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NAVIENT REPORTS FIRST-QUARTER 2019 FINANCIAL RESULTS

WILMINGTON, Del., April 23, 2019 — Navient (Nasdaq: NAVI) today released its first-quarter 2019 financial results.

OVERALL RESULTS	• GAAP net income of $128 million ($0.52 diluted earnings per share) compared to $126 million ($0.47 diluted earnings per share) in the year-ago quarter. • Adjusted[(1)] diluted Core Earnings[(2)] per share of $0.58 compared to $0.43 in the year-ago quarter. • Core Earnings of $136 million ($0.55 diluted Core Earnings per share) compared to $107 million ($0.40 diluted Core Earnings per share) in the year-ago quarter.

CEO COMMENTARY – "Our very strong first-quarter results exceeded our targets and demonstrate continued progress in executing our strategy to meet the needs of our customers while maximizing portfolio cash flows, improving operating efficiency and deploying capital effectively," said Jack Remondi, CEO and president. "This quarter's results reflect momentum across all of our businesses, including a substantial decline in delinquencies in the Federal Education Loans segment, a significant increase in originations in our Consumer Lending segment and a 22 percent increase in EBITDA in our Business Processing segment. We continued to repurchase our shares and unsecured debt during the quarter. In addition, last week we launched an innovative and user-friendly private education loan product to help students and families finance their higher education."

HIGHLIGHTS

FEDERAL EDUCATION LOANS SEGMENT	• FFELP loan delinquencies decreased $2.1 billion or 25 percent from the year-ago quarter. • Asset recovery revenue increased $15 million (42 percent).
CONSUMER LENDING SEGMENT	• Originated $984 million of Private Education Refinance Loans, an increase from $500 million in the year-ago quarter. • Private Education Loan provision declined $9 million from the year-ago quarter. • Launched digital private education in-school loan product under the Earnest brand.
BUSINESS PROCESSING SEGMENT	• EBITDA[(2)] increased 22 percent, excluding the impact of adopting a new revenue recognition accounting standard in the year-ago quarter. • Contingent collections receivables inventory increased 33 percent to $15.0 billion from the year-ago quarter.
CAPITAL	• Repurchased 9.4 million common shares with $333 million repurchase authority remaining. • Paid $39 million in common stock dividends. • Tangible net asset ratio[(2)] of 1.25x.
FUNDING & LIQUIDITY	• Issued $1.9 billion in term ABS. • Repurchased $46 million of senior unsecured debt resulting in a $15 million pre-tax gain.
EXPENSES	• Adjusted Core Earnings expenses[(3)] decreased 8 percent to $249 million and include $3 million in costs associated with proxy contest matters.

(1) Adjusted diluted Core Earnings per share, a non-GAAP financial measure, excludes $8 million and $11 million of restructuring and regulatory-related expenses in first-quarter 2019 and first-quarter 2018, respectively.

(2) Item is a non-GAAP financial measure. For an explanation and reconciliation of our non-GAAP financial measures, see page 4.

(3) Adjusted Core Earnings expenses, a non-GAAP financial measure, exclude $8 million and $11 million of restructuring and regulatory-related expenses in first-quarter 2019 and first-quarter 2018, respectively.

SEGMENT RESULTS — CORE EARNINGS

FEDERAL EDUCATION LOANS

In this segment, Navient holds and acquires FFELP Loans and performs servicing and asset recovery services on its own loan portfolio, federal education loans owned by the U.S. Department of Education and other institutions.

FINANCIAL RESULTS AND KEY PERFORMANCE METRICS

(Dollars in millions)	1Q19	4Q18	1Q18
Net interest income	$ 146	$ 165	$ 171
Provision for loan losses	8	10	10
Other revenue	119	116	102
Total revenue	257	271	263
Expenses	91	89	80
Pre-tax income	166	182	183
Net income	$ 127	$ 147	$ 141
Segment net interest margin	.80%	.86%	.83%
FFELP Loans:			
FFELP Loan spread	.87%	.92%	.89%
Provision for loan losses	$ 8	$ 10	$ 10
Charge-offs	$ 17	$ 13	$ 11
Charge-off rate	.11%	.09%	.07%
Greater than 30-days delinquency rate	11.0%	10.2%	13.1%
Greater than 90-days delinquency rate	5.2%	5.3%	7.7%
Forbearance rate	12.7%	12.3%	12.8%
Average FFELP Loans	$ 71,226	$ 73,425	$ 80,801
(Dollars in billions)			
Number of accounts serviced for ED (in millions)	5.9	5.9	6.0
Total federal loans serviced	$ 293	$ 292	$ 295
Contingent collections receivables inventory	$ 26.8	$ 28.3	$ 16.2

DISCUSSION OF RESULTS — 1Q19 vs. 1Q18

- Core Earnings were $127 million compared to $141 million in the year-ago quarter.
- Net interest income decreased $25 million due to the natural paydown of the portfolio and a decrease in the net interest margin.
- Provision for loan losses decreased $2 million.
- Other revenue increased $17 million primarily due to a $15 million (42 percent) increase in asset recovery revenue.
- On an adjusted basis, expenses increased $4 million primarily as a result of the increase in asset recovery revenue discussed above which was partially offset by decreases from ongoing efficiency gains. Adjusted 2019 expenses exclude $7 million of costs in connection with the 2018 First Data transition services agreement.
- The company acquired $84 million of FFELP Loans in the quarter.
- At March 31, 2019, Navient held $69.9 billion of FFELP Loans, compared with $79.4 billion of FFELP Loans at March 31, 2018.
- FFELP loan delinquencies decreased $2.1 billion or 25 percent from the year-ago quarter.

CONSUMER LENDING

In this segment, Navient holds, originates and acquires consumer loans and performs servicing activities on its own loan portfolio.

FINANCIAL RESULTS AND KEY PERFORMANCE METRICS

(Dollars in millions)	1Q19	4Q18	1Q18
Net interest income	$ 187	$ 189	$ 195
Provision for loan losses	68	75	77
Other revenue	3	3	3
Total revenue	122	117	121
Expenses	38	36	56
Pre-tax income	84	81	65
Net income	$ 65	$ 66	$ 50
Segment net interest margin	3.22%	3.18%	3.23%
Private Education Loans (including Refinance Loans):			
Private Education Loan spread	3.45%	3.41%	3.46%
Provision for loan losses	$ 68	$ 75	$ 77
Charge-offs	$ 94	$ 102	$ 78
Charge-off rate	1.7%	1.8%	1.4%
Greater than 30-days delinquency rate	5.2%	5.9%	5.7%
Greater than 90-days delinquency rate	2.6%	2.8%	2.4%
Forbearance rate	2.5%	3.0%	4.2%
Average Private Education Loans	$ 22,761	$ 22,955	$ 23,754
Private Education Refinance Loans:			
Charge-offs	$ 1	$ —	$ —
Greater than 90-days delinquency rate	—%	—%	—%
Average balance of Private Education Refinance Loans	$ 3,644	$ 2,962	$ 940
Ending balance of Private Education Refinance Loans	$ 4,026	$ 3,212	$ 1,201
Private Education Refinance Loan originations	$ 984	$ 769	$ 500

DISCUSSION OF RESULTS — 1Q19 vs. 1Q18

- Originated $984 million of Private Education Refinance Loans in the quarter.
- Core Earnings were $65 million compared to $50 million in the year-ago quarter.
- Net interest income decreased $8 million primarily due to the natural paydown of the portfolio.
- Provision for loan losses decreased $9 million. Private Education Loan performance results include:
  - Charge-offs of $94 million, up $16 million from $78 million in first-quarter 2018. This increase was expected with the expiration of the temporary natural disaster forbearances granted at the end of 2017 and beginning of 2018.
  - Private Education Loan delinquencies greater than 90 days: $559 million, up $12 million from $547 million in first-quarter 2018.
  - Private Education Loan delinquencies greater than 30 days: $1.1 billion, down $135 million from first-quarter 2018.
  - Private Education Loan forbearances: $575 million, down $394 million from $969 million in first-quarter 2018.
- On an adjusted basis, expenses were $9 million lower primarily as a result of ongoing efficiency gains. Adjusted 2018 expenses exclude a $9 million one-time fee paid to convert $3 billion of Private Education from a third-party servicer to Navient's servicing platform.
- At March 31, 2019, Navient held $22.1 billion of Private Education Loans (of which $4.0 billion were Refinance Loans), compared with $22.9 billion of Private Education Loans (of which $1.2 billion were Refinance Loans) at March 31, 2018.

BUSINESS PROCESSING

In this segment, Navient performs business processing services for non-education related government and healthcare clients.

FINANCIAL RESULTS AND KEY PERFORMANCE METRICS

(Dollars in millions)	1Q19	4Q18	1Q18
Revenue from government services	$ 42	$ 41	$ 53
Revenue from healthcare services	26	25	20
Total fee revenue	68	66	73
Expenses	55	57	59
Pre-tax income	13	9	14
Net income	$ 10	$ 7	$ 10
EBITDA[1]	$ 14	$ 10	$ 15
EBITDA Margin[1]	21%	15%	21%
Contingent collections receivables inventory (in billions)	$ 15.0	$ 14.4	$ 11.3

(1) Item is a non-GAAP financial measure. For an explanation and reconciliation of our non-GAAP financial measures, see below.

DISCUSSION OF RESULTS — 1Q19 vs. 1Q18

- The year-ago quarter included $8 million of revenue and $5 million of expense in connection with a new revenue recognition accounting standard (ASC 606) adopted as of January 1, 2018. These amounts would not have been recognized under the prior accounting standard until later periods. Without this impact to the year-ago quarter, both Core Earnings and EBITDA would have increased $2 million from the year-ago quarter.
- Contingent collections receivables inventory increased 33 percent to $15.0 billion from the year-ago quarter as a result of new placements.

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. The following non-GAAP financial measures are presented within this Earnings Release:

1. Core Earnings

The difference between the company's Core Earnings and its GAAP results is that Core Earnings excludes the impacts of: (1) mark-to-market gains/losses on derivatives and (2) goodwill and acquired intangible asset amortization and impairment. Management uses Core Earnings in making decisions regarding the company's performance and the allocation of corporate resources and, as a result, our segment results are presented using Core Earnings. In addition, Navient's equity investors, credit rating agencies and debt capital investors use these Core Earnings measures to monitor the company's business performance. See "Core Earnings" on pages 11 – 17 for a reconciliation between GAAP net income and Core Earnings.

2. Tangible Net Asset Ratio

This ratio measures the amount of assets available to retire the company's unsecured debt. Management and our equity investors, credit rating agencies and debt capital investors use this ratio to monitor and make decisions about the appropriate level of unsecured funding. See "Tangible Net Asset Ratio" on page 18 for a reconciliation of the tangible net asset ratio calculation.

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

This metric measures the operating performance of the Business Processing segment and is used by management and our equity investors to monitor operating performance and determine the value of those businesses. See "Earnings before Interest, Taxes, Depreciation and Amortization Expense ('EBITDA')" on page 18 for a reconciliation of the EBITDA calculation for the Business Processing segment.

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Definitions for capitalized terms in this release can be found in Navient's Annual Report on Form 10-K for the year ended Dec. 31, 2018 (filed with the SEC on Feb. 26, 2019). Certain reclassifications have been made to the balances as of and for the three months ended March 31, 2018, to be consistent with classifications adopted for 2019, and had no effect on net income, total assets or total liabilities.

Navient will host an earnings conference call tomorrow, April 24, 2019, at 8 a.m. ET. Navient executives will be on hand to discuss various highlights of the quarter and to answer questions related to the company's performance. To participate, join a live audio webcast at navient.com/investors or dial 855-838-4156 (USA and Canada) or dial 267-751-3600 (international) and use access code 50696464 starting at 7:45 a.m. ET.

Presentation slides for the conference call, as well as additional information about the company's loan portfolios, operating segments and other details, may be accessed at www.navient.com/investors under the webcasts tab.

A replay of the conference call will be available approximately two hours after the call's conclusion through May 8, 2019, at navient.com/investors or by dialing 855-859-2056 (USA and Canada) or 404-537-3406 (international) with access code 50696464.

This news release contains "forward-looking statements," within the meaning of the federal securities law, about our business and prospects and other information that is based on management's current expectations as of the date of this release. Statements that are not historical facts, including statements about the company's 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," "goal," or "target." Forward-looking statements are subject to risks, uncertainties, assumptions and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. For Navient, these factors include, among others, the risks and uncertainties associated with increases in financing costs; the availability of financing or limits on our liquidity resulting from disruptions in the capital markets or other factors; unanticipated increases in costs associated with compliance with federal, state or local laws and regulations; changes in the demand for asset management and business processing solutions or other changes in marketplaces in which we compete (including increased competition); changes in accounting standards including but not limited to changes pertaining to loan loss reserves and estimates or other accounting standards that may impact our operations; adverse outcomes in any significant litigation to which the company is a party; credit risk associated with the company's underwriting standards or exposure to third parties, including counterparties to hedging transactions; and changes in the terms of education loans and the educational credit marketplace (including changes resulting from new laws and the implementation of existing laws). The company could also be affected by, among other things: unanticipated repayment trends on loans including prepayments or deferrals in our securitization trusts that could accelerate or delay repayment of the bonds; reductions to our credit ratings, the credit ratings of asset-backed securitizations we sponsor or the credit ratings of the United States of America; failures of our operating systems or infrastructure or those of third-party vendors; risks related to cybersecurity including the potential disruption of our systems or those of our third-party vendors or customers, or potential disclosure of confidential customer information; damage to our reputation resulting from cyber-breaches, litigation, the politicization of student loan servicing or other actions or factors; failure to successfully implement cost-cutting initiatives and adverse effects of such initiatives on our business; failure to adequately integrate acquisitions or realize anticipated benefits from acquisitions including delays or errors in converting portfolio acquisitions to our servicing platform; changes in law and regulations whether new laws or regulations, or new interpretations of existing laws and regulations applicable to any of our businesses or activities or those of our vendors, suppliers or customers; changes in the general interest rate environment, including the availability of any relevant money-market index rate, including LIBOR, or the relationship between the relevant money-market index rate and the rate at which our assets are priced; our ability to successfully effectuate any acquisitions and other strategic initiatives; activities by shareholder activists, including a proxy contest or any unsolicited takeover proposal; changes in general economic conditions; and the other factors that are described in the "Risk Factors" section of Navient's Annual Report on Form 10-K for the year ended December 31, 2018, and in our other reports filed with the Securities and Exchange Commission. The preparation of the company's 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 release are qualified by these cautionary statements and are made only as of the date of this release. The company does not undertake any obligation to update or revise these forward-looking statements except as required by law.

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About Navient

Navient (Nasdaq: NAVI) is a leader in education loan management and business processing solutions for education, healthcare and government clients at the federal, state and local levels. The company helps its clients and millions of Americans achieve financial success through services and support. Headquartered in Wilmington, Delaware, Navient also employs team members in western New York, northeastern Pennsylvania, Indiana, Tennessee, Texas, Virginia, Wisconsin and other locations. Learn more at Navient.com.

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SELECTED HISTORICAL FINANCIAL INFORMATION AND RATIOS

(In millions, except per share data)	QUARTERS ENDED March 31, 2019	December 31, 2018	March 31, 2018
GAAP Basis			
Net income	$ 128	$ 72	$ 126
Diluted earnings per common share	$ .52	$ .28	$ .47
Weighted average shares used to compute diluted earnings per share	247	256	269
Net interest margin, Federal Education Loan segment	.76%	.77%	.79%
Net interest margin, Consumer Lending segment	3.28%	3.29%	3.31%
Return on assets	.53%	.28%	.47%
Ending FFELP Loans, net	$ 69,908	$ 72,253	$ 79,403
Ending Private Education Loans, net	22,141	22,245	22,923
Ending total education loans, net	$ 92,049	$ 94,498	$ 102,326
Average FFELP Loans	$ 71,226	$ 73,425	$ 80,801
Average Private Education Loans	22,761	22,955	23,754
Average total education loans	$ 93,987	$ 96,380	$ 104,555
Core Earnings Basis[(1)]			
Net income	$ 136	$ 140	$ 107
Diluted earnings per common share	$ .55	$ .55	$ .40
Adjusted diluted earnings per common share[(2)]	$ .58	$ .58	$ .43
Weighted average shares used to compute diluted earnings per share	247	256	269
Net interest margin, Federal Education Loan segment	.80%	.86%	.83%
Net interest margin, Consumer Lending segment	3.22%	3.18%	3.23%
Return on assets	.56%	.55%	.40%
Ending FFELP Loans, net	$ 69,908	$ 72,253	$ 79,403
Ending Private Education Loans, net	22,141	22,245	22,923
Ending total education loans, net	$ 92,049	$ 94,498	$ 102,326
Average FFELP Loans	$ 71,226	$ 73,425	$ 80,801
Average Private Education Loans	22,761	22,955	23,754
Average total education loans	$ 93,987	$ 96,380	$ 104,555

(1) Core Earnings are non-GAAP financial measures and do not represent a comprehensive basis of accounting. For a greater explanation of Core Earnings, see the section titled “Non-GAAP Financial Measures — Core Earnings.”

(2) Adjusted diluted Core Earnings per share, a non-GAAP Financial measure, excludes restructuring and regulatory expenses of $8 million, $12 million and $11 million for the three months ended March 31, 2019, December 31, 2018 and March 31, 2018, respectively.

RESULTS OF OPERATIONS

We present the results of operations below first on a consolidated basis in accordance with GAAP. Following our discussion of consolidated earnings results on a GAAP basis, we present our results on a segment basis. We have four reportable operating segments: Federal Education Loans, Consumer Lending, Business Processing and Other. These segments operate in distinct business environments and we manage and evaluate the financial performance of these segments using non-GAAP financial measures we call Core Earnings (see “Non-GAAP Financial Measures — Core Earnings” for further discussion).

GAAP STATEMENTS OF INCOME (UNAUDITED)

	QUARTERS ENDED			March 31, 2019 vs. December 31, 2018 Increase (Decrease)		March 31, 2019 vs. March 31, 2018 Increase (Decrease)	
(In millions, except per share data)	March 31, 2019	December 31, 2018	March 31, 2018	$	%	$	%
Interest income:							
FFELP Loans	$ 763	$ 784	$ 723	$ (21)	(3)%	$ 40	6%
Private Education Loans	443	451	431	(8)	(2)	12	3
Other loans	1	2	1	(1)	(50)	—	—
Cash and investments	27	30	17	(3)	(10)	10	59
Total interest income	1,234	1,267	1,172	(33)	(3)	62	5
Total interest expense	949	960	843	(11)	(1)	106	13
Net interest income	285	307	329	(22)	(7)	(44)	(13)
Less: provisions for loan losses	76	85	87	(9)	(11)	(11)	(13)
Net interest income after provisions for loan losses	209	222	242	(13)	(6)	(33)	(14)
Other income (loss):							
Servicing revenue	62	64	69	(2)	(3)	(7)	(10)
Asset recovery and business processing revenue	119	117	109	2	2	10	9
Other income (loss)	16	(13)	(15)	29	223	31	207
Gains on debt repurchases	15	28	—	(13)	(46)	15	100
Gains (losses) on derivative and hedging activities, net	7	(48)	48	55	115	(41)	(85)
Total other income (loss)	219	148	211	71	48	8	4
Expenses:							
Operating expenses	256	252	275	4	2	(19)	(7)
Goodwill and acquired intangible asset impairment and amortization expense	7	8	9	(1)	(13)	(2)	(22)
Restructuring/other reorganization expenses	1	4	7	(3)	(75)	(6)	(86)
Total expenses	264	264	291	—	—	(27)	(9)
Income before income tax expense	164	106	162	58	55	2	1
Income tax expense	36	34	36	2	6	—	—
Net income	$ 128	$ 72	$ 126	$ 56	78%	$ 2	2%
Basic earnings per common share	$ .52	$ .28	$ .48	$ .24	86%	$ .04	8%
Diluted earnings per common share	$ .52	$ .28	$ .47	$ .24	86%	$ .05	11%
Dividends per common share	$ .16	$ .16	$ .16	$ —	—%	$ —	—%

GAAP BALANCE SHEET (UNAUDITED)

(In millions, except share and per share data)	March 31, 2019	December 31, 2018	March 31, 2018
Assets			
FFELP Loans (net of allowance for losses of $67, $76 and $59, respectively)	$ 69,908	$ 72,253	$ 79,403
Private Education Loans (net of allowance for losses of $1,178, $1,201 and $1,298, respectively)	22,141	22,245	22,923
Investments	207	226	356
Cash and cash equivalents	1,206	1,286	2,398
Restricted cash and cash equivalents	3,014	3,976	3,399
Goodwill and acquired intangible assets, net	780	786	802
Other assets	3,323	3,404	3,928
Total assets	$ 100,579	$ 104,176	$ 113,209
Liabilities			
Short-term borrowings	$ 7,505	$ 5,422	$ 5,131
Long-term borrowings	88,140	93,519	102,797
Other liabilities	1,491	1,688	1,613
Total liabilities	97,136	100,629	109,541
Commitments and contingencies			
Equity			
Common stock, par value $0.01 per share; 1.125 billion shares authorized: 450 million, 445 million and 445 million shares, respectively, issued	4	4	4
Additional paid-in capital	3,174	3,145	3,127
Accumulated other comprehensive income, net of tax expense	43	113	173
Retained earnings	3,303	3,218	3,073
Total Navient Corporation stockholders' equity before treasury stock	6,524	6,480	6,377
Less: Common stock held in treasury: 210 million, 198 million and 180 million shares, respectively	(3,094)	(2,961)	(2,740)
Total Navient Corporation stockholders' equity	3,430	3,519	3,637
Noncontrolling interest	13	28	31
Total equity	3,443	3,547	3,668
Total liabilities and equity	$ 100,579	$ 104,176	$ 113,209

CONSOLIDATED EARNINGS SUMMARY — GAAP BASIS

Three Months Ended March 31, 2019 Compared with Three Months Ended March 31, 2018

Net income was $128 million, or $0.52 diluted earnings per common share, compared with net income of $126 million, or $0.47 diluted earnings per common share, for the year-ago period.

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

- Net interest income decreased by $44 million, primarily as a result of the natural paydown of the education loan portfolio.
- Provisions for loan losses decreased $11 million primarily due to a $9 million decrease in the Private Education Loan provision for loan losses. As a result of the expiration of the temporary natural disaster forbearances granted at the end of 2017 and beginning of 2018, charge-offs increased by $16 million, loan delinquencies greater than 90-days increased by $12 million and forbearances decreased by $394 million compared with the year-ago quarter, all as expected. These items had no impact on the provision for loan losses in the first quarter of 2019 as these items had been previously reserved for through the allowance for loan losses. Outstanding Private Education Loans decreased $0.8 billion from the year-ago quarter. These factors along with the continued improvement in the portfolio's performance resulted in the $9 million decrease in the Private Education Loan provision.
- Other income increased $31 million primarily due to a decrease in foreign currency translation losses and to transition services revenue in connection with the strategic agreement we entered into with First Data in the third quarter of 2018. The foreign currency translation gains (losses) relate to a portion of our foreign currency denominated debt that does not receive hedge accounting treatment. These gains (losses) are partially offset by the "gains (losses) on derivative and hedging activities, net" line item on the income statement related to the derivatives used to economically hedge these debt instruments.
- Net gains on debt repurchases increased by $15 million. We repurchased $46 million of debt in first-quarter 2019 compared to no repurchases in the year-ago quarter.
- Net gains on derivative and hedging activities decreased $41 million. The primary factors affecting the change were interest rate and foreign currency fluctuations, which impact the valuations of our Floor Income Contracts, basis swaps and foreign currency hedges during each period.
- Excluding regulatory-related costs of $7 million and $4 million, respectively, operating expenses were $249 million and $271 million in first-quarter 2019 and 2018, respectively. This $22 million decrease was primarily a result of ongoing efficiency gains across the Company.
- During the first quarters of 2019 and 2018, the Company incurred $1 million and $7 million, respectively, of restructuring/other reorganization expenses in connection with an effort to reduce costs and improve operating efficiency. These charges were due primarily to severance-related costs.

We repurchased 9.4 million shares of our common stock in the quarter. There were no repurchases in the year-ago quarter. As a result of repurchases, our average outstanding diluted shares decreased by 22 million common shares (or 8 percent) from the year-ago period.

In August 2017, the FASB issued ASU No. 2017-12, "Derivatives and Hedging," which is intended to better align risk management activities and financial reporting for hedging relationships through changes to both the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The new standard was effective for the Company on January 1, 2019 and requires the mark-to-market gains and losses from qualifying fair value hedge relationships to be recorded in the same line item on the income statement of the item being hedged. As a result, the mark-to-market gains and losses from fair value hedging activity are now recorded in interest expense whereas they were previously recorded in gains (losses) on derivative and hedging activities, net. This change in presentation is prospective only and resulted in $2 million of gains being recorded in interest expense in the first quarter of 2019.

In 2016, the FASB issued ASU No. 2016-02, "Leases," which requires the identification of arrangements that should be accounted for as leases by lessees. In general, for lease arrangements exceeding a twelve-month term, these arrangements must be recognized as assets and liabilities on the balance sheet of the lessee. Under previous GAAP, all operating leases were off-balance sheet, regardless of the term. A right-of-use asset and lease obligation will be recorded for all leases with a term exceeding twelve months, whether operating or financing, while the income statement will reflect lease expense for operating leases and amortization/interest expense for financing leases. It was effective for the Company on January 1, 2019 and resulted in recording a $28 million asset and liability with no change to the income statement. The standard was adopted prospectively without adjustment to comparative periods.

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. The following non-GAAP financial measures are presented within this Earnings Release: (1) Core Earnings, (2) Tangible Net Asset Ratio and (3) EBITDA for the Business Processing segment.

1. Core Earnings

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

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

	QUARTER ENDED MARCH 31, 2019								
						Adjustments			
(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Reclassifications	Additions/ (Subtractions)	Total Adjustments[1]	Total GAAP
Interest income:									
Education loans	$ 779	$ 443	$ —	$ —	$ 1,222	$ 1	$ (17)	$ (16)	$ 1,206
Other loans	1	—	—	—	1	—	—	—	1
Cash and investments	16	5	—	6	27	—	—	—	27
Total interest income	796	448	—	6	1,250	1	(17)	(16)	1,234
Total interest expense	650	261	—	39	950	4	(5)	(1)	949
Net interest income (loss)	146	187	—	(33)	300	(3)	(12)	(15)	285
Less: provisions for loan losses	8	68	—	—	76	—	—	—	76
Net interest income (loss) after provisions for loan losses	138	119	—	(33)	224	(3)	(12)	(15)	209
Other income (loss):									
Servicing revenue	59	3	—	—	62	—	—	—	62
Asset recovery and business processing revenue	51	—	68	—	119	—	—	—	119
Other income (loss)	9	—	—	5	14	(1)	10	9	23
Gains on debt repurchases	—	—	—	15	15	4	(4)	—	15
Total other income (loss)	119	3	68	20	210	3	6	9	219
Expenses:									
Direct operating expenses	91	38	55	—	184	—	—	—	184
Unallocated shared services expenses	—	—	—	72	72	—	—	—	72
Operating expenses	91	38	55	72	256	—	—	—	256
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	7	7	7
Restructuring/other reorganization expenses	—	—	—	1	1	—	—	—	1
Total expenses	91	38	55	73	257	—	7	7	264
Income (loss) before income tax expense (benefit)	166	84	13	(86)	177	—	(13)	(13)	164
Income tax expense (benefit)[2]	39	19	3	(20)	41	—	(5)	(5)	36
Net income (loss)	$ 127	$ 65	$ 10	$ (66)	$ 136	$ —	$ (8)	$ (8)	$ 128

(1) Core Earnings adjustments to GAAP:

	QUARTER ENDED MARCH 31, 2019		
(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
Net interest income after provisions for loan losses	$ (15)	$ —	$ (15)
Total other income (loss)	9	—	9
Goodwill and acquired intangible asset impairment and amortization	—	7	7
Total Core Earnings adjustments to GAAP	$ (6)	$ (7)	(13)
Income tax expense (benefit)			(5)
Net income (loss)			$ (8)

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

(Dollars in millions)	Federal Education Loans	Consumer Lending	Business Processing	Other	Total Core Earnings	Adjustments: Reclassifications	Adjustments: Additions/ (Subtractions)	Adjustments: Total Adjustments[1]	Total GAAP
	QUARTER ENDED DECEMBER 31, 2018								
Interest income:									
Education loans	$ 799	$ 451	$ —	$ —	$1,250	$ 3	$ (18)	$ (15)	$ 1,235
Other loans	1	1	—	—	2	—	—	—	2
Cash and investments	14	3	—	13	30	—	—	—	30
Total interest income	814	455	—	13	1,282	3	(18)	(15)	1,267
Total interest expense	649	266	—	55	970	(5)	(5)	(10)	960
Net interest income (loss)	165	189	—	(42)	312	8	(13)	(5)	307
Less: provisions for loan losses	10	75	—	—	85	—	—	—	85
Net interest income (loss) after provisions for loan losses	155	114	—	(42)	227	8	(13)	(5)	222
Other income (loss):									
Servicing revenue	61	3	—	—	64	—	—	—	64
Asset recovery and business processing revenue	51	—	66	—	117	—	—	—	117
Other income (loss)	4	—	—	(1)	3	(21)	(43)	(64)	(61)
Gains on debt repurchases	—	—	—	18	18	13	(3)	10	28
Total other income (loss)	116	3	66	17	202	(8)	(46)	(54)	148
Expenses:									
Direct operating expenses	89	36	57	—	182	—	—	—	182
Unallocated shared services expenses	—	—	—	70	70	—	—	—	70
Operating expenses	89	36	57	70	252	—	—	—	252
Goodwill and acquired intangible asset impairment and amortization	—	—	—	—	—	—	8	8	8
Restructuring/other reorganization expenses	—	—	—	4	4	—	—	—	4
Total expenses	89	36	57	74	256	—	8	8	264
Income (loss) before income tax expense (benefit)	182	81	9	(99)	173	—	(67)	(67)	106
Income tax expense (benefit)[2]	35	15	2	(19)	33	—	1	1	34
Net income (loss)	$ 147	$ 66	$ 7	$ (80)	$ 140	$ —	$ (68)	$ (68)	$ 72

(1) Core Earnings adjustments to GAAP:

(Dollars in millions)	Net Impact of Derivative Accounting	Net Impact of Goodwill and Acquired Intangibles	Total
	QUARTER ENDED DECEMBER 31, 2018		
Net interest income after provisions for loan losses	$ (5)	$ —	$ (5)
Total other income (loss)	(54)	—	(54)
Goodwill and acquired intangible asset impairment and amortization	—	8	8
Total Core Earnings adjustments to GAAP	$ (59)	$ (8)	(67)
Income tax expense (benefit)			1
Net income (loss)			$ (68)

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

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

(1) Core Earnings adjustments to GAAP:

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

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

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

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2019	December 31, 2018	March 31, 2018
Core Earnings net income	$ 136	$ 140	$ 107
Core Earnings adjustments to GAAP:			
Net impact of derivative accounting	(6)	(59)	31
Net impact of goodwill and acquired intangible assets	(7)	(8)	(9)
Net tax effect	5	(1)	(3)
Total Core Earnings adjustments to GAAP	(8)	(68)	19
GAAP net income	$ 128	$ 72	$ 126

(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. These gains and losses occur in our Federal Education Loans, Consumer Lending and Other reportable segments. Under GAAP, for our derivatives that are held to maturity, the 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.

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

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2019	December 31, 2018	March 31, 2018
Core Earnings derivative adjustments:			
Gains (losses) on derivative and hedging activities, net, included in other income	$ 7	$ (48)	$ 48
Plus: Gains (losses) on fair value hedging activity included in interest expense	2	—	—
Plus: Settlements on derivative and hedging activities, net[(1)]	1	21	15
Mark-to market gains (losses) on derivative and hedging activities, net[(2)]	10	(27)	63
Amortization of net premiums on Floor Income Contracts in net interest income for Core Earnings	(17)	(18)	(17)
Other derivative accounting adjustments[(3)]	1	(14)	(15)
Total net impact of derivative accounting	$ (6)	$ (59)	$ 31

(1) See "Reclassification of Settlements on Derivative and Hedging Activities" below for a detailed breakdown of these components.

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

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2019	December 31, 2018	March 31, 2018
Floor Income Contracts	$ 2	$ (22)	$ 31
Basis swaps	(9)	14	45
Foreign currency hedges	18	(11)	(36)
Other	(1)	(8)	23
Total mark-to-market gains (losses) on derivative and hedging activities, net	$ 10	$ (27)	$ 63

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

Reclassification of Settlements on Derivative and Hedging Activities

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)	QUARTERS ENDED March 31, 2019	December 31, 2018	March 31, 2018
Reclassification of settlements on derivative and hedging activities:			
Net settlement expense on Floor Income Contracts reclassified to net interest income	$ (1)	$ (3)	$ (8)
Net settlement income (expense) on interest rate swaps reclassified to net interest income	4	(5)	(7)
Net realized gains (losses) on terminated derivative contracts reclassified to other income	(4)	(13)	—
Total reclassifications of settlements on derivative and hedging activities	$ (1)	$ (21)	$ (15)

Cumulative Impact of Derivative Accounting under GAAP compared to Core Earnings

As of March 31, 2019, derivative accounting has decreased GAAP equity by approximately $109 million as a result of cumulative net mark-to-market losses (after tax) recognized under GAAP, but not under Core Earnings. The following table rolls forward the cumulative impact to GAAP equity due to these after-tax mark-to-market net gains related to derivative accounting.

(Dollars in millions)	QUARTERS ENDED March 31, 2019	December 31, 2018	March 31, 2018
Beginning impact of derivative accounting on GAAP equity	$ (34)	$ 125	$ 5
Net impact of net mark-to-market gains (losses) under derivative accounting[1]	(75)	(159)	110
Ending impact of derivative accounting on GAAP equity	$ (109)	$ (34)	$ 115

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

(Dollars in millions)	QUARTERS ENDED March 31, 2019	December 31, 2018	March 31, 2018
Total pre-tax net impact of derivative accounting recognized in net income(a)	$ (6)	$ (59)	$ 31
Tax and other impacts of derivative accounting adjustments	1	15	(20)
Change in mark-to-market gains (losses) on derivatives, net of tax recognized in other comprehensive income	(70)	(115)	99
Net impact of net mark-to-market gains (losses) under derivative accounting	$ (75)	$ (159)	$ 110

[a] See “Core Earnings derivative adjustments” table above.

Hedging FFELP Loan Embedded Floor Income

Net Floor premiums received on Floor Income Contracts that have not been amortized into Core Earnings as of the respective period-ends are presented in the table below. These net premiums will be recognized in Core Earnings in future periods. As of March 31, 2019, the remaining amortization term of the net floor premiums was approximately 4 years. Historically, we have sold Floor Income Contracts on a periodic basis and depending upon market conditions and pricing, we may enter into additional Floor Income Contracts in the future. The balance of unamortized Floor Income Contracts will increase as we sell new contracts and decline due to the amortization of existing contracts.

In addition to using Floor Income Contracts, we also use pay-fixed interest rate swaps to hedge the embedded Floor Income within FFELP Loans. These interest rate swaps qualify as GAAP hedges and are accounted for as cash flow hedges of variable rate debt. For GAAP, gains and losses on these hedges are recorded in accumulated other comprehensive income. Hedged Floor Income from these cash flow hedges that has not been recognized into Core Earnings and GAAP as of the respective period-ends is presented in the table below. This hedged Floor Income will be recognized in Core Earnings and GAAP in future periods and is presented net of tax. As of March 31, 2019, the remaining hedged period is approximately 6 years. Historically, we have used pay-fixed interest rate swaps on a periodic basis to hedge embedded Floor Income and depending upon market conditions and pricing, we may enter into swaps in the future. The balance of unrecognized hedged Floor Income will increase as we enter into new swaps and decline as revenue is recognized.

(Dollars in millions)	March 31, 2019	December 31, 2018	March 31, 2018
Unamortized net Floor premiums (net of tax)	$ (112)	$ (124)	$ (160)
Unrecognized hedged Floor Income related to pay fixed interest rate swaps (net of tax)	(592)	(615)	(678)
Total hedged Floor Income, net of tax[(1)(2)]	$ (704)	$ (739)	$ (838)

(1) $(914) million, $(959) million and $(1.1) billion on a pre-tax basis as of March 31, 2019, December 30, 2018 and March 31, 2018, respectively.

(2) Of the $704 million as of March 31, 2019, approximately $170 million, $191 million and $163 million will be recognized as part of Core Earnings net income in 2019, 2020 and 2021, 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.

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2019	December 31, 2018	March 31, 2018
Core Earnings goodwill and acquired intangible asset adjustments	$ (7)	$ (8)	$ (9)

2. Tangible Net Asset Ratio

This ratio measures the amount of assets available to retire the Company's unsecured debt. Management and Navient's equity investors, credit rating agencies and debt capital investors use this ratio to monitor and make decisions about the appropriate level of unsecured funding. The tangible net asset ratio is calculated as:

(Dollars in billions)	March 31, 2019	December 31, 2018	March 31, 2018
GAAP assets	$ 100.6	$ 104.2	$ 113.2
Less:			
Goodwill and acquired intangible assets	.8	.8	.8
Secured debt	84.5	87.8	94.2
Other liabilities, adjustments for the impact of derivative accounting under GAAP and unamortized net floor premiums	.9	1.1	1.4
Tangible net assets	$ 14.4	$ 14.5	$ 16.8
Divided by:			
Unsecured debt (par)	$ 11.5	$ 11.6	$ 13.9
Tangible net asset ratio	1.25x	1.25x	1.21x

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

This metric 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:

	QUARTERS ENDED		
(Dollars in millions)	March 31, 2019	December 31, 2018	March 31, 2018
Pre-tax income	$ 13	$ 9	$ 14
Plus:			
Depreciation and amortization expense[1]	1	1	1
EBITDA	$ 14	$ 10	$ 15
Divided by:			
Total revenue	$ 68	$ 66	$ 73
EBITDA margin	21%	15%	21%

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

FINANCIAL CONDITION

This section provides additional information regarding the credit quality and performance indicators related to our Private Education Loan portfolio.

PRIVATE EDUCATION LOANS PORTFOLIO PERFORMANCE

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

(Dollars in millions)	March 31, 2019 Balance	March 31, 2019 %	December 31, 2018 Balance	December 31, 2018 %	March 31, 2018 Balance	March 31, 2018 %
Loans in-school/grace/deferment[1]	$ 784		$ 818		$ 1,029	
Loans in forbearance[2]	575		676		969	
Loans in repayment and percentage of each status:						
Loans current	20,886	94.8%	20,741	94.1%	21,096	94.3%
Loans delinquent 31-60 days[3]	358	1.6	415	1.9	416	1.9
Loans delinquent 61-90 days[3]	224	1.0	267	1.2	313	1.4
Loans delinquent greater than 90 days[3]	559	2.6	614	2.8	547	2.4
Total Private Education Loans in repayment	22,027	100%	22,037	100%	22,372	100%
Total Private Education Loans, gross	23,386		23,531		24,370	
Private Education Loan unamortized discount	(724)		(759)		(890)	
Total Private Education Loans	22,662		22,772		23,480	
Private Education Loan receivable for partially charged-off loans	657		674		741	
Private Education Loan allowance for losses	(1,178)		(1,201)		(1,298)	
Private Education Loans, net	$ 22,141		$ 22,245		$ 22,923	
Percentage of Private Education Loans in repayment		94.2%		93.7%		91.8%
Delinquencies as a percentage of Private Education Loans in repayment		5.2%		5.9%		5.7%
Loans in forbearance as a percentage of loans in repayment and forbearance		2.5%		3.0%		4.2%
Cosigner rate		54%		56%		61%

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

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

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

Allowance for Loan Losses

Our allowance for Private Education Loan losses does not include Purchased Credit Impaired ("PCI") loans as those loans are separately reserved for, as needed. Related to the $2.8 billion of Purchased Non-Credit Impaired Loans acquired in 2017 at a discount, there is no allowance for loan losses established as of March 31, 2019, as the remaining purchased discount associated with the Private Education Loans of $312 million as of March 31, 2019 remains greater than the incurred losses. However, in accordance with our policy, there was $4 million and $6 million of both charge-offs and provision recorded for Purchased Non-Credit Impaired Loans in first-quarter 2019 and 2018, respectively.

	QUARTERS ENDED		
(Dollars in millions)	**March 31, 2019**	**December 31, 2018**	**March 31, 2018**
Allowance at beginning of period	$ 1,201	$ 1,226	$ 1,297
Provision for Private Education Loan losses:			
Purchased Non-Credit Impaired Loans, acquired at a discount	4	4	6
Remaining loans	64	71	71
Total provision	68	75	77
Total charge-offs[1]	(94)	(102)	(78)
Reclassification of interest reserve[2]	3	2	2
Allowance at end of period	$ 1,178	$ 1,201	$ 1,298
Charge-offs as a percentage of average loans in repayment (annualized)	1.7%	1.8%	1.4%
Allowance coverage of charge-offs (annualized)	3.1	3.0	4.1
Allowance as a percentage of the ending total loan balance	4.9%	5.0%	5.2%
Allowance as a percentage of ending loans in repayment	5.3%	5.5%	5.8%
Ending total loans[3]	$ 24,043	$ 24,205	$ 25,111
Average loans in repayment	$ 22,061	$ 22,147	$ 22,660
Ending loans in repayment	$ 22,027	$ 22,037	$ 22,372

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

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

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

In establishing the allowance for Private Education Loan losses as of March 31, 2019, we considered several factors with respect to our Private Education Loan portfolio. As a result of the expiration of the temporary natural disaster forbearances granted at the end of 2017 and beginning of 2018, charge-offs increased by $16 million, loan delinquencies greater than 90-days increased by $12 million and forbearances decreased by $394 million compared with the year-ago quarter, all as expected. These items had no impact on the provision for loan losses in the first quarter of 2019 as these items had been previously reserved for through the allowance for loan losses. Outstanding Private Education Loans decreased $0.8 billion from the year-ago quarter. These factors along with the continued improvement in the portfolio's performance resulted in the $9 million decrease in provision.

Receivable for Partially Charged-Off Private Education Loans

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

The following table summarizes the activity in the receivable for partially charged-off Private Education Loans (GAAP-basis and Core Earnings-basis are the same).

(Dollars in millions)	QUARTERS ENDED March 31, 2019	QUARTERS ENDED December 31, 2018	QUARTERS ENDED March 31, 2018
Receivable at beginning of period	$ 674	$ 688	$ 760
Expected future recoveries of current period defaults[1]	20	22	19
Recoveries[2]	(34)	(32)	(38)
Charge-offs[3]	(3)	(4)	—
Receivable at end of period	$ 657	$ 674	$ 741

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

(2) Current period cash collections.

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

LIQUIDITY AND CAPITAL RESOURCES

We expect to fund our ongoing liquidity needs, including the repayment of $2.3 billion of senior unsecured notes that mature in the next twelve months, primarily through our current cash, investments and unencumbered FFELP Loan portfolio, the predictable operating cash flows provided by operating activities, 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 asset-backed securities ("ABS"), enter into additional Private Education Loan ABS repurchase facilities, or issue additional unsecured debt.

We originate Private Education Loans. We also have purchased and may purchase, in future periods, Private Education Loan and FFELP Loan portfolios from third parties. Those originations and purchases are a part of our ongoing liquidity needs. We repurchased 9.4 million shares of common stock for $107 million in the first quarter of 2019 and have $333 million of remaining share repurchase authority as of March 31, 2019.

SOURCES OF LIQUIDITY AND AVAILABLE CAPACITY

Ending Balances

(Dollars in millions)	March 31, 2019	December 31, 2018	March 31, 2018
Sources of primary liquidity:			
Total unrestricted cash and liquid investments	$ 1,206	$ 1,286	$ 2,401
Unencumbered FFELP Loans	465	332	445
Total GAAP and Core Earnings basis	$ 1,671	$ 1,618	$ 2,846

Average Balances

(Dollars in millions)	QUARTERS ENDED March 31, 2019	QUARTERS ENDED December 31, 2018	QUARTERS ENDED March 31, 2018
Sources of primary liquidity:			
Total unrestricted cash and liquid investments	$ 992	$ 1,933	$ 1,496
Unencumbered FFELP Loans	638	647	902
Total GAAP and Core Earnings basis	$ 1,630	$ 2,580	$ 2,398

Liquidity may also be available under secured credit facilities to the extent we have eligible collateral and capacity available. Maximum borrowing capacity under the FFELP Loan-other facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered FFELP Loans. As of March 31, 2019, December 31, 2018 and March 31, 2018, the maximum additional capacity under these facilities was $1.3 billion, $752 million and $2.4 billion, respectively. For the three months ended March 31, 2019, December 31, 2018 and March 31, 2018, the average maximum additional capacity under these facilities was $1.1 billion, $2.1 billion and $2.2 billion, respectively. As of March 31, 2019, the maturity dates of the FFELP Loan-other facilities ranged from November 2019 to April 2021.

Liquidity may also be available from our Private Education Loan asset-backed commercial paper ("ABCP") facilities. Maximum borrowing capacity under the Private Education Loan-other facilities will vary and be subject to each agreement's borrowing conditions, including, among others, facility size, current usage and availability of qualifying collateral from unencumbered Private Education Loans. As of March 31, 2019, December 31, 2018 and March 31, 2018, the maximum additional capacity under these facilities was $1.3 billion, $635 million and $723 million, respectively. For the three months ended March 31, 2019, December 31, 2018 and March 31, 2018, the average maximum additional capacity under these facilities was $956 million, $642 million and $891 million, respectively. As of March 31, 2019, the maturity dates of the Private Education Loan facilities ranged from June 2019 to June 2020.

At March 31, 2019, we had a total of $6.2 billion of unencumbered tangible assets inclusive of those listed in the table above as sources of primary liquidity. Total unencumbered education loans comprised $3.6 billion of our unencumbered tangible assets of which $3.1 billion and $465 million related to Private Education Loans and FFELP Loans, respectively. In addition, as of March 31, 2019, we had $8.6 billion of encumbered net assets (i.e., overcollateralization) in our various financing facilities (consolidated variable interest entities). Since the fourth quarter of 2015, we have closed on $3.7 billion of Private Education Loan ABS Repurchase Facilities. These repurchase facilities are collateralized by Residual Interests in previously issued Private Education Loan ABS trusts. These are examples of how we can effectively finance previously encumbered assets to generate additional liquidity in addition to the unencumbered assets we traditionally have encumbered in the past. Additionally, these repurchase facilities had a cost of funds lower than that of a new unsecured debt issuance.

For further discussion of our various sources of liquidity, our access to the ABS market, our asset-backed financing facilities, and our issuance of unsecured debt, see "Note 6 — Borrowings" in our Annual Report on Form 10-K for the year ended December 31, 2018.

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

(Dollars in billions)	March 31, 2019	December 31, 2018	March 31, 2018
Net assets of consolidated variable interest entities (encumbered assets) — FFELP Loans	$ 4.5	$ 4.6	$ 4.6
Net assets of consolidated variable interest entities (encumbered assets) — Private Education Loans	4.1	4.8	5.2
Tangible unencumbered assets(1)	6.2	5.7	7.2
Senior unsecured debt	(11.5)	(11.5)	(13.8)
Mark-to-market on unsecured hedged debt(2)	(.2)	(.1)	(.1)
Other liabilities, net	(.4)	(.7)	(.2)
Total tangible equity — GAAP Basis(1)	$ 2.7	$ 2.8	$ 2.9

(1) At March 31, 2019, December 31, 2018 and March 31, 2018, excludes goodwill and acquired intangible assets, net, of $780 million, $786 million and $802 million, respectively.

(2) At March 31, 2019, December 31, 2018 and March 31, 2018, there were $155 million, $51 million and $1 million, respectively, of net gains (losses) on derivatives hedging this debt in unencumbered assets, which partially offset these gains (losses).