place limits on our exposure with any single counterparty and, in most cases, require collateral to secure the position. Our Chief Risk and Compliance Officer reports regularly to our board of directors and both the Risk and Audit Committees of the board on credit risk management.

Market Risk. Market risk is the risk to earnings or capital resulting from changes in market conditions, such as interest rates, index mismatches, credit spreads, commodity prices or volatilities. Navient is exposed to various types of market risk, including mismatches between the maturity/duration of assets and liabilities, interest rate risk and other risks that arise through the management of our investment, debt and education loan portfolios. Market risk exposure is overseen by our Chief Financial Officer and our management-level Asset and Liability Committee, which are responsible for managing market risks associated with our assets and liabilities and recommending limits to be included in our risk appetite and investment structure. These activities are closely tied to those related to the management of our funding and liquidity risks. The Risk Committee of our board of directors periodically reviews and approves the investment, asset and liability management policies, establishes and monitors various tolerances or other risk measurements, as well as contingency funding plans developed and administered by our Asset and Liability Committee. The Risk Committee and our Chief Financial Officer report to the full board of directors on matters of market risk management.

Funding and Liquidity Risk. Funding and liquidity risk is the risk to earnings, capital or the conduct of our business arising from the inability to meet our obligations when they become due without incurring unacceptable losses, such as the ability to fund liability maturities or invest in future asset growth and business operations at reasonable market rates. Our primary liquidity risks are any mismatch between the maturity of our assets and liabilities and the servicing of our indebtedness. Navient's Chief Financial Officer oversees our funding and liquidity management activities and is responsible for planning and executing our funding activities and strategies, analyzing and monitoring our liquidity risk, maintaining excess liquidity and accessing diverse funding sources depending on current market conditions.

Funding and liquidity risks are overseen and recommendations approved primarily through our management-level Asset and Liability Committee. The Risk Committee of our board of directors periodically reviews and approves our funding and liquidity positions and the contingency funding plan developed and administered by our Asset and Liability Committee. The Risk Committee also receives regular reports on our performance against funding and liquidity plans at each of its meetings.

Operational Risk. Operational risk is the risk to earnings or the conduct of our business resulting from inadequate or failed internal processes, people or systems or from external events. Operational risk is pervasive, existing in all business areas, functional units, legal entities and geographic locations, and it includes information technology risk, cybersecurity risk, physical security risk on tangible assets, third-party vendor risk, legal risk, compliance risk and reputational risk. Operational risk exposures are managed by business area management and our second and third lines of defense, with oversight by our management-level committees. The Risk Committee of our board of directors receives operations reports at each regularly scheduled meeting. The Risk Committee also receives business development updates regarding our various business initiatives, receives periodic information security and cybersecurity updates and reviews operational and systems-related matters to ensure their implementation produces no significant internal control issues.

Compliance, Legal and Governance Risk. Compliance, legal and governance risks are subsets of operational risk but are recognized as a separate and complementary risk category given their importance in our business. Compliance risk is the risk to earnings, capital or reputation arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practices, internal policies and procedures, or ethical standards. Legal risk is the risk to earnings, capital or reputation manifested by claims made through the legal system and may arise from a product or service, a transaction, a business relationship, property (real, personal or intellectual), conduct of an employee or change in law or regulation. Governance risk is the risk of not establishing and maintaining a control environment that aligns with stakeholder and regulatory expectations, including tone at the top and board performance. These risks are inherent in all of our businesses. The Audit Committee of our board of directors oversees our monitoring and control of legal and compliance risks. The Audit Committee annually reviews our Compliance Plan and significant breaches of our Code of Business Conduct and receives regular reports from executive management responsible for the regulatory and compliance risk management functions. The board of directors and the Audit Committee receive reports on significant litigation and regulatory matters at each regularly scheduled meeting.

Reputational/Political Risk. Reputational risk is the risk to earnings or capital arising from damage to our reputation in the view of, or loss of the trust of, customers and the general public. Political risk is the closely related risk to earnings or capital arising from damage to our relationships with governmental entities, regulators and political leaders and candidates. These risks can arise due to both our own acts and omissions (both real and perceived), and the acts and omissions of other industry participants or other third parties, and they are inherent in all of our businesses. Reputational risk and political risk are managed through a combination of business area management and our second and third lines of defense. The Nominations and Governance Committee of our board of directors oversees our reputational and political risk and regularly receives reports on these matters.

Strategic Risk. Strategic risk is the risk to earnings or capital arising from our potential inability to successfully carry out our strategy. This risk can arise due to both our own acts or omissions, and the acts or omissions of other industry participants or other third parties, and it is inherent in all of our businesses. Strategic risk is managed through a combination of business area management and our second and third lines of defense.

Supervision and Regulation

Regulatory Oversight

We operate in a highly regulated industry where many aspects of our businesses are subject to federal and state regulation and administrative oversight. The following is a summary of the material statutes and regulations currently applicable to us and our subsidiaries. We may become subject to additional laws, rules or regulations in the future. This summary is not a comprehensive analysis of all applicable laws and is qualified by reference to the full text of the statutes and regulations referenced below.

The Dodd-Frank Act was adopted to reform and strengthen regulation and supervision of the U.S. financial services industry. It contains comprehensive provisions that govern the practices and oversight of financial institutions and other participants in the financial markets. It imposes additional regulations, requirements and oversight on almost every aspect of the U.S. financial services industry, including increased capital and liquidity requirements, limits on leverage and enhanced supervisory authority. Some of these provisions apply to Navient and its various businesses and securitization vehicles.

The Consumer Financial Protection Act established the Consumer Financial Protection Bureau (CFPB), which has authority to write regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws and examine financial institutions for compliance. The CFPB is authorized to impose fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. It also has authority to prevent unfair, deceptive or abusive practices. Since its creation, the CFPB has been active in its supervision, examination and enforcement of financial services companies. In January 2017, the CFPB filed a lawsuit against Navient alleging several unfair, deceptive or abusive practices, and other violations of consumer protection statutes. Additional information on the CFPB lawsuit is included in “Note 12 – Commitments, Contingencies and Guarantees” in this Form 10-K.

The Dodd-Frank Act also authorizes state officials to enforce regulations issued by the CFPB and to enforce the Dodd-Frank Act’s general prohibition against unfair, deceptive and abusive practices. The Attorneys General of the State of Illinois, the State of Washington, the Commonwealth of Pennsylvania, the State of California, the State of Mississippi and the State of New Jersey have also filed lawsuits against Navient and some of its subsidiaries containing similar alleged violations of consumer protection laws as those alleged in the CFPB lawsuit as well as several additional areas. These cases were recently settled by mutual agreement between the Company and various State Attorneys General. Additional information on these lawsuits is included in “Note 12 – Commitments, Contingencies and Guarantees” in this Form 10-K.

Higher Education Act. The HEA is the primary law that authorizes and regulates federal student aid programs for higher education. Navient is subject to the HEA and its education loan operations are periodically reviewed by ED and Guarantors or entities acting on their behalf. As a servicer of federal education loans, Navient is subject to ED regulations regarding financial responsibility and administrative capability that govern all third-party servicers of insured education loans. In connection with its servicing operations on behalf of Guarantor clients, Navient must comply with ED regulations that govern Guarantor activities as well as agreements for reimbursement between ED and our Guarantor clients. While the HEA is required to be reviewed and "reauthorized" by Congress every five years, Congress has not reauthorized the HEA since 2008, choosing to temporarily extend the Act each year since 2013. We cannot predict whether or when legislation will be passed or how it would impact us.

Federal Financial Institutions Examination Council. As a service provider to financial institutions, Navient is also subject to periodic examination by the Federal Financial Institutions Examination Council (FFIEC). FFIEC is a formal interagency body of the U.S. government empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the Federal Reserve Banks (FRB), the Federal Deposit Insurance Corporation (FDIC), the National Credit Union Administration, the Office of the Comptroller of the Currency and the CFPB and to make recommendations to promote uniformity in the supervision of financial institutions.

Consumer Protection and Privacy. Navient's Consumer Lending and Federal Education Loan segments are subject to federal and state consumer protection, privacy and related laws and regulations and are subject to supervision and examination by the CFPB and various state agencies. Some of the more significant federal laws and regulations include:

- various laws governing unfair, deceptive or abusive acts or practices;
- the Truth-In-Lending Act and Regulation Z, which govern disclosures of credit terms to consumer borrowers;
- the Fair Credit Reporting Act and Regulation V, which govern the use and provision of information to consumer reporting agencies;
- the Equal Credit Opportunity Act and Regulation B, which prohibit discrimination on the basis of race, creed or other prohibited factors in extending credit;
- the Servicemembers Civil Relief Act (SCRA), which applies to all debts incurred prior to commencement of active military service (including education loans) and limits the amount of interest, including certain fees or charges that are related to the obligation or liability; and
- the Telephone Consumer Protection Act (TCPA), which governs communication methods that may be used to contact customers.

Navient's Business Processing segment is subject to federal and state consumer protection, privacy and related laws and regulations, as well as certain activities, supervision and examination by the CFPB and various state agencies. Some of the more significant federal statutes are the Fair Debt Collection Practices Act and additional provisions of the acts listed above, as well as the HEA and the various laws and regulations that pertain to government contractors. These activities are also subject to state laws and regulations similar to the federal laws and regulations listed above.

Regulatory Outlook

In 2022, we expect the regulatory environment for the business in which we operate will continue to be challenging. We anticipate that regulators will be more focused on conducting regulatory audits and initiating enforcement actions.

We anticipate a number of prominent themes will emerge:

- The number and configuration of regulators, particularly the CFPB, State Attorneys General and various state legislators, is likely to change which may add to the complexity, cost and unpredictability of timing for resolution of particular regulatory issues.
- The regulatory, compliance and risk control structures of financial institutions subject to enforcement actions by state and federal regulators are frequently cited, regardless of whether past practices have been changed, and enforcement orders have often included detailed demands for increased compliance, audit and board supervision, as well as the use of third-party consultants or monitors to recommend further changes or monitor remediation efforts.
- Issues first identified with respect to one consumer product class or distribution channel are sometimes applied to other product classes or channels.

We expect that consumer protection regulations, standards, supervision, examination and enforcement practices will continue to evolve in both detail and scope as well as being more unpredictable than in previous periods. This evolution has added and may continue to significantly add to Navient's compliance, servicing and operating costs. We have invested in compliance through multiple steps including realignment of Navient's compliance management system to a servicing, collections and business services business model; dedicated compliance resources for certain topics (such as the SCRA; the TCPA; unfair, deceptive, or abusive acts and practices (UDAAP); and third-party vendor management) to focus on consumer expectations; formation of business support operations to enhance risk, control and compliance functions in each business area; additional regulatory training for front-line employees to ensure obligations are understood and followed during interactions with customers, as well as additional regulatory training for our board of directors to enhance their ability to oversee the Company's risk framework and compliance as it and the regulatory environment changes; and expanded oversight and analysis of complaint trends to identify and remediate, if necessary, areas of potential consumer harm. Despite these increased activities, our current operations and compliance processes may not satisfy evolving regulatory standards. Past practices or products may continue to be the focus of examinations, inquiries or lawsuits including even for the work we performed under our federal loan servicing contract.

As described in "Management's Discussion and Analysis of Financial Condition and Results of Operations —Risk Management," Navient has implemented a coordinated, formal enterprise risk management system aimed at reducing business and regulatory risks.

Listed below are some of the most significant recent and pending regulatory changes that have the potential to affect Navient.

Education Loan Servicing and Consumer Lending. The CFPB has been active in the education loan industry and undertook a number of initiatives in recent years relative to the private education loan market and education loan servicing. In addition, several states have enacted various state servicing and licensing requirements. We anticipate that these state activities will continue. It is possible that more states will propose or pass similar or different requirements on either holders of education loans or their servicers. Depending on the nature of these laws or rules, they may impose additional or different requirements than Navient faces at the federal level.

Debt Collection Supervision. The CFPB also maintains supervisory authority over larger consumer debt collectors and has recently implemented changes to Regulation F governing the collection of third-party consumer debt. The issuance of the CFPB's rules does not preempt the various and varied levels of state consumer and collection regulations to which the activities of Navient's subsidiaries are currently subject. Navient also utilizes third-party debt collectors to collect defaulted and charged-off education loans and will continue to be responsible for oversight of their procedures and controls.

Oversight of Derivatives. The Dodd-Frank Act created a comprehensive new regulatory framework for derivatives transactions under the Commodity Futures Trading Commission (CFTC), other prudential regulators and the SEC. This framework, among other things, subjects certain swap participants to new capital and margin requirements, recordkeeping and business conduct standards and imposes registration and regulation of swap dealers and major swap participants. The scope of the rules and exemptions continues to be defined through agency rulemakings. Even where Navient or a securitization trust sponsored by Navient qualifies for an exemption, many of its derivatives counterparties are subject to capital, margin and business conduct requirements and therefore Navient's business may be impacted. Where Navient or the securitization trusts it sponsors do not qualify for an exemption, Navient or an existing or future securitization trust sponsored by Navient may be unable to enter into new swaps to hedge interest rate or currency risk or the costs associated with such swaps may increase. With respect to existing securitization trusts, an inability to amend, novate or otherwise materially modify existing swap contracts could result in a downgrade of its outstanding asset-backed securities. As a result, Navient's business, ability to access the capital markets for financing and costs may be impacted by these regulations.

Legal Proceedings

For a discussion of legal matters as of December 31, 2021, please refer to "Note 12 – Commitments, Contingencies and Guarantees" to our consolidated financial statements included in this report, which is incorporated into this item by reference.

RISK FACTORS

We employ an enterprise risk management philosophy and framework which seeks to identify the material risks impacting our business and provides a process for evaluating and quantifying such risks. Our Enterprise Risk and Compliance Committee monitors approved risk limits and thresholds to ensure our businesses are operating within approved risk parameters. Our Risk Appetite Framework segments our risk across nine risk domains: (1) credit; (2) market; (3) funding and liquidity; (4) operational; (5) compliance; (6) legal; (7) governance; (8) reputational/political; and (9) strategic. The risk factors enumerated in this section are presented in a manner that is consistent with this overall risk framework.

Based on current conditions, we believe that the following list identifies the material risk factors that could affect our financial condition, results of operations or cash flows. These risks and risk domains are not the only risks facing our Company. Additional risks not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial conditions or results of operations in future periods. Material risks that could apply generally to any company are listed below under the caption "General Risk Factors." In addition, our reaction to future developments as well as our competitors' and regulators' reactions to these developments may affect our future results.

***COVID-19 RISK*.**

The continuing impact of COVID-19 and related risks may materially affect our results of operations, financial condition and/or liquidity and such impacts could continue for an unknown length of time.

The COVID-19 pandemic continues to impact the global economy and our results of operations. In response to the pandemic, many state, local, and foreign governments have put in place, and others in the future may put in place, quarantines, executive orders, shelter-in-place orders, and similar government orders and restrictions in an effort to control the spread of the disease. In the general economy, these orders or restrictions, or the perception that these orders or restrictions could occur, have resulted in business closures, work stoppages, slowdowns and delays, work-from-home policies, travel restrictions, and cancellation or postponement of events as well as a general decline in economic activity and consumer confidence and increases in job losses and unemployment. As a result, our results of operations, financial condition and liquidity could be materially affected, as described in "Management's Discussion and Analysis of Financial Condition and Results of Operations — Navient's Response to COVID-19." With respect to our operations, we have drastically modified the manner in which we conduct our business by expanding our work-from-home capabilities and moving 90% of our team to a work-from-home status. Despite these efforts, the COVID-19 pandemic and its impact remain dynamic. Variants continue to emerge, efforts to mitigate or contain the impacts of the pandemic continue to evolve, and the duration and severity of the impact of the pandemic on our business and results of operations in future periods remain uncertain. If the COVID-19 pandemic or its adverse effects become more severe or prevalent or are prolonged or we experience more pronounced disruptions in our business or operations, or in economic activity and demand for our services generally, our business and results of operations in future periods could be materially adversely affected. We continue to monitor the situation and actively assess further implications for our business.

***CREDIT RISK*.**

Economic conditions and the creditworthiness of third parties could have a material adverse effect on our business, results of operations, financial condition and stock price.

Our success is largely dependent upon the creditworthiness of our customers, especially with respect to our education loans. Our research consistently indicates that borrower unemployment rates and the failure of in-school borrowers to graduate or otherwise complete their education are two of the most significant economic factors that affect loan performance. Any material changes in graduation or completion rates could increase or decrease delinquencies and defaults. Additionally, modifications to the original repayment terms in the form of loan forbearance, deferment, grace periods and the use of payment modification programs, including income-based repayment programs, can individually and cumulatively impact the performance of our loan portfolios. Modifications to private loans may lower the potential return on investment and may have the related effect of delaying defaults which would otherwise have become apparent in the performance of our portfolios.

Overall economic conditions remain volatile and unpredictable due to the prolonged impacts of the COVID-19 pandemic. In the early stages of the pandemic, we experienced elevated levels of forbearance and other loan modifications in our education loan portfolios. General economic and employment conditions, including employment rates for recent college graduates, can have a significant impact on loan delinquency and default rates. An extended or worsening deterioration in the economy could further adversely affect the credit quality of our borrowers, resulting in an increased occurrence of defaults and/or requiring more frequent use of loan modification tools. Further, as a result of COVID-19 we have experienced lower delinquency rates in both our FFELP and Private Education loan portfolios primarily due to increases in forbearance rates. While we cannot predict the duration of the COVID-19 crisis and the speed with which the economy recovers, we are paying close attention to the needs of our customers in an effort to assess the path and timing of any potential recovery. If actual loan performance is worse than our estimates, it could materially affect our allowance for loan losses and the related provision for loan losses adversely affecting our results of operation. Future defaults could be higher than anticipated due to a variety of these factors that are outside of our control. Higher credit-related losses and weaker credit quality could negatively affect our business, financial condition and results of operations and limit our funding options, including our access to the capital markets.

Defaults on education loans held by us, particularly Private Education Loans, could adversely affect our earnings.

FFELP Loans are insured or guaranteed by state or not-for-profit agencies and are also protected by contractual rights to recovery from the United States pursuant to guaranty agreements among ED and these agencies. These guarantees generally cover at least 97% of a FFELP Loan's principal and accrued interest upon default and, in limited circumstances, 100% of the loan's principal and accrued interest. We are exposed to credit risk on the non-guaranteed portion of the FFELP Loans in our portfolio. In addition, under certain circumstances, if we fail to service FFELP Loans in compliance with HEA we may jeopardize the insurance, guarantees and federal support we receive on these loans. A small percentage of our FFELP Loan portfolio has become permanently uninsured as a result of these regulations and we anticipate this will continue to a limited extent in the future. Under such circumstances, we bear the full credit exposure on such previously insured loans.

We bear the full credit exposure on the loans in our Private Education Loan portfolio. We believe that delinquencies are an important indicator of the potential future credit performance for Private Education Loans. Our delinquencies as a percentage of Private Education Loans in repayment were 3.2% at December 31, 2021. For a complete discussion of our loan delinquencies, see "Management's Discussion and Analysis of Financial Condition and Results of Operations— Financial Condition – Private Education Loan Portfolio Performance."

Future defaults could be higher than anticipated due to a variety of factors, such as downturns in the economy, public health crises such as the COVID-19 pandemic, regulatory changes and other unforeseen future trends. According to Company-sponsored independent research, young adults who stopped attending college before earning a degree or certificate are among those most likely to have trouble making payments. Losses on Private Education Loans are also impacted by various risk characteristics that may be specific to individual loans. Loan status (in-school, grace, forbearance, repayment and delinquency), loan seasoning (number of months in which a payment has been made by a customer), underwriting criteria (e.g., credit scores), existence of a cosigner, school type and whether a loan is a TDR are all factors that can impact the likelihood of default. Additionally, general economic and employment conditions, including employment rates for recent college graduates, can have a significant impact on loan delinquency and default rates. If actual loan performance is worse than currently estimated, it could materially affect our estimate of the allowance for loan losses and the related provision for loan losses and as a result adversely affect our results of operations.

The Company recently adopted an accounting standard update that resulted in a significant change in how we recognize credit losses.

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, "Financial Instruments — Credit Losses," which replaced the current "incurred loss" model for recognizing credit losses with an "expected loss" model referred to as the CECL model. This new CECL standard became effective for us on January 1, 2020. Under the CECL model, we are required to measure and recognize an allowance for loan losses that estimates remaining expected credit losses for financial assets held at the reporting date. This resulted in us presenting certain financial assets carried at amortized cost, such as our loans held for investment, at the net amount expected to be collected. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable economic and other forecasts that affect the collectability of the reported amount. This measurement takes place at the time the financial asset is first added to the balance sheet and quarterly thereafter. This differs significantly from the "incurred loss" model that was required under prior GAAP, which delayed recognition of losses until it was probable a loss had been incurred. Accordingly, the adoption of the CECL model materially changed the way we determine our allowance for loan losses and required us to significantly increase our allowance and reduce shareholders' equity on the January 1, 2020 implementation date. As a result of the adoption of CECL in the first quarter of 2020, we increased our loan loss reserves which resulted in a reduction of our shareholder equity by $620 million. In the future, the CECL model may create more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses, such increase could adversely affect our business, financial condition and results of operations. In addition, the evaluation of our expected credit losses is inherently subjective and requires estimates that may be subject to significant changes. See "Management's Discussion and Analysis of Financial Condition and Results of Operations – Critical Accounting Policies and Estimates – Allowance for Loan Losses" and "Note 2 – Significant Accounting Policies" for further discussion of the CECL standard and its impact as of the January 1, 2020 adoption date.

***Our Consumer Lending segment exposes us to credit underwriting risks based upon the credit model we use to forecast loss rates. If we are unable to effectively forecast loss rates, it could materially adversely affect our operating results*.**

In the fourth quarter of 2017, we acquired Earnest, a leading financial technology and education finance company. Earnest is now one of the leading providers of education refinance loans. In 2019, Earnest entered the “in-school” lending market. We underwrite new Private Education Loans within our Consumer Lending segment based upon our analysis of extensive credit criteria. Criteria reviewed in underwriting consumer loans may include any or all of the following: (i) employment or offer of employment and income; (ii) employment status and career specialization; (iii) qualifying credit history, taking into account credit score; (iv) debt to income ratio; (v) demonstrated ability to pay through free cash flow calculations; (vi) attendance at or graduation from an eligible post-secondary school, or separated from an eligible post-secondary school within a specified period of time and met additional credit requirements, or be the parent of a graduate or student; and (vii) savings. We define free cash flow generally as after-tax monthly income of a borrower minus the sum of rent or mortgage payments, student loan payments and any other fixed expenses of such borrower.

We do not rely on any single factor in making our underwriting decisions. Each of the above factors is reviewed and weighted depending on the individual borrower’s or co-borrower’s circumstances at the time the underwriting decision is made. If our underwriting process does not effectively forecast our losses, our operating results, cash flow or financial condition may be materially adversely affected.

***MARKET, FUNDING & LIQUIDITY RISK*.**

Our business is affected by the cost and availability of funding in the capital markets.

The capital markets may from time-to-time experience periods of significant volatility, such as the volatility we have experienced, and may experience again, as a result of COVID-19 and its impacts on the economy. This volatility can dramatically and adversely affect financing costs when compared to historical norms or make funding unavailable at any costs. We cannot provide any assurance that the cost and availability of funding in the capital markets will not continue to be impacted by the pandemic. In addition to COVID-19, other factors that could make financing more expensive or unavailable to us include, but are not limited to, financial losses, events that have an adverse impact on our reputation, changes in the activities of our business partners, events that have an adverse impact on the financial services industry generally, counterparty availability, negative credit rating actions with respect to us, asset-backed securities sponsored by us or the U.S. federal government, changes affecting our assets, the ability of existing or future Navient-sponsored securitization trusts to hedge interest rate and currency risk, corporate and regulatory actions, absolute and comparative interest rate changes, general economic conditions and the legal, regulatory and tax environments governing funding transactions, including existing or future securitization and derivatives transactions. If financing is difficult, expensive or unavailable, our results of operations, cash flow or financial condition could be materially and adversely affected.

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

The London Interbank Offered Rate, or LIBOR, has historically served as a global benchmark for determining interest rates on commercial and consumer loans, bonds, derivatives and numerous other financial instruments. U.S. Dollar (USD) LIBOR is the reference rate for most of our variable rate student loans, bonds, asset-backed securities (ABS), other financing facilities, and derivatives (financial instruments). All new variable rate private education loans issued since December 2021 are indexed to the Secured Overnight Financing Rate (SOFR). Also, as of December 31, 2021, we have ceased entering into any other new contracts that are indexed to LIBOR. See “Quantitative and Qualitative Disclosures about Market Risk — Interest Rate Sensitivity Analysis — LIBOR Transition” for further discussion on our LIBOR transition. On July 27, 2017, the Chief Executive Officer of the United Kingdom Financial Conduct Authority (the FCA) announced that by the end of 2021, LIBOR would no longer be sustained through the FCA’s efforts to compel banks’ participation in setting the benchmark. On March 5, 2021, the ICE Benchmark Administration Limited (the IBA), which took over administration of LIBOR on February 1, 2014, published the results of a consultation confirming its intention to cease the publication of (i) EUR, CHF, JPY and GBP LIBOR for all tenors and one-week and two-month USD LIBOR immediately following the publication of such rates on December 31, 2021, and (ii) the remaining USD LIBOR rates, including one-month and three-month LIBOR, immediately following the publication of such rates on June 30, 2023. Also on March 5, 2021, the FCA announced that it does not intend to sustain LIBOR by requiring panel banks to continue providing quotations of LIBOR beyond the dates for which they have notified their departure from IBA’s LIBOR quotation scheme, or to require IBA to publish LIBOR beyond such dates. As a result, immediately after December 31, 2021 and June 30, 2023, respectively, LIBOR will either cease to be published by any benchmark administrator or no longer be representative of the underlying market and economic reality that the rates are intended to measure. As of January 1, 2022, publication of one-week and two-month USD LIBOR has ceased, and regulated U.S. financial institutions are no longer permitted to enter into new contracts referencing any LIBOR rates.

As of December 31, 2021, we had approximately $172 billion notional of financial instruments indexed to USD one-month or three-month LIBOR, approximately $110 billion of which will mature after June 30, 2023. A significant amount of these financial instruments do not include provisions clearly specifying a method for transitioning from LIBOR to an alternative benchmark rate. Further, our financial instruments may require changes to documentation as well as enhancements and modifications to systems, controls, procedures and models, which could present operational and legal challenges for us and our customers, investors and counterparties. There can be no assurance that we will be able to modify all existing financial instruments before the discontinuation of LIBOR. For some of these financial instruments like our ABS, it may be impractical or impossible to modify such instruments due to stringent noteholder consent requirements. Additionally, for the Special Allowance Payment (SAP) paid on our FFELP Loans by ED, legislative action is necessary to modify the SAP formula, which is currently indexed to one-month LIBOR, to be indexed to an alternative benchmark rate. If such financial instruments are not remediated to provide a method for transitioning from LIBOR to an alternative benchmark rate, the New York state LIBOR legislation and proposed federal legislation related to the LIBOR transition may provide legal protection against litigation and statutory solutions to implement an alternative benchmark rate. Although the Alternative Reference Rates Committee (the ARRC) has recommended SOFR as the alternative benchmark rate for LIBOR, there is uncertainty as to whether SOFR will gain widespread market acceptance. As a result, it is difficult to predict the impact that the cessation of LIBOR would have on the value and performance of our existing financial instruments and whether a transition to an alternative benchmark rate will be similar to or produce a return that is the economic equivalent of LIBOR. These uncertainties regarding the possible cessation of LIBOR or their resolution could have a material adverse impact on our funding costs, net interest margin, loan and other asset values, asset-liability management strategies, operations, and other aspects of our business and financial results.

For more information regarding the actions we have taken with respect to the LIBOR transition, see “Quantitative and Qualitative Disclosures about Market Risk — Interest Rate Sensitivity Analysis — LIBOR Transition.”

Higher or lower than expected prepayments of loans could change the expected net interest income we receive as the holder of the Residual Interests of securitization trusts holding education loans or cause the bonds issued by a securitization trust to be paid at a different speed than originally anticipated. These factors could materially alter our net interest margin or the value of our Residual Interests.

The rate at which borrowers prepay their loans can have a material impact on our net interest margin and the value of our Residual Interests. Prepayment rates and levels are subject to a variety of economic, competitive and other factors, including changes in our competitors’ business strategies, changes in interest rates, availability of alternative financings (including refinance and consolidations), legislative and regulatory changes affecting the education loan market and the general economy. FFELP Loans and Private Education Loans may be voluntarily prepaid without penalty by the borrower, refinanced or consolidated with the borrower’s other loans through refinancing. Refinance products offered by us and our competitors may increase the repayment rate on our FFELP Loans and Private Education Loans.

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

While we anticipate some variability in prepayment levels, extraordinary or extended increases or decreases in prepayment rates could materially affect our liquidity, interest income, net interest margin and the value of our Residual Interests. Additionally, a prolonged introduction of significant amounts of subsidized funding into the Private Education Loan market at below market interest rates — whether from federal or private sources — could increase the prepayment rates of our existing Private Education Loans and have a material adverse effect on our business, results of operations and cash flows. When, as a result of unanticipated prepayment levels, education loans within a securitization trust amortize faster than originally contracted, the trust’s pool balance may decline at a rate faster than the prepayment rate assumed when the trust’s bonds were originally issued. If the trust’s pool balance declines faster than originally anticipated, in most of our securitization structures, the bonds issued by that trust will also be repaid faster than originally anticipated. In such cases, our net interest income may decrease and the value of any retained Residual Interest in the trust may similarly decline.

Conversely, when education loans within a securitization trust amortize more slowly than originally contracted, the trust’s pool balance may decline more slowly than the prepayment rate assumed when the trust’s bonds were originally issued, and the bonds may be repaid more slowly than originally anticipated. In these cases, our net interest income increases and the value of any retained Residual Interest in the trust may increase. In addition, if the prepayment rate is especially slow and certain rights of the sellers or the servicer are not exercised or are insufficient or other action is not taken to counter the slower prepayment rate, the trust’s bonds may not be repaid by their legal final maturity date(s), which could result in an event of default under the underlying securitization agreements.

Prepayments on education loans may increase as a result of many factors which include current and future initiatives by ED, or by Congress; future laws, executive orders or other policy statements to encourage or force consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs. For example, in October 2021, ED announced a set of policy changes and released proposed negotiated rulemaking proposals relating to the Public Service Loan Forgiveness program under its Direct Loan program, which may result in an increase in consolidations of FFELP loans into Direct Loans held by ED (which results in the loan no longer being on our balance sheet). While, based on our current projections we do not anticipate that the new ED policy will have a material impact on the value of the portfolios, we cannot provide any assurance that future legislative, regulatory or executive actions will not have a material impact on prepayments.

Our unhedged Floor Income is dependent on the future interest rate environment and therefore is variable, which may adversely affect our earnings.

FFELP Loans disbursed before April 1, 2006 generally earn interest at the higher of either the borrower rate, which is fixed over a period of time, or a floating rate based on a Special Allowance Payment or SAP formula set by ED. We have generally financed our FFELP Loans with floating rate debt whose interest is matched closely to the floating nature of the applicable SAP formula. Historically, these loans have been indexed to either the Treasury bill, commercial paper or one-month LIBOR rates. If a decline in interest rates causes the borrower rate to exceed the SAP formula rate, we will continue to earn interest on the loan at the fixed borrower rate while the floating rate interest on our debt will continue to decline. The additional spread earned between the fixed borrower rate and the SAP formula rate is referred to as “Floor Income.” The replacement of LIBOR as a benchmark rate may have a further detrimental impact on our LIBOR-indexed debt if rates suddenly rise as new market borrowing activity transfers to other benchmark rates. Depending on the type of FFELP Loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate on July 1 of each year. For loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time; for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date. In accordance with legislation enacted in 2006, holders of FFELP Loans are required to rebate Floor Income to ED for all FFELP Loans disbursed on or after April 1, 2006.

Floor Income can be volatile as market rates and the rates on the underlying education loans move up and down. Subject to prevailing market conditions, we generally hedge this risk by using derivatives in an effort to lock in a portion of our Floor Income over the term of the contract. A rise in interest rates will reduce the amount of Floor Income received on the FFELP Loans not presently hedged with derivatives, which will compress our net interest margins. Additionally, net interest margins can be negatively impacted by unusual variances between one-month and three-month LIBOR.

Our credit ratings are important to our liquidity. A reduction in our credit ratings could adversely affect our liquidity, increase our borrowing costs or limit our access to the capital markets.

As of December 31, 2021, Moody’s, S&P and Fitch rated our long-term unsecured debt below investment grade. In addition, the capital markets for sub-investment grade companies are not as liquid as those involving investment grade entities. These factors have resulted in a higher cost of funds for us and have caused our senior unsecured debt to trade with greater volatility.

Our unsecured debt totaled $7.0 billion at December 31, 2021. We utilize the unsecured debt markets to help fund our business and refinance outstanding debt. The amount, type and cost of this funding directly affects the cost of operating our business and growing our assets and is dependent upon outside factors, including our credit rating from rating agencies. There can be no assurance that our credit ratings will not be reduced further. A reduction in the credit ratings of our senior unsecured debt could adversely affect our liquidity, increase our borrowing costs, limit our access to the capital markets and place incremental pressure on net interest income.

Adverse market conditions or an inability to effectively manage our liquidity risk could negatively impact our ability to meet our liquidity and funding needs, which could materially and adversely impact our results of operations, cash flow or financial condition.

We must effectively manage our liquidity risk. We require liquidity to meet cash requirements such as day-to-day operating expenses, origination of loans, required payments of principal and interest on borrowings, and distributions to shareholders. We expect to fund our ongoing liquidity needs, including the repayment of $7.0 billion of senior unsecured notes that mature in 2023 to 2043, primarily through our current cash, investments and unencumbered FFELP Loan and Private Education Refinance Loan portfolios, the predictable operating cash flows provided by operating activities, the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt. We may maintain too much liquidity, which can be costly, or may be too illiquid, which could result in financial distress during times of financial stress or capital market disruptions.

The interest rate characteristics of our earning assets do not always match the interest rate characteristics of our funding arrangements, which may have a negative impact on our net interest income and net income.

Net interest income is the primary source of cash flow generated by our portfolios of FFELP Loans and Private Education Loans. At the present, interest earned on FFELP Loans and variable rate Private Education Loans is primarily indexed to one-month LIBOR or Prime Rate. Starting in May 2021, in preparation for the cessation of one-month LIBOR in July 2023, interest earned on certain newly originated variable rate Private Education Loans began to be indexed to one-month SOFR, with interest earned on all newly originated variable rate Private Education Loans being indexed to one-month SOFR by December 2021. In contrast, certain of our debt is indexed to rates other than one-month LIBOR, Prime Rate or one-month SOFR, or if indexed to one-month LIBOR, it has a different repricing frequency.

The different interest rate characteristics of our loan portfolios and the liabilities funding these loan portfolios result in basis risk and repricing risk. It is not economically feasible to hedge all of our exposure to such risks. While the asset and hedge indices are short-term with rate movements that are typically highly correlated, there can be no assurance that the historically high correlation will not be disrupted by capital market dislocations or other factors not within our control. There have been situations in the past in which we experienced widening spreads between one-month and three-month LIBOR and the cost of hedging this variance was prohibitive. Additionally, as we transition away from LIBOR, there may be further basis risk and repricing risk as a result of new SOFR-based indices being instituted in our loan portfolios and liabilities due to the varying performance and functionality of certain SOFR-based indices compared to LIBOR-based indices and other SOFR-based indices. We cannot provide any assurance that such a situation will not occur and if it did occur, it would potentially reduce our net interest margins and net income. In these circumstances, our earnings could be materially adversely affected.

Our use of derivatives to manage interest rate and foreign currency sensitivity exposes us to credit and market risk that could have a material adverse effect on our earnings and liquidity.

We strive to maintain an overall strategy that uses derivatives to minimize the economic effect of interest rate and/or foreign currency changes. However, developing an effective strategy for dealing with these movements is complex, and no strategy can completely avoid the risks associated with these fluctuations. For example, our education loan portfolio is subject to prepayment risk that could result in being under- or over-hedged, which could result in material losses. As a result, there can be no assurance that hedging activities using derivatives will effectively manage our interest rate or foreign currency sensitivity, have the desired beneficial impact on our results of operations or financial condition or not adversely impact our liquidity.

Our use of derivatives also exposes us to market risk and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates, foreign exchange rates and market liquidity. Our Floor Income Contracts and basis swaps we use to manage earnings variability caused by different reset characteristics on interest-earning assets and interest-bearing liabilities do not qualify for hedge accounting treatment. Therefore, the change in fair value, called the “mark-to-market,” of these derivative instruments is included in our statement of income without a corresponding mark-to-market of the economically hedged item. A decline in the fair value of these derivatives could have a material adverse effect on our reported earnings. In addition, a change in the mark-to-market value of these instruments may cause us to have to post more collateral to our counterparty or to a clearing house. If these values change significantly, the increased collateral posting requirement could have a material adverse impact on our liquidity.

Credit risk is the risk that a counterparty will not perform its obligations under a contract. Credit risk is limited to the loss of the fair value gain in a derivative that the counterparty or clearinghouse owes or will owe in the future to us. If a counterparty or clearinghouse fails to perform its obligations, we could, depending on the type of counterparty arrangement, experience a loss of liquidity or an economic loss. In addition, we might not be able to cost effectively replace the derivative position depending on the type of derivative and the current economic environment.

Our securitization trusts, which we consolidate on our balance sheet, had $2.1 billion of Euro denominated bonds outstanding as of December 31, 2021. To convert these non-U.S. dollar denominated bonds into U.S. dollar liabilities, the trusts have entered into foreign-currency swaps with highly rated counterparties. A failure by a swap counterparty to perform its obligations could, if the swap has a positive fair value to us and was not adequately collateralized, materially and adversely affect our earnings.

OPERATIONAL RISKS.

If we do not effectively and continually align our cost structure with our business operations, our results of operations and financial condition could be materially adversely affected.

We continually need to align our cost structure with our business operations. The ability to properly size our cost structure is dependent upon a number of variables, including our ability to successfully execute on our business plans and growth initiatives and future legislative or regulatory changes. If we undertake cost reductions based on our business plan, those reductions could be too dramatic and could cause disruptions in our business, reductions in the quality of the services we provide or cause us to fail to comply with applicable regulatory standards. Alternatively, we may fail to implement, or be unable to achieve, necessary cost savings commensurate with our business and prospects. In either case, our business, results of operations and financial condition could be adversely affected.

A failure of our operating systems or infrastructure could disrupt our business, cause significant losses, result in regulatory action or damage our reputation.

A failure of our operating systems or infrastructure could disrupt our business. Our business is dependent on the ability to process and monitor large numbers of daily transactions in compliance with contractual, legal and regulatory standards and our own product specifications, both currently and in the future. In the past, we have entered into strategic agreements with a third party to become the primary provider of technology solutions for servicing our FFELP loans and our Private Education Loans. We, however, still maintain the technology solutions for our other lines of business as well as our customer interactive infrastructure. As our processing demands and loan portfolios change, both in volume and in terms and conditions, our ability to develop and maintain our operating systems and infrastructure may become increasingly challenging. There is no assurance that we have adequately or efficiently developed, maintained, acquired or scaled such systems and infrastructure or will do so in the future.

The servicing, financial, accounting, data processing and other operating systems and facilities that support our business may fail to operate properly or become disabled as a result of events that are beyond our control, adversely affecting our ability to timely process transactions. Any such failure could adversely affect our ability to service our clients and result in financial loss or liability to our clients, disrupt our business, and result in regulatory action or cause reputational damage.

Additionally, since the onset of the COVID-19 pandemic, we have drastically modified the manner in which we conduct our business. We have expanded our work-from-home capabilities and implemented best practices for safety and hygiene to protect those who are unable to work remotely. While most of our operations can be performed remotely and are operating effectively at the present, there is no guarantee that this will continue or that we will continue to be as effective while working remotely.

Despite the plans and facilities we have in place, our ability to conduct business may be adversely affected by a prolonged disruption in the infrastructure that supports our business. This may include a disruption involving electrical, communications, Internet, transportation or other services used by us or third parties with which we conduct business. Despite the steps we have taken to transition to a new working environment, we may experience increased costs and/or disruption as we adapt to hybrid work models and the evolving realities of the workplace.

We depend on secure information technology, and a breach of our information technology systems could result in significant losses, disclosure of confidential customer information and reputational damage, which would adversely affect our business.

Our operations rely on the secure processing, storage and transmission of personal, confidential and other information in our computer systems and networks. Although we take protective measures we deem reasonable and appropriate, our computer systems, software and networks may be vulnerable to unauthorized access, computer viruses, malicious attacks and other events that could have a security impact beyond our control. These technologies, systems and networks, and those of third parties, may become the target of cyber-attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our customers' confidential, proprietary and other information, or otherwise disrupt our business operations or those of our customers or other third parties. Information security risks for institutions that handle large numbers of financial transactions on a daily basis such as Navient have generally increased in recent years, in part because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial transactions, and the increased sophistication and activities of organized crime, hackers, terrorists, activists and other external parties. In addition, our increased use of mobile and cloud technologies could heighten these and other operational risks, and any failure by mobile or cloud technology service providers to adequately safeguard their systems and prevent cyber-attacks could disrupt our operations and result in misappropriation, corruption or loss of confidential or propriety information. Moreover, the loss of confidential customer identification information could harm our reputation, result in the termination of contracts by our existing customers and subject us to liability under state, federal and international laws that protect confidential personal data, resulting in increased costs, loss of revenues and substantial penalties. The California Consumer Privacy Act (CCPA) took effect in January 2020 and provides for enhanced consumer protections for California residents and statutory fines for data security breaches or other CCPA violations.

If one or more of such events occur, personal, confidential and other information processed and stored in, and transmitted through, our computer systems and networks could be jeopardized or could cause interruptions or malfunctions in our operations that could result in significant losses or reputational damage. We routinely transmit and receive personal, confidential and proprietary information, some of it through third parties. We maintain secure transmission capability and work to ensure that third parties follow similar procedures. Nevertheless, an interception, misuse or mishandling of personal, confidential or proprietary information being sent to or received from a customer or third party could result in legal liability, regulatory action and reputational harm. In the event personal, confidential or other information is jeopardized, intercepted, misused or mishandled, we may need to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to fines, penalties, litigation and settlement costs and financial losses that may either not be insured against or not be fully covered through insurance. If one or more of such events occur, our business, financial condition or results of operations could be significantly and adversely affected.

We depend on third parties for a wide array of services, systems and information technology applications, and a breach or violation of law by one of these third parties could disrupt our business or provide our competitors with an opportunity to enhance their position at our expense.

We depend on third parties for a wide array of services, systems and information technology applications. Third-party vendors are significantly involved in many aspects of our software and systems development, servicing systems, the timely transmission of information across our data communication network, and for other telecommunications, processing, remittance and technology-related services in connection with our servicing or payment services businesses. In addition to technology applications, we also utilize various third-party debt collectors in the collection of defaulted Private Education Loans and in other areas. If a service provider fails to provide the services required or expected, or fails to meet applicable contractual or regulatory requirements such as service levels or compliance with applicable laws, the failure could negatively impact our business by adversely affecting our ability to process customers' transactions in a timely and accurate manner, otherwise hampering our ability to serve our customers, or subjecting us to litigation and regulatory risk for matters as diverse as poor vendor oversight or improper release or protection of personal information. Such a failure could also adversely affect the perception of the reliability of our networks and services and the quality of our brands, which could materially adversely affect our business and results of operations.

Our work with government clients exposes us to additional risks inherent in the government contracting environment.

Our clients include federal, state and local governmental entities. This work carries various risks inherent in the government contracting process. These risks include, but are not limited to, the following:

- Government contractors are sometimes affected by the political or budgetary processes of the United States government. Sometimes the political process leads to government shutdown of all parts of the federal or state government. This can lead to temporary work stoppages or payment delays. Contracts may be cancelled or altered due to political or policy priorities.

- Government entities in the United States often reserve the right to audit contract costs and conduct inquiries and investigations of business practices. These entities also conduct reviews and investigations and make inquiries regarding systems, including systems of third parties, used in connection with the performance of the contracts. Negative findings from audits, investigations or inquiries could affect the contractor's future revenues and profitability by preventing them, by operation of law or in practice, (i) from receiving new government contracts for some period of time or (ii) from being paid at the rate they believe is warranted.

- If improper or illegal activities are found in the course of government audits or investigations, the contractor may become subject to various civil and criminal penalties, including those under the civil U.S. False Claims Act. Additionally, we may be subject to administrative sanctions, which may include termination or non-renewal of contracts, forfeiture of profits, suspension of payments, fines and suspensions or debarment from doing business with other agencies of that government. Due to the inherent limitations of internal controls, it may not be possible to detect or prevent all improper or illegal activities.

The occurrences or conditions described above could affect not only our business with the particular government entities involved, but also our business or potential future business with other entities of the same or other governmental bodies or with commercial clients and could have a material adverse effect on our business or our results of operations.

Our business could be negatively impacted as a result of shareholder activism, including a proxy contest or an unsolicited takeover proposal.

We have been and may continue to be the subject of actions taken by activist shareholders. While we strive to maintain constructive, ongoing communications with all of our shareholders, and welcome their views and opinions with the goal of enhancing value for all shareholders, we may be subject to actions or proposals from activist shareholders that may not align with our business strategies or the interests of our other shareholders. For example, in December 2021, our Board of Directors adopted a short-term rights plan (Rights Plan) and declared a dividend distribution of one preferred share purchase right on each outstanding share of common stock. The Rights Plan is designed to protect shareholder interests by reducing the likelihood that any person or group would gain control of the Company through the open-market accumulation of the Company's shares without appropriately compensating our shareholders for control. Responding to such actions may be costly and time-consuming, disrupt our business and operations, or divert the attention of our board of directors, management, and employees from the pursuit of our business strategies. Such activities could interfere with our ability to execute our strategic plan.

Even if we are successful in a proxy contest or in defending against any unsolicited takeover attempt, our business could be adversely affected by any such proxy contest or unsolicited takeover attempt because:

- perceived uncertainties as to future direction may result in the loss of potential acquisitions, collaborations or other strategic opportunities, and may make it more difficult to attract and retain qualified personnel and business partners;
- if individuals are elected or appointed to our board of directors with a specific agenda, it may adversely affect our ability to effectively and timely implement our strategic plan and create additional value for our shareholders; and
- if individuals are elected or appointed to our board of directors who do not agree with our strategic plan, the ability of our board of directors to function effectively could be adversely affected, which could in turn adversely affect our business, operating results and financial condition.

Uncertainties related to, or the results of, such actions could cause our stock price to experience periods of volatility. The occurrence of any of the foregoing events could materially adversely affect our business.

We cannot predict, and no assurances can be given, as to the outcome or timing of any matters relating to the foregoing actions by shareholders or the ultimate impact on our business, liquidity, financial condition or results of operations, and any of these matters or any further actions by this or other shareholders may impact and result in volatility or stagnation of the price of our stock.

***REGULATORY, COMPLIANCE & LEGAL RISK*.**

Our businesses are subject to a wide variety of laws, rules, regulations and government policies that may change in significant ways, and changes to such laws and regulations or changes in existing regulatory guidance or their interpretation or enforcement could materially adversely impact our business and results of operations.

Our businesses are subject to a wide variety of U.S. federal and state and non-U.S. laws, rules, regulations and policies. There can be no assurance that these laws, rules, regulations and policies will not be changed in ways that will require us to modify our business models or objectives or in ways that affect our returns on investment by restricting existing activities or services, change how our companies operate or the characteristics of our assets, subjecting them to escalating costs or new or increased taxes or prohibiting them outright.

The CFPB has authority with respect to several aspects of our business. It has authority to write regulations under federal consumer financial protection laws and to directly or indirectly enforce those laws and examine us for compliance. The CFPB also has examination and enforcement authority with respect to various federal consumer financial laws for some providers of consumer financial products and services, including us. New rules if implemented, could have a material effect on our consumer lending or asset recovery businesses and may result in significant capital expenditures to develop systems that enable us to comply with the new regulations.

The CFPB is authorized to impose monetary penalties, collect fines and provide consumer restitution in the event of violations, engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. The CFPB has authority to bring an action to prevent unfair, deceptive or abusive acts or practices and to ensure that all consumers have access to fair, transparent and competitive markets for consumer financial products and services. The review of products and practices to prevent unfair, deceptive or abusive conduct will be a continuing focus of the CFPB. The ultimate impact of this heightened scrutiny is uncertain, but it has resulted in, and could continue to result in, changes to pricing, practices, products and procedures. It has also resulted in, and could continue to result in, increased costs related to regulatory oversight, supervision and examination, additional remediation efforts and possible penalties.

In addition, where a company has violated Title X of the Dodd-Frank Act or CFPB regulations implemented under Title X of the Dodd-Frank Act, the Dodd-Frank Act empowers State Attorneys General and state regulators, under certain circumstances to bring civil actions to remedy violations of state law. If the CFPB or one or more State Attorneys General or state regulators believe that we have violated any of the applicable laws or regulations, they could exercise their enforcement powers in ways that could have a material adverse effect on us or our business.

The CFPB filed an action against us in January of 2017 which is currently pending. A description of the CFPB action is included in the Commitments, Contingencies and Guarantees section of this Form 10-K. Also, in January 2022, we entered into a series of Consent Judgment and Orders (the “Agreements”) with 40 State Attorneys General to resolve all matters in dispute related to the certain state attorneys general cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators. For a description of the terms of the Agreements, please refer to Exhibit 10.24 or “Note 12 – Commitments, Contingencies and Guarantees” of this Form 10-K.

Our FFELP loans are subject to the HEA and related laws, rules, regulations and policies. Our servicing operations are designed and monitored to comply with the HEA, related regulations and program guidance; however, ED could determine that we are not in compliance for a variety of reasons, including that we misinterpreted ED guidance or incorrectly applied the HEA and its related laws, rules, regulations and policies. Failure to comply could result in fines, the loss of the insurance and related federal guarantees on affected FFELP Loans, expenses required to cure servicing deficiencies, suspension or termination of our right to participate as a FFELP servicer, negative publicity and potential legal claims. The imposition of significant fines, the loss of the insurance and related federal guarantees on a material number of FFELP Loans, the incurrence of additional expenses and/or the loss of our ability to participate as a FFELP servicer could individually or in the aggregate have a material, negative impact on our business, financial condition or results of operations.

Our businesses are also subject to regulation and oversight by various state and federal agencies, particularly in the area of consumer protection, and are subject to numerous state and federal laws and regulations. Several states have passed or proposed student loan servicing rules or legislation and several others have imposed license requirements. Imposition of new laws, rules or regulations or the failure to comply with these laws and regulations may result in significant costs, including litigation costs, and/or business sanctions including but not limited to termination or non-renewal of contracts.

Expanded regulatory and governmental oversight of our businesses will increase our costs and risks.

We are now, and may in the future be subject, to inquiries and audits from state and federal regulators as well as litigation from private plaintiffs. In recent years, we have entered into consent orders and other settlements. We have provided monetary and other relief in connection with the resolution of some of these actions and settlements. We have also enhanced our procedures and controls, expanded the risk and control functions within each line of business, invested in technology and hired additional risk, control and compliance personnel.

If our risk and control procedures and processes fail to meet the heightened expectations of our regulators and other government agencies, we could be required to enter into further orders and settlements, provide additional monetary relief, or accept material regulatory restrictions on our businesses, which could adversely affect our operations and, in turn, our financial results.

We expect heightened regulatory scrutiny and governmental investigations and enforcement actions to continue for us and for the financial services industry as a whole. Such actions can have significant consequences for a financial institution such as ours, including loss of customers and business and the inability to operate certain businesses.

Further, legislative and regulatory responses to COVID-19 have had a significant impact on our education loan portfolios. In compliance with the CARES Act and related executive actions, payments and interest accrual on all loans owned by ED were suspended until May 1, 2022 and may be further suspended after such date. While the CARES Act applies only to loans owned by ED and we no longer act as the servicer for these loans, several states have requested creditors and servicers to suspend payment obligations for other student loan borrowers in those states. Additionally, in response to the pandemic, ED and other federal and state regulators have announced various restrictions around the servicing and collection of consumer debts and some of these restrictions have been extended multiple times.

Due to the uncertainty engendered by these new regulations, legislation, guidance and actions, coupled with the likelihood of additional changes or additions to the local, state and federal statutes, regulations and practices applicable to our business, we are not able to estimate the ultimate impact of changes in law on our financial results, business operations or strategies. We believe that the cost of responding to and complying with these evolving laws and regulations, as well as any guidance from enforcement actions, will continue to increase, as will the risk of penalties and fines from any enforcement actions that may be imposed on our businesses. Our profitability, results of operations, financial condition, cash flows or future business prospects could be materially and adversely affected as a result.

GOVERNANCE RISK.

Certain provisions of Delaware law and our amended and restated certificate of incorporation and amended and restated by-laws may prevent or delay an acquisition of us, which could decrease the trading price of our common stock.

Certain provisions of Delaware law and of our amended and restated certificate of incorporation and second amended and restated by-laws are intended to deter coercive takeover practices and inadequate takeover bids by, among other things, encouraging prospective acquirers to negotiate directly with our board of directors rather than to attempt a hostile takeover. These provisions include, among others:

- limitations on the ability of our shareholders to call a special meeting such that shareholder-requested special meetings will only be called upon the request of the holders of at least one-third of our capital stock issued and outstanding and entitled to vote at an election of directors;
- rules regarding how shareholders may present proposals or nominate directors for election at shareholder meetings;
- the right of our board of directors to issue one or more series of preferred stock without shareholder approval;
- the inability of our shareholders to fill vacancies on our board of directors;
- the requirement that the affirmative vote of the holders of at least 75% in voting power of our stock entitled to vote thereon is required for shareholders to amend our amended and restated by-laws; and
- the inability of our shareholders to cumulate their votes in the election of directors.

In addition, in December 2021, our Board of Directors adopted a short-term rights plan (Rights Plan) and declared a dividend distribution of one preferred share purchase right on each outstanding share of common stock. The Rights Plan is designed to protect shareholder interests by reducing the likelihood that any person or group would gain control of the Company through the open-market accumulation of the Company's shares without appropriately compensating our shareholders for control. The rights will be exercisable only if a person or group acquires beneficial ownership of 20% or more of Navient common stock (including certain derivative positions), subject to certain exceptions. See "Note 9 – Stockholders' Equity" for further discussion. In addition to the Rights Plan, we are subject to Section 203 of the Delaware General Corporation Law. Section 203 generally provides that, with limited exceptions, persons who acquire, or are affiliated with a person that acquires, 15% or more of the outstanding voting stock of a Delaware corporation shall not engage in any business combination with that corporation, including by merger, consolidation or acquisitions of additional shares, for a three-year period following the time at which that person or its affiliates becomes the holder of 15% or more of the corporation's outstanding voting stock. Being subject to Section 203 and our adoption of the Rights Plan could cause a delay in or completely prevent a change of control that shareholders may favor.

We believe these provisions protect our shareholders from coercive or otherwise unfair takeover tactics by requiring potential acquirers to negotiate with our board of directors and by providing our board of directors with more time to assess any acquisition proposal. These provisions are not intended to make us immune from takeovers. However, these provisions will apply even if the offer may be considered beneficial by some shareholders and could delay or prevent an acquisition that our board of directors determines is not in the best interests of us and our shareholders.

Shareholders' percentage ownership in Navient may be diluted in the future.

In the future, shareholders' percentage ownership in Navient may be diluted as a result of equity issuances for acquisitions, capital market transactions or otherwise, including future equity awards that we may grant to our directors, officers and employees. If made, these awards will have a dilutive effect on our earnings per share, which could adversely affect the market price of shares of our common stock.

In addition, our amended and restated certificate of incorporation permits us to issue, without the approval of our shareholders, one or more series of preferred stock. Our board of directors generally may determine the rights of preferred shareholders including their powers, preferences and relative, participating, optional and other special rights, including preferences over our common stock with respect to dividends and distributions. If our board were to approve the issuance of preferred stock in the future, the terms of one or more series of such preferred stock could dilute the voting power or reduce the value of our common stock. For example, we could grant the holders of preferred stock the right to elect some number of our directors in all circumstances or upon the happening of specified events, or the right to veto specified transactions. Similarly, we could grant the preferred shareholders certain repurchase or redemption rights or liquidation preferences that could affect the value of the common stock.

Our certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our shareholders, which could limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

Our certificate of incorporation provides that the Court of Chancery of the State of Delaware will be the sole and exclusive forum for (i) any derivative action or proceeding brought on our behalf, (ii) any action asserting a claim of breach of a fiduciary duty owed to us or our shareholders by any of our directors, officers, employees or agents, (iii) any action asserting a claim against us arising under the General Corporation Law of the State of Delaware (DGCL) or (iv) any action asserting a claim against us that is governed by the internal affairs doctrine. By becoming a shareholder in our company, holders of our common stock will be deemed to have notice of and have consented to the provisions of our amended and restated certificate of incorporation related to choice of forum. The choice of forum provision in our amended and restated certificate of incorporation may limit our shareholders' ability to obtain a favorable judicial forum for disputes with us.

REPUTATIONAL/POLITICAL RISK.

Reputational risk and social factors may impact our results and damage our brand.

Negative public opinion or damage to our brand could occur as a result of actual or alleged conduct in any number of activities or circumstances, including lending practices, regulatory compliance, security breaches (including the use and protection of customer information), corporate governance, and sales and marketing, and from actions taken by regulators or other persons. Such conduct could fall short of our customers' and the public's heightened expectations of companies of our size with rigorous data, privacy and compliance practices, and could further harm our reputation. In addition, third parties with whom we have important relationships may take actions over which we have limited control that could negatively impact perceptions about us or the financial services industry. The proliferation of social media may increase the likelihood that negative public opinion from any of the events discussed above will impact our reputation and business.

RISKS ASSOCIATED WITH OUR SPIN-OFF.

Navient owes obligations, including service and indemnification obligations, to SLM BankCo under various transaction agreements that were executed as part of the Spin-Off. These obligations could be materially disruptive to Navient's business or subject it to substantial liabilities, including contingent liabilities and liabilities that are presently unknown.

In connection with the Spin-Off from SLM BankCo, Navient, SLM Corporation and SLM BankCo entered into various agreements.

The separation and distribution agreement between Navient, SLM Corporation and SLM BankCo provides for, among other things, indemnification obligations designed to make Navient financially responsible for substantially all liabilities that may exist whether incurred prior to or after the Spin-Off, relating to the business activities of SLM Corporation prior to the Spin-Off, other than those arising out of the consumer banking business and expressly assumed by SLM BankCo in the separation and distribution agreement. If Navient is required to indemnify SLM BankCo under the circumstances set forth in the separation and distribution agreement, Navient may be subject to substantial liabilities including liabilities that are accrued, contingent or otherwise and regardless of whether the liabilities were known or unknown at the time of the Spin-Off. SLM BankCo is party to various claims, litigation and legal, regulatory and other proceedings resulting from ordinary business activities relating to its current and former operations. Previous business activities of SLM BankCo, including originations and acquisitions of various classes of consumer loans outside of Sallie Mae Bank, may also result in liability due to future laws, rules, interpretations or court decisions which purport to have retroactive effect, and such liability could be significant. SLM BankCo may also be subject to liabilities related to past activities of acquired businesses. It is inherently difficult, and in some cases impossible, to estimate the probable losses associated with contingent and unknown liabilities of this nature, but future losses may be substantial and may be borne by Navient in accordance with the terms of the separation and distribution agreement.

STRATEGIC RISK.

Legislation passed by Congress in 2010 ended new loan originations under the FFELP program and no new FFELP Loans are being originated, and, as a result, net income on our existing FFELP Loan portfolio is declining over time. We may not be able to develop revenue streams to fully replace the declining revenue from FFELP Loans.

In 2010, Congress passed legislation ending the origination of education loans under the FFELP program. Since then, all federal education loans have been originated through the DSLP of the ED. While the 2010 law did not alter or affect the terms and conditions of existing FFELP Loans, it significantly impacted the education loan industry. As a result of this legislation, net income on our FFELP Loan portfolio is declining, and is anticipated to continue to decline, over time as those existing FFELP Loans are paid down, refinanced or repaid after default.

Acquisitions or strategic investments that we pursue may not be successful and could harm our business and financial condition.

Our growth strategy has included making opportunistic acquisitions of, or material investments in, loan portfolios and complementary businesses and products.

All acquisitions of companies, operations or loan portfolios involve financial risks as well as operational risks. There may be additional risks if we enter into a line of business in which we have limited experience or which operates in a legal, regulatory or competitive environment with which we are not familiar. The expected benefits of acquisitions and investments also may not be realized for various reasons, including the loss of key personnel, customers or vendors. If we fail to integrate or realize the expected benefits of our acquisitions or investments, we may lose the return on these acquisitions or investments or incur additional transaction costs, and our business and financial condition may be harmed as a result.

GENERAL RISK FACTORS.

Our framework for managing risks may not be effective in mitigating the risk of loss.

Our enterprise risk management framework seeks to mitigate risk and appropriately balance risk and returns. We have established processes and procedures intended to identify, measure, monitor, control and report the types of risk to which we are subject. We seek to monitor and control risk exposure through a framework of policies, procedures, limits and reporting requirements. Management of risks in some cases depends upon the use of analytical and forecasting models. If the models we use to mitigate these risks are inadequate, we may incur increased losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated. If our risk management framework does not effectively identify or mitigate risks, we could suffer unexpected losses, and our results of operations, cash flow or financial condition could be materially adversely affected.

We are subject to various legal proceedings and some of these legal proceedings or other contingencies may materially adversely affect our business, financial condition or results from operations.

We are subject to a variety of legal proceedings in virtually every part of our business, including the legal proceedings described in the Legal Proceedings section of this Annual Report. While we believe we have adopted appropriate legal and risk management and compliance programs, the diverse nature of our operations, including operations of business we have recently acquired, means that legal and compliance risks will continue to exist and additional legal proceedings and other contingencies, the outcome of which cannot be predicted with certainty, will arise from time to time. Some of these legal proceedings or other contingencies may materially adversely affect our business, financial condition or results from operations.

Incorrect estimates and assumptions by management in connection with the preparation of our consolidated financial statements could adversely affect our reported assets, liabilities, income, revenue or expenses.

The preparation of our consolidated financial statements requires management to make critical accounting estimates and assumptions that affect the reported amounts of assets, liabilities, income, revenue or expenses during the reporting periods. Incorrect estimates and assumptions by management could adversely affect our reported amounts of assets, liabilities, income, revenue and expenses during the reporting periods. If we make incorrect assumptions or estimates, our reported financial results may be over or understated, which could materially and adversely affect our business, financial condition and results of operations.

If we are unable to attract and retain professionals with strong leadership skills, our business, results of operations and financial condition may be materially adversely affected.

Our success is dependent, in large part, on our ability to attract and retain personnel with the knowledge and skills to lead our business. Experienced personnel in our industry are in high demand, and competition for talent is very high. We must hire, retain and motivate appropriate numbers of talented people with diverse skills in order to serve our clients, respond quickly to rapid and ongoing technology, industry and macroeconomic developments, and grow and manage our business. As our business evolves, we must also hire and retain an increasing number of professionals with different skills and professional expectations than those of the professionals we have historically hired and retained. If we are unable to successfully integrate, motivate and retain these professionals, our ability to continue to secure work in those industries and for our services and solutions may suffer.

Our businesses operate in competitive environments and could lose market share and revenues if competitors compete more aggressively or effectively.

We compete with for-profit and not-for-profit servicing, asset recovery and business processing businesses, many with strong records of performance. We compete based on price, effectiveness and customer service metrics. To the extent our competitors compete aggressively or more effectively than us, we could lose market share to them or Our service offerings may not prove to be profitable. Our business and financial condition may be harmed as a result.

Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

LIBOR Transition

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

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

For a discussion of the risks related to the LIBOR transition, see "Risk Factors – Market, Funding & Liquidity Risk – The transition away from the LIBOR reference rate to an alternative reference rate may create uncertainty in the capital markets and may negatively impact the value of existing LIBOR based financial instruments. Post transition alternative reference rates may perform significantly different than LIBOR."

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 December 31, 2021 and December 31, 2020, based upon a sensitivity analysis performed by management assuming a hypothetical increase and decrease in market interest rates of 100 basis points. The earnings sensitivities assume an immediate increase and decrease in market interest rates of 100 basis points and are applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date and do not take into account any new assets, liabilities or hedging instruments that may arise over the next 12 months.

	As of December 31, 2021 Impact on Annual Earnings If:		As of December 31, 2020 Impact on Annual Earnings If:	
	Interest Rates:		Interest Rates:	
(Dollars in millions, except per share amounts)	**Increase 100 Basis Points**	**Decrease 100 Basis Points**	**Increase 100 Basis Points**	**Decrease 100 Basis Points**
Effect on Earnings:				
Change in pre-tax net income before mark-to-market gains (losses) on derivative and hedging activities[1]	$ 4	$ 40	$ (40)	$ 15
Mark-to-market gains (losses) on derivative and hedging activities	73	(103)	127	(171)
Increase (decrease) in income before taxes	$ 77	$ (63)	$ 87	$ (156)
Increase (decrease) in net income after taxes	$ 59	$ (49)	$ 67	$ (120)
Increase (decrease) in diluted earnings per common share	$ .38	$ (.31)	$ .36	$ (.64)

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

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

	At December 31, 2020							
		Interest Rates:						
		Change from Increase of 100 Basis Points				Change from Decrease of 100 Basis Points		
(Dollars in millions)		Fair Value		$	%		$	%
Effect on Fair Values:								
Assets								
Education Loans	$	81,579	$	(419)	(1)%	$	669	1%
Other earning assets		3,822		—	—		—	—
Other assets		4,227		(248)	(6)		300	7
Total assets gain/(loss)	$	89,628	$	(667)	(1)%	$	969	1%
Liabilities								
Interest-bearing liabilities	$	83,345	$	(373)	—%	$	406	—%
Other liabilities		1,020		(274)	(27)		358	35
Total liabilities (gain)/loss	$	84,365	$	(647)	(1)%	$	764	1%

A primary objective in our funding is to minimize our sensitivity to changing interest rates by generally funding our floating rate education loan portfolio with floating rate debt and our fixed rate education loan portfolio with fixed rate debt although we can have a mismatch at times. In addition, we can have a mismatch in the index (including the frequency of reset) of floating rate debt versus floating rate assets. In addition, due to the ability of some FFELP Loans to earn Floor Income, we can have a fixed versus floating mismatch in funding if the education loan earns at the fixed borrower rate and the funding remains floating. During 2021 and 2020, certain FFELP Loans were earning Floor Income and we locked in a portion of that Floor Income through the use of derivative contracts. The result of these hedging transactions was to fix the relative spread between the education loan asset rate and the variable rate liability.

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in pre-tax net income before the mark-to-market gains (losses) on derivative and hedging activities is primarily due to the impact of (i) our unhedged FFELP Loans being in a fixed-rate mode due to Floor Income, while being funded with variable rate debt in low interest rate environments; and (ii) a portion of our variable rate assets being funded with fixed rate liabilities. Item (i) will generally cause income to decrease when interest rates increase and income to increase when interest rates decrease. Item (ii) has the opposite effect. The changes due to the interest rates scenarios in the current year, in relation to each other and in relation to the prior year, are primarily a result of two developments that occurred during 2021: (1) the 1-year LIBOR forward curve has increased significantly from the prior year which results in less loss of Floor Income when interest rates are increased and a greater increase to Floor Income when rates are decreased and (2) there is a larger portion of variable rate assets funded with fixed rate liabilities as of December 31, 2021 compared to December 31, 2020. This was a purposeful strategy to take advantage of historically low interest rates and serves as a natural hedge related to movements in rates and the impact on Floor Income. The increase in interest rates as of December 31, 2021 is the only scenario above where the impact from (ii) above more than offsets the impact from (i) above.

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in mark-to-market gains (losses) on derivative and hedging activities in 2021 and 2020 is primarily due to (i) the notional amount and remaining term of our derivative portfolio and related hedged debt and (ii) the interest rate environment. In 2021 and 2020, the mark-to-market gains (losses) are primarily related to derivatives that don't qualify for hedge accounting that are used to economically hedge Floor Income as well as the origination of fixed rate Private Education Refinance loans. As a result of not qualifying for hedge accounting, there is not an offsetting mark- to-market of the hedged item in this analysis. The mark-to-market gains (losses) where interest rates increase and decrease 100 basis points are lower in 2021 than 2020 primarily as a result of a decline in the notional amount of derivatives outstanding in connection with the decrease in the education loan portfolio over that time period.

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

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of December 31, 2021. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest margin, as opposed to those reflected in the "gains (losses) on derivatives and hedging activities, net" line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude.

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

GAAP Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding[1]	Funding Gap
3-month Treasury bill	weekly	$ 2.6	$ —	$ 2.6
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.2	—	.2
Prime	quarterly	1.5	—	1.5
Prime	monthly	5.3	—	5.3
3-month LIBOR	quarterly	.3	24.2	(23.9)
3-month LIBOR[2]	monthly	—	.5	(.5)
3-month LIBOR[2]	daily	—	—	—
1-month LIBOR	monthly	3.6	30.5	(26.9)
1-month LIBOR	daily	49.7	—	49.7
Non-Discrete reset[2][3]	monthly	—	3.4	(3.4)
Non-Discrete reset[4]	daily/weekly	3.8	.2	3.6
Fixed Rate[5]		13.4	21.8	(8.4)
Total		$ 80.6	$ 80.6	$ —

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

(2) Funding includes loan repurchase facilities.

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

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

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

Core Earnings Basis

Index (Dollars in billions)	Frequency of Variable Resets	Assets	Funding[1]	Funding Gap
3-month Treasury bill	weekly	$ 2.6	$ —	$ 2.6
3-month Treasury bill	annual	.2	—	.2
Prime	annual	.2	—	.2
Prime	quarterly	1.5	—	1.5
Prime	monthly	5.3	—	5.3
3-month LIBOR	quarterly	.3	6.4	(6.1)
3-month LIBOR[2]	monthly	—	.5	(.5)
3-month LIBOR[2]	daily	—	—	—
1-month LIBOR	monthly	3.6	47.3	(43.7)
1-month LIBOR	daily	49.7	—	49.7
Non-Discrete reset[2][3]	monthly	—	3.4	(3.4)
Non-Discrete reset[4]	daily/weekly	3.8	.2	3.6
Fixed Rate[5]		13.2	22.6	(9.4)
Total		$ 80.4	$ 80.4	$ —

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

(2) Funding includes loan repurchase facilities.

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

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

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

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

Properties

The following table lists the principal facilities owned by us as of December 31, 2021:

Location	Function	Business Segment(s)	Approximate Square Feet
Fishers, IN(1)	Loan Servicing and Data Center	Federal Education Loans; Consumer Lending; Other	450,000
Wilkes-Barre, PA	Loan Servicing Center	Federal Education Loans; Consumer Lending	133,000
Muncie, IN	Processing Center	Business Processing	75,400
Big Flats, NY	Pioneer Credit Recovery — Processing Center	Federal Education Loans; Business Processing	60,000
Arcade, NY	Pioneer Credit Recovery — Processing Center	Federal Education Loans; Business Processing	46,000
Perry, NY	Pioneer Credit Recovery — Processing Center	Federal Education Loans; Business Processing	45,000

The following table lists the principal facilities leased by us as of December 31, 2021:

Location	Function	Business Segment(s)	Approximate Square Feet
Hendersonville, TN(2)	Xtend Healthcare — Revenue Cycle Management	Business Processing; Other	58,000
Austin, TX(3)	Gila MSB — Business Processing	Business Processing; Other	55,000
Wilmington, DE	Headquarters	Federal Education Loans; Consumer Lending; Business Processing; Other	46,000
Herndon, VA	Administrative Offices	Federal Education Loans; Consumer Lending; Business Processing; Other	43,000
Milwaukee, WI	Duncan Solutions – Business Processing	Business Processing Other	22,000
Moorestown, NJ	Pioneer Credit Recovery – Processing Center	Federal Education Loans; Business Processing	30,000
Guaynabo, PR	Gila MSB Puerto Rico – Business Processing	Business Processing; Other	21,000
Irving, TX	Duncan Solutions - Business Processing	Business Processing; Other	21,000
Salt Lake City, UT	Earnest – Loan Originations	Consumer Lending, Other	14,000

(1) Approximately 38,000 square feet leased to Fiserv (previously First Data) beginning April 2019. Approximately 32,000 square feet leased to Pendrick beginning June 2021. Navient signed a letter of intent (LOI) in December 2021 to sell this building and lease back office and data center space over a 10-year lease term.

(2) Approximately 34,000 square feet was vacated and the lease for this space terminated.

(3) Austin, TX lease facility was vacated in September 2020 and the Company took a lease abandonment charge. Lease expires September 30, 2022.

None of the facilities that we own is encumbered by a mortgage. We believe that our headquarters, loan servicing centers, data center and other business processing centers are generally adequate to meet our long-term needs and business goals. Our headquarters is currently in leased space at 123 Justison Street, Wilmington, Delaware, 19801.

Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed and traded on the NASDAQ under the symbol NAVI. As of January 31, 2022, there were 152,132,902 shares of our common stock outstanding and 267 holders of record.

We paid quarterly cash dividends on our common stock of $0.16 per share for each quarter of 2020 and 2021.

Issuer Purchases of Equity Securities

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

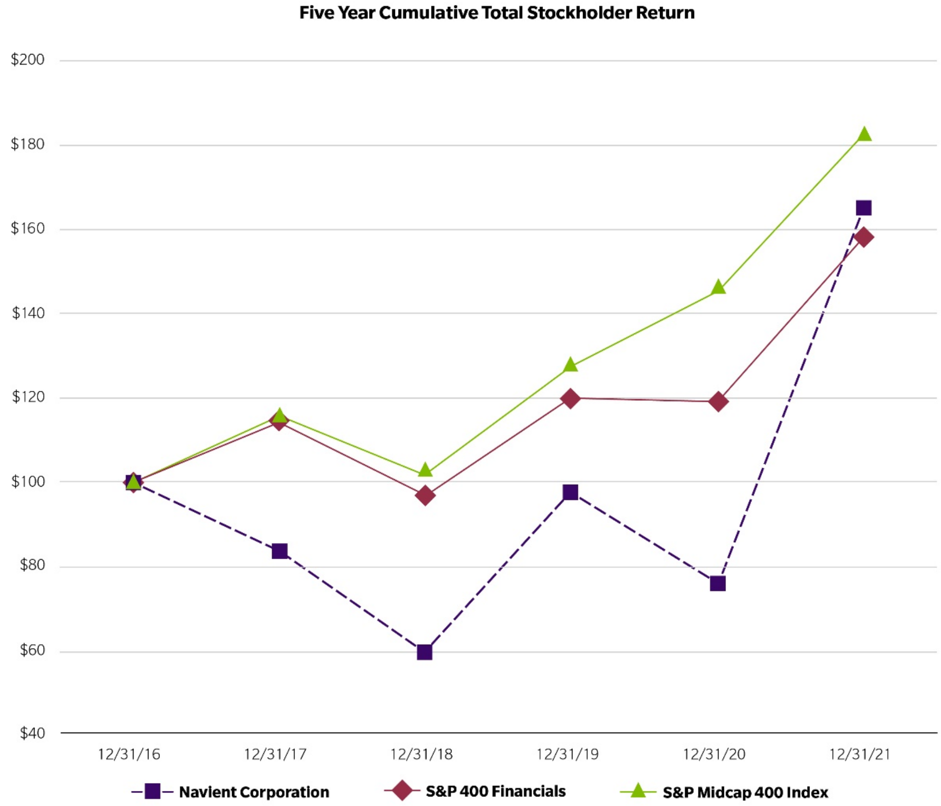
(In millions, except per share data)	Total Number of Shares Purchased(1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under Publicly Announced Plans or Programs(2)
Period:				
Oct 1 – Oct 31, 2021	2.8	$ 19.68	2.8	$ 96
Nov 1 – Nov 30, 2021	2.5	20.04	2.5	$ 46
Dec 1 – Dec 31, 2021	2.2	20.97	2.1	$ 1,000
Total fourth quarter	7.5	$ 20.17	7.4	

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

(2) In October 2019, our board of directors approved a $1 billion multi-year share repurchase program which was fully utilized in 2021, and in December 2021 an additional $1 billion multi-year program was approved.

Stock Performance

The following performance graph compares the yearly dollar change in our cumulative total shareholder return on our common stock to that of the S&P 400 Financials and the S&P Midcap 400 Index. The graph assumes a base investment of $100 at December 31, 2016 and reinvestment of dividends through December 31, 2021.



Company/Index	12/31/16	12/31/17	12/31/18	12/31/19	12/31/20	12/31/21
Navient Corporation	$ 100.0	$ 84.9	$ 59.0	$ 96.3	$ 74.0	$ 165.8
S&P 400 Financials	$ 100.0	$ 113.9	$ 95.7	$ 120.8	$ 118.8	$ 157.9
S&P Midcap 400 Index	$ 100.0	$ 116.2	$ 103.3	$ 130.4	$ 148.2	$ 184.8

Source: Bloomberg Total Return Analysis

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 December 31, 2021. Based on this evaluation, our Principal Executive and Principal Financial Officers concluded that, as of December 31, 2021, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our Principal Executive and Principal Financial Officers as appropriate, to allow timely decisions regarding required disclosure.

Management’s Report on Internal Control over Financial Reporting

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act). Under the supervision and with the participation of our management, including our Principal Executive Officer and Principal Financial Officer, we assessed the effectiveness of our internal control over financial reporting as of December 31, 2021. In making this assessment, our management used the criteria established in *Internal Control — Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on our assessment and those criteria, management concluded that, as of December 31, 2021, our internal control over financial reporting was effective.

KPMG LLP, an independent registered public accounting firm, audited the effectiveness of the Company’s internal control over financial reporting as of December 31, 2021, as stated in their report which appears below.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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

Directors, Executive Officers and Corporate Governance

The information required by this item will be contained in the 2022 Proxy Statement, including in the sections titled “Proposal 1 — Election of Directors,” “Executive Officers,” “Other Matters — Delinquent Section 16(a) Reports, if applicable” and “Corporate Governance,” and is incorporated herein by reference.

Executive Compensation

The information required by this item will be contained in the 2022 Proxy Statement, including in the sections titled “Executive Compensation” and “Director Compensation,” and is incorporated herein by reference.

Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information required by this item will be contained in the 2022 Proxy Statement, including in the sections titled “Ownership of Common Stock” and “Ownership of Common Stock by Directors and Executive Officers,” and is incorporated herein by reference.

The table below presents information as of December 31, 2021, relating to our equity compensation plans or arrangements pursuant to which grants of options, restricted stock, restricted stock units, stock units or other rights to acquire shares may be granted from time to time.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options and Rights (1)	Weighted Average Exercise Price of Outstanding Options and Rights	Average Remaining Life (Years) of Options Outstanding	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders:				
Navient Corporation 2014 Omnibus Incentive Plan:				
Traditional options	—	$ —	—	
Net-Settled Options	452,245	14.28	.7	
RSUs	2,314,399	—	—	
PSUs	1,492,134	—	—	
Total	4,258,778	14.28	.7	14,982,113
ESPP(2)	—	—	—	1,660,310
Total approved by security holders	4,258,778	$ 14.28	.7	16,642,423
Total not approved by security holders	—	$ —	—	—

(1) Upon exercise of a net-settled option, optionees are entitled to receive the after-tax spread shares only. The spread shares equal the gross number of options granted less shares for the option cost. Accordingly, this column reflects the net-settled option spread shares issuable on December 31, 2021, where provided. PSUs granted in 2019 vest after a three-year performance period (2019-2021), with the potential payout ranging from 0% to 150% of the target award. Based on the Company’s actual performance during the three-year performance period relative to pre-established performance goals, these PSUs will vest at 119% of the target amount and will be settled in shares of the Company’s common stock two business days after the Company files its Form 10-K for the year ended December 31, 2021. These 2019 PSUs are shown above as outstanding on December 31, 2021, based on the final achieved amount (i.e., 119% of the target amount).

(2) Number of shares available for issuance under the Navient Corporation ESPP as of December 31, 2021. The ESPP was approved on April 8, 2014 by the company now known as SLM Corporation, then our sole shareholder. The ESPP became effective May 1, 2014. The Company amended the ESPP effective November 1, 2015 to alter the offering period for employees of recently acquired subsidiaries. The Company again amended the ESPP on April 4, 2019, subject to shareholder approval, to increase the shares available for issuance under the plan by 2 million shares. This amendment was approved by the Company’s shareholders on June 6, 2019. The Company again amended the ESPP on May 21, 2020, to eliminate the accrual of interest on individual account balances for periods after July 31, 2020.

Certain Relationships and Related Transactions, and Director Independence

The information required by this item will be contained in the 2022 Proxy Statement, including under “Other Matters — Certain Relationships and Transactions” and “Corporate Governance,” and is incorporated herein by reference.

Principal Accountant Fees and Services

The information required by this item will be contained in the 2022 Proxy Statement, including under “Independent Registered Public Accounting Firm,” and is incorporated herein by reference.

Exhibits and Financial Statement Schedules

(a) **1. Financial Statements**

The following consolidated financial statements of Navient Corporation and the Report of the Independent Registered Public Accounting Firm thereon are included:

2. Financial Statement Schedules

All schedules are omitted because they are not applicable or the required information is shown in the consolidated financial statements or notes thereto.

3. Exhibits

The exhibits listed in the accompanying index to exhibits are filed or incorporated by reference as part of this Annual Report on Form 10-K.

We will furnish at cost a copy of any exhibit filed with or incorporated by reference into this Annual Report on Form 10-K. Oral or written requests for copies of any exhibits should be directed to the Secretary.

4. Appendices

Appendix A — Federal Family Education Loan Program
Appendix B — Form 10-K Cross-Reference Index

(b) **Exhibits**

2.1	The Agreement and Plan of Merger, dated as of October 16, 2014, between Navient Corporation and Navient, LLC (incorporated by reference to Exhibit 2.1 to Navient Corporation's Current Report on Form 8-K filed on October 17, 2014).
3.1	Amended and Restated Certificate of Incorporation of Navient Corporation (incorporated by reference to Exhibit 3.1 of Amendment No. 3 to Navient Corporation's Registration Statement on Form 10 (File No. 001-36228) filed on March 27, 2014).
3.2	Second Amended and Restated By-Laws of Navient Corporation adopted April 4, 2018 (incorporated by reference to Exhibit 3.1 to Navient Corporation's Current Report on Form 8-K filed on April 9, 2018).
3.3	Certificate of Designations of Series A Junior Participating Preferred Stock of Navient Corporation (incorporation by reference to Exhibit 3.1 to Navient Corporation's Current Report on Form 8-K filing on December 20, 2021).
4.1	Description of Registrant's Securities (incorporated by reference to Form S-3ASR filed on July 18, 2014.
4.2	Indenture, dated as of July 18, 2014, between Navient Corporation and Bank of New York Mellon, as trustee, (incorporated by reference to Exhibit 4.1 to Form S-3ASR filed on July 18, 2014).
4.3	First Supplemental Indenture, dated as of November 6, 2014, between Navient Corporation and Bank of New York Mellon, as trustee, (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on November 11, 2006.
4.4	Second Supplemental Indenture dated as of March 27, 2015 between Navient Corporation and Bank of New York Mellon, as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on March 27, 2015.
4.5	The Third Supplemental Indenture, dated as of July 29, 2016, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on July 29, 2016).

4.6	The Fourth Supplemental Indenture, dated as of September 16, 2016, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on September 16, 2016).
4.7	The Fifth Supplemental Indenture, dated as of March 7, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on March 7, 2017).
4.8	The Sixth Supplemental Indenture, dated as of March 17, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.3 to Navient Corporation's Current Report on Form 8-K filed on March 7, 2017).
4.9	The Seventh Supplemental Indenture, dated as of May 26, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on May 26, 2017).
4.10	The Eighth Supplemental Indenture, dated as of June 9, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.4 to Navient Corporation's Current Report on Form 8-K filed on June 9, 2017).
4.11	The Ninth Supplemental Indenture, dated as of December 4, 2017 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.3 to Navient Corporation's Current Report on Form 8-K filed on December 4, 2017).
4.12	The Tenth Supplemental Indenture, dated as of June 11, 2018 to the Indenture dated as of July 18, 2014 between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 to Navient Corporation's Current Report on Form 8-K filed on June 11, 2018).
4.13	The Eleventh Supplemental Indenture, dated as of January 27, 2020 (this "Supplemental Indenture"), between Navient Corporation, a Delaware corporation (the "Company"), and The Bank of New York Mellon, a New York banking corporation, as trustee (the "Trustee") (incorporated by reference to Exhibit 4.2 on Form 8-K filed on January 27, 2020).
4.14	The Twelfth Supplemental Indenture, dated as of February 2, 2021, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 on Form 8-K filed on February 2, 2021).
4.15	The Thirteenth Supplemental Indenture, dated as of November 4, 2021, between Navient Corporation and The Bank of New York Mellon as trustee (incorporated by reference to Exhibit 4.2 on Form 8-K filed on November 5, 2021.
4.16	Rights Agreement dated as of December 20, 2021 between Navient Corporation and Computershare Trust Company, N.A., which includes the form of Certificate of Designations as Exhibit A, the form of Right Certificate as Exhibit B and the Summary of Rights to Purchase Preferred Shares as Exhibit C (incorporated by reference to Exhibit 4.1 on Form 8-K filed on December 20, 2021).
10.1†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options — 2011 (incorporated by reference to Exhibit 10.22 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).
10.2†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Stock Option Agreement, Net Settled Options — 2010 (incorporated by reference to Exhibit 10.23 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).
10.3†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Stock Option Agreement — 2011 (incorporated by reference to Exhibit 10.31 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).
10.4†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Stock Option Agreement — 2010 (incorporated by reference to Exhibit 10.32 of the Company's Quarterly Report on Form 10-Q filed on August 1, 2014).
10.5†	Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement — Net Settled Options (incorporated by reference to Exhibit 10.4 of the Company's Quarterly Report on Form 10-Q filed on April 28, 2016).

10.6†	Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 27, 2017).
10.7†	Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018).
10.8†	Form of Navient Corporation 2014 Omnibus Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018).
10.9†	Form of Navient Corporation 2014 Omnibus Incentive Plan Stock Option Agreement (incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2018).
10.10†	Navient Corporation 2014 Omnibus Incentive Plan, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.11†	Navient Deferred Compensation Plan for Directors, as amended and restated effective October 1, 2015 (incorporated by reference to Exhibit 10.1 of the Company's Form 10-K (File No. 001-36228) filed on October 30, 2015).
10.12†	Navient Corporation Change in Control Severance Plan for Senior Officers, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.13†	Navient Corporation Executive Severance Plan for Senior Officers, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.4 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.14†	Navient Corporation Deferred Compensation Plan, Amended and Restated as of May 24, 2018 incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report filed on Form 10-Q filed on August 3, 2018.
10.15†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019).
10.16†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019).
10.17†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Independent Director Restricted Stock Agreement (incorporated by reference to Exhibit 10.3 to Navient Corporation's Quarterly Report on Form 10-Q filed on May 3, 2019).
10.18†	Amended and Restated Navient Corporation Employee Stock Purchase Plan (incorporated by reference to Appendix A to Navient Corporation's Definitive Proxy Statement filed on April 30, 2019.
10.19	Underwriting Agreement dated January 28, 2021 among Navient Corporation and J.P. Morgan Securities LLC, Barclays Capital Inc. and RBC Capital Markets, LLC, as representatives of the underwriters named therein (incorporated by reference to Exhibit 4.2 on Form 8-K filed on February 2, 2021).
10.20†	Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 on Form 10-Q filed on May 1, 2020).
10.21†	Form of Navient Corporation 2014 Omnibus Incentive Plan Restricted Stock Unit Agreement (incorporated by reference to Exhibit 10.2 on Form 10-Q filed on May 1, 2020).
10.22†	Form of Navient Corporation 2014 Omnibus Incentive Plan Independent Director Stock Agreement (incorporated by reference to Exhibit 10.3 on Form 10-Q filed on May 1, 2020).

10.23	Underwriting Agreement dated November 1, 2021 among Navient Corporation and J.P. Morgan Securities LLC, Barclays Capital Inc. and RBC Capital Markets, LLC, as representatives of the underwriters named therein (incorporated by reference to Exhibit 1.1 on Form 8-K filed on November 5, 2021).
10.24*	Consent Judgment and Orders ("Agreement") dated January 13, 2022 between Navient Corporation, Navient Solutions, LLC and Pioneer Credit Recovery, Inc. (the "Navient Parties") and the Attorney General for the State of Washington as a representative example, except for the payment amounts, of the Agreement between the Navient Parties and the State Attorneys General for the States set forth in Exhibit 10.24.1 (attached herewith).
10.24.1*	List of States and Localities that are a party to the Consent Judgment and Orders described in Exhibit 10.24 (attached herewith).
10.25†	Form of Navient Corporation 2014 Omnibus Incentive Plan, Performance Stock Unit Agreement (incorporated by reference to Exhibit 10.1 to Navient Corporation's Quarterly Report on Form 10-Q filed on April 28, 2021).
21.1*	List of Subsidiaries.
23.1*	Consent of KPMG LLP.
31.1*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS*	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

† Management Contract or Compensatory Plan or Arrangement
* Filed herewith
** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

Dated: February 25, 2022

NAVIENT CORPORATION

By: /s/ JOHN F. REMONDI
John F. Remondi
President and Chief Executive Officer

Pursuant to the requirement of the Securities Exchange Act of 1934, as amended, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ JOHN F. REMONDI John F. Remondi	President, Chief Executive Officer and Director (Principal Executive Officer)	February 25, 2022
/s/ JOE FISHER Joe Fisher	Chief Financial Officer (Principal Financial and Accounting Officer)	February 25, 2022
/s/ LINDA A. MILLS Linda A. Mills	Chair of the Board of Directors	February 25, 2022
/s/ FREDERICK ARNOLD Frederick Arnold	Director	February 25, 2022
/s/ ANNA ESCOBEDO CABRAL Anna Escobedo Cabral	Director	February 25, 2022
/s/ LARRY A. KLANE Larry A. Klane	Director	February 25, 2022
/s/ MICHAEL A. LAWSON Michael A. Lawson	Director	February 25, 2022
/s/ KATHERINE A. LEHMAN Katherine A. Lehman	Director	February 25, 2022
/s/ JANE J. THOMPSON Jane J. Thompson	Director	February 25, 2022
/s/ LAURA S. UNGER Laura S. Unger	Director	February 25, 2022
/s/ DAVID L. YOWAN David L. Yowan	Director	February 25, 2022

CONSOLIDATED FINANCIAL STATEMENTS

INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Navient Corporation:

Opinion on Internal Control Over Financial Reporting

We have audited Navient Corporation and subsidiaries' (the Company) internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements), and our report dated February 25, 2022 expressed an unqualified opinion on those consolidated financial statements.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audit also included performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ KPMG LLP

McLean, Virginia
February 25, 2022

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and Board of Directors
Navient Corporation:

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of Navient Corporation and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, comprehensive income, changes in stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated February 25, 2022 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

Change in Accounting Principle

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for recognition and measurement of credit losses as of January 1, 2020 due to the adoption of Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Accounting Standards Codification Topic 326)*.

Basis for Opinion

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of a critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

Assessment of the allowance for loan losses on private education loans

As discussed in Notes 2 and 4 to the consolidated financial statements, the Company's total allowance for loan losses for private education loans (private education ALL) was $1,009 million as of December 31, 2021. For the private education ALL, the expected credit losses are the product of a transition rate model determining the Company's estimates of probability of default and prepayment as well as loss given default on an undiscounted basis. The Company makes estimates regarding transition rates including prepayments and recoveries on defaults including expected future recoveries on charged-off loans (expected recoveries). The model used to project losses utilizes key credit quality indicators of the loan portfolio and predicts how those attributes are expected to perform at the loan level in connection with the forecasted economic conditions over the contractual term of the loans including any prepayments and extension options within the control of the borrower. The private education ALL incorporates reasonable and supportable forecasts of various macro-economic variables and several forecast scenarios over the remaining life of the loans. The development of the reasonable and supportable forecasts incorporates an assumption that each macro-economic variable will revert to a long-term expectation. Qualitative adjustments are based on factors not reflected in the quantitative model.

We identified the assessment of the private education ALL as a critical audit matter. A high degree of audit effort, including skills and knowledge, and subjective and complex auditor judgment was involved in the assessment. Specifically, the assessment encompassed an evaluation of the private education ALL methodology including the method and model used to estimate the projected losses and their significant assumptions. Such significant assumptions included (1) the forecasted economic scenarios, including related weightings, (2) the reasonable and supportable forecast periods, (3) the transition rates including estimated prepayments, (4) the expected recoveries, and (5) the qualitative adjustments. The assessment also included an evaluation of the conceptual soundness and performance of the model. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design and tested the operating effectiveness of certain internal controls related to the Company's measurement of the private education ALL estimate including controls over:

- development of the private education ALL methodology
- continued use and appropriateness of changes made to the model
- identification and determination of significant assumptions used in the model to estimate credit losses
- development of the qualitative adjustments
- performance monitoring of the model
- analysis of private education ALL results, trends, and ratios.

We evaluated the Company's process to develop the private education ALL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized industry knowledge and experience who assisted in:

- evaluating the Company's private education ALL methodology for compliance with U.S. generally accepted accounting principles
- evaluating the judgments made by the Company relative to the assessment and performance testing of the model including transition rates used by the Company by comparing them to relevant Company-specific metrics and trends and the applicable industry and regulatory practices
- assessing the conceptual soundness and performance testing of the model including transition rates by inspecting the model documentation to determine whether the model is suitable for their intended use
- evaluating the selection of the economic forecasted scenarios, including the weighting of the scenarios, and underlying assumptions by comparing it to business environment and relevant industry practices
- evaluating the length of reasonable and supportable forecast periods by comparing them to specific portfolio risk characteristics and trends
- evaluating the expected recoveries by comparing them to relevant Company-specific metrics and trends, the applicable industry and regulatory practices, and to an independently developed expected recoveries range

- evaluating the methodology used to develop the qualitative adjustments and the effect of those adjustments on the private education ALL compared with relevant credit risk factors and consistency with credit trends and identified limitations of the underlying quantitative model.

We also assessed the sufficiency of the audit evidence obtained related to the Company's private education ALL estimate by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimates.

/s/ KPMG LLP

We have served as the Company's auditor since 2012.

McLean, Virginia
February 25, 2022

NAVIENT CORPORATION

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

	December 31, 2021	December 31, 2020
Assets		
FFELP Loans (net of allowance for losses of $262 and $288, respectively)	$ 52,641	$ 58,284
Private Education Loans (net of allowance for losses of $1,009 and $1,089, respectively)	20,171	21,079
Investments		
Held-to-maturity	74	15
Other	193	270
Total investments	267	285
Cash and cash equivalents	905	1,183
Restricted cash and cash equivalents	2,673	2,354
Goodwill and acquired intangible assets, net	725	735
Other assets	3,223	3,492
Total assets	$ 80,605	$ 87,412
Liabilities		
Short-term borrowings	$ 2,490	$ 6,613
Long-term borrowings	74,488	77,332
Other liabilities	1,019	1,020
Total liabilities	77,997	84,965
Commitments and contingencies		
Equity		
Series A Junior Participating Preferred Stock, par value $0.20 per share; 2 million shares authorized at December 31, 2021; no shares issued or outstanding	—	—
Common stock, par value $0.01 per share; 1.125 billion shares authorized: 459 million and 454 million shares issued, respectively	4	4
Additional paid-in capital	3,282	3,226
Accumulated other comprehensive loss (net of tax benefit of $45 and $90, respectively)	(133)	(274)
Retained earnings	3,939	3,331
Total Navient Corporation stockholders’ equity before treasury stock	7,092	6,287
Less: Common stock held in treasury at cost: 305 million and 267 million shares, respectively	(4,495)	(3,854)
Total Navient Corporation stockholders’ equity	2,597	2,433
Noncontrolling interest	11	14
Total equity	2,608	2,447
Total liabilities and equity	$ 80,605	$ 87,412

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

	December 31, 2021	December 31, 2020
FFELP Loans	$ 52,502	$ 58,068
Private Education Loans	18,147	18,658
Restricted cash	2,649	2,322
Other assets, net	1,522	1,420
Short-term borrowings	2,188	5,595
Long-term borrowings	67,107	68,900
Net assets of consolidated variable interest entities	$ 5,525	$ 5,973

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Years Ended December 31,		
	2021	2020	2019
Interest income:			
FFELP Loans	$ 1,464	$ 1,837	$ 2,847
Private Education Loans	1,181	1,445	1,731
Other loans	—	—	2
Cash and investments	3	16	93
Total interest income	2,648	3,298	4,673
Total interest expense	1,316	2,046	3,488
Net interest income	1,332	1,252	1,185
Less: provisions for loan losses	(61)	155	258
Net interest income after provisions for loan losses	1,393	1,097	927
Other income (loss):			
Servicing revenue	168	214	240
Asset recovery and business processing revenue	539	458	488
Other income	30	20	45
Gains on sales of loans	78	—	16
Gains (losses) on debt repurchases	(73)	(6)	45
Gains (losses) on derivative and hedging activities, net	64	(256)	22
Total other income	806	430	856
Expenses:			
Salaries and benefits	569	497	488
Other operating expenses	638	467	496
Total operating expenses	1,207	964	984
Goodwill and acquired intangible asset impairment and amortization expense	30	22	30
Restructuring/other reorganization expenses	26	9	6
Total expenses	1,263	995	1,020
Income before income tax expense	936	532	763
Income tax expense	219	120	166
Net income	$ 717	$ 412	$ 597
Basic earnings per common share	$ 4.23	$ 2.14	$ 2.59
Average common shares outstanding	170	193	230
Diluted earnings per common share	$ 4.18	$ 2.12	$ 2.56
Average common and common equivalent shares outstanding	172	195	233
Dividends per common share	$ .64	$ .64	$ .64

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)

	Years Ended December 31,		
	2021	2020	2019
Net income	$ 717	$ 412	$ 597
Net changes in cash flow hedges, net of taxes(1)	141	(183)	(204)
Total comprehensive income	$ 858	$ 229	$ 393

(1) See "Note 7 – Derivative Financial Instruments."

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares			Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
	Issued	Treasury	Outstanding								
Balance at December 31, 2018	445,377,826	(197,940,553)	247,437,273	$ 4	$ 3,145	$ 113	$ 3,218	$ (2,961)	3,519	$ 28	3,547
Comprehensive income:											
Net income	—	—	—	—	—	—	597	—	597	—	597
Other comprehensive income (loss), net of tax	—	—	—	—	—	(204)	—	—	(204)	—	(204)
Total comprehensive income	—	—	—	—	—	—	—	—	393	—	393
Cash dividends:											
Common stock ($.64 per share)	—	—	—	—	—	—	(147)	—	(147)	—	(147)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(4)	—	(4)	—	(4)
Issuance of common shares	5,717,053	—	5,717,053	—	28	—	—	—	28	—	28
Stock-based compensation expense	—	—	—	—	25	—	—	—	25	—	25
Common stock repurchased	—	(34,491,342)	(34,491,342)	—	—	—	—	(440)	(440)	—	(440)
Shares repurchased related to employee stock-based compensation plans	—	(3,226,301)	(3,226,301)	—	—	—	—	(38)	(38)	—	(38)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(15)	(15)
Balance at December 31, 2019	451,094,879	(235,658,196)	215,436,683	$ 4	$ 3,198	$ (91)	$ 3,664	$ (3,439)	$ 3,336	$ 13	$ 3,349

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares			Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders’ Equity	Noncontrolling Interest	Total Equity
	Issued	Treasury	Outstanding								
Balance at December 31, 2019	451,094,879	(235,658,196)	215,436,683	$ 4	$ 3,198	$ (91)	$ 3,664	$ (3,439)	3,336	$ 13	3,349
Cumulative adjustment for the adoption of ASU No. 2016-13	—	—	—	—	—	—	(620)	—	(620)	—	(620)
Comprehensive income:											
Net income	—	—	—	—	—	—	412	—	412	—	412
Other comprehensive income (loss), net of tax	—	—	—	—	—	(183)	—	—	(183)	—	(183)
Total comprehensive income	—	—	—	—	—	—	—	—	229	—	229
Cash dividends:											
Common stock ($.64 per share)	—	—	—	—	—	—	(123)	—	(123)	—	(123)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	2,684,096	—	2,684,096	—	10	—	—	—	10	—	10
Stock-based compensation expense	—	—	—	—	18	—	—	—	18	—	18
Common stock repurchased	—	(30,628,580)	(30,628,580)	—	—	—	—	(400)	(400)	—	(400)
Shares repurchased related to employee stock-based compensation plans	—	(1,189,745)	(1,189,745)	—	—	—	—	(15)	(15)	—	(15)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	1	1
Balance at December 31, 2020	453,778,975	(267,476,521)	186,302,454	$ 4	$ 3,226	$ (274)	$ 3,331	$ (3,854)	$ 2,433	$ 14	$ 2,447

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares			Common	Additional	Accumulated Other	Retained	Treasury	Total	Noncontrolling	Total
	Issued	Treasury	Outstanding	Stock	Paid-In Capital	Comprehensive Income (Loss)	Earnings	Stock	Stockholders’ Equity	Interest	Equity
Balance at December 31, 2020	453,778,975	(267,476,521)	186,302,454	$ 4	$ 3,226	$ (274)	$ 3,331	$ (3,854)	$ 2,433	$ 14	$ 2,447
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	717	—	717	—	717
Other comprehensive income (loss), net of tax	—	—	—	—	—	141	—	—	141	—	141
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	858	—	858
Cash dividends:	—										
Common stock ($.64 per share)	—	—	—	—	—	—	(107)	—	(107)	—	(107)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(2)	—	(2)	—	(2)
Issuance of common shares	4,850,409	—	4,850,409	—	34	—	—	—	34	—	34
Stock-based compensation expense	—	—	—	—	22	—	—	—	22	—	22
Common stock repurchased	—	(34,371,073)	(34,371,073)	—	—	—	—	(600)	(600)	—	(600)
Shares repurchased related to employee stock-based compensation plans	—	(3,039,019)	(3,039,019)	—	—	—	—	(41)	(41)	—	(41)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(3)	(3)
Balance at December 31, 2021	458,629,384	(304,886,613)	153,742,771	$ 4	$ 3,282	$ (133)	$ 3,939	$ (4,495)	$ 2,597	$ 11	$ 2,608

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)

	Years Ended December 31, 2021	2020	2019
Operating activities			
Net income	$ 717	$ 412	$ 597
Adjustments to reconcile net income to net cash provided by operating activities:			
(Gains) on sale of education loans	(78)	—	(16)
(Gains) losses on debt repurchases	73	6	(45)
Goodwill and acquired intangible asset impairment and amortization expense	30	22	30
Stock-based compensation expense	22	18	25
Mark-to-market (gains)/losses on derivative and hedging activities, net	(433)	340	130
Provisions for loan losses	(61)	155	258
Decrease in accrued interest receivable	47	22	78
(Decrease) in accrued interest payable	(55)	(113)	(96)
Decrease in other assets	145	177	191
Increase (decrease) in other liabilities	295	(52)	(133)
Total adjustments	(15)	575	422
Total net cash provided by operating activities	702	987	1,019
Investing activities			
Education loans acquired	(6,104)	(4,641)	(5,411)
Principal payments on education loans	11,137	11,179	12,472
Proceeds from sales of education loans	1,588	—	408
Other investing activities, net	68	(90)	16
Purchase of subsidiary, net of cash acquired	(16)	—	—
Total net cash provided by investing activities	6,673	6,448	7,485
Financing activities			
Borrowings collateralized by loans in trust - issued	7,973	7,959	7,919
Borrowings collateralized by loans in trust - repaid	(11,163)	(11,858)	(14,271)
Asset-backed commercial paper conduits, net	(2,169)	(1,915)	(907)
Long-term unsecured notes issued	1,237	682	—
Long-term unsecured notes repaid	(2,702)	(1,832)	(1,950)
Other financing activities, net	197	(192)	(189)
Common stock repurchased	(600)	(400)	(440)
Common dividends paid	(107)	(123)	(147)
Total net cash used in financing activities	(7,334)	(7,679)	(9,985)
Net increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	41	(244)	(1,481)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	3,537	3,781	5,262
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 3,578	$ 3,537	$ 3,781
Cash disbursements made (refunds received) for:			
Interest	$ 1,378	$ 2,059	$ 3,479
Income taxes paid	$ 190	$ 74	$ 93
Income taxes received	$ (11)	$ —	$ (4)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:			
Cash and cash equivalents	$ 905	$ 1,183	$ 1,233
Restricted cash and restricted cash equivalents	2,673	2,354	2,548
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 3,578	$ 3,537	$ 3,781
Supplemental cash flow information:			
Non-cash activities			
Investing activity - Held-to-maturity asset backed securities retained related to sales of education loans	$ 83	$ —	$ 22
Operating activity - Servicing assets recognized upon sales of education loans	21	—	3

See accompanying notes to consolidated financial statements.

1. Organization and Business

Navient's Business

Navient is a leading provider of education loan management and business processing solutions for education, healthcare, and government clients at the federal, state, and local levels. We help our clients and millions of Americans achieve success through technology-enabled financing, services and support.

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

- Federal Education Loans

  We own a portfolio of $52.6 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. We service and provide asset recovery services on this portfolio and for third parties, deploying data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

- Consumer Lending

  We own, service and originate Private Education Loans that enable students to pursue higher education and economic opportunities. Our $20.2 billion private loan portfolio demonstrates high customer success rates. We help people simplify their finances through student loan refinancing, and we help families finance their higher education through transparent, affordable private education loans. In 2021, we originated $6.0 billion in Private Education Loans.

- Business Processing

  Through our business processing solutions, we support more than 600 public sector and healthcare organizations, and their tens of millions of clients, patients, and constituents. Our suite of solutions and customer experience expertise enable our clients to focus on their missions and optimize their cash flow, while helping those they serve successfully navigate complex programs, transactions and decisions. For each client, we customize a blend of technologies to deliver personalized, omnichannel communication experiences; machine learning automation; root-cause business analytics; secure cloud computing; and intelligent customer relationship platforms.

2. Significant Accounting Policies

Use of Estimates

Our financial reporting and accounting policies conform to generally accepted accounting principles in the United States of America (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Uncertain and volatile market and economic conditions increase the risk and complexity of the judgments in these estimates and actual results could differ from estimates. Accounting policies that include the most significant judgments, estimates and assumptions include the allowance for loan losses, goodwill and intangible asset impairment assessment and the amortization of loan premiums and discounts using the effective interest rate method.

Consolidation

The consolidated financial statements include the accounts of Navient Corporation 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.

2. Significant Accounting Policies (Continued)

We consolidate any VIEs where we have determined we are the primary beneficiary. A VIE is a legal entity that does not have sufficient equity at risk to finance its own operations, or whose equity holders do not have the power to direct the activities that most significantly affect the economic performance of the entity, or whose equity holders do not share proportionately in the losses or benefits of the entity. The primary beneficiary of the VIE is the entity which has both: (1) the power to direct the activities of the VIE that most significantly impact the VIE's economic performance and (2) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE. As it relates to our securitizations and other secured borrowing facilities that are VIEs as of December 31, 2021 that we consolidate, we are the primary beneficiary as we are the servicer of the related education loan assets and own the Residual Interest of the securitization trusts and secured borrowing facilities.

Fair Value Measurement

We use estimates of fair value in applying various accounting standards for our financial statements. Fair value measurements are used in one of four ways:

- In the balance sheet with changes in fair value recorded in the statement of income;
- In the balance sheet with changes in fair value recorded in the accumulated other comprehensive income section of the statement of changes in stockholders' equity;
- In the balance sheet for instruments carried at lower of cost or fair value with impairment charges recorded in the statement of income; and
- In the notes to the financial statements.

Fair value is defined as the price to sell an asset or transfer a liability in an orderly transaction between willing and able market participants. In general, our policy in estimating fair value is to first look at observable market prices for identical assets and liabilities in active markets, where available. When these are not available, other inputs are used to model fair value such as prices of similar instruments, yield curves, volatilities, prepayment speeds, default rates and credit spreads, relying first on observable data from active markets. Depending on current market conditions, additional adjustments to fair value may be based on factors such as liquidity and credit spreads. Transaction costs are not included in the determination of fair value. When possible, we seek to validate the model's output to market transactions. Depending on the availability of observable inputs and prices, different valuation models could produce materially different fair value estimates. The values presented may not represent future fair values and may not be realizable.

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. Classification is based on the lowest level of input that is significant to the fair value of the instrument. The three levels are as follows:

- Level 1 — Quoted prices (unadjusted) in active markets for identical assets or liabilities that we have the ability to access at the measurement date. The types of financial instruments included in level 1 are highly liquid instruments with quoted prices.
- Level 2 — Inputs from active markets, other than quoted prices for identical instruments, are used to determine fair value. Significant inputs are directly observable from active markets for substantially the full term of the asset or liability being valued.
- Level 3 — Pricing inputs significant to the valuation are unobservable. Inputs are developed based on the best information available. However, significant judgment is required by us in developing the inputs.

Loans

Loans, consisting of federally insured education loans and Private Education Loans, that we have the ability and intent to hold for the foreseeable future are classified as held-for-investment and are carried at amortized cost. Amortized cost includes the unamortized premiums, discounts, and capitalized origination costs and fees, all of which are amortized to interest income as further discussed below. Loans which are held-for-investment also have an allowance for loan loss. Any loans we have not classified as held-for-investment are classified as held-for-sale and carried at the lower of cost or fair value. Loans are classified as held-for-sale when we have the intent and ability to sell such loans. Loans which are held-for-sale do not have the associated premium, discount, and capitalized origination costs and fees amortized into interest income. In addition, once a loan is classified as held-for-sale, any allowance for loan losses that existed immediately prior to the reclassification to held-for-sale is reversed through provision.

2. Significant Accounting Policies (Continued)

Allowance for Loan Losses

On January 1, 2020, we adopted ASU No. 2016-13, “Financial Instruments — Credit Losses,” which requires measurement and recognition of an allowance for loan loss that estimates the remaining current expected credit losses (CECL) for financial assets measured at amortized cost held at the reporting date. Our prior allowance for loan loss was an incurred loss model. As a result, the new guidance resulted in an increase to our allowance for loan losses. The new standard impacts the allowance for loan losses related to our Private Education Loans and FFELP Loans.

The standard was applied through a cumulative-effect adjustment to retained earnings (net of tax) as of January 1, 2020, the effective date, for the education loans on our balance sheet as of that date (except for the $70 million Purchased Credit Deteriorated (PCD) portfolio where the related $43 million allowance is recorded as an increase to the basis of the loans). Subsequently, changes in the estimated remaining current expected credit losses, including estimated losses on newly originated education loans, are recorded through provision (net income). This standard represents a significant change from prior GAAP and has resulted in material changes to the Company’s accounting for the allowance for loan losses.

Related to this new standard:

- We have determined that, for modeling current expected credit losses, we can reasonably estimate expected losses that incorporate current and forecasted economic conditions over a “reasonable and supportable” period. For Private Education Loans, we incorporate a reasonable and supportable forecast of various macro-economic variables over the remaining life of the loans. The development of the reasonable and supportable forecast incorporates an assumption that each macro-economic variable will revert to a long-term expectation starting in years 2-4 of the forecast and largely completing within the first five years of the forecast. For FFELP Loans, after a three-year reasonable and supportable period, there is an immediate reversion to a long-term expectation. The models used to project losses utilize key credit quality indicators of the loan portfolio and predict how those attributes are expected to perform in connection with the forecasted economic conditions. These losses are calculated on an undiscounted basis. For Private Education Loans, we utilize a transition rate model that estimates the probability of prepayment and default and apply the loss given default. For FFELP Loans, we use historical transition rates to determine prepayments and defaults. The forecasted economic conditions used in our modeling of expected losses are provided by a third party. The primary economic metrics we use in the economic forecast are unemployment, GDP, interest rates, consumer loan delinquency rates and consumer income. Several forecast scenarios are provided which represent the baseline economic expectations as well as favorable and adverse scenarios. We analyze and evaluate the alternative scenarios for reasonableness and determine the appropriate weighting of these alternative scenarios based upon the current economic conditions and our view of the likelihood and risks of the alternative scenarios. We project losses at the loan level and make estimates regarding prepayments, recoveries on defaults and reasonably expected new Troubled Debt Restructurings (TDRs).

- Separately, as it relates to interest rate concessions granted as part of our Private Education Loan modification program, a discounted cash flow model is used to calculate the amount of interest forgiven for loans currently in the program. The present value of this interest rate concession is included in our allowance for loan loss.

- Charge-offs include the discount or premium related to such defaulted loan.

- CECL requires our expected future recoveries on charged-off loans to be presented within the allowance for loan loss whereas previously, we accounted for our receivable for partially charged-off loans as part of our Private Education Loan portfolio. This change is only a change in classification on the balance sheet and did not impact retained earnings at adoption of CECL or provision and net income post-adoption.

- Once our loss model calculations are performed, we determine if qualitative adjustments are needed for factors not reflected in the quantitative model. These adjustments may include, but are not limited to, changes in lending and servicing and collection policies and practices, as well as the effect of other external factors such as the economy and changes in legal or regulatory requirements that impact the amount of future credit losses.

2. Significant Accounting Policies (Continued)

At the end of each month, for Private Education Loans that are 212 days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this remaining loan balance as the “expected future recoveries on charged-off loans.” If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries on charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed after October 1, 1993, and before July 1, 2006, we receive 98% reimbursement on all qualifying default claims. For loans disbursed on or after July 1, 2006, we receive 97% reimbursement. For loans disbursed prior to October 1, 1993, we receive 100% reimbursement.

Upon adoption of CECL on January 1, 2020, the total allowance for loan losses increased by $802 million (excluding the impact of the balance sheet reclassifications related to the expected future recoveries and PCD portfolio discussed above). This had a corresponding reduction to equity of $620 million.

(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Allowance as of December 31, 2019 (prior to CECL)	$ 64	$ 1,048	$ 1,112
Transition adjustments made under CECL on January 1, 2020:			
Current expected credit losses on non-PCD portfolio[1]	260	542	802
Current expected credit losses on PCD portfolio[2]	—	43	43
Reclassification of the expected future recoveries on charged-off loans[3]	—	(588)	(588)
Net increase to allowance for loan losses under CECL	260	(3)	257
Allowance as of January 1, 2020 after CECL	$ 324	$ 1,045	$ 1,369

(1) Recorded net of tax through retained earnings. Resulted in a $620 million reduction to equity.

(2) Recorded as an increase in basis of the loans. No impact to equity.

(3) Reclassification of the expected future recoveries on charged-off loans (previously referred to as the receivable for partially charged-off loans) from the Private Education Loan balance to the allowance for loan losses. No impact to equity.

Allowance for Loan Losses Prior to the Adoption of CECL

Private Education Loans

We consider a loan to be impaired when, based on current information, a loss has been incurred and it is probable that we will not receive all contractual amounts due. When making our assessment as to whether a loan is impaired, we also take into account more than insignificant delays in payment. We generally evaluate impaired loans on an aggregate basis by grouping similar loans. Impaired loans also include those loans which are individually assessed for impairment at a loan level, such as in a troubled debt restructuring (TDR). We maintain an allowance for loan losses at an amount sufficient to absorb losses incurred in our portfolios at the reporting date based on a projection of estimated probable credit losses incurred in the portfolio.

2. Significant Accounting Policies (Continued)

Our Private Education Loan portfolio contains TDR and non-TDR loans. For customers experiencing financial difficulty, certain Private Education Loans for which we have granted a forbearance of greater than three months, an interest rate reduction or an extended repayment plan are classified as TDRs. The allowance requirements are different based on these designations. In determining the allowance for loan losses on our non-TDR portfolio, we estimate the principal amount of loans that will default over the next two years (two years being the expected period between a loss event and default) and how much we expect to recover over time related to the defaulted amount. Expected defaults less our expected recoveries equal the allowance related to this portfolio. Our historical experience indicates that, on average, the time between the date that a customer experiences a default causing event (i.e., the loss trigger event) and the date that we charge off the unrecoverable portion of that loan is two years. Separately, for our TDR portfolio, we estimate an allowance amount sufficient to cover life-of-loan expected losses through an impairment calculation based on the difference between the loan's basis and the present value of expected future cash flows (which would include life-of-loan default and recovery assumptions) discounted at the loan's original effective interest rate. Our TDR portfolio is comprised mostly of loans with forbearance usage greater than three months and interest rate reductions. The separate allowance estimates for our TDR and non-TDR portfolios are combined into our total allowance for Private Education Loan losses.

In estimating both the non-TDR and TDR allowance amounts, we start with historical experience of customer default behavior. We make judgments about which historical period to start with and then make further judgments about whether that historical experience is representative of future expectations and whether additional adjustments may be needed to those historical default rates. We also take the economic environment into consideration when calculating the allowance for loan losses. We analyze key economic statistics and the effect we expect them to have on future defaults. Key economic statistics analyzed as part of the allowance for loan losses are primarily unemployment rates. Our allowance for loan losses is estimated using an analysis of delinquent and current accounts. Our model is used to estimate the likelihood that a loan may progress through the various delinquency stages and ultimately charge off. The evaluation of the allowance for loan losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. The estimate for the allowance for loan losses is subject to a number of assumptions. If actual future performance in delinquency, charge-offs and recoveries are significantly different than estimated, this could materially affect our estimate of the allowance for loan losses and the related provision for loan losses on our income statement.

We determine the collectability of our Private Education Loan portfolio by evaluating certain risk characteristics. We consider credit score (FICO), loan status, loan seasoning, existence of a cosigner and school type as the key credit quality indicators because they have the most significant effect on our determination of the adequacy of our allowance for loan losses.

To estimate the probable credit losses incurred in the loan portfolio at the reporting date, we use historical experience of customer payment behavior in connection with the key credit quality indicators and incorporate management expectations regarding macroeconomic and collection performance factors. Our model is based upon the most recent 12 months of actual collection experience as the starting point for the non-TDR portfolio and the most recent approximate 15 years for the TDR portfolio and applies expected macroeconomic changes and collection procedure changes to estimate expected losses caused by loss events incurred as of the balance sheet date. Our model for the non-TDR portfolio places a greater emphasis on the more recent default experience rather than the default experience for older historical periods, as we believe the more recent default experience is more indicative of the probable losses incurred in the loan portfolio today that will default over the next two years. The TDR portfolio uses a longer historical default experience since we are projecting life of loan remaining losses. Similar to estimating defaults, we use historical customer payment behavior to estimate the timing and amount of future recoveries on charged-off loans. We use judgment in determining whether historical performance is representative of what we expect to collect in the future. We then apply the default and collection rate projections to each category of loans. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered. Additionally, we consider changes in laws and regulations that could potentially impact the allowance for loan losses.

FFELP Loans

Similar to the allowance for Private Education Loan losses, the allowance for FFELP Loan losses uses historical experience of customer default behavior and a two-year loss confirmation period to estimate the credit losses incurred in the loan portfolio at the reporting date. We apply the default rate projections, net of applicable Risk Sharing, to each category for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for loan losses and determine if qualitative adjustments need to be considered. For FFELP Loans that have lost their government insurance and have been charged off, any subsequent cash recoveries benefit the allowance for loan losses when received.

2. Significant Accounting Policies (Continued)

Investments

Other investments are primarily receivables for cash collateral posted to derivative counterparties.

Cash and Cash Equivalents

Cash and cash equivalents can include term federal funds, Eurodollar deposits, commercial paper, asset-backed commercial paper (ABCP), CDs, treasuries and money market funds with original terms to maturity of less than three months.

Restricted Cash and Investments

Restricted cash primarily includes amounts held in education loan securitization trusts and other secured borrowings. This cash must be used to make payments related to trust obligations. Amounts on deposit in these accounts are primarily the result of timing differences between when principal and interest is collected on the trust assets and when principal and interest is paid on trust liabilities.

Securities pledged as collateral related to our derivative portfolio, where the counterparty has rights to replace the securities, are classified as restricted. When the counterparty does not have these rights, the security is recorded in investments and disclosed as pledged collateral in the notes. Additionally, certain counterparties require cash collateral pledged to us to be segregated and held in restricted cash accounts.

Goodwill and Acquired Intangible Assets

Acquisitions are accounted for under the acquisition method of accounting which results in the Company allocating the purchase price to the fair value of the acquired assets, liabilities and non-controlling interests, if any, with the remaining purchase price allocated to goodwill.

Goodwill is not amortized but is tested periodically for impairment. We test goodwill for impairment annually as of October 1 at the reporting unit level, which is the same as or one level below a business segment. Goodwill is also tested at interim periods if an event occurs or circumstances change that would indicate the carrying amount may be impaired.

We complete a goodwill impairment analysis which may be a qualitative or a quantitative analysis depending on the facts and circumstances associated with the reporting unit. In conjunction with a qualitative impairment analysis, we assess relevant qualitative factors to determine whether it is “more-likely-than-not” that the fair value of a reporting unit is less than its carrying amount. The “more-likely-than-not” threshold is defined as having a likelihood of more than 50%. If, based on first assessing impairment utilizing a qualitative approach, we determine it is “more-likely-than-not” that the fair value of the reporting unit is less than its carrying amount, we will also complete a quantitative impairment analysis. In conjunction with a quantitative impairment analysis, we compare the fair value of the reporting unit to the reporting unit’s carrying value, including goodwill. If the carrying value of the reporting unit exceeds the fair value, goodwill is impaired in an amount equal to the amount by which the carrying value exceeds the fair value of the reporting unit not to exceed the goodwill amount attributed to the reporting unit.

Acquired intangible assets include, but are not limited to, trade names, customer and other relationships, and non-compete agreements. Acquired intangible assets with finite lives are amortized over their estimated useful lives in proportion to their estimated economic benefit. Finite-lived acquired intangible assets are reviewed for impairment using an undiscounted cash flow analysis when an event occurs or circumstances change indicating the carrying amount of a finite-lived asset or asset group may not be recoverable. If the carrying amount of the asset or asset group exceeds the undiscounted cash flows, the fair value of the asset or asset group is determined using an acceptable valuation technique. An impairment loss would be recognized if the carrying amount of the asset or asset group exceeds the fair value of the asset or asset group. The impairment loss recognized would be the difference between the carrying amount and fair value.

2. Significant Accounting Policies (Continued)

Securitization Accounting

Our securitizations use a two-step structure with a special purpose entity that legally isolates the transferred assets from us, even in the event of bankruptcy. Transactions receiving sale treatment are also structured to ensure that the holders of the beneficial interests issued are not constrained from pledging or exchanging their interests, and that we do not maintain effective control over the transferred assets. If these criteria are not met, then the transaction is accounted for as an on-balance sheet secured borrowing. In all cases, irrespective of whether they qualify as accounting sales our securitizations are legally structured to be sales of assets that isolate the transferred assets from us. If a securitization qualifies as a sale, we then assess whether we are the primary beneficiary of the securitization trust (VIE) and are required to consolidate such trust. If we are the primary beneficiary, then no gain or loss is recognized. See "Consolidation" of this Note 2 for additional information regarding the accounting rules for consolidation when we are the primary beneficiary of these trusts.

Irrespective of whether a securitization receives sale or on-balance sheet treatment, our continuing involvement with our securitization trusts is generally limited to:

- Owning equity certificates or other certificates of certain trusts and, in certain cases, securities retained for the purpose of complying with risk retention requirements under securities laws.
- Lending to certain trusts, under a revolving credit, amounts necessary to cover temporary cash flow needs of the trust. These amounts are repaid to us on subordinated basis with interest at a market rate.
- The servicing of the education loan assets within the securitization trusts, on both a pre- and post-default basis.
- Our acting as administrator for the securitization transactions we sponsored, which includes remarketing certain bonds at future dates.
- Our responsibilities relative to representation and warranty violations.
- Temporarily advancing to the trust certain borrower benefits afforded the borrowers of education loans that have been securitized. These advances subsequently are returned to us in the next quarter.
- Certain back-to-back derivatives entered into by us contemporaneously with the execution of derivatives by certain Private Education Loan securitization trusts.
- The option held by us to buy certain delinquent loans from certain Private Education Loan securitization trusts.
- The option to exercise the clean-up call and purchase the education loans from the trust when the asset balance is 10% or less of the original loan balance.
- The option, on some trusts, to purchase education loans aggregating up to 10% of the trust's initial pool balance.
- The option (in certain trusts) to call rate reset notes in instances where the remarketing process has failed.

The investors of the securitization trusts have no recourse to our other assets should there be a failure of the trusts to pay when due. Generally, the only arrangements under which we have to provide financial support to the trusts are representation and warranty violations requiring the buyback of loans.

Under the terms of the transaction documents of certain trusts, we have, from time to time, exercised our options to purchase delinquent loans from Private Education Loan trusts, to purchase the remaining loans from trusts once the loan balance falls below 10% of the original amount, to purchase education loans up to 10% of the trust's initial balance, or to call rate reset notes. Certain trusts maintain financial arrangements with third parties also typical of securitization transactions, such as derivative contracts (swaps).

We do not record servicing assets or servicing liabilities when our securitization trusts are consolidated. As of December 31, 2021, we had $21 million of servicing assets on our balance sheet, recorded in connection with asset sales where we retained the servicing.

2. Significant Accounting Policies (Continued)

Education Loan Interest Income

For loans classified as held-for-investment, we recognize education loan interest income as earned, adjusted for the amortization of premiums (which includes premiums from loan purchases and capitalized direct origination costs), discounts and Repayment Borrower Benefits. These adjustments result in income being recognized based upon the expected yield of the loan over its life after giving effect to expected prepayments. We amortize premium and discount on education loans using a Constant Prepayment Rate (CPR) which measures the rate at which loans in the portfolio pay down principal compared to their stated terms. In determining the CPR, we only consider payments made in excess of contractually required payments. This would include loan refinancing and consolidations and other early payoff activity. For Repayment Borrower Benefits, the estimates of their effect on education loan yield are based on analyses of historical payment behavior of customers who are eligible for the incentives and its effect on the ultimate qualification rate for these incentives. We regularly evaluate the assumptions used to estimate the prepayment speeds and the qualification rates used for Repayment Borrower Benefits. In instances where there are changes to the assumptions, amortization is adjusted on a cumulative basis to reflect the change since the acquisition of the loan. We do not amortize any premiums, discounts or other adjustments to the basis of education loans when they are classified as held-for-sale.

Interest Expense

Interest expense is based upon contractual interest rates adjusted for the amortization of debt issuance costs, premiums and discounts. Our interest expense is also adjusted for net payments/receipts related to interest rate and foreign currency swap agreements that qualify and are designated as hedges, as well as the mark-to-market impact of derivatives and debt in fair value hedge relationships. Interest expense also includes the amortization of deferred gains and losses on closed hedge transactions that qualified as hedges. Amortization of debt issuance costs, premiums, discounts and terminated hedge-basis adjustments are recognized using the effective interest rate method.

Servicing Revenue

We perform loan servicing functions for third parties in return for a servicing fee. Our compensation is typically based on a per-unit fee arrangement or a percentage of the loans outstanding. We recognize servicing revenues associated with these activities based upon the contractual arrangements as the services are rendered. We recognize late fees on third-party serviced loans as well as on loans in our portfolio according to the contractual provisions of the promissory notes, as well as our expectation of collectability.

Asset Recovery and Business Processing Revenue

We account for certain asset recovery and business processing contract revenue (herein referred to as revenue from contracts with customers) in accordance with ASC 606, “Revenue from Contracts with Customers.” (All Business Processing segment and the majority of the Federal Education Loan segment asset recovery and business processing revenue is accounted for under ASC 606.) 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 ED, Guarantor agencies and other institutions, as well as certain other Guarantor activities. 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.

2. Significant Accounting Policies (Continued)

Most of our revenue from contracts with customers 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.

Substantially all our revenue 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).

Transfer of Financial Assets and Extinguishments of Liabilities

Our securitizations and other secured borrowings are generally accounted for as on-balance sheet secured borrowings. See "Securitization Accounting" of this Note 2 for further discussion on the criteria assessed to determine whether a transfer of financial assets is a sale or a secured borrowing. If a transfer of loans qualifies as a sale, we derecognize the loan and recognize a gain or loss as the difference between the carrying basis of the loan sold and liabilities retained and the compensation received.

We periodically repurchase our outstanding debt in the open market or through public tender offers. We record a gain or loss on the early extinguishment of debt based upon the difference between the carrying cost of the debt and the amount paid to the third party and net of hedging gains and losses when the debt is in a qualifying hedge relationship.

We recognize the results of a transfer of loans and the extinguishment of debt based upon the settlement date of the transaction.

Derivative Accounting

Derivative instruments that are used as part of our interest rate and foreign currency risk management strategy include interest rate swaps, cross-currency interest rate swaps, and interest rate floor contracts. The accounting for derivative instruments requires that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded on the balance sheet as either an asset or liability measured at its fair value. As more fully described below, if certain criteria are met, derivative instruments are classified and accounted for by us as either fair value or cash flow hedges. If these criteria are not met, the derivative financial instruments are accounted for as trading. Derivative positions are recorded as net positions by counterparty based on master netting arrangements exclusive of accrued interest and cash collateral held or pledged. Many of our derivatives, mainly fixed to variable or variable to fixed interest rate swaps and cross-currency interest rate swaps, qualify as effective hedges. For these derivatives, at the inception of the hedge relationship, the following is documented: the relationship between the hedging instrument and the hedged items (including the hedged risk, the method for assessing effectiveness, and the results of the upfront effectiveness testing), and the risk management objective and strategy for undertaking the hedge transaction. Each derivative is designated to either a specific (or pool of) asset(s) or liability(ies) on the balance sheet or expected future cash flows and designated as either a "fair value" or a "cash flow" hedge. The assessment of the hedge's effectiveness is performed at inception and on an ongoing basis, generally using regression testing. For hedges of a pool of assets or liabilities, tests are performed to demonstrate the similarity of individual instruments of the pool. When it is determined that a derivative is not currently an effective hedge, ineffectiveness is recognized for the full change in value of the derivative with no offsetting mark-to-market of the hedged item for the current period. If it is also determined the hedge will not be effective in the future, we discontinue the hedge accounting prospectively, cease recording changes in the fair value of the hedged item, and begin amortization of any basis adjustments that exist related to the hedged item.

2. Significant Accounting Policies (Continued)

Fair Value Hedges

Fair value hedges are generally used by us to hedge the exposure to changes in the fair value of a recognized fixed rate asset or liability. We enter into interest rate swaps to economically convert fixed rate assets into variable rate assets and fixed rate debt into variable rate debt. We also enter into cross-currency interest rate swaps to economically convert foreign currency denominated fixed and floating debt to U.S. dollar denominated variable debt. For fair value hedges, we generally consider all components of the derivative's gain and/or loss when assessing hedge effectiveness and generally hedge changes in fair values due to interest rates or interest rates and foreign currency exchange rates. For fair value hedges, both the derivative and the hedged item (for the risk being hedged) are marked-to-market through net interest income with any difference reflecting ineffectiveness.

Cash Flow Hedges

We use cash flow hedges to hedge the exposure to variability in cash flows for a forecasted debt issuance and for exposure to variability in cash flows of floating rate debt or assets. This strategy is used primarily to minimize the exposure to volatility from future changes in interest rates. For cash flow hedges, the change in the fair value of the derivative is recorded in other comprehensive income, net of tax, and recognized in earnings in the same period as the earnings effects of the hedged item. In the case of a forecasted debt issuance, gains and losses are reclassified to earnings over the period which the stated hedged transaction affects earnings. If we determine it is not probable that the anticipated transaction will occur, gains and losses are reclassified immediately to earnings. In assessing hedge effectiveness, generally all components of each derivative's gains or losses are included in the assessment. We generally hedge exposure to changes in cash flows due to changes in interest rates or total changes in cash flow.

Trading Activities

When derivative instruments do not qualify as hedges, they are accounted for as trading instruments where all changes in fair value are recorded through earnings with no consideration for the corresponding change in fair value of the economically hedged item. Some of our derivatives, primarily Floor Income Contracts, basis swaps and at times, certain other LIBOR swaps do not qualify for hedge accounting treatment. Regardless of the accounting treatment, we consider these derivatives to be economic hedges for risk management purposes. We use this strategy to minimize our exposure to changes in interest rates.

The "gains (losses) on derivative and hedging activities, net" line item in the consolidated statements of income includes the mark-to-market gains and losses of our derivatives that do not qualify for hedge accounting, as well as the realized changes in fair value related to derivative net settlements and dispositions that do not qualify for hedge accounting.

Accounting for Stock-Based Compensation

We recognize stock-based compensation cost in our statements of income using the fair value-based method. Under this method we determine the fair value of the stock-based compensation at the time of the grant and recognize the resulting compensation expense over the grant's vesting period. We record stock-based compensation expense net of estimated forfeitures and as such, only those stock-based awards that we expect to vest are recorded. We estimate the forfeiture rate based on historical forfeitures of equity awards and adjust the rate to reflect changes in facts and circumstances, if any. Ultimately, the total expense recognized over the vesting period will equal the fair value of awards that actually vest.

2. Significant Accounting Policies (Continued)

Restructuring and Other Reorganization Expenses

From time to time we implement plans to restructure our business. In conjunction with these restructuring plans, involuntary benefit arrangements, disposal costs (including contract termination costs and other exit costs), as well as certain other costs that are incremental and incurred as a direct result of our restructuring plans, are classified as restructuring expenses in the consolidated statements of income.

The Company administers the Navient Corporation Employee Severance Plan and the Navient Corporation Executive Severance Plan for Senior Officers (collectively, the Severance Plan). The Severance Plan provides severance benefits in the event of termination of the Company's full-time employees and part-time employees who work at least 24 hours per week. The Severance Plan establishes specified benefits based on base salary, job level immediately preceding termination and years of service upon involuntary termination of employment. The benefits payable under the Severance Plan relate to past service, and they accumulate and vest. Accordingly, we recognize severance expenses to be paid pursuant to the Severance Plan when payment of such benefits is probable and can be reasonably estimated. Such benefits include severance pay calculated based on the Severance Plan, medical and dental benefits, and outplacement services expenses.

Contract termination costs are expensed at the earlier of (1) the contract termination date or (2) the cease use date under the contract. Other exit costs are expensed as incurred and classified as restructuring expenses if (1) the cost is incremental to and incurred as a direct result of planned restructuring activities and (2) the cost is not associated with or incurred to generate revenues subsequent to our consummation of the related restructuring activities.

Other reorganization expenses include certain internal costs and third-party costs incurred in connection with our cost reduction initiatives.

During 2021 and 2020, the Company incurred $26 million and $9 million, respectively, of restructuring/other reorganization expense in connection with an effort that will reduce costs and improve operating efficiency. These charges were primarily related to the impairment of a facility that is held for sale, facility lease terminations and severance-related costs.

Income Taxes

We account for income taxes under the asset and liability approach which requires the recognition of deferred tax liabilities and assets for the expected future tax consequences of temporary differences between the carrying amounts and tax basis of our assets and liabilities. To the extent tax laws change, deferred tax assets and liabilities are adjusted in the period that the tax change is enacted.

"Income tax expense/(benefit)" includes (i) deferred tax expense/(benefit), which represents the net change in the deferred tax asset or liability balance during the year plus any change in a valuation allowance and (ii) current tax expense/(benefit), which represents the amount of tax currently payable to or receivable from a tax authority plus amounts accrued for unrecognized tax benefits. Income tax expense/(benefit) excludes the tax effects related to adjustments recorded in equity.

If we have an uncertain tax position, then that tax position is recognized only if it is more likely than not to be sustained upon examination based on the technical merits of the position. The amount of tax benefit recognized in the financial statements is the largest amount of benefit that is more than 50% likely of being sustained upon ultimate settlement of the uncertain tax position. We recognize interest related to unrecognized tax benefits in income tax expense/(benefit) and penalties, if any, in operating expenses.

Earnings (Loss) per Common Share

We compute earnings (loss) per common share (EPS) by dividing net income allocated to common shareholders by the weighted average common shares outstanding. Diluted earnings per common share is computed by dividing income allocated to common shareholders by the weighted average common shares outstanding plus amounts representing the dilutive effect of stock options outstanding, restricted stock, restricted stock units, and the outstanding commitment to issue shares under the Employee Stock Purchase Plan. See "Note 10 — Earnings (Loss) per Common Share" for further discussion.

2. Significant Accounting Policies (Continued)

Recently Issued Accounting Pronouncements

Effective in 2020 and Forward

Rate Reform

In March 2020, the FASB issued ASU No. 2020-04, "Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting," which provides optional temporary relief for companies who are preparing for the discontinuation of interest rates indexed to the London Interbank Offered Rate (LIBOR). The ASU provides companies with guidance in the form of expedients and exceptions related to contract modifications and hedge accounting to ease the burden of and simplify the accounting associated with transitioning away from LIBOR. Modifications of qualifying contracts are accounted for as the continuation of an existing contract rather than as a new contract. Modifications of qualifying hedging relationships will not require discontinuation of the existing hedge accounting relationships. This guidance, which will only be available through December 31, 2022, can be applied commencing in March 2020. We have approximately $172 billion of financial instruments indexed to one-month or three-month U.S. Dollar (USD) LIBOR as of December 31, 2021. One-month and three-month USD LIBOR will no longer be published after June 30, 2023. The Company continues to assess the implications of this and has not concluded whether it will apply the expedients and exceptions provided in this new standard. This decision will be made in 2022.

3. Education Loans

Education loans consist of FFELP and Private Education Loans.

There are two principal categories of FFELP Loans: Stafford and FFELP Consolidation Loans. Generally, Stafford loans have repayment periods of between 5 and 10 years. FFELP Consolidation Loans have repayment periods of 12 to 30 years. FFELP Loans do not require repayment, or have modified repayment plans, while the customer is in-school and during the grace period immediately upon leaving school. The customer may also be granted a deferment or forbearance for a period of time based on need, during which time the customer is not considered to be in repayment. Interest continues to accrue on loans in the in-school, deferment and forbearance period. FFELP Loans obligate the customer to pay interest at a stated fixed rate or a variable rate reset annually (subject to a cap) on July 1 of each year depending on when the loan was originated and the loan type. FFELP Loans disbursed before April 1, 2006 earn interest at the greater of the borrower's rate or a floating rate based on the Special Allowance Payment (SAP) formula, with the interest earned on the floating rate that exceeds the interest earned from the customer being paid directly by ED. For loans disbursed after April 1, 2006, FFELP Loans effectively only earn at the SAP rate, as the excess interest earned when the borrower rate exceeds the SAP rate (Floor Income) is required to be rebated to ED.

FFELP Loans are insured as to their principal and accrued interest in the event of default subject to a Risk Sharing level based on the date of loan disbursement. These insurance obligations are supported by contractual rights against the United States. For loans disbursed after October 1, 1993 and before July 1, 2006, we receive 98% reimbursement on all qualifying default claims. For loans disbursed on or after July 1, 2006, we receive 97% reimbursement.

3. Education Loans (Continued)

Private Education Loans bear the full credit risk of the customer. Private Education Refinance Loans generally have a fixed interest rate with the non-refinance Private Education Loans generally at a variable rate indexed to LIBOR or Prime indices. The majority of non-refinance loans in our portfolio are cosigned. Similar to FFELP loans, Private Education Loans are generally non-dischargeable in bankruptcy. Most loans have repayment terms of 10 to 15 years or more, and for loans made prior to 2009, payments are typically deferred until after graduation. However, since 2009 we began to encourage interest-only or fixed payment options while the customer is enrolled in school.

The estimated weighted average life of education loans in our portfolio was approximately 6 years at December 31, 2021 and 2020. The following table reflects the distribution of our education loan portfolio by program.

	December 31, 2021		Year Ended December 31, 2021	
(Dollars in millions)	**Ending Balance**	**% of Balance**	**Average Balance**	**Average Effective Interest Rate**
FFELP Stafford Loans, net	$ 18,219	25%	$ 19,270	2.19%
FFELP Consolidation Loans, net	34,422	47	36,748	2.84
Private Education Loans, net	20,171	28	21,225	5.57
Total education loans, net	$ 72,812	100%	$ 77,243	3.42%

	December 31, 2020		Year Ended December 31, 2020	
(Dollars in millions)	**Ending Balance**	**% of Balance**	**Average Balance**	**Average Effective Interest Rate**
FFELP Stafford Loans, net	$ 19,607	25%	$ 20,844	2.80%
FFELP Consolidation Loans, net	38,677	49	40,678	3.08
Private Education Loans, net	21,079	26	22,720	6.36
Total education loans, net	$ 79,363	100%	$ 84,242	3.90%

As of December 31, 2021 and 2020, 87% and 85%, respectively, of our education loan portfolio was in repayment.

4. Allowance for Loan Losses

Allowance for Loan Losses Metrics

(Dollars in millions)	FFELP Loans (Year Ended December 31, 2021)	Private Education Loans (Year Ended December 31, 2021)	Total (Year Ended December 31, 2021)
Beginning balance	$ 288	$ 1,089	$ 1,377
Provision:			
Reversal of allowance related to loan sales[1]	—	(107)	(107)
Remaining provision	—	46	46
Total provision	—	(61)	(61)
Charge-offs:			
Net adjustment resulting from the change in the charge-off rate[2]	—	(16)	(16)
Net charge-offs remaining[3]	(26)	(153)	(179)
Total charge-offs[3]	(26)	(169)	(195)
Decrease in expected future recoveries on charged-off loans[4]	—	150	150
Allowance at end of period	262	1,009	1,271
Plus: expected future recoveries on charged-off loans[4]	—	329	329
Allowance at end of period excluding expected future recoveries on charged-off loans[5]	$ 262	$ 1,338	$ 1,600
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate[2]	.06%	.76%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[2]	—%	.08%	
Allowance coverage of charge-offs[6]	10.0	7.9	
Allowance as a percentage of the ending total loan balance[6]	.5%	6.3%	
Allowance as a percentage of the ending loans in repayment[6]	.6%	6.6%	
Ending total loans	$ 52,903	$ 21,180	
Average loans in repayment	$ 45,781	$ 20,150	
Ending loans in repayment	$ 44,390	$ 20,284	

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

(2) In 2021, the portion of the loan amount charged off at default on Private Education Loans increased from 81.4% to 81.7%. This change resulted in a $16 million reduction to the balance of the expected future recoveries on charged-off loans in 2021.

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

(4) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the "expected future recoveries on charged-off loans." If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries for charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on charged-off loans:

(Dollars in millions)	Year Ended December 31, 2021
Beginning of period expected recoveries	$ 479
Expected future recoveries of current period defaults	22
Recoveries	(87)
Charge-offs	(35)
Reduction in expected recoveries related to regulatory settlement[5]	(50)
End of period expected recoveries	$ 329
Change in balance during period	$ (150)

(5) See "Note 12 – Commitments, Contingencies and Guarantees" for further discussion.

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

4. Allowance for Loan Losses (Continued)

See “Note 2 – Significant Accounting Policies” for discussion of the adoption of CECL on January 1, 2020.

(Dollars in millions)	Year Ended December 31, 2020 FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 64	$ 1,048	$ 1,112
Transition adjustment made under CECL on January 1, 2020[1]	260	(3)	257
Allowance at beginning of period after transition adjustment to CECL	324	1,045	1,369
Total provision	13	142	155
Charge-offs:			
Net adjustment resulting from the change in the charge-off rate[2]	—	(23)	(23)
Net charge-offs remaining[3]	(49)	(184)	(233)
Total charge-offs[3]	(49)	(207)	(256)
Decrease in expected future recoveries on charged-off loans[4]	—	109	109
Allowance at end of period	288	1,089	1,377
Plus: expected future recoveries on charged-off loans[4]	—	479	479
Allowance at end of period excluding expected future recoveries on charged-off loans[5]	$ 288	$ 1,568	$ 1,856
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate[2]	.10%	.88%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment[2]	—%	.11%	
Allowance coverage of charge-offs[5]	5.9	7.6	
Allowance as a percentage of the ending total loan balance[5]	.5%	7.1%	
Allowance as a percentage of the ending loans in repayment[5]	.6%	7.5%	
Ending total loans	$ 58,572	$ 22,168	
Average loans in repayment	$ 48,130	$ 20,790	
Ending loans in repayment	$ 48,057	$ 20,841	

(1) For a further discussion of our adoption of CECL, see “Note 2 – Significant Accounting Policies.”

(2) In 2020, the portion of the loan amount charged off at default on Private Education Loans increased from 81% to 81.4%. This charge resulted in a $23 million reduction to the balance of the receivable for partially charged-off loan balance.

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

(4) At the end of each month, for Private Education Loans that are 212 or more days past due, we charge off the estimated loss of a defaulted loan balance. Actual recoveries are applied against the remaining loan balance that was not charged off. We refer to this as the “expected future recoveries on charged-off loans.” If actual periodic recoveries are less than expected, the difference is immediately charged off through the allowance for Private Education Loan losses with an offsetting reduction in the expected future recoveries for charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on charged-off loans.

(Dollars in millions)	Year Ended December 31, 2020
Beginning of period expected recoveries	$ 588
Expected future recoveries of current period defaults	32
Recoveries	(107)
Charge-offs	(34)
End of period expected recoveries	$ 479
Change in balance during period	$ (109)

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

4. Allowance for Loan Losses (Continued)

	Year Ended December 31, 2019			
(Dollars in millions)	FFELP Loans	Private Education Loans	Other Loans	Total
Beginning balance	$ 76	$ 1,201	$ 9	$ 1,286
Total provision	30	226	1	258
Charge-offs:				
Net adjustment resulting from the change in the charge-off rate(1)	—	(21)	—	(21)
Net charge-offs remaining(2)	(42)	(364)	(2)	(408)
Total charge-offs(2)	(42)	(385)	(2)	(429)
Reclassification of interest reserve(3)	—	7	—	7
Loan sales	—	(1)	(8)	(9)
Ending balance	$ 64	$ 1,048	$ —	$ 1,112
Allowance Ending Balance:				
Individually evaluated for impairment — TDR	$ —	$ 941	$ —	$ 941
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	64	107	—	171
Purchased Non-Credit Impaired Loans acquired at a discount(4)	—	—	—	—
Purchased Credit Impaired Loans(4)	—	—	—	—
Ending total allowance	$ 64	$ 1,048	$ —	$ 1,112
Loans Ending Balance:				
Individually evaluated for impairment — TDR	$ —	$ 9,617	$ —	$ 9,617
Collectively evaluated for impairment:				
Excluding Purchased Non-Credit Impaired Loans acquired at a discount and Purchased Credit Impaired Loans	61,589	12,286	9	73,884
Purchased Non-Credit Impaired Loans acquired at a discount(4)	2,505	1,806	—	4,311
Purchased Credit Impaired Loans(4)	—	201	—	201
Ending total loans(5)	$ 64,094	$ 23,910	$ 9	$ 88,013
Net charge-offs as a percentage of average loans in repayment, excluding the net adjustment resulting from the change in the charge-off rate(1)	.07%	1.67%	—%	
Net adjustment resulting from the change in charge-off rate as a percentage of average loans in repayment(1)	—%	.10%	—%	
Allowance coverage of charge-offs	1.5	2.7	—	
Allowance as a percentage of the ending total loan balance	.10%	4.38%	—%	
Allowance as a percentage of the ending loans in repayment	.12%	4.74%	—%	
Ending total loans(5)	$ 64,094	$ 23,910	$ 9	
Average loans in repayment	$ 55,978	$ 21,859	$ 29	
Ending loans in repayment	$ 53,538	$ 22,089	$ 9	

(1) In 2019, the portion of the loan amount charged off at default on Private Education Loans increased from 80.5% to 81%. This charge resulted in a $21 million reduction to the balance of the receivable for partially charged-off loan balance.

(2) 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. For FFELP Loans, the recovery is received at the time of charge-off.

(3) 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.

(4) 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 December 31, 2019. 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 $33 million and $268 million, respectively, as of December 31, 2019 is greater than the incurred losses and as a result no allowance for loan losses has been established for these loans as of December 31, 2019.

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

4. Allowance for Loan Losses (Continued)

Troubled Debt Restructurings (TDRs)

We sometimes modify the terms of loans for customers experiencing financial difficulty. Certain Private Education Loans for which we have granted either a forbearance of greater than three months, an interest rate reduction or an extended repayment plan are classified as TDRs. Approximately 75% and 72% of the loans granted forbearance have qualified as a TDR loan at December 31, 2021 and 2020, respectively. The unpaid principal balance of TDR loans that were in an interest rate reduction program as of December 31, 2021 and 2020 was $831 million and $948 million, respectively.

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

	Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Modified loans(1)	$ 149	$ 264	$ 475
Charge-offs(2)	$ 124	$ 157	$ 324
Payment default	$ 21	$ 47	$ 109

(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

4. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

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

FFELP Loans

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

	FFELP Loan Delinquencies			
	December 31, 2021		December 31, 2020	
(Dollars in millions)	**Balance**	**%**	**Balance**	**%**
Loans in-school/grace/deferment[(1)]	$ 2,220		$ 2,791	
Loans in forbearance[(2)]	6,292		7,725	
Loans in repayment and percentage of each status:				
Loans current	39,679	89.4%	43,623	90.8%
Loans delinquent 31-60 days[(3)]	1,696	3.8	1,374	2.9
Loans delinquent 61-90 days[(3)]	904	2.0	836	1.7
Loans delinquent greater than 90 days[(3)]	2,112	4.8	2,223	4.6
Total FFELP Loans in repayment	44,391	100%	48,056	100%
Total FFELP Loans	52,903		58,572	
FFELP Loan allowance for losses	(262)		(288)	
FFELP Loans, net	$ 52,641		$ 58,284	
Percentage of FFELP Loans in repayment		83.9%		82.0%
Delinquencies as a percentage of FFELP Loans in repayment		10.6%		9.2%
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		12.4%		13.8%

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

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

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

Loan type:

(Dollars in millions)	**December 31, 2021**	**December 31, 2020**	**Change**
Stafford Loans	$ 16,329	$ 17,686	$ (1,357)
Consolidation Loans	31,873	35,968	(4,095)
Rehab Loans	4,701	4,918	(217)
Total loans, gross	$ 52,903	$ 58,572	$ (5,669)

4. Allowance for Loan Losses (Continued)

Private Education Loans

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

	Private Education Loan Credit Quality Indicators by Origination Year							
(Dollars in millions)	**2021**	**2020**	**2019**	**2018**	**2017**	**Prior**	**Total**	**% of Total**
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 5,185	$ 1,990	$ 1,862	$ 695	$ 209	$ 9,606	$ 19,547	92%
Below 640	42	15	37	21	8	1,510	1,633	8
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100%
Loan Status:								
In-school/grace/deferment/forbearance	$ 41	$ 30	$ 34	$ 17	$ 6	$ 768	$ 896	4%
Current/90 days or less delinquent	5,184	1,973	1,860	697	211	10,062	19,987	94
Greater than 90 days delinquent	2	2	5	2	—	286	297	2
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100%
Seasoning(1):								
1-12 payments	$ 5,208	$ 161	$ 27	$ 5	$ 1	$ 133	$ 5,535	26%
13-24 payments	—	1,824	568	14	3	150	2,559	12
25-36 payments	—	—	1,283	165	9	248	1,705	8
37-48 payments	—	—	—	524	61	380	965	5
More than 48 payments	—	—	—	—	141	9,914	10,055	47
Loans in-school/grace/deferment	19	20	21	8	2	291	361	2
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100%
TDR Status:								
TDR	$ 2	$ 8	$ 31	$ 28	$ 29	$ 7,158	$ 7,256	34%
Non-TDR	5,225	1,997	1,868	688	188	3,958	13,924	66
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100%
Cosigners:								
With cosigner(2)	$ 17	$ 33	$ 12	$ —	$ 34	$ 7,266	$ 7,362	35%
Without cosigner	5,210	1,972	1,887	716	183	3,850	13,818	65
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100%
School Type:								
Not-for-profit	$ 4,918	$ 1,916	$ 1,771	$ 659	$ 208	$ 9,241	$ 18,713	88%
For-profit	309	89	128	57	9	1,875	2,467	12
Total	$ 5,227	$ 2,005	$ 1,899	$ 716	$ 217	$ 11,116	$ 21,180	100%
Allowance for loan losses							(1,009)	
Total loans, net							$ 20,171	

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

(2) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at December 31, 2021.

4. Allowance for Loan Losses (Continued)

(Dollars in millions)	Private Education Loan Credit Quality Indicators by Origination Year 2020	2019	2018	2017	2016	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 4,008	$ 2,964	$ 1,079	$ 340	$ 72	$ 11,746	$ 20,209	91%
Below 640	15	34	23	9	2	1,876	1,959	9
Total	$ 4,023	$ 2,998	$ 1,102	$ 349	$ 74	$ 13,622	$ 22,168	100%
Loan Status:								
In-school/grace/ deferment/forbearance	$ 23	$ 43	$ 25	$ 10	$ 2	$ 1,224	$ 1,327	6%
Current/90 days or less delinquent	3,999	2,953	1,075	338	72	12,187	20,624	93
Greater than 90 days delinquent	1	2	2	1	—	211	217	1
Total	$ 4,023	$ 2,998	$ 1,102	$ 349	$ 74	$ 13,622	$ 22,168	100%
Seasoning(1):								
1-12 payments	$ 4,014	$ 879	$ 7	$ 2	$ —	$ 180	$ 5,082	23%
13-24 payments	—	2,098	243	7	1	234	2,583	12
25-36 payments	—	—	839	101	3	380	1,323	6
37-48 payments	—	—	—	236	38	584	858	4
More than 48 payments	—	—	—	—	31	11,808	11,839	53
Loans in-school/ grace/deferment	9	21	13	3	1	436	483	2
Total	$ 4,023	$ 2,998	$ 1,102	$ 349	$ 74	$ 13,622	$ 22,168	100%
TDR Status:								
TDR	$ 1	$ 14	$ 23	$ 31	$ 11	$ 8,351	$ 8,431	38%
Non-TDR	4,022	2,984	1,079	318	63	5,271	13,737	62
Total	$ 4,023	$ 2,998	$ 1,102	$ 349	$ 74	$ 13,622	$ 22,168	100%
Cosigners:								
With cosigner(2)	$ 5	$ 13	$ 1	$ 49	$ 21	$ 8,911	$ 9,000	41%
Without cosigner	4,018	2,985	1,101	300	53	4,711	13,168	59
Total	$ 4,023	$ 2,998	$ 1,102	$ 349	$ 74	$ 13,622	$ 22,168	100%
School Type:								
Not-for-profit	$ 3,844	$ 2,801	$ 1,019	$ 333	$ 74	$ 11,255	$ 19,326	87%
For-profit	179	197	83	16	—	2,367	2,842	13
Total	$ 4,023	$ 2,998	$ 1,102	$ 349	$ 74	$ 13,622	$ 22,168	100%
Allowance for loan losses							(1,089)	
Total loans, net							$ 21,079	

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

(2) Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at December 31, 2020.

4. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies			
	TDRs			
	December 31, 2021		December 31, 2020	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 194		$ 280	
Loans in forbearance[2]	446		703	
Loans in repayment and percentage of each status:				
Loans current	6,023	91.0%	6,952	93.4%
Loans delinquent 31-60 days[3]	199	3.0	185	2.5
Loans delinquent 61-90 days[3]	120	1.8	114	1.5
Loans delinquent greater than 90 days[3]	274	4.2	197	2.6
Total TDR loans in repayment	6,616	100%	7,448	100%
Total TDR loans	7,256		8,431	
TDR loans allowance for losses	(829)		(929)	
TDR loans, net	$ 6,427		$ 7,502	
Percentage of TDR loans in repayment		91.2%		88.3%
Delinquencies as a percentage of TDR loans in repayment		9.0%		6.6%
Loans in forbearance as a percentage of TDR loans in repayment and forbearance		6.3%		8.6%

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

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

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

4. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies			
	Non-TDRs			
	December 31, 2021		December 31, 2020	
(Dollars in millions)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 167		$ 203	
Loans in forbearance[2]	89		141	
Loans in repayment and percentage of each status:				
Loans current	13,611	99.6%	13,335	99.6%
Loans delinquent 31-60 days[3]	23	.2	26	.2
Loans delinquent 61-90 days[3]	11	.1	12	.1
Loans delinquent greater than 90 days[3]	23	.1	20	.1
Total non-TDR loans in repayment	13,668	100%	13,393	100%
Total non-TDR loans	13,924		13,737	
Non-TDR loans allowance for losses	(180)		(160)	
Non-TDR loans, net	$ 13,744		$ 13,577	
Percentage of non-TDR loans in repayment		98.2%		97.5%
Delinquencies as a percentage of non-TDR loans in repayment		.4%		.4%
Loans in forbearance as a percentage of non-TDR loans in repayment and forbearance		.6%		1.0%

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

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

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

5. Business Combinations, Goodwill and Acquired Intangible

Goodwill

The following table summarizes our goodwill for our reporting units and reportable segments.

	As of December 31,	
(Dollars in millions)	**2021**	**2020**
Federal Education Loans reportable segment:		
FFELP Loans	$ 227	$ 227
Federal Education Loan Servicing[(1)]	5	13
Total	232	240
Consumer Lending reportable segment:		
Private Education Loans	106	106
Private Education Refinance Loans	77	77
Private Education In-School Loans[(2)]	14	—
Total	197	183
Business Processing reportable segment:		
Government Services	136	136
Healthcare Services	106	106
Total	242	242
Total goodwill	$ 671	$ 665

(1) We wrote off $8 million of goodwill in connection with the transfer of our ED contract to a third party in October 2021. This goodwill was allocated to the ED Servicing component of the Federal Education Loan Servicing reporting unit based on relative fair value. The $8 million was recorded as part of goodwill and acquired intangible asset impairment and amortization expense.

(2) In the third quarter of 2021, we completed an acquisition for a purchase price of approximately $20 million. The preliminary purchase price allocation resulted in goodwill of $14 million. The remainder of the purchase price was primarily allocated to developed technology.

Annual Goodwill Impairment Testing – October 1, 2021

We perform our goodwill impairment testing annually in the fourth quarter as of October 1. As part of the 2021 annual impairment testing for each of our reporting units with goodwill, we assessed relevant qualitative factors to determine whether it is “more-likely-than-not” that the fair value of an individual reporting unit is less than it’s carrying value. We considered the amount of excess fair value for our FFELP Loans, Federal Education Loan Servicing, Private Education Legacy Loans, and Private Education Refinance Loans over their carrying values as of October 1, 2019, the last time an independent appraiser estimated the value of these reporting units, since the fair value of these reporting units was substantially in excess of their carrying amounts. The outlook and cash flows for the FFELP Loans and Private Education Legacy Loans reporting units have not changed significantly since our 2019 assessment, despite COVID-19. Likewise, the outlook and cash flows for the Federal Education Loan Servicing components remaining after removing the cash flows attributed to the ED Servicing contract have not changed significantly since 2019. For the Private Education Refinance Loans reporting unit, we considered current and expected future origination volume both of which increased since 2019 and 2020 and the improved demand for the reporting unit’s refinance loan products. We also considered Navient’s strong liquidity position, its ability to issue Private Education Loan ABS comprised entirely of the reporting unit’s refinance loans and improved cost of funds in 2021 on these issuances. No goodwill was deemed impaired for these reporting units after assessing these relevant qualitative factors.

As part of our annual impairment testing associated with our Government Services and Healthcare Services reporting units, we also considered the amount of excess fair value over the carrying values of these reporting units as of October 1, 2020 when we engaged an independent appraiser to estimate the fair value of these reporting units since the fair value of these reporting units was substantially in excess of their carrying values. We also considered the financial performance for both of these reporting units in 2021 during which the Government Services and Healthcare Services reporting units significantly outperformed expectations due largely to significant contracts acquired in 2020 and 2021 to implement and administer programs under the CARES Act and perform contact tracing and vaccine administration services. The outlook and long-term cash flow projections for both of these reporting units remain favorable and have not changed significantly since our 2020 quantitative impairment assessment despite the economic impact of COVID 19. No goodwill was deemed impaired for these reporting units after assessing these relevant qualitative factors.

For each of our reporting units, we have also considered the current regulatory and legislative environment, the current economic environment which is still heavily impacted by COVID-19, our 2021 earnings, 2022 expected

5. Business Combinations, Goodwill and Acquired Intangible Assets (Continued)

earnings, market expectations regarding our stock price which improved significantly in 2021, and our market capitalization, which was in excess of our book equity at October 1, 2021 and remained in excess of our book equity at December 31, 2021. If the regulatory environment changes such that it negatively impacts our reporting units and future economic conditions are significantly worse than what was assumed as a part of our annual impairment testing for each of our reporting units, specifically related to the impact of COVID-19 and the inflationary environment stemming from the recovery in certain sectors, goodwill attributed to our reporting units could be impaired in future periods.

Acquired Intangible Assets

Acquired intangible assets include the following:

	As of December 31, 2021			As of December 31, 2020		
(Dollars in millions)	**Cost Basis(2)**	**Accumulated Impairment and Amortization(2)(3)**	**Net**	**Cost Basis(2)**	**Accumulated Impairment and Amortization(2)(3)**	**Net**
Customer, services and lending relationships	$ 246	$ (223)	$ 23	$ 262	$ (230)	$ 32
Software and technology(1)	120	(105)	15	114	(101)	13
Trade names and trademarks	40	(23)	17	52	(27)	25
Total acquired intangible assets	$ 406	$ (351)	$ 55	$ 428	$ (358)	$ 70

(1) In conjunction with the preliminary purchase price allocation associated with a third-quarter 2021 acquisition in the Consumer Lending reportable segment, we recorded $7 million of acquired intangible assets which consisted primarily of developed technology.

(2) Accumulated impairment and amortization include impairment amounts only if the acquired intangible asset has been deemed partially impaired. When an acquired intangible asset is considered fully impaired and no longer in use, the cost basis and any accumulated amortization related to the asset is written off.

(3) We recorded amortization of acquired intangible assets of $19 million, $21 million and $25 million in 2021, 2020 and 2019, respectively. We will continue to amortize our intangible assets with definite useful lives over their remaining estimated useful lives. We estimate amortization expense associated with these intangible assets will be $14 million, $12 million, $10 million, $7 million and $12 million in 2022, 2023, 2024, 2025 and after 2025, respectively.

6. Borrowings

Borrowings consist of secured borrowings issued through our securitization program, borrowings through secured facilities, unsecured notes issued by us, and other interest-bearing liabilities related primarily to obligations to return cash collateral held.

The following table summarizes our borrowings.

	December 31, 2021					December 31, 2020				
(Dollars in millions)	Short Term	Weighted Average Interest Rate(8)	Long Term	Weighted Average Interest Rate(8)	Total	Short Term	Weighted Average Interest Rate(8)	Long Term	Weighted Average Interest Rate(8)	Total
Unsecured borrowings:										
Senior unsecured debt(1)	$ —	—%	$ 7,014	5.83%	$ 7,014	$ 677	6.61%	$ 7,714	6.19%	$ 8,391
Total unsecured borrowings	—	—	7,014	5.83	7,014	677	6.61	7,714	6.19	8,391
Secured borrowings:										
FFELP Loan securitizations(2)(3)(4)	—	—	51,841	.85	51,841	—	—	54,697	.89	54,697
Private Education Loan securitizations(5)	543	2.42	14,074	1.82	14,617	960	2.68	13,891	2.04	14,851
FFELP Loan ABCP facilities	282	.97	150	.97	432	2,053	1.05	479	1.13	2,532
Private Education Loan ABCP facilities	1,363	1.05	1,152	1.37	2,515	2,582	1.46	—	—	2,582
Other(6)	302	.19	—	—	302	337	.09	—	—	337
Total secured borrowings	2,490	1.24	67,217	1.07	69,707	5,932	1.44	69,067	1.12	74,999
Total before hedge accounting adjustments(7)	2,490	1.24	74,231	1.52	76,721	6,609	1.97	76,781	1.63	83,390
Hedge accounting adjustments	—	—	257	(.01)	257	4	—	551	(.01)	555
Total	$ 2,490	1.24%	$ 74,488	1.51%	$ 76,978	$ 6,613	1.97%	$ 77,332	1.62%	$ 83,945

(1) Includes principal amount of $0 and $678 million of short-term debt as of December 31, 2021 and 2020, respectively. Includes principal amount of $7.0 billion and $7.8 billion of long-term debt as of December 31, 2021 and 2020, respectively.

(2) Includes $49 million and $157 million of long-term debt related to the FFELP Loan ABS repurchase facilities (FFELP Loan Repurchase Facilities) as of December 31, 2021 and 2020, respectively.

(3) Includes $2.1 billion and $3.6 billion of non-U.S. dollar-denominated debt as of December 31, 2021 and 2020, respectively, which has been hedged with swaps converting to U.S. dollars.

(4) During 2021, three FFELP secured debt tranches defaulted in the amount of $416 million as a result of not maturing by their respective contractual maturity dates. Notices were delivered to the trustee, rating agencies and bondholders alerting them to these maturity date defaults. At this time, it is expected the bonds will be paid in full between 2029 and 2035. There is no impact to the principal amount owed or the coupon at which the bonds accrue, and there is no revised contractual maturity date.

(5) Includes $543 million and $960 million of short-term debt related to the Private Education Loan ABS repurchase facilities (Private Education Loan Repurchase Facilities) as of December 31, 2021 and 2020, respectively. Includes $0 and $260 million of long-term debt related to the Private Education Loan Repurchase Facilities as of December 31, 2021 and 2020, respectively.

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

(7) Includes $55.5 billion and $60.0 billion of long-term floating rate debt as of December 31, 2021 and 2020, respectively, and $18.7 billion and $16.8 billion of long-term fixed rate debt as of December 31, 2021 and 2020, respectively.

(8) Weighted average interest rate is as of end of period.

6. Borrowings (Continued)

As of December 31, 2021, the expected maturities of our long-term borrowings are shown in the following table.

(Dollars in millions)	Expected Maturity: Senior Unsecured Debt	Expected Maturity: Secured Borrowings[(1)]	Expected Maturity: Total[(2)]
Year of Maturity			
2022	$ —	$ 6,965	$ 6,965
2023	1,312	7,747	9,059
2024	1,350	5,868	7,218
2025	551	5,476	6,027
2026	522	5,194	5,716
2027-2043	3,279	35,967	39,246
Total before hedge accounting adjustments	7,014	67,217	74,231
Hedge accounting adjustments	367	(110)	257
Total	$ 7,381	$ 67,107	$ 74,488

(1) We view our securitization trust debt as long-term based on the contractual maturity dates which range from 2022 to 2083. However, we have projected the expected principal paydowns based on our current estimates regarding the securitized loans' prepayment speeds for purposes of this disclosure to better reflect how we expect this debt to be paid down over time. The projected principal paydowns in year 2022 include $7.0 billion related to the securitization trust debt.

(2) The aggregate principal amount of debt that matures in each period is $7.0 billion in 2022, $9.1 billion in 2023, $7.2 billion in 2024, $6.1 billion in 2025, $5.8 billion in 2026 and $39.5 billion in 2027-2043.

Variable Interest Entities

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

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

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

6. Borrowings (Continued)

Secured Facilities and Unsecured Debt

FFELP Loan ABCP Facilities

We have various ABCP borrowing facilities that we use to finance our FFELP Loans. Liquidity is available under these secured credit facilities to the extent we have eligible collateral and available capacity. The maximum borrowing capacity under these facilities will vary and is subject to each agreement's borrowing conditions. These include but are not limited to the facility's size, current usage and the availability and fair value of qualifying unencumbered FFELP Loan collateral. Our borrowings under these facilities are non-recourse. The maturity dates on these facilities range from November 2022 to April 2023. The interest rate on certain facilities can increase under certain circumstances. The facilities are subject to termination under certain circumstances. As of December 31, 2021, there was approximately $0.4 billion outstanding under these facilities, with approximately $0.5 billion of assets securing these facilities. As of December 31, 2021, the maximum unused capacity under these facilities was $0.5 billion and we had $0.1 billion of unencumbered FFELP Loans.

FFELP Loan Repurchase Facilities

In 2018, we closed a $0.9 billion FFELP Loan Repurchase Facility that provides liquidity for the acquisition of certain Navient-sponsored auction rate securities. Borrowings under the facility are secured by the auction rate securities. The lenders also have unsecured recourse to Navient Corporation as Guarantor for any shortfall in amounts payable. Because the facility is secured by Navient-sponsored instruments issued in previous securitizations, we show the debt as part of FFELP Loan securitizations in the various borrowing tables above. As of December 31, 2021, there was approximately $49 million outstanding under this facility.

Private Education Loan ABCP Facilities

We have various ABCP borrowing facilities that we use to finance our Private Education Loans. Liquidity is available under these secured credit facilities to the extent we have eligible collateral and available capacity. The maximum borrowing capacity under these facilities will vary and is subject to each agreement's borrowing conditions. These include but are not limited to the facility's size, current usage and the availability and fair value of qualifying unencumbered Private Education Loan collateral. Our borrowings under these facilities are non-recourse. The maturity dates on these facilities range from June 2022 to June 2023. The interest rate on certain facilities can increase under certain circumstances. The facilities are subject to termination under certain circumstances. As of December 31, 2021, there was approximately $2.5 billion outstanding under these facilities, with approximately $2.7 billion of assets securing these facilities. As of December 31, 2021, the maximum unused capacity under these facilities was $2.2 billion and we had $2.0 billion of unencumbered Private Education Loans.

Private Education Loan Repurchase Facilities

These repurchase facilities are collateralized by the net assets in previously issued Private Education Loan ABS trusts. The lenders also have unsecured recourse to Navient Corporation as Guarantor for any shortfall in amounts payable. Because these facilities are secured by the Residual Interests in previous securitizations, we show the debt as part of Private Education Loan securitizations in the various borrowing tables above. As of December 31, 2021, there was approximately $0.5 billion outstanding under these facilities.

Senior Unsecured Debt

We issued $1.3 billion, $700 million and $0 of unsecured debt in 2021, 2020 and 2019, respectively.

Debt Repurchases

The following table summarizes activity related to our senior unsecured debt repurchases.

	Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Debt principal repurchased	$ 2,577	$ 768	$ 1,184
Gains (losses) on debt repurchases	$ (73)	$ (6)	$ 45

7. Derivative Financial Instruments

Risk Management Strategy

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to minimize the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets and liabilities so the net interest margin is not, on a material basis, adversely affected by movements in interest rates. We do not use derivative instruments to hedge credit risk. As a result of interest rate fluctuations, hedged assets and liabilities will appreciate or depreciate in market value. Income or loss on the derivative instruments that are linked to the hedged assets and liabilities will generally offset the effect of this unrealized appreciation or depreciation for the period the item is being hedged. We view this strategy as a prudent management of interest rate sensitivity. In addition, we utilize derivative contracts to minimize the economic impact of changes in foreign currency exchange rates on certain debt obligations that are denominated in foreign currencies. As foreign currency exchange rates fluctuate, these liabilities will appreciate and depreciate in value. These fluctuations, to the extent the hedge relationship is effective, are offset by changes in the value of the cross-currency interest rate swaps executed to hedge these instruments. Management believes certain derivative transactions entered into as hedges, primarily Floor Income Contracts, basis swaps and, at times, certain other LIBOR swaps, are economically effective; however, those transactions do not qualify for hedge accounting under GAAP and thus may adversely impact earnings.

Although we use derivatives to minimize the risk of interest rate and foreign currency changes, the use of derivatives does expose us to both market and credit risk. Market risk is the chance of financial loss resulting from changes in interest rates, foreign exchange rates and market liquidity. Credit risk is the risk that a counterparty will not perform its obligations under a contract and it is limited to the loss of the fair value gain in a derivative that the counterparty owes us. When the fair value of a derivative contract is negative, we owe the counterparty and, therefore, have no credit risk exposure to the counterparty; however, the counterparty has exposure to us. We minimize the credit risk in derivative instruments by entering into transactions with highly rated counterparties that are reviewed regularly by our Credit Department. We also maintain a policy of requiring that all derivative contracts be governed by an International Swaps and Derivative Association Master Agreement. Depending on the nature of the derivative transaction, bilateral collateral arrangements related to Navient Corporation contracts generally are required as well. When we have more than one outstanding derivative transaction with the counterparty, and there exists legally enforceable netting provisions with the counterparty (i.e., a legal right to offset receivable and payable derivative contracts), the “net” mark-to-market exposure, less collateral the counterparty has posted to us, represents exposure with the counterparty. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At December 31, 2021 and 2020, we had a net positive exposure (derivative gain positions to us less collateral which has been posted by counterparties to us) related to Navient Corporation derivatives of $9 million and $13 million, respectively.

7. Derivative Financial Instruments (Continued)

Our on-balance sheet securitization trusts have $2.1 billion of Euro denominated bonds outstanding as of December 31, 2021. To convert these non-US dollar denominated bonds into US dollar liabilities, the trusts have entered into foreign-currency swaps with highly-rated counterparties. In addition, the trusts have entered into $1.1 billion notional of interest rate swaps which are primarily used to convert Prime received on securitized education loans to LIBOR paid on the bonds. 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. At December 31, 2021 and 2020, the net positive exposure on swaps in securitization trusts was $0 and $28 million, respectively.

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

(Dollars in millions)	Corporate Contracts	Securitization Trust Contracts
Exposure, net of collateral	$ 9	$ —
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	100%	—%
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	—%	—%

7. Derivative Financial Instruments (Continued)

Summary of Derivative Financial Statement Impact

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

Impact of Derivatives on Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Dec. 31, 2021	Cash Flow Dec. 31, 2020	Fair Value(3) Dec. 31, 2021	Fair Value(3) Dec. 31, 2020	Trading Dec. 31, 2021	Trading Dec. 31, 2020	Total Dec. 31, 2021	Total Dec. 31, 2020
Fair Values(1)									
Derivative Assets:									
Interest rate swaps	Interest rate	$ —	$ —	$ 222	$ 323	$ 2	$ 6	$ 224	$ 329
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	—	28	—	—	—	28
Total derivative assets(2)		—	—	222	351	2	6	224	357
Derivative Liabilities:									
Interest rate swaps	Interest rate	—	—	—	—	(5)	(14)	(5)	(14)
Floor Income Contracts	Interest rate	—	—	—	—	(65)	(197)	(65)	(197)
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(190)	(322)	—	—	(190)	(322)
Total derivative liabilities(2)		—	—	(190)	(322)	(70)	(211)	(260)	(533)
Net total derivatives		$ —	$ —	$ 32	$ 29	$ (68)	$ (205)	$ (36)	$ (176)

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

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

(Dollar in millions)	Other Assets December 31, 2021	Other Assets December 31, 2020	Other Liabilities December 31, 2021	Other Liabilities December 31, 2020
Gross position	$ 224	$ 357	$ (260)	$ (533)
Impact of master netting agreements	(6)	(50)	6	50
Derivative values with impact of master netting agreements (as carried on balance sheet)	218	307	(254)	(483)
Cash collateral (held) pledged	(244)	(336)	147	234
Net position	$ (26)	$ (29)	$ (107)	$ (249)

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

(Dollar in millions)	As of December 31, 2021 Carrying Value	As of December 31, 2021 Hedge Basis Adjustments	As of December 31, 2020 Carrying Value	As of December 31, 2020 Hedge Basis Adjustments
Short-term borrowings	$ —	$ —	$ 631	$ 4
Long-term borrowings	$ 8,503	$ 252	$ 11,017	$ 541

7. 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 December 31, 2021 and December 31, 2020 by $8 million and $8 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at December 31, 2021 and December 31, 2020 by $2 million and $5 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2020
Notional Values:								
Interest rate swaps	$ 12.1	$ 16.7	$ 6.2	$ 7.5	$ 28.4	$ 26.8	$ 46.7	$ 51.0
Floor Income Contracts	—	—	—	—	12.5	17.0	12.5	17.0
Cross-currency interest rate swaps	—	—	2.1	3.7	—	—	2.1	3.7
Total derivatives	$ 12.1	$ 16.7	$ 8.3	$ 11.2	$ 40.9	$ 43.8	$ 61.3	$ 71.7

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

	Total Gains (Losses)		
	Years Ended December 31,		
(Dollars in millions)	2021	2020	2019
Fair Value Hedges[2]:			
Interest Rate Swaps			
Gains (losses) recognized in net income on derivatives	$ (310)	$ 301	$ 281
Gains (losses) recognized in net income on hedged items	349	(327)	(299)
Net fair value hedge ineffectiveness gains (losses)	39	(26)	(18)
Cross currency interest rate swaps			
Gains (losses) recognized in net income on derivatives	104	281	57
Gains (losses) recognized in net income on hedged items	(55)	(272)	(18)
Net fair value hedge ineffectiveness gains (losses)	49	9	39
Total fair value hedges[1][2]	88	(17)	21
Cash Flow Hedges:			
Total cash flow hedges[2]	—	—	—
Trading			
Interest rate swaps	30	(47)	44
Floor Income Contracts	34	(209)	(22)
Cross currency interest rate swaps	—	—	(2)
Other	—	—	2
Total trading derivatives[3]	64	(256)	22
Mark-to-market gains (losses) recognized	$ 152	$ (273)	$ 43

(1) Recorded in interest expense in the consolidated statements of income.
(2) The accrued interest income (expense) on fair value hedges and cash flow hedges is recorded in interest expense and is excluded from this table.
(3) Recorded in "gains (losses) on derivative and hedging activities, net" in the consolidated statements of income.

7. Derivative Financial Instruments (Continued)

Impact of Derivatives on Other Comprehensive Income (Equity)

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Total gains (losses) on cash flow hedges	$ 55	$ (233)	$ (165)
Reclassification adjustments for derivative (gains) losses included in net income (interest expense)(1)	86	50	(39)
Net changes in cash flow hedges, net of tax	$ 141	$ (183)	$ (204)

(1) Includes net settlement income/expense.

Collateral

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

(Dollars in millions)	December 31, 2021	December 31, 2020
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	$ 244	$ 336
Securities at fair value — corporate derivatives (not recorded in financial statements)(1)	—	—
Securities at fair value — on-balance sheet securitization derivatives (not recorded in financial statements)(2)	1	78
Total collateral held	$ 245	$ 414
Derivative asset at fair value including accrued interest	$ 242	$ 351
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 147	$ 234
Total collateral pledged	$ 147	$ 234
Derivative liability at fair value including accrued interest and premium receivable	$ 271	$ 504

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

Our corporate derivatives contain credit contingent features. At our current unsecured credit rating, we have fully collateralized our corporate derivative liability position (including accrued interest and net of premiums receivable) of $72 million with our counterparties. Downgrades in our unsecured credit rating would not result in any additional collateral requirements. Trust related derivatives do not contain credit contingent features related to our or the trusts' credit ratings.

8. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	December 31, 2021	December 31, 2020
Accrued interest receivable	$ 1,881	$ 1,933
Benefit and insurance-related investments	462	469
Income tax asset, net	369	454
Derivatives at fair value	218	307
Accounts receivable	159	118
Fixed assets	95	116
Other	39	95
Total	$ 3,223	$ 3,492

9. Stockholders' Equity

Common Stock

Our shareholders have authorized the issuance of 1.125 billion shares of common stock. The par value of Navient common stock is $0.01 per share. At December 31, 2021, 154 million shares were issued and outstanding and 21 million shares were unissued but encumbered for outstanding stock options, restricted stock units, performance stock units and dividend equivalent units for employee compensation and remaining authority for stock-based compensation plans.

9. Stockholders’ Equity (Continued)

Dividend and Share Repurchase Program

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

(Dollars and shares in millions, except per share amounts)	Years Ended December 31, 2021	2020	2019
Common stock repurchased(1)	34.4	30.6	34.5
Common stock repurchased (in dollars)(1)	$ 600	$ 400	$ 440
Average purchase price per share(1)	$ 17.46	$ 13.06	$ 12.76
Remaining common stock repurchase authority(1)	$ 1,000	$ 600	$ 1,000
Shares repurchased related to employee stock-based compensation plans(2)	3.0	1.2	3.2
Average purchase price per share(2)	$ 13.65	$ 12.86	$ 11.62
Common shares issued(3)	4.9	2.7	5.7
Dividends paid	$ 107	$ 123	$ 147
Dividends per share	$ .64	$ .64	$ .64

(1) Common shares purchased under our share repurchase program. Our board of directors authorized a $1 billion share repurchase program in October 2019 which was fully utilized in 2021, and in December 2021 an additional $1 billion multi-year program was approved.

(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 December 31, 2021 was $21.22.

Rights Offering

On December 20, 2021, the Board of Directors declared a dividend of one preferred share purchase right (a Right) for each outstanding share of common stock of the Company, par value $0.01 per share, and adopted a shareholder rights plan dated as of December 20, 2021 (the Rights Agreement). The dividend was paid on December 30, 2021. Each Right allows its holder to purchase from the Company one one-hundredth of a share of Series A Junior Participating Preferred Stock (a Preferred Share) for $100 (the Exercise Price), once the Rights become exercisable. The Rights will be exercisable only if a person or group acquires beneficial ownership of 20% or more of Navient common stock (including certain derivative positions), subject to certain exceptions. The Rights will expire on December 19, 2022.

In connection with the adoption of the Rights Agreement, the Board of Directors approved the Certificate of Designations establishing the Preferred Shares and the rights, preferences and privileges thereof. The Company has authorized 2,000,000 of the Preferred Shares, par value $0.20. Such number of shares may be increased or decreased by resolution of the Board of Directors subject to certain limitations set forth in the Certificate of Designations.

For additional information on the Rights Agreement and Certificate of Delegations, please refer to Exhibits 3.3 and 4.16 of this Form 10-K incorporated herein by reference.

10. Earnings (Loss) per Common Share

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

(In millions, except per share data)	Years Ended December 31, 2021	2020	2019
Numerator:			
Net income	$ 717	$ 412	$ 597
Denominator:			
Weighted average shares used to compute basic EPS	170	193	230
Effect of dilutive securities:			
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units and Employee Stock Purchase Plan (“ESPP”)[1]	2	2	3
Dilutive potential common shares[2]	2	2	3
Weighted average shares used to compute diluted EPS	172	195	233
Basic earnings per common share	$ 4.23	$ 2.14	$ 2.59
Diluted earnings per common share	$ 4.18	$ 2.12	$ 2.56

(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 years ended December 31, 2021, 2020 and 2019, stock options covering approximately 0 million, 2 million and 4 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

11. 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. The fair value of the items discussed below are separately disclosed in this footnote.

During 2021, there were no significant transfers of financial instruments between levels, or changes in our methodology used to value our financial instruments.

Education Loans

Our FFELP Loans and Private Education Loans are accounted for at cost or at the lower of cost or market if the loan is held-for-sale. Fair values are determined by modeling loan cash flows using stated terms of the assets using mostly internally developed assumptions that are validated against market transactions when available.

FFELP Loans

The significant assumptions used to determine fair value of our FFELP Loans are prepayment speeds, default rates, cost of funds, discount rate, capital levels and expected Repayment Borrower Benefits to be earned. In addition, the Floor Income component of our FFELP Loan portfolio is valued with option models using both observable market inputs and internally developed inputs. A number of significant inputs into the models are internally derived and not observable in active markets. While the resulting fair value can be validated against market transactions where we are a participant, these markets are not considered active. As such, these are level 3 valuations.

Private Education Loans

The significant assumptions used to determine fair value of our Private Education Loans are prepayment speeds, default rates, recovery rates, cost of funds, discount rate and capital levels. A number of significant inputs into the models are internally derived and not observable in active markets. While the resulting fair value can be validated against market transactions where we are a participant, these markets are not considered active. As such, these are level 3 valuations.

Cash and Investments (Including “Restricted Cash”)

Cash and cash equivalents are carried at cost. Carrying value approximates fair value. The fair value of investments in commercial paper, ABCP, or demand deposits that have a remaining term of less than 90 days when purchased are estimated to equal their cost and, when needed, adjustments for liquidity and credit spreads are made depending on market conditions and counterparty credit risks. No additional adjustments were deemed necessary. These investments are level 2 valuations.

Borrowings

Borrowings are accounted for at cost in the financial statements except when denominated in a foreign currency or when designated as the hedged item in a fair value hedge relationship. When the hedged risk is the benchmark interest rate (which for us is LIBOR) and not full fair value, the cost basis is adjusted for changes in value due to benchmark interest rates only. Foreign currency-denominated borrowings are re-measured at current spot rates in the financial statements. Fair value was determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, observable yield curves, foreign currency exchange rates, volatilities from active markets or from quotes from broker-dealers. Fair value adjustments for unsecured corporate debt are made based on indicative quotes from observable trades and spreads on credit default swaps specific to the Company. Fair value adjustments for secured borrowings are based on indicative quotes from broker-dealers. These adjustments for both secured and unsecured borrowings are material to the overall valuation of these items and, currently, are based on inputs from inactive markets. As such, these are level 3 valuations.

11. Fair Value Measurements (Continued)

Derivative Financial Instruments

All derivatives are accounted for at fair value in the financial statements. The fair value of a majority of derivative financial instruments was determined by standard derivative pricing and option models using the stated terms of the contracts and observable market inputs and are therefore classified as level 2 fair values. In some cases, we utilized internally developed inputs that are not observable in the market, and as such, classified these instruments as level 3 fair values. Complex structured derivatives or derivatives that trade in less liquid markets require significant estimates and judgment in determining fair value that cannot be corroborated with market transactions.

When determining the fair value of derivatives, we take into account counterparty credit risk for positions where there is exposure to the counterparty on a net basis by assessing exposure net of collateral held. See “Note 7 – Derivative Financial Instruments” for further discussion on methodology. The net credit risk adjustment (adjustments for our exposure to counterparties net of adjustments for the counterparties’ exposure to us) decreased the valuations at December 31, 2021 by $8 million.

Inputs specific to each class of derivatives disclosed in the table below are as follows:

- Interest rate swaps — Fair value is determined using standard derivative cash flow models. Derivatives that swap fixed interest payments for LIBOR interest payments (or vice versa) and derivatives swapping quarterly reset LIBOR for daily reset LIBOR or one-month LIBOR were valued using the LIBOR swap yield curve which is an observable input from an active market. These derivatives are level 2 fair value estimates in the hierarchy. Other derivatives swapping LIBOR interest payments for another variable interest payment (primarily Prime) are valued using the LIBOR swap yield curve and observable market spreads for the specified index. The markets for these swaps are generally illiquid as indicated by a wide bid/ask spread. The adjustment made for liquidity decreased the valuations by $2 million at December 31, 2021. These derivatives are level 3 fair value estimates.
- Cross-currency interest rate swaps — Fair value is determined using standard derivative cash flow models. Derivatives hedging foreign-denominated bonds are valued using the LIBOR swap yield curve (for both USD and the foreign-denominated currency), cross-currency basis spreads and forward foreign currency exchange rates. These inputs are observable inputs from active markets. Therefore, the resulting valuation is a level 2 fair value estimate. Amortizing notional derivatives (derivatives whose notional amounts change based on changes in the balance of, or pool of, assets or debt) hedging trust debt use internally derived assumptions for the trust assets’ prepayment speeds and default rates to model the notional amortization. Management makes assumptions concerning the extension features of derivatives hedging rate-reset notes denominated in a foreign currency. These inputs are not market observable; therefore, these derivatives are level 3 fair value estimates.
- Floor Income Contracts — Derivatives are valued using an option pricing model. Inputs to the model include the LIBOR swap yield curve and LIBOR interest rate volatilities. The inputs are observable inputs in active markets and these derivatives are level 2 fair value estimates.

The carrying value of borrowings designated as the hedged item in a fair value hedge is adjusted for changes in fair value due to benchmark interest rates and foreign-currency exchange rates. These valuations are determined through standard bond pricing models and option models (when applicable) using the stated terms of the borrowings, and observable yield curves, foreign currency exchange rates and volatilities.

11. Fair Value Measurements (Continued)

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

	Fair Value Measurements on a Recurring Basis							
	December 31, 2021				December 31, 2020			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivative instruments:(1)								
Interest rate swaps	—	223	1	224	—	323	6	329
Cross-currency interest rate swaps	—	—	—	—	—	—	28	28
Total derivative assets(2)	—	223	1	224	—	323	34	357
Total	$ —	$ 223	$ 1	$ 224	$ —	$ 323	$ 34	$ 357
Liabilities(3)								
Derivative instruments(1)								
Interest rate swaps	$ —	$ —	$ (5)	$ (5)	$ —	$ —	$ (14)	$ (14)
Floor Income Contracts	—	(65)	—	(65)	—	(197)	—	(197)
Cross-currency interest rate swaps	—	—	(190)	(190)	—	—	(322)	(322)
Total derivative liabilities(2)	—	(65)	(195)	(260)	—	(197)	(336)	(533)
Total	$ —	$ (65)	$ (195)	$ (260)	$ —	$ (197)	$ (336)	$ (533)

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

(2) See “Note 7 — Derivative Financial Instruments” for a reconciliation of gross positions without the impact of master netting agreements to the balance sheet classification.

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

11. 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.

	Year Ended December 31, 2021			
	Derivative Instruments			
(Dollars in millions)	**Interest Rate Swaps**	**Cross Currency Interest Rate Swaps**	**Other**	**Total Derivative Instruments**
Balance, beginning of period	$ (8)	$ (294)	$ —	$ (302)
Total gains/(losses):				
Included in earnings(1)	3	81	—	84
Included in other comprehensive income	—	—	—	—
Settlements	1	23	—	24
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	$ (4)	$ (190)	$ —	$ (194)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 3	$ (157)	$ —	$ (154)

	Year Ended December 31, 2020			
	Derivative Instruments			
(Dollars in millions)	**Interest Rate Swaps**	**Cross Currency Interest Rate Swaps**	**Other**	**Total Derivative Instruments**
Balance, beginning of period	$ (17)	$ (575)	$ (1)	$ (593)
Total gains/(losses):				
Included in earnings(1)	8	231	—	239
Included in other comprehensive income	—	—	—	—
Settlements	1	50	1	52
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	$ (8)	$ (294)	$ —	$ (302)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 5	$ 273	$ 1	$ 279

	Year Ended December 31, 2019			
	Derivative Instruments			
(Dollars in millions)	**Interest Rate Swaps**	**Cross Currency Interest Rate Swaps**	**Other**	**Total Derivative Instruments**
Balance, beginning of period	$ (27)	$ (633)	$ (4)	$ (664)
Total gains/(losses):				
Included in earnings(1)	8	(60)	2	(50)
Included in other comprehensive income	—	—	—	—
Settlements	2	118	1	121
Transfers in and/or out of level 3	—	—	—	—
Balance, end of period	$ (17)	$ (575)	$ (1)	$ (593)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date(2)	$ 9	$ 58	$ 3	$ 70

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

	Years Ended December 31,		
(Dollars in millions)	**2021**	**2020**	**2019**
Gains (losses) on derivative and hedging activities, net	$ 3	$ 8	$ 10
Interest expense	81	231	(60)
Total	$ 84	$ 239	$ (50)

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

11. Fair Value Measurements (Continued)

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

(Dollars in millions)	Fair Value at December 31, 2021	Valuation Technique	Input	Range and Weighted Average
Derivatives				
Prime/LIBOR basis swaps	$ (4)	Discounted cash flow	Constant Prepayment Rate	9%
			Bid/ask adjustment to discount rate	.08%
Cross-currency interest rate swaps	(190)	Discounted cash flow	Constant Prepayment Rate	5%
Other	—			
Total	$ (194)			

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.

	December 31, 2021			December 31, 2020		
(Dollars in millions)	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP Loans	$ 53,632	$ 52,641	$ 991	$ 59,117	$ 58,284	$ 833
Private Education Loans	21,140	20,171	969	22,462	21,079	1,383
Cash and investments	3,845	3,845	—	3,822	3,822	—
Total earning assets	78,617	76,657	1,960	85,401	83,185	2,216
Interest-bearing liabilities						
Short-term borrowings	2,492	2,490	(2)	6,626	6,613	(13)
Long-term borrowings	74,548	74,488	(60)	76,719	77,332	613
Total interest-bearing liabilities	77,040	76,978	(62)	83,345	83,945	600
Derivative financial instruments						
Floor Income Contracts	(65)	(65)	—	(197)	(197)	—
Interest rate swaps	219	219	—	315	315	—
Cross-currency interest rate swaps	(190)	(190)	—	(294)	(294)	—
Other	—	—	—	—	—	—
Excess of net asset fair value over carrying value			$ 1,898			$ 2,816

12. Commitments, Contingencies and Guarantees

Legal Proceedings

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

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

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

Certain Cases

During the first quarter of 2016, Navient Corporation, certain Navient officers and directors, and the underwriters of certain Navient securities offerings were sued in three putative securities class action lawsuits filed on behalf of certain investors in Navient stock or Navient unsecured debt. These three cases, which were filed in the U.S. District Court for the District of Delaware, were consolidated by the District Court, with Lord Abbett Funds appointed as Lead Plaintiff. The caption of the consolidated case is *Lord Abbett Affiliated Fund, Inc., et al. v. Navient Corporation, et al.* Additionally, two putative class actions have been filed in the U.S. District Court for the District of New Jersey captioned *Eli Pope v. Navient Corporation, John F. Remondi, Somsak Chivavibul and Christian Lown,* and *Melvin Gross v. Navient Corporation, John F. Remondi, Somsak Chivavibul and Christian M. Lown,* both of which allege violations of the federal securities laws under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934. The cases were consolidated by the Court in February 2018 under the caption *In Re Navient Corporation Securities Litigation* and the plaintiffs filed a consolidated amended complaint in April 2018. In the third quarter of 2021, the Company reached tentative agreements to settle both cases for a total of $42.5 million. As a result of these contingent losses being probable, such loss was accrued in the third quarter of 2021. However, the net impact to operating expense for the quarter was $0 due to the accrual of the offsetting insurance reimbursements. The settlements, in which the Company and other defendants expressly deny any admission or concession of wrongdoing or fault, are subject to approval by the Court after notice and hearing. The Company can give no assurance whether or when the tentative settlements will receive the required approvals.

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

12. Commitments, Contingencies and Guarantees (Continued)

In January 2017, the Consumer Financial Protection Bureau (the CFPB) and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of certain Federal and State consumer protection statutes, including the CFPA, FCRA, FDCPA and various state consumer protection laws. In October 2017, the Attorney General for the Commonwealth of Pennsylvania initiated a civil action against Navient Corporation and Navient Solutions, LLC (Solutions), containing similar alleged violations of the CFPA and the Pennsylvania Unfair Trade Practices and Consumer Protection Law. The Attorneys General for the States of California, Mississippi and, in October 2020, New Jersey also initiated actions against the Company and certain subsidiaries alleging violations of various state and federal consumer protection laws based upon similar alleged acts or failures to act. We refer to the Illinois, Pennsylvania, Washington, California, Mississippi and New Jersey Attorneys General collectively as the “State Attorneys General.” In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or, in the future, may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the State Attorneys General. In January 2022, we entered into a series of Consent Judgment and Orders (the “Agreements”) with 40 state attorneys general to resolve all matters in dispute related to the State Attorneys General cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators. These Agreements do not resolve the litigation involving the Company and the CFPB. The Company will cancel the loan balance of approximately 66,000 borrowers with qualifying private education loans that were originated largely between 2002 and 2010 and later defaulted and charged off. The loans to be cancelled have aggregate outstanding balances of approximately $1.7 billion. The expense to the Company to cancel these loans is approximately $50 million which represents the amount of expected future recoveries of these charged-off loans on the balance sheet. In addition, the Company agreed to make a one-time payment of approximately $145 million to the states. In the fourth quarter of 2021 when such loss became probable, the Company recognized total regulatory expenses of approximately $205 million related to this matter. Prior to the fourth quarter, this contingent liability was neither probable nor reasonably estimable and, as a result, no contingent liability had been previously established. The complete text of the Agreement is included in this Form 10-K and incorporated by reference herein as Exhibit 10.24.

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

Regulatory Matters

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

Under the terms of the Separation and Distribution Agreement between the Company and SLM BankCo, Navient agreed to indemnify SLM BankCo for claims, actions, damages, losses or expenses that may arise from the conduct of activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in that agreement. Also, as part of the Separation and Distribution Agreement, SLM BankCo agreed to indemnify Navient for certain claims, actions, damages, losses or expenses subject to the terms, conditions and limitations set forth in that agreement. As a result, subject to the terms, conditions and limitations set forth in that agreement, Navient agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank from liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above. In addition, we asserted various claims for indemnification against Sallie Mae and Sallie Mae Bank for such specifically excluded items arising out of the CFPB and the State Attorneys General lawsuits if and to the extent any indemnified liabilities exist now or in the future. We expect these various indemnification claims to be resolved at a future date as the cases move toward conclusion. Navient has no reserves related to indemnification matters with SLM BankCo as of December 31, 2021.

12. Commitments, Contingencies and Guarantees (Continued)

OIG Audit

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

Contingencies

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

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

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

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

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

13. Income Taxes

Reconciliations of the statutory U.S. federal income tax rates to our effective tax rate for continuing operations follow:

	Years Ended December 31,		
	2021	2020	2019
Statutory rate	21.0%	21.0%	21.0%
Non-deductible regulatory-related expenses[1]	1.4	—	—
State tax, net of federal benefit	1.2	1.6	1.4
Other, net	(.2)	—	(.5)
Effective tax rate	23.4%	22.6%	21.9%

(1) Regulatory expenses for 2021 include $205 million related to the resolution of State Attorneys General litigation and investigations, of which approximately $50.7 million is non-deductible for income tax purposes. See "Note 12 – Commitments, Contingencies and Guarantees" for further discussion.

Income tax expense consists of:

	December 31,		
(Dollars in millions)	2021	2020	2019
Current provision/(benefit):			
Federal	$ 147	$ 98	$ 78
State	19	14	11
Foreign	—	(1)	—
Total current provision/(benefit)	166	111	89
Deferred provision/(benefit):			
Federal	56	12	73
State	(3)	(3)	3
Foreign	—	—	1
Total deferred provision/(benefit)	53	9	77
Provision for income tax expense/(benefit)	$ 219	$ 120	$ 166

13. Income Taxes (Continued)

The tax effect of temporary differences that give rise to deferred tax assets and liabilities include the following:

(Dollars in millions)	December 31, 2021	December 31, 2020
Deferred tax assets:		
Loan reserves	$ 381	$ 414
Market value adjustments on education loans, investments and derivatives	—	64
Education loan premiums and discounts, net	40	41
Operating loss and credit carryovers	12	14
Accrued expenses not currently deductible	49	22
Stock-based compensation plans	5	6
Other	23	22
Total deferred tax assets	510	583
Deferred tax liabilities:		
Acquired intangible assets	18	16
Market value adjustments on education loans, investments and derivatives	30	—
Original issue discount on borrowings	12	11
Other	8	16
Total deferred tax liabilities	68	43
Net deferred tax assets	$ 442	$ 540

Included in operating loss and credit carryovers is a valuation allowance of $69 million and $64 million as of December 31, 2021 and 2020, respectively, against a portion of the Company's federal and state deferred tax assets. The valuation allowance is primarily attributable to deferred tax assets for federal and state net operating loss carryovers and state IRC § 163(j) disallowed interest expense carryovers that management believes it is more likely than not will expire prior to being realized. The ultimate realization of the deferred tax assets is dependent upon the generation of future taxable income of the appropriate character (i.e. capital or ordinary) during the period in which the temporary differences become deductible. Factors generally considered by management include (but are not limited to): any changes in economic conditions, the scheduled reversals of deferred tax liabilities, and the history of positive taxable income available for net operating loss carrybacks in evaluating the realizability of the deferred tax assets.

The operating loss and credit carryovers consist of:

	December 31, 2021				
(Dollars in millions)	Gross	Tax-Effected	Expiration	Corresponding Valuation Allowance(1)	Operating Loss and Credit Carryovers
Federal operating loss carryovers	$ 47	$ 10	Begins in 2032	$ 1	$ 9
State operating loss carryovers	511	35	Begins in 2021	32	3
State IRC § 163(j) disallowed interest expense carryovers	2,239	36	Indefinite	36	—
		$ 81		$ 69	$ 12

(1) The valuation allowance attributable to deferred tax assets for federal and state net operating loss carryovers, and state IRC § 163(j) disallowed interest expense carryovers, are amounts that management believes more likely than not will expire prior to being realized.

13. Income Taxes (Continued)

Accounting for Uncertainty in Income Taxes

The following table summarizes changes in unrecognized tax benefits:

(Dollars in millions)	December 31, 2021	2020	2019
Unrecognized tax benefits at beginning of year	$ 57.9	$ 53.6	$ 65.7
Increases resulting from tax positions taken during a prior period	6.4	7.6	4.0
Decreases resulting from tax positions taken during a prior period	(4.2)	—	(3.8)
Increases resulting from tax positions taken during the current period	6.4	3.5	1.9
Decreases related to settlements with taxing authorities	(.3)	(.2)	(11.1)
Increases related to settlements with taxing authorities	—	—	—
Reductions related to the lapse of statute of limitations	(7.4)	(6.6)	(3.1)
Unrecognized tax benefits at end of year (1)	$ 58.8	$ 57.9	$ 53.6

(1) Included in the $58.8 million of gross unrecognized tax benefits at December 31, 2021 are $46.5 million of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate.

The Company or one of its subsidiaries files income tax returns at the U.S. federal level, in most U.S. states, and various foreign jurisdictions. All periods prior to 2018 are closed for federal examinations purposes. Various combinations of subsidiaries, tax years, and jurisdictions remain open for review, subject to statute of limitations periods (typically 3 to 4 prior years). We do not expect the resolution of open audits to have a material impact on our unrecognized tax benefits.

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

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

Revenue by Service Type

(Dollars in millions)	Years Ended December 31, 2021 Federal Education Loans	2021 Business Processing	2021 Total Revenue	2020 Federal Education Loans	2020 Business Processing	2020 Total Revenue
Federal Education Loan asset recovery services	$ 19	$ —	$ 19	$ 84	$ —	$ 84
Government services	—	257	257	—	191	191
Healthcare services	—	231	231	—	113	113
Total	$ 19	$ 488	$ 507	$ 84	$ 304	$ 388

Revenue by Client Type

(Dollars in millions)	Years Ended December 31, 2021 Federal Education Loans	2021 Business Processing	2021 Total Revenue	2020 Federal Education Loans	2020 Business Processing	2020 Total Revenue
Federal government	$ 1	$ 20	$ 21	$ 44	$ 18	$ 62
Guarantor agencies	18	—	18	38	—	38
Other institutions	—	—	—	2	—	2
State and local government	—	183	183	—	122	122
Tolling authorities	—	54	54	—	51	51
Hospitals and other healthcare providers	—	231	231	—	113	113
Total	$ 19	$ 488	$ 507	$ 84	$ 304	$ 388

As of December 31, 2021 and 2020, there was $82 million and $90 million, respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

15. Segment Reporting

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

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

Federal Education Loans Segment

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

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

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

	December 31,	
(Dollars in millions)	**2021**	**2020**
FFELP Loans, net	$ 52,641	$ 58,284
Cash and investments(1)	2,071	1,685
Other	2,183	2,241
Total assets	$ 56,895	$ 62,210

(1) Includes restricted cash and investments.

Consumer Lending Segment

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

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

	December 31,	
Dollars in millions)	**2021**	**2020**
Private Education Loans, net	$ 20,171	$ 21,079
Cash and investments(1)	824	828
Other	815	964
Total assets	$ 21,810	$ 22,871

(1) Includes restricted cash and investments.

15. Segment Reporting (Continued)

Business Processing Segment

In this segment, Navient performs business processing services for over 600 government and healthcare clients.

- **Government services**: We provide state governments, agencies, court systems, municipalities, and parking and tolling authorities with leveraging our scale, integrated technology solutions, decades of differentiated customer experience expertise and evidence-based approach. Our support enables our clients to better serve their constituents, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities.

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

At December 31, 2021 and 2020, the Business Processing segment had total assets of $397 million and $425 million, respectively.

Other Segment

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

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

At December 31, 2021 and 2020, the Other segment had total assets of $1.5 billion and $1.9 billion, respectively.

15. Segment Reporting (Continued)

Measure of Profitability

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

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

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

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

15. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

	Year Ended December 31, 2021								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 1,405	$ 1,181	$ —	$ —	$ 2,586	$ 98	$ (39)	$ 59	$ 2,645
Cash and investments	—	2	—	1	3	—	—	—	3
Total interest income	1,405	1,183	—	1	2,589	98	(39)	59	2,648
Total interest expense	830	541	—	70	1,441	(8)	(117)	(125)	1,316
Net interest income (loss)	575	642	—	(69)	1,148	106	78	184	1,332
Less: provisions for loan losses	—	(61)	—	—	(61)	—	—	—	(61)
Net interest income (loss) after provisions for loan losses	575	703	—	(69)	1,209	106	78	184	1,393
Other income (loss):						—			
Servicing revenue	162	6	—	—	168	—	—	—	168
Asset recovery and business processing revenue	51	—	488	—	539	—	—	—	539
Other income (loss)	25	—	—	5	30	(93)	157	64	94
Gains on sales of loans	—	91	—	—	91	(13)	—	(13)	78
Losses on debt repurchases	—	—	—	(73)	(73)	—	—	—	(73)
Total other income (loss)	238	97	488	(68)	755	(106)	157	51	806
Expenses:						—			
Direct operating expenses	223	162	360	—	745	—	—	—	745
Unallocated shared services expenses	—	—	—	462	462	—	—	—	462
Operating expenses	223	162	360	462	1,207	—	—	—	1,207
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	30	30	30
Restructuring/other reorganization expenses	—	—	—	26	26	—	—	—	26
Total expenses	223	162	360	488	1,233	—	30	30	1,263
Income (loss) before income tax expense (benefit)	590	638	128	(625)	731	—	205	205	936
Income tax expense (benefit)(2)	136	146	29	(131)	180	—	39	39	219
Net income (loss)	$ 454	$ 492	$ 99	$ (494)	$ 551	$ —	$ 166	$ 166	$ 717

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2021		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 184	$ —	$ 184
Total other income (loss)	51	—	51
Goodwill and acquired intangible asset impairment and amortization	—	30	30
Total Core Earnings adjustments to GAAP	$ 235	$ (30)	205
Income tax expense (benefit)			39
Net income (loss)			$ 166

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

15. Segment Reporting (Continued)

	Year Ended December 31, 2020								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments(1)	Total GAAP
Interest income:									
Education loans	$ 1,813	$ 1,445	$ —	$ —	$ 3,258	$ 79	$ (55)	$ 24	$ 3,282
Cash and investments	7	3	—	6	16	—	—	—	16
Total interest income	1,820	1,448	—	6	3,274	79	(55)	24	3,298
Total interest expense	1,194	699	—	120	2,013	39	(6)	33	2,046
Net interest income (loss)	626	749	—	(114)	1,261	40	(49)	(9)	1,252
Less: provisions for loan losses	13	142	—	—	155	—	—	—	155
Net interest income (loss) after provisions for loan losses	613	607	—	(114)	1,106	40	(49)	(9)	1,097
Other income (loss):									
Servicing revenue	208	6	—	—	214	—	—	—	214
Asset recovery and business processing revenue	154	—	304	—	458	—	—	—	458
Other income (loss)	9	—	—	11	20	(40)	(216)	(256)	(236)
Losses on debt repurchases	—	—	—	(6)	(6)	—	—	—	(6)
Total other income (loss)	371	6	304	5	686	(40)	(216)	(256)	430
Expenses:									
Direct operating expenses	287	146	254	—	687	—	—	—	687
Unallocated shared services expenses	—	—	—	277	277	—	—	—	277
Operating expenses	287	146	254	277	964	—	—	—	964
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	22	22	22
Restructuring/other reorganization expenses	—	—	—	9	9	—	—	—	9
Total expenses	287	146	254	286	973	—	22	22	995
Income (loss) before income tax expense (benefit)	697	467	50	(395)	819	—	(287)	(287)	532
Income tax expense (benefit)(2)	160	107	11	(90)	188	—	(68)	(68)	120
Net income (loss)	$ 537	$ 360	$ 39	$ (305)	$ 631	$ —	$ (219)	$ (219)	$ 412

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2020		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ (9)	$ —	$ (9)
Total other income (loss)	(256)	—	(256)
Goodwill and acquired intangible asset impairment and amortization	—	22	22
Total Core Earnings adjustments to GAAP	$ (265)	$ (22)	(287)
Income tax expense (benefit)			(68)
Net income (loss)			$ (219)

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

15. Segment Reporting (Continued)

	Year Ended December 31, 2019								
						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	$ 2,907	$ 1,731	$ —	$ —	$ 4,638	$ 8	$ (68)	$ (60)	$ 4,578
Other loans	1	1	—	—	2	—	—	—	2
Cash and investments	50	16	—	27	93	—	—	—	93
Total interest income	2,958	1,748	—	27	4,733	8	(68)	(60)	4,673
Total interest expense	2,376	980	—	161	3,517	6	(35)	(29)	3,488
Net interest income (loss)	582	768	—	(134)	1,216	2	(33)	(31)	1,185
Less: provisions for loan losses	30	228	—	—	258	—	—	—	258
Net interest income (loss) after provisions for loan losses	552	540	—	(134)	958	2	(33)	(31)	927
Other income (loss):									
Servicing revenue	229	11	—	—	240	—	—	—	240
Asset recovery and business processing revenue	230	—	258	—	488	—	—	—	488
Other income (loss)	28	1	—	14	43	(41)	65	24	67
Gains on sales of loans	—	16	—	—	16	—	—	—	16
Gains on debt repurchases	—	—	—	33	33	39	(27)	12	45
Total other income (loss)	487	28	258	47	820	(2)	38	36	856
Expenses:									
Direct operating expenses	359	156	215	—	730	—	—	—	730
Unallocated shared services expenses	—	—	—	254	254	—	—	—	254
Operating expenses	359	156	215	254	984	—	—	—	984
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	30	30	30
Restructuring/other reorganization expenses	—	—	—	6	6	—	—	—	6
Total expenses	359	156	215	260	990	—	30	30	1,020
Income (loss) before income tax expense (benefit)	680	412	43	(347)	788	—	(25)	(25)	763
Income tax expense (benefit)[2]	155	96	10	(80)	181	—	(15)	(15)	166
Net income (loss)	$ 525	$ 316	$ 33	$ (267)	$ 607	$ —	$ (10)	$ (10)	$ 597

(1) Core Earnings adjustments to GAAP:

	Year Ended December 31, 2019		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ (31)	$ —	$ (31)
Total other income (loss)	36	—	36
Goodwill and acquired intangible asset impairment and amortization	—	30	30
Total Core Earnings adjustments to GAAP	$ 5	$ (30)	(25)
Income tax expense (benefit)			(15)
Net income (loss)			$ (10)

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

15. Segment Reporting (Continued)

Summary of Core Earnings Adjustments to GAAP

(Dollars in millions)	Years Ended December 31, 2021	2020	2019
Core Earnings net income	$ 551	$ 631	$ 607
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting[1]	235	(265)	5
Net impact of goodwill and acquired intangible assets[2]	(30)	(22)	(30)
Net income tax effect[3]	(39)	68	15
Total Core Earnings adjustments to GAAP	166	(219)	(10)
GAAP net income	$ 717	$ 412	$ 597

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

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

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

APPENDIX A

DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM

The Federal Family Education Loan Program (FFELP) was authorized under Title IV of the Higher Education Act (HEA). No new FFELP loans were authorized to be made after July 1, 2010.[1] The terms and conditions of existing FFELP loans continue to be governed by the HEA statute, implementing regulations, and guidance from the Department of Education (ED).

This appendix describes or summarizes the material provisions of HEA's Title IV, the FFELP and related statutes and regulations, in place as of December 31, 2021. It, however, is not complete and is qualified in its entirety by reference to each actual statute and regulation. Both the HEA and the related regulations have been the subject of extensive amendments over the years. We cannot predict whether future amendments or modifications might materially change any of the programs described in this appendix or the statutes and regulations that implement them.

General

The FFELP provided for loans to students who were enrolled in eligible institutions, or to parents of dependent students who were enrolled in eligible institutions, to finance their educational costs. As further described below, payment of principal and interest on the education loans is insured by a state or not-for-profit guaranty agency against:

- default of the borrower;
- the death, bankruptcy or permanent, total disability of the borrower;
- closing of the borrower's school prior to the end of the academic period;
- false certification of the borrower's eligibility for the loan by the school; and
- an unpaid school refund.

Claims are paid from federal assets, known as "federal student loan reserve funds," which are federal assets but are maintained and administered by state and not-for-profit guaranty agencies. In addition, the holders of education loans are entitled to receive interest subsidy payments and special allowance payments from ED on eligible education loans.

Special allowance payments raise the yield to education loan lenders when the statutory borrower interest rate is below an indexed market value.

Four types of education loans were authorized under the HEA:

- Subsidized Stafford Loans to students who demonstrated requisite financial need;
- Unsubsidized Stafford Loans to students who either did not demonstrate financial need or required additional loans to supplement their Subsidized Stafford Loans;
- Federal PLUS Loans to graduate or professional students (effective July 1, 2006) or parents of dependent students whose estimated costs of attending school exceed other available financial aid; and
- Consolidation Loans, which consolidated into a single loan a borrower's obligations under various federally authorized education loan programs.

Before July 1, 1994, the HEA also authorized loans called "Supplemental Loans to Students" or "SLS Loans" to independent students and, under some circumstances, dependent undergraduate students, to supplement their Subsidized Stafford Loans. The Unsubsidized Stafford Loan program replaced the SLS program.

---

1 On March 30, 2010, the President of the United States signed into law the Health Care and Education Reconciliation Act of 2010 (HCERA) which terminated as of July 1, 2010 the Federal Family Education Loan Program (FFELP) under Title IV of the Higher Education Act.

Special Allowance Payments

HEA provides for quarterly special allowance payments to be made by ED to holders of education loans to the extent necessary to ensure that they receive at least specified market interest rates of return. The rates for special allowance payments depend on statutory formulas that vary according to the type of loan, the date the loan was made and the type of funds, tax-exempt or taxable, used to finance the loan. ED makes a special allowance payment for each calendar quarter, generally within 45 to 60 days after the receipt of a bill from the lender.

The special allowance payment equals the average unpaid principal balance, including interest which has been capitalized, of all eligible loans held by a holder during the quarterly period multiplied by the special allowance percentage.

For education loans disbursed prior to April 1, 2006, if the special allowance formula is below the borrower rate, the special allowance payment is zero. For education loans disbursed on or after April 1, 2006, lenders are required to pay ED any interest paid by borrowers on education loans that exceeds the special allowance support levels applicable to such loans.

Consolidation Loan Fees

Loan Rebate Fee. A loan rebate fee of 1.05% is paid annually on the unpaid principal and interest of each Consolidation Loan disbursed on or after October 1, 1993.

Stafford Loan Program

For Stafford Loans, the HEA provided for:

federal reimbursement of Stafford Loans made by eligible lenders to qualified students;

federal interest subsidy payments on Subsidized Stafford Loans paid by ED to holders of the loans in lieu of the borrowers' making interest payments during in-school, grace and deferment periods or, in certain cases, during enrollment in an income-based repayment plan; and

special allowance payments representing an additional subsidy paid by ED to the holders of eligible Stafford Loans.

We refer to all three types of assistance as "federal assistance."

Interest. The borrower's interest rate on a Stafford Loan can be fixed or variable, depending on the academic year in which the loan was disbursed.[2]

Interest Subsidy Payments. ED is responsible for paying interest on Subsidized Stafford Loans:

- while the borrower is a qualified student,
- during the grace period,
- during prescribed deferment periods, and
- in certain cases, during a borrower's enrollment in an income-based repayment plan.

ED makes quarterly interest subsidy payments to the owner of a Subsidized Stafford Loan in an amount equal to the interest that accrues on the unpaid balance of that loan before repayment begins or during any deferment periods. ED also makes quarterly interest subsidy payments to the owner of a Subsidized Stafford Loan in an amount equal to the unpaid interest payable during up to three consecutive calendar years of a period of financial hardship during enrollment in an income-based repayment plan. The HEA provides that the owner of an eligible Subsidized Stafford Loan has a contractual right against the United States to receive interest subsidy and special allowance payments. However, receipt of interest subsidy and special allowance payments is conditioned on compliance with the requirements of the HEA, including the following:

- satisfaction of need criteria, and
- continued eligibility of the loan for federal insurance or reinsurance.

If the loan is not held by an eligible lender in accordance with the requirements of the HEA and the applicable guarantee agreement, the loan may lose its eligibility for federal assistance.

[2] Detail on Stafford borrower rates can be found in Appendix A of Navient's 2019 Form 10-K filed with the SEC (Navient's 2019 10-K).

Lenders generally receive interest subsidy payments within 45 days to 60 days after the submission of the applicable data for any given calendar quarter to ED. However, there can be no assurance that payments will, in fact, be received from ED within that period.

Repayment. Repayment of principal on a Stafford Loan does not begin while the borrower remains a qualified student, but only after a 6-month grace period. In general, each loan must be scheduled for repayment over a period of not more than 10 years after repayment begins. New borrowers on or after October 7, 1998 who accumulated FFELP loans totaling more than $30,000 in principal and unpaid interest are entitled to extend repayment for up to 25 years, subject to minimum repayment amounts. Consolidation Loan borrowers may be scheduled for repayment up to 30 years depending on the borrower's indebtedness. Outlined in the table below are the maximum repayment periods available based on the outstanding FFELP indebtedness.

Outstanding FFELP Indebtedness	Maximum Consolidation Loan Repayment Period
$7,500-$9,999	12 Years
$10,000-$19,999	15 Years
$20,000-$39,999	20 Years
$40,000-$59,999	25 Years
$60,000 or more	30 Years

Note: Maximum repayment period excludes authorized periods of deferment and forbearance.

In addition to the outstanding FFELP indebtedness requirements described above, the HEA currently requires minimum annual payments of $600, unless the borrower and the lender agree to lower payments, except that negative amortization is not allowed, except for loans paid under an income-based repayment plan. The HEA and related regulations require lenders to offer a choice among standard, graduated, income-sensitive, income-based, and extended repayment schedules, if applicable, to all borrowers entering repayment. For borrowers in income-based repayment, ED repays or cancels any outstanding principal and interest under certain criteria after 25 years of qualified payments.

Grace Periods, Deferment Periods and Forbearance Periods. After the borrower stops pursuing at least a half-time course of study, the borrower generally must begin to repay principal of a Stafford Loan following the grace period. However, no principal repayments need be made, subject to some conditions, during deferment and forbearance periods.

For borrowers whose first loans are disbursed on or after July 1, 1993, repayment of principal may be deferred while the borrower returns to school at least half-time. Additional deferments are available, when the borrower is:

- enrolled in an approved graduate fellowship program or rehabilitation program;
- seeking, but unable to find, full-time employment, subject to a maximum deferment of three years; or
- having an economic hardship, as defined in the HEA, subject to a maximum deferment of three years; or
- serving on active duty during a war or other military operation or national emergency, or performing qualifying National Guard duty during a war or other military operation or national emergency.
- receiving cancer treatment (for loans that entered repayment on or before September 28, 2018 for periods of treatment that occur on or after September 28, 2018).

The HEA also permits, and in some cases requires, "forbearance" periods from loan collection in some circumstances. Interest that accrues during a forbearance period is never subsidized. When a borrower ends forbearance and enters repayment, the account is considered current. When a borrower exits grace, deferment or forbearance, any interest that has not been subsidized is generally capitalized and added to the outstanding principal amount.

PLUS and SLS Loan Programs

The HEA authorized PLUS Loans to be made to parents of eligible dependent students and graduate and professional students and originally authorized SLS Loans to be made to the categories of students later served by the Unsubsidized Stafford Loan program. Borrowers who had no adverse credit history or who were able to secure an endorser without an adverse credit history were eligible for PLUS Loans, as well as some borrowers with extenuating circumstances. The basic provisions applicable to PLUS and SLS Loans are similar to those of Stafford Loans for federal insurance and reinsurance. However, interest subsidy payments are not available under the PLUS and SLS programs and, in some instances, special allowance payments are more restricted.

Interest. The interest rates for PLUS Loans and SLS Loans depend on the year in which the loans were disbursed.[3]

Repayment; Deferments. Borrowers begin to repay principal on their PLUS and SLS Loans no later than 60 days after the final disbursement, unless they use deferment available for the in-school period and the six-month post enrollment period. Deferment and forbearance provisions, maximum loan repayment periods, repayment plans and minimum payment amounts for PLUS and SLS loans are generally the same as those for Stafford Loans, although income-based repayment is not available for parents borrowing under the PLUS program.

Consolidation Loan Program

Prior to July 1, 2010, HEA authorized a program under which borrowers could consolidate one or more of their education loans into a single Consolidation Loan that is insured and reinsured on a basis similar to Stafford and PLUS Loans. Consolidation Loans were made in an amount sufficient to pay outstanding principal, unpaid interest, late charges and collection costs on all federally reinsured education loans incurred under the FFELP that the borrower selects for consolidation, as well as loans made under various other federal education loan programs and loans made by different lenders. In general, a borrower's eligibility to consolidate federal education loans ends upon receipt of a Consolidation Loan. With the end of new FFELP originations, borrowers with multiple loans, including FFELP loans, may only consolidate their loans under the FDLP.
Consolidation Loans generally bear interest at a fixed rate equal to the weighted average of the interest rates on the unpaid principal balances of the consolidated loans rounded up to the nearest 1/8th of a %, subject to interest rate caps depending on the year in which the consolidation loan was disbursed. Between November 13, 1997 and September 30, 1998 interest rates were variable.

Guaranty Agencies under the FFELP

Under the FFELP, guaranty agencies guarantee loans made by eligible lending institutions, paying claims from "federal student loan reserve funds." The rate of reimbursement depends on the type of claim (death, disability, or default) and can range from 97% to 100%.[4]

These loans are guaranteed as to 100% of principal and accrued interest against death or discharge.

To be eligible for federal reinsurance, FFELP loans must meet HEA requirements and its regulations. Generally, these regulations require that holders must establish repayment terms with the borrower, properly administer deferments and forbearances, credit the borrower for payments made, and report the loan's status to credit reporting agencies. If a borrower becomes delinquent in repaying a loan, a lender must perform collection procedures that vary depending upon the length of time a loan is delinquent. The collection procedures consist of telephone calls, demand letters, skip tracing procedures and requesting assistance from the guaranty agency.

A lender may submit a default claim to the guaranty agency after the related education loan has been delinquent for at least 270 days. The guaranty agency must review and pay the claim within 90 days after the lender filed it. The guaranty agency will pay the lender interest accrued on the loan for up to 450 days after delinquency. The guaranty agency must file a reimbursement claim with ED within 30 days after the guaranty agency paid the lender for the default claim. Following payment of claims, the guaranty agency endeavors to collect the loan. Guaranty agencies also must meet statutory and regulatory requirements for collecting loans.

Education Loan Discharges

FFELP loans are not generally dischargeable in bankruptcy. Under the United States Bankruptcy Code, before an education loan may be discharged, the borrower must demonstrate that repaying it would cause the borrower or his family undue hardship. When a FFELP borrower files for bankruptcy, collection of the loan is suspended during the time of the proceeding. If the borrower files under the "wage earner" provisions of the United States Bankruptcy Code or files a petition for discharge on the grounds of undue hardship, then the lender transfers the loan to the guaranty agency which guaranteed that loan and that agency then participates in the bankruptcy proceeding. When the proceeding is complete, unless there was a finding of undue hardship, the loan is transferred back to the lender and collection resumes.

3 Detail on borrower rates for PLUS and SLS loans can be found in Appendix A of Navient's 2019 10-K.

4 Details on guaranty agency reimbursement rates and other details regarding guaranty agency requirements can be found in Appendix A of Navient's 2019 10-K.

Education loans are discharged if the borrower dies or becomes totally and permanently disabled. If a school closes while a student is enrolled, or within 120 days after the student withdrew, loans made for that enrollment period are discharged. If a school falsely certifies that a borrower is eligible for the loan, the loan may be discharged, and if a school fails to make a refund to which a student is entitled, the loan is discharged to the extent of the unpaid refund. Effective July 1, 2006, a loan is also eligible for discharge if it is determined that the borrower's eligibility for the loan was falsely certified as a result of a crime of identity theft.

Rehabilitation of Defaulted Loans

ED is authorized to enter into agreements with a guaranty agency under which such guaranty agency may sell defaulted loans that are eligible for rehabilitation to an eligible lender. For a loan to be eligible for rehabilitation the related guaranty agency must have received reasonable and affordable payments originally for 12 months which was reduced to 9 payments in 10 months effective July 1, 2006, and then the borrower may request that the loan be rehabilitated. Because monthly payments may be greater after rehabilitation, not all borrowers opt for rehabilitation. Upon rehabilitation, a borrower is again eligible for all the benefits under the HEA for which the borrower is not eligible as a borrower on a defaulted loan, such as new federal aid, and the negative credit record of default is expunged. No education loan may be rehabilitated more than once.

Department of Education Oversight

If ED determines that a guaranty agency is unable to meet its insurance obligations, the holders of loans insured by that guaranty agency may submit claims directly to ED and ED is required to pay the full reimbursement amounts due, in accordance with claim processing standards no more stringent than those applied by the affected guaranty agency. However, ED's obligation to pay guarantee claims directly in this fashion is contingent upon ED determining a guaranty agency is unable to meet its obligations. While there have been situations where ED has made such determinations regarding affected guaranty agencies, there can be no assurances as to whether ED must make such determinations in the future or whether payments of reimbursement amounts would be made in a timely manner.

APPENDIX B

FORM 10-K CROSS-REFERENCE INDEX

(a)Reference is made to the financial statements listed under the heading "(a) 1. Financial Statements" of Item 15 hereof, which financial statements are incorporated by reference in response to this Item 8.

GLOSSARY

Listed below are definitions of key terms that are used throughout this document. See also Appendix A "Description of Federal Family Education Loan Program" for a further discussion of the FFELP.

Constant Prepayment Rate (CPR) — A variable in life-of-loan estimates that measures the rate at which loans in the portfolio prepay before their stated maturity. The CPR is directly correlated to the average life of the portfolio. CPR equals the percentage of loans that prepay annually as a percentage of the beginning of period balance.

ED — The U.S. Department of Education.

FFELP — The Federal Family Education Loan Program, formerly the Guaranteed Education Loan Program, a program that was discontinued in 2010.

FFELP Consolidation Loans — Under the FFELP, borrowers with multiple eligible education loans may have consolidated them into a single education loan with one lender at a fixed rate for the life of the loan. The new loan is considered a FFELP Consolidation Loan. The borrower rate on a FFELP Consolidation Loan is generally fixed for the term of the loan and was set by the weighted average interest rate of the loans being consolidated, rounded up to the nearest 1/8th of a%, not to exceed 8.25%. Before October 1, 1998, maximum loan rates could have exceeded 8.25%. Between November 13, 1997 and September 30, 1998, interest rates were variable. Holders of FFELP Consolidation Loans are eligible to earn interest under the Special Allowance Payment (SAP) formula. In April 2008, we suspended originating new FFELP Consolidation Loans.

FFELP Stafford Loans — Education loans to students or parents of students that are guaranteed or reinsured under the FFELP. The loans are primarily Stafford loans but also include PLUS, SLS, Consolidation and HEAL loans. The FFELP was discontinued in 2010.

Fixed Rate Floor Income — Fixed Rate Floor Income is Floor Income associated with education loans with borrower rates that are fixed to term (primarily FFELP Consolidation Loans).

Floor Income — For loans disbursed before April 1, 2006, FFELP Loans generally earn interest at the higher of either the borrower rate, which is fixed over a period of time, or a floating rate based on the SAP formula. We generally finance our education loan portfolio with floating rate debt whose interest is matched closely to the floating nature of the applicable SAP formula. If interest rates decline to a level at which the borrower rate exceeds the SAP formula rate, we continue to earn interest on the loan at the fixed borrower rate while the floating rate interest on our debt continues to decline. In these interest rate environments, we refer to the additional spread it earns between the fixed borrower rate and the SAP formula rate as Floor Income. Depending on the type of education loan and when it was originated, the borrower rate is either fixed to term or is reset to a market rate each July 1. As a result, for loans where the borrower rate is fixed to term, we may earn Floor Income for an extended period of time, and for those loans where the borrower interest rate is reset annually on July 1, we may earn Floor Income to the next reset date. In accordance with legislation enacted in 2006, lenders are required to rebate Floor Income to ED for all FFELP Loans disbursed on or after April 1, 2006.

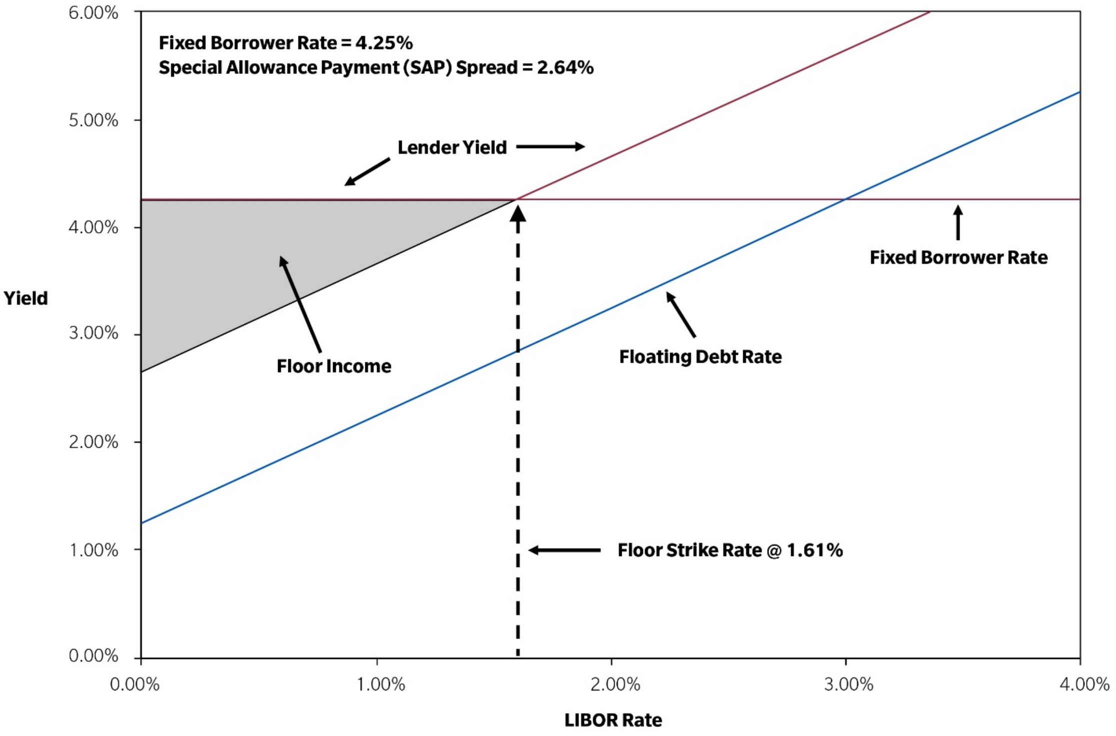
The following example shows the mechanics of Floor Income for a typical fixed rate FFELP Consolidation Loan (with a LIBOR-based SAP spread of 2.64%):

Fixed Borrower Rate	4.25%
SAP Spread over LIBOR	(2.64)
Floor Strike Rate[1]	1.61%

(1) The interest rate at which the underlying index (LIBOR, Treasury bill or commercial paper) plus the fixed SAP spread equals the fixed borrower rate. Floor Income is earned anytime the interest rate of the underlying index declines below this rate.

Based on this example, if the quarterly average LIBOR rate is over 1.61%, the holder of the education loan will earn at a floating rate based on the SAP formula, which in this example is a fixed spread to LIBOR of 2.64%. On the other hand, if the quarterly average LIBOR rate is below 1.61%, the SAP formula will produce a rate below the fixed borrower rate of 4.25% and the loan holder earns at the borrower rate of 4.25%.

Graphic Depiction of Floor Income:



Floor Income Contracts — We enter into contracts with counterparties under which, in exchange for an upfront contractual payment representing the present value of the Floor Income that we expect to earn on a notional amount of underlying education loans being economically hedged, we will pay the counterparties the Floor Income earned on that notional amount over the life of the Floor Income Contract. Specifically, we agree to pay the counterparty the difference, if positive, between the fixed borrower rate less the SAP spread and the average of the applicable interest rate index on that notional amount, regardless of the actual balance of underlying education loans, over the life of the contract. The contracts generally do not extend over the life of the underlying education loans. This contract effectively locks in the amount of Floor Income we will earn over the period of the contract. Floor Income Contracts are not considered effective hedges under ASC 815, “Derivatives and Hedging,” and each quarter we must record the change in fair value of these contracts through income.

Guarantor(s) — State agencies or non-profit companies that guarantee (or insure) FFELP Loans made by eligible lenders under The Higher Education Act of 1965 (HEA), as amended.

HCERA — The Health Care and Education Reconciliation Act of 2010.

Private Education Loans — Education loans to students or their families that bear the full credit risk of the customer and any cosigner. Private Education Loans are made primarily to bridge the gap between the cost of higher education and the amount funded through financial aid, federal loans or students’ and families’ resources. Private Education Loans include loans for higher education (undergraduate and graduate degrees) and for alternative education, such as career training, private kindergarten through secondary education schools and tutorial schools. Certain higher education loans have repayment terms similar to FFELP Loans, whereby repayments begin after the borrower leaves school while others require repayment of interest or a fixed pay amount while the borrower is still in school. Our higher education Private Education Loans are not dischargeable in bankruptcy, except in certain limited circumstances.

In the context of our Private Education Loan business, we use the term “Private Education Refinance Loans” to describe education loans made to certain customers that have simplified their payments by consolidating private and/or federal education loans into a single Private Education Loan. These loans are expected to have low default rates as a result of a number of factors including high FICO scores, employment record and educational history.

Repayment Borrower Benefits — Financial incentives offered to borrowers based on pre-determined qualifying factors, which are generally tied directly to making on-time monthly payments. The impact of Repayment Borrower Benefits is dependent on the estimate of the number of borrowers who will eventually qualify for these benefits and the amount of the financial benefit offered to the borrower.

Residual Interest — When we securitize education loans, we retain the right to receive cash flows from the education loans sold to trusts that we sponsor in excess of amounts needed to pay derivative costs (if any), other fees, and the principal and interest on the bonds backed by the education loans.

Risk Sharing — When a FFELP Loan first disbursed on and after July 1, 2006 defaults, the federal government guarantees 97% of the principal balance plus accrued interest (98% on loans disbursed on and after October 1, 1993 and before July 1, 2006) and the holder of the loan is at risk for the remaining amount not guaranteed as a Risk Sharing loss on the loan. FFELP Loans originated after October 1, 1993 are subject to Risk Sharing on loan default claim payments unless the default results from the borrower’s death, disability, bankruptcy, closed school or false certification.

Variable Rate Floor Income — Variable Rate Floor Income is Floor Income that is earned only through the next date at which the borrower interest rate is reset to a market rate. For FFELP Stafford Loans whose borrower interest rate resets annually on July 1, we may earn Floor Income based on a calculation of the difference between the borrower rate and the then current interest rate.

EXHIBIT 10.24.1

List of States that are a party to the Consent Judgment and Orders (“Agreement”) dated January 13, 2022 between Navient Corporation, Navient Solutions, LLC and Pioneer Credit Recovery, Inc. (the “Navient Parties”) and State Attorneys General.

Arizona	Arkansas	California
Colorado	Connecticut	District of Columbia
Delaware	Florida	Georgia
Hawaii	Illinois	Indiana
Iowa	Kansas	Kentucky
Louisiana	Maine	Maryland
Massachusetts	Michigan	Minnesota
Mississippi	Missouri	Nebraska
Nevada	New Jersey	New Mexico
New York	North Carolina	Ohio
Oregon	Pennsylvania	Rhode Island
South Carolina	Tennessee	Vermont
Virginia	Washington	West Virginia
Wisconsin		

THE HONORABLE VERONICA ALICEA-GALVÁN
Department 21

**SUPERIOR COURT OF THE STATE OF WASHINGTON
FOR KING COUNTY**

STATE OF WASHINGTON, Plaintiff, v. NAVIENT CORPORATION; NAVIENT SOLUTIONS, LLC; PIONEER CREDIT RECOVERY, INC.; and GENERAL REVENUE CORPORATION, Defendants.	No. 17-2-01115-1 SEA CONSENT DECREE

I. JUDGMENT SUMMARY

1.1	Judgment Creditor	State of Washington
1.2	Judgment Debtors	Navient Corporation; Navient Solutions, LLC; and Pioneer Credit Recovery, Inc.
1.3	Principal Judgment Amount	$9,435,752.69 (representing State of Washington's share of the amount set forth in Section VI.A, below)
1.4	Post Judgment Interest Rate:	12 percent per annum
1.5	Attorneys for Judgment Creditor:	Julia Doyle Heidi Anderson Kathleen Box Tad Robinson O'Neill Assistant Attorneys General

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

1.6 Attorneys for Judgment Debtors:

Angel Calfo
Andrew EdCarlow
Calfo Eakes LLP

Mike Kilgarriff
James Patrick Brown
Jennifer G. Levy
Katherine Canning
Spencer Hughes
Saunders McElroy
Daniel P. Kearney, Jr.
Kirkland & Ellis LLP

Michael D. Shumsky
Hyman Phelps & McNamara PC

1.7 Plaintiff, the State of Washington ("Plaintiff"), appearing by and through Robert W. Ferguson, its Attorney General ("Washington State Attorney General"), and Defendants NAVIENT CORPORATION, NAVIENT SOLUTIONS, LLC, and PIONEER CREDIT RECOVERY, INC., (hereinafter collectively "Navient Parties"), and GENERAL REVENUE CORPORATION, subsidiary of SinglePoint Group International USA, Inc. ("SinglePoint") and a former subsidiary of Navient Corporation ("GRC"), have resolved the matters in controversy between them and have consented to the terms of this judgment without trial or adjudication of fact or law, and without any admission or finding of liability or wrongdoing or admission or finding of any violation of law as alleged by Plaintiff and denied by the Navient Parties and GRC. The Signatory Attorneys General, as that term is defined herein below, and the Navient Parties each agree more can be done to improve student loan customer outcomes. The Signatory Attorneys General recognize that the Navient Parties have already developed and implemented many of the servicing practices in this Consent Decree.

1.8 The Navient Parties and GRC recognize and state this Consent Decree is entered into voluntarily and without any degree of duress or compulsion.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

1.9 The Navient Parties and GRC waive any right they may have to move to set aside this Consent Decree through any collateral attack, and further waive their right to appeal from this Consent Decree.

1.10 The Navient Parties and GRC further agree this Court shall retain jurisdiction of this action and jurisdiction over each such party for the purpose of enforcing and modifying this Consent Decree and for the purpose of granting such additional relief as may be necessary and appropriate.

It is hereby ORDERED, ADJUDGED AND DECREED that:

II. DEFINITIONS

A. "Consumer Reporting Agency" shall have the meaning coterminous with the meaning of Consumer Reporting Agency as defined in the Fair Credit Reporting Act, 15 U.S.C. § 1681a(f).

B. "Alternative Repayment Plans" shall mean Income-Driven Repayment Plans and extended and graduated repayment plans.

C. "Effective Date" shall mean the date upon which this Consent Decree is entered by the Court.

D. "FFELP" or "FFEL" shall mean the Federal Family Education Loan Program.

E. "Income-Driven Repayment Plan" or "IDR Plan" shall have the same meaning as promulgated by the United States Department of Education, including the following plans: Revised Pay As You Earn (REPAYE), Pay As You Earn (PAYE), Income-Based Repayment (IBR), Income-Contingent Repayment (ICR), and any similar plan that the U.S. Department of Education later classifies as an income-driven repayment plan.

F. "PSLF" shall mean the Public Service Loan Forgiveness Program, a U.S. Department of Education program intended to encourage individuals to enter and continue in full-time public service employment by forgiving the remaining balance of their qualifying federal student loans after they satisfy certain public service and loan payment requirements.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

G. “TEPSLF” shall mean the Temporary Expanded Public Service Loan Forgiveness Program, a U.S. Department of Education program that provides loan forgiveness for qualifying federal student loan borrowers who made some or all of their requisite monthly PSLF payments under a repayment plan that does not qualify for PSLF.

H. “PSLF LWO” shall mean the Public Service Loan Forgiveness Limited Waiver Opportunity announced by the U.S. Department of Education on October 6, 2021, including any rules, regulations, change orders, or dear colleague letters related thereto.

I. “TLF” shall mean the Teacher Loan Forgiveness Program, a U.S. Department of Education program intended to encourage individuals to enter and continue in the teaching profession by forgiving a specified amount of their qualifying federal student loans after they satisfy certain teaching requirements and meet any other qualifications.

J. “Oversight Committee” shall mean the following Signatory Attorneys General: California, Illinois, Massachusetts, Pennsylvania, and Washington.

K. “Signatory Attorneys General” shall mean the Attorney General representing any state, commonwealth, or district that is a party to this Consent Decree and/or any other substantially similar judgment or decree.

III. FINDINGS

A. This Court has jurisdiction of this subject matter hereof and the parties hereto.

B. Venue is proper in this Court.

C. This Consent Decree is intended to be for the benefit of the Navient Parties and other parties hereto and does not create any other third-party beneficiary rights or give rise to or support any right of action by any consumer or group of consumers or confer upon any person other than the parties hereto any rights or remedies. This document and its contents are not intended for use by any third party for any purpose, including submission to any court for any purpose, unless otherwise ordered by a court of competent jurisdiction.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

D. This Consent Decree does not constitute approval by the Signatory Attorneys General of any of the Navient Parties' or GRC's business practices, and none of the Navient Parties or GRC shall make a representation or claim to the contrary. Further, neither the Navient Parties, GRC, nor anyone acting on their behalf shall state or imply, or cause to be stated or implied, that the Signatory Attorneys General or any other governmental unit of the Signatory Attorneys General have approved, sanctioned, or authorized any practice, act, or conduct of the Navient Parties or GRC.

E. Nothing in this Consent Decree shall be construed as relieving the Navient Parties or GRC of their obligations to comply with all state and federal laws, regulations, or rules, or granting the Navient Parties or GRC permission to engage in any acts or practices prohibited by such laws, regulations, or rules.

F. This Consent Decree shall be binding upon and inure to the benefit of each of the Navient Parties and GRC and their successors and assigns.

G. The Navient Parties and GRC are entering this Consent Decree solely for the purpose of settlement, and nothing contained herein may be taken as or construed to be an admission or concession of any violation of law, rule, regulation, other matter of fact or law, or of any liability or wrongdoing. No part of this Consent Decree, including its statements and commitments, shall constitute evidence of any liability, fault, or wrongdoing by the Navient Parties or GRC.

H. This Consent Decree shall not be construed or used as a waiver or limitation of any defense or claim otherwise available to the Navient Parties or GRC in any other action, or of their right to defend against, or make any arguments in, any private individual action, class claims or suits, or any other governmental or regulatory action relating to the subject matter or terms of this Consent Decree, except as specifically provided in Section III.I and Section VII of this Consent Decree.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

I. This Consent Decree shall not be construed or used as a waiver or limitation of any claim or defense that a consumer may have against the Navient Parties or GRC in any other action, except that the Navient Parties and GRC may argue, to the extent permitted by law, that amounts otherwise recoverable in such actions might be set off by amounts remitted to consumers by the Signatory Attorneys General in connection with this Consent Decree; nor shall this Consent Decree be construed to release any claims other than those specified in Section VII.

J. The Signatory Attorneys General, the Navient Parties, and GRC (collectively, the “Parties”) acknowledge that similar resolutions have or will be entered into between the Navient Parties, GRC, and the Signatory Attorneys General for other States, including, without limitation, the States of Arizona, Arkansas, California, Colorado, Connecticut, Delaware, Florida, Georgia, Hawaii, Illinois, Indiana, Iowa, Kansas, Kentucky, Louisiana, Maine, Maryland, Massachusetts, Michigan, Minnesota, Missouri, Nebraska, Nevada, New Jersey, New Mexico, New York, North Carolina, Ohio, Oregon, Pennsylvania, Rhode Island, South Carolina, Tennessee, Virginia, West Virginia, Wisconsin, and the District of Columbia. The Parties intend to coordinate the implementation of the terms of these resolutions as may be appropriate and necessary.

K. The Navient Parties and GRC hereby represent and warrant as follows: (1) on July 31, 2019, Asset Performance Group (“APG”), a subsidiary of Navient Corporation and parent company to GRC, sold 100% of GRC’s stock to SinglePoint pursuant to that certain Purchase and Sale Agreement by and between APG and SinglePoint, dated as of May 3, 2019 (the “GRC PSA”); and (2) the GRC PSA excluded GRC’s debt collection services business segment that performs debt collection services for payments under defaulted Federal Family Education Loan Program loans on behalf of Navient Portfolio Management LLC in support of contracts with guaranty agencies pursuant to the Federal Student Financial Assistance Program, which APG transferred to Pioneer Credit Recovery, Inc., on or around July 30, 2019.

L. Any notice or other communication with the Oversight Committee and/or the Signatory Attorneys General required or permitted under this Consent Decree, except

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

communications contemplated by Subsection IV.A.2., below, shall be in writing and delivered to the following persons or any person subsequently designated by the parties:

Plaintiff:	Washington State Office of the Attorney General Consumer Protection Division Attention: Julia K. Doyle Assistant Attorney General 800 Fifth Avenue, Suite 2000 Seattle, WA 98104-3188 (206) 464-7744
Oversight Committee:	California Department of Justice Attn: Amy Chmielewski, Deputy Attorney General 300 South Spring St., Suite 1702 Los Angeles, CA 90013 (213) 269-6000
The Navient Parties:	John Kane President Navient Solutions, LLC 123 Justison Street, Suite 300 Wilmington, DE 19801 With a copy to: Mark L. Heleen Chief Legal Officer & Secretary Navient Corporation 123 Justison Street, Suite 300 Wilmington, DE 19801
GRC:	Jonathan Finley General Revenue Corporation 4660 Duke Drive, Suite 200 Mason, Ohio 45040 With a copy to: Ross J. Bextermueller Keating Muething & Klekamp PLL 1 East 4th Street, Suite 1400 Cincinnati, Ohio 45202

IV. SERVICING TERMS

The Navient Parties agree to comply with the terms herein.

A. GENERAL PROVISIONS & DEFINITIONS

1. Scope, Conflict, and Performance.

a. The terms contained herein ("terms") apply to the servicing and collections by the Navient Parties, of all federal loans made, guaranteed, or insured under Title IV of the Higher Education Act, 20 U.S.C. § 1078, *et seq.*, and all private education loans as defined by the Truth in Lending Act, 15 U.S.C. § 1650(a)(8), unless otherwise specified.

b. In each instance in these terms in which the Navient Parties are required to ensure adherence to, or undertake to perform certain obligations, it is intended to mean that the Navient Parties shall: (i) authorize and adopt such actions on behalf of the Navient Parties as may be necessary for the Navient Parties to perform such obligations and undertakings; (ii) follow up on any material non-compliance with such actions in a timely and appropriate manner; and (iii) require corrective action be taken in a timely manner of any material non-compliance with such obligations. Errors on individual borrower accounts shall not be the basis for any claim or found to be material non-compliance for purposes of this Consent Decree. With respect to Navient Corporation, for so long as Navient Corporation remains a holding company and other than any express undertakings, its obligations under the Servicing Terms portion of this Consent Decree shall be limited to adopting and overseeing all

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

necessary actions required by the other Navient Parties to perform their obligations hereunder, and causing the other Navient Parties to fulfill their obligations hereunder.

c. The Navient Parties will cooperate fully with the Signatory Attorneys General as necessary to achieve the goals and carry out the requirements of this Consent Decree and, for a period of five (5) years from the Effective Date, cooperate fully with the Signatory Attorneys General as necessary to monitor compliance with this Consent Decree. For example, the Signatory Attorneys General shall be permitted to make information or document requests to the Navient Parties related to the terms and conditions of this Consent Decree or the compliance herewith. To the extent of the foregoing, the Navient Parties shall cooperate with all such requests and provide any requested information no later than twenty (20) calendar days from the date of the request. In the event that more than twenty (20) calendar days are required to respond to any such request, the applicable Navient Party shall notify the Signatory Attorneys General within ten (10) calendar days of the request, and provide a proposed alternative delivery date. The Navient Party and Signatory Attorneys General shall negotiate in good faith to set a revised delivery date applicable to that request. The Signatory Attorneys General will comply with any applicable confidentiality agreement or protective order.

d. For a period of five (5) years from the Effective Date, in relation to the terms and conditions of this Consent Decree or the compliance herewith, the Navient Parties will cooperate fully with the Signatory

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

Attorneys General to help the Signatory Attorneys General determine the identity and location of any consumer(s) identified by the Signatory Attorneys General from the information within the Navient Parties' possession or control and/or such loan servicer's system of record, including promptly responding to requests for personally-identifiable information for any consumer(s). In carrying out the foregoing, the Navient Parties agree to provide such information from the Navient Parties' servicing systems within fifteen (15) calendar days of the Oversight Committee's request or, to the extent that such information is in the possession, custody, or control of Maximus Federal Services, Inc. ("Maximus") or any other third-party entity ("Transferee"), following the novation of the contract to service federal loans owned by the U.S. Department of Education, the Navient Parties shall communicate such request to Maximus or any other Transferee not later than five (5) calendar days after the Oversight Committee makes its request consistent with this paragraph, and to make all reasonable efforts to promptly obtain any required permissions to provide such information from the U.S. Department of Education. The Navient Parties hereby represent and warrant that Maximus and any other Transferee shall be required to reasonably cooperate with the Navient Parties' requests made in connection with this Consent Decree.

e. If a Signatory Attorney General determines that any Navient Party is potentially in violation of a provision of this Consent Decree, before initiating any petition for injunctive or monetary relief under this Consent Decree, the Signatory Attorney General ("Notifying

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

Party") shall notify the Navient Party in writing as soon as reasonably practicable. The Navient Parties shall thereafter have forty-five (45) calendar days from receipt of such written notice, or such additional time as the Navient Parties and the Notifying Party agree to in writing, to provide a written response to the Notifying Party. To the extent that a cure may require additional time, the Navient Parties, and the Oversight Committee, acting on behalf of the Notifying Party and each other Signatory Attorney General, shall work together in good faith to agree on a reasonable time period for such cure. The Navient Parties will be considered to have cured a potential violation of this Consent Decree where the Navient Parties: (i) establish the alleged violation was isolated and not likely to recur or implement a procedure or control for avoiding such violation in the future and (ii) remediate any non-de minimis monetary consumer harm for all affected borrowers in the state(s) of each Signatory Attorney General. The Notifying Party and the Oversight Committee, acting on behalf of each of the Signatory Attorneys General, shall determine whether the Navient Parties have satisfied the above elements of any cure, and a determination that the cure is sufficient shall be made in good faith and shall not be unreasonably withheld. The non-notifying Signatory Attorneys General shall be bound by the process described above. In any successful action to enforce this Consent Decree against the Navient Parties, the Navient Parties, jointly and severally, shall bear the Signatory Attorney(s) General's reasonable costs, including reasonable attorneys' fees (which shall not include any outside counsel attorneys' fees).

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

f. Unless otherwise specified herein, the Parties agree to comply with the terms contained herein within six (6) months of the Effective Date.

g. To the extent the Navient Parties determine that the terms herein conflict with any applicable state or federal law, rule, regulation, guidance from the U.S. Department of Education in the form of a "Dear Colleague Letter," consent order or agreed final judgment with a government agency, or requirement of a federal contract, including but not limited to any work, task or change order issued under the terms of that contract, these terms shall no longer apply to the extent of such conflict. The Navient Parties agree to document any such conflict and to promptly bring such conflict to the attention of the Oversight Committee.

h. To the extent that the Navient Parties require approval from the U.S. Department of Education, or any other regulator, to modify communications, notices, or any other practices to comply with the terms herein, they shall promptly seek such approval. Until such approval is received, the Navient Parties are not required to comply with the terms herein to the extent of such conflict.

2. Interactions with Government Agencies Regarding Consumer Complaints. The Navient Parties shall designate one or more specially-trained advocates with specified contact and mailing information to be the primary contact(s) for any state Attorney General or other state officials charged with assisting student loan borrowers regarding complaints and inquiries from individual borrowers.

3. Contacts for Government Agencies Relating to PSLF/TEPSLF Related Issues. The Navient Parties will designate Public Service Specialists, as that term is defined in Subsection IV.E.5. below, with specified contact and mailing information to be the primary contact(s) for any state Attorney General or other state officials charged with assisting student loan borrowers. These designated Public Service Specialists will work with any state Attorney General or state officials to resolve both complaints and inquiries relating to PSLF/TEPSLF, including following the complaint investigation and response procedures described in Subsection IV.E.10.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

4. Reporting Requirements.

a. The Navient Parties shall notify the Oversight Committee of any development or event that may affect obligations arising under these terms including but not limited to, a dissolution, assignment, sale, merger, or other action that would result in the emergence of a successor company; the creation or dissolution of a subsidiary, parent, or affiliate that engages in any acts or practices subject to these terms; the filing of any bankruptcy or insolvency proceeding by or against any Navient Party; or a change in any Navient Party's name or principal place of business. The Navient Parties must provide this notice no later than fourteen (14) calendar days after such development or event, except for a change in name or principal place of business, which the Navient Parties shall provide at least thirty (30) calendar days beforehand if practicable.

b. Within twelve (12) months after the Effective Date, and every six (6) months thereafter until thirty-six (36) months after the Effective Date, the Navient Parties shall submit to the Oversight Committee a written progress report demonstrating compliance with the terms of

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

this Consent Decree, which report shall be true and correct in all material respects. Should the report demonstrate that the Navient Parties are not in compliance with the obligations under this Consent Decree, the Navient Parties, as applicable, shall submit a remediation plan to the Oversight Committee demonstrating the Navient Parties' plan to comply with the Consent Decree. The Oversight Committee will provide its objection or non-objection to any remediation plan within sixty (60) calendar days of receipt of the remediation plan. The right of the Oversight Committee, on behalf of any Signatory Attorney General, to object or not object to a remediation plan is in addition to any other lawful means of enforcement under this Consent Decree, and any non-objection under this paragraph shall not waive the right of the Signatory Attorneys General to obtain relief for violations of this Consent Decree in court.

c. Annually, for any Signatory Attorney General which so requests, for three (3) years after the Effective Date, the Navient Parties shall submit an accurate written report summarizing inquiries and complaints received from borrowers residing in that state concerning PSLF/TEPSLF. This report shall include the results of any investigations conducted pursuant to Subsection IV.E.10 as to why borrowers did not qualify for PSLF/TEPSLF and whether the Navient Parties' error, misrepresentation, or omission contributed to this result. This report shall also include a summary of the procedures and the results of the call monitoring conducted pursuant to Subsection IV.E.5.d.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

B. PAYMENT PROCESSING

The Navient Parties shall implement or continue their practice(s), as applicable to:

1. **Crediting of Payments.** Promptly and accurately credit payments to the borrower's account not later than the date a mailed payment is received by the applicable Navient Party or by its contractor. This Subsection IV.B.1 shall not be construed to apply to U.S. Department of Education loans for which the Navient Parties do not receive borrower payments.

   a. **Changes in the Navient Parties' Payment Requirements or Policies.** If the Navient Parties make any material change to requirements or policies relating to the receiving, processing, or handling of loan payments that affect borrower or cosigner action or any change in the lockbox address, provide written notice of the change to the affected borrowers and/or cosigners, as applicable, no less than thirty (30) calendar days before the effective date of the change.

   b. **Grace Period for Payment Non-Compliance.** For at least sixty (60) calendar days after the effective date of such change, not impose any late fee, interest accrual other than normal interest, or other charge; furnish negative credit information; cause the loss of any benefit to the borrower or cosigner; or treat any payment that complies with the previous policy as late for any other purpose.

2. **Default Payment Processing Methodology for Loans Grouped for Billing Purposes.**

   a. Unless otherwise instructed by the borrower, for any payment or payments in excess of the total amount due across all loans in the

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

billing group (“prepayment”), prioritize allocations to loans by the highest interest rate in descending order, provided, however, if multiple loans are at the same highest rate, first to unsubsidized highest rate federal loans and then to subsidized federal loans with that same highest rate.

b. Unless otherwise instructed by the borrower, for any payment that does not satisfy the total monthly amount due across all loans in the billing group (an “underpayment”), allocate first to the most delinquent loan, then once all loans are brought to the same level of delinquency, to the loan with the lowest regular monthly payment, then according to the payment allocation methodology in Subsection IV.B.2.a., above.

c. Clearly and conspicuously provide their default application and allocation of prepayments and underpayments methodologies on the applicable Navient Parties’ website(s) and in their billing statements. These notices shall be accompanied by a statement informing the borrower and cosigner that they may instruct the servicer of their loan to use a different payment allocation methodology, and a description of the method(s) by which the borrower or cosigner can make such an instruction.

3. **One-Time and Standing Instructions from Borrowers or Cosigners Regarding Processing Payments.** Allow borrowers and cosigners to provide one-time or standing instructions regarding payment allocation on any loan or billing group.

4. **Requirements Related to Payments by Third Parties.** Permit borrowers and cosigners to request that a third-party payment made on behalf of, or

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

for the benefit of, that borrower or cosigner be reallocated based on the borrower or cosigner's requested allocation within sixty (60) calendar days of the payment date to the extent permitted by the third-party payor and terms of the applicable promissory note or federal requirements.

5. **Requirements Related to Advancement of Due Date.** When a borrower or cosigner submits a payment via the Navient Parties' online platform that is sufficient to trigger advancement of the current due date and at least one subsequent due date, permit borrowers the choice of either (i) opting out of advancement of the due date, or (ii) electing advancement of the due date.

6. **Conformity to the Terms of Loans owned by the U.S. Department Of Education.** In the event that no Navient Party is servicing federal loans owned by the U.S. Department of Education and the Department issues rules, regulations, change orders, or Dear Colleague letters addressing payment processing, application, or methodologies, at the option of the Navient Parties, the Navient Parties may apply such payment processing, application, or methodologies to FFELP Loans serviced by the Navient Parties, and servicing of FFELP Loans in conformity with such rules, regulations, change order, or Dear Colleague Letter shall be deemed compliance with the provisions of Section IV.B.

7. **Terms of Promissory Note.** Notwithstanding any specific requirement set forth above, no provision of this Consent Decree shall require the Navient Parties to apply allocation instructions that conflict with the terms of a borrower's promissory note or federal requirements.

C. FEES

The Navient Parties shall implement or continue their practice, as applicable, to not charge the following fees: fees to enter a forbearance status; late fees assessed on a per-loan basis at a

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

fixed-dollar amount; multiple fees for a single late payment; or fees to process payments, unless required by applicable law, rule or regulation or under contract with the owner of the loan where the owner of the loan is authorized to assess such a fee or to the extent that a third-party payment service charges such a fee to process payment.

D. BILLING STATEMENTS & PAYMENT HISTORIES

For a period of five (5) years from the Effective Date, the Navient Parties shall implement or continue their practice, as applicable, to:

1. **Mandatory Billing Statement Notices.** Include on every billing statement that any Navient Party sends to a borrower or cosigner, at a minimum, the following information. This information shall also appear on the borrower's online account.

   a. On the account level:

      i) Total amount due (including fees, if applicable), including a breakdown of this amount between the total amount past due and the total current scheduled monthly payment;

      ii) Total outstanding balance on the account, including a breakdown of this amount among fees, interest, and principal;

      iii) Fees assessed during the current billing cycle;

      iv) The date by which payment of the regular monthly payment amount must be received to avoid incurring additional late fees in the next billing cycle; and

      v) For federal loan accounts, the name of the borrower's current repayment plan. If, however, the account is or was previously in an Income-Driven Repayment Plan but payments are no longer being calculated based on income,

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

the borrower's account portal on the applicable Navient Parties' website(s) will explain this fact and how to find information related to recertifying income and family size or reapplying for income-driven repayment, as applicable.

2. Payment Histories.

a. Provide a written payment history to a borrower or cosigner upon request or provide the borrower with instructions as to how to access such history on the applicable Navient Parties' website(s), at no cost to the borrower or cosigner, within thirty (30) calendar days of receiving the request to the extent practicable. The written payment history may be provided to the borrower or cosigner in either electronic or paper format. The payment history shall contain:

i) The current interest rate for the loan(s) at issue;

ii) The original loan amount for the loan(s) at issue;

iii) The outstanding principal loan balance for the loan(s) at issue as of the date of the request;

iv) The total amount of accrued interest since disbursement;

v) The date the Navient Parties posted each payment;

vi) The amount of each payment applied to fees, interest, and principal;

vii) The date any interest was capitalized for the loan(s) at issue, the amount of interest capitalized, and the reason for the capitalization event; and

viii) The current repayment plan for each such loan.

b. Where possible, the full payment history for all loans shall be available online. Where the full payment history of one or more

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

loans cannot be made available online, the Navient Parties shall ensure that no less than one (1) year of payment history for such loans is available online.

E. BORROWER COMMUNICATIONS FOR FEDERAL LOANS

The provisions of this Section IV.E. apply only to federal loans made, guaranteed, or insured under Title IV of the Higher Education Act, 20 U.S.C. § 1078, *et seq*. For a period of five (5) years from the Effective Date, the Navient Parties shall implement or continue their practice, as applicable to:

1. **Policies Regarding Oral Communications & Prioritization of Alternative Repayment Plans.** Maintain policies and procedures designed to ensure that, before any borrower is placed into deferment or discretionary forbearance, such borrower is informed regarding:

   a. The existence and availability of Alternative Repayment Plans. If the borrower has a loan type that is eligible for an Income-Driven Repayment Plan (including through consolidation), this includes: (i) explaining (1) that IDR Plan payments may be as low as $0 per month depending on the borrower’s income and family size, (2) that most IDR Plans provide potential interest subsidies, and (3) that IDR Plans provide the possibility of loan forgiveness after meeting certain qualifying payments requirements; and (ii) offering to estimate an income-driven payment amount based on the borrower’s stated income and family size;

   b. If applicable, the method for applying for Alternative Repayment Plans, either by: (i) directing borrowers to the applicable Navient Parties’ website(s) for accessing application materials for Alternative Repayment Plans (including, for borrowers who must

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

consolidate to access Income-Driven Repayment Plans, a consolidation application); or (ii) by providing the borrower with the toll-free telephone number to call and request a paper copy of the applications; and

c. The provisions of Subsections IV.E.1.a. and IV.E.1.b., above, shall not apply to deferments or forbearances where enrollment is automatic based upon where the borrower lives or is serving in the military, such as disaster or military forbearances, in the case of deferment due to in-school enrollment, or administrative forbearance due to bankruptcy or disability. The foregoing exception shall apply even where the borrower may have the ability to opt out of such forbearance or deferment.

2. Alternative Repayment Specialists. Except as provided herein, designate personnel who have received enhanced training consistent with Enhanced Training for Alternative Repayment Specialists outlined in Subsection IV.E.2.b. herein. These specially designated personnel are hereinafter referred to as "Alternative Repayment Specialists."

a. **Role of Alternative Repayment Specialists.** Alternative Repayment Specialists assist borrowers as set forth below regarding Alternative Repayment Plans.

b. **Enhanced Training for Alternative Repayment Specialists.** Train agents to provide accurate and timely information regarding Alternative Repayment Plans. The enhanced training for Alternative Repayment Specialists shall include training on:

i) Alternative Repayment Plans, as well as other options such as forbearance and deferment;

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

ii) eligibility for, and features, primary benefits, and primary costs associated with, different Alternative Repayment Plans, as well as forbearance and deferment; and

iii) actions that the borrower must take to be evaluated for these options, including actions the borrower must take to submit an IDR Plan application or to qualify for Alternative Repayment Plans.

The Navient Parties shall implement and administer testing at least annually to determine the satisfactory completion of the enhanced training with regard to each Alternative Repayment Specialist.

c. **Access to Alternative Repayment Specialists.** The following types of borrowers shall be routed to Alternative Repayment Specialists:

i) Any borrower who is at least sixty (60) calendar days delinquent; or

ii) Any borrower who is presently enrolled in a discretionary forbearance and has been enrolled in discretionary forbearance for more than six (6) months of the previous twelve (12) months.

d**.** **Monitoring of Alternative Repayment Specialists.** Monitor Alternative Repayment Specialists, including periodic call listening and reviews to monitor the Alternative Repayment Specialists' compliance with these terms.

e. **Compensation & Incentives for Agents.** Not utilize any compensation plan, including any incentive compensation plan, or any penalty, that is intended to minimize the time agents engage in oral communications with borrowers in a manner inconsistent with

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

this Subsection IV.E.2., or where such a plan or penalty is reasonably foreseeable to have that effect.

f. **Role of Navient Agents Who Are Not Designated Alternative Repayment Specialists.** The Navient Parties will continue to require all of their call agents, including those who are not designated Alternative Repayment Specialists, to advise all borrowers of the availability of Alternative Repayment Plans whenever the borrower, or their payment history, indicates that the borrower is experiencing financial hardship and that the nature of the hardship may not be temporary.

3. **Limitations.** The requirements that are enumerated in Subsection IV.E.1. shall not prevent any Alternative Repayment Specialist from: (a) providing any information specifically requested by the borrower or responding to any question presented by the borrower, regardless of timing; and (b) respecting a borrower’s request to end the call or to not discuss Alternative Repayment Plans. Nor shall the requirements of Subsection IV.E.1. prevent the Alternative Repayment Specialist from assisting a borrower with any other Request for Assistance, as that term is defined in Subsection IV.J.1. herein; nor apply to any oral communication between an Alternative Repayment Specialist and a borrower in which the sole topic discussed is a recertification of the borrower’s income and family size pursuant to any type of application for an Alternative Repayment Plan.

4. **Policies Regarding Inquiry into Public Service.** Maintain policies and procedures designed to ensure that, if a borrower calls the Navient Parties after the Effective Date, a live customer service agent shall inquire at that time, and at least once a year thereafter: (a) whether the borrower is

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

employed in public service, such as by a government or nonprofit employer; and (b) whether the borrower is interested in learning more about PSLF, TEPSLF or at any time prior to its expiration, the PSLF LWO. The Navient Parties may develop an interactive tool to solicit answers to these questions from borrowers and an individual borrower's provision of answers through this tool in a given year shall be deemed to be in compliance with this subsection for that year.

a. If the borrower answers affirmatively, the Navient Parties shall:

i) place a code on the borrower's account in accordance with subsection 5(c) below;

ii) prior to the expiration of PSLF LWO, send the borrowers a link to a U.S. Department of Education website where borrowers can obtain more information about PSLF LWO[1] and after the expiration of PSLF LWO, a link to a U.S. Department of Education website where borrowers can obtain more information on PSLF and TEPSLF[2]; and

iii) offer to forward those borrowers to, or schedule a call back from, a Public Service Specialist.

b. If a borrower does not call the Navient Parties by June 30, 2022 or goes a year thereafter without calling the Navient Parties, the Navient Parties shall develop and place a clear and conspicuous notice on the borrower's online account page informing the borrower that, if they are employed in public service, such as by

[1] Presently, the relevant URL is: https://studentaid.gov/announcements-events/pslf-limited-waiver

[2] Presently, the relevant URL is: https://studentaid.gov/manage-loans/forgiveness-cancellation/public-service

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

a government or nonprofit employer, they can contact a Public Service Specialist to learn more about PSLF, TEPSLF, and, if available, PSLF LWO. Such notice shall also link to a U.S. Department of Education website where borrowers can obtain more information on PSLF, TEPSLF, and, if available, PSLF LWO.

5. **Public Service Specialists.** Designate personnel who have received enhanced training, consistent with Enhanced Training for Public Service Specialists described in Subsection IV.E.5.b., below. These special designated personnel are hereinafter referred to as "Public Service Specialists."

a. **Role of Public Service Specialists.** Public Service Specialists shall be available to assist borrowers as set forth below regarding PSLF, TEPSLF, TLF, and PSLF LWO, and respond to complaints concerning these programs as described in Subsection IV.E.10.

b. **Enhanced Training for Public Service Specialists.** Regularly train Public Service Specialists to provide borrowers with accurate, complete, and timely information regarding PSLF, TEPSLF, PSLF LWO, and TLF. The enhanced training for Public Service Specialists shall include training on:

i) PSLF, TEPSLF, PSLF LWO, if available, and TLF, including eligible loan types, steps borrowers can take to obtain an eligible loan type and associated consequences, qualifying employment requirements, qualifying repayment plan requirements and the features of those plans, qualifying payment requirements, features of PSLF, TEPSLF, PSLF LWO, and TLF, forms associated with the programs, the sequence in which forms must be submitted or in which

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

actions must be taken, actions that borrowers must take to succeed in pursuing forgiveness, and actions that will hinder borrowers' eligibility or progress toward forgiveness, common problems that borrowers encounter with the programs, and borrowers' options for contesting denials and, if relevant to the inquiry, payment count errors;

ii) TLF's relationship to PSLF, TEPSLF, and PSLF LWO;

iii) U.S. Department of Education policy changes that relate to PSLF, TEPSLF, PSLF LWO, and TLF;

iv) when and where to make appropriate referrals relating to PSLF, TEPSLF, PSLF LWO, and TLF including to any servicer designated by the U.S. Department of Education to administer PSLF, TEPSLF, PSLF LWO, or TLF;

v) informational resources and tools available from the U.S. Department of Education or other servicers designated by the U.S. Department of Education as a servicer for PSLF, TEPSLF, PSLF LWO, and TLF; and

vi) actions that the borrower must take to be evaluated for and become eligible for an IDR Plan, PSLF, TEPSLF, PSLF LWO, and TLF including actions the borrower must take to submit an IDR Plan, PSLF, TEPSLF, PSLF LWO, or TLF related application or certification.

The Navient Parties shall implement and administer testing at least annually to determine the satisfactory completion of the enhanced training with regard to each Public Service Specialist.

c. **Access to Public Service Specialists and Public Service Code.** The following types of borrowers shall be assigned a public service code and to the extent a borrower is not already speaking to a Public Service Specialist, shall be offered to be routed to, or offered a call back from, a Public Service Specialist:

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

i) any borrower with one or more Federal loans serviced and identifiable by the Navient Parties who mistakenly submits a PSLF or TEPSLF certification or application to the Navient Parties;

ii) any borrower who expresses interest in, indicates an intent to try to qualify for, or requests information about PSLF, TEPSLF, PSLF LWO, or TLF;

iii) any borrower who, on a call with a Navient Parties' agent, uses keywords or phrases indicating eligibility, intent, or desire to qualify for or receive more information about PSLF, TEPSLF, PSLF LWO, or TLF;

iv) any borrower who, on a call with a Navient Parties' agent, expresses an interest in speaking with a Public Service Specialist; and

v) any borrower with a complaint, question, or inquiry about PSLF, TEPSLF, PSLF LWO, or TLF.

d. **Monitoring Relating to Public Service.** Conduct regular call monitoring and review to evaluate whether questions were prompted and asked; whether calls were transferred to, or scheduled with, Public Service Specialists in compliance with these terms; whether Public Service Specialists complied with these terms; whether Public Service Specialists provided borrowers with complete and

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

accurate information and advice; and whether the public service code was appropriately entered and maintained in the Navient Parties' system of record. Monitoring of Public Service Specialists shall also include a review of the time borrowers spend on "hold" or in a queue awaiting contact with a Public Service Specialist. Wait times for Public Service Specialists shall be held to the same requirements or standards that Navient Parties apply to other specialized customer service agents such as military specialists.

e. **Compensation & Incentives for Agents.** Not utilize any compensation plan, including any incentive compensation plan, or any penalty, that is intended to minimize the time agents engage in oral communications with borrowers in a manner inconsistent with Subsection IV.E.2., above, or where such a plan or penalty is reasonably foreseeable to have that effect.

6. Outreach to Borrowers Related to PSLF LWO. The Navient Parties shall develop a notice related to PSLF LWO for all borrowers who have one or more non-Parent PLUS FFELP loans.

a. That notice shall, clearly and conspicuously provide the following information or other information consistent with the rules and requirements articulated by the U.S. Department of Education at the time of the notice, and shall be subject to approval by the Oversight Committee:

(i) indicate that borrowers who have worked in public service may wish to learn more about PSLF LWO;

(ii) explain that on Oct. 6, 2021, the U.S. Department of Education announced a change to PSLF program rules for a limited time, and that, under the new rules, prior payments

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

or periods of repayment that previously did not qualify towards PSLF may now qualify regardless of loan type, repayment plan, or whether the payment was made in full or on time;

(iii) disclose that this change will apply to student loan borrowers with Direct Loans, those who have already consolidated into the Direct Loan Program, and those who consolidate into the Direct Loan Program by October 31, 2022 (or any other date the U.S. Department of Education may designate), but that the change is not directly applicable to Parent PLUS loans;

(iv) notify the borrower in offset and bolded type that one or more of the borrower's federal loans serviced by the Navient Parties are non-Parent PLUS FFELP loans and that before October 31, 2022 (or any other date the U.S. Department of Education may designate), the borrower should (1) verify their loan types; (2) verify that they have employment that is eligible for the program; and (3) in order to qualify for the forgiveness program the borrower must (i) consolidate their loans; and (ii) submit a PSLF form.

(v) provide a link to a U.S. Department of Education website where borrowers can obtain more information about PSLF LWO;[3]

(vi) provide contact information for Public Service Specialists; and

[3] Presently, the relevant URL is: https://studentaid.gov/announcements-events/pslf-limited-waiver.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

(vii) provide contact information for the Federal Student Aid Ombudsman Group.

b. **Outreach to Borrowers by U.S. Mail.** For all borrowers who have one or more non-Parent PLUS FFELP loans and who do not receive electronic communications, the Navient Parties shall send one (1) written notice in June of 2022 containing the information enumerated in Subsection IV.E.6.a. to such borrowers' address on file.

c. **Outreach to Borrowers by Electronic Mail.** For all borrowers who have one or more non-Parent PLUS FFELP loans and who receive electronic communications, other than the borrowers subject to Subsection IV.E.6.d. below, the Navient Parties shall send one (1) notice in June of 2022. The notice shall be sent directly to borrowers' email addresses and not through the borrowers' Navient portal, and shall contain the information enumerated in Subsection IV.E.6.a.

d. **Outreach to Borrowers Interested in PSLF.** For borrowers who, according to the Navient Parties' servicing records, expressed any interest in PSLF, the Navient Parties shall send three (3) notices, one (1) each in June 2022, July 2022, and September 2022, to all borrowers who have one or more non-Parent Plus FFELP loans and who have agreed to electronic communications. The notice shall be sent directly to borrowers' email addresses and not through the borrowers' Navient portal, and shall contain the information enumerated in Subsection IV.E.6.a.

7. **Outreach to Borrowers Related to PSLF & TEPSLF.** After the expiration of PSLF LWO, the Navient Parties shall develop a notice and distribute it at least annually to all borrowers who have loan types that do not qualify for PSLF (to the extent that such borrowers can consolidate these loans into a Direct Loan that does qualify or are otherwise not permanently ineligible), are currently enrolled in repayment plans that do not qualify for PSLF, or received a public service code in the Navient Parties' system of record pursuant to Subsection IV.E.5.c. The notice shall clearly and conspicuously identify each of the borrower's federal loans in a single notice and indicate whether each loan is a qualifying loan type and whether each is in a qualifying repayment plan. If one or more of the borrower's loans are not a qualifying loan type, the notice shall identify how the borrower can obtain a qualifying loan type for the one or more loans that are not a qualifying loan type. If one or more of the borrower's loans are not in qualifying repayment plans, the notice shall: identify qualifying repayments plans and the steps the borrower can take to change to a qualifying repayment plan, and indicate that TEPSLF may cover payments made on the wrong repayment plan. The notice shall clearly and conspicuously indicate that PSLF has other requirements in addition to having a qualifying loan type and repayment plan. The notice shall clearly and conspicuously:

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

a. include a web address for a U.S. Department of Education website where borrowers can obtain more information on PSLF and TEPSLF and a link to where they can obtain the PSLF and TEPSLF certification and application;

b. provide contact information for Public Service Specialists; and

c. provide contact information for the Federal Student Aid Ombudsman Group.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

8. **Changing to Non-Qualifying PSLF Repayment Plans.** If a borrower has one or more Direct Loans and a public service code and indicates that they may want to change repayment plans for such Direct Loan(s), the Navient Parties shall offer to transfer the borrower to a Public Service Specialist. Before a borrower changes to a repayment plan that does not qualify towards PSLF via telephone, the Navient Parties will inform the borrower that the chosen plan does not qualify towards PSLF. If a borrower changes or is changed to a repayment plan that does not qualify towards PSLF via means other than telephone, within thirty (30) calendar days of the repayment plan change, the Navient Parties will notify the borrower in writing that the chosen plan does not qualify towards PSLF. This notice shall clearly and conspicuously include a web address for a U.S. Department of Education website where borrowers can obtain more information on PSLF, TEPSLF and PSLF LWO and provide contact information for Public Service Specialists.

9. **Consolidating PSLF Eligible Loans.** At any time after the expiration of the PSLF LWO, the Navient Parties will not assist or advise that a borrower consolidate PSLF eligible loans without informing the borrower that consolidation of PSLF eligible loans may result in loss of qualifying payments toward forgiveness on those loans. During that time period, if the Navient Parties send a borrower a consolidation application, they will include with that application a notice that clearly and conspicuously informs the borrower that consolidation of PSLF eligible loans will result in the loss of qualifying payments toward forgiveness on those loans. Prior to the expiration of the PSLF LWO, the Navient Parties may assist or advise

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

borrowers that consolidating PSLF eligible loans may not result in the loss of qualifying payments toward forgiveness of those loans and shall accurately describe the terms and conditions of the PSLF LWO.

10. **PSLF Specific Disputes.** In response to complaints received by any Navient Party from formerly or currently serviced borrowers concerning PSLF/TEPSLF/PSLF LWO, the Navient Parties shall assign one or more Office of Customer Advocate ("OCA") specialists who have received enhanced training consistent with Subsection IV.E.5.b. above ("OCA-Public Service Specialists") to review whether the borrower's payments did not qualify for PSLF/TEPSLF/PSLF LWO and whether the Navient Parties made a contributing servicing error misrepresentation, or omission. To make this determination, the OCA-Public Service Specialists shall review the account history for all loans, including without limitation, if any, payment records, ECFs, written and electronic correspondence, prior complaints or escalated inquiries, phone calls and recordings, and notes related to phone calls, prior audits in which the borrower's account was identified as subject to a problem, records from prior servicers that are in the Navient Parties' possession, and any other information/documentation the Navient Parties typically review. The OCA-Public Service Specialist shall document their findings and communicate those findings and the reasons for those findings to the borrower in writing.

a. If the Navient Parties are unable to provide evidence disputing a borrower's complaint that the Navient Parties made a contributing error, misrepresentation, or omission, then the Navient Parties will not dispute that the Navient Parties made such error, misrepresentation, or omission.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

b. If the Navient Parties find evidence that supports a borrower's complaint that the Navient Parties made a contributing error, misrepresentation, or omission, then the Navient Parties will acknowledge to the borrower that the Navient Parties made such error, misrepresentation, or omission.

c. If the immediately foregoing Subsections IV.E.10.a. or IV.E.10.b. apply, the Navient Parties will communicate their findings and the reasons for those findings to the borrower's current servicer, copying the U.S. Department of Education, and encourage the servicer and the U.S. Department of Education to provide forgiveness or a correction to the borrower's qualifying payment count if the reason payments were non-qualifying may have related to an error, misrepresentation, or omission.

d. If the borrower's complaint relates to having the right loan type but making payments under the wrong repayment plan, then the findings that the Navient Parties provide to the borrower shall include information about the potential relief available under TEPSLF.

e. If the borrower's complaint relates to being in the wrong loan program, then the Navient Parties' findings, if provided to the borrower prior to the expiration of the PSLF LWO, shall include information about the potential relief available under the PSLF LWO and how to access it.

11. Oral Communications Regarding Amounts Owed. Implement or maintain policies and procedures to disclose to borrowers and cosigners, concurrent with any payment demand, the payment amount required to cure a borrower's delinquency or avoid negative credit reporting, and to permit

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

borrowers to pay that amount without requiring borrowers to make any monthly payment prior to its scheduled due date.

12. **Cover Emails Accompanying Electronic Billing Statements.** Cover emails from the Navient Parties notifying a borrower with a delinquent federal education loan that an electronic billing statement is available on the applicable Navient Parties' website(s) shall disclose the steps the borrower can take to learn about Alternative Repayment Plans.

13. **Website Notices of Alternative Repayment Plans.** Maintain on the applicable Navient Parties' website(s) a description of Alternative Repayment Plans and a link to the U.S. Department of Education website where borrowers can obtain more information and apply.

14. **Requirements Related to Recertification of Income and Family Size Under an IDR Plan.** For any borrower enrolled in an IDR Plan: At a reasonable time period prior to the then current IDR Plan recertification deadline ("annual deadline"), send written or electronic notices to the borrower regarding the requirement and the deadline to recertify the borrower's income and family size. Between ninety (90) calendar days and twenty (20) calendar days prior to the borrower's annual deadline, the Navient Parties shall make no fewer than four attempts to contact borrowers who are enrolled in an IDR Plan but have not submitted an application to recertify income and family size, and shall make at least one additional attempt if the borrower has not submitted an application after the annual deadline date has passed.

15. **Cover Emails Accompanying IDR Plan Recertification Communications.** Include in the subject field of any electronic communication relating to an upcoming IDR Plan recertification following

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

statement, or a substantially similar statement: “Take Action Now or Your Monthly Payment May Increase.”

F. BORROWER COMMUNICATIONS FOR PRIVATE EDUCATION LOANS

The specific conduct provisions in this Section IV.F apply to servicing and collections of all private education loans (15 U.S.C. § 1650).

1. **Private Student Loan Alternative Repayment Arrangements.** The Navient Parties shall not misrepresent the availability of, or requirements or qualifications for, private student loan alternative repayment arrangements.

2. **Properly Evaluating Private Student Loan Alternative Repayment Arrangement Requests From A Borrower.** The Navient Parties shall establish policies and procedures and implement them consistently in order to facilitate the evaluation of private student loan alternative repayment arrangement requests.

3. **Oral Communications Regarding Amounts Owed.** The Navient Parties shall implement or maintain policies and procedures to disclose to borrowers and cosigners, concurrent with any payment demand, the payment amount required to cure a borrower’s delinquency or avoid negative credit reporting, and to permit borrowers to pay that amount without requiring borrowers to make any monthly payment prior to its scheduled due date.

4. **Oral and Written Communications Regarding Bankruptcy.** The Navient Parties shall not inform borrowers that private loans are non-dischargeable in bankruptcy or unlikely to be dischargeable in bankruptcy. The Navient Parties shall establish policies and procedures to ensure that they direct borrowers who raise the issue of bankruptcy to discuss the potential for loan discharge with bankruptcy counsel.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

G. COSIGNED LOANS

1. Cosigner Release. The Navient Parties shall implement or continue their practice, as applicable to:

a. **Notice of Cosigner Release.** For all loan accounts that may be eligible for the potential release of a cosigner based upon the terms and conditions of their loans, provide a one-time notice ("Notice of Cosigner Release") describing: the criteria then in effect for qualifying for cosigner release; an explanation as to what constitutes a consecutive, on-time payment; a web address where the cosigner release application can be accessed and if the notice is electronic, a link thereto; statements that (i) the Navient Parties will evaluate the borrower's credit history and ability to repay before granting cosigner release and describe the process for applying for cosigner release; (ii) borrowers should check their payment history to determine whether they have met the consecutive on-time payment requirement; (iii) overpayments of more than the monthly payment amount may not count towards cosigner release; (iv) payments made by a borrower's employer may not count towards cosigner release; and (v) a phone number borrowers can call if they have questions about cosigner release.

b. **Website Publication of Information Related to Cosigner Release.** Post the information contained in the Notice of Cosigner Release, described in Subsection IV.G.1.a., on the applicable Navient Parties' website(s).

c. **Qualifying Payments for Consecutive, On-Time Payments Requirement.** In calculating consecutive, on-time payments for

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

purposes of qualifying for cosigner release, include each consecutive, scheduled principal and interest payment immediately preceding the cosigner release application submission.

i) Except as defined by the terms of the loan or its promissory note, the following payments qualify for cosigner release: Any on-time payments made within the billing cycle, including payments within the grace period, which would constitute a full principal and interest payment for that billing cycle and shall not include any payments made pursuant to an interest rate reduction program or other program permitting partial or no payment.

ii) Not restart a borrower's progress toward meeting the consecutive, on-time payment requirement for cosigner release if, due to a prepayment which resulted in the advancement of a due date, the borrower makes no payment in response to a $0 bill.

d. **Notice Concerning Impact on Certain Payment Arrangements.** If a borrower or cosigner requests a change in terms that would restart the borrower's progress towards meeting the consecutive, on-time payment requirement for cosigner release, notify the borrower in writing of the impact of such an arrangement and provide such borrower the right to withdraw or reverse the request to avoid such impact. If the request for the change in terms is made over the phone or online, the Navient Parties shall inform the borrower or cosigner of the impact of such an arrangement and provide the borrower or cosigner the right to withdraw or reverse the request to avoid such

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

impact.

e. **Notice of Incomplete Application for Cosigner Release.** If the Navient Parties require a written application to apply for cosigner release and receive an incomplete application, send the borrower a written notice that includes the following information, within thirty (30) calendar days of receipt of such incomplete application:

i) A statement that the application is incomplete;

ii) The information needed by the Navient Parties to consider the application complete; and

iii) The date by which the applicant must furnish the missing information after which date the application may be denied, which must be no less than thirty (30) calendar days from which the notification is postmarked or emailed.

2. **Cosigner Release Denial.** In the event the Navient Parties deny cosigner release, they will provide the borrower a denial letter that clearly and conspicuously provides the reasons for such denial.

H. PAYOFF

The Navient Parties shall implement or continue their practice, as applicable to:

1. **Online Information Regarding Payoff Process.** Maintain a clear and conspicuous description on the applicable Navient Parties' website(s) of the methods by which a borrower or cosigner may obtain a valid Payoff Statement for a single loan or group of loans.

2. **Controls for Accurate Payoff Statements.** Maintain policies and procedures to ensure that each payoff amount communicated to the payoff requestor, whether orally or in a payoff statement, is accurate for the corresponding expiration date stated therein.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

3. **Paid in Full Notice.** When the Navient Parties receive a payment in good funds equal to or exceeding the amount indicated in the payoff statement for a particular loan or loans, provide within seventy-five (75) calendar days of such receipt, at no cost to the borrower or cosigner, a written or electronic notice to borrowers and any cosigners confirming that no outstanding balance remains on such loan(s).

4. **Notice of Attempt to Pay Off.** If the Navient Parties receive a payment greater than or equal to ninety-five (95) percent of the outstanding balance of a borrower's loan(s) in a group but less than the amount required to pay the loan in full, provide a monthly billing statement to the borrower setting forth, among other items, the remaining unpaid principal balance as of the statement date.

5. **Refund of Overpayments Following Payoff.** Remain in compliance with U.S. Department of Education regulations for refunding overpayments following payoff. The Navient Parties shall disclose their policy for refund of overpayments following payoff on the applicable Navient Parties' website(s).

I. REQUIREMENTS RELATED TO THE TRANSFER OF SERVICING

The Navient Parties shall implement or continue their practice, as applicable to:

1. **Notice by Transferor Servicer at the Time of Transfer of Servicing.** When acting as the Transferor Servicer, as defined in Regulation X, 12 C.F.R. § 1024.31, provide to each borrower and cosigner subject to the transfer a written notice ("Notice by Transferor Servicer") not less than fifteen (15) calendar days before the effective date of the transfer.

2. **Notice by Transferee Servicer.** When acting as the Transferee Servicer, as defined in Regulation X, 12 C.F.R. § 1024.31, provide to each borrower and

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

cosigner subject to the transfer a written notice ("Notice by Transferee Servicer") not more than fifteen (15) calendar days after the effective date of the transfer.

3. **Prohibition on Late Fees during Servicing Transfers.** During a period covering at least the sixty (60) calendar day period beginning on the effective date of transfer of the servicing of a loan, a payment timely made to the Transferor Servicer may not be treated as late for any purpose by the Navient Parties when acting as the Transferee Servicer.

4. **Transferor Forwarding of Payment Received.** To the extent practicable, for at least one hundred twenty (120) calendar days beginning on the effective date of transfer of servicing of a loan, the Navient Parties, when acting as the Transferor Servicer, use reasonable efforts to forward payments received to the Transferee Servicer.

5. **Electronic Fund Transfer Authority.** Unless a borrower's authorizations for recurring electronic fund transfers are automatically transferred to the Transferee Servicer, when acting as Transferee Servicer, the Navient Parties shall make available to a borrower or cosigner whose loan servicing is transferred an online, telephone and written process through which borrowers may make a new authorization for recurring electronic fund transfers.

6. **Certain Transfers Excluded.** The following transfers are not assignments, sales, or transfers of loan servicing for purposes of this Section IV.I if there is:

   i) No change in the payee, address to which payment must be delivered, account number, or amount of payment due;

   ii) A transfer between affiliates;

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

iii) A transfer that results from a merger or acquisition of servicers or subservicers;

iv) A transfer that occurs between master servicers without changing the subservicer; or

v) A transfer that occurs pursuant to U.S. Department of Education direction or instruction.

7. **Communication with Borrowers/Transferees on Servicer Transfers Related to PSLF.** Notwithstanding the foregoing exclusions, the Navient Parties, when acting as the Transferor Servicer, shall assign Public Service Specialists to handle questions from formerly and currently serviced borrowers, and from Transferee Servicers about billing and payment histories, repayment plans, missing or incomplete loan information, including any information relevant to PSLF and TEPSLF, and shall ensure successful and timely transfer of loan data sufficient for the Transferee Servicer to determine whether the borrower has made qualifying payments for the PSLF or TEPSLF programs while serviced by the Navient Parties. The Navient Parties shall also ensure that the Transferee Servicer receives any information in the Navient Parties possession relevant to such determinations that came from a prior servicer.

J. REQUESTS FOR ASSISTANCE, ACCOUNT DISPUTE RESOLUTION, AND APPEALS

1. **Requests for Assistance.** The Navient Parties shall implement or continue their practice to maintain reasonable policies and procedures for providing readily accessible methods for borrowers or cosigners to submit a request, inquiry or complaint by phone, email, or U.S. mail; and processing, investigating, responding to, and resolving all inquiries, complaints,

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

account disputes, and requests for documentation ("Request for Assistance") from borrowers or cosigners in a timely and effective manner.

2. **Appealing Requests for Assistance Outcomes.** The Navient Parties shall provide on the applicable Navient Parties' website(s) a description of how to appeal decisions made by the OCA and a description of the appeal process.

K. POST-DEFAULT COLLECTIONS

The Navient Parties shall implement or continue their practice, as applicable, to:

1. When discussing the terms and conditions of federal education loan rehabilitation, clearly, conspicuously, and accurately describe the characteristics, requirements, and consequences of each post-default resolution option available to borrowers, including the impact on a borrowers' credit, the application of collection fees, and the requirements for disability discharge.

V. PRIVATE LOAN RELIEF

A. The Navient Parties shall discharge and forgive a minimum of $1,710,000,000.00 (One Billion Seven Hundred Ten Million U.S. Dollars) of private educational loans meeting the criteria set forth in Appendix A, by following the procedures listed below. The parties hereto acknowledge that only these loans meet the conditions for this relief.

1. Within thirty (30) calendar days after the execution of this Consent Decree by the Parties, the Navient Parties shall identify private education loans that have the attributes identified in Appendix A, along with the borrower and cosigner's identifying information, including last address and phone number shown on the Navient Parties' servicing system, as well as the loan number and outstanding balance as of June 30, 2021, and send the information to the Oversight Committee. Until the actions required by this

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

Section V are completed, Navient Corporation shall cause the holder of such private education loans to not sell or otherwise transfer any loans that have the attributes described in Appendix A other than as a result of sales or transfers between Navient Corporation and its subsidiaries or affiliates.

2. Within ninety (90) calendar days after the execution of this Consent Decree by the Parties, Navient Corporation shall cause the holders of such private education loans to proceed to discharge and forgive the current outstanding balances of the loans identified in Subsection V.A.1., above.

3. Within one-hundred twenty (120) calendar days after execution of this Consent Decree by the Parties, Navient Solutions LLC shall contact, or if Navient Solutions LLC is not the servicer of such private education loans, the Navient Parties shall use their best efforts to cause such servicer to contact, each Consumer Reporting Agency to whom they have reported any loans discharged pursuant to Subsection V.A.2., above, and seek to remove the associated tradeline(s) from the borrower and cosigner’s credit report(s) of the loans identified in Subsection V.A.1., above.

4. The Navient Parties shall provide borrowers with written notice of the debt relief, which shall be materially similar to the form attached as Appendix B. The notice may be provided electronically if the borrower has consented to receive electronic communications.

5. The Navient Parties shall cause borrowers to receive a refund of any payments made after June 30, 2021 on the loans discharged pursuant to Subsection V.A.2.

B. The Navient Parties represent and warrant that most of the loans subject to these provisions were made prior to 2009 by then-lending partners or by current or former subsidiaries or predecessors of the Navient Parties. The Navient Parties maintain the position that none of the

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

Navient Parties originated any of these loans. The Navient Parties represent and warrant that they have the power and authority to discharge these loans.

VI. PAYMENT

After the Navient Parties have paid the amounts described in this Section VI of this Consent Decree, to each of the Signatory Attorneys General and the Settlement Administrator, the Navient Parties shall no longer have any property right, title, interest or other legal claim in those funds.

A. Settlement Payments to Signatory Attorneys General. The Navient Parties shall pay an aggregate settlement payment amount of $142,500,000.00 (One Hundred Forty Two Million Five Hundred Thousand U.S. Dollars) ("Settlement Amount") related to the conduct or practices that are the subject of this Consent Decree to the Signatory Attorneys General. The Oversight Committee will notify the Navient Parties of the amount to be paid to each Signatory Attorney General, provided, however, that the amount to be paid to and/or for the benefit of the Washington State Attorney General shall be not less than $9,435,752.69 (Nine Million Four Hundred Thirty Five Thousand Seven Hundred Fifty Two and 69/100 U.S. Dollars), inclusive of the amount(s) described in Section VI.B., below. The amount(s) paid to the Washington State Attorney General shall be used at the sole discretion of the Washington State Attorney General for any lawful purpose in the discharge of the Washington State Attorney General's duties. Payment to the Washington State Attorney General shall be made within ten (10) calendar days of receiving written payment processing instructions from the Washington State Attorney General.

B. Consumer Fund.

No later than ten (10) calendar days after (1) the Effective Date or (2) receiving wire instructions from the Oversight Committee, whichever is later, the Navient Parties shall pay by electronic funds transfer a portion of the Settlement Amount as directed by the Oversight Committee (the "Consumer Fund") to the settlement administrator selected by the Pennsylvania Office of Attorney General (the "Settlement Administrator"). The Oversight Committee shall have sole discretion concerning the distribution of the Consumer Fund which may include determining

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

the borrowers serviced or formerly serviced by the Navient Parties who the Oversight Committee believes are entitled to a payment from the Consumer Fund, the nature and amount of such payment, and directing the Settlement Administrator to make payments to these borrowers.

Notwithstanding the establishment of the Consumer Fund, the Navient Parties expressly deny that they caused financial harm to any class of consumers in relation to the Covered Conduct (as defined in Section VII below).

The Consumer Fund shall be used: (1) to distribute funds to borrowers as the Oversight Committee directs, as set forth above, (2) to pay for costs and expenses of the Settlement Administrator, and/or (3) any other lawful purpose. Payments to borrowers are being made to provide remediation for alleged losses the Signatory Attorneys General claim such borrowers experienced as a result of the Navient Parties' conduct.

The Navient Parties agree to promptly provide the Oversight Committee with all information the Oversight Committee deems necessary to permit the Settlement Administrator to distribute funds to borrowers as directed by the Oversight Committee including, but not limited to, providing relevant borrowers' full names and any known maiden names, other names, or aliases; last known mailing addresses; last known email addresses and telephone numbers; other prior mailing or email addresses and telephone numbers as requested; social security numbers; and customer identification numbers or loan identification numbers. In carrying out the foregoing, the Navient Parties agree to provide such information from the Navient Parties' servicing systems within fifteen (15) calendar days of the Oversight Committee's request or, to the extent that such information is in the possession, custody, or control of Maximus or any other Transferee following the novation of the contract to service federal loans owned by the U.S. Department of Education, the Navient Parties shall make the request for information to Maximus or any other Transferee not later than five (5) calendar days after the Oversight Committee makes its request consistent with this paragraph, and to make all reasonable efforts to promptly obtain any required permissions to provide such information from the U.S. Department of Education. The Navient Parties hereby

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

represent and warrant that Maximus and any other Transferee shall be required to reasonably cooperate with the Navient Parties' requests made in connection with this Consent Decree.

After the Settlement Administrator has completed the administration of the Consumer Fund, including making reasonable attempts to contact payees of uncashed checks and waiting a reasonable period of time not less than ninety (90) calendar days, all uncashed checks may be voided. Once such uncashed checks have been voided, these funds shall be distributed to the Signatory Attorneys General based on the state the payee was a resident of according to the data provided by the Oversight Committee. The Settlement Administrator will distribute uncashed funds pursuant to instructions provided by the Signatory Attorneys General. After the Settlement Administrator has distributed the remaining funds from uncashed checks as described in this Section VI, any remaining funds in the Consumer Fund account (including any accrued interest) will be distributed to the Signatory Attorneys General in proportion to the number of borrowers to whom the Settlement Administrator attempted to send a payment, based on borrowers' state of residence according to the data provided by the Oversight Committee.

Any funds distributed to the Washington State Attorney General by the Settlement Administrator shall be used at the sole discretion of the Washington State Attorney General for any lawful purpose in the discharge of the Washington State Attorney General's duties.

VII. RELEASE

The Signatory Attorneys General release the Navient Parties and GRC, with their respective past and present subsidiaries, predecessors, successors, agents, owners, employees, officers, trustees, and members (collectively, the "Released Parties") from all civil claims any Signatory Attorney General could have brought pursuant to the state consumer protection laws of the Signatory Attorneys General and/or 12 U.S.C. §5552, based on the Covered Conduct, as that term is defined below, prior to the Effective Date of this Consent Decree, including any claim under common law, statute, or ordinance, provided that nothing herein is intended to release any claims or impede any rights of the Consumer Financial Protection Bureau ("CFPB"), including

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

but not limited to its action against the Navient Parties (M.D. Pa. Case No. 17-101, filed January 18, 2017). For the purpose of this Section VII and Sections III.C, III.H, and III.I above, "Navient Parties" includes SLM BankCo (including Sallie Mae Bank and other consolidated subsidiaries), as that term is defined in the Form 10-K filed by Navient Corporation with the U.S. Securities and Exchange Commission for the fiscal year ended December 31, 2014, but only for conduct occurring on or before April 30, 2014. The Navient Parties have agreed they will not raise this Consent Decree or any of its terms in connection with any claims or defenses made in any action brought by the CFPB, except as specifically provided for in Section III.I above. The Washington State Attorney General executes this release in his official capacity and releases only claims that the Washington State Attorney General has the authority to bring and release.

"Covered Conduct," as used in this Release, Section VII of this Consent Decree, means the Released Parties' acts and practices, including representations and omissions to consumers, related to the following student loan servicing, origination, and collection acts or practices, for federal or private student loans, up until the Effective Date, unless otherwise provided herein: (1) communications regarding repayment options; (2) communications encouraging borrowers to contact any Navient Party for assistance repaying loans; or representing that any Navient Party would counsel, help, assist, or otherwise work with a borrower to select a repayment plan; (3) placing federal student loan borrowers in discretionary forbearances; (4) policies or practices related to incentive compensation for employees or agents of the Released Parties responsible for communicating with borrowers telephonically; (5) communications regarding recertification for IDR Plans or other alternative repayment options, and processing or enrollment in any such plan or alternative repayment option; (6) communications, including but not limited to monthly billing or account statements, regarding the amount currently due on an account, the amount due under any future payment plan or contemplated payment plan, pay-off amount, or any use of the phrase "present amount due"; (7) payment processing, including payment allocation and application, and website functionality to control payment allocation and application; (8) instructions provided to

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

borrowers or cosigners on where to send payments; (9) late fee billing disclosures; (10) communications regarding federal student loan disability discharge, or credit reporting related to federal student loan disability discharge; (11) communications regarding the federal student loan rehabilitation program; (12) communications regarding requirements and eligibility for PSLF; (13) the terms of promissory notes relating to release of cosigners on cosigned loans; (14) communications with borrowers or cosigners regarding the release of cosigners on cosigned loans and/or the acceptance or denial of a cosigner release application; (15) the timing, frequency, or manner of outbound telephone calls to any consumer; (16) communications relating to loan payoffs or deceased cosigners; (17) communications regarding bankruptcy discharge of student loans, late fees, payoff fees, collection fees, or forbearance fees; (18) conduct prior to April 30, 2014 relating to the marketing, origination, processing, underwriting, decisioning, and/or disbursement of private student loans by the Navient Parties, SLM Corporation, and any affiliated entity, subsidiary, or predecessor of those entities involved in the origination of student loans, including but not limited to entry into preferred lender agreements, entry into contracts with institutions of higher education and/or any company operating such institutions, and the origination of private student loans to borrowers who did not qualify for such loans under standard underwriting criteria; and (19) conduct related to the effects of repayment options on FFELP loan securitizations including but not limited to disclosures related to the offering of the underlying securities in such securitizations.

Notwithstanding the foregoing, “Covered Conduct” as used in the Release, Section VII of this Consent Decree, specifically does not include the following: (1) servicing or collection activity related to automatic forbearances or other relief prompted by the COVID-19 pandemic, including without limitation communications related to the impact of any COVID-19 forbearances on PSLF eligibility; (2) automatic forbearances implemented as a result of governmental action, including without limitation in the case of natural disasters; or (3) conduct by GRC occurring on or after July 31, 2019.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

APPROVAL BY THE COURT

The Clerk of the Court is ordered to immediately enter the foregoing Consent Decree.

APPROVED FOR FILING and SO ORDERED this ______ day of January, 2022.

____

HONORABLE VERONICA GALVÁN

King County Superior Court Judge

Presented by:

ROBERT W. FERGUSON
Attorney General

JULIA K. DOYLE, WSBA #43993
HEIDI C. ANDERSON, WSBA #37603
KATHLEEN S. BOX, WSBA #45254
TAD ROBINSON O'NEILL, WSBA #37153
Assistant Attorneys General
800 Fifth Avenue, Suite 2000
Seattle, WA 98104
Attorneys for Plaintiff State of Washington

Dated: ____________________

//

//

//

//

//

//

//

//

//

//

For Defendant Navient Corporation

By: /s/ MARK L. HELEEN
Mark L. Heleen
Chief Legal Officer
13865 Sunrise Valley Drive
Herndon, Virginia 20171
(703) 984-5627

Dated: January 12, 2022

For Defendant Navient Solutions, LLC

By: /s/ MARK L. HELEEN
Mark L. Heleen
Chief Legal Officer
13865 Sunrise Valley Drive
Herndon, Virginia 20171
(703) 984-5627

Dated: January 12, 2022

For Defendant Pioneer Credit Recovery, Inc.

By: /s/ JACK FRAZIER
Director
26 Edward St.
Arcade, NY 14009
jack.frazier@navient.com
(585) 492-3414

Dated: January 12, 2022

For Defendant General Revenue Corporation

By: /s/ JONATHON R. FINLEY
Jonathon R. Finley
Chief Executive Officer
4660 Duke Dr. #200
Mason, OH 45040

Dated: January 12, 2022

APPROVED AS TO FORM; NOTICE OF PRESENTATION WAIVED

CALFO EAKES LLP

By: *__/s/ Angelo J. Calfo__*
Angelo J. Calfo, WSBA No. 27079

Dated: January 12, 2022

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

APPENDIX A:
PRIVATE LOAN RELIEF

The Navient Parties agree to discharge and forgive not less than **$1,710,000,000.00** of private education loans meeting the categories and criteria below as of June 30, 2021 ("Debt Relief Forgiveness Date").

In order to qualify for Categories 1 through 3, below, a private education loan must be charged-off[4] as of the Debt Relief Forgiveness Date ("Past Due Status"); and (1) have reached Past Due Status no more than seven years prior to the Debt Relief Forgiveness Date, or (2) be within the applicable statute of limitations based on the borrower's last known address as of the Debt Relief Forgiveness Date.

If a private education loan has reached Past Due Status more than seven years prior to the Debt Relief Forgiveness Date, but the borrower's address is unknown or unavailable to determine the appropriate statute of limitations, then the loan is included in each respective Category if the borrower's last known address is in one of the Signatory Attorney General States, or a military address postal code as of the Debt Relief Forgiveness Date.

The discharged and forgiven amount shall include all outstanding principal, accrued interest, and fees from the Categories 1 through 3 qualifying private education loans made to borrowers with a last known address in one of the Signatory Attorney General States, or a military address postal code.

Category 1 Criteria: All Opportunity & Recourse Loans

- Any private education loan with an outstanding balance and in Past Due Status as of the Debt Relief Forgiveness Date, originated under an Opportunity or Recourse program, and disbursed after 2002.

Category 2 Criteria: For Profit Schools

- Any private education loan with an outstanding balance and in Past Due Status as of the Debt Relief Forgiveness Date disbursed by SLM Corporation lenders, subsidiaries, predecessors, successors, and/or its affiliates after 2002 to a borrower attending a for-profit school owned or operated by one of the companies listed below, or under one of the trade names listed below, or any other company as agreed to by and among the Parties:

  - ACT, ABC Training Center of Maryland, TCI
  - Alta College
  - Apollo Group
  - ATI Enterprises

[4] The Navient Parties' policy for "Charge-off accounts due to delinquency" requires a loan to be charged-off by the end of the month in which the interest on or principal of that loan becomes 212 days or eight billing cycles past due, whichever is earlier.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

- Bridgepoint Education
- Career Education Corporation
- Center for Excellence in Higher Education
- Corinthian Colleges
- DeVry University
- Education Corporation of America (Willis Stein & Partners III, L.P.)
- Education Management Corporation
- Globe/MN School of Business
- Graham Holdings
- Infilaw Holding
- ITT Technical Institute
- Lincoln Tech
- Marinello School of Beauty
- Premier Education Group

Category 3 Criteria: Non-traditional

- Any non-traditional private education loan with an outstanding balance and in Past Due Status as of the Debt Relief Forgiveness Date disbursed by SLM Corporation lenders, subsidiaries, predecessors, successors, and/or affiliates after 2002.

  "Non-traditional" as used herein means a private education loan disbursed (1) to a borrower with a FICO score below 670 at origination to attend a private for-profit educational institution; or (2) to a borrower with a FICO score below 640 at origination to attend a public or a private not-for-profit educational institution.

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

APPENDIX B:

NAVIENT

P.O. Box 9500
Wilkes-Barre, PA 18773-9500

<Borrower Name>
<Borrower Address>
<Borrower Address>

<Borrower Name> one or more of your private student loans has been forgiven.

This forgiveness was granted effective June 30, 2021, as a result of a settlement agreement we reached with your state's attorney general. The loans included in this settlement are listed below and currently have a $0 balance. Any payments made on these loans after June 30, 2021 will be refunded. Payments made on these loans before June 30, 2021 will not be refunded as part of this process.

Forgiven Private Loans					
Loan number	Disbursement date	Original principal	Interest rate	Amount forgiven	Current outstanding balance
					$0
					$0

Rest assured, the credit bureau agencies have also been notified and any tradelines associated with these loans will be deleted. Please allow 30 days for updates to occur.

Please note: Only the loan(s) listed above have been forgiven. <You still have private student loans serviced by Navient that have a remaining balance – they are listed below for your reference.> You are still responsible for any other federal or private student loans you have taken out that are not listed above.

Navient Private Loans with Outstanding Balance				
Loan number	Disbursement date	Original principal	Interest rate	Current outstanding balance

You may still have other private or federal student loans with other servicers. You may also still have federal student loans serviced by Navient. Making payment arrangements on student loans that have not been forgiven remains your responsibility.

We're here to help

If you have questions about this notice or loan forgiveness, call or visit us online. If you are experiencing financial difficulty or have other questions or concerns about your student loan obligations, contact your servicer.

Additional state and federal resources are listed on the following page.

Your loan servicer

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

Below is a list of federal and state resources for student loan borrowers.

Agency	Description	Mail or Email Address	Phone	Website
Federal Student Aid (FSA) Ombudsman	Helps resolve complaints about federal student loans.	U.S. Department of Education FSA Ombudsman Group P.O. Box 1843 Monticello, KY 42633	1-877-557-2575	https://studentaid.ed.gov/repay-loans/disputes/prepare/contact-ombudsman
Consumer Financial Protection Bureau (CFPB) Student Loan Ombudsman	Helps resolve complaints about federal and private student loans.	CFPBOmbudsman@cfpb.gov	1-855-830-7880	https://www.consumerfinance.gov/complaint/
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				
State Contact				

ATTORNEY GENERAL OF WASHINGTON
Consumer Protection Division
800 Fifth Avenue, Suite 2000
Seattle, WA 98104-3188
(206) 464-7744

Exhibit 21.1

SUBSIDIARIES OF
NAVIENT CORPORATION

Name	Jurisdiction of Incorporation
Navient Credit Finance Corporation	Delaware
Navient Credit Funding, LLC	Delaware
Navient Funding, LLC	Delaware
Riverfront Insurance, LLC	Delaware

* Pursuant to Item 601(b)(21)(ii) of Regulation S-K, the names of other subsidiaries of Navient Corporation are omitted because, considered in the aggregate, they would not constitute a significant subsidiary as of the end of the year covered by this report.

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the registration statements

Form	Registration Number
S-3	333-238750
S-3	333-218415
S-3	333-197516
S-3	333-195540
S-8	333-233188
S-8	333-220003
S-8	333-195539
S-8	333-195538
S-8	333-195536
S-8	333-195535
S-8	333-195533
S-8	333-195529

of our reports dated February 25, 2022, with respect to the consolidated financial statements of Navient Corporation and the effectiveness of internal control over financial reporting.

As discussed in Note 2 to the consolidated financial statements, the Company has changed its method of accounting for recognition and measurement of credit losses as of January 1, 2020 due to the adoption of Accounting Standards Update No. 2016-13, *Financial Instruments - Credit Losses (Accounting Standards Codification Topic 326)*.

/s/ KPMG LLP

McLean, Virginia
February 25, 2022

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 annual report on Form 10-K 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)
February 25, 2022

Exhibit 31.2

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

I, Joe Fisher, certify that:

1. I have reviewed this annual report on Form 10-K of Navient Corporation;

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

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

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

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

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

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

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

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

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

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

/s/ JOE FISHER

Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
February 25, 2022

Exhibit 32.1

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

In connection with the Annual Report of Navient Corporation (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John F. Remondi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
February 25, 2022

Exhibit 32.2

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

In connection with the Annual Report of Navient Corporation (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Joe Fisher, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ JOE FISHER

Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
February 25, 2022