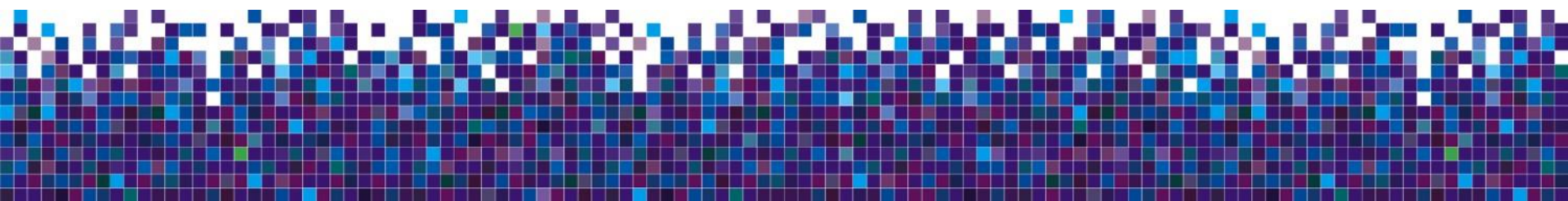




Student loan trends and Navient's role in supporting borrower success

July 2018

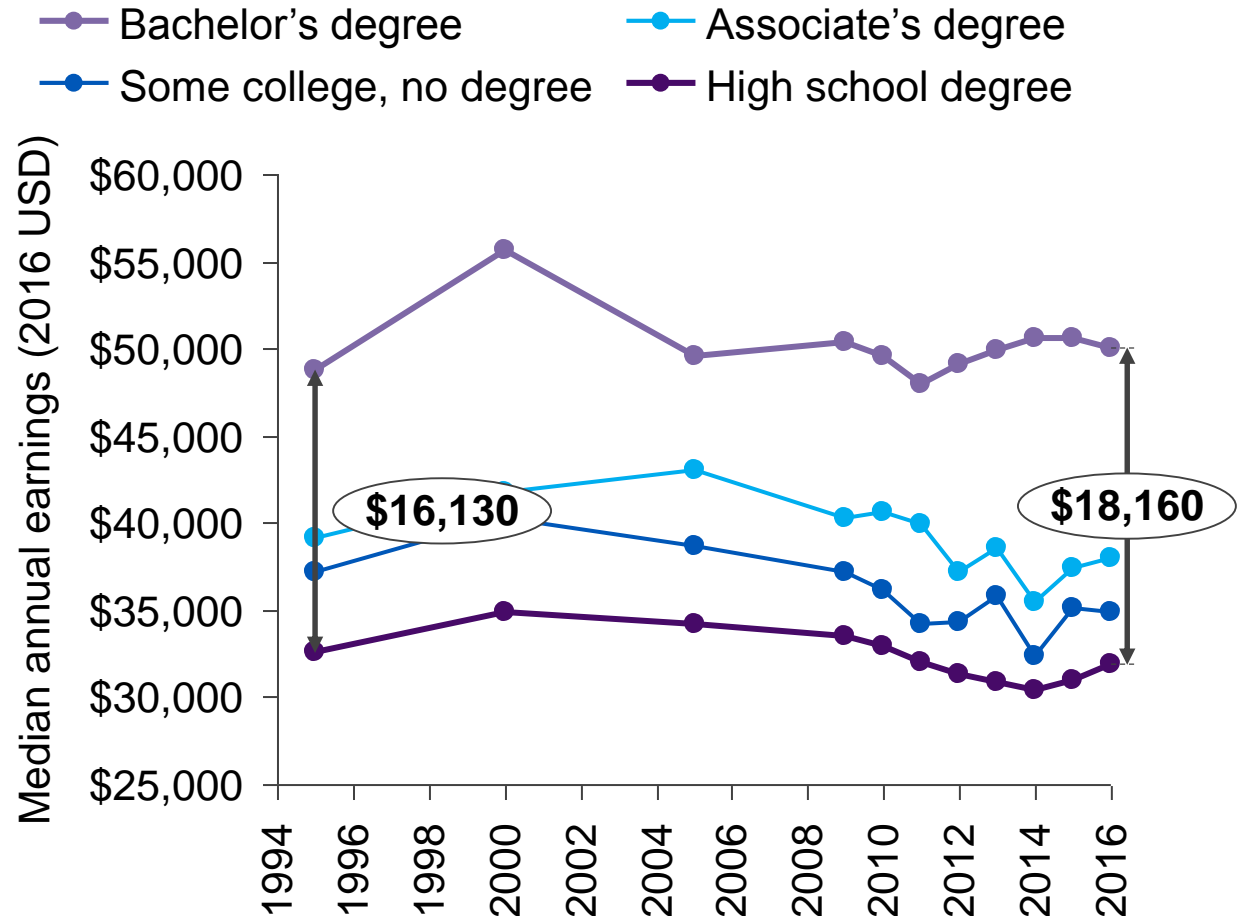


A college degree continues to deliver a significant earnings premium

Value of college

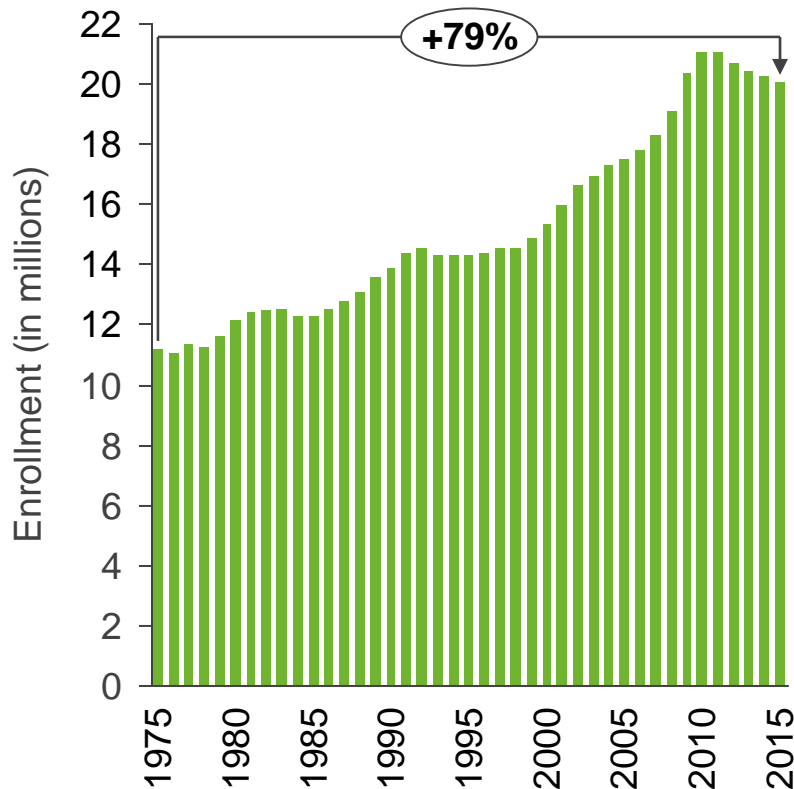
- A bachelor's degree is essential for increased earnings.
- The gap between college-degree holders has grown between other earnings groups.
- Since 1995, the earnings gap between bachelor's degree holders and those with just a high school degree has grown by more than \$2,000.

Median annual earnings of full-time workers age 25-34



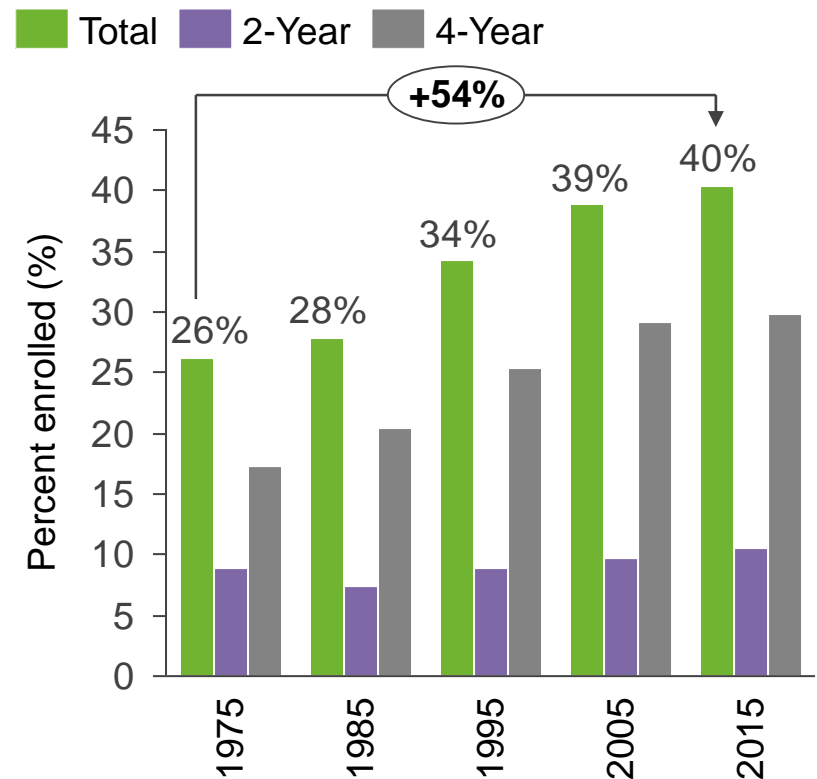
College enrollment and educational attainment have increased over the last four decades

Total fall enrollment in post-secondary institutions



Source: U.S. Department Of Education, "Total Fall Enrollment In Degree-granting Postsecondary Institutions, By Attendance Status, Sex Of Student, And Control Of Institution," [National Center For Education Statistics](#), 2017

Percent of 18-24 year olds in degree-granting institutions



Source: U.S. Department Of Education, "Percentage Of 18- To 24-year-olds Enrolled In Degree-granting Postsecondary Institutions, By Level Of Institution And Sex And Race/Ethnicity Of Student: 1970 Through 2015 " [National Center For Education Statistics](#), 2017

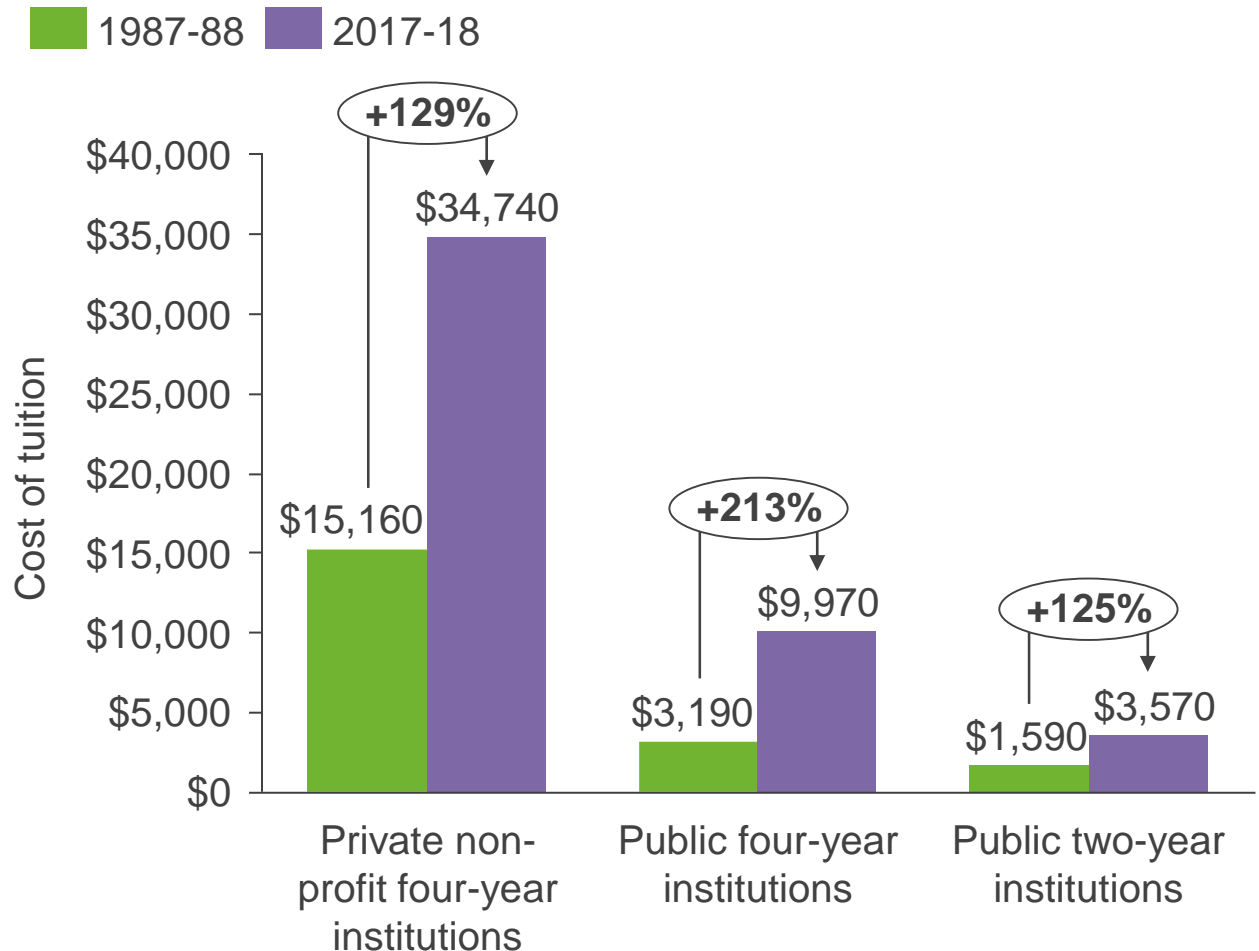


The cost of attending college has more than doubled over the last 30 years for all types of institutions

College tuition costs significantly more than before.

- The cost increases at public four-year institutions have outpaced the increases in tuition for non-profit four-year colleges by over 80 percent.
- Tuition costs have more than doubled over the last 30 years at two-year public and four-year private institutions.

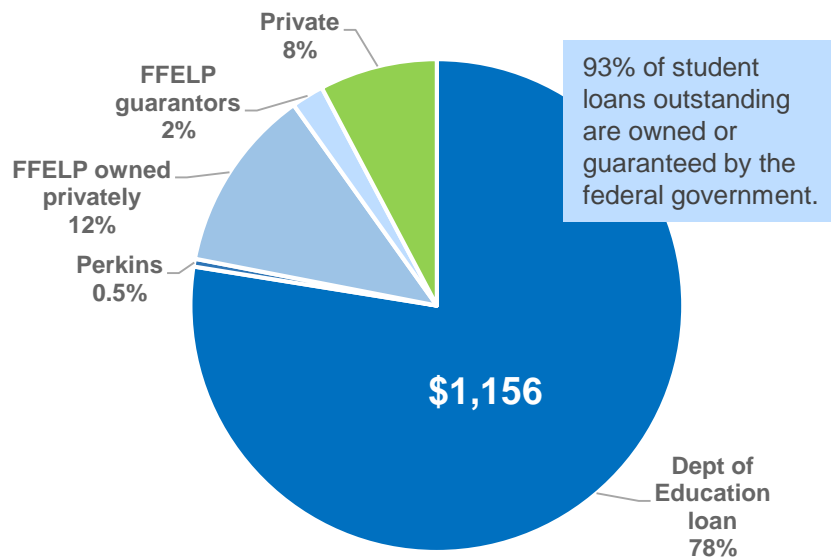
Annual cost of tuition by college type, in 2017 dollars



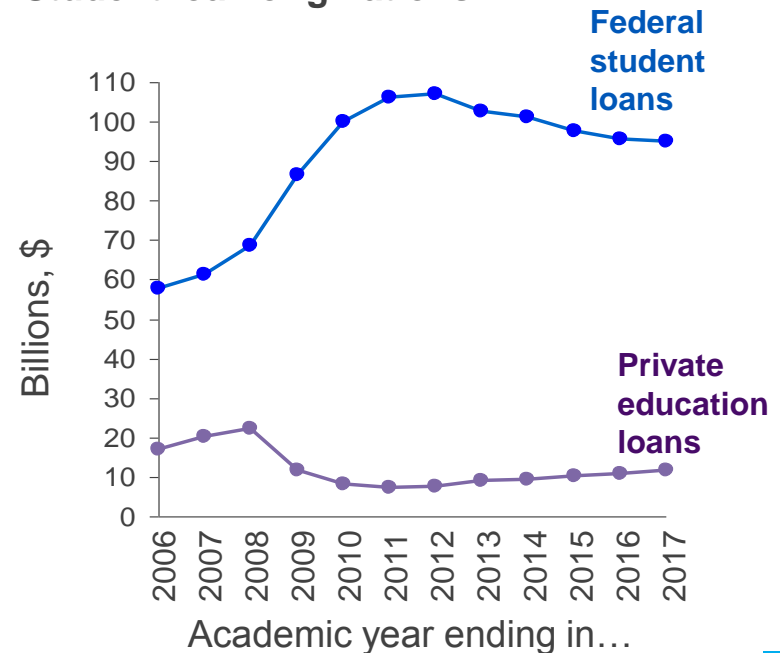
Federal government is the largest consumer lender, owning/guaranteeing \$1.4 trillion in student loans

- Federal loan interest rates, limits and terms are set by Congress.
- All federal loans are issued directly by the U.S. Department of Education since 2010 when federally guaranteed loans ended.
- Federal loans have no traditional underwriting, and no truth in lending disclosures.
- In AY 16-17, ED disbursed \$95B in student loans, a decline from peak of \$117B in AY 10-11.

Outstanding student loans, \$1.5 trillion

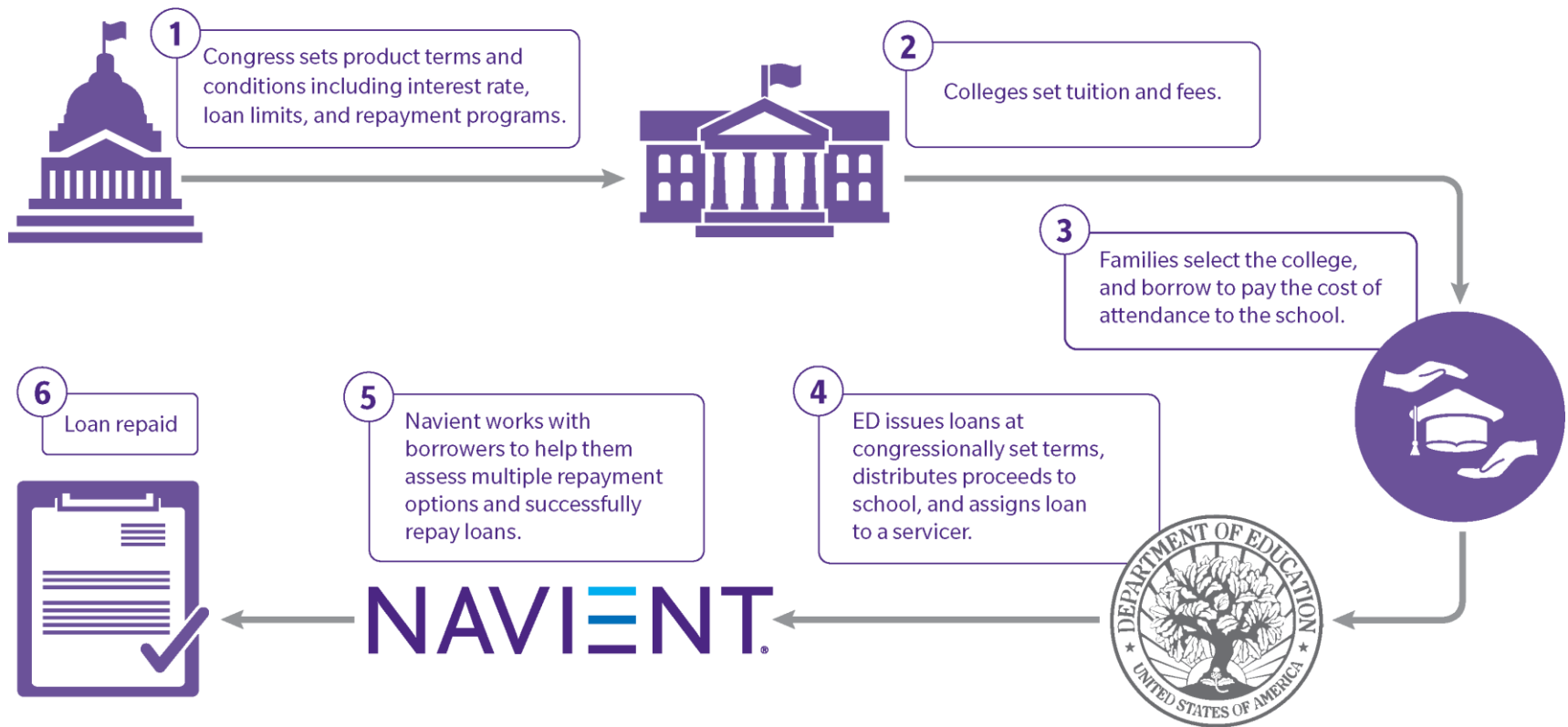


Student loan originations



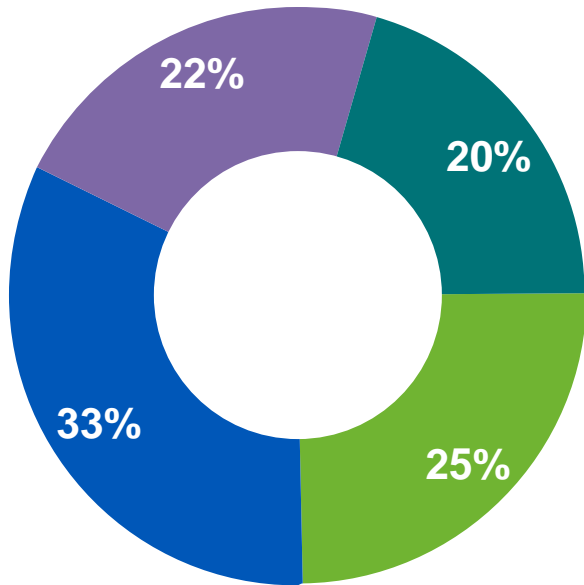
In its role as a student loan servicer, Navient helps borrowers successfully repay their loans

Servicers begin helping borrowers navigate repayment after important financial decisions about the total cost and experience of their education have already been made.

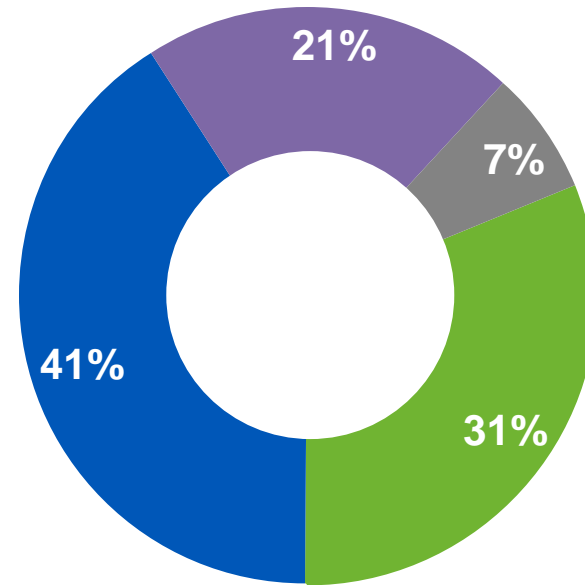


With recent M&A activity and PSLF, Nelnet-Great Lakes and PHEAA are the largest servicers

Share of U.S. student loan dollars, all loan types*



Share of student loan dollars serviced, ED-owned Direct Loans



*Note: Includes federal student loans, FFELP loans, and private loans

Source: Nelnet [10-K](#), Navient [10-K](#), PHEAA [Quarterly Statement](#), [NY Fed](#)

Source: [FSA Data Center, Sept. '17 Data](#)

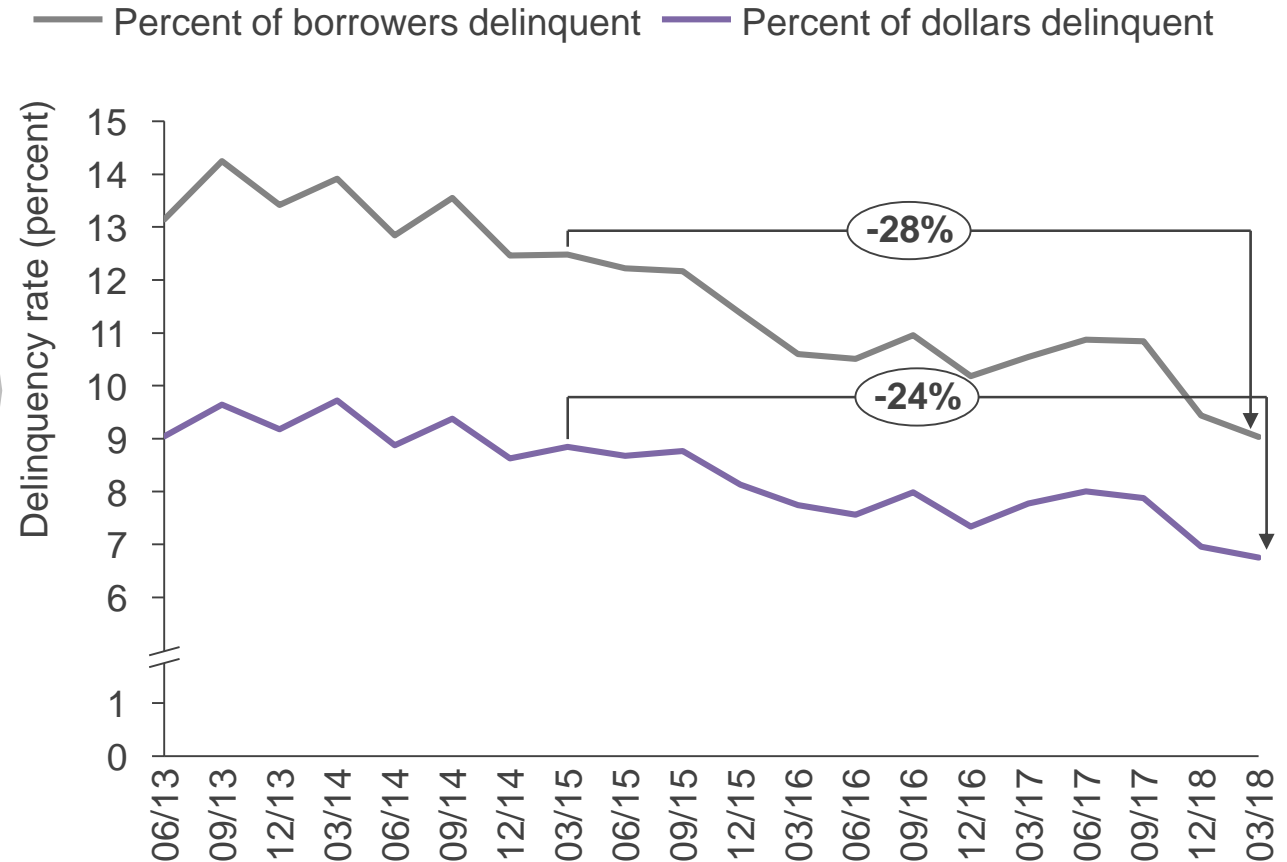


FSA data shows an ongoing decline in the percent of federal borrowers and dollars delinquent

Federal loan delinquency rates have declined over the last three years.

In the past three years, the percent of federal borrowers who are seriously past due on their payments has decreased 28%, while the percent of federal dollars delinquent by 90 days or more has decreased by 24%.

Percent of Direct Loan borrowers and dollars 90+ days delinquent



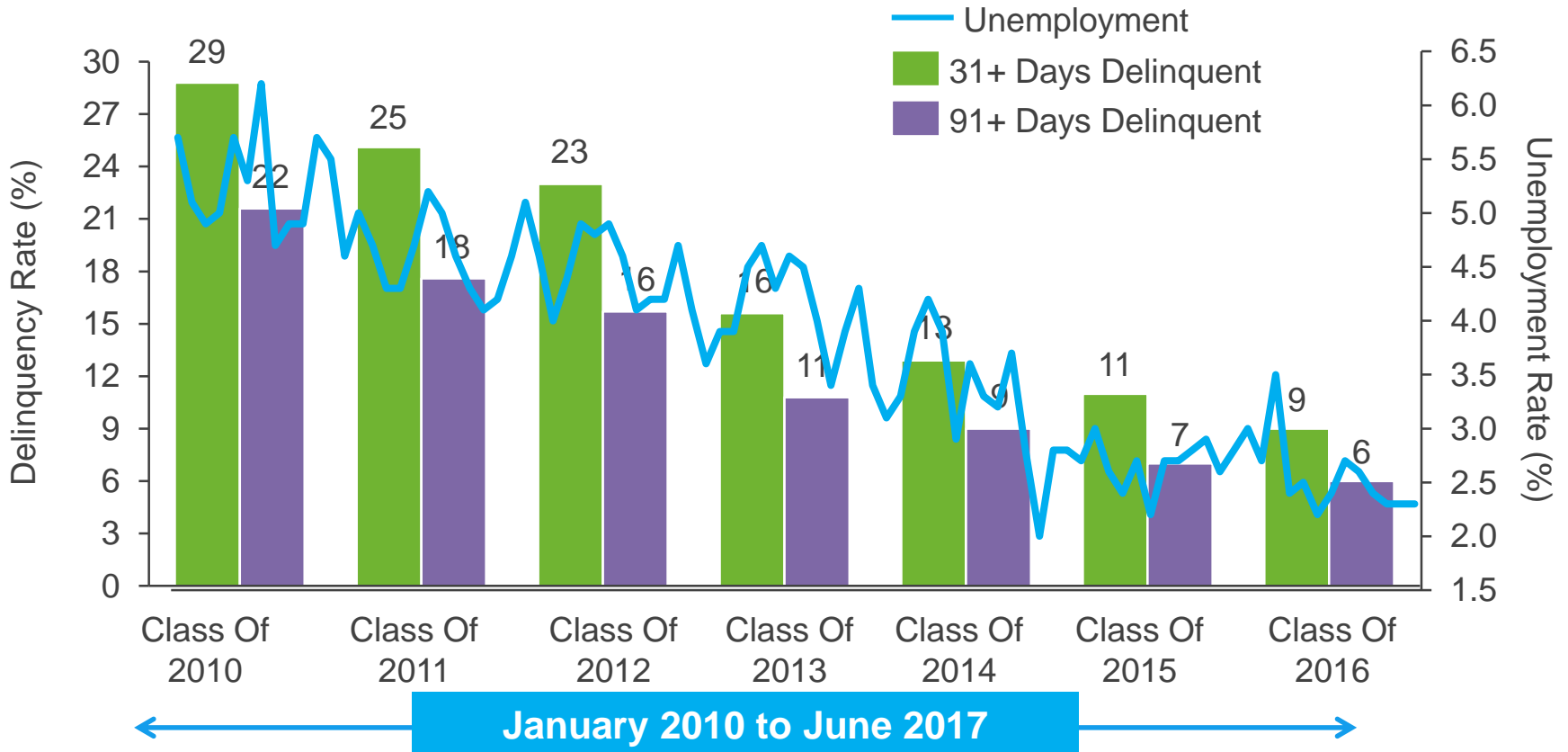
Notes: Percent calculated from all seriously delinquent (90+ days) borrowers in repayment; because of seasonality when loans enter repayment, comparisons should be made on a year-over-year basis, not sequential quarters.

Source: FSA Data Center, "[Direct Loan Portfolio By Delinquency Status](#)" & "[Direct Loan Portfolio By Loan Status](#)"



Delinquency rates for the Class of 2016 are one-third that of the Class of 2010

Federal loan delinquency rates six months after end of grace period and unemployment for bachelor's degree holders



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. Excludes consolidation loans which have lower delinquency rates. Class of 2016 data includes borrowers who entered repayment between November 2016 and January 2017.



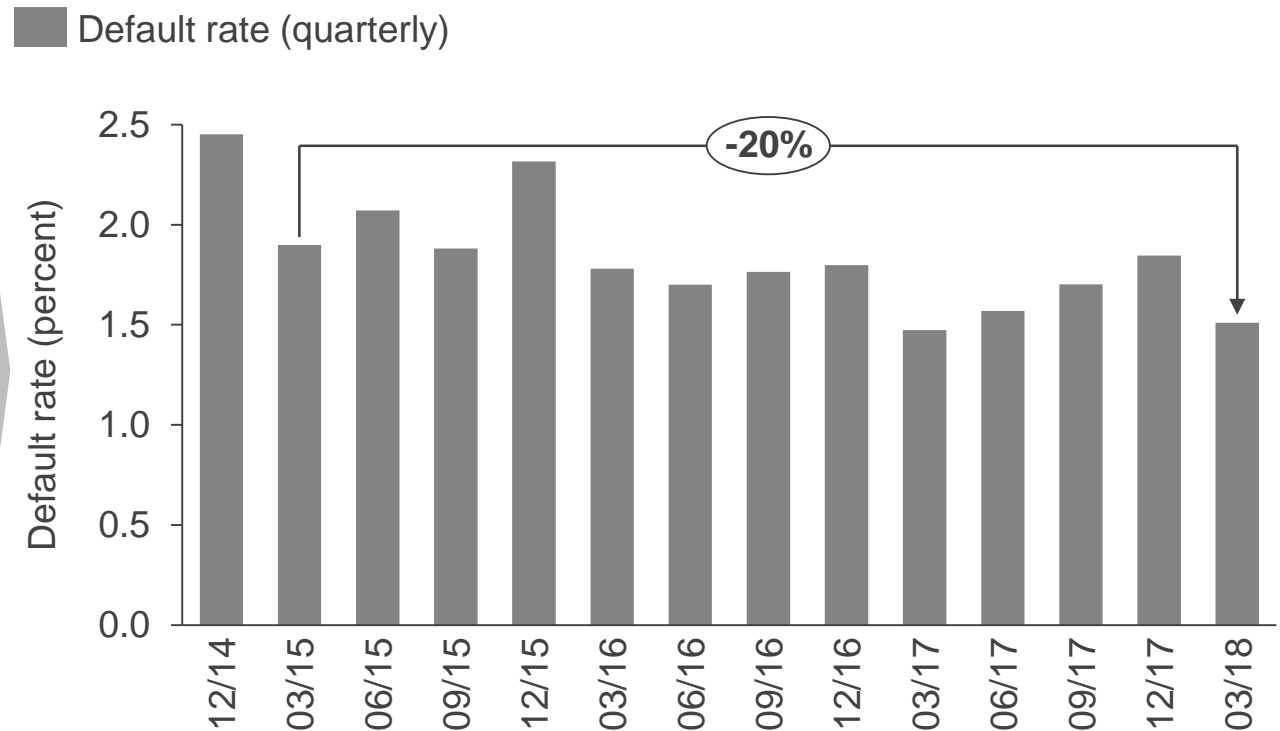
This quarter, the rate of federal borrowers entering default decreased by 9 percent

The rate of borrowers entering default is declining.

Since March 2015, the rate of federal borrowers entering default has decreased by 20%.

While the number of borrowers in repayment has climbed 33% over the last three years, the actual number of borrowers defaulting has only increased 6%.

Rate of Direct Loan borrowers entering default by quarter



Notes: Because of seasonality when loans enter repayment, comparisons should be made on a year-over-year basis, not sequential quarters; default rate is non-annualized, and represents unique borrowers entering default in the quarter as a percent of borrowers in repayment. According to FSA, "Because defaulted federal student loans are rarely written off, Federal Student Aid's open stock of defaults continues to grow even as delinquencies and new defaults have declined. For the fifth consecutive quarter, new Direct Loan defaults have decreased as a percentage of recipients in repayment the previous quarter."

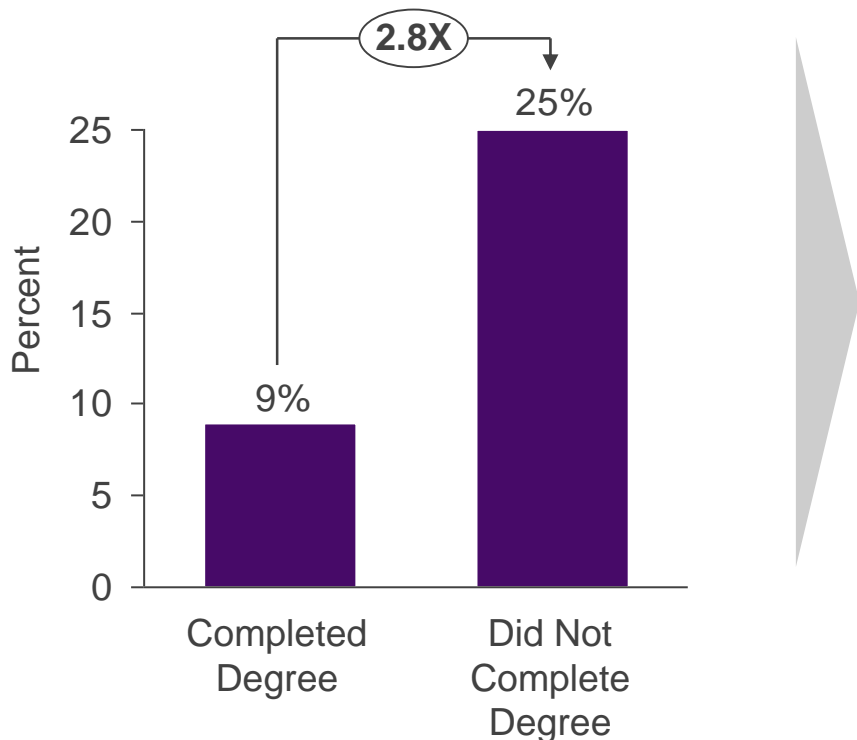
Source: FSA Data Center, "[Direct Loans Entering Default](#)"



The borrowers who struggle most are often non-completers with less than \$10,000 in debt

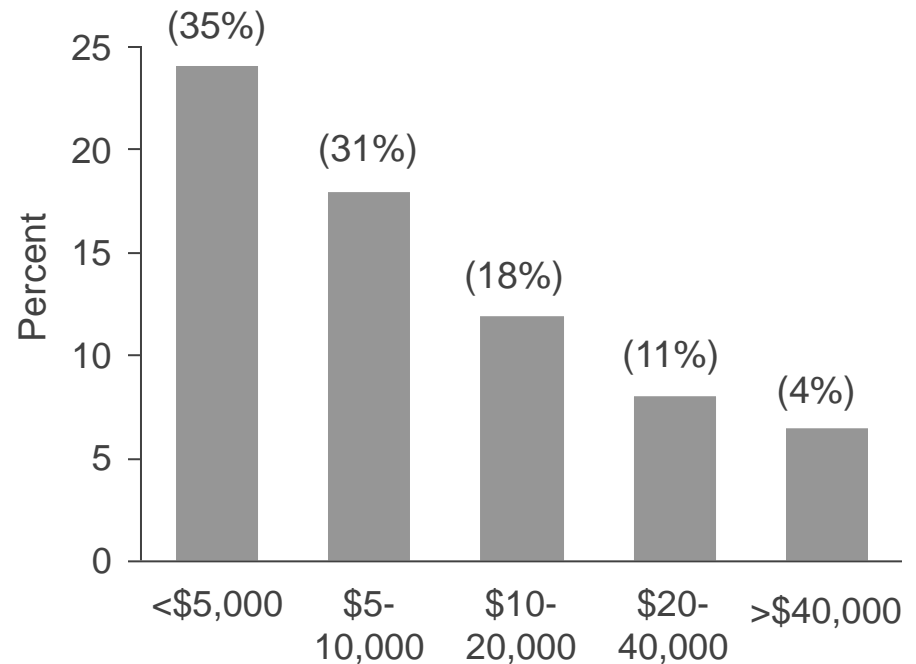
Borrowers who do not complete a degree default at a rate almost three times higher than borrowers who earned a degree ...

Borrowers in default by attainment



... As a result, borrowers who run into trouble repaying usually have below-average amounts of debt.

3-Year Default Rate by loan size, 2011 Repayment Cohort (parentheses contain share of all defaults)



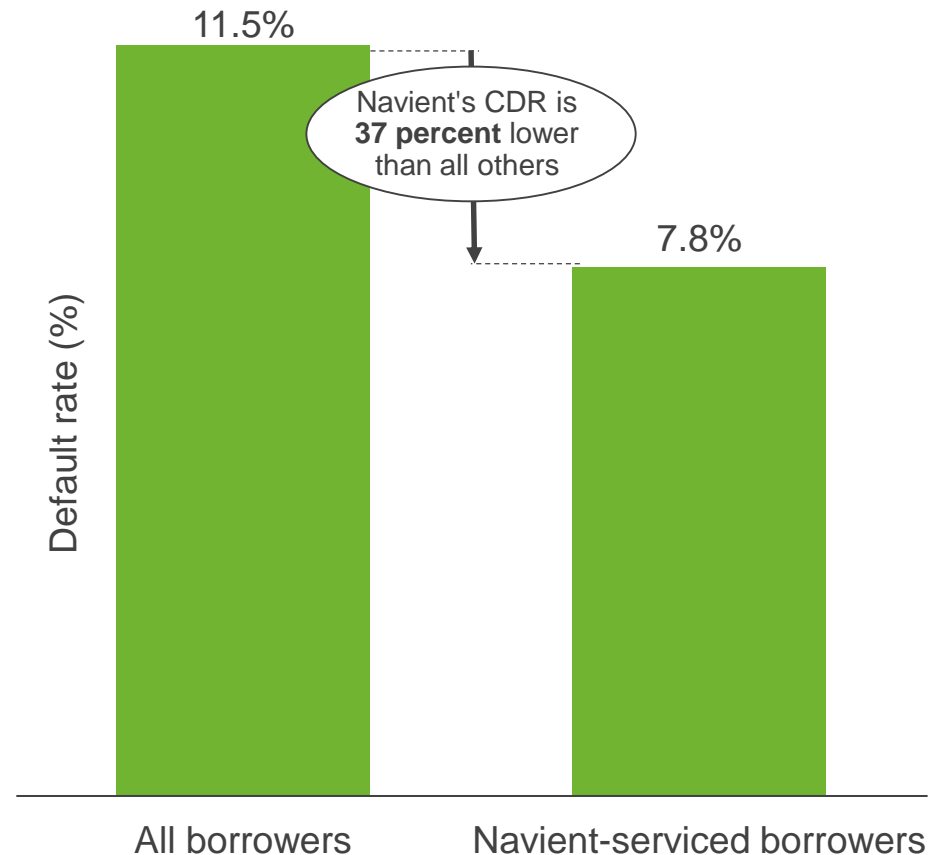
Source: President's Council of Economic Advisors, "Investing In Higher Education: Benefits, Challenges, And The State Of Student Debt," [July 2016](#)

Note: Years are fiscal years. Loan size is based on balance of loan when entering repayment.

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 2017, the Department of Education announced the 2014 CDR was 11.5 percent, a small increase from 2016 (11.3%) and a significant decrease since 2013 (14.7%).
- The CDR for Navient-serviced customers was 7.8 percent, 37 percent lower than the national rate excluding Navient-serviced borrowers.
- Our outreach to borrowers is key. Nine times out of 10, if we can reach a struggling borrower, we can help him or her avoid default.

2014 three-year cohort default rate



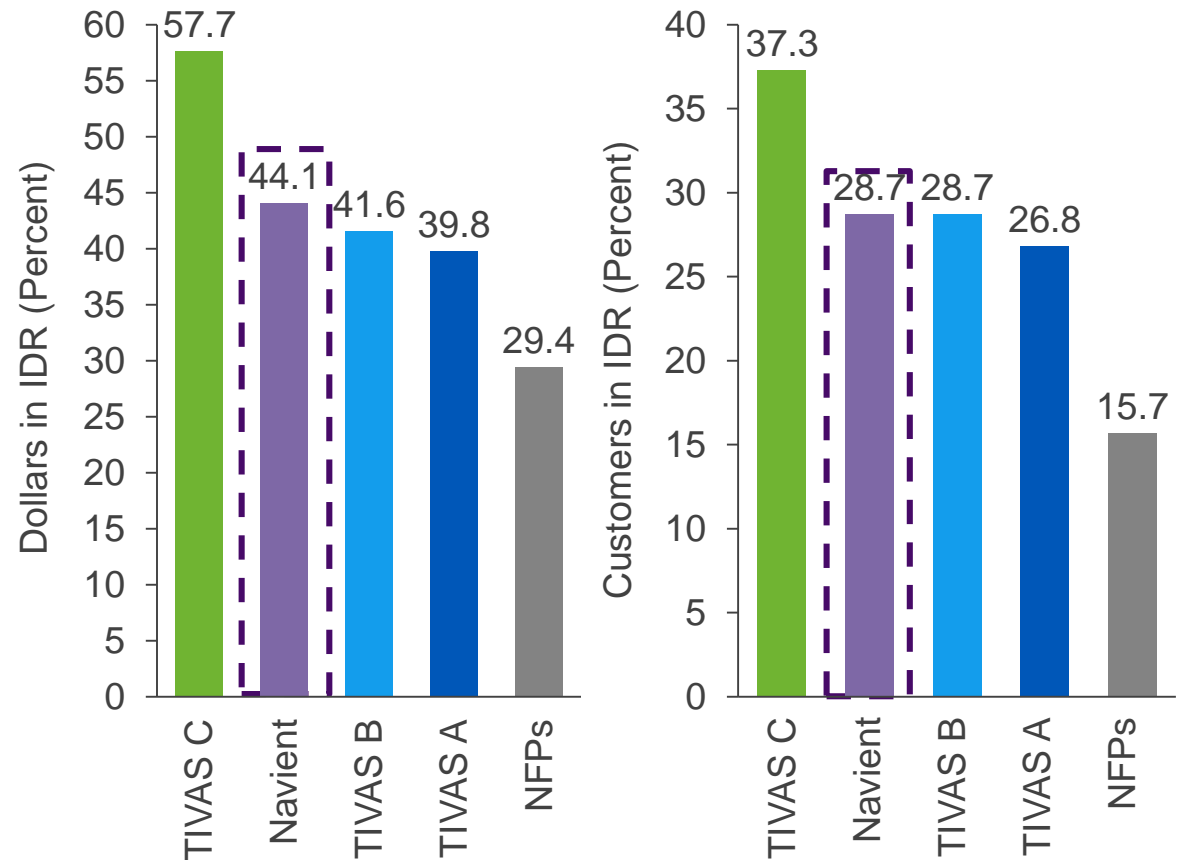
Source: "Official Cohort Default Rates for Schools," [Federal Student Aid](#), 9/27/17; Navient data
The 2014 Cohort Default Rate analyzes data from the group of borrowers who entered repayment between Oct. 1, 2013, and Sept. 30, 2014, and who defaulted in a three-year window by fall of 2016. To isolate the difference in defaults between Navient borrowers and others, the difference is calculated by removing Navient's marketshare from the overall national cohort default rate; the resulting CDR for non-Navient serviced borrowers is 12.4%.



Navient is a significant facilitator of IDR enrollment for student borrowers

- Navient-serviced loans represent the second-highest concentration of IDR enrollment in dollars with over 44% of dollar volume in IDR—representing more than 28% of borrowers.
- Navient promotes IDR through more than 154 million communications annually.
- Excluding Public Service Loan Forgiveness (PSLF), which are handled by PHEAA, Navient leads major servicers in IDR enrollment.

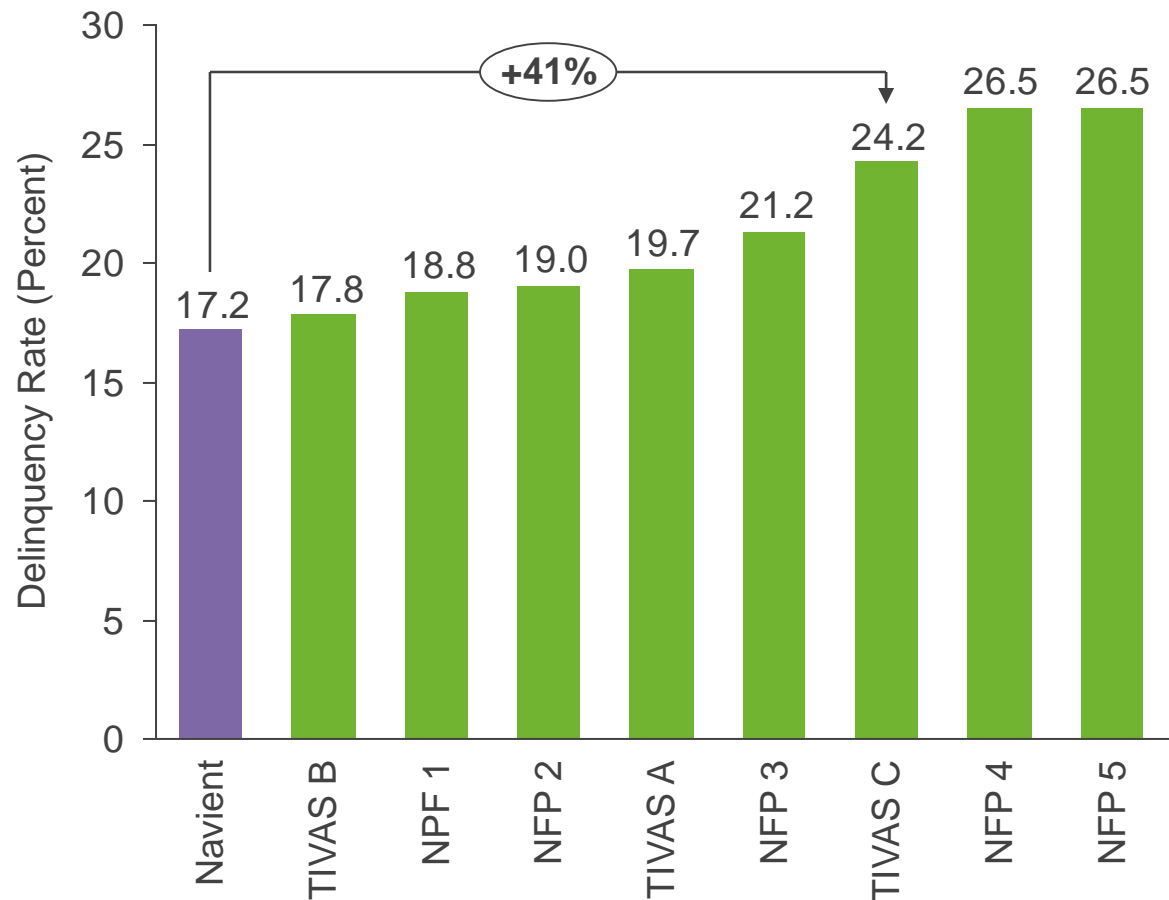
March 2018 IDR enrollment by servicer as a percentage of all borrowers in repayment by loan volume and total borrowers



Navient helps the highest risk borrowers lower their risk of default

- Navient is the best performing servicer in preventing defaults among borrowers identified as highest risk – those who did not graduate and who are new to repayment.
- The Navient difference ranges from 4 to 54 percent and is 41 percent better than the worst performing TIVAS.
- As December 31, 2017, 85% of the federal student loan portfolio was serviced by the four TIVAS. The other 15% were serviced by not-for-profit servicers.

Serious delinquencies (90+ days) for borrowers who did not complete their degree and who are new to repayment (<3 years)





There are solutions to many of the challenges faced by borrowers

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.

navient.com/views
#studentloansuccess

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