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Student loan trends

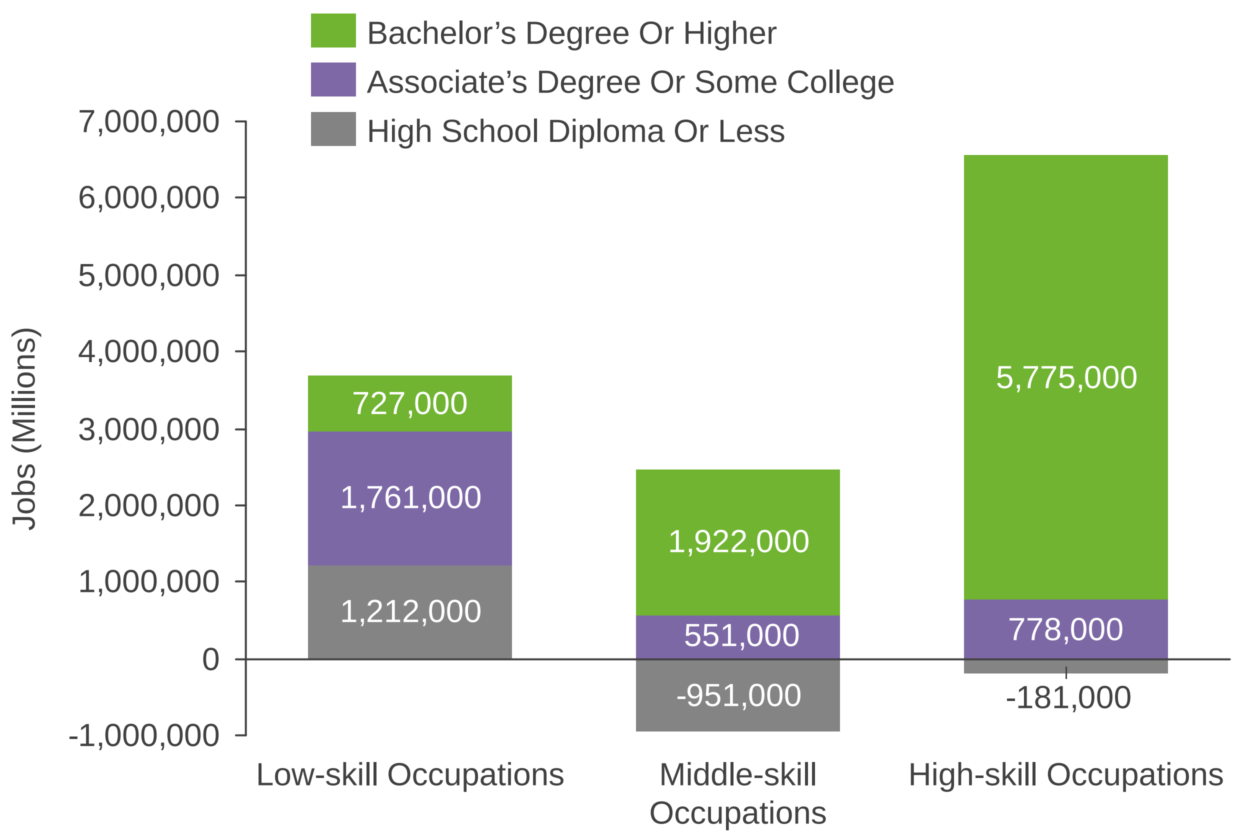
August 2016

In the post-recession job market, a bachelor's degree is more important than ever

Value Of College:

- Job creation in the post-recession economy has heavily favored college-educated workers, with those with a HS Diploma or less continuing to lose middle and high-skill jobs throughout the recovery.
- Out of the 11.6 million jobs created from 2010-2016, 11.5 million went to workers with at least some college education.
- Within this trend, those workers with a bachelor's degree or higher have accounted for 73 percent, or 8.4 million, of the 11.6 million jobs gained in the recovery.

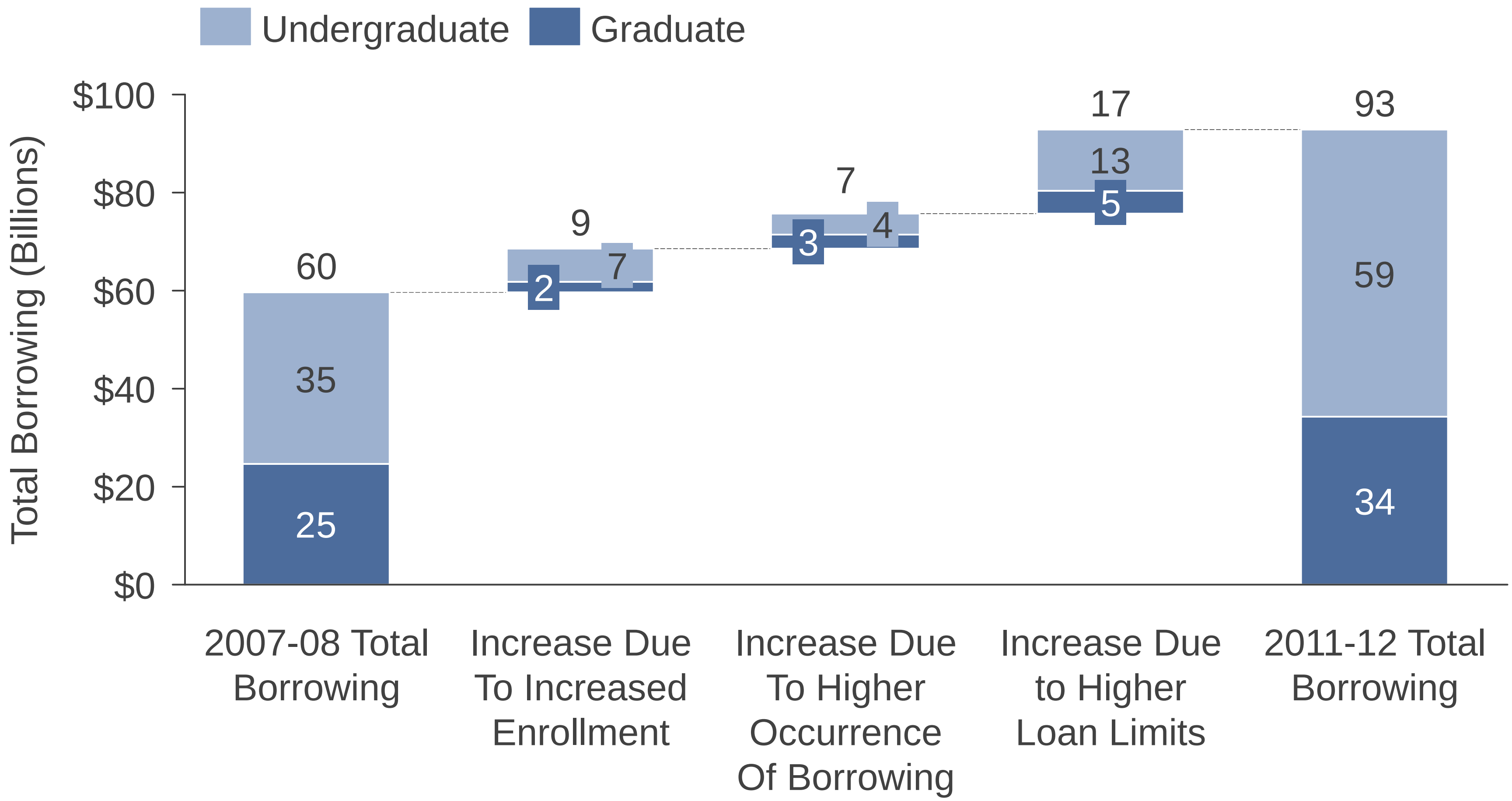
U.S. Employment Growth By Occupation Skill Level And Worker Educational Attainment, 2010-2016



Source: Anthony Carnevale, Tamara Jayasundera, Artem Gulish, Analysis Of Current Population Survey Data, *America's Divided Recovery*, Georgetown University Center On Education And The Workforce, June 2016

The rise in borrowing is attributed to a variety of factors

The Increase In Federal Loans By Cause



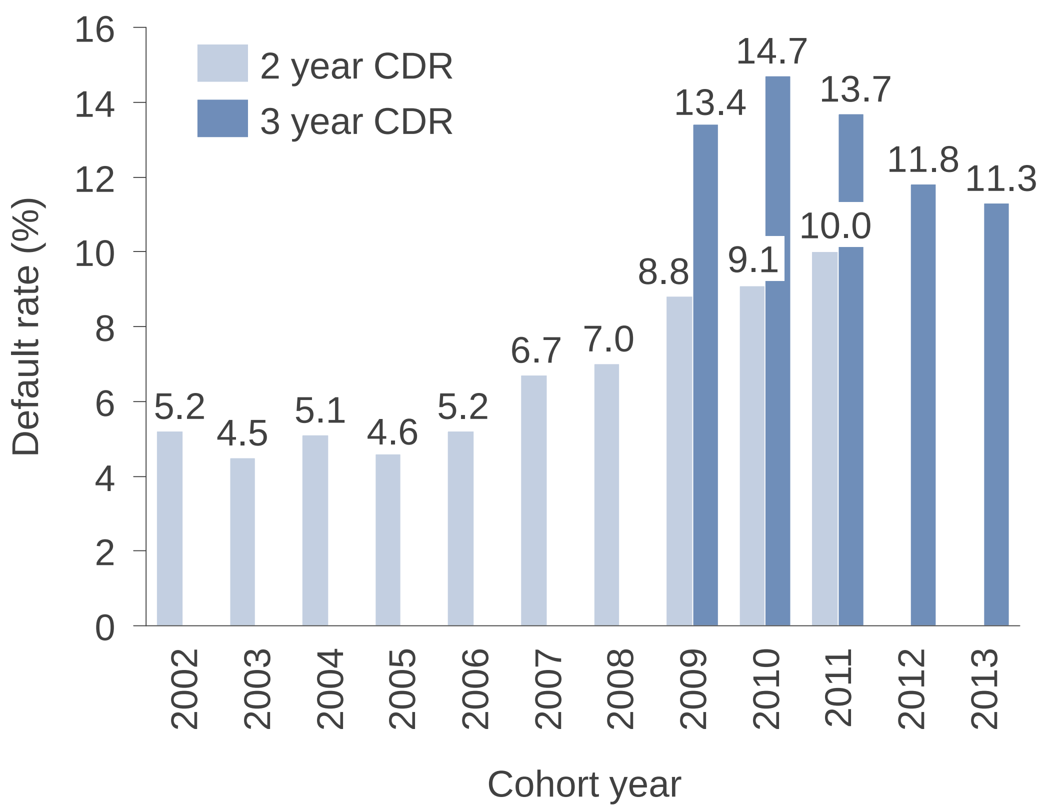
Source: U.S. Department of Education, National Center for Education Statistics, National Postsecondary Student Aid Study (2012*)
**most recent data available*

Federal student loan defaults have fallen as the economy recovery continues

Student loan defaults:

- Cohort default rates peaked for borrowers in the 2010 cohort and have since declined.
- This year, the three-year default rates declined from 11.8 to 11.3 percent.
- Defaults hurt individual borrowers by lowering their credit scores and hampering their ability to borrow.
- Because the federal government is the primary lender, defaults have serious budget implications, as well.

Two and three-year cohort default rates* over time



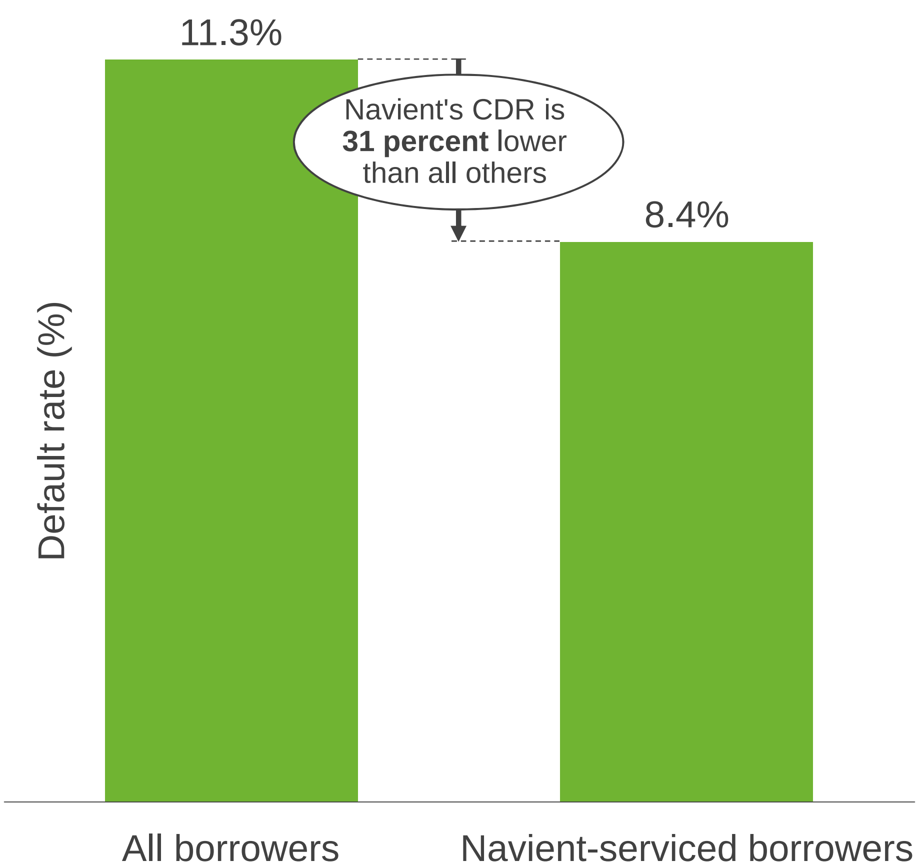
*The Cohort Default Rate measures the percentage of borrowers who begin repayment in one federal fiscal year and default within a three-year period, announced by the U.S. Department of Education each fall. For example, the 2013 Cohort Default Rate, released in September 2016, analyzes data from the group of borrowers who entered repayment between Oct. 1, 2012, and Sept. 30, 2013, and who defaulted in a three-year window by fall of 2015

Source: "National Student Loan Default Rates, Federal Student Aid, 9/28/16

Navient's default prevention expertise has been a key factor in the decline of the national default rate

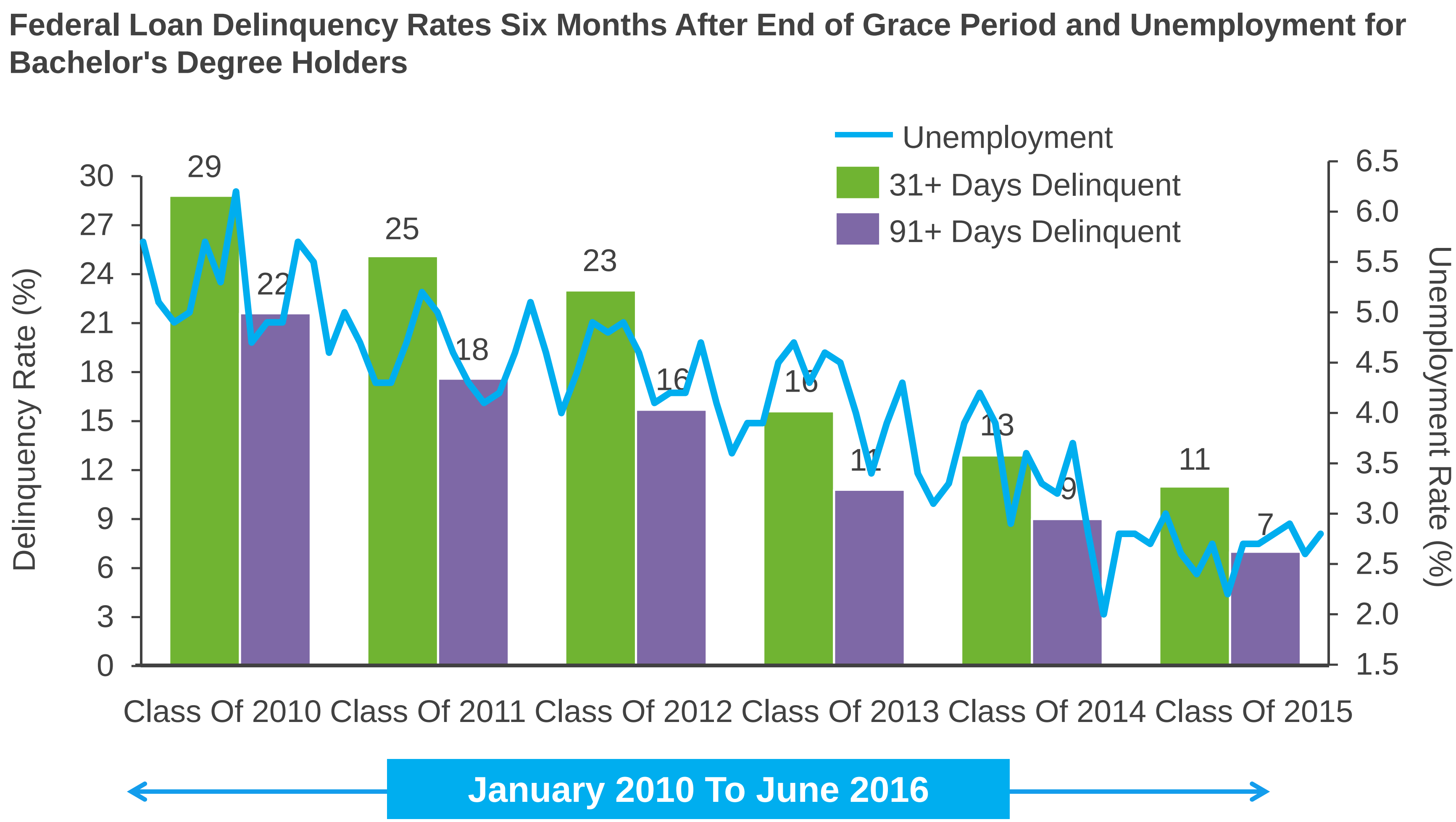
- The cohort default rate (CDR) measures the percent of borrowers who defaulted on a student loan within three years of entering repayment.
- In 2016, the Department of Education announced the 2013 three-year CDR fell from 11.8 percent to 11.3 percent.
- The three-year CDR for Navient-serviced customers was 8.4 percent, 31 percent lower than the national rate excluding Navient-serviced borrowers.
- Navient's performance is similar across all school types.

2013 three-year cohort default rate



Source: Source: "Official Cohort Default Rates for Schools," Federal Student Aid, 9/28/16; Navient data
The 2013 Cohort Default Rate analyzes data from the group of borrowers who entered repayment between Oct. 1, 2012, and Sept. 30, 2013, and who defaulted in a three-year window by fall of 2015. To isolate the difference in defaults between Navient borrowers and others, the difference is calculated by removing Navient's marketshare (22%) from the overall national cohort default rate.

Class of 2015 student loan delinquency rates approximately three times lower than class of 2010

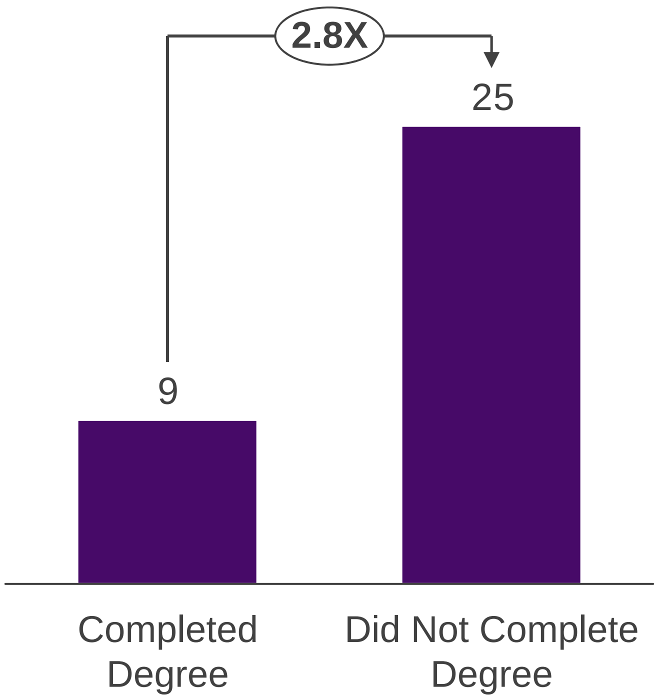


Source: Navient data and US. Bureau of Labor Statistics, Unemployment Rate - College Graduates - Bachelor's Degree, 25 to 34 years [CGBD2534], retrieved from FRED, Federal Reserve Bank of St. Louis.
Class of 2015 data includes borrowers who entered repayment in November and December 2015. Excludes consolidation loans which have lower delinquency rates.

The borrowers who struggle the most are often non-completers with low levels of debt

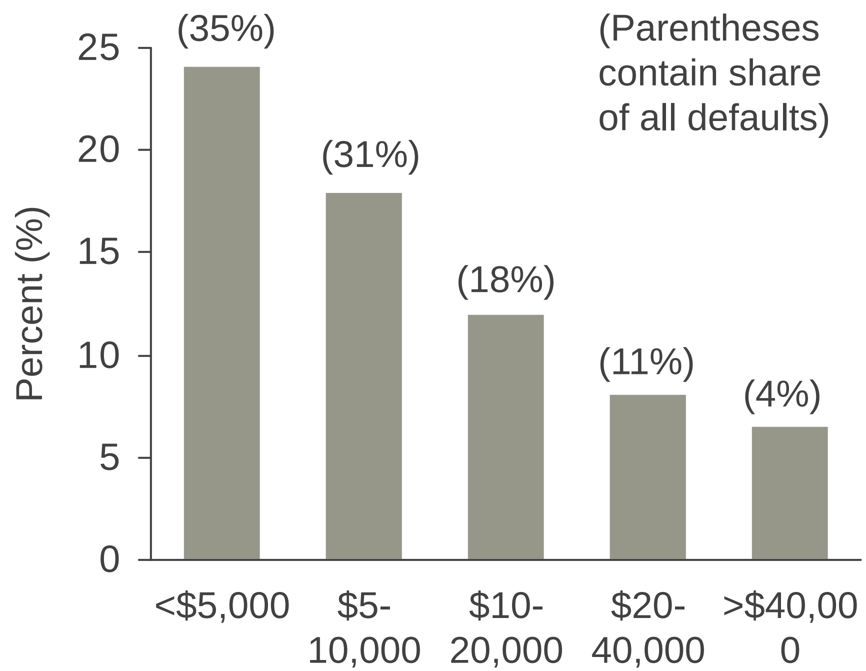
Borrowers who drop out default at a rate almost three times higher than borrowers who did receive a degree.

Borrowers in default by attainment



Borrowers who run into trouble repaying usually have below-average amounts of debt.

3-year default rate by loan size, 2011 repayment cohort

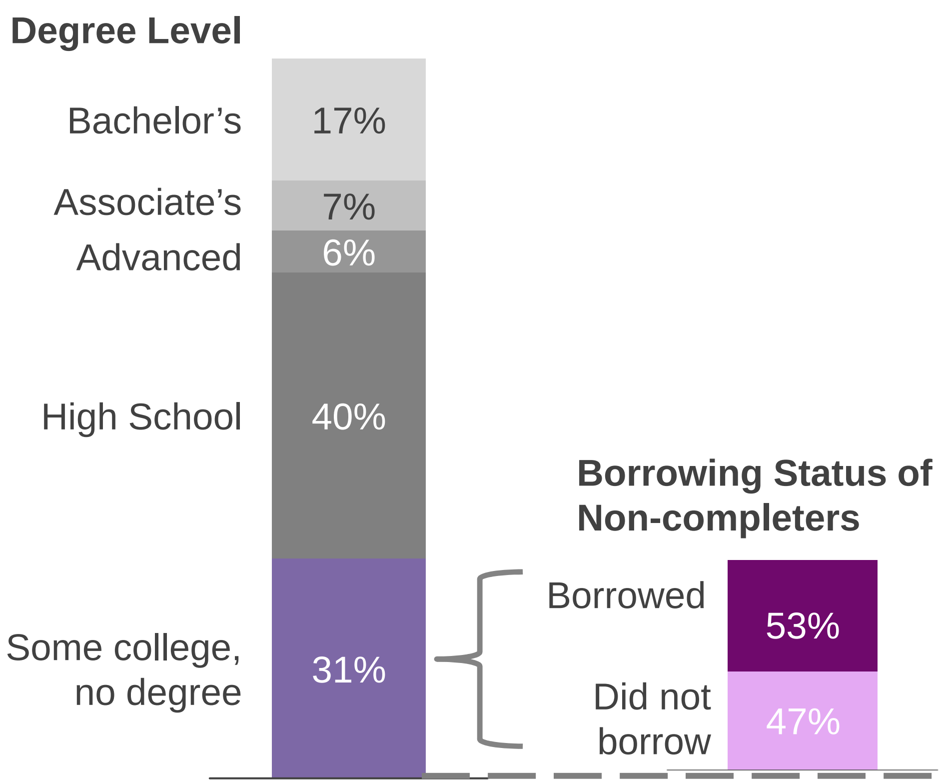


Source: President's Council of Economic Advisors, "Investing In Higher Education: Benefits, Challenges, And The State Of Student Debt," July 2016
Note: Years are fiscal years. Loan size is based on balance of loan when entering repayment.

College completion: The key to financial health

***Money Under 35*, a recent study from Navient and Ipsos, highlighted the importance of college completion given the difficulties that borrowers face when they do not complete a degree.**

Educational Attainment and Borrowing History of Money Under 35 Participants



- *Money Under 35* finds that 30 percent of millennials have a college degree
- Yet, 31 percent of millennials have some college but no degree
  - More than half of them (53 percent) borrowed to pay for college
- *Money Under 35* finds that borrowing for no credential affects young adults in many aspects of their lives
  - Report the lowest level of financial health
  - Only one in three report being financially stable, the lowest level of all educational levels
  - Most likely to report having trouble meeting their bills
  - Most likely to live with their parents or other relatives
- Initiatives to enhance student education before borrowing are critical to ensuring informed borrowing and completion.

Navient and Ipsos, *Money Under 35*, December 2015

Borrowers who are engaged are more successful

Navient Analyzed the Behaviors of 6.8 Million Borrowers Who Are Successfully Repaying Their Loans. Borrowers Who Contact Their Servicer When They Have Questions Are More Successful

In the federal programs, borrowers facing financial challenges do not need to default.

Servicers, however, cannot help borrowers unless they can speak with them or connect with them online.

At Navient, **9 times out of 10** when we reach a struggling borrower we can help them get on a payment plan and avoid default.

In contrast, **90 percent** of customers who default have not responded to our extensive outreach efforts – efforts that extend over the year it take to reach default.

Navient, navient.com/success

Four key recommendations

4 recommendations to improve student loan program success:

1. Provide more front-end resources to improve decision making.

Students and their families need tools to understand how much they'll need to borrow to earn the degree—not simply the current semester—and to assess the likely economic benefits of a chosen field. This kind of information will help students and parents make a more informed assessment about what they can afford.

2. Simplify repayment.

Currently, the government offers 16 repayment plans, eight forgiveness programs, and 32 deferment and forbearance options—each with its own nuances, payment schedules, qualifications, and complex enrollment criteria. They should be and can be simplified. For example, collapsing the multiple income-driven repayment options into one plan with the most appropriate borrower-friendly terms would be a good start.

3. Help borrowers pay off early.

In the rush to help student borrowers, too many have trumpeted lower payments over longer periods as the universal solution despite the higher interest costs many borrowers will pay. We need programs that help struggling borrowers through short-term and long-term challenges, but anyone enrolling should understand the trade-offs to be able to make the right choice for their financial circumstances.

4. Encourage borrowers to engage with their loan servicers.

Default is avoidable, but borrower contact is key. As a servicer, we've found that nine times out of 10, when we reach struggling federal loan borrowers we are able to help them avoid default by getting them into a repayment plan that works for them. Contact works; let's encourage it.

Read Navient CEO Jack Remondi's full remarks at navient.com/views.

#studentloansuccess

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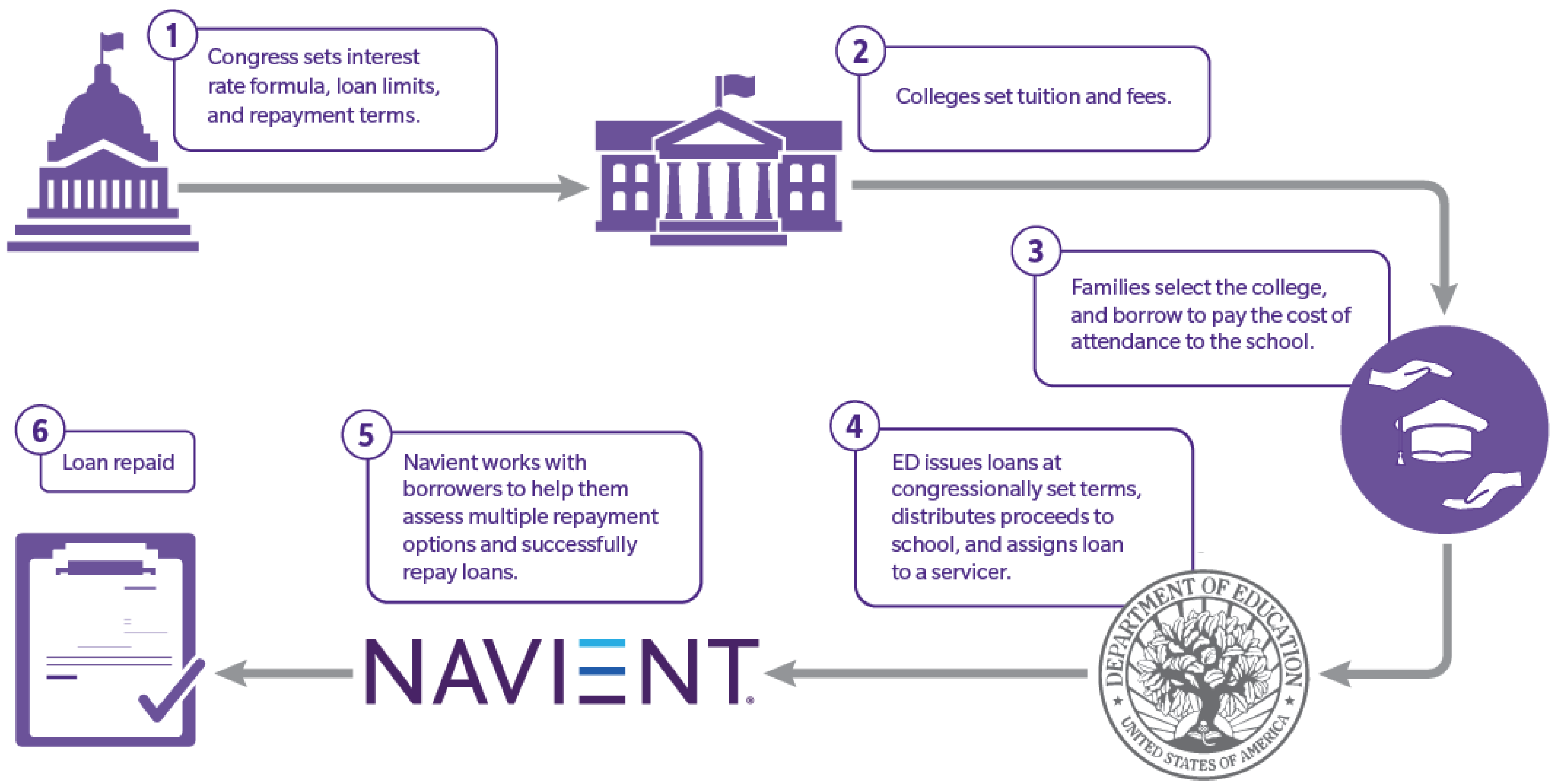
Appendix: Navient's role as servicer

Navient's role is to help student borrowers successfully repay their loans



Navient's proactive approach is the backbone of borrower success

Contact

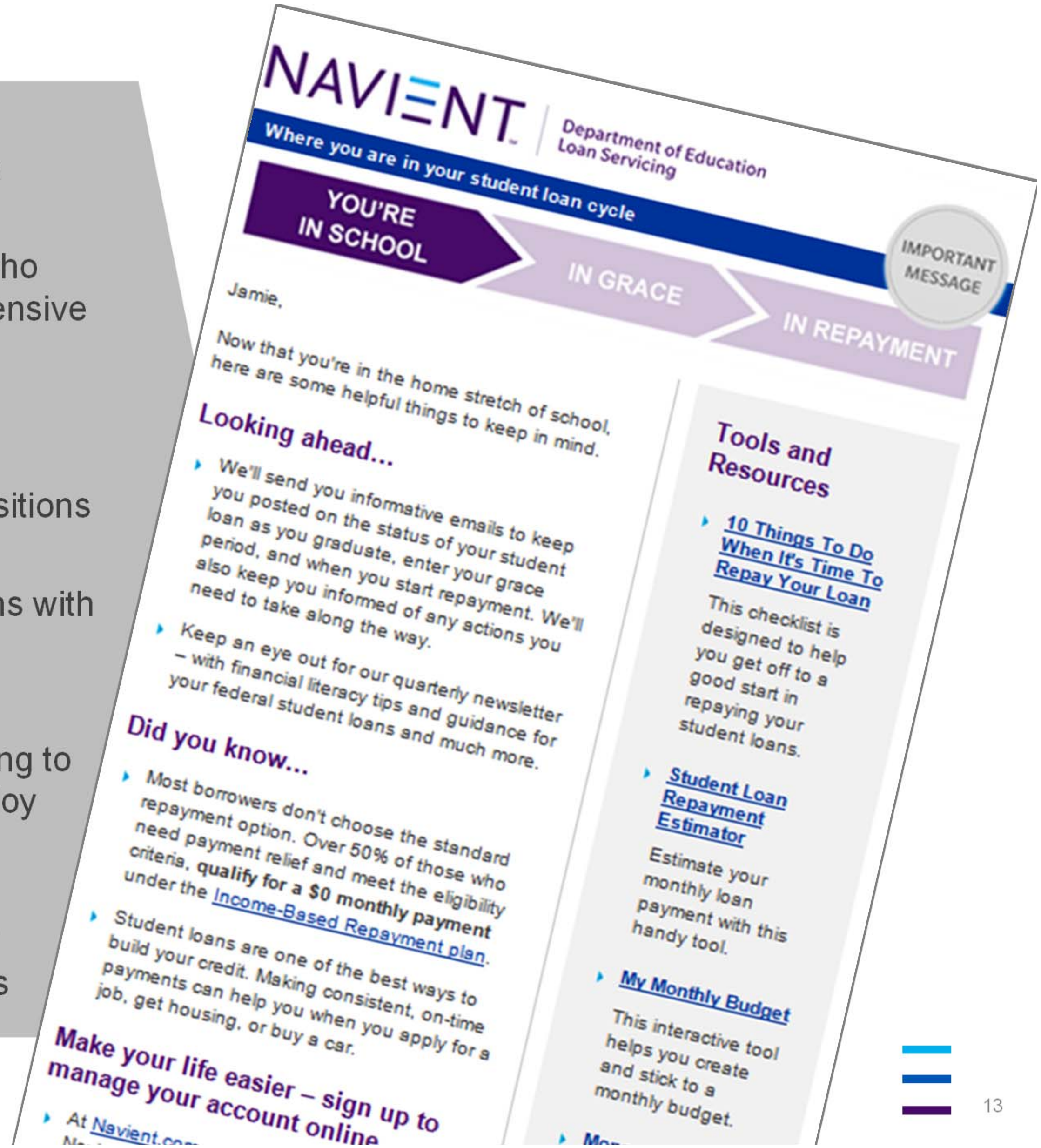
- Nine times out of 10, if we can reach a customer, he/she avoids default
- In contrast, 90 percent of customers who default have not responded to our extensive outreach efforts

Transition Campaigns

- Navient invests in targeted customer communications during important transitions (Exhibit)
- Campaigns focus on repayment options with links to information and calculators

Innovation

- Navient strategists employ risk modeling to pinpoint struggling borrowers and deploy resources where needed.
- The model includes: data analysis, testing, review, and the deployment of successful tactics across all customers

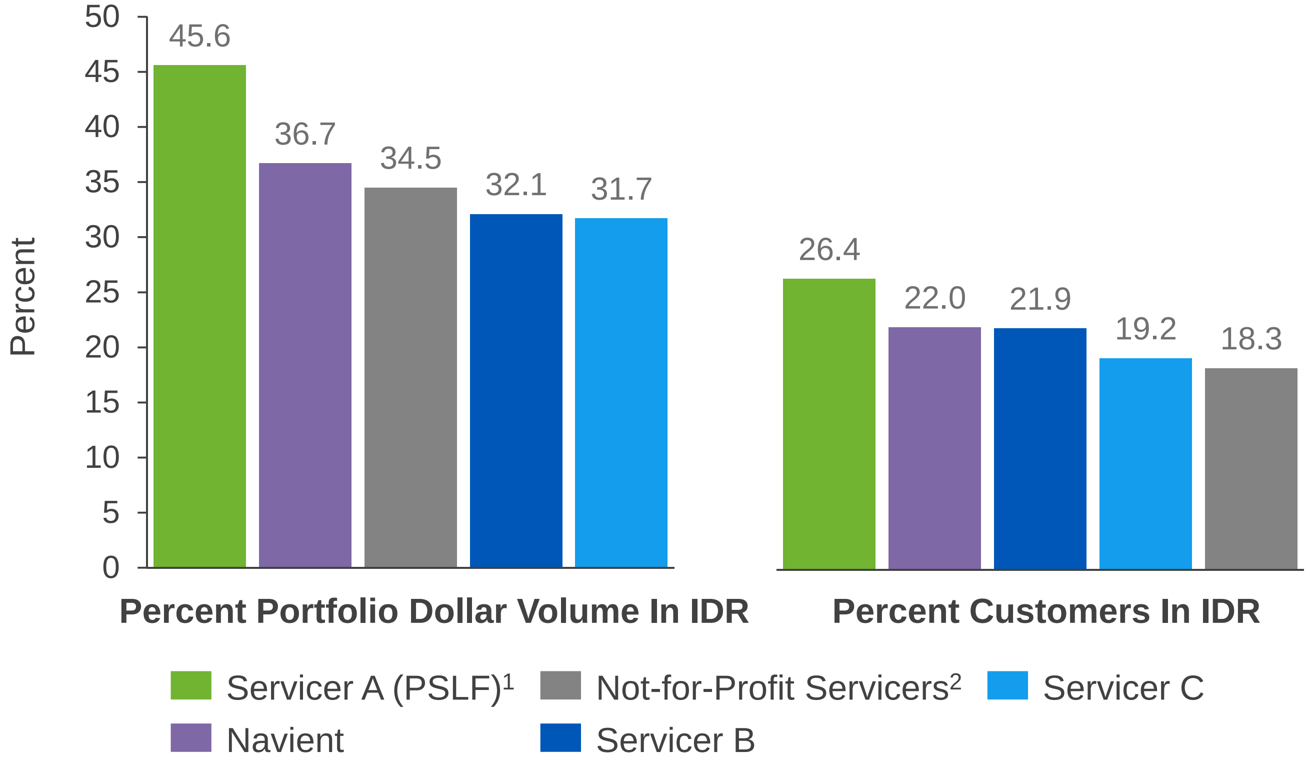


Navient helps borrowers effectively utilize income-driven programs

Income-Driven Repayment

- While our goal is to ensure that all borrowers make full, on-time payments, sometimes other options are necessary.
- Navient excels at enrolling borrowers in income-driven repayment plans*:
  - 36.7 percent of dollar volume
  - 22.0 percent of borrowers

March 2016 IDR Enrollment By Servicer As A Percentage Of Borrowers In Repayment By Loan Volume And Total Borrowers



[1] Borrowers who enroll in IDR with Public Service Loan Forgiveness are automatically (re)assigned to Servicer A, inflating IDR enrollment.

[2] Not-For-Profit (NFP) Servicers includes aggregated data for all NFP student loan servicers.

Source: US Department of Education, FSA Data Center, data as of 03/31/16. https://studentaid.ed.gov/sa/about/data-center/student/portfolio

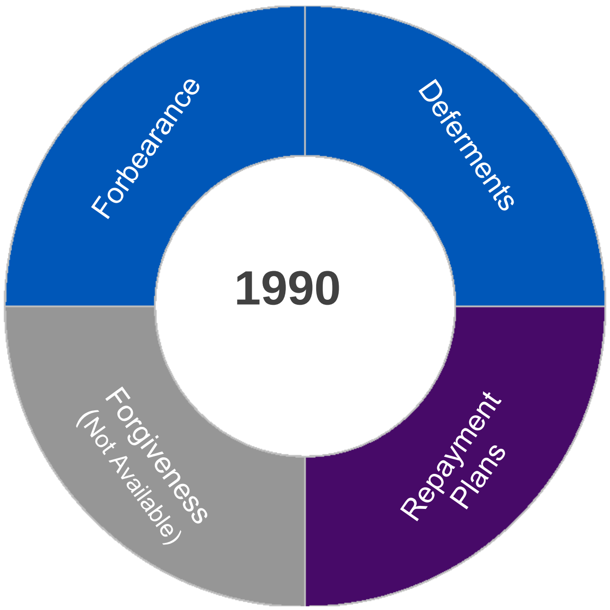
Appendix: Payment options

In 1990, student loan repayment complexity centered around eligibility criteria for qualifying deferments

Forbearance

Discretionary Forbearance

- Hardship Forbearance



Deferment

- School Full-Time
- School Half-Time
- Graduate Fellowship
- Unemployment Deferment – 2 years
- Rehabilitation Training Program
- Teacher Shortage
- Internship/Residency Training
- Temporary Total Disability
- Armed Forces or Public Health Services
- National Oceanic and Atmospheric Administration Corps
- Peace Corps, ACTION Program, and Tax-Exempt Organization Volunteer
- Parental Leave
- Mother Entering/Re-entering Work Force

Repayment Plans

- Standard
- Graduated

By 2015, an array of choices are available

Forbearance

Discretionary Forbearance

- Hardship Forbearance

Mandatory Forbearance

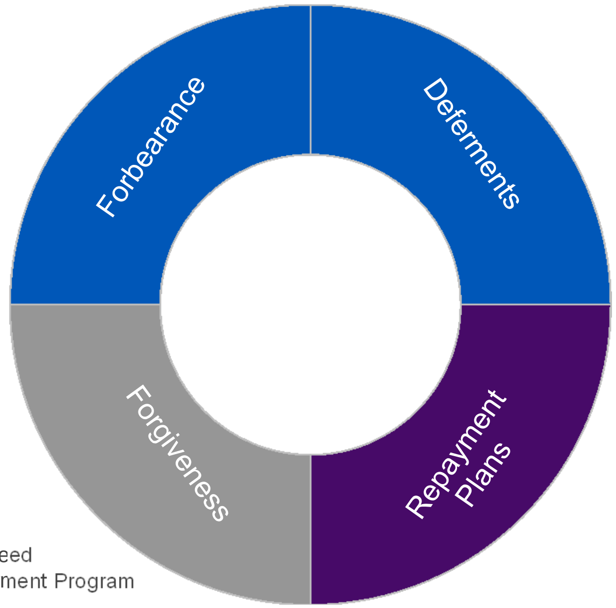
- Medical or Dental Internship Residency
- Department of Defense Student Loan Repayment Programs
- National Service
- Active Military State Duty
- Student Loan Debt Burden
- Teacher Loan Forgiveness

Mandatory Administrative Forbearance

- Local or National Emergency
- Military Mobilization
- Designated Disaster Area
- Repayment Accommodation
- Death
- Teacher Loan Forgiveness

Forgiveness

1. Teacher Loan Forgiveness
2. Loan Forgiveness for Service in Areas of National Need
3. Civil Legal Assistance Attorney Student Loan Repayment Program
4. Income Contingent Repayment Plan Forgiveness
5. Income Based Repayment Plan Forgiveness
6. Pay As You Earn Repayment Plan Forgiveness
7. Income Based 2014 Repayment Plan Forgiveness
8. REPAYE Repayment Plan Forgiveness
9. Public Service Loan Forgiveness



Deferment

1. School (1)
2. School Full-Time (2)
3. School Half-Time (2)
4. Post Enrollment (1)
5. Graduate Fellowship (3)
6. Unemployment Deferment – 2 years (2)
7. Unemployment Deferment – 3 years (1)
8. Economic Hardship (1)
9. Rehabilitation Training Program (3)
10. Military Service (3)
11. Post-Active Duty Student (3)
12. Teacher Shortage(2)
13. Internship/Residency Training (2)
14. Temporary Total Disability (2)
15. Armed Forces or Public Health Services (2)
16. National Oceanic and Atmospheric Administration Corps (2)
17. Peace Corps, ACTION Program, and Tax-Exempt Organization Volunteer (2)
18. Parental Leave (2)
19. Mother Entering/Re-entering Work Force (2)

Repayment Plans

1. DL Standard Pre-HERA
2. FFELP/DL Standard Post-HERA (4)
3. DL Graduated Pre-HERA
4. FFELP/DL Graduated Post –HERA (4)
5. DL Extended Pre-HERA
6. FFELP/DL Extended Post-HERA (4)
7. Income-Sensitive
8. Income-Contingent Ver. 1 (5)
9. Income-Contingent Ver. 2 (5)
10. Income-Contingent Ver. 3
11. Forced Income-Driven
12. Income-Based
13. Pay As You Earn
14. Income-Based 2014
15. Alternative (6)
16. REPAYE

Effective Date Details

(1) Limited to FFELP borrowers with all new loans made on or after July 1, 1993; All DL are eligible.
(2) Limited to FFELP borrowers with all loans made on or after July 1, 1987 and prior to July 1, 1993; DL eligible if borrower has FFELP loan made during this period.
(3) All FFELP and DL loans eligible regardless of disbursement date
(4) HERA aligned FFELP and DL repayment plans for loans first entering repayment on or after July 1, 2006.
(5) Pre July 1, 1996, ICR plans, the DL borrower can choose between ICR1 - the Formula Amount, or ICR2 – the Capped Amount.
(6) The DL borrower can request from 5 alternative repayment plans: Fixed Payment Amount, Fixed Term, Graduated Repayment, Negative Amortization, or Post REPAYE.

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