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

Form 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2023

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)*

(302) 283-8000

(Registrant's telephone number, including area code)

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

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

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

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value $.01 per share	NAVI	The NASDAQ Global Select Market
6% Senior Notes due December 15, 2043	JSM	The NASDAQ Global Select Market
Preferred Stock Purchase Rights	None	The NASDAQ Global Select Market

As of March 31, 2023, there were 126,464,845 shares of common stock outstanding.

NAVIENT

TABLE OF CONTENTS

Organization of Our Form 10-Q

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

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

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

- the continuing impacts of the COVID-19 pandemic and related risks;
- general economic conditions, including the potential impact of persistent inflation and increasing interest rates on Navient and its clients and customers and on the creditworthiness of third parties;
- increased defaults on education loans held by us;
- the cost and availability of funding in the capital markets;
- changes in the general interest rate environment, including the availability of any relevant money-market index rate, including LIBOR, or the relationship between the relevant money-market index rate and the rate at which our assets are priced;
- unanticipated repayment trends on education loans including prepayments or deferrals resulting from new interpretations of current laws, rules or regulations or future laws, executive orders or other policy initiatives which operate to encourage or require consolidation, abolish existing or create additional income-based repayment or debt forgiveness programs or establish other policies and programs which may increase the prepayment rates on education loans and accelerate repayment of the bonds in our securitization trusts;
- our unhedged Floor Income is dependent on the future interest rate environment and therefore is variable;
- a reduction in our credit ratings;
- adverse market conditions or an inability to effectively manage our liquidity risk or access liquidity 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 or breach of our operating systems, infrastructure or information technology systems;
- failure by any third party providing us material services or products or a breach or violation of law by one of these third parties;
- changes to applicable laws, rules, regulations and government policies and expanded regulatory and governmental oversight;
- our work with government clients exposes us to additional risks inherent in the government contracting environment;
- shareholder activism;
- shareholders’ percentage ownership in Navient may be diluted in the future;
- reputational risk and social factors;
- obligations owed to parties under various transaction agreements that were executed as part of the spin-off of Navient from SLM Corporation (the Spin-Off); and
- acquisitions or strategic investments that we pursue.

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

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

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

USE OF NON-GAAP FINANCIAL MEASURES

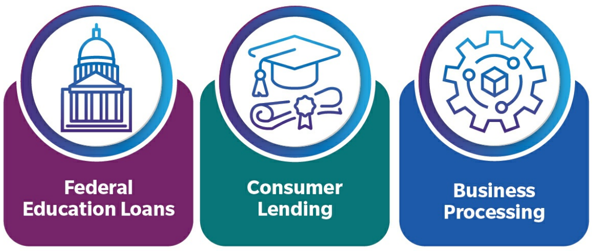
We prepare financial statements and present financial results in accordance with GAAP. However, we also evaluate our business segments and present our financial results on a basis that differs from GAAP. We refer to this different basis of presentation as Core Earnings, which is a non-GAAP financial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

In addition to Core Earnings, we present the following other non-GAAP financial measures: Adjusted Core Earnings, Tangible Equity, Adjusted Tangible Equity Ratio, Earnings before Interest, Taxes, Depreciation and Amortization Expense (EBITDA) (for the Business Processing segment), and Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans. Definitions for the non-GAAP financial measures and reconciliations are provided below, except that reconciliations of forward-looking non-GAAP financial measures are not provided because the company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations – Non-GAAP Financial Measures” for a further discussion and a complete reconciliation between GAAP net income and Core Earnings.

Overview and Fundamentals of Our Business

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

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



•Federal Education Loans

We own a portfolio of $42.1 billion of federally guaranteed Federal Family Education Loan Program (FFELP) Loans. As a servicer on our own portfolio and for third parties, we deploy data-driven approaches to support the success of our customers. Our flexible and scalable infrastructure manages large volumes of complex transactions, simplifying the customer experience and continually improving efficiency.

•Consumer Lending

We help students and families succeed through the college journey with innovative planning tools, student loans and refinancing products. Our $18.3 billion Private Education Loan portfolio demonstrates high customer success rates. In the first quarter of 2023, we originated $168 million of Private Education Loans.

•Business Processing

We leverage our loan servicing expertise to provide business processing solutions for approximately 500 public sector and healthcare organizations, and their tens of millions of clients, patients, and constituents. Our suite of omnichannel customer experience, digital processing and revenue cycle solutions enables our clients to deliver better results for the people they serve.

Superior Operational Performance with a Strong Customer Service and Compliance Commitment

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

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

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

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

•**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 to help customers and constituents achieve their goals.

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

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

•**Corporate social responsibility.** We are committed to contributing to the social and economic wellbeing of our 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 the Forum of Executive Women, Human Rights Campaign Foundation, and military publisher VIQTORY, among other organizations, for our continued commitment to fostering diversity. Our employees are active in our communities, through local and national organizations, including a national partnership with Boys & Girls Clubs of America.

Navient is committed to a sustainable future. We leverage technology that minimizes energy use in our office buildings and promote widespread adoption of "paperless" digital customer communications. Navient prioritizes the usage of power-saving features to our buildings to reduce energy usage. Energy efficiency and reducing CO_2 and CO_2 equivalents are among the many factors considered in our growth and real estate decisions.

Strong Financial Performance Resulting in a Strong Capital Return

Our first-quarter 2023 results continue to demonstrate the strength of our business model and our ability to deliver predictable and meaningful cash flow and earnings in all types of economic environments.

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

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

In December 2021, our Board approved a share repurchase program authorizing the purchase of up to $1 billion of the Company's outstanding common stock. At March 31, 2023, $515 million remained in share repurchase authorization.

To inform our capital allocation decisions, we use the Adjusted Tangible Equity Ratio[(1)] in addition to other metrics. Our Adjusted Tangible Equity Ratio[(1)] was 8.5% as of March 31, 2023.

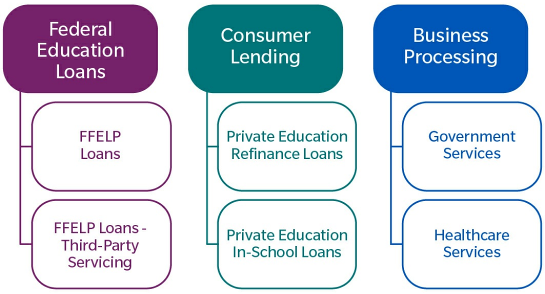
(Dollars and shares in millions)	Q1-23	Q1-22
Shares repurchased	4.9	6.2
Reduction in shares outstanding	3 %	3 %
Total repurchases in dollars	$ 85	$ 115
Dividends paid	$ 21	$ 24
Total Capital Returned[(2)]	$ 106	$ 139
Adjusted Tangible Equity Ratio[(1)]	8.5 %	7.0 %

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

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

How We Organize Our Business

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



Federal Education Loans Segment

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

Consumer Lending Segment

Navient owns, originates and services in-school and refinance Private Education Loans. "In-school" Private Education Loans are loans originally made to borrowers while they are attending school whereas "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

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

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. We leverage the same expertise and intelligent tools we use to deliver successful results for portfolios we own. Our support enables our clients to ensure better constituent outcomes, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities. Our clients include:

- **Government**: We offer our solutions to federal agencies, state governments, tolling and parking authorities, and other public sector clients.
- **Healthcare**: Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

Other Segment

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

Selected Historical Financial Information and Ratios

(In millions, except per share data)	Three Months Ended March 31, 2023	2022
GAAP Basis		
Net income	$ 111	$ 255
Diluted earnings per common share	$ .86	$ 1.67
Weighted average shares used to compute diluted earnings per share	$ 130	153
Return on assets	.68 %	1.34 %
Core Earnings Basis[1]		
Net income[1]	$ 133	$ 135
Diluted earnings per common share[1]	$ 1.02	$ .88
Adjusted diluted earnings per common share[1]	$ 1.06	$ .90
Weighted average shares used to compute diluted earnings per share	130	153
Net interest margin, Federal Education Loans segment	1.12 %	1.04 %
Net interest margin, Consumer Lending segment	3.12 %	2.80 %
Return on assets	.82 %	.71 %
Education Loan Portfolios		
Ending FFELP Loans, net	$ 42,148	$ 51,013
Ending Private Education Loans, net	18,275	20,088
Ending total education loans, net	$ 60,423	$ 71,101
Average FFELP Loans	$ 43,263	$ 52,258
Average Private Education Loans	19,289	21,157
Average total education loans	$ 62,552	$ 73,415

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

The Quarter in Review

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

First-quarter 2023 GAAP net income was $111 million ($0.86 diluted earnings per share), compared with $255 million ($1.67 diluted Core Earnings per share) for the year-ago quarter. See “Results of Operations – GAAP Comparison of First-Quarter 2023 Results with First-Quarter 2022" for a discussion of the primary contributors to the change in GAAP earnings between periods.

First-quarter 2023 Core Earnings net income was $133 million ($1.02 diluted Core Earnings per share), compared with $135 million ($0.88 diluted Core Earnings per share) for the year-ago quarter. First-quarter 2023 and 2022 adjusted diluted Core Earnings[1] per share were $1.06 and $0.90, respectively. See “Segment Results” for a discussion of the primary contributors to the change in Core Earnings between periods.

Financial highlights of first-quarter 2023 include:

Federal Education Loans segment:

- Net income of $87 million.
- Net interest margin of 1.12%.

Consumer Lending segment:

- Net income of $110 million.
- Net interest margin of 3.12%.
- Originated $168 million of Private Education Loans.

Business Processing segment:

- Revenue of $72 million.
- Net income of $4 million and EBITDA[1] of $5 million.

Capital, funding and liquidity:

- GAAP equity-to-asset ratio of 4.4% and adjusted tangible equity ratio[1] of 8.5%.
- Repurchased $85 million of common shares. $515 million common share repurchase authority remains outstanding.
- Paid $21 million in common stock dividends.
- Retired $1 billion of unsecured debt.

Expenses:

- GAAP operating expenses of $185 million and Adjusted Core Earnings expenses[1] of $183 million.

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

Results of Operations

GAAP Income Statements (Unaudited)

(In millions, except per share data)	Three Months Ended March 31, 2023	2022	Increase (Decrease) $	%
Interest income				
FFELP Loans	$ 693	$ 349	$ 344	99 %
Private Education Loans	344	276	68	25
Cash and investments	34	1	33	3,300
Total interest income	1,071	626	445	71
Total interest expense	837	289	548	190
Net interest income	234	337	(103)	(31)
Less: provisions for loan losses	(14)	16	(30)	(188)
Net interest income after provisions for loan losses	248	321	(73)	(23)
Other income (loss):				
Servicing revenue	17	18	(1)	(6)
Asset recovery and business processing revenue	72	97	(25)	(26)
Other income	7	10	(3)	(30)
Gains (losses) on derivative and hedging activities, net	(8)	98	(106)	(108)
Total other income	88	223	(135)	(61)
Expenses:				
Operating expenses	185	205	(20)	(10)
Goodwill and acquired intangible assets impairment and amortization expense	3	4	(1)	(25)
Restructuring/other reorganization expenses	4	3	1	33
Total expenses	192	212	(20)	(9)
Income before income tax expense	144	332	(188)	(57)
Income tax expense	33	77	(44)	(57)
Net income	$ 111	$ 255	$ (144)	(56)%
Basic earnings per common share	$ .87	$ 1.69	$ (.82)	(49)%
Diluted earnings per common share	$ .86	$ 1.67	$ (.81)	(49)%
Dividends per common share	$ .16	$ .16	$ —	—

GAAP Comparison of First-Quarter 2023 Results with First-Quarter 2022

For the three months ended March 31, 2023, net income was $111 million, or $0.86 diluted earnings per common share, compared with net income of $255 million, or $1.67 diluted earnings per common share, for the year-ago period.

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

- Net interest income decreased by $103 million primarily as a result of a $47 million decrease in mark-to-market gains on fair value hedges recorded in interest expense, an increase in interest rates as well as the paydown of the FFELP and Private Education Loan portfolios. This was partially offset by an increase in the net interest margin primarily due to improved funding spreads.
- Provisions for loan losses decreased $30 million from $16 million to $(14) million:
  - The provision for FFELP Loan losses increased $10 million from $0 to $10 million.
  - The provision for Private Education Loan losses decreased $40 million from $16 million to $(24) million.

  The FFELP Loan provision for loan losses of $10 million in the current period was primarily a result of the extension of the portfolio and the resulting increase in unamortized premium allocated to expected future defaults.

  The Private Education Loan provision for loan losses of $(24) million in the current period included $(52) million in connection with the adoption of a new accounting standard (ASU 2022-02), $5 million in connection with loan originations and $23 million in connection with the resolution of certain private legacy loans in bankruptcy. The provision of $16 million in the year-ago quarter included $11 million in connection with loan originations and $5 million related to a reserve build.

  We adopted ASU No. 2022-02, “Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures” on January 1, 2023. This new ASU eliminates the troubled debt restructurings (TDRs) recognition and measurement guidance. Prior to adopting this new guidance, as it relates to interest rate concessions granted as part of our Private Education Loan modification program, a discounted cash flow model was used to calculate the amount of interest forgiven for loans that were in the program and the present value of that interest rate concession was included as a part of the allowance for loan loss. This new guidance no longer allows the measurement and recognition of this element of our allowance for loan loss for new modifications that occur subsequent to January 1, 2023. As of December 31, 2022, the allowance for loan loss included $77 million related to this interest rate concession component of the allowance for loan loss. We elected to adopt this amendment using a prospective transition method which results in the $77 million releasing in 2023 and 2024 as the borrowers exit their current modification programs. $52 million of the $77 million was released in the first quarter of 2023.
- Asset recovery and business processing revenue decreased $25 million primarily as a result of the expected $37 million reduction in revenue from the wind-down of pandemic-related contracts, which was partially offset by a $15 million increase in revenue from services for our traditional services clients. The remaining $3 million decrease was related to revenue earned in our Federal Education Loan segment and was a result of exiting that business line in fourth-quarter 2022.
- Net gains on derivative and hedging activities decreased $106 million. The primary factors affecting the change were interest rate fluctuations. Valuations of derivative instruments fluctuate based upon many factors including changes in interest rates and other market factors. As a result, net gains and losses on derivative and hedging activities may vary significantly in future periods.
- Excluding net regulatory-related expenses of $2 million and $1 million in the first quarters of 2023 and 2022, respectively, operating expenses were $183 million and $204 million in the first quarters of 2023 and 2022, respectively. This $21 million decrease was primarily related to the decline in Business Processing pandemic-related revenue as well as a decline in overall servicing costs.

We repurchased 4.9 million and 6.2 million shares of our common stock during the first quarters of 2023 and 2022, respectively. As a result of repurchases, our average outstanding diluted shares decreased by 23 million common shares (or 15%) from the year-ago period.

Segment Results

Federal Education Loans Segment

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

(Dollars in millions)	Three Months Ended March 31, 2023	2022	% Increase (Decrease) 2023 vs. 2022
Interest income:			
FFELP Loans	$ 695	$ 334	108 %
Cash and investments	20	—	100
Total interest income	715	334	114
Total interest expense	590	195	203
Net interest income	125	139	(10)
Less: provision for loan losses	10	—	100
Net interest income after provision for loan losses	115	139	(17)
Other income (loss):			
Servicing revenue	14	15	(7)
Asset recovery and business processing revenue	—	3	(100)
Other income	5	11	(55)
Total other income	19	29	(34)
Direct operating expenses	20	28	(29)
Income before income tax expense	114	140	(19)
Income tax expense	27	33	(18)
Net income	$ 87	$ 107	(19)%

Comparison of First-Quarter 2023 Results with First-Quarter 2022

- Net income was $87 million compared to $107 million.
- Net interest income decreased $14 million primarily due to the paydown of the portfolio.
- Provision for loan losses increased $10 million. The $10 million of provision for loan losses in the current period primarily was a result of the extension of the portfolio and the resulting increase in unamortized premium allocated to expected future defaults.
  - Net charge-offs were $18 million compared to $7 million.
  - Delinquencies greater than 90 days were $2.7 billion compared to $2.7 billion.
  - Forbearances were $6.8 billion compared to $6.3 billion.
- Other revenue decreased $10 million due to a decrease in transition services as well as a decrease in asset recovery revenue.
- Expenses were $8 million lower as a result of the paydown of the loan portfolio and the decrease in other revenue discussed above.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2023	2022
Segment net interest margin	1.12 %	1.04 %
FFELP Loans:		
FFELP Loan spread	1.25 %	1.11 %
Provision for loan losses	$ 10	$ —
Net charge-offs	$ 18	$ 7
Net charge-off rate	.22 %	.07 %
Greater than 30-days delinquency rate	14.4 %	13.5 %
Greater than 90-days delinquency rate	7.9 %	6.4 %
Forbearance rate	16.9 %	12.9 %
Average FFELP Loans	$ 43,263	$ 52,258
Ending FFELP Loans, net	$ 42,148	$ 51,013
(Dollars in billions)		
Total federal loans serviced(1)	$ 49	$ 59

Net Interest Margin

The following table details the net interest margin.

	Three Months Ended March 31, 2023	2022
FFELP Loan yield	6.07 %	2.10 %
Floor Income	.45	.49
FFELP Loan net yield	6.52	2.59
FFELP Loan cost of funds	(5.27)	(1.48)
FFELP Loan spread	1.25	1.11
Other interest-earning asset spread impact	(.13)	(.07)
Net interest margin(1)	1.12 %	1.04 %

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

(Dollars in millions)	Three Months Ended March 31, 2023	2022
FFELP Loans	$ 43,263	$ 52,258
Other interest-earning assets	1,972	1,930
Total FFELP Loan interest-earning assets	$ 45,235	$ 54,188

As of March 31, 2023, our FFELP Loan portfolio totaled $42.1 billion, comprised of $15.2 billion of FFELP Stafford Loans and $26.9 billion of FFELP Consolidation Loans. The weighted-average life of these portfolios as of March 31, 2023 was 7 years and 8 years, respectively, assuming a Constant Prepayment Rate (CPR) of 8% and 5%, respectively.

Floor Income

The following table analyzes on a Core Earnings basis the ability of the FFELP Loans in our portfolio to earn Floor Income after March 31, 2023 and 2022, based on interest rates as of those dates.

(Dollars in billions)	March 31, 2023	March 31, 2022
Education loans eligible to earn Floor Income	$ 41.8	$ 50.7
Less: post-March 31, 2006 disbursed loans required to rebate Floor Income	(19.9)	(23.6)
Less: economically hedged Floor Income	(9.1)	(13.0)
Education loans eligible to earn Floor Income after rebates and economically hedged	$ 12.8	$ 14.1
Education loans earning Floor Income	$ —	$ 5.6

The following table presents a projection of the average balance of FFELP Consolidation Loans for which Fixed Rate Floor Income has been economically hedged with derivatives for the period April 1, 2023 to December 31, 2027.

(Dollars in billions)	April 1, 2023 to December 31, 2023	2024	2025	2026	2027
Average balance of FFELP Consolidation Loans whose Floor Income is economically hedged	$ 6.3	$ 2.0	$ 1.0	$ 1.0	$ .3

Asset Recovery and Business Processing Revenue

Asset recovery and business processing revenue decreased $3 million as a result of exiting the FFELP asset recovery business in the fourth quarter of 2022.

Other Income

Other income decreased $6 million primarily related to lower contract-exit transition services.

Operating Expenses

Operating expenses for the Federal Education Loans segment primarily include costs incurred to perform servicing on our FFELP Loan portfolio and federal education loans held by other institutions. Expenses were $8 million lower primarily as a result of the paydown of the loan portfolio and the decrease in other income discussed above.

Federal Loan Forgiveness

On August 24, 2022, the Biden-Harris Administration announced its Student Debt Relief (SDR) Plan. The SDR Plan provides up to $20,000 in one-time debt relief to income-qualified recipients with ED held student loans and initially extended the repayment pause on ED held loans through December 31, 2022. This repayment pause has been further extended as detailed below. As the SDR Plan is currently configured, privately held FFELP Loans, like ours, do not qualify for debt forgiveness.

Following the initial announcement of the SDR Plan, ED provided more specific guidance on debt relief through its studentaid.gov website on September 29, 2022. Following publication of the SDR Plan, a number of states and private organizations initiated legal challenges to the SDR Plan in various courts throughout the country, which ultimately resulted in the implementation of the SDR Plan being disallowed. The Biden-Harris Administration and ED subsequently appealed both cases to the Supreme Court of the United States which heard the cases on February 28, 2023, and a ruling is expected prior to the end of the Supreme Court's current term. If the SDR Plan has not been implemented and the litigation is not resolved by June 30, 2023, payments are scheduled to resume 60 days after that date. While the current version of the SDR Plan provides that borrowers with federal student loans not held by ED cannot obtain one-time debt relief by consolidating those loans into Direct Loans, ED states that they are assessing whether there are alternative pathways to provide relief to borrowers with federal student loans not held by ED, including FFELP Loans.

We estimate that borrowers with approximately $600 million of FFELP Loans (1% of the FFELP portfolio’s average 2022 balance) had consolidated their loans with ED prior to the deadline to qualify for debt relief established by the SDR Plan.

As a result, there was not a material impact on the Company’s accounting and related 2022 and 2023 results related to the SDR Plan as currently:

1. Privately held FFELP Loans themselves, like ours, do not qualify for debt forgiveness, and

2. ED required FFELP borrowers to apply to consolidate their loans into the Direct Loan program prior to September 29, 2022, to qualify for their loan forgiveness.

As a result, at this time we do not expect there to be incremental consolidation activity in the future related to potential loan forgiveness under the SDR Plan.

Consumer Lending Segment

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

(Dollars in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022	% Increase (Decrease) 2023 vs. 2022
Interest income:			
Private Education Loans	$ 344	$ 276	25 %
Cash and investments	6	1	500
Interest income	350	277	26
Interest expense	197	125	58
Net interest income	153	152	1
Less: provision for loan losses	(24)	16	(250)
Net interest income after provision for loan losses	177	136	30
Servicing revenue	3	3	—
Direct operating expenses	37	35	6
Income before income tax expense	143	104	38
Income tax expense	33	25	32
Net income	$ 110	$ 79	39 %

Comparison of First-Quarter 2023 Results with First-Quarter 2022

- Originated $168 million of Private Education Loans compared to $966 million.
  - Refinance Loan originations were $135 million compared to $941 million. The decrease in originations is primarily the result of borrowers with fixed interest rate loans having less of an incentive to refinance in light of the significant increase in interest rates that occurred in 2022.
  - In-school loan originations were $33 million compared to $25 million.
- Net income was $110 million compared to $79 million.
- Net interest income increased $1 million due to an increase in the net interest margin primarily due to improved funding spreads. This was partially offset by the paydown of the portfolio.
- Provision for loan losses decreased $40 million. The provision for loan losses of $(24) million in the current period included $(52) million in connection with the adoption of a new accounting standard (ASU 2022-02) (see "GAAP Comparison of First-Quarter 2023 Results with First-Quarter 2022" for further discussion), $5 million in connection with loan originations and $23 million in connection with the resolution of certain private legacy loans in bankruptcy. The provision of $16 million in the year-ago period included $11 million in connection with loan originations and $5 million related to a reserve build. The increases in charge-offs and delinquencies detailed below are primarily the result of loans that were experiencing repayment difficulties pre-COVID returning to repayment after pandemic relief.
  - Net charge-offs were $75 million compared with $69 million.
  - Private Education Loan delinquencies greater than 90 days: $364 million, up $50 million from $314 million.
  - Private Education Loan forbearances: $354 million, down $64 million from $418 million.
- Expenses increased $2 million.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2023	2022
Segment net interest margin	3.12 %	2.80 %
Private Education Loans (including Refinance Loans):		
Private Education Loan spread	3.28 %	2.97 %
Provision for loan losses	$ (24)	$ 16
Net charge-offs[1]	$ 75	$ 69
Net charge-off rate[1]	1.63 %	1.38 %
Greater than 30-days delinquency rate	4.5 %	4.0 %
Greater than 90-days delinquency rate	2.0 %	1.6 %
Forbearance rate	1.9 %	2.0 %
Average Private Education Loans	$ 19,289	$ 21,157
Ending Private Education Loans, net	$ 18,275	$ 20,088
Private Education Refinance Loans:		
Net charge-offs	$ 8	$ 6
Greater than 90-day delinquency rate	.3 %	.1 %
Average balance of Private Education Refinance Loans	$ 9,521	$ 10,084
Ending balance of Private Education Refinance Loans	$ 9,274	$ 9,995
Private Education Refinance Loan originations	$ 135	$ 941

Net Interest Margin

The following table details the net interest margin.

	Three Months Ended March 31, 2023	2022
Private Education Loan yield	7.24 %	5.28 %
Private Education Loan cost of funds	(3.96)	(2.31)
Private Education Loan spread	3.28	2.97
Other interest-earning asset spread impact	(.16)	(.17)
Net interest margin[1]	3.12 %	2.80 %

[1] The average balances of the interest-earning assets for the respective periods are:

(Dollars in millions)	Three Months Ended March 31, 2023	2022
Private Education Loans	$ 19,289	$ 21,157
Other interest-earning assets	625	732
Total Private Education Loan interest-earning assets	$ 19,914	$ 21,889

The increase in the net interest margin from the prior year is primarily a result of an increase in the net interest margin on the refinance portfolio due to an improvement in the cost of funds.

As of March 31, 2023, our Private Education Loan portfolio totaled $18.3 billion, comprised of $9.3 billion of refinance loans and $9.0 billion of non-refinance loans. The weighted-average life of these portfolios as of March 31, 2023 was 4 years and 5 years, respectively, assuming a Constant Prepayment Rate (CPR) of 15% and 10%, respectively.

Provision for Loan Losses

The provision for Private Education Loan losses decreased $40 million. The provision for loan losses of $(24) million in the current period included $(52) million in connection with the adoption of a new accounting standard (ASU 2022-02), $5 million in connection with loan originations and $23 million in connection with the resolution of certain private legacy loans in bankruptcy. The provision of $16 million in the year-ago quarter included $11 million in connection with loan originations and $5 million related to a reserve build.

See "Note 1 — Significant Accounting Policies" for further discussion and detail on the adoption of ASU 2022-22.

Operating Expenses

Operating expenses for our consumer lending segment include costs to originate, acquire, service and collect on our consumer loan portfolio. Operating expenses increased $2 million.

Business Processing Segment

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

(Dollars in millions)	Three Months Ended March 31, 2023	2022	% Increase (Decrease) 2023 vs. 2022
Business processing revenue	$ 72	$ 94	(23)%
Direct operating expenses	67	76	(12)
Income before income tax expense	5	18	(72)
Income tax expense	1	4	(75)
Net income	$ 4	$ 14	(71)%

Comparison of First-Quarter 2023 Results with First-Quarter 2022

•Revenue was $72 million, $22 million lower due to the expected $37 million wind-down of pandemic-related contracts which was partially offset by a $15 million growth in ongoing government and healthcare services.

•Net income was $4 million compared to $14 million.

•EBITDA[(1)] was $5 million, down $14 million, primarily the result of the revenue decrease discussed above. Upfront start-up costs on new contracts were $4 million in first-quarter 2023. Excluding these contract start-up costs, first-quarter 2023 EBITDA and EBITDA margin would be $9 million and 13%, respectively.

Key performance metrics are as follows:

(Dollars in millions)	Three Months Ended March 31, 2023	2022
Revenue from government services	$ 40	$ 49
Revenue from healthcare services	32	45
Total fee revenue	$ 72	$ 94
EBITDA[(1)]	$ 5	$ 19
EBITDA margin[(1)]	7 %	20 %

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

Other Segment

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

(Dollars in millions)	Three Months Ended March 31, 2023	2022	% Increase (Decrease) 2023 vs. 2022
Net interest loss after provision for loan losses	$ (25)	$ (15)	67%
Other income (loss)	2	(1)	300
Expenses:			
Unallocated shared services expenses:			
Unallocated information technology costs	19	21	(10)
Unallocated corporate costs	42	45	(7)
Total unallocated shared services expenses	61	66	(8)
Restructuring/other reorganization expenses	4	3	33
Total expenses	65	69	(6)
Loss before income tax benefit	(88)	(85)	4
Income tax benefit	(20)	(20)	—
Net income (loss)	$ (68)	$ (65)	5%

Net Interest Loss after Provision for Loan Losses

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

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 $6 million from the year-ago quarter. Adjusted expenses exclude $2 million and $1 million, respectively, of regulatory-related expenses in the first quarters of 2023 and 2022.

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

Restructuring/Other Reorganization Expenses

During the first quarters of 2023 and 2022, the Company incurred $4 million and $3 million, respectively, of restructuring/other reorganization expenses primarily due to facility exit and severance-related costs.

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

	March 31, 2023				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school[1]	$ 15	$ —	$ 15	$ 73	$ 88
Grace, repayment and other[2]	15,339	27,008	42,347	18,908	61,255
Total	15,354	27,008	42,362	18,981	61,343
Allowance for loan losses	(155)	(59)	(214)	(706)	(920)
Total education loan portfolio	$ 15,199	$ 26,949	$ 42,148	$ 18,275	$ 60,423
% of total FFELP	36 %	64 %	100 %		
% of total	25 %	45 %	70 %	30 %	100 %

	December 31, 2022				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school[1]	$ 16	$ —	$ 16	$ 54	$ 70
Grace, repayment and other[2]	15,834	27,897	43,731	19,471	63,202
Total	15,850	27,897	43,747	19,525	63,272
Allowance for loan losses	(159)	(63)	(222)	(800)	(1,022)
Total education loan portfolio	$ 15,691	$ 27,834	$ 43,525	$ 18,725	$ 62,250
% of total FFELP	36 %	64 %	100 %		
% of total	25 %	45 %	70 %	30 %	100 %

	March 31, 2022				
(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
Total education loan portfolio:					
In-school[1]	$ 21	$ —	$ 21	$ 40	$ 61
Grace, repayment and other[2]	17,983	33,264	51,247	21,012	72,259
Total	18,004	33,264	51,268	21,052	72,320
Allowance for loan losses	(176)	(79)	(255)	(964)	(1,219)
Total education loan portfolio	$ 17,828	$ 33,185	$ 51,013	$ 20,088	$ 71,101
% of total FFELP	35 %	65 %	100 %		
% of total	25 %	47 %	72 %	28 %	100 %

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

(2) Includes loans in deferment or forbearance.

Education Loan Activity

(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
	Three Months Ended March 31, 2023				
Beginning balance	$ 15,691	$ 27,834	$ 43,525	$ 18,725	$ 62,250
Acquisitions (originations and purchases)[(1)]	—	—	—	274	274
Capitalized interest and premium/discount amortization	146	163	309	49	358
Refinancings and consolidations to third parties	(252)	(435)	(687)	(72)	(759)
Repayments and other	(386)	(613)	(999)	(701)	(1,700)
Ending balance	$ 15,199	$ 26,949	$ 42,148	$ 18,275	$ 60,423

(Dollars in millions)	FFELP Stafford and Other	FFELP Consolidation Loans	Total FFELP Loans	Private Education Loans	Total Portfolio
	Three Months Ended March 31, 2022				
Beginning balance	$ 18,219	$ 34,422	$ 52,641	$ 20,171	$ 72,812
Acquisitions (originations and purchases)[(1)]	—	1	1	1,090	1,091
Capitalized interest and premium/discount amortization	170	183	353	53	406
Refinancings and consolidations to third parties	(245)	(686)	(931)	(222)	(1,153)
Repayments and other	(316)	(735)	(1,051)	(1,004)	(2,055)
Ending balance	$ 17,828	$ 33,185	$ 51,013	$ 20,088	$ 71,101

[(1)]Includes the origination of $50 million and $218 million of Private Education Refinance Loans in the first quarters of 2023 and 2022, that refinanced FFELP and Private Education Loans that were on our balance sheet.

FFELP Loan Portfolio Performance

(Dollars in millions)	March 31, 2023 Balance	%	December 31, 2022 Balance	%	March 31, 2022 Balance	%
Loans in-school/grace/deferment[1]	$ 1,778		$ 1,772		$ 2,232	
Loans in forbearance[2]	6,844		7,603		6,312	
Loans in repayment and percentage of each status:						
Loans current	28,886	85.6 %	29,004	84.4 %	36,948	86.5 %
Loans delinquent 31-60 days[3]	1,270	3.8	1,247	3.6	1,888	4.4
Loans delinquent 61-90 days[3]	902	2.7	833	2.4	1,148	2.7
Loans delinquent greater than 90 days[3]	2,682	7.9	3,288	9.6	2,740	6.4
Total FFELP Loans in repayment	33,740	100 %	34,372	100 %	42,724	100 %
Total FFELP Loans	42,362		43,747		51,268	
FFELP Loan allowance for losses	(214)		(222)		(255)	
FFELP Loans, net	$ 42,148		$ 43,525		$ 51,013	
Percentage of FFELP Loans in repayment		79.6 %		78.6 %		83.3 %
Delinquencies as a percentage of FFELP Loans in repayment		14.4 %		15.6 %		13.5 %
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		16.9 %		18.1 %		12.9 %

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

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

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

Private Education Loan Portfolio Performance

(Dollars in millions)	March 31, 2023 Balance	%	December 31, 2022 Balance	%	March 31, 2022 Balance	%
Loans in-school/grace/deferment[1]	$ 369		$ 354		$ 377	
Loans in forbearance[2]	354		401		418	
Loans in repayment and percentage of each status:						
Loans current	17,439	95.5 %	17,838	95.0 %	19,447	96.0 %
Loans delinquent 31-60 days[3]	290	1.6	335	1.8	290	1.4
Loans delinquent 61-90 days[3]	165	.9	186	1.0	206	1.0
Loans delinquent greater than 90 days[3]	364	2.0	411	2.2	314	1.6
Total Private Education Loans in repayment	18,258	100 %	18,770	100 %	20,257	100 %
Total Private Education Loans	18,981		19,525		21,052	
Private Education Loan allowance for losses	(706)		(800)		(964)	
Private Education Loans, net	$ 18,275		$ 18,725		$ 20,088	
Percentage of Private Education Loans in repayment		96.2 %		96.1 %		96.2 %
Delinquencies as a percentage of Private Education Loans in repayment		4.5 %		5.0 %		4.0 %
Loans in forbearance as a percentage of loans in repayment and forbearance		1.9 %		2.1 %		2.0 %
Percentage of Private Education Loans with a cosigner[4]		33 %		33 %		34 %

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

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

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

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

Allowance for Loan Losses

(Dollars in millions)	Three Months Ended March 31, 2023 FFELP Loans	2023 Private Education Loans	2023 Total	2022 FFELP Loans	2022 Private Education Loans	2022 Total
Allowance at beginning of period	$ 222	$ 800	$ 1,022	$ 262	$ 1,009	$ 1,271
Total provision	10	(24)	(14)	—	16	16
Charge-offs:						
Gross charge-offs	(18)	(88)	(106)	(7)	(81)	(88)
Expected future recoveries on current period gross charge-offs	—	13	13	—	12	12
Net charge-offs[1]	(18)	(75)	(93)	(7)	(69)	(76)
Decrease in expected future recoveries on charged-off loans[2]	—	5	5	—	8	8
Allowance at end of period (GAAP)	214	706	920	255	964	1,219
Plus: expected future recoveries on previously fully charged-off loans[2]	—	268	268	—	321	321
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)[3]	$ 214	$ 974	$ 1,188	$ 255	$ 1,285	$ 1,540
Net charge-offs as a percentage of average loans in repayment (annualized)	.22 %	1.63 %		.07 %	1.38 %	
Allowance coverage of charge-offs (annualized)[3]	2.9	3.2	(Non-GAAP)	8.8	4.6	(Non-GAAP)
Allowance as a percentage of the ending total loan balance[3]	.5 %	5.1 %	(Non-GAAP)	.5 %	6.1 %	(Non-GAAP)
Allowance as a percentage of ending loans in repayment[3]	.6 %	5.4 %	(Non-GAAP)	.6 %	6.3 %	(Non-GAAP)
Ending total loans	$ 42,362	$ 18,981		$ 51,268	$ 21,052	
Average loans in repayment	$ 34,305	$ 18,552		$ 43,125	$ 20,387	
Ending loans in repayment	$ 33,740	$ 18,258		$ 42,724	$ 20,257	

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

(2) 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 by charging off the entire loan balance and estimating recoveries on a pool basis. These estimated recoveries are referred to as "expected future recoveries on previously fully charged-off loans." If actual periodic recoveries are greater than expected, the difference is immediately reflected as a reduction to expected future recoveries on previously fully charged-off loans. If actual periodic recoveries are greater than expected, they will be reflected as a recovery through the allowance for Private Education Loan losses once the cumulative recovery amount exceeds the cumulative amount originally expected to be recovered. The following table summarizes the activity in the expected future recoveries on previously fully charged-off loans:

(Dollars in millions)	Three Months Ended March 31, 2023	2022
Beginning of period expected future recoveries on previously fully charged-off loans	$ 274	$ 329
Expected future recoveries of current period defaults	13	12
Recoveries (cash collected)	(13)	(15)
Charge-offs (as a result of lower recovery expectations)	(6)	(5)
End of period expected future recoveries on previously fully charged-off loans	268	$ 321
Change in balance during period	$ (5)	$ (8)

(3) 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.

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.

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 $6.0 billion at March 31, 2023. Three credit rating agencies currently rate our long-term unsecured debt at below investment grade.

We expect to fund our ongoing liquidity needs, including the repayment of $1.1 billion of senior unsecured notes that mature in the short term (i.e., over the next 12 months) and the remaining $4.9 billion of senior unsecured notes that mature in the long term (from 2024 to 2043 with 77% maturing by 2029), through a number of sources. These sources include our cash on hand, unencumbered FFELP Loan and Private Education Refinance Loan portfolios (see “Sources of Primary Liquidity” below), the predictable operating cash flows provided by operating activities, the repayment of principal on unencumbered education loan assets, and the distribution of overcollateralization from our securitization trusts. We may also, depending on market conditions and availability, draw down on our secured FFELP Loan and Private Education Loan facilities, issue term ABS, enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt.

We originate Private Education Loans (a portion of which is obtained through a forward purchase agreement). We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Loan originations and purchases are part of our ongoing liquidity needs. We purchased 4.9 million shares of common stock for $85 million in the first quarter of 2023 and have $515 million of unused share repurchase authority as of March 31, 2023.

Sources of Primary Liquidity

(Dollars in millions)	March 31, 2023	December 31, 2022	March 31, 2022
Ending Balances:			
Total unrestricted cash and liquid investments	$ 570	$ 1,535	$ 708
Unencumbered FFELP Loans	62	68	222
Unencumbered Private Education Refinance Loans	37	55	232
Total	$ 669	$ 1,658	$ 1,162

		Three Months Ended	
(Dollars in millions)	March 31, 2023	December 31, 2022	March 31, 2022
Average Balances:			
Total unrestricted cash and liquid investments	$ 825	$ 1,517	$ 874
Unencumbered FFELP Loans	85	153	177
Unencumbered Private Education Refinance Loans	66	300	343
Total	$ 976	$ 1,970	$ 1,394

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 2023 to April 2024.

(Dollars in millions)	March 31, 2023	December 31, 2022	March 31, 2022
Ending Balances			
FFELP Loan ABCP facilities	$ 57	$ 101	$ 352
Private Education Loan ABCP facilities	1,028	1,248	2,137
Total	$ 1,085	$ 1,349	$ 2,489

		Three Months Ended	
(Dollars in millions)	March 31, 2023	December 31, 2022	March 31, 2022
Average Balances			
FFELP Loan ABCP facilities	$ 107	$ 193	$ 382
Private Education Loan ABCP facilities	1,141	1,556	2,239
Total	$ 1,248	$ 1,749	$ 2,621

At March 31, 2023, we had a total of $3.0 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $1.5 billion principal of our unencumbered tangible assets of which $1.5 billion and $62 million related to Private Education Loans and FFELP Loans, respectively. In addition, as of March 31, 2023, we had $5.4 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 $0.6 billion outstanding as of March 31, 2023. 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)	March 31, 2023	December 31, 2022
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 3.7	3.7
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	1.7	1.5
Tangible unencumbered assets[1]	3.0	4.1
Senior unsecured debt	(6.0)	(7.0)
Mark-to-market on unsecured hedged debt[2]	.2	.3
Other liabilities, net	(.3)	(.3)
Total Tangible Equity [1]	$ 2.3	$ 2.3

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

[2] At March 31, 2023 and December 31, 2022, there were $(207) million and $(285) million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).

Borrowings

Ending Balances

	March 31, 2023			December 31, 2022		
(Dollars in millions)	Short Term	Long Term	Total	Short Term	Long Term	Total
Unsecured borrowings:						
Senior unsecured debt	$ 1,149	$ 4,864	$ 6,013	$ 1,301	$ 5,711	$ 7,012
Total unsecured borrowings	1,149	4,864	6,013	1,301	5,711	7,012
Secured borrowings:						
FFELP Loan securitizations	68	40,275	40,343	76	42,675	42,751
Private Education Loan securitizations	648	12,187	12,835	725	12,744	13,469
FFELP Loan ABCP facilities	887	428	1,315	923	386	1,309
Private Education Loan ABCP facilities	2,917	—	2,917	2,734	—	2,734
Other	105	—	105	121	—	121
Total secured borrowings	4,625	52,890	57,515	4,579	55,805	60,384
Core Earnings basis borrowings[1]	5,774	57,754	63,528	5,880	61,516	67,396
Adjustment for GAAP accounting treatment	(21)	(366)	(387)	(10)	(490)	(500)
GAAP basis borrowings	$ 5,753	$ 57,388	$ 63,141	$ 5,870	$ 61,026	$ 66,896

Average Balances

	Three Months Ended March 31,			
	2023		2022	
(Dollars in millions)	Average Balance	Average Rate	Average Balance	Average Rate
Unsecured borrowings:				
Senior unsecured debt	$ 6,279	8.14 %	$ 7,015	4.30 %
Total unsecured borrowings	6,279	8.14	7,015	4.30
Secured borrowings:				
FFELP Loan securitizations	41,377	5.15	50,553	1.31
Private Education Loan securitizations	13,172	3.25	14,653	2.29
FFELP Loan ABCP facilities	1,288	5.90	692	1.57
Private Education Loan ABCP facilities	2,828	6.25	2,496	1.90
Other	108	5.03	251	.67
Total secured borrowings	58,773	4.79	68,645	1.54
Core Earnings basis borrowings[1]	65,052	5.11	75,660	1.79
Adjustment for GAAP accounting treatment	—	.11	—	(.24)
GAAP basis borrowings	$ 65,052	5.22 %	$ 75,660	1.55 %

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

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP). A discussion of our critical accounting policies, which includes the allowance for loan losses, goodwill impairment assessment, premium and discount amortization, and the impact of the SDR Plan on our accounting policies and estimates, can be found in our 2022 Form 10-K.

Non-GAAP Financial Measures

In addition to financial results reported on a GAAP basis, Navient also provides certain performance measures which are non-GAAP financial measures. We present the following non-GAAP financial measures: (1) Core Earnings (as well as Adjusted Core Earnings), (2) Tangible Equity (as well as the Adjusted Tangible Equity Ratio), (3) EBITDA for the Business Processing segment, and (4) Allowance for Loan Losses Excluding Expected Future Recoveries on Previously Fully Charged-off Loans. Definitions for the non-GAAP financial measures and reconciliations are provided below, except that reconciliations of forward-looking non-GAAP financial measures are not provided because the company is unable to provide such reconciliations without unreasonable effort due to the uncertainty and inherent difficulty of predicting the occurrence and financial impact of certain items, including, but not limited to, the impact of any mark-to-market gains/losses resulting from our use of derivative instruments to hedge our economic risks.

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 our consolidated GAAP results, Core Earnings results (including for each reportable segment) along with the adjustments made to the income/expense items to reconcile the consolidated GAAP results to the Core Earnings results as required by GAAP and reported in “Note 12 — Segment Reporting.”

	Three Months Ended March 31, 2023								
		Adjustments				Reportable Segments			
(Dollars in millions)	Total GAAP	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments [1]	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	$ 1,037					$ 695	$ 344	$ —	$ —
Cash and investments	34					20	6	—	8
Total interest income	1,071					715	350	—	8
Total interest expense	837					590	197	—	33
Net interest income (loss)	234	$ 12	$ 7	$ 19	$ 253	125	153	—	(25)
Less: provisions for loan losses	(14)				(14)	10	(24)	—	—
Net interest income (loss) after provisions for loan losses	248					115	177	—	(25)
Other income (loss):									
Servicing revenue	17					14	3	—	—
Asset recovery and business processing revenue	72					—	—	72	—
Other income (loss)	(1)					5	—	—	2
Total other income (loss)	88	(12)	20	8	96	19	3	72	2
Expenses:									
Direct operating expenses	124					20	37	67	—
Unallocated shared services expenses	61					—	—	—	61
Operating expenses	185	—	—	—	185	20	37	67	61
Goodwill and acquired intangible asset impairment and amortization	3	—	(3)	(3)	—	—	—	—	—
Restructuring/other reorganization expenses	4	—	—	—	4	—	—	—	4
Total expenses	192	—	(3)	(3)	189	20	37	67	65
Income (loss) before income tax expense (benefit)	144	—	30	30	174	114	143	5	(88)
Income tax expense (benefit)[2]	33	—	8	8	41	27	33	1	(20)
Net income (loss)	$ 111	$ —	$ 22	$ 22	$ 133	$ 87	$ 110	$ 4	$ (68)

(1)Core Earnings adjustments to GAAP:

	Three Months Ended March 31, 2023		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 19	$ —	$ 19
Total other income (loss)	8	—	8
Goodwill and acquired intangible asset impairment and amortization	—	(3)	(3)
Total Core Earnings adjustments to GAAP	$ 27	$ 3	30
Income tax expense (benefit)			8
Net income (loss)			$ 22

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

		Adjustments				Reportable Segments			
	Three Months Ended March 31, 2022								
(Dollars in millions)	Total GAAP	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments [1]	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	$ 625					$ 334	$ 276	$ —	$ —
Cash and investments	1					—	1	—	—
Total interest income	626					334	277	—	—
Total interest expense	289					195	125	—	15
Net interest income (loss)	337	$ (19)	$ (42)	$ (61)	$ 276	139	152	—	(15)
Less: provisions for loan losses	16				16	—	16	—	—
Net interest income (loss) after provisions for loan losses	321					139	136	—	(15)
Other income (loss):									
Servicing revenue	18					15	3	—	—
Asset recovery and business processing revenue	97					3	—	94	—
Other income (loss)	108					11	—	—	(1)
Total other income (loss)	223	19	(117)	(98)	125	29	3	94	(1)
Expenses:									
Direct operating expenses	139					28	35	76	—
Unallocated shared services expenses	66					—	—	—	66
Operating expenses	205	—	—	—	205	28	35	76	66
Goodwill and acquired intangible asset impairment and amortization	4	—	(4)	(4)	—	—	—	—	—
Restructuring/other reorganization expenses	3	—	—	—	3	—	—	—	3
Total expenses	212	—	(4)	(4)	208	28	35	76	69
Income (loss) before income tax expense (benefit)	332	—	(155)	(155)	177	140	104	18	(85)
Income tax expense (benefit)[2]	77	—	(35)	(35)	42	33	25	4	(20)
Net income (loss)	$ 255	$ —	$ (120)	$ (120)	$ 135	$ 107	$ 79	$ 14	$ (65)

(1)Core Earnings adjustments to GAAP:

	Three Months Ended March 31, 2022		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ (61)	$ —	$ (61)
Total other income (loss)	(98)	—	(98)
Goodwill and acquired intangible asset impairment and amortization	—	(4)	(4)
Total Core Earnings adjustments to GAAP	$ (159)	$ 4	(155)
Income tax expense (benefit)			(35)
Net income (loss)			$ (120)

(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 GAAP and Core Earnings net income and details each

specific adjustment required to reconcile our GAAP earnings to our Core Earnings segment presentation.

(Dollars in millions)	Three Months Ended March 31, 2023	2022
GAAP net income	$ 111	$ 255
Core Earnings adjustments to GAAP:		
Net impact of derivative accounting	27	(159)
Net impact of goodwill and acquired intangible assets	3	4
Net income tax effect	(8)	35
Total Core Earnings adjustments to GAAP	22	(120)
Core Earnings net income	$ 133	$ 135

(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 interest at either a variable or a fixed interest rate depending on market interest rates and therefore swaps economically hedging these FFELP Loans do not meet the criteria for hedge accounting treatment. As a result, under GAAP, these swaps are recorded at fair value with changes in fair value reflected currently in the income statement.

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

(Dollars in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Core Earnings derivative adjustments:		
(Gains) losses on derivative and hedging activities, net, included in other income	$ 8	$ (98)
Plus: (Gains) losses on fair value hedging activity included in interest expense	6	(41)
Total (gains) losses in GAAP net income	14	(139)
Plus: Reclassification of settlement income (expense) on derivative and hedging activities, net[1]	12	(19)
Mark-to-market (gains) losses on derivative and hedging activities, net[2]	26	(158)
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	2	4
Other derivative accounting adjustments[3]	(1)	(5)
Total net impact of derivative accounting	$ 27	$ (159)

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

(Dollars in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Reclassification of settlements on derivative and hedging activities:		
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ —	$ (19)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	12	—
Total reclassifications of settlement income (expense) on derivative and hedging activities	$ 12	$ (19)

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

(Dollars in millions)	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Fair value hedges	$ 4	$ (25)
Foreign currency hedges	2	(16)
Floor Income Contracts	—	(55)
Basis swaps	2	(2)
Other - LIBOR swaps	18	(60)
Total mark-to-market (gains) losses on derivative and hedging activities, net	$ 26	$ (158)

[3]Other derivative accounting adjustments consist of adjustments related to 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 March 31, 2023, derivative accounting has increased GAAP equity by approximately $81 million as a result of cumulative net mark-to-market gains (after tax) recognized under GAAP, but not in Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains and losses related to derivative accounting.

	Three Months Ended March 31,	
(Dollars in millions)	2023	2022
Beginning impact of derivative accounting on GAAP equity	$ 122	$ (299)
Net impact of net mark-to-market gains (losses) under derivative accounting[1]	(41)	236
Ending impact of derivative accounting on GAAP equity	$ 81	$ (63)

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

	Three Months Ended March 31,	
(Dollars in millions)	2023	2022
Total pre-tax net impact of derivative accounting recognized in net income[2]	$ (27)	$ 159
Tax and other impacts of derivative accounting adjustments	7	(37)
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	(21)	114
Net impact of net mark-to-market gains (losses) under derivative accounting	$ (41)	$ 236

[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 cash flow hedges. The table below shows the amount of hedged Floor Income that will be recognized in Core Earnings in future periods based on these hedge strategies.

(Dollars in millions)	March 31, 2023	March 31, 2022
Total hedged Floor Income, net of tax[(1)(2)]	$ 166	$ 289

[(1)] $217 million and $377 million on a pre-tax basis as of March 31, 2023 and March 31, 2022, respectively.

[(2)] Of the $166 million as of March 31, 2023, approximately $70 million, $39 million, $21 million and $18 million will be recognized as part of Core Earnings net income in the remainder of 2023, 2024, 2025 and 2026, respectively.

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

	Three Months Ended March 31,	
(Dollars in millions)	2023	2022
Core Earnings goodwill and acquired intangible asset adjustments	$ 3	$ 4

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 Adjusted Core Earnings is one of the measures we review internally when making management decisions regarding our performance and how we allocate resources, as this presentation is a useful basis for management and investors to further analyze Core Earnings. We also refer to this information in our presentations with credit rating agencies, lenders and investors.

The following table summarizes these expenses which are excluded:

	Three Months Ended March 31,	
(Dollars in millions)	2023	2022
Restructuring/other reorganization expenses	$ 4	$ 3
Regulatory-related expenses	2	1
Total	$ 6	$ 4

2. Tangible Equity and 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 Loan portfolio because FFELP Loans are no longer originated and the FFELP Loan portfolio bears a 3% maximum loss exposure under the terms of the federal guaranty. Management believes that excluding this portfolio from the ratio enhances its usefulness to investors. Management uses this ratio, in addition to other metrics, for analysis and decision making related to capital allocation decisions. The Adjusted Tangible Equity Ratio is calculated as:

(Dollars in millions)	March 31, 2023	March 31, 2022
Navient Corporation's stockholders' equity	$ 2,958	$ 2,824
Less: Goodwill and acquired intangible assets	703	722
Tangible Equity	2,255	2,102
Less: Equity held for FFELP Loans	211	255
Adjusted Tangible Equity	$ 2,044	$ 1,847
Divided by:		
Total assets	$ 66,913	$ 78,158
Less:		
Goodwill and acquired intangible assets	703	722
FFELP Loans	42,148	51,013
Adjusted tangible assets	$ 24,062	$ 26,423
Adjusted Tangible Equity Ratio	8.5 %	7.0 %

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

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

	Three Months Ended March 31,	
(Dollars in millions)	2023	2022
Pre-tax income	$ 5	$ 18
Plus:		
Depreciation and amortization expense[1]	—	1
EBITDA	$ 5	$ 19
Divided by:		
Total revenue	$ 72	$ 94
EBITDA margin	7 %	20 %

[1] There is no interest expense in this segment.

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

The allowance for loan losses on the Private Education Loan portfolio used for the three credit metrics below excludes the expected future recoveries on previously fully charged-off loans to better reflect the current expected credit losses remaining in connection with the loans on balance sheet that have not charged off. That is, as of March 31, 2023, the $974 million Private Education Loan allowance for loan losses excluding expected future recoveries on previously fully charged-off loans represents the current expected credit losses that remain in connection with the $18,275 million Private Education Loan portfolio. The $268 million of expected future recoveries on previously fully charged-off loans, which is collected over an average 15-year period, mechanically is a reduction to the overall allowance for loan losses. However, it is not related to the $18,275 million Private Education Loan portfolio on our balance sheet and, as a result, management excludes this impact to the allowance to better evaluate and assess our overall credit loss coverage on the Private Education Loan portfolio. We believe this provides a more meaningful and holistic view of the available credit loss coverage on our non-charged-off Private Education Loan portfolio. We believe this information is useful to our investors, lenders and rating agencies.

Allowance for Loan Losses Metrics – Private Education Loans

(Dollars in millions)	Three Months Ended March 31, 2023		2022	
Allowance at end of period (GAAP)	$	706	$	964
Plus: expected future recoveries on previously fully charged-off loans		268		321
Allowance at end of period excluding expected future recoveries on previously fully charged-off loans (Non-GAAP Financial Measure)	$	974	$	1,285
Ending total loans	$	18,981	$	21,052
Ending loans in repayment	$	18,258	$	20,257
Net charge-offs	$	75	$	69
Allowance coverage of charge-offs (annualized):				
GAAP		2.3		3.4
Adjustment(1)		.9		1.2
Non-GAAP Financial Measure(1)		3.2		4.6
Allowance as a percentage of the ending total loan balance:				
GAAP		3.7 %		4.6 %
Adjustment(1)		1.4		1.5
Non-GAAP Financial Measure(1)		5.1 %		6.1 %
Allowance as a percentage of the ending loans in repayment:				
GAAP		3.9 %		4.8 %
Adjustment(1)		1.5		1.5
Non-GAAP Financial Measure(1)		5.4 %		6.3 %

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

Legal Proceedings

For a discussion of legal matters as of March 31, 2023, please refer to “Note 9 – Commitments and Contingencies” to our consolidated financial statements included in this report, which is incorporated into this item by reference.

Risk Factors

The risk factors disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (the “Form 10-K”) should be considered together with information included in this Quarterly Report on Form 10-Q. These are not the only risks to which we are exposed. The following information amends and restates in their entirety the previously disclosed risk factors in our Form 10-K relating to adverse market conditions and potential inability to manage our liquidity risk or access liquidity and credit risk related to use of our derivatives. Except for such additional information, we believe there have been no material changes from the risk factors previously disclosed in our Form 10-K.

Adverse market conditions or an inability to effectively manage our liquidity risk or access liquidity 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 and the ability to access funds held at banks and other financial institutions 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 $6.0 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 or may be unable to access funds held at banks and other financial institutions due to such banks or financial institutions entering receivership or becoming insolvent, which could result in financial distress during times of financial stress or capital market disruptions.

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, for a period of time or indefinitely, will not perform its obligations under a contract or is not permitted to perform its obligations under a contract due to the counterparty entering receivership or becoming insolvent. 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 $1.7 billion of Euro denominated bonds outstanding as of March 31, 2023. 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.

Quantitative and Qualitative Disclosures about Market Risk

LIBOR Transition

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

We continue to work to align 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 will need to rely on federal legislation to transition to SOFR.

On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the LIBOR Act) was signed into law. The LIBOR Act provides that for contracts that contain no fallback provision or contain fallback provisions that do not identify a specific USD LIBOR benchmark replacement (including the SAP formula for FFELP Loans), a benchmark replacement based on SOFR, as recommended by the Federal Reserve Bank of New York, will automatically replace the USD LIBOR benchmark in the contract after June 30, 2023. On December 16, 2022, the Federal Reserve Bank of New York adopted a final rule that implements the LIBOR Act by identifying benchmark rates based on SOFR that will replace LIBOR in certain financial contracts after June 30, 2023. Following the enactment and implementation of the LIBOR Act, all of our financial instruments which are currently indexed to USD LIBOR will transition to SOFR by no later than June 30, 2023. Specifically, after June 30, 2023, the SAP formula for FFELP Loans will transition to 30-day Average SOFR and our LIBOR-indexed FFELP ABS contracts that are subject to the LIBOR Act will transition to 30-day or 90-day Average SOFR. Our LIBOR-indexed Private Education Loan ABS contracts that are subject to the LIBOR Act will transition to 1-month or 3-month Term SOFR. Similarly, our LIBOR-indexed Private Education Loans will transition to 1-month or 3-month Term SOFR. Our LIBOR-indexed derivatives will transition to the Fallback Rate (SOFR) as defined in the ISDA 2020 IBOR Fallbacks Protocol published by the International Swaps and Derivatives Association, Inc. on October 23, 2020.

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 the Secured Overnight Financing Rate (SOFR) may create uncertainty in the capital markets and may negatively impact the value of existing LIBOR based financial instruments and our financial results and business" in our Form 10-K.

Interest Rate Sensitivity Analysis

Our interest rate risk management seeks to limit the impact of short-term movements in interest rates on our results of operations and financial position. The following tables summarize the potential effect on earnings over the next 12 months and the potential effect on fair values of balance sheet assets and liabilities at March 31, 2023 and 2022, 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 March 31, 2023 Impact on Annual Earnings If: Interest Rates		As of March 31, 2022 Impact on Annual Earnings If: Interest Rates	
(Dollars in millions, except per share amounts)	Increase 100 Basis Points	Decrease 100 Basis Points	Increase 100 Basis Points	Decrease 100 Basis Points
Effect on Earnings:				
Change in pre-tax net income before mark-to-market gains (losses) on derivative and hedging activities	$ 39	$ (26)	$ 25	$ 4
Mark-to-market gains (losses) on derivative and hedging activities	32	(33)	43	(63)
Increase (decrease) in income before taxes	$ 71	$ (59)	$ 68	$ (59)
Increase (decrease) in net income after taxes	$ 55	$ (45)	$ 52	$ (45)
Increase (decrease) in diluted earnings per common share	$ .43	$ (.36)	$ .35	$ (.30)

(Dollars in millions)	Fair Value	At March 31, 2023 Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Decrease of 100 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 57,500	$ (100)	—	$ 148	—
Other earning assets	2,931	—	—	—	—
Other assets	3,559	24	1	(11)	—
Total assets gain/(loss)	$ 63,990	$ (76)	— %	$ 137	— %
Liabilities					
Interest-bearing liabilities	$ 60,019	$ (245)	— %	$ 264	— %
Other liabilities	814	121	15	(115)	(14)
Total liabilities (gain)/loss	$ 60,833	$ (124)	— %	$ 149	— %

(Dollars in millions)	Fair Value	At December 31, 2022 Interest Rates: Change from Increase of 100 Basis Points $	%	Change from Decrease of 100 Basis Points $	%
Effect on Fair Values:					
Assets					
Education Loans	$ 59,306	$ (81)	—	$ 120	—
Other earning assets	4,974	—	—	—	—
Other assets	3,571	36	1	(29)	(1)
Total assets gain/(loss)	$ 67,851	$ (45)	— %	$ 91	— %
Liabilities					
Interest-bearing liabilities	$ 63,531	$ (250)	— %	$ 272	— %
Other liabilities	922	125	14	(134)	(15)
Total liabilities (gain)/loss	$ 64,453	$ (125)	— %	$ 138	— %

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

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

In the preceding tables, under the scenario where interest rates increase or decrease by 100 basis points, the change in mark-to-market gains (losses) on derivative and hedging activities in both periods is primarily due to (i) the notional amount and remaining term of our derivative portfolio and related hedged debt and (ii) the interest rate environment. In both periods, the mark-to-market gains (losses) are primarily related to derivatives that don't qualify for hedge accounting that are used to economically hedge Floor Income as well as the origination of fixed rate Private Education Refinance loans. As a result of not qualifying for hedge accounting, there is not an offsetting mark- to-market of the hedged item in this analysis. The mark-to-market gains (losses) where interest rates increase and decrease 100 basis points are lower in 2023 than 2022 primarily as a result of 2023's higher interest rate environment's impact on derivatives used to hedge Floor Income and a decline in the notional amount of derivatives outstanding in connection with the decrease in the education loan portfolio over that time period.

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

Asset and Liability Funding Gap

The tables below present our assets and liabilities (funding) arranged by underlying indices as of March 31, 2023. 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	$ 2.2	$ —	$ 2.2
3-month Treasury bill	annual	.1	—	.1
Prime	annual	.1	—	.1
Prime	quarterly	1.2	—	1.2
Prime	monthly	4.1	—	4.1
3-month LIBOR	quarterly	.2	17.2	(17.0)
1-month LIBOR	monthly	2.6	24.8	(22.2)
1-month LIBOR	daily	39.7	—	39.7
SOFR[(2)]	various	.1	.7	(.6)
Non-Discrete reset[(2)(3)]	monthly	—	4.6	(4.6)
Non-Discrete reset[(4)]	daily/weekly	3.0	.1	2.9
Fixed Rate[(5)]		13.6	19.5	(5.9)
Total		$ 66.9	$ 66.9	$ —

(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	$ 2.2	$ —	$ 2.2
3-month Treasury bill	annual	.1	—	.1
Prime	annual	.1	—	.1
Prime	quarterly	1.2	—	1.2
Prime	monthly	4.1	—	4.1
3-month LIBOR	quarterly	.2	6.2	(6.0)
1-month LIBOR	monthly	2.6	34.3	(31.7)
1-month LIBOR	daily	39.7	—	39.7
SOFR[2]	various	.1	.7	(.6)
Non-Discrete reset[2][3]	monthly	—	4.6	(4.6)
Non-Discrete reset[4]	daily/weekly	3.0	.1	2.9
Fixed Rate[5]		13.7	21.1	(7.4)
Total		$ 67.0	$ 67.0	$ —

(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 to lock in the value of the Floor Income over the term of the contract. Interest earned on our Private Education Refinance Loans is generally fixed rate with the related cost of funds generally fixed rate as well. Interest earned on the remaining Private Education Loans is generally indexed to either one-month Prime or LIBOR rates and our cost of funds is primarily indexed to one-month or three-month LIBOR. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (which have occurred in prior years) can lead to a temporary divergence between indices resulting in a negative impact to our earnings.

Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchases

The following table provides information relating to our purchases of shares of our common stock in the three months ended March 31, 2023.

(In millions, except per share data)	Total Number of Shares Purchased[1]	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs[2]
Period:				
January 1 — January 31, 2023	1.6	$ 17.58	1.6	$ 573
February 1 — February 28, 2023	1.8	18.68	1.4	$ 547
March 1 — March 31, 2023	2.1	16.53	1.9	$ 515
Total first-quarter 2023	5.5	$ 17.52	4.9	

(1)The total number of shares purchased includes shares purchased under the stock repurchase program discussed below and tax withholding obligations in connection with vesting of restricted stock and restricted stock units.

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

Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our Principal Executive and Principal Financial Officers, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)) as of March 31, 2023. Based on this evaluation, our Principal Executive and Principal Financial Officers concluded that, as of March 31, 2023, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms and (b) accumulated and communicated to our management, including our Principal Executive and Principal Financial Officers as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended March 31, 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Exhibits

10.1†*	Form of Navient Corporation 2014 Omnibus Incentive Plan Performance Stock Unit Agreement.
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

NAVIENT CORPORATION

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

	March 31, 2023	December 31, 2022
Assets		
FFELP Loans (net of allowance for losses of $214 and $222, respectively)	$ 42,148	$ 43,525
Private Education Loans (net of allowance for losses of $706 and $800, respectively)	18,275	18,725
Investments		
Held-to-maturity	57	60
Other	96	107
Total investments	153	167
Cash and cash equivalents	570	1,535
Restricted cash and cash equivalents	2,208	3,272
Goodwill and acquired intangible assets, net	703	705
Other assets	2,856	2,866
Total assets	$ 66,913	$ 70,795
Liabilities		
Short-term borrowings	$ 5,753	$ 5,870
Long-term borrowings	57,388	61,026
Other liabilities	814	922
Total liabilities	63,955	67,818
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: 464 million and 461 million shares issued, respectively	4	4
Additional paid-in capital	3,335	3,313
Accumulated other comprehensive income (net of tax expense of $22 and $29, respectively)	66	87
Retained earnings	4,579	4,490
Total Navient Corporation stockholders' equity before treasury stock	7,984	7,894
Less: Common stock held in treasury at cost: 337 million and 331 million shares, respectively	(5,026)	(4,917)
Total Navient Corporation stockholders' equity	2,958	2,977
Noncontrolling interest	—	—
Total equity	2,958	2,977
Total liabilities and equity	$ 66,913	$ 70,795

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

	March 31, 2023	December 31, 2022
FFELP Loans	$ 42,086	$ 43,465
Private Education Loans	16,822	17,207
Restricted cash	2,180	3,233
Other assets, net	1,534	1,356
Short-term borrowings	4,520	4,458
Long-term borrowings	52,714	55,598
Net assets of consolidated variable interest entities	$ 5,388	$ 5,205

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended March 31, 2023	2022
Interest income:		
FFELP Loans	$ 693	$ 349
Private Education Loans	344	276
Cash and investments	34	1
Total interest income	1,071	626
Total interest expense	837	289
Net interest income	234	337
Less: provisions for loan losses	(14)	16
Net interest income after provisions for loan losses	248	321
Other income (loss):		
Servicing revenue	17	18
Asset recovery and business processing revenue	72	97
Other income	7	10
Gains (losses) on derivative and hedging activities, net	(8)	98
Total other income	88	223
Expenses:		
Salaries and benefits	105	120
Other operating expenses	80	85
Total operating expenses	185	205
Goodwill and acquired intangible asset impairment and amortization expense	3	4
Restructuring/other reorganization expenses	4	3
Total expenses	192	212
Income before income tax expense	144	332
Income tax expense	33	77
Net income	$ 111	$ 255
Basic earnings per common share	$ .87	$ 1.69
Average common shares outstanding	129	151
Diluted earnings per common share	$ .86	$ 1.67
Average common and common equivalent shares outstanding	130	153
Dividends per common share	$ .16	$ .16

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended March 31,	
	2023	2022
Net income	$ 111	$ 255
Net changes in cash flow hedges, net of taxes[1]	(21)	114
Total comprehensive income	$ 90	$ 369

[1] See "Note 4 – Derivative Financial Instruments."

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Common Stock Shares					Accumulated					
	Issued	Treasury	Outstanding	Common Stock	Additional Paid-In Capital	Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Stockholders' Equity	Noncontrolling Interest	Total Equity
Balance at December 31, 2021	458,629,384	(304,886,613)	153,742,771	$ 4	$ 3,282	$ (133)	$ 3,939	$ (4,495)	$ 2,597	$ 11	$ 2,608
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	255	—	255	—	255
Other comprehensive income (loss),net of tax	—	—	—	—	—	114	—	—	114	—	114
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	369	—	369
Cash dividends:											
Common stock ($.16 per share)	—	—	—	—	—	—	(24)	—	(24)	—	(24)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(3)	—	(3)	—	(3)
Issuance of common shares	2,359,901	—	2,359,901	—	11	—	—	—	11	—	11
Stock-based compensation expense	—	—	—	—	9	—	—	—	9	—	9
Common stock repurchased	—	(6,247,437)	(6,247,437)	—	—	—	—	(115)	(115)	—	(115)
Shares repurchased related to employee stock-based compensation plans	—	(1,110,584)	(1,110,584)	—	—	—	—	(20)	(20)	—	(20)
Net activity in noncontrolling interest	—	—	—	—	—	—	—	—	—	(5)	(5)
Balance at March 31, 2022	460,989,285	(312,244,634)	148,744,651	$ 4	$ 3,302	$ (19)	$ 4,167	$ (4,630)	$ 2,824	$ 6	$ 2,830
Balance at December 31, 2022	461,087,590	(330,878,152)	130,209,438	$ 4	$ 3,313	$ 87	$ 4,490	$ (4,917)	$ 2,977	$ —	$ 2,977
Comprehensive income (loss):											
Net income	—	—	—	—	—	—	111	—	111	—	111
Other comprehensive income (loss),net of tax	—	—	—	—	—	(21)	—	—	(21)	—	(21)
Total comprehensive income (loss)	—	—	—	—	—	—	—	—	90	—	90
Cash dividends:	—										
Common stock ($.16 per share)	—	—	—	—	—	—	(21)	—	(21)	—	(21)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(1)	—	(1)	—	(1)
Issuance of common shares	2,420,932	—	2,420,932	—	13	—	—	—	13	—	13
Stock-based compensation expense	—	—	—	—	9	—	—	—	9	—	9
Common stock repurchased	—	(4,888,812)	(4,888,812)	—	—	—	—	(85)	(85)	—	(85)
Shares repurchased related to employee stock-based compensation plans	—	(1,276,713)	(1,276,713)	—	—	—	—	(23)	(23)	—	(23)
Other	—	—	—	—	—	—	—	(1)	(1)	—	(1)
Balance at March 31, 2023	463,508,522	(337,043,677)	126,464,845	$ 4	$ 3,335	$ 66	$ 4,579	$ (5,026)	$ 2,958	$ —	$ 2,958

See accompanying notes to consolidated financial statements.

NAVIENT CORPORATION

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

	Three Months Ended March 31, 2023	Three Months Ended March 31, 2022
Cash flows from operating activities		
Net income	$ 111	$ 255
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Goodwill and acquired intangible asset impairment and amortization expense	3	4
Stock-based compensation expense	9	9
Mark-to-market (gains) losses on derivative and hedging activities, net	65	(314)
Provisions for loan losses	(14)	16
(Increase) decrease in accrued interest receivable	(12)	48
Decrease in accrued interest payable	(49)	(15)
Decrease in other assets	58	174
Decrease in other liabilities	(26)	(286)
Total adjustments	34	(364)
Net cash provided by (used in) operating activities	145	(109)
Cash flows from investing activities		
Education loans originated and acquired	(274)	(1,091)
Proceeds from payments on education loans	2,118	2,789
Other investing activities, net	4	53
Net cash provided by investing activities	1,848	1,751
Cash flows from financing activities		
Borrowings collateralized by loans in trust - issued	—	995
Borrowings collateralized by loans in trust - repaid	(3,047)	(3,296)
Asset-backed commercial paper conduits, net	189	391
Long-term unsecured notes repaid	(1,001)	—
Other financing activities, net	(57)	43
Common stock repurchased	(85)	(115)
Common dividends paid	(21)	(24)
Net cash used in financing activities	(4,022)	(2,006)
Net decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(2,029)	(364)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	4,807	3,578
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 2,778	$ 3,214
Supplemental disclosure of cash flow information:		
Cash disbursements made (refunds received) for:		
Interest paid	$ 845	$ 300
Income taxes paid	$ 6	$ 5
Income taxes refunds received	$ (2)	$ (4)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 570	$ 708
Restricted cash and restricted cash equivalents	2,208	2,506
Total cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 2,778	$ 3,214

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of Navient have been prepared in accordance with generally accepted accounting principles in the United States of America (GAAP) for interim financial information. Accordingly, they do not include all of the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of Navient and its majority-owned and controlled subsidiaries and those Variable Interest Entities (VIEs) for which we are the primary beneficiary, after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three months ended March 31, 2023 are not necessarily indicative of the results for the year ending December 31, 2022 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2022 (the 2022 Form 10-K). Definitions for certain capitalized terms used but not otherwise defined in this Quarterly Report on Form 10-Q can be found in our 2022 Form 10-K.

Recently Issued Accounting Pronouncements

Effective in 2020 and Forward

Rate Reform

In March 2020 (and as amended in December 2022), 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. One-month and three-month LIBOR will be discontinued after June 30, 2023. Our instruments that are indexed to one-month and three-month LIBOR will be indexed to SOFR after that date. There is $13 billion of debt as of March 31, 2023, that is in either a fair value or cash flow hedge relationship using LIBOR swaps. We will use the hedge accounting expedients in this ASU when those swaps transition to SOFR. As a result, these hedges will not result in the discontinuation of the existing hedge accounting relationships.

1. Significant Accounting Policies (Continued)

Troubled Debt Restructurings

In March 2022, the FASB issued ASU No. 2022-02, "Financial Instruments – Credit Losses: Troubled Debt Restructurings and Vintage Disclosures," which eliminates the troubled debt restructurings (TDRs) recognition and measurement guidance and instead requires an entity to evaluate whether the modification represents a new loan or a continuation of an existing loan. The ASU also enhances the disclosure requirements for certain modifications of receivables made to borrowers experiencing financial difficulty. This guidance was effective on January 1, 2023. Prior to adopting this new guidance on January 1, 2023, as it relates to interest rate concessions granted as part of our Private Education Loan modification program, a discounted cash flow model was used to calculate the amount of interest forgiven for loans that were in the program and the present value of that interest rate concession was included as a part of the allowance for loan loss. This new guidance no longer requires the measurement and recognition of this element of our allowance for loan loss for new modifications that occur subsequent to January 1, 2023. As of December 31, 2022, the allowance for loan loss included $77 million related to this interest rate concession component of the allowance for loan loss. We elected to adopt this amendment using a prospective transition method which results in the $77 million releasing in 2023 and 2024 as the borrowers exit their current modification programs. $52 million of the $77 million was released in first-quarter 2023.

2. Allowance for Loan Losses

Allowance for Loan Losses Roll Forward

	Three Months Ended March 31, 2023		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 222	$ 800	$ 1,022
Total provision	10	(24)	(14)
Charge-offs:			
Gross charge-offs	(18)	(88)	(106)
Expected future recoveries on current period gross charge-offs	—	13	13
Net charge-offs[1]	(18)	(75)	(93)
Decrease in expected future recoveries on previously fully charged-off loans[2]	—	5	5
Allowance at end of period	$ 214	$ 706	$ 920
Net charge-offs as a percentage of average loans in repayment (annualized)	.22 %	1.63 %	
Ending total loans	$ 42,362	$ 18,981	
Average loans in repayment	$ 34,305	$ 18,552	
Ending loans in repayment	$ 33,740	$ 18,258	

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

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

(Dollars in millions)	Three Months Ended March 31, 2023
Beginning of period expected future recoveries on previously fully charged-off loans	$ 274
Expected future recoveries of current period defaults	13
Recoveries (cash collected)	(13)
Charge-offs (as a result of lower recovery expectations)	(6)
End of period expected future recoveries on previously fully charged-off loans	268
Change in balance during period	$ (5)

2. Allowance for Loan Losses (Continued)

	Three Months Ended March 31, 2022		
(Dollars in millions)	FFELP Loans	Private Education Loans	Total
Allowance at beginning of period	$ 262	$ 1,009	$ 1,271
Total provision	—	16	16
Charge-offs:			
Gross charge-offs	(7)	(81)	(88)
Expected future recoveries on current period gross charge-offs	—	12	12
Net charge-offs[1]	(7)	(69)	(76)
Decrease in expected future recoveries on previously fully charged-off loans[2]	—	8	8
Allowance at end of period	$ 255	$ 964	$ 1,219
Net charge-offs as a percentage of average loans in repayment (annualized)	.07 %	1.38 %	
Ending total loans	$ 51,268	$ 21,052	
Average loans in repayment	$ 43,125	$ 20,387	
Ending loans in repayment	$ 42,724	$ 20,257	

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

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

(Dollars in millions)	Three Months Ended March 31, 2022
Beginning of period expected future recoveries on previously fully charged-off loans	$ 329
Expected future recoveries of current period defaults	12
Recoveries (cash collected)	(15)
Charge-offs (as a result of lower recovery expectations)	(5)
End of period expected future recoveries on previously fully charged-off loans	$ 321
Change in balance during period	$ (8)

2. Allowance for Loan Losses (Continued)

Key Credit Quality Indicators

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

FFELP Loans

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

	FFELP Loan Delinquencies					
	March 31, 2023		December 31, 2022		March 31, 2022	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[(1)]	$ 1,778		$ 1,772		$ 2,232	
Loans in forbearance[(2)]	6,844		7,603		6,312	
Loans in repayment and percentage of each status:						
Loans current	28,886	85.6 %	29,004	84.4 %	36,948	86.5 %
Loans delinquent 31-60 days[(3)]	1,270	3.8	1,247	3.6	1,888	4.4
Loans delinquent 61-90 days[(3)]	902	2.7	833	2.4	1,148	2.7
Loans delinquent greater than 90 days[(3)]	2,682	7.9	3,288	9.6	2,740	6.4
Total FFELP Loans in repayment	33,740	100 %	34,372	100 %	42,724	100 %
Total FFELP Loans	42,362		43,747		51,268	
FFELP Loan allowance for losses	(214)		(222)		(255)	
FFELP Loans, net	$ 42,148		$ 43,525		$ 51,013	
Percentage of FFELP Loans in repayment		79.6 %		78.6 %		83.3 %
Delinquencies as a percentage of FFELP Loans in repayment		14.4 %		15.6 %		13.5 %
FFELP Loans in forbearance as a percentage of loans in repayment and forbearance		16.9 %		18.1 %		12.9 %

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

(2) Loans for customers who have used their allowable deferment time or do not qualify for deferment, that need additional time to obtain employment or who have temporarily ceased making full payments due to hardship or other factors 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)	March 31, 2023	March 31, 2022	Change
Stafford Loans	$ 13,592	$ 15,975	$ (2,383)
Consolidation Loans	24,697	30,665	(5,968)
Rehab Loans	4,073	4,628	(555)
Total loans, gross	$ 42,362	$ 51,268	$ (8,906)

2. Allowance for Loan Losses (Continued)

Private Education Loans

The key credit quality indicators are credit scores (FICO scores), loan status, loan seasoning, certain loan modifications, 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 March 31, 2023							
(Dollars in millions)	2023	2022	2021	2020	2019	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 167	$ 1,761	$ 4,368	$ 1,438	$ 1,353	$ 8,133	$ 17,220	91 %
Below 640	3	40	92	24	43	1,559	1,761	9
Total	$ 170	$ 1,801	$ 4,460	$ 1,462	$ 1,396	$ 9,692	$ 18,981	100 %
Loan Status:								
In-school/grace/ deferment/forbearance	$ 9	$ 67	$ 91	$ 27	$ 31	$ 498	$ 723	4 %
Current/90 days or less delinquent	161	1,729	4,360	1,432	1,359	8,853	17,894	94
Greater than 90 days delinquent	—	5	9	3	6	341	364	2
Total	$ 170	$ 1,801	$ 4,460	$ 1,462	$ 1,396	$ 9,692	$ 18,981	100 %
Seasoning(1):								
1-12 payments	$ 161	$ 1,386	$ 80	$ 9	$ 8	$ 71	$ 1,715	9 %
13-24 payments	—	362	4,084	32	23	86	4,587	24
25-36 payments	—	—	242	1,251	106	157	1,756	9
37-48 payments	—	—	—	155	1,190	272	1,617	9
More than 48 payments	—	—	—	—	53	8,884	8,937	47
Loans in-school/ grace/deferment	9	53	54	15	16	222	369	2
Total	$ 170	$ 1,801	$ 4,460	$ 1,462	$ 1,396	$ 9,692	$ 18,981	100 %
Certain Loan Modifications(2):								
Modified	$ —	$ 14	$ 89	$ 38	$ 72	$ 6,279	$ 6,492	34 %
Non-Modified	170	1,787	4,371	1,424	1,324	3,413	12,489	66
Total	$ 170	$ 1,801	$ 4,460	$ 1,462	$ 1,396	$ 9,692	$ 18,981	100 %
Cosigners:								
With cosigner(3)	$ 35	$ 189	$ 103	$ 26	$ 9	$ 5,894	$ 6,256	33 %
Without cosigner	135	1,612	4,357	1,436	1,387	3,798	12,725	67
Total	$ 170	$ 1,801	$ 4,460	$ 1,462	$ 1,396	$ 9,692	$ 18,981	100 %
School Type:								
Not-for-profit	$ 158	$ 1,704	$ 4,202	$ 1,397	$ 1,300	$ 8,150	$ 16,911	89 %
For-profit	12	97	258	65	96	1,542	2,070	11
Total	$ 170	$ 1,801	$ 4,460	$ 1,462	$ 1,396	$ 9,692	$ 18,981	100 %
Allowance for loan losses							(706)	
Total loans, net							$ 18,275	
1Q-23 Net Charge-Offs	$ —	$ (2)	$ (2)	$ (1)	$ (2)	$ (68)	$ (75)	100 %

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

(2)Loan Modification status represents the historical definition of a troubled debt restructuring ("TDR") prior to the implementation of ASU 2022-02 on January 1, 2023. Any loan that meets the historical definition of a TDR retains that classification for the life of the loan (including loans that meet that definition in 2023). This includes loans given rate modifications, term extensions or forbearance greater than 3 months in the prior 24-month period. This classification is not intended to reconcile in any way to the new modification disclosures required under ASU 2022-02.

(3)Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at March 31, 2023.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Credit Quality Indicators by Origination Year March 31, 2022							
(Dollars in millions)	2022	2021	2020	2019	2018	Prior	Total	% of Total
Credit Quality Indicators								
FICO Scores:								
640 and above	$ 948	$ 5,037	$ 1,783	$ 1,683	$ 626	$ 9,314	$ 19,391	92 %
Below 640	8	44	16	37	21	1,535	$ 1,661	8
Total	$ 956	$ 5,081	$ 1,799	$ 1,720	$ 647	$ 10,849	$ 21,052	100 %
Loan Status:								
In-school/grace/deferment/forbearance	$ 5	$ 64	$ 25	$ 34	$ 13	$ 654	$ 795	4 %
Current/90 days or less delinquent	951	5,015	1,772	1,684	632	9,889	$ 19,943	95
Greater than 90 days delinquent	—	2	2	2	2	306	314	1
Total	$ 956	$ 5,081	$ 1,799	$ 1,720	$ 647	$ 10,849	$ 21,052	100 %
Seasoning(1):								
1-12 payments	$ 951	$ 4,740	$ 26	$ 17	$ 3	$ 115	$ 5,852	28 %
13-24 payments	—	300	1,555	108	11	134	$ 2,108	10
25-36 payments	—	—	201	1,507	46	225	$ 1,979	9
37-48 payments	—	—	—	68	545	369	$ 982	5
More than 48 payments	—	—	—	—	35	9,719	$ 9,754	46
Loans in-school/grace/deferment	5	41	17	20	7	287	377	2
Total	$ 956	$ 5,081	$ 1,799	$ 1,720	$ 647	$ 10,849	$ 21,052	100 %
Certain Loan Modifications(2):								
Modified	$ —	$ 9	$ 15	$ 43	$ 28	$ 6,998	$ 7,093	34 %
Non-Modified	956	5,072	1,784	1,677	619	3,851	13,959	66
Total	$ 956	$ 5,081	$ 1,799	$ 1,720	$ 647	$ 10,849	$ 21,052	100 %
Cosigners:								
With cosigner(3)	$ 11	$ 97	$ 31	$ 11	$ —	$ 6,994	$ 7,144	34 %
Without cosigner	945	4,984	1,768	1,709	647	3,855	13,908	66
Total	$ 956	$ 5,081	$ 1,799	$ 1,720	$ 647	$ 10,849	$ 21,052	100 %
School Type:								
Not-for-profit	$ 893	$ 4,786	$ 1,719	$ 1,602	$ 595	$ 9,048	$ 18,643	89 %
For-profit	63	295	80	118	52	1,801	2,409	11
Total	$ 956	$ 5,081	$ 1,799	$ 1,720	$ 647	$ 10,849	$ 21,052	100 %
Allowance for loan losses							(964)	
Total loans, net							$ 20,088	

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

(2)Loan Modification status represents the historical definition of a troubled debt restructuring ("TDR") prior to the implementation of ASU 2022-02 on January 1, 2023. Any loan that meets the historical definition of a TDR retains that classification for the life of the loan (including loans that meet that definition in 2023). This includes loans given rate modifications, term extensions or forbearance greater than 3 months in the prior 24-month period. This classification is not intended to reconcile in any way to the new modification disclosures required under ASU 2022-02.

(3)Excluding Private Education Refinance Loans, which do not have a cosigner, the cosigner rate was 65% for total loans at March 31, 2022.

2. Allowance for Loan Losses (Continued)

	Private Education Loan Delinquencies					
	March 31, 2023		December 31, 2022		March 31, 2022	
(Dollars in millions)	Balance	%	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 369		$ 354		$ 377	
Loans in forbearance[2]	354		401		418	
Loans in repayment and percentage of each status:						
Loans current	17,439	95.5 %	17,838	95.0 %	19,447	96.0 %
Loans delinquent 31-60 days[3]	290	1.6	335	1.8	290	1.4
Loans delinquent 61-90 days[3]	165	.9	186	1.0	206	1.0
Loans delinquent greater than 90 days[3]	364	2.0	411	2.2	314	1.6
Total loans in repayment	18,258	100 %	18,770	100 %	20,257	100 %
Total loans	18,981		19,525		21,052	
Allowance for losses	(706)		(800)		(964)	
Loans, net	$ 18,275		$ 18,725		$ 20,088	
Percentage of loans in repayment		96.2 %		96.1 %		96.2 %
Delinquencies as a percentage of loans in repayment		4.5 %		5.0 %		4.0 %
Loans in forbearance as a percentage of loans in repayment and forbearance		1.9 %		2.1 %		2.0 %

(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.

2. Allowance for Loan Losses (Continued)

Loan Modifications to Borrowers Experiencing Financial Difficulty

We adjust the terms of Private Education Loans for certain borrowers when we believe such changes will help our customers better manage their student loan obligations, achieve better outcomes and increase the collectability of the loans. These changes generally take the form of a temporary interest rate reduction, a temporary forbearance of payments, a temporary interest only payment, and a temporary interest rate reduction with a permanent extension of the loan term. The effect of most modifications of loans made to borrowers who are experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance. The model design predicts borrowers that will have financial difficulty in the future and require loan modification and increased life of loan default risk.

Under our current forbearance practices, temporary hardship forbearance of payments generally cannot exceed 12 months over the life of the loan. However, exceptions can be made in cases where borrowers have shown the ability to make a substantial number of monthly principal and interest payments and in those cases borrowers can be granted up to 24 months of hardship forbearance over the life of the loan. We offer other administrative forbearances (e.g., death and disability, bankruptcy, military service, and disaster forbearance) that are either required by law (such as the Servicemembers Civil Relief Act) or are considered separate from our active loss mitigation programs and therefore are not considered to be loan modifications requiring disclosure under ASU No. 2022-02.

FFELP loans are at least 97 percent guaranteed as to their principal and accrued interest by the federal government in the event of default and, therefore, we do not deem FFELP loans as nonperforming from a credit risk perspective at any point in their life cycle prior to claim payment and continue to accrue interest on those loans through the date of claim. Further, FFELP loan modification events are either legal entitlements subject to regulatory-driven eligibility criteria or addressed in the promissory note terms, so we do not consider these events as a component of our loan modification programs.

The following table shows the amortized cost basis as of March 31, 2023 of the loans to borrowers experiencing financial difficulty that were modified in first-quarter 2023.

	Loan Modifications Made to Borrowers Experiencing Financial Difficulty					
(Dollars in millions)	Interest Rate Reductions[1]		More Than an Insignificant Payment Delay [2]		Combination Rate Reduction and Term Extension	
Loan Type	Amortized Cost	% of Loan Type	Amortized Cost	% of Loan Type	Amortized Cost	% of Loan Type
Private Education Loans	$ 611	3.2 %	$ 275	1.4 %	$ 46	.2 %

(1) As of March 31, 2023, there was $1.1 billion of loans in the interest rate reduction program.

(2) More Than an Insignificant Payment Delay includes loans granted more than 3 months of short-term interest only payments or hardship forbearance in first-quarter 2023.

For those loans modified in first-quarter 2023, the following table shows the impact of such modification.

Loan Type	Interest Rate Reductions	More Than an Insignificant Payment Delay	Combination Rate Reduction and Term Extension
Private Education Loans	Reduced the weighted average contractual rate from 12.9% to 4.9%	Added an average 6 months to the remaining life of the loans	Added an average 8 years to the remaining life of the loans and reduced the weighted average contractual rate from 12.5% to 5.1%.

2. Allowance for Loan Losses (Continued)

The following table provides the amount of loans whose borrowers were experiencing financial difficulty, were modified during first-quarter 2023 and subsequently had a payment default in first-quarter 2023. We define payment default as 60 days past due for purposes of this disclosure. We closely monitor performance of the loans to borrowers experiencing financial difficulty that are modified to understand the effectiveness of the modification efforts.

(Dollars in millions) Loan Type	Modified Loans (Amortized Cost)	Payment Default (Par)
Private Education Loans[1]	$ 2	$ 2

[1]For first-quarter 2023, the modified loans include $1.6 million of Interest Rate Reduction and $0.1 million of Combination Rate Reduction and Term Extension.

The following table provides the performance and related loan status as of March 31, 2023 of loans that were modified in first-quarter 2023.

(Dollars in millions) Loan Type: Private Education Loans[1]	Status	Payment status (Amortized Cost)
	Loans in School/Deferment	$ 2
	Loans in Forbearance	22
	Loans current	891
	Loans delinquent 31 - 60 days	8
	Loans delinquent 61 - 90 days	2
	Loans delinquent greater than 90 days	7
	Total Modified Loans	$ 932

[1]For first-quarter 2023, $0.4 million of loans modified during the quarter were charged off.

Prior to our adoption of ASU 2022-02 on January 1, 2023, we accounted for a modification to the contractual terms of a loan that resulted in granting a concession to a borrower experiencing financial difficulties as a TDR. 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 were classified as TDRs.

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

(Dollars in millions)	Three Months Ended March 31, 2022
Modified loans	$ 55
Charge-offs	$ 56
Payment default	$ 9

3. Borrowings

The following table summarizes our borrowings.

(Dollars in millions)	March 31, 2023 Short Term	March 31, 2023 Long Term	March 31, 2023 Total	December 31, 2022 Short Term	December 31, 2022 Long Term	December 31, 2022 Total
Unsecured borrowings:						
Senior unsecured debt(1)	$ 1,149	$ 4,864	$ 6,013	$ 1,301	$ 5,711	$ 7,012
Total unsecured borrowings	1,149	4,864	6,013	1,301	5,711	7,012
Secured borrowings:						
FFELP Loan securitizations(2)(3)	68	40,275	40,343	76	42,675	42,751
Private Education Loan securitizations(4)	648	12,187	12,835	725	12,744	13,469
FFELP Loan ABCP facilities	887	428	1,315	923	386	1,309
Private Education Loan ABCP facilities	2,917	—	2,917	2,734	—	2,734
Other(5)	105	—	105	121	—	121
Total secured borrowings	4,625	52,890	57,515	4,579	55,805	60,384
Total before hedge accounting adjustments	5,774	57,754	63,528	5,880	61,516	67,396
Hedge accounting adjustments	(21)	(366)	(387)	(10)	(490)	(500)
Total	$ 5,753	$ 57,388	$ 63,141	$ 5,870	$ 61,026	$ 66,896

(1) Includes principal amount of $1.1 billion and $1.3 of short-term debt as of March 31, 2023 and December 31, 2022, respectively. Includes principal amount of $4.9 billion and $5.7 billion of long-term debt as of March 31, 2023 and December 31, 2022, respectively.

(2) Includes $68 million and $76 million of short-term debt related to the FFELP Loan ABS repurchase facilities (FFELP Loan Repurchase Facilities) as of March 31, 2023 and December 31, 2022, respectively.

(3) Includes defaulted FFELP secured debt tranches with a remaining principal amount of $685 million as of March 31, 2023 as a result of not maturing by their respective contractual maturity dates. Notices were delivered to the trustee, rating agencies and bondholders alerting them to these maturity date defaults. At this time, it is expected the bonds will be paid in full between 2030 and 2035. There is no impact to the principal amount owed or the coupon at which the bonds accrue, and there is no revised contractual maturity date.

(4) Includes $648 million and $725 million of short-term debt related to the Private Education Loan ABS repurchase facilities (Private Education Loan Repurchase Facilities) as of March 31, 2023 and December 31, 2022, respectively.

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

3. Borrowings (Continued)

Variable Interest Entities

We consolidated the following financing VIEs as of March 31, 2023 and December 31, 2022, as we are the primary beneficiary. As a result, these VIEs are accounted for as secured borrowings.

	March 31, 2023						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ 68	$ 40,275	$ 40,343	$ 40,755	$ 1,612	$ 1,578	$ 43,945
Private Education Loan securitizations	648	12,187	12,835	13,609	396	97	14,102
FFELP Loan ABCP facilities	887	428	1,315	1,331	35	46	1,412
Private Education Loan ABCP facilities	2,917	—	2,917	3,213	137	40	3,390
Total before hedge accounting adjustments	4,520	52,890	57,410	58,908	2,180	1,761	62,849
Hedge accounting adjustments	—	(176)	(176)	—	—	(227)	(227)
Total	$ 4,520	$ 52,714	$ 57,234	$ 58,908	$ 2,180	$ 1,534	$ 62,622

	December 31, 2022						
	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
(Dollars in millions)	Short Term	Long Term	Total	Loans	Cash	Other Assets	Total
Secured Borrowings — VIEs:							
FFELP Loan securitizations	$ 76	$ 42,675	$ 42,751	$ 42,148	$ 2,705	$ 1,544	$ 46,397
Private Education Loan securitizations	725	12,744	13,469	14,168	367	105	14,640
FFELP Loan ABCP facilities	923	386	1,309	1,317	39	44	1,400
Private Education Loan ABCP facilities	2,734	—	2,734	3,039	122	(81)	3,080
Total before hedge accounting adjustments	4,458	55,805	60,263	60,672	3,233	1,612	65,517
Hedge accounting adjustments	—	(207)	(207)	—	—	(256)	(256)
Total	$ 4,458	$ 55,598	$ 60,056	$ 60,672	$ 3,233	$ 1,356	$ 65,261

4. Derivative Financial Instruments

Summary of Derivative Financial Statement Impact

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

Impact of Derivatives on Balance Sheet

(Dollars in millions)	Hedged Risk Exposure	Cash Flow Mar 31, 2023	Cash Flow Dec 31, 2022	Fair Value[3] Mar 31, 2023	Fair Value[3] Dec 31, 2022	Trading Mar 31, 2023	Trading Dec 31, 2022	Total Mar 31, 2023	Total Dec 31, 2022
Fair Values[1]									
Derivative Assets:									
Interest rate swaps	Interest rate	$ —	$ —	$ 72	$ 55	$ 1	$ 1	$ 73	$ 56
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	—	—	—	—	—	—
Total derivative assets[2]		—	—	72	55	1	1	73	56
Derivative Liabilities:									
Interest rate swaps	Interest rate	—	—	—	(2)	(3)	(3)	(3)	(5)
Floor Income Contracts	Interest rate	—	—	—	—	—	—	—	—
Cross-currency interest rate swaps	Foreign currency and interest rate	—	—	(224)	(253)	—	—	(224)	(253)
Total derivative liabilities[2]		—	—	(224)	(255)	(3)	(3)	(227)	(258)
Net total derivatives		$ —	$ —	$ (152)	$ (200)	$ (2)	$ (2)	$ (154)	$ (202)

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

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

(Dollar in millions)	Other Assets March 31, 2023	Other Assets December 31, 2022	Other Liabilities March 31, 2023	Other Liabilities December 31, 2022
Gross position	$ 73	$ 56	$ (227)	$ (258)
Impact of master netting agreements	—	—	—	—
Derivative values with impact of master netting agreements (as carried on balance sheet)	73	56	(227)	(258)
Cash collateral (held) pledged	(65)	(80)	51	62
Net position	$ 8	$ (24)	$ (176)	$ (196)

(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 March 31, 2023 Carrying Value	As of March 31, 2023 Hedge Basis Adjustments	As of December 31, 2022 Carrying Value	As of December 31, 2022 Hedge Basis Adjustments
Short-term borrowings	$ 1,126	$ (21)	$ 1,289	$ (10)
Long-term borrowings	$ 5,374	$ (370)	$ 6,188	$ (494)

4. Derivative Financial Instruments (Continued)

The above fair values include adjustments when necessary for counterparty credit risk for both when we are exposed to the counterparty, net of collateral postings, and when the counterparty is exposed to us, net of collateral postings. The net adjustments decreased the asset position at March, 31, 2023 and December 31, 2022 by $5 million and $6 million, respectively. In addition, the above fair values reflect adjustments for illiquid derivatives as indicated by a wide bid/ask spread in the interest rate indices to which the derivatives are indexed. These adjustments decreased the overall net asset positions at March 31, 2023 and December 31, 2022 by $1 million and $1 million, respectively.

	Cash Flow		Fair Value		Trading		Total	
(Dollars in billions)	Mar 31, 2023	Dec 31, 2022	Mar 31, 2023	Dec 31, 2022	Mar 31, 2023	Dec 31, 2022	Mar 31, 2023	Dec 31, 2022
Notional Values:								
Interest rate swaps	$ 6.4	$ 8.3	$ 5.2	$ 6.2	$ 13.3	$ 17.4	$ 24.9	$ 31.9
Floor Income Contracts	—	—	—	—	6.0	6.0	6.0	6.0
Cross-currency interest rate swaps	—	—	1.7	1.8	—	—	1.7	1.8
Total derivatives	$ 6.4	$ 8.3	$ 6.9	$ 8.0	$ 19.3	$ 23.4	$ 32.6	$ 39.7

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

	Total Gains (Losses) Three Months Ended March 31,	
(Dollars in millions)	2023	2022
Fair Value Hedges:		
Interest Rate Swaps		
Gains (losses) recognized in net income on derivatives	$ 78	$ (288)
Gains (losses) recognized in net income on hedged items	(82)	313
Net fair value hedge ineffectiveness gains (losses)	(4)	25
Cross currency interest rate swaps		
Gains (losses) recognized in net income on derivatives	29	(36)
Gains (losses) recognized in net income on hedged items	(31)	52
Net fair value hedge ineffectiveness gains (losses)	(2)	16
Total fair value hedges(1)(2)	(6)	41
Cash Flow Hedges:		
Total cash flow hedges(2)	—	—
Trading:		
Interest rate swaps	(8)	62
Floor income contracts	—	36
Cross currency interest rate swaps	—	—
Other	—	—
Total trading derivatives(3)	(8)	98
Mark-to-market gains (losses) recognized	$ (14)	$ 139

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

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

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

4. Derivative Financial Instruments (Continued)

Impact of Derivatives on Other Comprehensive Income (Equity)

(Dollars in millions)	Three Months Ended March 31, 2023	2022
Total gains (losses) on cash flow hedges	$ (3)	$ 93
Reclassification adjustments for derivative (gains) losses included in net income (interest expense)[1]	(18)	21
Net changes in cash flow hedges, net of tax	$ (21)	$ 114

[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)	March 31, 2023	December 31, 2022
Collateral held:		
Cash (obligation to return cash collateral is recorded in short-term borrowings)	$ 65	$ 80
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]	—	—
Total collateral held	$ 65	$ 80
Derivative asset at fair value including accrued interest	$ 73	$ 85
Collateral pledged to others:		
Cash (right to receive return of cash collateral is recorded in investments)	$ 51	$ 62
Total collateral pledged	$ 51	$ 62
Derivative liability at fair value including accrued interest and premium receivable	$ 235	$ 266

[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 $0 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.

The table below highlights credit exposure related to our derivative counterparties at March 31, 2023.

(Dollars in millions)	Corporate Contracts	Securitization Trust Contracts
Exposure, net of collateral	$ 13	$ —
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	100 %	— %
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	— %	— %

5. Other Assets

The following table provides the detail of our other assets.

(Dollars in millions)	March 31, 2023	December 31, 2022
Accrued interest receivable	$ 2,043	$ 2,031
Benefit and insurance-related investments	454	452
Income tax asset, net	111	132
Derivatives at fair value	73	56
Accounts receivable	78	83
Fixed assets	69	74
Other	28	38
Total	$ 2,856	$ 2,866

6. Stockholders' Equity

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

	Three Months Ended March 31,	
(Dollars and shares in millions, except per share amounts)	**2023**	**2022**
Common stock repurchased[1]	4.9	6.2
Common stock repurchased (in dollars)[1]	$ 85	$ 115
Average purchase price per share[1]	$ 17.40	$ 18.41
Remaining common stock repurchase authority[1]	$ 515	$ 885
Shares repurchased related to employee stock-based compensation plans[2]	1.3	1.1
Average purchase price per share[2]	$ 18.44	$ 17.92
Common shares issued[3]	2.4	2.4
Dividends paid	$ 21	$ 24
Dividends per share	$ .16	$ .16

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

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

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

The closing price of our common stock on March 31, 2023 was $15.99.

7. Earnings (Loss) per Common Share

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

	Three Months Ended March 31,	
(In millions, except per share data)	**2023**	**2022**
Numerator:		
Net income	$ 111	$ 255
Denominator:		
Weighted average shares used to compute basic EPS	129	151
Effect of dilutive securities:		
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units, and Employee Stock Purchase Plan (ESPP)[1]	1	2
Dilutive potential common shares[2]	1	2
Weighted average shares used to compute diluted EPS	130	153
Basic earnings per common share	$ .87	$ 1.69
Diluted earnings per common share	$ .86	$ 1.67

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

(2) For the three months ended March 31, 2023 and 2022, securities covering approximately 0 million and 0 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

8. Fair Value Measurements

We use estimates of fair value in applying various accounting standards in our financial statements. We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. The fair value of the items discussed below are separately disclosed in this footnote.

During the three months ended March 31, 2023, there were no significant transfers of financial instruments between levels, or changes in our methodology used to value our financial instruments.

The following table summarizes the valuation of our financial instruments that are marked-to-market on a recurring basis. During the first quarters of 2023 and 2022, there were no significant transfers of financial instruments between levels.

	Fair Value Measurements on a Recurring Basis							
	March 31, 2023				December 31, 2022			
(Dollars in millions)	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Derivative instruments:[1]								
Interest rate swaps	—	72	1	73	—	55	1	56
Cross-currency interest rate swaps	—	—	—	—	—	—	—	—
Total derivative assets[2]	—	72	1	73	—	55	1	56
Total	$ —	$ 72	$ 1	$ 73	$ —	$ 55	$ 1	$ 56
Liabilities[3]								
Derivative instruments[1]								
Interest rate swaps	$ —	$ —	$ (3)	$ (3)	$ —	$ (2)	$ (3)	$ (5)
Floor Income Contracts	—	—	—	—	—	—	—	—
Cross-currency interest rate swaps	—	—	(224)	(224)	—	—	(253)	(253)
Total derivative liabilities[2]	—	—	(227)	(227)	—	(2)	(256)	(258)
Total	$ —	$ —	$ (227)	$ (227)	$ —	$ (2)	$ (256)	$ (258)

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

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

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

8. Fair Value Measurements (Continued)

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

	Three Months Ended March 31,							
	2023				2022			
	Derivative instruments				Derivative instruments			
(Dollars in millions)	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments	Interest Rate Swaps	Cross Currency Interest Rate Swaps	Other	Total Derivative Instruments
Balance, beginning of period	$ (2)	$ (253)	$ —	$ (255)	$ (4)	$ (190)	$ —	$ (194)
Total gains/(losses):								
Included in earnings[1]	—	15	—	15	1	(41)	—	(40)
Included in other comprehensive income	—	—	—	—	—	—	—	—
Settlements	—	14	—	14	—	5	—	5
Transfers in and/or out of level 3	—	—	—	—	—	—	—	—
Balance, end of period	$ (2)	$ (224)	$ —	$ (226)	$ (3)	$ (226)	$ —	$ (229)
Change in mark-to-market gains/(losses) relating to instruments still held at the reporting date[2]	$ —	$ 29	$ —	$ 29	$ 1	$ (36)	$ —	$ (35)

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

	Three Months Ended March 31,	
(Dollars in millions)	2023	2022
Gains (losses) on derivative and hedging activities, net	$ —	$ 1
Interest expense	15	(41)
Total	$ 15	$ (40)

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

8. Fair Value Measurements (Continued)

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

(Dollars in millions)	Fair Value at March 31, 2023	Valuation Technique	Input	Range and Weighted Average
Derivatives				
Prime/LIBOR basis swaps	$ (2)	Discounted cash flow	Constant Prepayment Rate	10%
			Bid/ask adjustment to discount rate	.08%
Cross-currency interest rate swaps	(224)	Discounted cash flow	Constant Prepayment Rate	5%
Other	—			
Total	$ (226)			

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

	March 31, 2023			December 31, 2022		
(Dollars in millions)	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets						
FFELP Loans	$ 39,970	$ 42,148	$ (2,178)	$ 41,426	$ 43,525	$ (2,099)
Private Education Loans	17,530	18,275	(745)	17,880	18,725	(845)
Cash and investments	2,931	2,931	—	4,974	4,974	—
Total earning assets	60,431	63,354	(2,923)	64,280	67,224	(2,944)
Interest-bearing liabilities						
Short-term borrowings	5,758	5,753	(5)	5,879	5,870	(9)
Long-term borrowings	54,261	57,388	3,127	57,652	61,026	3,374
Total interest-bearing liabilities	60,019	63,141	3,122	63,531	66,896	3,365
Derivative financial instruments						
Floor Income Contracts	—	—	—	—	—	—
Interest rate swaps	70	70	—	51	51	—
Cross-currency interest rate swaps	(224)	(224)	—	(253)	(253)	—
Other	—	—	—	—	—	—
Excess of net asset fair value over carrying value			$ 199			$ 421

9. 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

In January 2017, the Consumer Financial Protection Bureau (the CFPB) and Attorneys General for the State of Illinois and the State of Washington initiated civil actions naming Navient Corporation and several of its subsidiaries as defendants alleging violations of certain Federal and State consumer protection statutes, including the CFPA, FCRA, FDCPA and various state consumer protection laws. The Attorneys General for the States of Pennsylvania, California, Mississippi, and New Jersey also initiated actions against the Company and certain subsidiaries alleging violations of various state and federal consumer protection laws based upon similar alleged acts or failures to act. In addition to these matters, a number of lawsuits have been filed by nongovernmental parties or, in the future, may be filed by additional governmental or nongovernmental parties seeking damages or other remedies related to similar issues raised by the CFPB and the State Attorneys General. In January 2022, we entered into a series of Consent Judgment and Orders (the “Agreements”) with 40 State Attorneys General to resolve all matters in dispute related to the State Attorneys General cases as well as the related investigations, subpoenas, civil investigative demands and inquiries from various other state regulators. These Agreements do not resolve the litigation involving the Company and the CFPB.

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.

On April 12, 2023, the Company reached an agreement in principle (“Settlement”) with certain plaintiffs for a nationwide settlement of claims raised in the following bankruptcy adversary actions: Coyle v. Navient Solutions, LLC, No. 22-80018 (Bankr. W.D. Mich.); Homaidan v. SLM Corp., No. 1:17-ap-01085 (Bankr. E.D.N.Y.); Mazloom v. Navient Solutions, LLC, No. 20-80033-6 (Bankr. N.D.N.Y.); and Woodard v. Navient Solutions, LLC, No. 08-81442 (Bankr. D. Neb.) collectively referred to as the “Bankruptcy Cases.” This settlement in principle is subject, among other things, to final documentation and final court approval. Under the Settlement, Navient will forego the collection of defined balances for borrowers or co-borrowers of certain private loans — all of which were originated prior to our company separation — who have received a discharge in bankruptcy during the periods covered by the agreements. As a result, we recorded $23 million additional private loan provision for loan losses in the first quarter of 2023 related to the estimated future charge offs that are expected to occur. The Company has also agreed to fund settlement funds. It anticipates that any cash contribution it will be required to make to these funds will not exceed $44 million in the aggregate and will be fully covered by insurance. The net impact to operating expense for this element of the settlement for the first quarter of 2023 was $0 due to the accrual of the offsetting insurance reimbursements.

9. Commitments, Contingencies and Guarantees (Continued)

Regulatory Matters

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.

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

Under the terms of the Separation and Distribution Agreement between the Company and SLM BankCo, Navient agreed to indemnify SLM BankCo for claims, actions, damages, losses or expenses that may arise from the conduct of activities of pre-Spin-Off SLM BankCo occurring prior to the Spin-Off other than those specifically excluded in that agreement. Also, as part of the Separation and Distribution Agreement, SLM BankCo agreed to indemnify Navient for certain claims, actions, damages, losses or expenses subject to the terms, conditions and limitations set forth in that agreement. As a result, subject to the terms, conditions and limitations set forth in that agreement, Navient agreed to indemnify and hold harmless Sallie Mae and its subsidiaries, including Sallie Mae Bank from liabilities arising out of the regulatory matters and CFPB and State Attorneys General lawsuits mentioned above. In addition, we asserted various claims for indemnification against Sallie Mae and Sallie Mae Bank for such specifically excluded items arising out of the CFPB and the State Attorneys General lawsuits if and to the extent any indemnified liabilities exist now or in the future. Navient has no reserves related to indemnification matters with SLM BankCo as of March 31, 2023.

Contingencies

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

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

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

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

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

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

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

Revenue by Service Type

	Three Months Ended March 31,					
	2023			2022		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal Education Loan asset recovery services	$ —	$ —	$ —	$ 1	$ —	$ 1
Government services	—	40	40	—	49	49
Healthcare services	—	32	32	—	45	45
Total	$ —	$ 72	$ 72	$ 1	$ 94	$ 95

Revenue by Client Type

	Three Months Ended March 31,					
	2023			2022		
(Dollars in millions)	Federal Education Loans	Business Processing	Total Revenue	Federal Education Loans	Business Processing	Total Revenue
Federal government	$ —	$ 2	$ 2	$ —	$ 2	$ 2
Guarantor agencies	—	—	—	1	—	1
Other institutions	—	—	—	—	—	—
State and local government	—	22	22	—	33	33
Tolling authorities	—	16	16	—	14	14
Hospitals and other healthcare providers	—	32	32	—	45	45
Total	$ —	$ 72	$ 72	$ 1	$ 94	$ 95

As of March 31, 2023 and March 31, 2022, there was $68 million and $90 million respectively, of net accounts receivable related to these contracts. Navient had no material contract assets or contract liabilities.

11. Segment Reporting

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

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

Federal Education Loans Segment

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

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

(Dollars in millions)	March 31, 2023	December 31, 2022
FFELP Loans, net	$ 42,148	$ 43,525
Cash and investments[1]	1,650	2,746
Other	2,133	2,229
Total assets	$ 45,931	$ 48,500

[1] Includes restricted cash and investments.

Consumer Lending Segment

Navient owns, originates and services in-school and refinance Private Education Loans. "In-school" Private Education Loans are loans originally made to borrowers while they are attending school whereas "Refinance" Private Education Loans are loans where a borrower has refinanced their education loans. We generate revenue primarily through net interest income on our Private Education Loan portfolio.

Navient helps students and families through the going-to and paying-for-college journey. Our digital tools empower people to find grants and scholarships, compare financial aid offers and complete the FAFSA. Our Private Education Loans offer easy-to-understand payment options. After graduation, we offer student loan refinancing to help people simplify their repayment and earn a better rate. We believe our 50 years of experience, product design, digital marketing strategies, and origination and servicing platform provide a unique competitive advantage.

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

(Dollars in millions)	March 31, 2023	December 31, 2022
Private Education Loans, net	$ 18,275	$ 18,725
Cash and investments[1]	635	617
Other	558	453
Total assets	$ 19,468	$ 19,795

[1] Includes restricted cash and investments.

11. Segment Reporting (Continued)

Business Processing Segment

Navient provides business processing solutions such as omnichannel contact center services, workflow processing, and revenue cycle optimization. We leverage the same expertise and intelligent tools we use to deliver successful results for portfolios we own. Our support enables our clients to ensure better constituent outcomes, meet rapidly changing needs, improve technology, reduce operating expenses, manage risk and optimize revenue opportunities. Our clients include:

- **Government:** We offer our solutions to federal agencies, state governments, tolling and parking authorities, and other public sector clients.
- **Healthcare:** Our clients include hospitals, hospital systems, medical centers, large physician groups, other healthcare providers and public health departments.

At March 31, 2023 and December 31, 2022, the Business Processing segment had total assets of $379 million and $390 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 March 31, 2023 and December 31, 2022, the Other segment had total assets of $1.1 billion and $2.1 billion, respectively.

11. Segment Reporting (Continued)

Measure of Profitability

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

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

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

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

11. Segment Reporting (Continued)

Segment Results and Reconciliations to GAAP

	Three Months Ended March 31, 2023								
		Adjustments				Reportable Segments			
(Dollars in millions)	Total GAAP	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments [1]	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	$ 1,037					$ 695	$ 344	$ —	$ —
Cash and investments	34					20	6	—	8
Total interest income	1,071					715	350	—	8
Total interest expense	837					590	197	—	33
Net interest income (loss)	234	$ 12	$ 7	$ 19	$ 253	125	153	—	(25)
Less: provisions for loan losses	(14)				(14)	10	(24)	—	—
Net interest income (loss) after provisions for loan losses	248					115	177	—	(25)
Other income (loss):									
Servicing revenue	17					14	3	—	—
Asset recovery and business processing revenue	72					—	—	72	—
Other income (loss)	(1)					5	—	—	2
Total other income (loss)	88	(12)	20	8	96	19	3	72	2
Expenses:									
Direct operating expenses	124					20	37	67	—
Unallocated shared services expenses	61					—	—	—	61
Operating expenses	185	—	—	—	185	20	37	67	61
Goodwill and acquired intangible asset impairment and amortization	3	—	(3)	(3)	—	—	—	—	—
Restructuring/other reorganization expenses	4	—	—	—	4	—	—	—	4
Total expenses	192	—	(3)	(3)	189	20	37	67	65
Income (loss) before income tax expense (benefit)	144	—	30	30	174	114	143	5	(88)
Income tax expense (benefit)[2]	33	—	8	8	41	27	33	1	(20)
Net income (loss)	$ 111	$ —	$ 22	$ 22	$ 133	$ 87	$ 110	$ 4	$ (68)

[1] Core Earnings adjustments to GAAP:

	Three Months Ended March 31, 2023		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ 19	$ —	$ 19
Total other income (loss)	8	—	8
Goodwill and acquired intangible asset impairment and amortization	—	(3)	(3)
Total Core Earnings adjustments to GAAP	$ 27	$ 3	30
Income tax expense (benefit)			8
Net income (loss)			$ 22

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

11. Segment Reporting (Continued)

	Three Months Ended March 31, 2022								
		Adjustments				Reportable Segments			
(Dollars in millions)	Total GAAP	Reclassi-fications	Additions/ (Subtractions)	Total Adjustments [1]	Total Core Earnings	Federal Education Loans	Consumer Lending	Business Processing	Other
Interest income:									
Education loans	$ 625					$ 334	$ 276	$ —	$ —
Cash and investments	1					—	1	—	—
Total interest income	626					334	277	—	—
Total interest expense	289					195	125	—	15
Net interest income (loss)	337	$ (19)	$ (42)	$ (61)	$ 276	139	152	—	(15)
Less: provisions for loan losses	16				16	—	16	—	—
Net interest income (loss) after provisions for loan losses	321					139	136	—	(15)
Other income (loss):									
Servicing revenue	18					15	3	—	—
Asset recovery and business processing revenue	97					3	—	94	—
Other income (loss)	108					11	—	—	(1)
Total other income (loss)	223	19	(117)	(98)	125	29	3	94	(1)
Expenses:									
Direct operating expenses	139					28	35	76	—
Unallocated shared services expenses	66					—	—	—	66
Operating expenses	205	—	—	—	205	28	35	76	66
Goodwill and acquired intangible asset impairment and amortization	4	—	(4)	(4)	—	—	—	—	—
Restructuring/other reorganization expenses	3	—	—	—	3	—	—	—	3
Total expenses	212	—	(4)	(4)	208	28	35	76	69
Income (loss) before income tax expense (benefit)	332	—	(155)	(155)	177	140	104	18	(85)
Income tax expense (benefit)[2]	77	—	(35)	(35)	42	33	25	4	(20)
Net income (loss)	$ 255	$ —	$ (120)	$ (120)	$ 135	$ 107	$ 79	$ 14	$ (65)

[1] Core Earnings adjustments to GAAP:

	Three Months Ended March 31, 2022		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income (loss) after provisions for loan losses	$ (61)	$ —	$ (61)
Total other income (loss)	(98)	—	(98)
Goodwill and acquired intangible asset impairment and amortization	—	(4)	(4)
Total Core Earnings adjustments to GAAP	$ (159)	$ 4	(155)
Income tax expense (benefit)			(35)
Net income (loss)			$ (120)

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

11. Segment Reporting (Continued)

Summary of Core Earnings Adjustments to GAAP

	Three Months Ended March 31,	
(Dollars in millions)	2023	2022
GAAP net income	$ 111	$ 255
Core Earnings adjustments to GAAP:		
Net impact of derivative accounting[1]	27	(159)
Net impact of goodwill and acquired intangible assets[2]	3	4
Net tax effect[3]	(8)	35
Total Core Earnings adjustments to GAAP	22	(120)
Core Earnings net income	$ 133	$ 135

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

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

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

SIGNATURES

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

NAVIENT CORPORATION
(Registrant)

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

Date: April 26, 2023

APPENDIX A

FORM 10-Q CROSS-REFERENCE INDEX

Exhibit 10.1

Navient Corporation 2014 Omnibus Incentive Plan
Performance Stock Unit Agreement

Pursuant to the terms and conditions of the Navient Corporation 2014 Omnibus Incentive Plan, amended and restated as of May 24, 2018 (the "Plan"), the Compensation and Human Resources Committee (the "Committee") of the Navient Corporation Board of Directors ("Board") hereby grants to ________________ (the "Grantee") on _____________, 2023 (the "Grant Date") an award (the "Award") of __________ shares of Performance Stock Units ("PSUs"), which represent the right to acquire shares of common stock of Navient Corporation (the "Corporation") subject to the following terms and conditions of this Performance Stock Unit Agreement (the "Agreement"):

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

- Subject to the other provisions of this Section 1, a specified percentage of the total PSUs granted shall vest (subject to application of the rTSR Modifier defined below) based on the Corporation's performance for fiscal years 2023, 2024 and 2025 in the aggregate, as shown in the following performance chart (which reflects the Return on Equity performance target and range for 2023 only):

Performance Metric*	Weight	Percentage of PSUs Vesting**			
		0%	50%	100%	150%
Net Student Loan Cash Flows	40%	Less than $4.254 billion	$4.254 billion	$5.033 billion	$5.813 billion or greater
Return on Equity	20% / 20% / 20%	Less than 12.5%	12.5%	14.5%	16.5% or greater

* Net Student Loan Cash Flows performance targets and range for 2023-2025 in the aggregate. Return on Equity (ROE) performance target and range for 2023 only. ROE performance targets and ranges for 2024 and 2025 to be established by the Committee at the beginning of each respective year, with each year's performance counting 1/3 towards the total 60% weight. Vesting of any PSUs earned based on ROE performance for a given year remain subject to Grantee's continued employment through the Vesting Date, subject to the terms below.

** For points between each performance level, the vesting percentages will be interpolated. Subject to application of rTSR Modifier (defined below).

- The vesting percentage determined above shall be multiplied by the rTSR Modifier, which is a vesting modifier based on where the Corporation's total shareholder return ("TSR"), as that term is defined below, for the period commencing with the start of fiscal year 2023 and ending with the end of fiscal year 2025 (the "Performance Period") ranks as a percentile compared to the TSRs for the companies in the Comparator Group (as defined below) for the Performance Period, as shown in the following performance chart:

Corporation's TSR Percentile Rank*	rTSR Modifier
75^{th} or higher	120%
70^{th}	116%
65^{th}	112%
60^{th}	108%
55^{th}	104%
50^{th}	100%
45^{th}	96%
40^{th}	92%
35^{th}	88%
30^{th}	84%
25^{th} or lower	80%

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

For example, if the vesting percentage based on Net Student Loan Cash Flows and Return on Equity as determined above is 100%, and if the Corporation's TSR for the Performance Period ranks in the 60^{th} percentile when compared to the TSRs of the Comparator Group for the Performance Period, then 108% of the PSUs would vest.

"Total shareholder return" or "TSR" shall equal the quotient of ((X – Y) + Z) / Y, where X equals the average closing price of a share of stock during December 2025, including any dividends paid on a share of stock in the underlying entity reinvested on the ex-dividend date, Y equals the average closing price of a share of stock during December 2023, including any dividends paid on a share of stock in the underlying entity reinvested on the ex-dividend date, and Z equals the total value of dividends paid on a share of stock during the period from the start of the beginning average period through the end of the Performance Period as if reinvested on the ex-dividend date, subject to adjustments for stock splits and other similar events.

The Corporation's "Comparator Group" shall mean all companies in the S&P 400 Financials Index as of the first day of the Performance Period ("Peer Companies"), modified to take into account mergers, acquisitions, spin-offs and other similar events as follows:

1)In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another Peer Company, the surviving entity shall remain a Peer Company;

2)In the event of a merger, acquisition or business combination transaction of a Peer Company with or by another company that is not a Peer Company, but where the Peer Company is the surviving entity and remains publicly traded, the surviving entity shall remain a Peer Company;

3)In the event of a merger, acquisition or business combination transaction of a Peer Company by or with another company that is not a Peer Company, or in the event of a "going private transaction" involving the Peer Company, in each case where the Peer Company will not be the surviving entity or will otherwise no longer be publicly traded, the company shall cease to be a Peer Company;

4)In the event of a stock distribution from a Peer Company consisting of the shares of a new publicly-traded company (a "spin-off"), the Peer Company shall remain a Peer Company and the stock distribution shall be treated as a dividend from the Peer Company based on the closing price of the shares of the spun-off company on its first day of trading. The performance of the shares of the spun-off company shall not thereafter be tracked for purposes of calculating TSR; and

5)In the event of a bankruptcy, liquidation or delisting of a Peer Company, such company shall remain a Peer Company.

•Each vested PSU will be settled in shares of the Corporation's common stock. PSUs shall vest on the second business day after the Corporation's annual report on Form 10-K for the fiscal year 2025 is filed, and in no event later than March 15, 2026. Except as provided below in cases of death or Disability, shares of the Corporation's common stock issued in settlement of vested PSUs shall be subject to a mandatory holding period of one year from the date of issuance, during which period the Grantee may not sell, transfer, or otherwise dispose of the shares, other than to cover required withholding taxes due upon the settlement of the vested PSUs.

•"Net Student Loan Cash Flows" shall mean the Corporation's aggregate cash flows net of secured borrowings from student loans realized for the fiscal years 2023, 2024 and 2025, including student loan cash flows realized from new acquisitions, but excluding the impact of cash flows for fiscal years beyond 2025 that are accelerated through securitizing or pledging unencumbered student loans or through loan sales and excluding regulatory and restructuring related charges.

•"Return on Equity" shall mean a percentage equal to the Corporation's "core earnings" net income for each of fiscal years 2023, 2024 and 2025, divided by average stockholder's equity for each such year (determined using the average balance of stockholder's equity on a "core earnings" basis for each quarter in a given year), using yearly "core earnings" net income as shown in the segment reporting footnote in the Corporation's audited financial statements as published in the Corporation's annual report on Form 10-K, excluding the impact of any regulatory and restructuring costs.

•The Committee may adjust performance results for certain extraordinary items identified by the Committee, such as changes in accounting, the regulatory environment, strategic corporate transactions, impacts of new federal student loan debt forgiveness and other unusual or unplanned events.

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

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

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

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

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

3.<u>Change in Control</u>. Notwithstanding anything to the contrary in this Agreement:

•In the event of a Change in Control described in clause (b) of the definition thereof in which the acquiring or surviving company in the transaction does not assume or continue outstanding Awards upon the Change in Control, then any portion of the Award that is not vested shall vest based on the level of achievement of the performance goals in Section 1 through the end of the month immediately preceding or coinciding with the date of the Change in Control, and shall be converted into shares of common stock as of immediately prior to the consummation of the Change in Control. The Committee shall proportionately reduce the "Net Student Loan Cash Flows" and the "Return on Equity" performance goals in Section 1 above based on the portion of the Performance Period elapsed through the end of the month immediately preceding or coinciding with the date of the Change in Control.

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

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

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

5.Section 409A. For purposes of Section 409A of the Internal Revenue Code, the regulations and other guidance thereunder and any state law of similar effect (collectively "Section 409A"), each payment and benefit payable under this Agreement is hereby designated as a separate payment. The parties intend that all PSUs provided under this Agreement and shares issuable hereunder comply with the requirements of Section 409A so that none of the payments or benefits will be subject to the adverse tax penalties imposed under Section 409A, and any ambiguities herein will be interpreted to so comply. Notwithstanding anything in the Plan or this Agreement to the contrary, if the vesting of the balance, or some lesser portion of the balance, of the PSUs is to be accelerated in connection with the Grantee's termination of service, such accelerated PSUs will not be settled by virtue of such acceleration until and unless the Grantee has a "separation from service" within the meaning of Section Treasury Regulation 1-409A-1(h), as determined by the Corporation, in its sole discretion. Further, and notwithstanding anything in the Plan or this Agreement to the contrary, if (x) any of the PSUs to be provided in connection with the Grantee's separation from service do not qualify for any reason to be exempt from Section 409A, (y) the Grantee is, at the time of such separation from service, a "specified employee" (as defined in Treasury Regulation Section 1.409A-1(i)) and (z) the settlement of such PSUs would result in the imposition of additional tax under Section 409A if such settlement occurs on or within the six (6) month period following the Grantee's separation from service, then, to the extent necessary to avoid the imposition of such additional taxation, the settlement of any such PSUs during such six (6) month period will accrue and will not be settled until the date six (6) months and one (1) day following the date of the Grantee's separation from service and on such date (or, if earlier, the date of the Grantee's death), such PSUs will be settled.

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

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

8.Data Privacy. As an essential term of this award, the Grantee consents to the collection, use and transfer, in electronic or other form, of personal data as described herein for the exclusive purpose of implementing, administering and managing Grantee's participation in the Plan. By accepting this award, the Grantee acknowledges that the Corporation holds certain personal information about the Grantee, including, but not limited to, name, home address and telephone number, date of birth, social security number or other identification number, salary, tax rates and amounts, nationality, job title, any shares of stock held in the Corporation, details of all options or any other entitlement to shares of stock awarded, canceled, exercised, vested, unvested or outstanding, for the purpose of implementing, administering and managing the Plan ("Data"). Grantee acknowledges that Data may be transferred to any third parties assisting in the implementation, administration and management of the Plan, that these recipients may be located in jurisdictions that may have different data privacy laws and protections, and Grantee authorizes the recipients to receive, possess, use, retain and transfer the Data, in electronic or other form, for the purposes of implementing, administering and managing the Plan, including any requisite transfer of such Data as may be required to a broker or other third party with whom the Grantee or the Corporation may elect to deposit any shares of the Corporation's common stock. Grantee acknowledges that Data may be held to implement, administer and manage the Grantee's participation in the Plan as determined by the Corporation, and that Grantee may request additional information about the storage and processing of Data, require any necessary amendments to Data or refuse or withdraw the consents herein, in any case without cost, provided however, that refusing or withdrawing Grantee's consent may adversely affect Grantee's ability to participate in the Plan.

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

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

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

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

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

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

If to the Corporation to:

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

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

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

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

NAVIENT CORPORATION

By: ___

Jack Remondi
President and Chief Executive Officer

Accepted by:

___

___
Date

Exhibit 31.1

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

I, John F. Remondi, certify that:

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

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

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

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

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

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

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

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

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

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

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

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
April 26, 2023

Exhibit 31.2

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

I, Joe Fisher, certify that:

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

/s/ JOE FISHER

Joe Fisher
Chief Financial Officer
(Principal Financial and Accounting Officer)
April 26, 2023

Exhibit 32.1

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

In connection with the Quarterly Report of Navient Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John F. Remondi, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

/s/ JOHN F. REMONDI

John F. Remondi
Chief Executive Officer
(Principal Executive Officer)
April 26, 2023

Exhibit 32.2

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

In connection with the Quarterly Report of Navient Corporation (the "Company") on Form 10-Q for the quarter ended March 31, 2023 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)
April 26, 2023