

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2022

or

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

For the transition period from _____ to _____
Commission File Number: 001-13251

SLM Corporation

(Exact name of registrant as specified in its charter)

Delaware **52-**
2013874
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

300 Continental Drive **Newark, Delaware** **19713**
(Address of principal executive offices) (Zip Code)

(302) 451-0200

(Registrant's telephone number, including area code)

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

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, par value \$.20 per share	SLM	The NASDAQ Global Select Market
Floating Rate Non-Cumulative Preferred Stock, Series B, par value \$.20 per share	SLMBP	The NASDAQ Global Select Market

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

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

As of September 30, 2022, there were 250,196,830 shares of common stock outstanding.

SLM CORPORATION
CONSOLIDATED FINANCIAL STATEMENTS
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CONSOLIDATED BALANCE SHEETS (Unaudited)

(Dollars in thousands, except share and per share amounts)	September 30, 2022	December 31, 2021
Assets		
Cash and cash equivalents	\$ 4,846,754	\$ 4,334,603
Investments:		
Trading investments at fair value (cost of \$46,051 and \$29,049, respectively)	52,450	37,465
Available-for-sale investments at fair value (cost of \$2,643,540 and \$2,535,568, respectively)	2,427,540	2,517,956
Other investments	136,803	140,037
Total investments	2,616,793	2,695,458
Loans held for investment (net of allowance for losses of \$1,194,238 and \$1,165,335, respectively)	19,622,302	20,341,283
Loans held for sale	28,880	—
Restricted cash	177,917	210,741
Other interest-earning assets	11,025	9,655
Accrued interest receivable	1,223,647	1,205,667
Premises and equipment, net	144,031	150,516
Goodwill and acquired intangible assets, net	120,570	—
Income taxes receivable, net	305,836	239,578
Tax indemnification receivable	8,392	8,047
Other assets	32,941	26,351
Total assets	\$ 29,139,088	\$ 29,221,899
Liabilities		
Deposits	\$ 21,276,748	\$ 20,828,124
Long-term borrowings	5,522,311	5,930,990
Other liabilities	357,801	313,074
Total liabilities	27,156,860	27,072,188
Commitments and contingencies		
Equity		
Preferred stock, par value \$0.20 per share, 20 million shares authorized:		
Series B: 2.5 million and 2.5 million shares issued, respectively, at stated value of \$100 per share	251,070	251,070
Common stock, par value \$0.20 per share, 1.125 billion shares authorized: 435.1 million and 432.0 million shares issued, respectively	87,022	86,403
Additional paid-in capital	1,101,761	1,074,384
Accumulated other comprehensive loss (net of tax benefit of (\$29,809) and (\$5,707), respectively)	(93,477)	(17,897)
Retained earnings	3,270,896	2,817,134
Total SLM Corporation stockholders' equity before treasury stock	4,617,272	4,211,094
Less: Common stock held in treasury at cost: 184.9 million and 153.1 million shares, respectively	(2,635,044)	(2,061,383)
Total equity	1,982,228	2,149,711
Total liabilities and equity	\$ 29,139,088	\$ 29,221,899

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Interest income:				
Loans	\$ 483,327	\$ 442,576	\$ 1,387,411	\$ 1,304,479
Investments	10,260	3,366	24,252	9,262
Cash and cash equivalents	26,324	1,613	36,317	4,662
Total interest income	519,911	447,555	1,447,980	1,318,403
Interest expense:				
Deposits	105,468	51,629	215,473	175,483
Interest expense on short-term borrowings	3,054	5,458	8,902	14,360
Interest expense on long-term borrowings	41,879	32,950	116,255	101,144
Total interest expense	150,401	90,037	340,630	290,987
Net interest income	369,510	357,518	1,107,350	1,027,416
Less: provisions for credit losses	207,598	138,442	336,193	(17,648)
Net interest income after provisions for credit losses	161,912	219,076	771,157	1,045,064
Non-interest income:				
Gains (losses) on sales of loans, net	74,978	(10)	324,856	402,780
Gains (losses) on derivatives and hedging activities, net	—	44	(5)	161
Other income	20,125	13,879	50,430	76,747
Total non-interest income	95,103	13,913	375,281	479,688
Non-interest expenses:				
Operating expenses:				
Compensation and benefits	65,003	66,229	202,995	200,426
FDIC assessment fees	4,592	6,521	11,501	17,634
Other operating expenses	80,369	67,899	199,204	175,098
Total operating expenses	149,964	140,649	413,700	393,158
Acquired intangible assets amortization expense	2,328	—	5,478	—
Restructuring expenses	—	108	—	1,255
Total non-interest expenses	152,292	140,757	419,178	394,413
Income before income tax expense	104,723	92,232	727,260	1,130,339
Income tax expense	29,551	19,392	181,203	276,091
Net income	75,172	72,840	546,057	854,248
Preferred stock dividends	2,531	1,166	5,563	3,559
Net income attributable to SLM Corporation common stock	\$ 72,641	\$ 71,674	\$ 540,494	\$ 850,689
Basic earnings per common share	\$ 0.29	\$ 0.24	\$ 2.05	\$ 2.62
Average common shares outstanding	251,266	299,890	263,098	324,148
Diluted earnings per common share	\$ 0.29	\$ 0.24	\$ 2.03	\$ 2.59
Average common and common equivalent shares outstanding	253,716	304,511	266,065	329,064
Declared dividends per common share	\$ 0.11	\$ 0.03	\$ 0.33	\$ 0.09

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income	\$ 75,172	\$ 72,840	\$ 546,057	\$ 854,248
Other comprehensive income (loss):				
Unrealized losses on investments	(68,701)	(2,539)	(197,930)	(10,256)
Unrealized gains on cash flow hedges	29,823	5,095	98,248	29,374
Total unrealized gains (losses)	(38,878)	2,556	(99,682)	19,118
Income tax (expense) benefit	9,400	(619)	24,102	(4,621)
Other comprehensive income (loss), net of tax (expense) benefit	(29,478)	1,937	(75,580)	14,497
Total comprehensive income	\$ 45,694	\$ 74,777	\$ 470,477	\$ 868,745

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(In thousands, except share and per share amounts)	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at June 30, 2021	2,510,696	431,508,098	(125,700,875)	305,807,223	\$251,070	\$ 86,302	\$ 1,058,698	\$ (21,640)	\$ 2,480,672	\$ (1,551,724)	\$ 2,303,378
Net income	—	—	—	—	—	—	—	—	72,840	—	72,840
Other comprehensive income, net of tax	—	—	—	—	—	—	—	1,937	—	—	1,937
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	74,777
Cash dividends declared:											
Common stock (\$0.03 per share)	—	—	—	—	—	—	—	—	(8,934)	—	(8,934)
Preferred Stock, Series B (\$0.46 per share)	—	—	—	—	—	—	—	—	(1,166)	—	(1,166)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	—	—	(1)	—	(1)
Issuance of common shares	—	504,183	—	504,183	—	101	2,769	—	—	—	2,870
Stock-based compensation expense	—	—	—	—	—	—	6,686	—	—	—	6,686
Fees related to first-quarter 2021 common stock tender offer	—	—	—	—	—	—	(94)	—	—	—	(94)
Common stock repurchased	—	—	(13,018,585)	(13,018,585)	—	—	—	—	—	(244,082)	(244,082)
Shares repurchased related to employee stock-based compensation plans	—	—	(115,414)	(115,414)	—	—	—	—	—	(2,173)	(2,173)
Balance at September 30, 2021	2,510,696	432,012,281	(138,834,874)	293,177,407	\$251,070	\$ 86,403	\$ 1,068,059	\$ (19,703)	\$ 2,543,411	\$ (1,797,979)	\$ 2,131,261

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

(In thousands, except share and per share amounts)	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at June 30, 2022	2,510,696	435,102,082	(183,717,942)	251,384,140	\$ 251,070	\$ 87,021	\$ 1,095,296	\$ (63,999)	\$ 3,225,610	\$ (2,618,188)	\$ 1,976,810
Net income	—	—	—	—	—	—	—	—	75,172	—	75,172
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(29,478)	—	—	(29,478)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	45,694
Cash dividends declared:											
Common stock (\$0.11 per share)	—	—	—	—	—	—	—	—	(27,643)	—	(27,643)
Preferred Stock, Series B (\$1.01 per share)	—	—	—	—	—	—	—	—	(2,531)	—	(2,531)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	(539)	—	(1)	—	(540)
Issuance of common shares	—	4,682	—	4,682	—	1	539	—	—	—	540
Stock-based compensation expense	—	—	—	—	—	—	6,465	—	289	—	6,754
Common stock repurchased	—	—	(1,191,544)	(1,191,544)	—	—	—	—	—	(16,849)	(16,849)
Shares repurchased related to employee stock-based compensation plans	—	—	(448)	(448)	—	—	—	—	—	(7)	(7)
Balance at September 30, 2022	2,510,696	435,106,764	(184,909,934)	250,196,830	\$ 251,070	\$ 87,022	\$ 1,101,761	\$ (93,477)	\$ 3,270,896	\$ (2,635,044)	\$ 1,982,228

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(Unaudited)

(In thousands, except share and per share amounts)	Common Stock Shares				Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Equity
	Preferred Stock Shares	Issued	Treasury	Outstanding							
Balance at December 31, 2020	2,510,696	456,729,251	(81,441,252)	375,287,999	\$251,070	\$ 91,346	\$ 1,331,247	\$ (34,200)	\$ 1,722,365	\$ (798,993)	\$ 2,562,835
Net income	—	—	—	—	—	—	—	—	854,248	—	854,248
Other comprehensive income, net of tax	—	—	—	—	—	—	—	14,497	—	—	14,497
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	868,745
Cash dividends declared:											
Common stock (\$0.09 per share)	—	—	—	—	—	—	—	—	(29,104)	—	(29,104)
Preferred Stock, Series B (\$1.42 per share)	—	—	—	—	—	—	—	—	(3,559)	—	(3,559)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	522	—	(539)	—	(17)
Issuance of common shares	—	3,785,490	—	3,785,490	—	757	4,134	—	—	—	4,891
Stock-based compensation expense	—	—	—	—	—	—	24,254	—	—	—	24,254
Common stock repurchased and cancelled	—	(28,502,460)	—	(28,502,460)	—	(5,700)	(466,782)	—	—	—	(472,482)
Common stock repurchased	—	—	(56,025,796)	(56,025,796)	—	—	174,684	—	—	(978,883)	(804,199)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,367,826)	(1,367,826)	—	—	—	—	—	(20,103)	(20,103)
Balance at September 30, 2021	2,510,696	432,012,281	(138,834,874)	293,177,407	\$251,070	\$ 86,403	\$ 1,068,059	\$ (19,703)	\$ 2,543,411	\$ (1,797,979)	\$ 2,131,261

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Unaudited)

(In thousands, except share and per share amounts)	Common Stock Shares										
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
Balance at December 31, 2021	2,510,696	432,013,372	(153,056,639)	278,956,733	\$251,070	\$ 86,403	\$ 1,074,384	\$ (17,897)	\$ 2,817,134	\$ (2,061,383)	\$ 2,149,711
Net income	—	—	—	—	—	—	—	—	546,057	—	546,057
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(75,580)	—	—	(75,580)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	470,477
Cash dividends declared:											
Common stock (\$0.33 per share)	—	—	—	—	—	—	—	—	(86,219)	—	(86,219)
Preferred Stock, Series B (\$2.22 per share)	—	—	—	—	—	—	—	—	(5,563)	—	(5,563)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	245	—	(802)	—	(557)
Issuance of common shares	—	3,093,392	—	3,093,392	—	619	371	—	—	—	990
Stock-based compensation expense	—	—	—	—	—	—	26,761	—	289	—	27,050
Common stock repurchased	—	—	(30,721,944)	(30,721,944)	—	—	—	—	—	(552,887)	(552,887)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,131,351)	(1,131,351)	—	—	—	—	—	(20,774)	(20,774)
Balance at September 30, 2022	2,510,696	435,106,764	(184,909,934)	250,196,830	\$251,070	\$ 87,022	\$ 1,101,761	\$ (93,477)	\$ 3,270,896	\$ (2,635,044)	\$ 1,982,228

See accompanying notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Dollars in thousands)	Nine Months Ended September 30,	
	2022	2021
Operating activities		
Net income	\$ 546,057	\$ 854,248
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provisions for credit losses	336,193	(17,648)
Income tax expense	181,203	276,091
Amortization of brokered deposit placement fee	9,757	11,932
Amortization of Secured Borrowing Facility upfront fee	1,930	1,845
Amortization of deferred loan origination costs and loan premium/(discounts), net	11,619	11,851
Net amortization of discount on investments	802	5,902
(Increase) reduction in tax indemnification receivable	(345)	6,006
Depreciation of premises and equipment	12,840	11,445
Acquired intangible assets amortization expense	5,478	—
Stock-based compensation expense	27,152	24,254
Unrealized (gains) losses on derivatives and hedging activities, net	247	21,434
Gains on sales of loans, net	(324,856)	(402,780)
Acquisition transaction costs, net	2,602	—
Other adjustments to net income, net	13,174	(29,229)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(580,704)	(556,143)
Increase in trading investments	(5,064)	—
Increase in non-marketable securities	(2,050)	(9,415)
(Increase) decrease in other interest-earning assets	(1,370)	30,983
Decrease (increase) in other assets	(20,725)	(110,841)
Decrease in income taxes payable, net	(217,909)	(230,072)
Increase in accrued interest payable	25,307	4,153
(Decrease) increase in other liabilities	(15,471)	860
Total adjustments	(540,190)	(949,372)
Total net cash provided by (used in) operating activities	5,867	(95,124)
Investing activities		
Loans acquired and originated	(5,234,895)	(4,744,212)
Net proceeds from sales of loans held for investment	3,460,758	3,436,075
Proceeds from FFELP Loan claim payments	22,587	14,653
Net decrease in loans held for investment (other than loan sales)	2,833,822	2,835,850
Purchases of available-for-sale securities	(753,129)	(1,159,667)
Proceeds from sales and maturities of available-for-sale securities	812,712	799,193
Purchase of subsidiary, net of cash acquired	(127,654)	—
Total net cash provided by investing activities	1,014,201	1,181,892
Financing activities		
Brokered deposit placement fee	(8,147)	(11,182)
Net decrease in certificates of deposit	(77,938)	(1,690,990)
Net increase (decrease) in other deposits	611,851	(12,172)
Issuance costs for collateralized borrowings	(40)	—
Borrowings collateralized by loans in securitization trusts - issued	572,640	1,053,633
Borrowings collateralized by loans in securitization trusts - repaid	(988,505)	(830,026)
Issuance costs for unsecured debt offering	(375)	(325)
Fees paid on Secured Borrowing Facility	(2,838)	(2,846)
Common stock dividends paid	(86,219)	(29,104)
Preferred stock dividends paid	(5,563)	(3,559)
Common stock repurchased	(555,607)	(1,276,681)

Total net cash used in financing activities	(540,741)	(2,803,252)
Net increase (decrease) in cash, cash equivalents and restricted cash	479,327	(1,716,484)
Cash, cash equivalents and restricted cash at beginning of period	4,545,344	4,609,709
Cash, cash equivalents and restricted cash at end of period	\$ 5,024,671	\$ 2,893,225
Cash disbursements made for:		
Interest	\$ 285,626	\$ 261,205
Income taxes paid	\$ 219,975	\$ 237,882
Income taxes refunded	\$ (2,023)	\$ (7,610)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	\$ 4,846,754	\$ 2,717,752
Restricted cash	177,917	175,473
Total cash, cash equivalents and restricted cash	\$ 5,024,671	\$ 2,893,225

See accompanying notes to consolidated financial statements.

1. Significant Accounting Policies

Basis of Presentation

The accompanying unaudited, consolidated financial statements of SLM Corporation (“Sallie Mae,” “SLM,” the “Company,” “we,” or “us”) have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial information. Accordingly, they do not include all the information and footnotes required by GAAP for complete consolidated financial statements. The consolidated financial statements include the accounts of SLM Corporation and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions. In the opinion of management, all adjustments considered necessary for a fair statement of the results for the interim periods have been included. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Operating results for the three and nine months ended September 30, 2022 are not necessarily indicative of the results for the year ending December 31, 2022 or for any other period. These unaudited financial statements should be read in conjunction with the audited financial statements and related notes included in our Annual Report on Form 10-K for the year ended December 31, 2021 (the “2021 Form 10-K”).

Consolidation

The consolidated financial statements include the accounts of the Company and its majority-owned and controlled subsidiaries after eliminating the effects of intercompany accounts and transactions.

We consolidate any variable interest entity (“VIE”) where we have determined we are the primary beneficiary. The primary beneficiary is the entity which has both: (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance; and (ii) the obligation to absorb losses or receive benefits of the entity that could potentially be significant to the VIE.

Business Combination

On March 4, 2022, we completed the previously announced acquisition of the assets primarily used or held for use of Epic Research Education Services, LLC, which does business as Nitro College (“Nitro”). Nitro provides resources that help students and families evaluate how to responsibly pay for college and manage their financial responsibilities after graduation. The addition of Nitro will support our mission of providing students with the confidence needed to successfully navigate the higher education journey. The acquisition of the Nitro assets, including its employees and intellectual property, has expanded our digital marketing capabilities, reduced the cost to acquire customer accounts, and accelerated our progress to become a broader education solutions provider for students before, during, and immediately after college.

The acquisition was accounted for as a business combination using the acquisition method of accounting in accordance with the Financial Accounting Standards Board’s (“FASB’s”) Accounting Standard Codification 805, “Business Combinations,” whereby as of the acquisition date, the acquired tangible assets and liabilities were recorded at their estimated fair values. The identifiable intangible assets were recorded at fair values as determined by an independent appraiser. The final purchase price allocation for Nitro resulted in an excess purchase price over fair value of net assets acquired, or goodwill, of \$51 million. Certain amounts are provisional and are subject to change, including final working capital adjustments and goodwill.

The results of operations of Nitro have been included in our consolidated financial statements since the acquisition date. We have not disclosed the pro forma impact of this acquisition to the results of operations for the three and nine months ended September 30, 2022, as the pro forma impact was deemed immaterial. Transaction costs associated with the Nitro acquisition were approximately \$3 million and were expensed as incurred within “Other operating expenses” in the consolidated statements of income.

Identifiable intangible assets at the acquisition date included definite life intangible assets with an aggregate fair value of approximately \$75 million, including tradename and trademarks, customer relationships, and developed technology. The intangible assets will be amortized over a period of three to 10 years based on the estimated economic benefit derived from each of the underlying assets.

See Notes to Consolidated Financial Statements, Note 7, “Goodwill and Acquired Intangible Assets” in this Form 10-Q for additional details.

1. Significant Accounting Policies (Continued)

Recently Issued and Adopted Accounting Pronouncements

On March 31, 2022, the FASB issued Accounting Standards Update (“ASU”) No. 2022-02, “Troubled Debt Restructurings and Vintage Disclosures” (“ASU No. 2022-02”), which eliminates the accounting guidance for troubled debt restructurings (“TDRs”) while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The enhanced disclosures are required to be provided for modifications made starting in the period of adoption. Information about modifications in periods before adoption is not required to be provided.

ASU No. 2022-02 also requires that entities disclose current-period gross charge-offs by year of origination. For entities that have adopted the amendments in ASU No. 2016-13, “Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments” (“CECL”), the amendment is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

Early adoption of the amendments in ASU No. 2022-02 is permitted if an entity has adopted CECL. The amendments should be applied prospectively. For the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method. We have elected to early adopt all aspects of ASU No. 2022-02 prospectively for the period beginning January 1, 2022. The adoption was immaterial to our consolidated financial statements. For additional information, see Notes to Consolidated Financial Statements, Note 5, “Allowance for Credit Losses,” in this Form 10-Q.

2. Investments

Trading Investments

We periodically sell Private Education Loans through off-balance sheet securitization transactions where we are required to retain a five percent vertical risk retention interest (i.e., five percent of each class issued in the securitizations). We classify those vertical risk retention interests related to the transactions as available-for-sale investments, except for the interest in the residual classes, which we classify as trading investments recorded at fair value with changes recorded through earnings.

In the third quarter of 2022 we invested \$5 million in a debt security classified as a trading investment and recorded the initial investment at cost. The investment will subsequently be measured at fair value with changes in market value recorded through earnings.

At September 30, 2022 and December 31, 2021, we had \$52 million and \$37 million, respectively, classified as trading investments.

Available-for-Sale Investments

The amortized cost and fair value of securities available for sale are as follows:

As of September 30, 2022 (dollars in thousands)	Amortized Cost	Allowance for credit losses ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	\$ 394,753	\$ —	\$ 1	\$ (71,682)	\$ 323,072
Utah Housing Corporation bonds	3,584	—	—	(279)	3,305
U.S. government-sponsored enterprises and Treasuries	1,928,886	—	—	(124,239)	1,804,647
Other securities	316,317	—	—	(19,801)	296,516
Total	\$ 2,643,540	\$ —	\$ 1	\$ (216,001)	\$ 2,427,540

As of December 31, 2021 (dollars in thousands)	Amortized Cost	Allowance for credit losses ⁽¹⁾	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	\$ 376,313	\$ —	\$ 1,857	\$ (7,073)	\$ 371,097
Utah Housing Corporation bonds	6,943	—	18	—	6,961
U.S. government-sponsored enterprises and Treasuries	1,958,943	—	603	(11,893)	1,947,653
Other securities	193,369	—	439	(1,563)	192,245
Total	\$ 2,535,568	\$ —	\$ 2,917	\$ (20,529)	\$ 2,517,956

⁽¹⁾ Represents the amount of impairment that has resulted from credit-related factors and that was recognized in the consolidated balance sheets (as a credit loss expense on available-for-sale securities). The amount excludes unrealized losses related to non-credit factors.

2. Investments (Continued)

The following table summarizes the amount of gross unrealized losses for our available-for-sale securities and the estimated fair value for securities having gross unrealized loss positions, categorized by length of time the securities have been in an unrealized loss position:

(Dollars in thousands)	Less than 12 months		12 months or more		Total	
	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value	Gross Unrealized Losses	Estimated Fair Value
As of September 30, 2022:						
Mortgage-backed securities	\$ (21,060)	\$ 126,053	\$ (50,622)	\$ 196,946	\$ (71,682)	\$ 322,999
Utah Housing Corporation bonds	(279)	3,305	—	—	(279)	3,305
U.S. government-sponsored enterprises and Treasuries	(84,320)	1,430,124	(39,919)	374,523	(124,239)	1,804,647
Other securities	(15,459)	264,836	(4,342)	31,680	(19,801)	296,516
Total	\$ (121,118)	\$ 1,824,318	\$ (94,883)	\$ 603,149	\$ (216,001)	\$ 2,427,467
As of December 31, 2021:						
Mortgage-backed securities	\$ (5,534)	\$ 261,404	\$ (1,540)	\$ 36,587	\$ (7,074)	\$ 297,991
Utah Housing Corporation bonds	—	—	—	—	—	—
U.S. government-sponsored enterprises and Treasuries	(11,892)	1,199,367	—	—	(11,892)	1,199,367
Other securities	(1,563)	132,884	—	—	(1,563)	132,884
Total	\$ (18,989)	\$ 1,593,655	\$ (1,540)	\$ 36,587	\$ (20,529)	\$ 1,630,242

At September 30, 2022 and December 31, 2021, 190 of 191 and 60 of 180, respectively, of our available-for-sale securities were in an unrealized loss position.

Impairment

For available-for-sale securities in an unrealized loss position, we first assess whether we intend to sell, or it is more likely than not that we will be required to sell, the security before recovery of its amortized cost basis. If either of these criteria is met, the security's amortized cost basis is written down to fair value through net income. For securities in an unrealized loss position that do not meet these criteria, we evaluate whether the decline in fair value has resulted from credit loss or other factors. In making this assessment, we consider the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, adverse conditions specifically related to the security, as well as any guarantees (e.g., guarantees by the U.S. Government) that may be applicable to the security. If this assessment indicates a credit loss exists, the credit-related portion of the loss is recorded as an allowance for losses on the security.

Our investment portfolio contains mortgage-backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac, as well as Utah Housing Corporation bonds. We own these securities to meet our requirements under the Community Reinvestment Act ("CRA"). We also invest in other U.S. government-sponsored enterprise securities issued by the Federal Home Loan Bank, Freddie Mac, and the Federal Farm Credit Bank. Our mortgage-backed securities that were issued under Ginnie Mae programs carry a full faith and credit guarantee from the U.S. Government. The remaining mortgage-backed securities in a net loss position carry a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively. Our Treasury and other U.S. government-sponsored enterprise bonds are rated Aaa by Moody's Investors Service or AA+ by Standard and Poor's. The decline in value from December 31, 2021 to September 30, 2022 was driven by the current interest rate environment and is not credit related. We have the intent and ability to hold these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. Based on this qualitative analysis, we have determined that no credit impairment exists.

We periodically sell Private Education Loans through securitization transactions where we are required to retain a five percent vertical risk retention interest. We classify the non-residual vertical risk retention interests as available-for-sale investments. We have the intent and ability to hold each of these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. We expect to receive all contractual cash flows related to these investments and do not consider a credit impairment to exist.

2. Investments (Continued)

As of September 30, 2022, the amortized cost and fair value of securities, by contractual maturities, are summarized below. Contractual maturities versus actual maturities may differ due to the effect of prepayments.

As of September 30, 2022 Year of Maturity (dollars in thousands)	Estimated Fair Value	
	Amortized Cost	Estimated Fair Value
2022	\$ 124,994	\$ 124,744
2023	162,549	157,988
2024	697,586	660,951
2025	297,572	282,163
2026	548,076	484,902
2027	98,109	93,900
2038	72	73
2039	831	810
2042	2,742	2,347
2043	4,834	4,285
2044	5,597	5,047
2045	5,699	5,002
2046	8,170	7,138
2047	8,718	7,750
2048	2,154	2,050
2049	16,820	14,799
2050	119,167	95,297
2051	165,761	131,838
2052	57,773	49,940
2053	117,467	107,891
2054	92,527	85,057
2055	106,322	103,568
Total	\$ 2,643,540	\$ 2,427,540

Some of our securities have been pledged to the Federal Reserve Bank (the "FRB") as collateral against any advances and accrued interest under the Primary Credit lending program sponsored by the FRB. We had \$627 million and \$888 million par value of securities pledged to this borrowing facility at September 30, 2022 and December 31, 2021, respectively, as discussed further in Notes to Consolidated Financial Statements, Note 9, "Borrowings."

Other Investments

Investments in Non-Marketable Securities

We hold investments in non-marketable securities and account for these investments at cost, less impairment, plus or minus observable price changes of identical or similar securities of the same issuer. Changes in market value are recorded through earnings. Because these are non-marketable securities, we use observable price changes of identical or similar securities of the same issuer in determining any changes in the value of the securities. As of both September 30, 2022 and December 31, 2021, our total investment in these securities was \$69 million.

Low Income Housing Tax Credit Investments

We invest in affordable housing projects that qualify for the low-income housing tax credit ("LIHTC"), which is designed to promote private development of low-income housing. These investments generate a return mostly through realization of federal tax credits and tax benefits from net operating losses on the underlying properties. Total carrying value of the LIHTC investments was \$62 million at September 30, 2022 and \$68 million at December 31, 2021. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was \$27 million at September 30, 2022 and \$30 million at December 31, 2021.

2. Investments (Continued)

Related to these investments, we recognized tax credits and other tax benefits through tax expense of more than \$1 million at September 30, 2022 and \$7 million at December 31, 2021. Tax credits and other tax benefits are recognized as part of our annual effective tax rate used to determine tax expense in a given quarter. Accordingly, the portion of a year's expected tax benefits recognized in any given quarter may differ from 25 percent.

3. Loans Held for Investment

Loans held for investment consist of Private Education Loans, FFELP Loans, and Credit Cards. We use "Private Education Loans" to mean education loans to students or their families that are not made, insured, or guaranteed by any state or federal government. Private Education Loans do not include loans insured or guaranteed under the previously existing Federal Family Education Loan Program ("FFELP"). We use "Credit Cards" to refer to our suite of Credit Cards with bonus rewards. At September 30, 2022, we transferred our Credit Card portfolio to loans held for sale as we plan to sell our Credit Card portfolio. For additional information, see Notes to Consolidated Financial Statements, Note 4, "Loans Held for Sale."

Our Private Education Loans are made largely to bridge the gap between the cost of higher education and the amount funded through financial aid, government loans, and customers' resources. Private Education Loans bear the full credit risk of the customer. We manage this risk through risk-performance underwriting strategies and qualified cosigners. Private Education Loans may be fixed-rate or may carry a variable interest rate indexed to LIBOR, the London interbank offered rate, or SOFR, the Secured Overnight Financing Rate. As of September 30, 2022 and December 31, 2021, 47 percent and 52 percent, respectively, of all of our Private Education Loans were indexed to LIBOR or SOFR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of Private Education Loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

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

In the first nine months of 2022, we recognized \$325 million in gains from the sale of approximately \$3.29 billion of our Private Education Loans, including \$3.08 billion of principal and \$213 million in capitalized interest, to unaffiliated third parties. In the first nine months of 2021, we recognized \$403 million in gains from the sale of approximately \$3.19 billion of our Private Education Loans, including \$2.99 billion of principal and \$195 million in capitalized interest, to an unaffiliated third party. There were VIEs created in the execution of certain of these loan sales; however, based on our consolidation analysis, we are not the primary beneficiary of these VIEs. These transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. For additional information, see Notes to Consolidated Financial Statements, Note 9, "Borrowings - Unconsolidated VIEs."

3. Loans Held for Investment (Continued)

Loans held for investment are summarized as follows:

(Dollars in thousands)	September 30, 2022	December 31, 2021
Private Education Loans:		
Fixed-rate	\$ 10,693,123	\$ 9,920,547
Variable-rate	9,411,340	10,796,316
Total Private Education Loans, gross	20,104,463	20,716,863
Deferred origination costs and unamortized premium/(discount)	66,816	67,488
Allowance for credit losses	(1,190,427)	(1,158,977)
Total Private Education Loans, net	18,980,852	19,625,374
FFELP Loans	643,614	695,216
Deferred origination costs and unamortized premium/(discount)	1,647	1,815
Allowance for credit losses	(3,811)	(4,077)
Total FFELP Loans, net	641,450	692,954
Credit Cards (fixed-rate)	—	25,014
Deferred origination costs and unamortized premium/(discount)	—	222
Allowance for credit losses	—	(2,281)
Total Credit Cards, net	—	22,955
Loans held for investment, net	\$ 19,622,302	\$ 20,341,283

The estimated weighted average life of education loans in our portfolio was approximately 5.0 years and 4.7 years at September 30, 2022 and December 31, 2021, respectively.

The average balance (net of unamortized premium/discount) and the respective weighted average interest rates of loans held for investment in our portfolio are summarized as follows:

Three Months Ended September 30, (dollars in thousands)	2022		2021	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	\$ 19,958,763	9.43 %	\$ 20,944,581	8.26 %
FFELP Loans	655,724	5.03	713,517	3.45
Credit Cards	—	—	14,894	6.95
Total portfolio	\$ 20,614,487		\$ 21,672,992	

3. Loans Held for Investment (Continued)

Nine Months Ended September 30, (dollars in thousands)	2022		2021	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	\$ 20,685,372	8.82 %	\$ 20,860,973	8.23 %
FFELP Loans	673,654	4.18	723,656	3.43
Credit Cards	—	—	12,821	4.97
Total portfolio	\$ 21,359,026		\$ 21,597,450	

4. Loans Held for Sale

We had \$29 million in loans held for sale at September 30, 2022 and no loans held for sale at December 31, 2021. The balance at September 30, 2022 was comprised of our Credit Card loan portfolio. At September 30, 2022, we reversed \$2.4 million through the provisions for credit losses for the allowance related to these loans, when the loans were transferred to held for sale. At September 30, 2022, we wrote down this loan portfolio to its estimated fair value through a charge-off to the allowance for credit losses of \$1.5 million.

5. Allowance for Credit Losses

Our provision for credit losses represents the periodic expense of maintaining an allowance sufficient to absorb lifetime expected credit losses in the held for investment loan portfolios. The evaluation of the allowance for credit losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. We believe the allowance for credit losses is appropriate to cover lifetime losses expected to be incurred in the loan portfolios. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies — Allowance for Credit Losses - 2021 and 2020 — Allowance for Private Education Loan Losses - 2021 and 2020, — Allowance for FFELP Loan Losses - 2021 and 2020, and — Allowance for Credit Card Loans - 2021 and 2020" in our 2021 Form 10-K for a more detailed discussion.

5. Allowance for Credit Losses (Continued)

Allowance for Credit Losses Metrics

Three Months Ended September 30, 2022 (dollars in thousands)	FFELP Loans	Private Education Loans	Credit Cards	Total
Allowance for Credit Losses				
Beginning balance	\$ 3,929	\$ 1,074,744	\$ 2,393	\$ 1,081,066
Transfer from unfunded commitment liability ⁽¹⁾	—	168,377	—	168,377
Provisions:				
Provision for current period	29	95,482	2,039	97,550
Loan sale reduction to provision	—	(50,226)	—	(50,226)
Loans transferred to held-for-sale	—	—	(2,372)	(2,372)
Total provisions⁽²⁾	29	45,256	(333)	44,952
Net charge-offs:				
Charge-offs	(147)	(109,350)	(2,062)	(111,559)
Recoveries	—	11,400	2	11,402
Net charge-offs	(147)	(97,950)	(2,060)	(100,157)
Ending Balance	\$ 3,811	\$ 1,190,427	\$ —	\$ 1,194,238
Allowance:				
Ending balance: individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —
Ending balance: collectively evaluated for impairment	\$ 3,811	\$ 1,190,427	\$ —	\$ 1,194,238
Loans:				
Ending balance: individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —
Ending balance: collectively evaluated for impairment	\$ 643,614	\$ 20,104,463	\$ —	\$ 20,748,077
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.11 %	2.67 %	— %	
Allowance as a percentage of the ending total loan balance	0.59 %	5.92 %	— %	
Allowance as a percentage of the ending loans in repayment ⁽³⁾	0.78 %	8.18 %	— %	
Allowance coverage of net charge-offs (annualized)	6.48	3.04	—	
Ending total loans, gross	\$ 643,614	\$ 20,104,463	\$ —	
Average loans in repayment ⁽³⁾	\$ 518,226	\$ 14,674,437	\$ —	
Ending loans in repayment ⁽³⁾	\$ 489,920	\$ 14,546,556	\$ —	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

Consolidated Statements of Income	
Provisions for Credit Losses Reconciliation	
Three Months Ended September 30, 2022 (dollars in thousands)	
Private Education Loan provisions for credit losses:	
Provisions for loan losses	\$ 45,256
Provisions for unfunded loan commitments	162,646
Total Private Education Loan provisions for credit losses	207,902
Other impacts to the provisions for credit losses:	
FFELP Loans	29
Credit Cards	(333)
Total	(304)
Provisions for credit losses reported in consolidated statements of income	\$ 207,598

⁽³⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

5. Allowance for Credit Losses (Continued)

Three Months Ended September 30, 2021 (dollars in thousands)	FFELP Loans	Private Education Loans	Credit Cards	Total
Allowance for Credit Losses				
Beginning balance	\$ 4,262	\$ 1,154,540	\$ 1,442	\$ 1,160,244
Transfer from unfunded commitment liability ⁽¹⁾	—	110,613	—	110,613
Provisions:				
Provision for current period	50	(6,995)	415	(6,530)
Loan sale reduction to provision	—	—	—	—
Total provisions ⁽²⁾	50	(6,995)	415	(6,530)
Net charge-offs:				
Charge-offs	(106)	(56,000)	(119)	(56,225)
Recoveries	—	7,302	3	7,305
Net charge-offs	(106)	(48,698)	(116)	(48,920)
Ending Balance	\$ 4,206	\$ 1,209,460	\$ 1,741	\$ 1,215,407
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 69,626	\$ —	\$ 69,626
Ending balance: collectively evaluated for impairment	\$ 4,206	\$ 1,139,834	\$ 1,741	\$ 1,145,781
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 1,148,282	\$ —	\$ 1,148,282
Ending balance: collectively evaluated for impairment	\$ 705,691	\$ 20,554,555	\$ 17,766	\$ 21,278,012
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.08 %	1.29 %	3.07 %	
Allowance as a percentage of the ending total loan balance	0.60 %	5.57 %	9.80 %	
Allowance as a percentage of the ending loans in repayment ⁽³⁾	0.79 %	7.81 %	9.80 %	
Allowance coverage of net charge-offs (annualized)	9.92	6.21	3.75	
Ending total loans, gross	\$ 705,691	\$ 21,702,837	\$ 17,766	
Average loans in repayment ⁽³⁾	\$ 540,018	\$ 15,108,802	\$ 15,098	
Ending loans in repayment ⁽³⁾	\$ 530,476	\$ 15,490,132	\$ 17,766	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

Consolidated Statements of Income	
Provisions for Credit Losses Reconciliation	
Three Months Ended September 30, 2021 (dollars in thousands)	
Private Education Loan provisions for credit losses:	
Provisions for loan losses	\$ (6,995)
Provisions for unfunded loan commitments	144,972
Total Private Education Loan provisions for credit losses	137,977
Other impacts to the provisions for credit losses:	
FFELP Loans	50
Credit Cards	415
Total	465
Provisions for credit losses reported in consolidated statements of income	\$ 138,442

⁽³⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

5. Allowance for Credit Losses (Continued)

Nine Months Ended September 30, 2022 (dollars in thousands)	FFELP Loans	Private Education Loans	Credit Cards	Total
Allowance for Credit Losses				
Beginning balance	\$ 4,077	\$ 1,158,977	\$ 2,281	\$ 1,165,335
Transfer from unfunded commitment liability ⁽¹⁾	—	303,591	—	303,591
Provisions:				
Provision for current period	110	168,473	2,635	171,218
Loan sale reduction to provision	—	(171,325)	—	(171,325)
Loans transferred to held-for-sale	—	—	(2,372)	(2,372)
Total provisions⁽²⁾	110	(2,852)	263	(2,479)
Net charge-offs:				
Charge-offs	(376)	(299,699)	(2,549)	(302,624)
Recoveries	—	30,410	5	30,415
Net charge-offs	(376)	(269,289)	(2,544)	(272,209)
Ending Balance	\$ 3,811	\$ 1,190,427	\$ —	\$ 1,194,238
Allowance:				
Ending balance: individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —
Ending balance: collectively evaluated for impairment	\$ 3,811	\$ 1,190,427	\$ —	\$ 1,194,238
Loans:				
Ending balance: individually evaluated for impairment	\$ —	\$ —	\$ —	\$ —
Ending balance: collectively evaluated for impairment	\$ 643,614	\$ 20,104,463	\$ —	\$ 20,748,077
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.09 %	2.37 %	— %	
Allowance as a percentage of the ending total loan balance	0.59 %	5.92 %	— %	
Allowance as a percentage of the ending loans in repayment ⁽⁴⁾	0.78 %	8.18 %	— %	
Allowance coverage of net charge-offs (annualized)	7.60	3.32	—	
Ending total loans, gross	\$ 643,614	\$ 20,104,463	\$ —	
Average loans in repayment ⁽³⁾	\$ 532,275	\$ 15,173,465	\$ —	
Ending loans in repayment ⁽³⁾	\$ 489,920	\$ 14,546,556	\$ —	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

Consolidated Statements of Income	
Provisions for Credit Losses Reconciliation	
Nine Months Ended September 30, 2022 (dollars in thousands)	
Private Education Loan provisions for credit losses:	
Provisions for loan losses	\$ (2,852)
Provisions for unfunded loan commitments	338,672
Total Private Education Loan provisions for credit losses	335,820
Other impacts to the provisions for credit losses:	
FFELP Loans	110
Credit Cards	263
Total	373
Provisions for credit losses reported in consolidated statements of income	\$ 336,193

⁽³⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

5. Allowance for Credit Losses (Continued)

Nine Months Ended September 30, 2021 (dollars in thousands)	FFELP Loans	Private Education Loans	Credit Cards	Total
Allowance for Credit Losses				
Beginning balance	\$ 4,378	\$ 1,355,844	\$ 1,501	\$ 1,361,723
Transfer from unfunded commitment liability ⁽¹⁾	—	262,049	—	262,049
Provisions:				
Provision for current period	77	(260,923)	511	(260,335)
Loan sale reduction to provision	—	(10,335)	—	(10,335)
Loans transferred from held-for-sale	—	1,887	—	1,887
Total provisions⁽²⁾	77	(269,371)	511	(268,783)
Net charge-offs:				
Charge-offs	(249)	(161,039)	(281)	(161,569)
Recoveries	—	21,977	10	21,987
Net charge-offs	(249)	(139,062)	(271)	(139,582)
Ending Balance	\$ 4,206	\$ 1,209,460	\$ 1,741	\$ 1,215,407
<i>Allowance:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 69,626	\$ —	\$ 69,626
Ending balance: collectively evaluated for impairment	\$ 4,206	\$ 1,139,834	\$ 1,741	\$ 1,145,781
<i>Loans:</i>				
Ending balance: individually evaluated for impairment	\$ —	\$ 1,148,282	\$ —	\$ 1,148,282
Ending balance: collectively evaluated for impairment	\$ 705,691	\$ 20,554,555	\$ 17,766	\$ 21,278,012
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽³⁾	0.06 %	1.25 %	2.75 %	
Allowance as a percentage of the ending total loan balance	0.60 %	5.57 %	9.80 %	
Allowance as a percentage of the ending loans in repayment ⁽³⁾	0.79 %	7.81 %	9.80 %	
Allowance coverage of net charge-offs (annualized)	12.67	6.52	4.82	
Ending total loans, gross	\$ 705,691	\$ 21,702,837	\$ 17,766	
Average loans in repayment ⁽³⁾	\$ 547,394	\$ 14,877,937	\$ 13,136	
Ending loans in repayment ⁽³⁾	\$ 530,476	\$ 15,490,132	\$ 17,766	

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provisions for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded loan commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

Consolidated Statements of Income Provisions for Credit Losses Reconciliation	
Nine Months Ended September 30, 2021 (dollars in thousands)	
Private Education Loan provisions for credit losses:	
Provisions for loan losses	\$ (269,371)
Provisions for unfunded loan commitments	251,135
Total Private Education Loan provisions for credit losses	(18,236)
Other impacts to the provisions for credit losses:	
FFELP Loans	77
Credit Cards	511
Total	588
Provisions for credit losses reported in consolidated statements of income	\$ (17,648)

⁽³⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

5. Allowance for Credit Losses (Continued)

Allowance for Credit Losses - Forecast Assumptions

In determining the adequacy of the allowance for credit losses, we include forecasts of, among other macroeconomic inputs, college graduate unemployment and the Consumer Price Index in our loss forecasting models. We obtain forecasts for all macroeconomic inputs from Moody's Analytics. Moody's Analytics provides a range of forecasts for each of these inputs with various likelihoods of occurring. We determine which forecasts we will include in our estimation of the allowance for credit losses and the associated weightings for each of these inputs. At September 30, 2021, December 31, 2021, and September 30, 2022, we used the Base (50th percentile likelihood of occurring)/S1 (stronger near-term growth scenario with 10 percent likelihood of occurring)/S3 (downside scenario with 10 percent likelihood of occurring) scenarios and weighted them 40 percent, 30 percent, and 30 percent, respectively. Management reviews both the scenarios and their respective weightings each quarter in determining the allowance for credit losses.

Provisions for credit losses in the nine months ended September 30, 2022 increased by \$354 million compared with the year-ago period. During the nine months ended September 30, 2022, the provision for credit losses was primarily affected by new loan commitments made during the period, slower than expected prepayment rates, and additional management overlays, which were partially offset by a negative provision recorded related to \$3.29 billion in Private Education Loans sold in 2022. During the first nine months of 2021, the provision for credit losses was primarily affected by improvements in the economic forecasts and faster prepayment speeds. In addition, during the first quarter of 2021, we increased our estimates of future prepayment speeds during both the two-year reasonable and supportable period as well as the remaining term of the underlying loans. These faster estimated prepayment speeds during the two-year reasonable and supportable period reflected the significant improvement in economic forecasts as well as the implementation of an updated prepayment speed model in the first quarter of 2021. We experienced higher prepayments during the COVID-19 pandemic, when unemployment rates were elevated, than we would have expected based upon our experience during past financial crises.

As part of concluding on the adequacy of the allowance for credit losses, we review key allowance and loan metrics. The most significant of these metrics considered are the allowance coverage of net charge-offs ratio; the allowance as a percentage of ending total loans and of ending loans in repayment; and delinquency and forbearance percentages.

Charge-offs increased in both the three and nine months ended September 30, 2022 compared to the respective year-ago periods because of the credit administration practices changes we implemented in 2021 that imposed additional requirements for those borrowers requesting forbearance. Also contributing to the increase were elevated losses on loans whose borrowers took a "gap year" during the pandemic and entered full principal and interest repayment status starting in late 2021, and the overall strain on our collections team arising from increased collections activity and staffing shortages driven by tight labor markets. The increased charge-offs caused the allowance coverage of net charge-offs (annualized) ratio to decline for the three and nine months ended September 30, 2022 compared with the respective year-ago periods.

Loan Modifications to Borrowers Experiencing Financial Difficulty

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical information, which includes losses from modifications of receivables whose borrowers are experiencing financial difficulty. We use a discounted cash flow model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

The effect of most modifications of loans made to borrowers who are experiencing financial difficulty is already included in the allowance for credit losses because of the measurement methodologies used to estimate the allowance. The forecast of expected future cash flows is updated as the loan modifications occur.

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations and achieve better student outcomes, and increase the collectability of the loans. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative.

When we give a borrower facing financial difficulty an interest rate reduction, we temporarily reduce the contractual interest rate on a loan (currently to 4.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. The combination of these two loan term changes helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate.

5. Allowance for Credit Losses (Continued)

Within the Private Education Loan portfolio, we deem loans greater than 90 days past due as nonperforming. FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest by the federal government in the event of default and, therefore, we do not deem FFELP Loans as nonperforming from a credit risk perspective at any point in their life cycle prior to claim payment and continue to accrue interest on those loans through the date of claim.

For additional information, see Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies — Allowance for Credit Losses - 2021 and 2020," and Note 7, "Allowance for Credit Losses" in our 2021 Form 10-K.

Under our current forbearance practices, temporary forbearance of payments is generally granted in one-to-two month increments, for up to 12 months over the life of the loan, with 12 months of positive payment performance by a borrower required between grants (meaning the borrower must make payment in a cumulative amount equivalent to 12 monthly required payments under the loan). See Notes to Consolidated Financial Statements, Note 5, "Loans Held for Investment — Certain Collection Tools - Private Education Loans" in our 2021 Form 10-K. In the first quarter of 2022, we adopted ASU No. 2022-02 (see Note 1, "Significant Accounting Policies" in this Form 10-Q). Under this new amendment, if the debt has been previously restructured, an entity must consider the cumulative effect of past restructurings made within the 12-month period before the current restructuring when determining whether a delay in payment resulting from the current restructuring is insignificant. Due to our current forbearance practices, including the limitations on forbearances offered to borrowers, we do not believe the granting of forbearances will exceed the significance threshold and, therefore, we do not consider the forbearances as loan modifications.

The limitations on granting of forbearances described above apply to hardship forbearances. We offer other administrative forbearances (e.g., death and disability, bankruptcy, military service, disaster forbearance, and in school assistance) that are either required by law (such as by the Servicemembers Civil Relief Act) or are considered separate from our active loss mitigation programs and therefore are not considered to be loan modifications requiring disclosure under ASU No. 2022-02. In addition, we may offer on a limited basis term extensions or rate reductions or a combination of both to borrowers to reduce consolidation activities. For purposes of this disclosure, we do not consider them modifications of loans to borrowers experiencing financial difficulty and they therefore are not included in the tables below.

The following table shows the amortized cost basis at the end of the reporting period of the loans to borrowers experiencing financial difficulty that were modified during the period from January 1, 2022 (the effective date of our adoption of ASU No. 2022-02) through the end of the reporting period, disaggregated by class of financing receivable and type of modification. When we approve a Private Education Loan at the beginning of an academic year, we do not always disburse the full amount of the loan at the time of approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We consider borrowers to be in financial difficulty after they have exited school and have difficulty making their scheduled principal and interest payments.

Three Months Ended September 30, 2022 (dollars in thousands)	Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
Private Education Loans	\$ 9,750	0.05 %	\$ 79,765	0.40 %
Total	\$ 9,750	0.05 %	\$ 79,765	0.40 %

Nine Months Ended September 30, 2022 (dollars in thousands)	Loan Modifications Made to Borrowers Experiencing Financial Difficulty			
	Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
	Amortized Cost Basis	% of Total Class of Financing Receivable	Amortized Cost Basis	% of Total Class of Financing Receivable
Private Education Loans	\$ 25,065	0.12 %	\$ 237,588	1.18 %
Total	\$ 25,065	0.12 %	\$ 237,588	1.18 %

5. Allowance for Credit Losses (Continued)

The following tables describes the financial effect of the modifications made to loans whose borrowers are experiencing financial difficulty:

Three Months Ended September 30, 2022			
Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
Loan Type	Financial Effect	Loan Type	Financial Effect
Private Education Loans	Reduced average contractual rate from 11.31% to 4.00%	Private Education Loans	Added a weighted average 10.24 years to the life of loans
			Reduced average contractual rate from 10.87% to 4.00%

Nine Months Ended September 30, 2022			
Interest Rate Reduction		Combination - Interest Rate Reduction and Term Extension	
Loan Type	Financial Effect	Loan Type	Financial Effect
Private Education Loans	Reduced average contractual rate from 10.76% to 4.00%	Private Education Loans	Added a weighted average 10.38 years to the life of loans
			Reduced average contractual rate from 10.17% to 4.00%

When a Private Education Loan reaches 120 days delinquent, the loan is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies — Allowance for Credit Losses - 2021 and 2020 — Allowance for Private Education Loan Losses - 2021 and 2020, — Allowance for FFELP Loan Losses - 2021 and 2020, and — Allowance for Credit Card Loans - 2021 and 2020" in our 2021 Form 10-K for a more detailed discussion.

The following table provides the amount of financing receivables whose borrowers were experiencing financial difficulty and had a payment default and were modified during the period from January 1, 2022 (the effective date of our adoption of ASU No. 2022-02) through the end of the reporting period. We define payment default as 60 days past due for purposes of this disclosure.

(Dollars in thousands)	Three Months Ended September 30, 2022		Nine Months Ended September 30, 2022	
	Modified Loans ⁽¹⁾⁽²⁾	Payment Default	Modified Loans ⁽¹⁾⁽²⁾	Payment Default
Loan Type:				
Private Education Loans	\$ 9,467	\$ 9,289	\$ 12,660	\$ 12,463
Total	\$ 9,467	\$ 9,289	\$ 12,660	\$ 12,463

(1) Represents amortized cost basis of loans that have been modified.

(2) For the three months ended September 30, 2022, the modified loans include \$8.5 million of interest rate reduction and term extension loan modifications and \$1.0 million of interest rate reduction only loan modifications. For the nine months ended September 30, 2022, the modified loans include \$11.4 million of interest rate reduction and term extension loan modifications and \$1.2 million of interest rate reduction only loan modifications.

We closely monitor performance of the loans to borrowers experiencing financial difficulty that are modified to understand the effectiveness of the modification efforts. The following table depicts the performance of loans that have

5. Allowance for Credit Losses (Continued)

been modified during the period from January 1, 2022 (the effective date of our adoption of ASU No. 2022-02) through the end of the reporting period.

At September 30, 2022 (dollars in thousands)	Payment Status (Amortized Cost Basis)				
	Deferment ⁽¹⁾	Current ⁽²⁾⁽³⁾	30-59 Days Past Due ⁽²⁾⁽³⁾	60-89 Days Past Due ⁽²⁾⁽³⁾	90 Days or Greater Past Due ⁽²⁾⁽³⁾
Loan Type:					
Private Education Loans	\$ 5,575	\$ 236,477	\$ 10,335	\$ 5,835	\$ 4,431
Total	\$ 5,575	\$ 236,477	\$ 10,335	\$ 5,835	\$ 4,431

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

(2) Loans in repayment include loans on which borrowers are making full principal and interest payments after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

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

5. Allowance for Credit Losses (Continued)

Private Education Loans Held for Investment - Key Credit Quality Indicators

FFELP Loans are at least 97 percent guaranteed as to their principal and accrued interest in the event of default; therefore, there are no key credit quality indicators associated with FFELP Loans.

For Private Education Loans, the key credit quality indicators are FICO scores, the existence of a cosigner, the loan status, and loan seasoning. The FICO scores are assessed at original approval and periodically refreshed/updated through the loan's term. The following tables highlight the gross principal balance of our Private Education Loan portfolio (held for investment), by year of origination, stratified by key credit quality indicators.

As of September 30, 2022 (dollars in thousands)								
Private Education Loans Held for Investment - Credit Quality Indicators								
Year of Origination	2022 ⁽¹⁾	2021 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 and Prior ⁽¹⁾	Total ⁽¹⁾	% of Balance
Cosigners:								
With cosigner	\$ 3,047,398	\$ 3,994,466	\$ 2,273,147	\$ 1,903,962	\$ 1,443,011	\$ 4,871,685	\$ 17,533,669	87 %
Without cosigner	491,319	618,831	392,461	333,419	224,139	510,625	2,570,794	13
Total	\$ 3,538,717	\$ 4,613,297	\$ 2,665,608	\$ 2,237,381	\$ 1,667,150	\$ 5,382,310	\$ 20,104,463	100 %
FICO at Origination⁽²⁾:								
Less than 670	\$ 271,510	\$ 308,184	\$ 161,273	\$ 180,403	\$ 146,085	\$ 460,074	\$ 1,527,529	8 %
670-699	490,170	615,019	364,369	348,359	266,501	922,131	3,006,549	15
700-749	1,106,786	1,457,396	859,924	739,722	554,847	1,813,627	6,532,302	32
Greater than or equal to 750	1,670,251	2,232,698	1,280,042	968,897	699,717	2,186,478	9,038,083	45
Total	\$ 3,538,717	\$ 4,613,297	\$ 2,665,608	\$ 2,237,381	\$ 1,667,150	\$ 5,382,310	\$ 20,104,463	100 %
FICO Refreshed⁽²⁾⁽³⁾:								
Less than 670	\$ 330,446	\$ 431,998	\$ 233,480	\$ 239,180	\$ 206,833	\$ 811,604	\$ 2,253,541	11 %
670-699	494,948	594,535	292,414	246,158	179,979	589,077	2,397,111	12
700-749	1,092,230	1,402,767	778,630	649,713	466,824	1,458,193	5,848,357	29
Greater than or equal to 750	1,621,093	2,183,997	1,361,084	1,102,330	813,514	2,523,436	9,605,454	48
Total	\$ 3,538,717	\$ 4,613,297	\$ 2,665,608	\$ 2,237,381	\$ 1,667,150	\$ 5,382,310	\$ 20,104,463	100 %
Seasoning⁽⁴⁾:								
1-12 payments	\$ 1,961,724	\$ 1,921,089	\$ 323,754	\$ 305,985	\$ 224,662	\$ 482,794	\$ 5,220,008	26 %
13-24 payments	—	946,963	1,028,413	169,959	156,320	489,470	2,791,125	14
25-36 payments	—	—	583,318	909,963	130,692	508,953	2,132,926	11
37-48 payments	—	—	42	362,762	639,349	483,212	1,485,365	7
More than 48 payments	—	—	—	—	231,269	2,886,910	3,118,179	16
Not yet in repayment	1,576,993	1,745,245	730,081	488,712	284,858	530,971	5,356,860	26
Total	\$ 3,538,717	\$ 4,613,297	\$ 2,665,608	\$ 2,237,381	\$ 1,667,150	\$ 5,382,310	\$ 20,104,463	100 %
2022 Current period⁽⁵⁾ gross charge-offs								
	\$ (696)	\$ (13,397)	\$ (33,009)	\$ (44,122)	\$ (42,589)	\$ (165,886)	\$ (299,699)	
2022 Current period⁽⁵⁾ recoveries								
	40	928	2,901	4,092	4,049	18,400	30,410	
2022 Current period⁽⁵⁾ net charge-offs								
	\$ (656)	\$ (12,469)	\$ (30,108)	\$ (40,030)	\$ (38,540)	\$ (147,486)	\$ (269,289)	
Total accrued interest by origination vintage								
	\$ 72,446	\$ 292,512	\$ 222,265	\$ 217,871	\$ 149,759	\$ 246,305	\$ 1,201,158	

(1) Balance represents gross Private Education Loans held for investment.

(2) Represents the higher credit score of the cosigner or the borrower.

(3) Represents the FICO score updated as of the third-quarter 2022.

(4) Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.

(5) Current period refers to period from January 1, 2022 through September 30, 2022.

5. Allowance for Credit Losses (Continued)

As of December 31, 2021 (dollars in thousands)		Private Education Loans Held for Investment - Credit Quality Indicators							
Year of Origination	2021 ⁽¹⁾	2020 ⁽¹⁾	2019 ⁽¹⁾	2018 ⁽¹⁾	2017 ⁽¹⁾	2016 and Prior ⁽¹⁾	Total ⁽¹⁾	% of Balance	
Cosigners:									
With cosigner	\$ 3,263,892	\$ 3,604,553	\$ 2,778,262	\$ 2,025,463	\$ 1,765,719	\$ 4,753,775	\$ 18,191,664	88 %	
Without cosigner	558,469	561,730	438,263	294,597	212,514	459,626	2,525,199	12	
Total	\$ 3,822,361	\$ 4,166,283	\$ 3,216,525	\$ 2,320,060	\$ 1,978,233	\$ 5,213,401	\$ 20,716,863	100 %	
FICO at Origination⁽²⁾:									
Less than 670	\$ 248,368	\$ 238,005	\$ 251,157	\$ 193,123	\$ 166,048	\$ 428,416	\$ 1,525,117	7 %	
670-699	508,264	564,497	493,237	363,313	329,807	884,981	3,144,099	15	
700-749	1,210,833	1,348,269	1,057,001	770,452	660,270	1,753,709	6,800,534	33	
Greater than or equal to 750	1,854,896	2,015,512	1,415,130	993,172	822,108	2,146,295	9,247,113	45	
Total	\$ 3,822,361	\$ 4,166,283	\$ 3,216,525	\$ 2,320,060	\$ 1,978,233	\$ 5,213,401	\$ 20,716,863	100 %	
FICO Refreshed⁽²⁾⁽³⁾:									
Less than 670	\$ 326,613	\$ 279,578	\$ 273,652	\$ 235,684	\$ 233,022	\$ 739,268	\$ 2,087,817	10 %	
670-699	506,021	475,674	365,133	256,400	209,536	570,605	2,383,369	12	
700-749	1,209,493	1,285,015	978,763	682,024	568,766	1,448,692	6,172,753	30	
Greater than or equal to 750	1,780,234	2,126,016	1,598,977	1,145,952	966,909	2,454,836	10,072,924	48	
Total	\$ 3,822,361	\$ 4,166,283	\$ 3,216,525	\$ 2,320,060	\$ 1,978,233	\$ 5,213,401	\$ 20,716,863	100 %	
Seasoning⁽⁴⁾:									
1-12 payments	\$ 2,265,811	\$ 594,850	\$ 515,328	\$ 385,246	\$ 340,242	\$ 501,269	\$ 4,602,746	22 %	
13-24 payments	—	2,287,737	362,674	203,674	211,064	479,540	3,544,689	17	
25-36 payments	—	173	1,565,203	312,049	164,575	482,369	2,524,369	12	
37-48 payments	—	—	—	983,434	295,206	464,563	1,743,203	8	
More than 48 payments	—	—	—	—	671,138	2,726,304	3,397,442	16	
Not yet in repayment	1,556,550	1,283,523	773,320	435,657	296,008	559,356	4,904,414	25	
Total	\$ 3,822,361	\$ 4,166,283	\$ 3,216,525	\$ 2,320,060	\$ 1,978,233	\$ 5,213,401	\$ 20,716,863	100 %	
2021 Current period⁽⁵⁾ gross charge-offs									
	\$ (1,183)	\$ (8,604)	\$ (23,866)	\$ (32,741)	\$ (37,186)	\$ (126,011)	\$ (229,591)		
2021 Current period⁽⁵⁾ recoveries									
	35	540	2,092	3,693	4,450	18,684	29,494		
2021 Current period⁽⁵⁾ net charge-offs									
	\$ (1,148)	\$ (8,064)	\$ (21,774)	\$ (29,048)	\$ (32,736)	\$ (107,327)	\$ (200,097)		
Total accrued interest by origination vintage									
	\$ 109,233	\$ 247,418	\$ 270,242	\$ 198,816	\$ 131,685	\$ 229,729	\$ 1,187,123		

⁽¹⁾ Balance represents gross Private Education Loans held for investment.

⁽²⁾ Represents the higher credit score of the cosigner or the borrower.

⁽³⁾ Represents the FICO score updated as of the fourth-quarter 2021.

⁽⁴⁾ Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.

⁽⁵⁾ Current period refers to January 1, 2021 through December 31, 2021.

5. Allowance for Credit Losses (Continued)

Delinquencies - Private Education Loans Held for Investment

The following tables provide information regarding the loan status of our Private Education Loans held for investment, by year of origination. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the following tables, do not include those loans while they are in forbearance).

As of September 30, 2022 (dollars in thousands)	Private Education Loans Held for Investment - Delinquencies by Origination Vintage						
	2022	2021	2020	2019	2018	2017 and Prior	Total
Loans in-school/grace/deferment ⁽¹⁾	\$ 1,576,993	\$ 1,745,245	\$ 730,081	\$ 488,712	\$ 284,858	\$ 530,971	\$ 5,356,860
Loans in forbearance ⁽²⁾	4,034	19,309	21,994	24,534	24,589	106,587	201,047
Loans in repayment:							
Loans current	1,950,830	2,802,675	1,854,054	1,654,125	1,293,502	4,447,769	14,002,955
Loans delinquent 30-59 days ⁽³⁾	4,690	25,836	28,361	32,374	28,952	135,028	255,241
Loans delinquent 60-89 days ⁽³⁾	1,542	13,268	17,592	19,004	18,721	81,685	151,812
Loans 90 days or greater past due ⁽³⁾	628	6,964	13,526	18,632	16,528	80,270	136,548
Total Private Education Loans in repayment	1,957,690	2,848,743	1,913,533	1,724,135	1,357,703	4,744,752	14,546,556
Total Private Education Loans, gross	3,538,717	4,613,297	2,665,608	2,237,381	1,667,150	5,382,310	20,104,463
Private Education Loans deferred origination costs and unamortized premium/(discount)	20,938	16,761	9,719	5,935	3,867	9,596	66,816
Total Private Education Loans	3,559,655	4,630,058	2,675,327	2,243,316	1,671,017	5,391,906	20,171,279
Private Education Loans allowance for losses	(260,520)	(296,638)	(153,743)	(135,939)	(91,886)	(251,701)	(1,190,427)
Private Education Loans, net	\$ 3,299,135	\$ 4,333,420	\$ 2,521,584	\$ 2,107,377	\$ 1,579,131	\$ 5,140,205	\$ 18,980,852
Percentage of Private Education Loans in repayment	55.3 %	61.8 %	71.8 %	77.1 %	81.4 %	88.2 %	72.4 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.4 %	1.6 %	3.1 %	4.1 %	4.7 %	6.3 %	3.7 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.2 %	0.7 %	1.1 %	1.4 %	1.8 %	2.2 %	1.4 %

(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, consistent with established loan program servicing policies and procedures.

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

5. Allowance for Credit Losses (Continued)

As of December 31, 2021 (dollars in thousands)	Private Education Loans Held for Investment - Delinquencies by Origination Vintage						
	2021	2020	2019	2018	2017	2016 and Prior	Total
Loans in-school/grace/deferment ⁽¹⁾	\$ 1,556,550	\$ 1,283,523	\$ 773,320	\$ 435,657	\$ 296,008	\$ 559,356	\$ 4,904,414
Loans in forbearance ⁽²⁾	11,951	55,844	52,364	43,613	41,355	96,110	301,237
Loans in repayment:							
Loans current	2,234,876	2,786,646	2,321,728	1,772,651	1,570,815	4,319,057	15,005,773
Loans delinquent 30-59 days ⁽³⁾	15,148	29,146	46,616	43,197	41,695	132,757	308,559
Loans delinquent 60-89 days ⁽³⁾	3,194	7,441	14,044	14,310	16,425	61,533	116,947
Loans 90 days or greater past due ⁽³⁾	642	3,683	8,453	10,632	11,935	44,588	79,933
Total Private Education Loans in repayment	2,253,860	2,826,916	2,390,841	1,840,790	1,640,870	4,557,935	15,511,212
Total Private Education Loans, gross	3,822,361	4,166,283	3,216,525	2,320,060	1,978,233	5,213,401	20,716,863
Private Education Loans deferred origination costs and unamortized premium/(discount)	22,169	16,067	9,575	5,918	4,588	9,171	67,488
Total Private Education Loans	3,844,530	4,182,350	3,226,100	2,325,978	1,982,821	5,222,572	20,784,351
Private Education Loans allowance for losses	(248,102)	(239,507)	(195,223)	(129,678)	(99,982)	(246,485)	(1,158,977)
Private Education Loans, net	\$ 3,596,428	\$ 3,942,843	\$ 3,030,877	\$ 2,196,300	\$ 1,882,839	\$ 4,976,087	\$ 19,625,374
Percentage of Private Education Loans in repayment	59.0 %	67.9 %	74.3 %	79.3 %	82.9 %	87.4 %	74.9 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.8 %	1.4 %	2.9 %	3.7 %	4.3 %	5.2 %	3.3 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.5 %	1.9 %	2.1 %	2.3 %	2.5 %	2.1 %	1.9 %

⁽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, consistent with established loan program servicing policies and procedures.

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

5. Allowance for Credit Losses (Continued)

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans 90 days or greater past due as compared to our allowance for uncollectible interest on loans making full interest payments. The majority of the total accrued interest receivable represents accrued interest on deferred loans where no payments are due while the borrower is in school and fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accruing on the loan in that month. The accrued interest on these loans will be capitalized to the balance of the loans when the borrower exits the grace period after separation from school. The allowance for this portion of interest is included in our loan loss reserve.

(Dollars in thousands)	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	90 Days or Greater Past Due	Allowance for Uncollectible Interest
September 30, 2022	\$ 1,201,159	\$ 6,515	\$ 7,783
December 31, 2021	\$ 1,187,123	\$ 3,635	\$ 4,937

6. Unfunded Loan Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses - 2021 and 2020, — Off-Balance Sheet Exposure for Contractual Loan Commitments - 2021 and 2020" in our 2021 Form 10-K for additional information.

At September 30, 2022, we had \$2.2 billion of outstanding contractual loan commitments that we expect to fund during the remainder of the 2022/2023 academic year. The tables below summarize the activity in the allowance recorded to cover lifetime expected credit losses on the unfunded commitments, which is recorded in "Other Liabilities" on the consolidated balance sheets, as well as the activity in the unfunded commitments balance.

Three Months Ended September 30, (dollars in thousands)	2022		2021	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	\$ 113,525	\$ 1,413,840	\$ 64,772	\$ 1,161,696
Provision/New commitments - net ⁽¹⁾	192,559	3,148,434	129,904	2,885,024
Other provision items	(29,913)	—	15,068	—
Transfer - funded loans ⁽²⁾	(168,377)	(2,345,348)	(110,613)	(2,083,128)
Ending Balance	\$ 107,794	\$ 2,216,926	\$ 99,131	\$ 1,963,592

Nine Months Ended September 30, (dollars in thousands)	2022		2021	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	\$ 72,713	\$ 1,776,976	\$ 110,044	\$ 1,673,018
Provision/New commitments - net ⁽¹⁾	339,705	5,584,129	218,304	4,963,789
Other provision items	(1,033)	—	32,831	—
Transfer - funded loans ⁽²⁾	(303,591)	(5,144,179)	(262,048)	(4,673,215)
Ending Balance	\$ 107,794	\$ 2,216,926	\$ 99,131	\$ 1,963,592

⁽¹⁾ Net of expirations of commitments unused.

⁽²⁾ When a loan commitment is funded, its related liability for credit losses (which originally was recorded as a provision for unfunded commitments) is transferred to the allowance for credit losses.

The unfunded commitments disclosed above represent the total amount of outstanding unfunded commitments at each period end. However, historically not all of these commitments are funded prior to the expiration of the commitments. We estimate the amount of commitments expected to be funded in calculating the reserve for unfunded commitments. The amount we expect to fund and use in our calculation of the reserve for unfunded commitments will change period to period based upon the loan characteristics of the underlying commitments.

7. Goodwill and Acquired Intangible Assets

Goodwill

We recorded as goodwill the excess of the purchase price over the estimated fair values of identifiable assets and liabilities acquired as part of the Nitro acquisition in the first quarter of 2022. Goodwill is not amortized but is tested periodically for impairment. We plan to test goodwill for impairment annually in the fourth quarter of the year, or more frequently if we believe that indicators of impairment exist. At September 30, 2022 we had \$51 million in total goodwill. See Notes to Consolidated Financial Statements, Note 1, "Significant Accounting Policies" in this Form 10-Q for additional details on our acquisition of Nitro.

Acquired Intangible Assets

Our intangible assets include acquired tradename and trademarks, customer relationships, and developed technology. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable.

Acquired intangible assets include the following:

(Dollars in thousands)	Useful Life (in years) ⁽¹⁾	September 30, 2022		
		Cost Basis	Accumulated Amortization	Net
Tradename and trademarks	10	\$ 68,470	\$ (3,994)	\$ 64,476
Customer relationships	5	5,670	(1,239)	4,431
Developed technology	3	1,260	(245)	1,015
Total acquired intangible assets		\$ 75,400	\$ (5,478)	\$ 69,922

⁽¹⁾ The weighted average useful life of acquired intangible assets related to the Nitro acquisition is 9.51 years.

We recorded amortization of acquired intangible assets totaling approximately \$2 million and \$5 million in the three and nine months ended September 30, 2022, respectively. There was no amortization of acquired intangible assets recorded in the three and nine months ended September 30, 2021. We will continue to amortize our intangible assets with definite useful lives over their remaining estimated useful lives. We estimate amortization expense associated with these intangible assets will be approximately \$8 million, \$9 million, \$8 million, \$8 million, and \$7 million in 2022, 2023, 2024, 2025, and 2026, respectively.

8. Deposits

The following table summarizes total deposits at September 30, 2022 and December 31, 2021.

(Dollars in thousands)	September 30, 2022	December 31, 2021
Deposits - interest-bearing	\$ 21,276,181	\$ 20,826,692
Deposits - non-interest-bearing	567	1,432
Total deposits	\$ 21,276,748	\$ 20,828,124

Our total deposits of \$21.3 billion were comprised of \$10.2 billion in brokered deposits and \$11.1 billion in retail and other deposits at September 30, 2022, compared to total deposits of \$20.8 billion, which were comprised of \$10.1 billion in brokered deposits and \$10.7 billion in retail and other deposits, at December 31, 2021.

Interest-bearing deposits as of September 30, 2022 and December 31, 2021 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity money market deposits ("MMDAs"), and retail and brokered certificates of deposit ("CDs"). Interest-bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$8.0 billion and \$7.3 billion of our deposit total as of September 30, 2022 and December 31, 2021, respectively.

Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of \$3 million and \$4 million in the three months ended September 30, 2022 and 2021, respectively, and placement fee expense of \$10 million and \$12 million in the nine months ended September 30, 2022 and 2021, respectively. Fees paid to third-party brokers related to brokered CDs were \$4 million and \$10 million for the three months ended September 30, 2022 and 2021, respectively, and fees paid to third-party brokers related to brokered CDs were \$8 million and \$11 million for the nine months ended September 30, 2022 and 2021, respectively.

Interest bearing deposits at September 30, 2022 and December 31, 2021 are summarized as follows:

(Dollars in thousands)	September 30, 2022		December 31, 2021	
	Amount	Qtr.-End Weighted Average Stated Rate⁽¹⁾	Amount	Year-End Weighted Average Stated Rate⁽¹⁾
Money market	\$ 11,053,370	2.57 %	\$ 10,473,569	0.69 %
Savings	947,870	2.14	959,122	0.43
Certificates of deposit	9,274,941	2.29	9,394,001	1.20
Deposits - interest bearing	\$ 21,276,181		\$ 20,826,692	

⁽¹⁾ Includes the effect of interest rate swaps in effective hedge relationships.

As of September 30, 2022 and December 31, 2021, there were \$538 million and \$743 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accrued interest on deposits was \$48 million and \$35 million at September 30, 2022 and December 31, 2021, respectively.

9. Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term asset-backed securitization (“ABS”) program and our Private Education Loan multi-lender secured borrowing facility (the “Secured Borrowing Facility”). For additional information regarding our borrowings, see Notes to Consolidated Financial Statements, Note 11, “Borrowings” in our 2021 Form 10-K. The following table summarizes our borrowings at September 30, 2022 and December 31, 2021.

(Dollars in thousands)	September 30, 2022			December 31, 2021		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	\$ —	\$ 988,182	\$ 988,182	\$ —	\$ 986,138	\$ 986,138
Total unsecured borrowings	—	988,182	988,182	—	986,138	986,138
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,673,627	3,673,627	—	3,897,996	3,897,996
Variable-rate	—	860,502	860,502	—	1,046,856	1,046,856
Total Private Education Loan term securitizations	—	4,534,129	4,534,129	—	4,944,852	4,944,852
Secured Borrowing Facility	—	—	—	—	—	—
Total secured borrowings	—	4,534,129	4,534,129	—	4,944,852	4,944,852
Total	\$ —	\$ 5,522,311	\$ 5,522,311	\$ —	\$ 5,930,990	\$ 5,930,990

Short-term Borrowings

On May 17, 2022, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay, and reborrow funds, until May 16, 2023. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 16, 2024 (or earlier, if certain material adverse events occur). At both September 30, 2022, and December 31, 2021, there were no secured borrowings outstanding under the Secured Borrowing Facility.

9. Borrowings (Continued)

Long-term Borrowings

Secured Financings

2022 Transactions

On August 9, 2022, we executed our \$575 million SMB Private Education Loan Trust 2022-C term ABS transaction, which was accounted for as a secured financing. We sold \$575 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$575 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.69 years and priced at a weighted average SOFR equivalent cost of SOFR plus 1.76 percent. On September 30, 2022, \$658 million of our Private Education Loans, including \$613 million of principal and \$45 million in capitalized interest, were encumbered because of this transaction.

Secured Financings at Issuance

The following table summarizes our secured financings issued in 2021. There was one secured financing issued in the nine months ended September 30, 2022.

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds ⁽¹⁾	Weighted Average Life (in years)
<i>(Dollars in thousands)</i>				
Private Education Loans:				
2021-B	May 2021	\$ 531,000	1-month LIBOR plus 0.77%	4.26
2021-D	August 2021	527,000	1-month LIBOR plus 0.69%	4.22
2021-E	November 2021	534,000	1-month LIBOR plus 0.69%	4.15
Total notes issued in 2021		<u>\$ 1,592,000</u>		
Total loan and accrued interest amount securitized at inception in 2021⁽²⁾		<u>\$ 1,656,263</u>		
2022-C	August 2022	\$ 575,000	SOFR plus 1.76%	4.69
Total notes issued in 2022		<u>\$ 575,000</u>		
Total loan and accrued interest amount securitized at inception in 2022⁽³⁾		<u>\$ 674,387</u>		

⁽¹⁾ Represents LIBOR equivalent cost of funds for floating and fixed-rate bonds, excluding issuance costs.

⁽²⁾ At September 30, 2022, \$1.33 billion of our Private Education Loans, including \$1.25 billion of principal and \$84 million in capitalized interest, were encumbered related to these transactions.

⁽³⁾ At September 30, 2022, \$658 million of our Private Education Loans, including \$613 million of principal and \$45 million in capitalized interest, were encumbered related to these transactions.

9. Borrowings (Continued)

Consolidated Funding Vehicles

We consolidate our financing entities that are VIEs as a result of our being the entities' primary beneficiary. As a result, these financing VIEs are accounted for as secured borrowings.

As of September 30, 2022 (dollars in thousands)	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets ⁽¹⁾	Total
Secured borrowings:							
Private Education Loan term securitizations	\$ —	\$ 4,534,129	\$ 4,534,129	\$ 5,665,062	\$ 177,917	\$ 345,436	\$ 6,188,415
Secured Borrowing Facility	—	—	—	—	—	1,775	1,775
Total	\$ —	\$ 4,534,129	\$ 4,534,129	\$ 5,665,062	\$ 177,917	\$ 347,211	\$ 6,190,190

As of December 31, 2021 (dollars in thousands)	Debt Outstanding			Carrying Amount of Assets Securing Debt Outstanding			
	Short-Term	Long-Term	Total	Loans	Restricted Cash	Other Assets ⁽¹⁾	Total
Secured borrowings:							
Private Education Loan term securitizations	\$ —	\$ 4,994,852	\$ 4,994,852	\$ 6,029,034	\$ 210,741	\$ 357,982	\$ 6,597,757
Secured Borrowing Facility	—	—	—	—	—	867	867
Total	\$ —	\$ 4,994,852	\$ 4,994,852	\$ 6,029,034	\$ 210,741	\$ 358,849	\$ 6,598,624

(1) Other assets primarily represent accrued interest receivable.

Unconsolidated VIEs

Private Education Loan Securitizations

Unconsolidated VIEs include variable interests that we hold in certain securitization trusts created by the sale of our Private Education Loans to unaffiliated third parties. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales, and we are also the administrator of these trusts. Additionally, we own five percent of the securities issued by the trusts to meet risk retention requirements. We were not required to consolidate these entities because our servicer/administrator decision-maker fees are not variable interests and our other interests in the VIE, which are in the form of our five percent vertical interest, do not absorb more than an insignificant amount of the VIE's expected losses or receive more than an insignificant amount of the VIE's expected residual returns.

2022-A Transaction

On March 16, 2022, we closed an SMB Private Education Loan Trust 2022-A term ABS transaction (the "2022-A Transaction"), in which an unaffiliated third-party sold to the trust approximately \$973 million of Private Education Loans that the third-party seller previously purchased from us on November 17, 2021. In the 2022-A Transaction, we were the sponsor, servicer and administrator, and the seller of an additional \$95 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2022-A Transaction and we recorded a \$10 million gain on sale associated with this transaction. In connection with the 2022-A Transaction settlement, we retained a five percent vertical risk retention interest (i.e., five percent of each class issued in the securitization). We classified those vertical risk retention interests related to the 2022-A Transaction as available-for-sale investments, except for the interest in the residual class, which we classified as a trading investment recorded at fair value with changes recorded through earnings.

9. Borrowings (Continued)

2022-B Transaction

On May 27, 2022, we closed an SMB Private Education Loan Trust 2022-B term ABS transaction (the “2022-B Transaction”), in which an unaffiliated third-party sold to the trust approximately \$2.0 billion of Private Education Loans that the third-party seller previously purchased from us on April 27, 2022. In the 2022-B Transaction, we were the sponsor, servicer and administrator, and the seller of an additional \$107 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2022-B Transaction and we recorded an \$11 million gain on sale associated with this transaction. In connection with the 2022-B Transaction settlement, we retained a five percent vertical risk retention interest (i.e., five percent of each class issued in the securitization). We classified those vertical risk retention interests related to the 2022-B Transaction as available-for-sale investments, except for the interest in the residual class, which we classified as a trading investment recorded at fair value with changes recorded through earnings.

The table below provides a summary of our exposure related to our unconsolidated VIEs.

(Dollars in thousands)	September 30, 2022			December 31, 2021		
	Debt Interests ⁽¹⁾	Equity Interests ⁽²⁾	Total Exposure	Debt Interests ⁽¹⁾	Equity Interests ⁽²⁾	Total Exposure
Private Education Loan term securitizations	\$ 296,516	\$ 47,386	\$ 343,902	\$ 192,245	\$ 37,465	\$ 229,710

(1) Vertical risk retention interest classified as available-for-sale investment.

(2) Vertical risk retention interest classified as trading investment.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at September 30, 2022. The interest rate we are charged on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing and is payable daily. We did not utilize these lines of credit in the nine months ended September 30, 2022 or in the year ended December 31, 2021.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Discount Window (the “Window”). The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At September 30, 2022 and December 31, 2021, the value of our pledged collateral at the FRB totaled \$2.6 billion and \$3.3 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the nine months ended September 30, 2022 or in the year ended December 31, 2021.

10. Derivative Financial Instruments

Risk Management Strategy

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets or liabilities so any adverse impacts related to movements in interest rates are managed within low to moderate limits. As a result of interest rate fluctuations, hedged balance sheet positions will appreciate or depreciate in market value or create variability in cash flows. Income or loss on the derivative instruments linked to the hedged item will generally offset the effect of this unrealized appreciation or depreciation or volatility in cash flows for the period the item is being hedged. We view this strategy as a prudent management of interest rate risk. Please refer to Notes to Consolidated Financial Statements, Note 12, "Derivative Financial Instruments" in our 2021 Form 10-K for a full discussion of our risk management strategy.

Title VII of the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 (the "Dodd-Frank Act") requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the Chicago Mercantile Exchange ("CME") and the London Clearing House ("LCH"). All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of September 30, 2022, \$3.2 billion notional of our derivative contracts were cleared on the CME and \$0.3 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 93.0 percent and 7.0 percent, respectively, of our total notional derivative contracts of \$3.5 billion at September 30, 2022.

For derivatives cleared through the CME and LCH, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. The amount of variation margin included as settlement as of September 30, 2022 was \$(56) million and \$(7) million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure to the counterparty is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At September 30, 2022 and December 31, 2021, we had a net positive exposure (derivative gain/loss positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$12 million and \$9 million, respectively.

Summary of Derivative Financial Statement Impact

The following tables summarize the fair values and notional amounts of all derivative instruments at September 30, 2022 and December 31, 2021, and their impact on earnings and other comprehensive income for the nine months ended September 30, 2022 and September 30, 2021. Please refer to Notes to Consolidated Financial Statements, Note 12, "Derivative Financial Instruments" in our 2021 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

10. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Consolidated Balance Sheets

(Dollars in thousands)	Cash Flow Hedges		Fair Value Hedges		Trading		Total	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Fair Values⁽¹⁾								
Derivative Assets:⁽²⁾								
Interest rate swaps	\$ 2,172	\$ —	\$ —	\$ —	\$ —	\$ 5	\$ 2,172	\$ 5
Other	—	—	—	—	—	1,317	—	1,317
Derivative Liabilities:⁽²⁾								
Interest rate swaps	—	(231)	(1,051)	(21)	—	—	(1,051)	(252)
Total net derivatives	\$ 2,172	\$ (231)	\$ (1,051)	\$ (21)	\$ —	\$ 1,322	\$ 1,121	\$ 1,070

(1) Fair values reported include variation margin as legal settlement of the derivative contract. Assets and liabilities are presented without consideration of master netting agreements. Derivatives are carried on the balance sheet based on net position by counterparty under master netting agreements and classified in other assets or other liabilities depending on whether in a net positive or negative position.

(2) The following table reconciles gross positions with the impact of master netting agreements to the balance sheet classification:

(Dollars in thousands)	Other Assets		Other Liabilities	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Gross position ⁽¹⁾	\$ 2,172	\$ 1,322	\$ (1,051)	\$ (252)
Impact of master netting agreement	(1,051)	(5)	1,051	5
Derivative values with impact of master netting agreements (as carried on balance sheet)	1,121	1,317	—	(247)
Cash collateral pledged ⁽²⁾	11,025	9,655	—	—
Net position	\$ 12,146	\$ 10,972	\$ —	\$ (247)

(1) Gross position amounts include accrued interest and variation margin as legal settlement of the derivative contract.

(2) Cash collateral pledged excludes amounts that represent legal settlement of the derivative contracts.

Notional Values

(Dollars in thousands)	Cash Flow		Fair Value		Trading		Total	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Interest rate swaps	\$ 1,345,688	\$ 1,438,144	\$ 2,130,049	\$ 3,915,999	\$ —	\$ 181,953	\$ 3,475,737	\$ 5,536,096
Other	—	—	—	—	—	1,053,760	—	1,053,760
Net total notional	\$ 1,345,688	\$ 1,438,144	\$ 2,130,049	\$ 3,915,999	\$ —	\$ 1,235,713	\$ 3,475,737	\$ 6,589,856

10. Derivative Financial Instruments (Continued)

As of September 30, 2022 and December 31, 2021, the following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges:

(Dollars in thousands)	Carrying Amount of the Hedged Assets/(Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets/(Liabilities)	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
Deposits	\$ (2,090,825)	\$ (3,963,268)	\$ 36,114	\$ (50,784)

Impact of Derivatives on the Consolidated Statements of Income

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Fair Value Hedges				
Interest rate swaps:				
Interest recognized on derivatives	\$ (1,783)	\$ 21,763	\$ 24,418	\$ 67,230
Hedged items recorded in interest expense	14,143	20,551	86,899	72,774
Derivatives recorded in interest expense	(14,425)	(20,602)	(86,896)	(72,787)
Total	\$ (2,065)	\$ 21,712	\$ 24,421	\$ 67,217
Cash Flow Hedges				
Interest rate swaps:				
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense	\$ 2,771	\$ (5,228)	\$ (4,033)	\$ (15,791)
Total	\$ 2,771	\$ (5,228)	\$ (4,033)	\$ (15,791)
Trading				
Interest rate swaps:				
Change in fair value of future interest payments recorded in earnings	\$ —	\$ (3,571)	\$ (248)	\$ (21,383)
Total	—	(3,571)	(248)	(21,383)
Total	\$ 706	\$ 12,913	\$ 20,140	\$ 30,043

10. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Statements of Changes in Stockholders' Equity

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Amount of gain (loss) recognized in other comprehensive income (loss)	\$ 32,594	\$ (133)	\$ 94,215	\$ 13,583
Less: amount of gain (loss) reclassified in interest expense	2,771	(5,228)	(4,033)	(15,791)
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax (expense) benefit	\$ 29,823	\$ 5,095	\$ 98,248	\$ 29,374

Amounts reported in accumulated other comprehensive income related to derivatives will be reclassified to interest expense as interest payments are made on our variable-rate deposits. During the next 12 months, we estimate that \$38 million will be reclassified as a decrease to interest expense.

Cash Collateral

As of September 30, 2022, cash collateral held and pledged excludes amounts that represent legal settlement of the derivative contracts held with the CME and LCH. There was no cash collateral held by us related to derivative exposure between us and our derivatives counterparties at September 30, 2022 and December 31, 2021, respectively. Cash collateral pledged by us related to derivative exposure between us and our derivatives counterparties was \$11 million and \$10 million at September 30, 2022 and December 31, 2021, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

11. Stockholders' Equity

The following table summarizes our common share repurchases and issuances.

(Shares and per share amounts in actuals)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Common stock repurchased under repurchase programs ⁽¹⁾⁽²⁾⁽³⁾	1,191,544	13,018,585	30,721,944	84,528,256
Average purchase price per share ⁽⁴⁾	\$ 14.14	\$ 18.75	\$ 18.00	\$ 17.17
Shares repurchased related to employee stock-based compensation plans ⁽⁵⁾	448	115,414	1,131,351	1,367,826
Average purchase price per share	\$ 13.99	\$ 18.83	\$ 18.36	\$ 14.70
Common shares issued ⁽⁶⁾	4,682	504,183	3,093,392	3,785,490

⁽¹⁾ Common shares purchased under our share repurchase programs. We have utilized all capacity under our 2021 Share Repurchase Program. There was \$736 million of capacity remaining under the 2022 Share Repurchase Program at September 30, 2022.

⁽²⁾ For the nine months ended September 30, 2021, the amount includes 13 million shares related to the completion of the accelerated share repurchase agreement in the first quarter of 2021. See Notes to Consolidated Financial Statements, Note 13, "Stockholders' Equity" in our 2021 Form 10-K for additional information.

⁽³⁾ For the nine months ended September 30, 2021, the amount includes 28.5 million shares related to the settlement of our common stock tender offer in the first quarter of 2021. See Notes to Consolidated Financial Statements, Note 13, "Stockholders' Equity" in our 2021 Form 10-K for additional information.

⁽⁴⁾ Average purchase price per share includes purchase commission costs.

⁽⁵⁾ Comprised of shares withheld from stock option exercises and vesting of restricted stock for employees' tax withholding obligations and shares tendered by employees to satisfy option exercise costs.

⁽⁶⁾ Common shares issued under our various compensation and benefit plans.

The closing price of our common stock on the NASDAQ Global Select Market on September 30, 2022 was \$13.99.

Common Stock Dividends

In September 2022, we paid a common stock dividend of \$0.11 per common share. In September 2021, we paid a common stock dividend of \$0.03 per common share. In the nine months ended September 2022 and 2021, we paid a common stock dividend of \$0.33 per common share and \$0.09 per common share, respectively.

Share Repurchases

On January 27, 2021, we announced a share repurchase program (the "2021 Share Repurchase Program"), which was effective upon announcement and expires on January 26, 2023, and originally permitted us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed \$1.25 billion. Under the 2021 Share Repurchase Program, we repurchased 13.0 million shares of common stock for \$244 million in the three months ended September 31, 2021, and we repurchased 66.8 million shares of common stock for \$1.2 billion in the nine months ended September 30, 2021. (For the nine months ended September 30, 2021, those amounts include the shares repurchased under the common stock tender offer that settled in the first quarter of 2021.)

In October 2021, our Board of Directors approved a \$250 million increase in the amount of common stock that may be repurchased under our 2021 Share Repurchase Program. This was in addition to the original \$1.25 billion of authorization announced on January 27, 2021, for a total 2021 Share Repurchase Program authorization of \$1.5 billion. Under the 2021 Share Repurchase Program, we repurchased 2.0 million shares of common stock for \$38 million in the nine months ended September 30, 2022. We have now utilized all capacity under the 2021 Share Repurchase Program.

On January 26, 2022, we announced a new share repurchase program (the "2022 Share Repurchase Program"), which was effective upon announcement and expires on January 25, 2024, and permits us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed \$1.25 billion. Under the 2022 Share Repurchase Program, we repurchased 1.2 million shares of common stock for \$17 million in the three months ended

11. Stockholders' Equity (Continued)

September 30, 2022, and 28.7 million shares of common stock for \$515 million in the nine months ended September 30, 2022. We had \$736 million of capacity remaining under the 2022 Share Repurchase Program at September 30, 2022.

So long as there is unexpired capacity under a given repurchase program, repurchases under the programs may occur from time to time and through a variety of methods, including tender offers, open market repurchases, repurchases effected through Rule 10b5-1 trading plans, negotiated block purchases, accelerated share repurchase programs, or other similar transactions. The timing and volume of any repurchases under the 2022 Share Repurchase Program will be subject to market conditions, and there can be no guarantee that the Company will repurchase up to the limit of the program or at all.

Share Repurchases under Rule 10b5-1 trading plans

During the three months ended September 30, 2022 and 2021, we repurchased 1.2 million shares and 13.0 million shares, respectively, of our common stock at a total cost of \$17 million and \$244 million, respectively, and during the nine months ended September 30, 2022 and 2021, we repurchased 30.7 million shares and 42.6 million shares, respectively, of our common stock at a total cost of \$553 million and \$804 million, respectively, under Rule 10b5-1 trading plans authorized under our share repurchase programs.

12. Earnings per Common Share

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

(Dollars in thousands, except per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Numerator:				
Net income	\$ 75,172	\$ 72,840	\$ 546,057	\$ 854,248
Preferred stock dividends	2,531	1,166	5,563	3,559
Net income attributable to SLM Corporation common stock	\$ 72,641	\$ 71,674	\$ 540,494	\$ 850,689
Denominator:				
Weighted average shares used to compute basic EPS	251,266	299,890	263,098	324,148
Effect of dilutive securities:				
Dilutive effect of stock options, restricted stock, restricted stock units, performance stock units, and Employee Stock Purchase Plan ("ESPP") ⁽¹⁾	2,450	4,621	2,967	4,916
Weighted average shares used to compute diluted EPS	253,716	304,511	266,065	329,064
Basic earnings per common share	\$ 0.29	\$ 0.24	\$ 2.05	\$ 2.62
Diluted earnings per common share	\$ 0.29	\$ 0.24	\$ 2.03	\$ 2.59

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

⁽²⁾ For the three months ended September 30, 2022 and 2021, securities covering approximately 1 million shares and 1 million shares, respectively, and for the nine months ended September 30, 2022 and 2021, securities covering approximately 1 million shares and 1 million shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

13. Fair Value Measurements

We use estimates of fair value in applying various accounting standards for our consolidated financial statements.

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. For additional information regarding our policies for determining fair value and the hierarchical framework, see Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Fair Value Measurement" in our 2021 Form 10-K.

During the nine months ended September 30, 2022, there were no significant transfers of financial instruments between levels or changes in our methodology or assumptions used to value our financial instruments.

The following table summarizes the valuation of our financial instruments that are marked to fair value on a recurring basis.

(Dollars in thousands)	Fair Value Measurements on a Recurring Basis							
	September 30, 2022				December 31, 2021			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets:								
Trading investments	\$ —	\$ —	\$ 52,450	\$ 52,450	\$ —	\$ —	\$ 37,465	\$ 37,465
Available-for-sale investments	—	2,427,540	—	2,427,540	—	2,517,956	—	2,517,956
Derivative instruments	—	2,172	—	2,172	—	1,322	—	1,322
Total	\$ —	\$ 2,429,712	\$ 52,450	\$ 2,482,162	\$ —	\$ 2,519,278	\$ 37,465	\$ 2,556,743
Liabilities:								
Derivative instruments	\$ —	\$ (1,051)	\$ —	\$ (1,051)	\$ —	\$ (252)	\$ —	\$ (252)
Total	\$ —	\$ (1,051)	\$ —	\$ (1,051)	\$ —	\$ (252)	\$ —	\$ (252)

13. Fair Value Measurements (Continued)

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

(Dollars in thousands)	September 30, 2022			December 31, 2021		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets:						
Loans held for investment, net:						
Private Education Loans	\$ 20,932,120	\$ 18,980,852	\$ 1,951,268	\$ 22,919,836	\$ 19,625,374	\$ 3,294,462
FFELP Loans	653,268	641,450	11,818	705,644	692,954	12,690
Credit Cards	—	—	—	25,037	22,955	2,082
Loans held for sale	28,880	28,880	—	—	—	—
Cash and cash equivalents	4,846,754	4,846,754	—	4,334,603	4,334,603	—
Trading investments	52,450	52,450	—	37,465	37,465	—
Available-for-sale investments	2,427,540	2,427,540	—	2,517,956	2,517,956	—
Accrued interest receivable	1,262,493	1,223,647	38,846	1,306,410	1,205,667	100,743
Tax indemnification receivable	8,392	8,392	—	8,047	8,047	—
Derivative instruments	2,172	2,172	—	1,322	1,322	—
Total earning assets	\$ 30,214,069	\$ 28,212,137	\$ 2,001,932	\$ 31,856,320	\$ 28,446,343	\$ 3,409,977
Interest-bearing liabilities:						
Money-market and savings accounts	\$ 11,885,984	\$ 12,001,240	\$ 115,256	\$ 11,457,490	\$ 11,432,691	\$ (24,799)
Certificates of deposit	8,977,283	9,274,941	297,658	9,451,528	9,394,001	(57,527)
Long-term borrowings	5,163,501	5,522,311	358,810	6,000,174	5,930,990	(69,184)
Accrued interest payable	71,907	71,907	—	46,600	46,600	—
Derivative instruments	1,051	1,051	—	252	252	—
Total interest-bearing liabilities	\$ 26,099,726	\$ 26,871,450	\$ 771,724	\$ 26,956,044	\$ 26,804,534	\$ (151,510)
Excess of net asset fair value over carrying value			<u>\$ 2,773,656</u>	<u>\$ 3,258,467</u>		

Please refer to Notes to Consolidated Financial Statements, Note 16, "Fair Value Measurements" in our 2021 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

14. Regulatory Capital

Sallie Mae Bank (the “Bank”) is subject to various regulatory capital requirements administered by the FDIC and the Utah Department of Financial Institutions. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operations, and financial position. Under the FDIC’s regulations implementing the Basel III capital framework (“U.S. Basel III”) and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank’s capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings, and other factors.

The Bank is subject to the following minimum capital ratios under U.S. Basel III: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. Failure to maintain the buffer will result in restrictions on the Bank’s ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers. Including the buffer, the Bank is required to maintain the following capital ratios under U.S. Basel III in order to avoid such restrictions: a Common Equity Tier 1 risk-based capital ratio of greater than 7.0 percent, a Tier 1 risk-based capital ratio of greater than 8.5 percent, and a Total risk-based capital ratio of greater than 10.5 percent.

To qualify as “well capitalized” under the prompt corrective action framework for insured depository institutions, the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

Under regulations issued by the FDIC and other federal banking agencies, banking organizations that adopt CECL during the 2020 calendar year, including the Bank, may elect to delay for two years, and then phase in over the following three years, the effects on regulatory capital of CECL relative to the incurred loss methodology. The Bank has elected to use this option. Therefore, the regulatory capital impact of the Bank’s transition adjustments recorded on January 1, 2020 from the adoption of CECL, and 25 percent of the ongoing impact of CECL on the Bank’s allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes (collectively, the “adjusted transition amounts”), were deferred for the two-year period ending January 1, 2022. From January 1, 2022 to January 1, 2025, the adjusted transition amounts will be phased in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. The Bank’s January 1, 2020 CECL transition amounts increased our allowance for credit losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million. This transition adjustment was inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

At September 30, 2022, the adjusted transition amounts, reflecting changes over the phase-in period, that will be deferred for regulatory capital purposes are as follows:

(Dollars in thousands)	Transition Amounts	Adjustments for the	Adjustments for the	Adjustments	Adjusted Transition
	January 1, 2020	Year Ended December 31, 2020	Year Ended December 31, 2021	for the Nine Months Ended September 30, 2022	Amounts September 30, 2022
Retained earnings	\$ 952,639	\$ (57,859)	\$ (58,429)	\$ (209,088)	\$ 627,263
Allowance for credit losses	1,143,053	(55,811)	(49,097)	(259,536)	778,609
Liability for unfunded commitments	115,758	(2,048)	(9,333)	(26,094)	78,283
Deferred tax asset	306,171	—	—	(76,542)	229,629

14. Regulatory Capital (Continued)

The following capital amounts and ratios are based upon the Bank's average assets and risk-weighted assets, as indicated.

(Dollars in thousands)	Actual		U.S. Basel III Minimum Requirements Plus Buffer ⁽¹⁾⁽²⁾			
	Amount	Ratio	Amount		Ratio	
As of September 30, 2022⁽³⁾:						
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,098,799	13.3 %	\$ 1,626,628	≥	7.0 %	
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,098,799	13.3 %	\$ 1,975,191	≥	8.5 %	
Total Capital (to Risk-Weighted Assets)	\$ 3,391,178	14.6 %	\$ 2,439,942	≥	10.5 %	
Tier 1 Capital (to Average Assets)	\$ 3,098,799	10.6 %	\$ 1,170,406	≥	4.0 %	
As of December 31, 2021:						
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,314,657	14.1 %	\$ 1,643,132	≥	7.0 %	
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,314,657	14.1 %	\$ 1,995,232	≥	8.5 %	
Total Capital (to Risk-Weighted Assets)	\$ 3,410,183	14.5 %	\$ 2,464,699	≥	10.5 %	
Tier 1 Capital (to Average Assets)	\$ 3,314,657	11.1 %	\$ 1,198,808	≥	4.0 %	

⁽¹⁾ Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.

⁽²⁾ The Bank's regulatory capital ratios also exceeded all applicable standards for the Bank to qualify as "well capitalized" under the prompt corrective action framework.

⁽³⁾ For September 30, 2022, the actual amounts and the actual ratios include the adjusted transition amounts discussed above that were phased in at the beginning of 2022.

Bank Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank declared \$241 million and \$642 million in dividends to the Company for the three and nine months ended September 30, 2022, respectively, and \$50 million and \$1.2 billion in dividends to the Company for the three and nine months ended September 30, 2021, respectively, with the proceeds primarily used to fund the 2022, 2021, and 2020 share repurchase programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.

15. Commitments, Contingencies and Guarantees

Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period that we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At September 30, 2022, we had \$2.2 billion of outstanding contractual loan commitments which we expect to fund during the 2022/2023 academic year. At September 30, 2022, we had a \$108 million reserve recorded in "Other Liabilities" to cover lifetime expected credit losses on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses - 2021 and 2020 — Off-Balance Sheet Exposure for Contractual Loan Commitments - 2021 and 2020" in our 2021 Form 10-K and Note 6, "Unfunded Loan Commitments" in this Form 10-Q for additional information.

Regulatory Matters

For additional information regarding our regulatory matters, see Notes to Consolidated Financial Statements, Note 20, "Commitments, Contingencies and Guarantees" in our 2021 Form 10-K.

Contingencies

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

It is common for the Company, our subsidiaries, and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees, and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

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

Based on current knowledge, management does not believe there are loss contingencies, if any, arising from pending investigations, litigation, or regulatory matters for which reserves should be established.

16. Subsequent Event

2022-D Transaction

On October 19, 2022, we closed an SMB Private Education Loan Trust 2022-D term ABS transaction (the “2022-D Transaction”), in which an unaffiliated third-party sold to the trust approximately \$1.0 billion of Private Education Loans that the third-party seller previously purchased from us on September 15, 2022. In the 2022-D Transaction, we were the sponsor, servicer and administrator, and the seller of an additional \$54 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2022-D transaction. The gain on sale of loans sold expressed as a percentage was in the single-digits and will be recognized in the fourth-quarter 2022 consolidated statements of income.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following information should be read in connection with SLM Corporation's Annual Report on Form 10-K for the year ended December 31, 2021 (filed with the Securities and Exchange Commission (the "SEC") on February 24, 2022) (the "2021 Form 10-K"), and subsequent reports filed with the SEC. Definitions for capitalized terms used in this report not defined herein can be found in the 2021 Form 10-K.

References in this Form 10-Q to "we," "us," "our," "Sallie Mae," "SLM," and the "Company" refer to SLM Corporation and its subsidiaries, except as otherwise indicated or unless the context otherwise requires.

This report contains "forward-looking" statements and information based on management's current expectations as of the date of this report. Statements that are not historical facts, including statements about our beliefs, opinions, or expectations and statements that assume or are dependent upon future events, are forward-looking statements. This includes, but is not limited to: statements regarding future developments surrounding COVID-19 or any other pandemic, including, without limitation, statements regarding the potential impact of COVID-19 or any other pandemic on the Company's business, results of operations, financial condition, and/or cash flows; our expectation and ability to pay a quarterly cash dividend on our common stock in the future, subject to the determination by our Board of Directors, and based on an evaluation of our earnings, financial condition and requirements, business conditions, capital allocation determinations, and other factors, risks, and uncertainties; the Company's 2022 guidance; the Company's three-year horizon outlook; the Company's expectation and ability to execute loan sales and share repurchases; the Company's projections regarding originations, net charge-offs, non-interest expenses, earnings, balance sheet position, and other metrics; any estimates related to accounting standard changes; and any estimates related to the impact of credit administration practices changes, including the results of simulations or other behavioral observations. 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. These factors include, among others, the risks and uncertainties set forth in Item 1A. "Risk Factors" and elsewhere in our 2021 Form 10-K and subsequent filings with the SEC; the societal, business, and legislative/regulatory impact of pandemics and other public health crises; increases in financing costs; limits on liquidity; increases in costs associated with compliance with laws and regulations; failure to comply with consumer protection, banking, and other laws; changes in accounting standards and the impact of related changes in significant accounting estimates, including any regarding the measurement of our allowance for credit losses and the related provision expense; any adverse outcomes in any significant litigation to which we are a party; credit risk associated with our exposure to third-parties, including counterparties to our derivative 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). We could also be affected by, among other things: changes in our funding costs and availability; reductions to our credit ratings; cybersecurity incidents, cyberattacks, and other failures or breaches of our operating systems or infrastructure, including those of third-party vendors; damage to our reputation; risks associated with restructuring initiatives, including failures to successfully implement cost-cutting programs and the adverse effects of such initiatives on our business; changes in the demand for educational financing or in financing preferences of lenders, educational institutions, students, and their families; changes in law and regulations with respect to the student lending business and financial institutions generally; changes in banking rules and regulations, including increased capital requirements; increased competition from banks and other consumer lenders; the creditworthiness of our customers; changes in the general interest rate environment, including the rate relationships among relevant money-market instruments and those of our earning assets versus our funding arrangements; rates of prepayment on the loans that we own; changes in general economic conditions and our ability to successfully effectuate any acquisitions; and other strategic initiatives. The preparation of our consolidated financial statements also requires us to make certain estimates and assumptions, including estimates and assumptions about future events. These estimates or assumptions may prove to be incorrect. All forward-looking statements contained in this quarterly report on Form 10-Q are qualified by these cautionary statements and are made only as of the date of this report. We do not undertake any obligation to update or revise these forward-looking statements to conform such statements to actual results or changes in our expectations.

We report financial results on a GAAP basis and also provide certain non-GAAP core earnings performance measures. The difference between our non-GAAP "Core Earnings" and GAAP results for the periods presented were the unrealized, mark-to-fair value gains/losses on derivative contracts (excluding current period accruals on the derivative instruments), net of tax. These are recognized in GAAP, but not in non-GAAP "Core Earnings" results. We provide non-GAAP "Core Earnings" measures because this is one of several measures management uses when making management decisions regarding our performance and the allocation of corporate resources. Our non-GAAP "Core Earnings" are not defined terms within GAAP and may not be comparable to similarly titled measures reported by other companies. For additional information, see "—Key Financial Measures" and "—Non-GAAP 'Core Earnings'" in this Form 10-Q for the

quarter ended September 30, 2022 for a further discussion and a complete reconciliation between GAAP net income and non-GAAP “Core Earnings.”

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

Impact of COVID-19 on Sallie Mae

In April 2022, we returned to our offices, with most employees working under a hybrid model of some days in the office and other days working from home.

For further discussion of the impact of the coronavirus 2019 or COVID-19 (“COVID-19”) pandemic on the Company, see Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae” in the 2021 Form 10-K.

The COVID-19 crisis is unprecedented and has had a significant impact on the economic environment globally and in the U.S. There is a significant amount of uncertainty as to the length and breadth of the impact to the U.S. economy and, consequently, on us. Economists expect the impact of COVID-19 on the U.S. economy to continue to be significant into 2022 and beyond. See Part I, Item 1A. “Risk Factors — Pandemic Risk” in the 2021 Form 10-K for additional discussion regarding the risks associated with COVID-19.

Selected Financial Information and Ratios

(In thousands, except per share data and percentages)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Net income attributable to SLM Corporation common stock	\$ 72,641	\$ 71,674	\$ 540,494	\$ 850,689
Diluted earnings per common share	\$ 0.29	\$ 0.24	\$ 2.03	\$ 2.59
Weighted average shares used to compute diluted earnings per common share	253,716	304,511	266,065	329,064
Return on assets ⁽¹⁾	1.0 %	1.0 %	2.6 %	3.8 %
Other Operating Statistics (Held for Investment)				
Ending Private Education Loans, net	\$ 18,980,852	\$ 20,561,961	\$ 18,980,852	\$ 20,561,961
Ending FFELP Loans, net	641,450	703,355	641,450	703,355
Ending total education loans, net	\$ 19,622,302	\$ 21,265,316	\$ 19,622,302	\$ 21,265,316
Ending Credit Cards, net ⁽²⁾	\$ —	\$ 16,211	\$ —	\$ 16,211
Average education loans	\$ 20,614,487	\$ 21,658,098	\$ 21,359,026	\$ 21,584,629
Average Credit Cards ⁽²⁾	\$ —	\$ 14,894	\$ —	\$ 12,821

(1) We calculate and report our Return on Assets as the ratio of (a) GAAP net income numerator (annualized) to (b) the GAAP total average assets denominator.

(2) Credit Card loans were transferred to loans held-for-sale at September 30, 2022.

Overview

The following discussion and analysis presents a review of our business and operations as of and for the three and nine months ended September 30, 2022.

Key Financial Measures

Our operating results are primarily driven by net interest income from our Private Education Loan portfolio, gains and losses on loan sales, provision expense for credit losses, and operating expenses. The growth of our business and the strength of our financial condition are primarily driven by our ability to achieve our annual Private Education Loan origination goals while sustaining credit quality and maintaining cost-efficient funding sources to support our originations. A brief summary of our key financial measures (net interest income; loan sales and secured financings; allowance for credit losses; charge-offs and delinquencies; operating expenses; non-GAAP "Core Earnings;" Private Education Loan originations; and funding sources) can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2021 Form 10-K.

Non-GAAP "Core Earnings"

We prepare financial statements in accordance with GAAP. However, we also produce and report our after-tax earnings on a separate basis that we refer to as "Core Earnings." The difference between our non-GAAP "Core Earnings" and GAAP results for periods presented generally is driven by the unrealized, mark-to-fair value gains (losses) on derivative contracts recognized in GAAP, but not in non-GAAP "Core Earnings."

Non-GAAP "Core Earnings" recognizes the difference in accounting treatment based upon whether a derivative qualifies for hedge accounting treatment. We enter into derivative instruments to economically hedge interest rate and cash flow risk associated with our portfolio. We believe that our derivatives are effective economic hedges and, as such, are a critical element of our interest rate risk management strategy. Those derivative instruments that qualify for hedge accounting treatment have their related cash flows recorded in interest income or interest expense along with the hedged item. Some of our derivatives do not qualify for hedge accounting treatment and the stand-alone derivative must be marked-to-fair value in the income statement with no consideration for the corresponding change in fair value of the hedged item. These gains and losses, recorded in "Gains (losses) on derivatives and hedging activities, net," are primarily caused by interest rate volatility and changing credit spreads during the period as well as the volume and term of derivatives not receiving hedge accounting treatment. Cash flows on derivative instruments that do not qualify for hedge accounting are not recorded in interest income and interest expense; they are recorded in non-interest income: "Gains (losses) on derivatives and hedging activities, net."

The adjustments required to reconcile from our non-GAAP "Core Earnings" results to our GAAP results of operations, net of tax, relate to differing treatments for those derivative instruments used to hedge our economic risks that do not qualify for hedge accounting treatment. The amount recorded in "Gains (losses) on derivatives and hedging activities, net" includes (i) the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment, and (ii) the change in fair values related to future expected cash flows for derivatives that do not qualify for hedge accounting treatment. For purposes of non-GAAP "Core Earnings," we include in GAAP earnings the current period accrual amounts (interest reclassification) on the swaps and exclude the change in fair values for those derivatives not qualifying for hedge accounting treatment. Non-GAAP "Core Earnings" is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

Non-GAAP "Core Earnings" are not a substitute for reported results under GAAP. We provide a non-GAAP "Core Earnings" basis of presentation because (i) earnings per share computed on a non-GAAP "Core Earnings" basis is one of several measures we utilize in establishing management incentive compensation, and (ii) we believe it better reflects the financial results for derivatives that are economic hedges of interest rate risk, but which do not qualify for hedge accounting treatment.

GAAP provides a uniform, comprehensive basis of accounting. Our non-GAAP "Core Earnings" basis of presentation differs from GAAP in the way it treats derivatives as described above.

The following table shows the amount in "Gains (losses) on derivatives and hedging activities, net" that relates to the interest reclassification on the derivative contracts.

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Unrealized gains (losses) on instruments not in a hedging relationship	\$ —	\$ (3,571)	\$ (248)	\$ (21,383)
Interest reclassification	—	3,615	243	21,544
Gains (losses) on derivatives and hedging activities, net	\$ —	\$ 44	\$ (5)	\$ 161

The following table reflects adjustments associated with our derivative activities.

(Dollars in thousands, except per share amounts)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Non-GAAP "Core Earnings" adjustments to GAAP:				
GAAP net income	\$ 75,172	\$ 72,840	\$ 546,057	\$ 854,248
Preferred stock dividends	2,531	1,166	5,563	3,559
GAAP net income attributable to SLM Corporation common stock	\$ 72,641	\$ 71,674	\$ 540,494	\$ 850,689
Adjustments:				
Net impact of derivative accounting ⁽¹⁾	—	3,571	248	21,383
Net tax expense ⁽²⁾	—	864	60	5,172
Total non-GAAP "Core Earnings" adjustments to GAAP	—	2,707	188	16,211
Non-GAAP "Core Earnings" attributable to SLM Corporation common stock	\$ 72,641	\$ 74,381	\$ 540,682	\$ 866,900
GAAP diluted earnings per common share	\$ 0.29	\$ 0.24	\$ 2.03	\$ 2.59
Derivative adjustments, net of tax	—	—	—	0.04
Non-GAAP "Core Earnings" diluted earnings per common share	\$ 0.29	\$ 0.24	\$ 2.03	\$ 2.63

(1) Derivative Accounting: Non-GAAP "Core Earnings" exclude periodic unrealized gains and losses caused by the mark-to-fair value valuations on derivatives that do not qualify for hedge accounting treatment under GAAP, but include current period accruals on the derivative instruments. Under GAAP, for our derivatives held to maturity, the cumulative net unrealized gain or loss over the life of the contract will equal \$0.

(2) Non-GAAP "Core Earnings" tax rate is based on the effective tax rate at the Bank where the derivative instruments are held.

The following table reflects our provisions for credit losses and total portfolio net charge-offs:

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Provisions for credit losses	\$ 207,598	\$ 138,442	\$ 336,193	\$ (17,648)
Total portfolio net charge-offs	\$ (100,157)	\$ (48,920)	\$ (272,209)	\$ (139,582)

We evaluate management's performance internally using a measure that starts with non-GAAP "Core Earnings" net income as disclosed above for a period, and further adjusting it by increasing it by the impact of GAAP provisions for credit losses and decreasing it by the total portfolio net charge-offs recorded in that period, net of the tax impact of these adjustments.

LIBOR Transition

Following announcements by the United Kingdom's Financial Conduct Authority ("UKFCA"), which regulates LIBOR, and ICE Benchmark Administration Limited, the administrator of LIBOR, publication of 1-week and 2-month USD LIBOR and all tenors for other currencies ceased after December 31, 2021. While publication of the remaining USD settings is expected to cease after June 30, 2023, U.S. banking and other global financial services regulators have directed regulated institutions to cease entering into new LIBOR-based contracts as soon as practicable and in any event by the end of 2021.

In 2020, we launched a formal cross-functional replacement project with the goal of ensuring a smooth transition to a replacement index for our LIBOR-based assets and obligations with minimal negative impact on our customers, investors, and the Company's business, financial condition, and results of operations.

The project team monitors developments, assesses impacts, proposes plans and, with the approval of an executive committee, implements changes. The Chief Financial Officer and/or project team reports status regularly to our Board of Directors. In 2020, we began accepting certain deposits based on SOFR. In May 2022, we renewed the Secured Borrowing Facility with an index based on SOFR and, in the third quarter of 2022, we began issuing ABS that are indexed to SOFR.

Substantially all our assets, liabilities, and off-balance sheet items referencing LIBOR are comprised of Private Education Loans originated before April 2021, deposits, variable-rate ABS, and derivatives. In addition, our Series B Preferred Stock is indexed to LIBOR. We plan to transition these exposures to LIBOR by changing them to an alternative reference rate, either through modification or replacement, by June 30, 2023, although we may accelerate the transition of our legacy Private Education Loans depending upon a number of considerations, including regulatory guidance. Approximately \$228 million of our variable-rate ABS (those issued before November 2017) do not have fallback provisions for an alternative reference rate and we intend to rely upon the safe harbors provided by recently passed federal legislation to transition these ABS to an alternative reference rate. Generally, the safe harbors will shield parties from liability and damages for transitioning certain USD LIBOR-indexed contracts (generally, those that do not have provisions for an alternative reference rate) to a benchmark replacement rate based on SOFR and selected by the Federal Reserve Board. We have evaluated the potential basis risk associated with a mismatch in variable-rate assets and liabilities, including any mismatches related to (i) legacy assets and liabilities that remain indexed to LIBOR up to June 2023 and newly issued assets and liabilities that are, or will be, indexed to SOFR and (ii) term SOFR-indexed assets and liabilities and average SOFR assets and liabilities. In all such cases, we have determined the basis risk is immaterial on an aggregate basis.

The chart below depicts our current LIBOR exposure at September 30, 2022.

As of September 30, 2022 (dollars in thousands)	LIBOR Exposure
Private Education Loans	\$ 6,833,357
FFELP Loans	544,795
Available-for-sale investments	52,726
Total Assets	\$ 7,430,878
Deposits	\$ 1,871,135
Private Education Loan term securitizations - no contractual fallback	227,645
Private Education Loan term securitizations - alternative reference rate fallback	634,422
Total Liabilities	2,733,202
Total Equity (preferred stock)	251,070
Total Liabilities and Equity	\$ 2,984,272
Off-Balance Sheet:	
Pay LIBOR derivative notional	\$ 2,130,049
Receive LIBOR derivative notional	1,345,688
Total derivative notional	3,475,737
Total Off-Balance Sheet	\$ 3,475,737

See Part I, Item 1A. "Risk Factors" in the 2021 Form 10-K for additional discussion regarding the risks associated with the transition from LIBOR.

Strategic Imperatives

To further focus our business and increase shareholder value, we continue to advance our strategic imperatives. Our focus remains on maximizing the profitability and growth of our core private student loan business, while harnessing and optimizing the power of our brand and attractive client base. In addition, we continue to seek to better inform the external narrative about student lending and Sallie Mae. We also strive to maintain a rigorous and predictable capital allocation and return program to create shareholder value. We are focused on driving a mission-led culture that continues to make Sallie Mae a great place to work. We also continue to strengthen our risk and compliance function, enhance and build upon our risk management framework, and assess and monitor enterprise-wide risk.

During the first nine months of 2022, we made the following progress on the above corporate strategic imperatives.

Acquisition of Nitro College

On March 4, 2022, we completed the previously announced acquisition of Nitro, which provides resources that help students and families evaluate how to responsibly pay for college and manage their financial responsibilities after graduation. The addition of Nitro will bring innovative products, tools, and resources to help students and families confidently navigate their higher education journey.

The acquisition of Nitro enhances future strategic growth opportunities for Sallie Mae and expands our digital marketing capabilities, reduces the cost to acquire customer accounts, and accelerates our progress to become a broader education solutions provider helping students to, through, and immediately after college. For additional information on this transaction, see Notes to Consolidated Financial Statements, Note 1, "Significant Accounting Policies — Business Combination," and Note 7, "Goodwill and Acquired Intangible Assets."

2022 Loan Sales and 2022-A and 2022-B Transactions

During the first nine months of 2022, we sold \$3.29 billion of our Private Education Loans, including \$3.08 billion in principal and \$213 million in capitalized interest, to unaffiliated third parties. The transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. These sales resulted in our recognizing a gain of \$325 million during the first nine months of 2022. For additional information regarding these transactions, see Notes to Consolidated Financial Statements, Note 3, "Loans Held for Investment" and Note 9, "Borrowings - Unconsolidated VIEs in this Form 10-Q."

2022-C Securitization

On August 9, 2022, we executed our \$575 million SMB Private Education Loan Trust 2022-C term ABS transaction, which was accounted for as a secured financing. We sold \$575 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately \$575 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.69 years and priced at a weighted average SOFR equivalent cost of SOFR plus 1.76 percent. On September 30, 2022, \$658 million of our Private Education Loans, including \$613 million of principal and \$45 million in capitalized interest, were encumbered because of this transaction.

Secured Borrowing Facility

On May 17, 2022, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay, and reborrow funds, until May 16, 2023. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 16, 2024 (or earlier, if certain material adverse events occur).

Disposition of Credit Card Business

We plan to exit and sell our credit card business to focus resources on our core business strategies. We will process completed credit card applications received through the end of December 2022. At September 30, 2022, we had \$29 million in Credit Card receivables in loans held for sale.

Share Repurchases under our Rule 10b5-1 trading plan

During the nine months ended September 30, 2022, we repurchased 30.7 million shares of our common stock at a total cost of \$553 million under Rule 10b5-1 trading plans authorized under our share repurchase programs.

Results of Operations

We present the results of operations below on a consolidated basis in accordance with GAAP.

GAAP Consolidated Statements of Income (Unaudited)

(Dollars in millions, except per share amounts)	Three Months Ended September 30,		Increase (Decrease)		Nine Months Ended September 30,		Increase (Decrease)	
	2022	2021	\$	%	2022	2021	\$	%
Interest income:								
Loans	\$ 483	\$ 443	\$ 40	9 %	\$ 1,388	\$ 1,304	\$ 84	6 %
Investments	10	3	7	233	24	9	15	167
Cash and cash equivalents	26	2	24	1,200	36	5	31	612
Total interest income	520	448	72	16	1,448	1,318	130	10 %
Total interest expense	150	90	60	67	341	291	50	17 %
Net interest income	370	358	12	3	1,107	1,027	80	8 %
Less: provisions for credit losses	208	138	70	51	336	(18)	354	1,962
Net interest income after provisions for credit losses	162	219	(57)	(26)	771	1,045	(274)	(26 %)
Non-interest income:								
Gains on sales of loans, net	75	—	75	100	325	403	(78)	(19 %)
Other income	20	14	6	43	50	77	(27)	(35 %)
Total non-interest income	95	14	81	579	375	480	(105)	(22 %)
Non-interest expenses:								
Total operating expenses	150	141	9	6	414	393	21	5 %
Acquired intangible assets amortization expense	2	—	2	100	5	—	5	100 %
Restructuring expenses	—	—	—	—	—	1	(1)	(100 %)
Total non-interest expenses	152	141	11	8	419	394	25	6 %
Income before income tax expense	105	92	13	14	727	1,130	(403)	(35 %)
Income tax expense	30	19	11	58	181	276	(95)	(34 %)
Net income	75	73	2	3	546	854	(308)	(36 %)
Preferred stock dividends	2	1	1	100	6	4	2	50 %
Net income attributable to SLM Corporation common stock	\$ 73	\$ 72	\$ 1	1 %	\$ 540	\$ 850	\$ (310)	(36 %)
Basic earnings per common share	\$ 0.29	\$ 0.24	\$ 0.05	21 %	\$ 2.05	\$ 2.62	\$ (0.57)	(22 %)
Diluted earnings per common share	\$ 0.29	\$ 0.24	\$ 0.05	21 %	\$ 2.03	\$ 2.59	\$ (0.56)	(22 %)
Declared dividends per common share	\$ 0.11	\$ 0.03	\$ 0.08	267 %	\$ 0.33	\$ 0.09	\$ 0.24	267 %

GAAP Consolidated Earnings Summary

Three Months Ended September 30, 2022 Compared with Three Months Ended September 30, 2021

For the three months ended September 30, 2022, net income was \$75 million, or \$0.29 diluted earnings per common share, compared with net income of \$73 million, or \$0.24 diluted earnings per common share, for the three months ended September 30, 2021.

The primary drivers of changes in net income for the current quarter compared with the year-ago quarter are as follows:

- Net interest income increased by \$12 million in the current quarter compared with the year-ago quarter primarily due to a 24-basis point increase in our net interest margin, which more than offset a \$1.0 billion reduction in our average Private Education Loans and FFELP Loans outstanding. Average Private Education Loans outstanding declined \$986 million as a result of a \$1.0 billion Private Education Loan sale that occurred during the third quarter of 2022. Our net interest margin increased in the current quarter from the year-ago quarter primarily due to our interest-earning assets repricing faster than our cost of funds as interest rates increased over the past year. Historically, during a period of rising interest rates, our net interest margin will typically increase because the yields on interest-earning assets reprice more quickly than our cost of funds, and during a period of declining interest rates we typically see our net interest margin decrease.
- Provision for credit losses in the current quarter was \$208 million, compared with \$138 million the year-ago quarter. During the third quarter of 2022, the provision for credit losses was primarily affected by slower than expected prepayment rates, new loan commitments made during the period, and additional management overlays, which were partially offset by a negative provision recorded as a result of a \$1.0 billion Private Education Loan sale that occurred during the quarter. In the year-ago quarter, the provision for credit losses was affected by provisions for new loan commitments and increased provisions related to our continuing implementation of new credit administration practices in 2021. See additional discussion related to collections activity in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Allowance for Credit Losses — Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool” in the 2021 Form 10-K.
- Gains on sales of loans were \$75 million in the current quarter as a result of selling \$1.0 billion of Private Education Loans in the quarter. There were no loan sales in the year-ago quarter.
- Other income was \$20 million in the third quarter of 2022, compared with \$14 million in the year-ago quarter. In the third quarter of 2022, there was a \$4 million increase in third-party servicing fees from the year-ago quarter and a \$1 million increase in Private Education Loan late fees from the year-ago quarter. The increase in third-party servicing fees was due to an additional \$4.3 billion of loans that we sold during the past year where we continue to service on behalf of the owners of the loans.
- Third-quarter 2022 total operating expenses were \$150 million, compared with \$141 million in the year-ago quarter. The increase in total operating expenses was primarily driven by higher marketing costs, staffing, and initiative spending, partially offset by lower FDIC assessment fees.
- During the third quarter of 2022, we recorded \$2 million in amortization of acquired intangible assets related to our acquisition of Nitro in the first quarter of 2022. For additional information, see Notes to Consolidated Financial Statements, Note 7, “Goodwill and Acquired Intangible Assets.”
- Third-quarter 2022 income tax expense was \$30 million, compared with \$19 million in the year-ago quarter. Our effective income tax rate increased to 28.2 percent in the third quarter of 2022 from 21.0 percent in the year-ago quarter. The increase in the effective rate for the third quarter of 2022 was primarily due to lower than expected tax credits in 2022.

Nine Months Ended September 30, 2022 Compared with Nine Months Ended September 30, 2021

For the nine months ended September 30, 2022, net income was \$546 million, or \$2.03 diluted earnings per common share, compared with net income of \$854 million, or \$2.59 diluted earnings per common share, for the nine months ended September 30, 2021.

The primary drivers of changes in net income for the first nine months of 2022 compared with the first nine months of 2021 are as follows:

- Net interest income increased by \$80 million in the first nine months of 2022 compared with the year-ago period primarily due to a 57-basis point increase in our net interest margin, which more than offset a \$1.2 billion reduction in average interest-earning assets. Our net interest margin increased in the current period from the year-ago period because of a combination of factors, including a \$1.5 billion reduction in low-yielding average cash and other short-term investments, and the yield on our interest-earning assets increasing faster than our cost of funds. Historically, the yields on interest-earnings assets reprice more quickly than our cost of funds. As such, as rates increased over the past year, we saw the yields on our interest-earning assets increase 87 basis points, while our cost of funds increased 28 basis points, compared with the first nine months of 2021. The higher level of cash and other short-term investments in 2021 was primarily the result of the \$3.19 billion Private Education Loan sale that occurred in the first nine months of 2021.

- Provision for credit losses in the first nine months of 2022 was \$336 million, compared with a negative provision of \$18 million in the year-ago period. During the first nine months of 2022, the provision for credit losses was primarily affected by new loan commitments made during the period, slower than expected prepayment rates, and additional management overlays, which were partially offset by negative provisions recorded related to \$3.29 billion in Private Education Loans sold in 2022. In the year-ago period, the provision for credit losses was favorably affected by improved economic forecasts in 2021, a change in the economic scenarios used and their respective weightings when estimating our allowance for credit losses, and faster prepayments speeds. In addition, during the first quarter of 2021, we increased our estimates of future prepayment speeds during both the two-year reasonable and supportable period as well as the remaining term of the underlying loans. The faster estimated prepayment speeds reflected the significant improvement in economic forecasts as well as the implementation of an updated prepayment speed model in the first quarter of 2021.

- Gains on sales of loans were \$325 million in the first nine months of 2022, compared with \$403 million in the year-ago period. Higher interest rates in 2022 compared with 2021 caused the decrease in gains on sales of loans in the first nine months of 2022, compared with the year-ago period.

- Other income was \$50 million in the first nine months of 2022, compared with \$77 million in the year-ago period. The decrease in other income compared with the year-ago period was primarily the result of a \$35 million gain recorded in the year-ago period related to changes in the valuation of certain non-marketable securities. In addition, other income in the first nine months of 2021 was negatively affected by a \$6 million reduction in the tax indemnification receivable related to uncertain tax positions. In the first nine months of 2022, we recorded a \$5 million mark-to-fair value loss on our trading investments, offset by a \$5 million increase in third-party servicing fees versus the year-ago period.

- Total operating expenses for the first nine months of 2022 were \$414 million, compared with \$393 million in the year-ago period. The increase in total operating expenses was primarily driven by transaction costs related to our acquisition of Nitro, higher personnel costs, and marketing and initiative spending.

- During the first nine months of 2022, we recorded \$5 million in amortization of acquired intangible assets related to our acquisition of Nitro in the first quarter of 2022. For additional information, see Notes to Consolidated Financial Statements, Note 7, "Goodwill and Acquired Intangible Assets."

- Income tax expense for the first nine months of 2022 was \$181 million, compared with \$276 million in the year-ago period. Our effective income tax rate was 24.9 percent for the nine months ending September 30, 2022, compared with 24.4 percent for the year-ago period. The increase in the effective rate for the first nine months of 2022 was primarily due to a lower than expected tax credits in 2022.

Financial Condition

Average Balance Sheets

The following table reflects the rates earned on interest-earning assets and paid on interest-bearing liabilities and reflects our net interest margin on a consolidated basis.

(Dollars in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
Private Education Loans	\$ 19,958,763	9.43 %	\$ 20,944,581	8.26 %	\$ 20,685,372	8.82 %	\$ 20,860,973	8.23 %
FFELP Loans	655,724	5.03	713,517	3.45	673,654	4.18	723,656	3.43
Credit Cards	29,443	4.77	14,894	6.95	28,219	4.24	12,821	4.97
Taxable securities	2,539,115	1.60	2,029,739	0.66	2,552,487	1.27	2,007,867	0.62
Cash and other short-term investments	4,625,523	2.27	4,477,634	0.16	4,077,340	1.21	5,574,427	0.13
Total interest-earning assets	27,808,568	7.42 %	28,180,365	6.30 %	28,017,072	6.91 %	29,179,744	6.04 %
Non-interest-earning assets	687,518		655,288		597,283		656,357	
Total assets	\$ 28,496,086		\$ 28,835,653		\$ 28,614,355		\$ 29,836,101	
Average Liabilities and Equity								
Brokered deposits	\$ 9,905,248	2.23 %	\$ 10,706,147	1.26 %	\$ 9,813,559	1.67 %	\$ 11,281,800	1.38 %
Retail and other deposits	10,970,838	1.89	10,377,808	0.66	11,047,661	1.15	10,533,660	0.73
Other interest-bearing liabilities ⁽¹⁾	5,453,219	3.09	5,371,756	2.88	5,550,092	2.96	5,235,105	2.99
Total interest-bearing liabilities	26,329,305	2.27 %	26,455,711	1.35 %	26,411,312	1.72 %	27,050,565	1.44 %
Non-interest-bearing liabilities	188,532		159,371		106,363		323,184	
Equity	1,978,249		2,220,571		2,096,680		2,462,352	
Total liabilities and equity	\$ 28,496,086		\$ 28,835,653		\$ 28,614,355		\$ 29,836,101	
Net interest margin		5.27 %		5.03 %		5.28 %		4.71 %

⁽¹⁾ Includes the average balance of our unsecured borrowings, as well as secured borrowings and amortization expense of transaction costs related to our term asset-backed securitizations and our Secured Borrowing Facility.

Rate/Volume Analysis

The following rate/volume analysis shows the relative contribution of changes in interest rates and asset volumes to changes in interest income, interest expense, and net interest income.

(Dollars in thousands)	Increase (Decrease)	Change Due To ⁽¹⁾	
		Rate	Volume
Three Months Ended September 30, 2022 vs. 2021			
Interest income	\$ 72,356	\$ 78,333	\$ (5,977)
Interest expense	60,364	60,797	(433)
Net interest income	<u>\$ 11,992</u>	<u>\$ 16,757</u>	<u>\$ (4,765)</u>
Nine Months Ended September 30, 2022 vs. 2021			
Interest income	\$ 129,577	\$ 183,748	\$ (54,171)
Interest expense	49,643	56,665	(7,022)
Net interest income	<u>\$ 79,934</u>	<u>\$ 122,102</u>	<u>\$ (42,168)</u>

⁽¹⁾ Changes in income and expense due to both rate and volume have been allocated in proportion to the relationship of the absolute dollar amounts of the change in each. The changes in income and expense are calculated independently for each line in the table. The totals for the rate and volume columns are not the sum of the individual lines.

Summary of Our Loans Held for Investment Portfolio

Ending Loans Held for Investment Balances, net

As of September 30, 2022 (dollars in thousands)	Private Education Loans	FFELP Loans	Total Loans Held for Investment
Total loan portfolio:			
In-school ⁽¹⁾	\$ 3,554,254	\$ 57	\$ 3,554,311
Grace, repayment and other ⁽²⁾	16,550,209	643,557	17,193,766
Total, gross	20,104,463	643,614	20,748,077
Deferred origination costs and unamortized premium/(discount)	66,816	1,647	68,463
Allowance for credit losses	(1,190,427)	(3,811)	(1,194,238)
Total loans held for investment portfolio, net	\$ 18,980,852	\$ 641,450	\$ 19,622,302
% of total	97 %	3 %	100 %

As of December 31, 2021 (dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment
Total loan portfolio:				
In-school ⁽¹⁾	\$ 3,544,030	\$ 82	\$ —	\$ 3,544,112
Grace, repayment and other ⁽²⁾	17,172,833	695,134	25,014	17,892,981
Total, gross	20,716,863	695,216	25,014	21,437,093
Deferred origination costs and unamortized premium/(discount)	67,488	1,815	222	69,525
Allowance for credit losses	(1,158,977)	(4,077)	(2,281)	(1,165,335)
Total loans held for investment portfolio, net	\$ 19,625,374	\$ 692,954	\$ 22,955	\$ 20,341,283
% of total	97 %	3 %	— %	100 %

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

⁽²⁾ Includes loans in deferment or forbearance. Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

Average Loans Held for Investment Balances (net of unamortized premium/discount)

(Dollars in thousands)	Three Months Ended September 30,				Nine Months Ended September 30,			
	2022		2021		2022		2021	
Private Education Loans	\$ 19,958,763	97 %	\$ 20,944,581	97 %	\$ 20,685,372	97 %	\$ 20,860,973	97 %
FFELP Loans	655,724	3	713,517	3	673,654	3	723,656	3
Credit Cards	—	—	14,894	—	—	—	12,821	—
Total portfolio	\$ 20,614,487	100 %	\$ 21,672,992	100 %	\$ 21,359,026	100 %	\$ 21,597,450	100 %

Loans Held for Investment, Net — Activity

Three Months Ended September 30, 2022 (dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
Beginning balance	\$ 18,511,250	\$ 663,452	\$ 26,626	\$ 19,201,328
Acquisitions and originations:				
Fixed-rate	1,740,029	—	—	1,740,029
Variable-rate	616,333	—	21,122	637,455
Total acquisitions and originations	2,356,362	—	21,122	2,377,484
Capitalized interest and deferred origination cost premium amortization	91,637	6,096	(41)	97,692
Sales	(976,888)	—	—	(976,888)
Transfer to loans held-for-sale	—	—	(28,458)	(28,458)
Loan consolidations to third-parties	(290,727)	(16,163)	—	(306,890)
Allowance	(115,683)	118	2,393	(113,172)
Repayments and other	(595,099)	(12,053)	(21,642)	(628,794)
Ending balance	\$ 18,980,852	\$ 641,450	\$ —	\$ 19,622,302

Three Months Ended September 30, 2021 (dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
Beginning balance	\$ 19,389,089	\$ 714,609	\$ 11,446	\$ 20,115,144
Acquisitions and originations:				
Fixed-rate	1,253,720	—	—	1,253,720
Variable-rate	844,110	—	18,326	862,436
Total acquisitions and originations	2,097,830	—	18,326	2,116,156
Capitalized interest and deferred origination cost premium amortization	96,385	6,892	(43)	103,234
Loan consolidations to third-parties	(408,414)	(6,441)	—	(414,855)
Allowance	(54,920)	56	(298)	(55,162)
Repayments and other	(558,009)	(11,761)	(13,220)	(582,990)
Ending balance	\$ 20,561,961	\$ 703,355	\$ 16,211	\$ 21,281,527

Nine Months Ended September 30, 2022 (dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
Beginning balance	\$ 19,625,374	\$ 692,954	\$ 22,955	\$ 20,341,283
Acquisitions and originations:				
Fixed-rate	3,528,370	—	—	3,528,370
Variable-rate	1,643,194	—	63,331	1,706,525
Total acquisitions and originations	5,171,564	—	63,331	5,234,895
Capitalized interest and deferred origination cost premium amortization	303,049	18,709	(195)	321,563
Sales	(3,085,758)	—	—	(3,085,758)
Transfer to loans held-for-sale	—	—	(28,458)	(28,458)
Loan consolidations to third-parties	(1,126,636)	(33,880)	—	(1,160,516)
Allowance	(31,450)	266	2,281	(28,903)
Repayments and other	(1,875,291)	(36,599)	(59,914)	(1,971,804)
Ending balance	\$ 18,980,852	\$ 641,450	\$ —	\$ 19,622,302

Nine Months Ended September 30, 2021 (dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Loans Held for Investment, net
Beginning balance	\$ 18,436,968	\$ 735,208	\$ 10,967	\$ 19,183,143
Acquisitions and originations:				
Fixed-rate	2,570,579	—	—	2,570,579
Variable-rate	2,134,149	—	39,484	2,173,633
Total acquisitions and originations	4,704,728	—	39,484	4,744,212
Capitalized interest and deferred origination cost premium amortization	297,149	21,022	(251)	317,920
Sales	(150,928)	—	—	(150,928)
Transfer from loans held-for-sale	25,040	—	—	25,040
Loan consolidations to third-parties	(1,135,141)	(20,320)	—	(1,155,461)
Allowance	146,384	171	(239)	146,316
Repayments and other	(1,762,239)	(32,726)	(33,750)	(1,828,715)
Ending balance	\$ 20,561,961	\$ 703,355	\$ 16,211	\$ 21,281,527

“Loan consolidations to third-parties” and “Repayments and other” are both significantly affected by the volume of loans in our held for investment portfolio in full principal and interest repayment status. Loans in full principal and interest repayment status in our Private Education Loans held for investment portfolio at September 30, 2022 decreased by 1 percent compared with September 30, 2021, and now total 39 percent of our Private Education Loans held for investment portfolio at September 30, 2022.

“Loan consolidations to third-parties” for the three months ended September 30, 2022 total 3.9 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status at September 30, 2022, or 1.5 percent of our total Private Education Loans held for investment portfolio at September 30, 2022, compared with the year-ago period of 5.5 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status, or 2.0 percent of our total Private Education Loans held for investment portfolio, respectively. Historical experience has shown that loan consolidation activity is heightened in the period when the loan initially enters full principal and interest repayment status and then subsides over time. In addition, in higher interest rate environments, such as occurred in the third quarter of 2022, we typically experience reduced loan consolidated activity.

The “Repayments and other” category includes all scheduled repayments, as well as voluntary prepayments, made on loans in repayment (including loans in full principal and interest repayment status) and also includes charge-offs. Consequently, this category can be significantly affected by the volume of loans in repayment.

Private Education Loan Originations

The following table summarizes our Private Education Loan originations. Originations represent loans that were funded or acquired during the period presented.

(Dollars in thousands)	Three Months Ended September 30,			
	2022	%	2021	%
Smart Option - interest only ⁽¹⁾	\$ 464,602	20 %	\$ 412,877	20 %
Smart Option - fixed pay ⁽¹⁾	770,183	33	672,068	32
Smart Option - deferred ⁽¹⁾	939,835	40	791,716	38
Graduate Loan ⁽²⁾	176,114	7	176,898	8
Parent Loan ⁽³⁾	217	—	34,400	2
Total Private Education Loan originations	\$ 2,350,951	100 %	\$ 2,087,959	100 %
Percentage of loans with a cosigner	88.6 %		87.8 %	
Average FICO at approval ⁽⁴⁾	747		749	

(Dollars in thousands)	Nine Months Ended September 30,			
	2022	%	2021	%
Smart Option - interest only ⁽¹⁾	\$ 995,603	19 %	\$ 988,838	21 %
Smart Option - fixed pay ⁽¹⁾	1,679,130	33	1,448,614	31
Smart Option - deferred ⁽¹⁾	2,025,277	39	1,737,430	37
Graduate Loan ⁽²⁾	424,807	8	432,837	9
Parent Loan ⁽³⁾	30,439	1	77,957	2
Total Private Education Loan originations	\$ 5,155,256	100 %	\$ 4,685,676	100 %
Percentage of loans with a cosigner	86.6 %		86.7 %	
Average FICO at approval ⁽⁴⁾	747		750	

⁽¹⁾ Interest only, fixed pay and deferred describe the payment option while in school or in grace period. See Item 1. "Business - Our Business - Private Education Loans" in the 2021 Form 10-K for a further discussion.

⁽²⁾ For the three months ended September 30, 2022, the Graduate Loan originations include \$0.1 million of Parent Loans and \$10.7 million of Smart Option Loans where the student was in a graduate status. For the three months ended September 30, 2021, the Graduate Loan originations include \$2.3 million of Parent Loans and \$9.8 million of Smart Option Loans where the student was in a graduate status. For the nine months ended September 30, 2022, the Graduate Loan originations include \$1.8 million of Parent Loans and \$24.5 million of Smart Option Loans where the student was in a graduate status. For the nine months ended September 30, 2021, the Graduate Loan originations include \$4.8 million of Parent Loans and \$20.2 million of Smart Option Loans where the student was in a graduate status.

⁽³⁾ In December 2021, we discontinued offering our Parent Loan product. Applications for those loans received before the offering termination date will continue to be processed, with final disbursements under those loans to occur until mid-December 2022.

⁽⁴⁾ Represents the higher credit score of the cosigner or the borrower.

Allowance for Credit Losses

Allowance for Credit Losses Activity

Three Months Ended September 30, (dollars in thousands)	2022				2021			
	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio
Beginning balance	\$ 1,074,744	\$ 3,929	\$ 2,393	\$ 1,081,066	\$ 1,154,540	\$ 4,262	\$ 1,442	\$ 1,160,244
Transfer from unfunded commitment liability ⁽¹⁾	168,377	—	—	168,377	110,613	—	—	110,613
Less:								
Charge-offs	(109,350)	(147)	(2,062)	(111,559)	(56,000)	(106)	(119)	(56,225)
Plus:								
Recoveries	11,400	—	2	11,402	7,302	—	3	7,305
Provisions for credit losses:								
Provision, current period	95,482	29	2,039	97,550	(6,995)	50	415	(6,530)
Loan sale reduction to provision	(50,226)	—	—	(50,226)	—	—	—	—
Loans transferred to held-for-sale	—	—	(2,372)	(2,372)	—	—	—	—
Total provisions for credit losses⁽²⁾	45,256	29	(333)	44,952	(6,995)	50	415	(6,530)
Ending balance	\$ 1,190,427	\$ 3,811	\$ —	\$ 1,194,238	\$ 1,209,460	\$ 4,206	\$ 1,741	\$ 1,215,407

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

Consolidated Statements of Income Provisions for Credit Losses Reconciliation

Three Months Ended September 30, (dollars in thousands)	2022	2021
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$ 45,256	\$ (6,995)
Provisions for unfunded loan commitments	162,646	144,972
Total Private Education Loan provisions for credit losses	207,902	137,977
Other impacts to the provisions for credit losses:		
FFELP Loans	29	50
Credit Cards	(333)	415
Total	(304)	465
Provisions for credit losses reported in consolidated statements of income	\$ 207,598	\$ 138,442

Nine Months Ended September 30, (dollars in thousands)	2022				2021			
	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio
Beginning balance	\$ 1,158,977	\$ 4,077	\$ 2,281	\$ 1,165,335	\$ 1,355,844	\$ 4,378	\$ 1,501	\$ 1,361,723
Transfer from unfunded commitment liability ⁽¹⁾	303,591	—	—	303,591	262,049	—	—	262,049
Less:								
Charge-offs	(299,699)	(376)	(2,549)	(302,624)	(161,039)	(249)	(281)	(161,569)
Plus:								
Recoveries	30,410	—	5	30,415	21,977	—	10	21,987
Provisions for credit losses:								
Provision, current period	168,473	110	2,635	171,218	(260,923)	77	511	(260,335)
Loan sale reduction to provision	(171,325)	—	—	(171,325)	(10,335)	—	—	(10,335)
Loans transferred (to) from held-for-sale	—	—	(2,372)	(2,372)	1,887	—	—	1,887
Total provisions for credit losses⁽²⁾	(2,852)	110	263	(2,479)	(269,371)	77	511	(268,783)
Ending balance	\$ 1,190,427	\$ 3,811	\$ —	\$ 1,194,238	\$ 1,209,460	\$ 4,206	\$ 1,741	\$ 1,215,407

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Below is a reconciliation of the provision for credit losses reported in the consolidated statements of income. When a new loan commitment is made, we record the CECL allowance as a liability for unfunded commitments by recording a provision for credit losses. When the loan is funded, we transfer that liability to the allowance for credit losses.

**Consolidated Statements of Income
Provisions for Credit Losses Reconciliation**

Nine Months Ended September 30, (dollars in thousands)	2022	2021
Private Education Loan provisions for credit losses:		
Provisions for loan losses	\$ (2,852)	\$ (269,371)
Provisions for unfunded loan commitments	338,672	251,135
Total Private Education Loan provisions for credit losses	335,820	(18,236)
Other impacts to the provisions for credit losses:		
FFELP Loans	110	77
Credit Cards	263	511
Total	373	588
Provisions for credit losses reported in consolidated statements of income	\$ 336,193	\$ (17,648)

Private Education Loan Allowance for Credit Losses

In establishing the allowance for Private Education Loan losses as of September 30, 2022, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance, and charge-off trends.

Private Education Loans held for investment in full principal and interest repayment status were 39 percent of our total Private Education Loans held for investment portfolio at September 30, 2022, compared with 36 percent at September 30, 2021.

For a more detailed discussion of our policy for determining the collectability of Private Education Loans and maintaining our allowance for Private Education Loans, see Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Allowance for Credit Losses" and Notes to Consolidated Financial Statements, Note 5, "Loans Held for Investment — Certain Collection Tools - Private Education Loans" in the 2021 Form 10-K.

The table below presents our Private Education Loans held for investment portfolio delinquency trends. Loans in repayment include loans making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the following table, do not include those loans while they are in forbearance).

Private Education Loans Held for Investment September 30, (dollars in thousands)	2022		2021	
	Balance	%	Balance	%
Loans in-school/grace/deferment ⁽¹⁾	\$ 5,356,860		\$ 5,855,280	
Loans in forbearance ⁽²⁾	201,047		357,425	
Loans in repayment and percentage of each status:				
Loans current	14,002,955	96.3 %	15,115,541	97.6 %
Loans delinquent 30-59 days ⁽³⁾	255,241	1.8	199,942	1.3
Loans delinquent 60-89 days ⁽³⁾	151,812	1.0	101,512	0.6
Loans 90 days or greater past due ⁽³⁾	136,548	0.9	73,137	0.5
Total Private Education Loans in repayment	14,546,556	100.0 %	15,490,132	100.0 %
Total Private Education Loans, gross	20,104,463		21,702,837	
Private Education Loans deferred origination costs and unamortized premium/(discount)	66,816		68,584	
Total Private Education Loans	20,171,279		21,771,421	
Private Education Loans allowance for losses	(1,190,427)		(1,209,460)	
Private Education Loans, net	\$ 18,980,852		\$ 20,561,961	
Percentage of Private Education Loans in repayment		72.4 %		71.4 %
Delinquencies as a percentage of Private Education Loans in repayment		3.7 %		2.4 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		1.4 %		2.3 %

⁽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, 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.

Delinquencies as a percentage of Private Education Loans (held for investment) in repayment increased to 3.7 percent at September 30, 2022 from 2.4 percent at September 30, 2021, and the forbearance rate decreased to 1.4 percent at September 30, 2022 from 2.3 percent at September 30, 2021. The delinquency rate at September 30, 2022 was higher than for the year-ago quarter due to several factors, including the credit administration practices changes we implemented in 2021 that imposed additional requirements for those borrowers requesting forbearance. Also contributing to the increase are certain loans whose borrowers took a “gap year” during the pandemic entering full principal and interest repayment status starting in late 2021 and early 2022, and the overall strain on our collections team arising from increased collections activity and staffing shortages driven by tight labor markets. The lower forbearance rate was the result of the aforementioned credit administration practices changes. See additional discussion related to collections activity and the COVID-19 pandemic in Part II, Item 7. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Customers and Credit Performance” and “Financial Condition — Allowance for Credit Losses — Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool” in the 2021 Form 10-K.

Changes in Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for Private Education Loan (held for investment) losses.

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Beginning balance	\$ 1,074,744	\$ 1,154,540	\$ 1,158,977	\$ 1,355,844
Transfer from unfunded commitment liability ⁽¹⁾	168,377	110,613	303,591	262,049
Provision for credit losses:				
Provision, current period	95,482	(6,995)	168,473	(260,923)
Loan sale reduction to provision	(50,226)	—	(171,325)	(10,335)
Loans transferred from held-for-sale	—	—	—	1,887
Total provision	45,256	(6,995)	(2,852)	(269,371)
Net charge-offs:				
Charge-offs	(109,350)	(56,000)	(299,699)	(161,039)
Recoveries	11,400	7,302	30,410	21,977
Net charge-offs	(97,950)	(48,698)	(269,289)	(139,062)
Ending balance	\$ 1,190,427	\$ 1,209,460	\$ 1,190,427	\$ 1,209,460
Allowance as a percentage of the ending total loan balance	5.92 %	5.57 %	5.92 %	5.57 %
Allowance as a percentage of the ending loans in repayment ⁽²⁾	8.18 %	7.81 %	8.18 %	7.81 %
Allowance coverage of net charge-offs (annualized)	3.04	6.21	3.32	6.52
Net charge-offs as a percentage of average loans in repayment (annualized) ⁽²⁾	2.67 %	1.29 %	2.37 %	1.25 %
Delinquencies as a percentage of ending loans in repayment ⁽²⁾	3.74 %	2.42 %	3.74 %	2.42 %
Loans in forbearance as a percentage of ending loans in repayment and forbearance ⁽²⁾	1.36 %	2.26 %	1.36 %	2.26 %
Ending total loans, gross	\$ 20,104,463	\$ 21,702,837	\$ 20,104,463	\$ 21,702,837
Average loans in repayment ⁽²⁾	\$ 14,674,437	\$ 15,108,802	\$ 15,173,465	\$ 14,877,937
Ending loans in repayment ⁽²⁾	\$ 14,546,556	\$ 15,490,132	\$ 14,546,556	\$ 15,490,132

⁽¹⁾ See Note 6, "Unfunded Loan Commitments," in this Form 10-Q for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

⁽²⁾ Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

As part of concluding on the adequacy of the allowance for credit losses, we review key allowance and loan metrics. The most significant of these metrics considered are the allowance coverage of net charge-offs ratio; the allowance as a percentage of ending total loans and of ending loans in repayment; and delinquency and forbearance percentages.

Charge-offs increased in both the three and nine months ended September 30, 2022 compared to the respective year-ago periods because of the credit administration practices changes we implemented in 2021 that imposed additional requirements for those borrowers requesting forbearance. Also contributing to the increase were elevated losses on loans whose borrowers took a "gap year" during the pandemic and entered full principal and interest repayment status starting in late 2021 and early 2022, and the overall strain on our collections team arising from increased collections activity and staffing shortages driven by tight labor markets. The increased charge-offs caused the allowance coverage of net charge-offs (annualized) ratio to decline for the three and nine months ended September 30, 2022 compared with the respective year-ago periods.

The tables below show the composition and status of the Private Education Loan portfolio held for investment aged by number of months in active repayment status (months for which a scheduled monthly payment was due). Active repayment status includes loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period. Our experience shows that the percentage of loans in forbearance status generally decreases the longer the loans have been in active repayment status. At September 30, 2022, for Private Education Loans (held for investment) that have been in active repayment status for fewer than 25 months, loans in forbearance status as a percentage of all loans in repayment and forbearance were 1 percent. Approximately 75 percent of our Private Education Loans (held for investment) in forbearance status have been in active repayment status fewer than 25 months.

As of September 30, 2022 (dollars in millions)	Private Education Loans Held for Investment Monthly Scheduled Payments Due					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,357	\$ 5,357
Loans in forbearance	117	33	20	13	18	—	201
Loans in repayment - current	4,918	2,659	2,032	1,418	2,975	—	14,002
Loans in repayment - delinquent 30-59 days	88	45	38	24	60	—	255
Loans in repayment - delinquent 60-89 days	53	27	22	16	34	—	152
Loans in repayment - 90 days or greater past due	44	27	21	14	31	—	137
Total	\$ 5,220	\$ 2,791	\$ 2,133	\$ 1,485	\$ 3,118	\$ 5,357	20,104
Deferred origination costs and unamortized premium/(discount)							67
Allowance for credit losses							(1,190)
Total Private Education Loans, net							\$ 18,981
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	0.79 %	0.22 %	0.14 %	0.09 %	0.12 %	— %	1.36 %

As of September 30, 2021 (dollars in millions)	Private Education Loans Held for Investment Monthly Scheduled Payments Due					Not Yet in Repayment	Total
	0 to 12	13 to 24	25 to 36	37 to 48	More than 48		
Loans in-school/grace/deferment	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 5,855	\$ 5,855
Loans in forbearance	195	56	37	27	42	—	357
Loans in repayment - current	4,853	3,364	2,244	1,625	3,030	—	15,116
Loans in repayment - delinquent 30-59 days	74	37	28	21	40	—	200
Loans in repayment - delinquent 60-89 days	43	19	14	9	17	—	102
Loans in repayment - 90 days or greater past due	28	14	10	7	14	—	73
Total	\$ 5,193	\$ 3,490	\$ 2,333	\$ 1,689	\$ 3,143	\$ 5,855	21,703
Deferred origination costs and unamortized premium/(discount)							68
Allowance for credit losses							(1,209)
Total Private Education Loans, net							\$ 20,562
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.23 %	0.35 %	0.24 %	0.17 %	0.27 %	— %	2.26 %

Private Education Loans Held for Investment Types

The following table provides information regarding the loans in repayment balance and total loan balance by Private Education Loan held for investment product type at September 30, 2022 and December 31, 2021.

As of September 30, 2022 (dollars in thousands)	Signature and Other	Parent Loan ⁽¹⁾	Smart Option	Career Training ⁽²⁾	Graduate Loan	Total
\$ in repayment ⁽³⁾	\$ 225,630	\$ 275,581	\$ 13,042,595	\$ 5,441	\$ 997,309	\$ 14,546,556
\$ in total	\$ 316,076	\$ 276,608	\$ 18,029,447	\$ 5,509	\$ 1,476,823	\$ 20,104,463

As of December 31, 2021 (dollars in thousands)	Signature and Other	Parent Loan ⁽¹⁾	Smart Option	Career Training ⁽²⁾	Graduate Loan	Total
\$ in repayment ⁽³⁾	\$ 221,637	\$ 301,422	\$ 14,097,819	\$ 9,354	\$ 880,980	\$ 15,511,212
\$ in total	\$ 318,055	\$ 302,764	\$ 18,789,771	\$ 9,402	\$ 1,296,871	\$ 20,716,863

(1) In December 2021, we discontinued offering our Parent Loan product. Applications for those loans received before the offering termination date will continue to be processed, with final disbursements under those loans to occur until mid-December 2022.

(2) In May 2022, we discontinued offering our Career Training loan product. Applications for those loans received before the offering termination date will continue to be processed, with final disbursements under those loans to occur until May 2023.

(3) Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period (but, for purposes of the table, do not include those loans while they are in forbearance).

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans held for investment. The table also discloses the amount of accrued interest on loans 90 days or greater past due as compared to our allowance for uncollectible interest. The majority of the total accrued interest receivable represents accrued interest on deferred loans where no payments are due while the borrower is in school and fixed-pay loans where the borrower makes a \$25 monthly payment that is smaller than the interest accruing on that loan in that month. The accrued interest on these loans will be capitalized against the balance of the loans when the borrower exits the grace period upon separation from school.

(Dollars in thousands)	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	90 Days or Greater Past Due	Allowance for Uncollectible Interest
September 30, 2022	\$ 1,201,159	\$ 6,515	\$ 7,783
December 31, 2021	\$ 1,187,123	\$ 3,635	\$ 4,937
September 30, 2021	\$ 1,386,427	\$ 3,636	\$ 4,351

Liquidity and Capital Resources

Funding and Liquidity Risk Management

Our primary liquidity needs include our ongoing ability to fund our businesses throughout market cycles, including during periods of financial stress, our ongoing ability to fund originations of Private Education Loans, and our ability to meet any outflows of our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, and maintain excess liquidity and access to diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations, and other financing facilities, and loan sales. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned loan sales under all but the most dire emergency conditions. Our liquidity management is governed by policies approved by our Board of Directors. Oversight of these policies is performed in the Asset and Liability Committee, a management-level committee.

These policies take into account the volatility of cash flow forecasts, expected asset and liability maturities, anticipated loan demand, and a variety of other factors to establish minimum liquidity guidelines.

Key risks associated with our liquidity relate to our ability to access the capital markets and the markets for bank deposits at reasonable rates. This ability may be affected by our performance, competitive pressures, the macroeconomic environment, and the impact they have on the availability of funding sources in the marketplace. We target maintaining sufficient on-balance sheet and contingent sources of liquidity to enable us to meet all contractual and contingent obligations under various stress scenarios, including severe macroeconomic stresses as well as specific stresses that test the resiliency of our balance sheet. As the Bank has grown, we have improved our liquidity stress testing practices to align more closely with the industry, which resulted in our adopting increased liquidity requirements. Beginning in the second quarter of 2019, we began to increase our liquidity levels by increasing cash and marketable investments held as part of our ongoing efforts to enhance our ability to maintain a strong risk management position. By early 2020 and continuing through 2021, we held a significant liquidity buffer of cash and securities, which we expect to maintain through 2022. Due to the seasonal nature of our business, our liquidity levels will likely vary from quarter to quarter.

Sources of Liquidity and Available Capacity

Ending Balances

(Dollars in thousands)	September 30, 2022	December 31, 2021
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	\$ 467	\$ 2,588
Sallie Mae Bank ⁽¹⁾	4,846,288	4,332,015
Available-for-sale investments	2,131,024	2,325,711
Total unrestricted cash and liquid investments	\$ 6,977,779	\$ 6,660,314

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

Average Balances

(Dollars in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2022	2021	2022	2021
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	\$ 1,391	\$ 4,621	\$ 7,661	\$ 3,903
Sallie Mae Bank ⁽¹⁾	4,432,386	4,271,373	3,868,795	5,370,768
Available-for-sale investments	2,229,465	1,817,721	2,291,946	1,822,730
Total unrestricted cash and liquid investments	\$ 6,663,242	\$ 6,093,715	\$ 6,168,402	\$ 7,197,401

(1) This amount will be used primarily to originate Private Education Loans at the Bank.

Deposits

The following table summarizes total deposits.

(Dollars in thousands)	September 30, 2022	December 31, 2021
Deposits - interest-bearing	\$ 21,276,181	\$ 20,826,692
Deposits - non-interest-bearing	567	1,432
Total deposits	\$ 21,276,748	\$ 20,828,124

Our total deposits of \$21.3 billion were comprised of \$10.2 billion in brokered deposits and \$11.1 billion in retail and other deposits at September 30, 2022, compared to total deposits of \$20.8 billion, which were comprised of \$10.1 billion in brokered deposits and \$10.7 billion in retail and other deposits, at December 31, 2021.

Interest-bearing deposits as of September 30, 2022 and December 31, 2021 consisted of retail and brokered non-maturity savings deposits, retail and brokered non-maturity MMDAs, and retail and brokered CDs. Interest-bearing deposits include deposits from Educational 529 and Health Savings plans that diversify our funding sources and additional deposits we consider to be core. These and other large omnibus accounts, aggregating the deposits of many individual depositors, represented \$8.0 billion and \$7.3 billion of our deposit total as of September 30, 2022 and December 31, 2021, respectively.

Some of our deposit products are serviced by third-party providers. Placement fees associated with the brokered CDs are amortized into interest expense using the effective interest rate method. We recognized placement fee expense of \$3 million and \$4 million in the three months ended September 30, 2022 and 2021, respectively, and placement fee expense of \$10 million and \$12 million in the nine months ended September 30, 2022 and 2021, respectively. Fees paid to third-party brokers related to brokered CDs were \$4 million and \$10 million for the three months ended September 30, 2022 and 2021, respectively, and fees paid to third-party brokers related to brokered CDs were \$8 million and \$11 million for the nine months ended September 30, 2022 and 2021, respectively.

Interest bearing deposits at September 30, 2022 and December 31, 2021 are summarized as follows:

(Dollars in thousands)	September 30, 2022		December 31, 2021	
	Amount	Qtr.-End Weighted Average Stated Rate ⁽¹⁾	Amount	Year-End Weighted Average Stated Rate ⁽¹⁾
Money market	\$ 11,053,370	2.57 %	\$ 10,473,569	0.69 %
Savings	947,870	2.14	959,122	0.43
Certificates of deposit	9,274,941	2.29	9,394,001	1.20
Deposits - interest bearing	\$ 21,276,181		\$ 20,826,692	

⁽¹⁾ Includes the effect of interest rate swaps in effective hedge relationships.

As of September 30, 2022 and December 31, 2021, there were \$538 million and \$743 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was \$48 million and \$35 million at September 30, 2022 and December 31, 2021, respectively.

Counterparty Exposure

Counterparty exposure related to financial instruments arises from the risk that a lending, investment, or derivative counterparty will not be able to meet its obligations to us.

Excess cash is generally invested with the FRB on an overnight basis or in the FRB's Term Deposit Facility, minimizing counterparty exposure on cash balances.

Our investment portfolio is primarily comprised of U.S. government-sponsored enterprises and Treasuries, and a small portfolio of mortgage-backed securities issued by government agencies and government-sponsored enterprises that are purchased to meet CRA targets. Additionally, our investing activity is governed by Board-approved limits on the amount that is allowed to be invested with any one issuer based on the credit rating of the issuer, further minimizing our counterparty exposure. Counterparty credit risk is considered when valuing investments and considering impairment.

Related to derivative transactions, protection against counterparty risk is generally provided by International Swaps and Derivatives Association, Inc. Credit Support Annexes ("CSAs"), or clearinghouses for over-the-counter derivatives. CSAs require a counterparty to post collateral if a potential default would expose the other party to a loss. All derivative contracts entered into by the Bank are covered under CSAs or clearinghouse agreements and require collateral to be exchanged based on the net fair value of derivatives with each counterparty. Our exposure to the counterparty is limited to the value of the derivative contracts in a gain position, less any collateral held by us and plus collateral posted with the counterparty.

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the CME and the LCH. All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of September 30, 2022, \$3.2 billion notional of our derivative contracts were cleared on the CME and \$0.3 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 93.0 percent and 7.0 percent, respectively, of our total notional derivative contracts of \$3.5 billion at September 30, 2022.

For derivatives cleared through the CME and LCH, the net gain (loss) position includes the variation margin amounts as settlement of the derivative and not collateral against the fair value of the derivative. The amount of variation margin included as settlement as of September 30, 2022 was \$(56) million and \$(7) million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure to the counterparty is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At September 30, 2022 and December 31, 2021, we had a net positive exposure (derivative gain/loss positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of \$12 million and \$9 million, respectively.

We have liquidity exposure related to collateral movements between us and our derivative counterparties. Movements in the value of the derivatives, which are primarily affected by changes in interest rates, may require us to return cash collateral held or may require us to access primary liquidity to post collateral to counterparties.

The table below highlights exposure related to our derivative counterparties as of September 30, 2022.

As of September 30, 2022 (dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts	
Total exposure, net of collateral	\$	12,146
Exposure to counterparties with credit ratings, net of collateral	\$	12,146
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3		— %
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3		— %

Regulatory Capital

The Bank is subject to various regulatory capital requirements administered by federal and state banking authorities. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material adverse effect on our business, results of operations, and financial condition. Under U.S. Basel III and the regulatory framework for prompt corrective action, the Bank must meet specific capital standards that involve quantitative measures of its assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and its classification under the prompt corrective action framework are also subject to qualitative judgments by the regulators about components of capital, risk weightings, and other factors.

Capital Management

The Bank intends to maintain at all times regulatory capital levels that meet both the minimum levels required under U.S. Basel III (including applicable buffers) and the levels necessary to be considered "well capitalized" under the FDIC's prompt corrective action framework, in order to support asset growth and operating needs, address unexpected credit risks, and protect the interests of depositors and the Deposit Insurance Fund administered by the FDIC. The Bank's Capital Policy requires management to monitor these capital standards and the Bank's compliance with them. The Board of Directors and management periodically evaluate the quality of assets, the stability of earnings, and the adequacy of the allowance for credit losses for the Bank. The Company is a source of strength for the Bank and will provide additional capital if necessary.

We believe that current and projected capital levels are appropriate for 2022. As of September 30, 2022, the Bank's risk-based and leverage capital ratios exceed the required minimum ratios and the applicable buffers under the fully phased-in U.S. Basel III standards as well as the "well capitalized" standards under the prompt corrective action framework.

Under U.S. Basel III, the Bank is required to maintain the following minimum regulatory capital ratios: a Common Equity Tier 1 risk-based capital ratio of 4.5 percent, a Tier 1 risk-based capital ratio of 6.0 percent, a Total risk-based capital ratio of 8.0 percent, and a Tier 1 leverage ratio of 4.0 percent. In addition, the Bank is subject to a Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. Failure to maintain the buffer will result in restrictions on the Bank's ability to make capital distributions, including the payment of dividends, and to pay discretionary bonuses to executive officers.

To qualify as "well capitalized" under the prompt corrective action framework for insured depository institutions, the Bank must maintain a Common Equity Tier 1 risk-based capital ratio of at least 6.5 percent, a Tier 1 risk-based capital ratio of at least 8.0 percent, a Total risk-based capital ratio of at least 10.0 percent, and a Tier 1 leverage ratio of at least 5.0 percent.

Under regulations issued by the FDIC and other federal banking agencies, banking organizations that adopt CECL during the 2020 calendar year, including the Bank, may elect to delay for two years, and then phase in over the following three years, the effects on regulatory capital of CECL relative to the incurred loss methodology. The Bank has elected to use this option. Therefore, the regulatory capital impact of the Bank's transition adjustments recorded on January 1, 2020

from the adoption of CECL, and 25 percent of the ongoing impact of CECL on the Bank's allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes (collectively, the "adjusted transition amounts"), were deferred for the two-year period ending January 1, 2022. From January 1, 2022 to January 1, 2025, the adjusted transition amounts will be phased in for regulatory capital purposes at a rate of 25 percent per year, with the phased-in amounts included in regulatory capital at the beginning of each year. The Bank's January 1, 2020 CECL transition amounts increased our allowance for credit losses by \$1.1 billion, increased the liability representing our off-balance sheet exposure for unfunded commitments by \$116 million, and increased our deferred tax asset by \$306 million, resulting in a cumulative effect adjustment that reduced retained earnings by \$953 million. This transition adjustment was inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

At September 30, 2022, the adjusted transition amounts, reflecting changes over the phase-in period, that will be deferred for regulatory capital purposes are as follows:

(Dollars in thousands)	Transition Amounts		Adjustments for the Year Ended		Adjustments for the Year Ended		Adjustments for the Nine Months Ended		Adjusted Transition Amounts	
	January 1, 2020	December 31, 2020	December 31, 2020	December 31, 2021	December 31, 2021	September 30, 2022	September 30, 2022	September 30, 2022	September 30, 2022	
Retained earnings	\$ 952,639	\$ (57,859)	\$ (58,429)	\$ (209,088)	\$ 627,263					
Allowance for credit losses	1,143,053	(55,811)	(49,097)	(259,536)	778,609					
Liability for unfunded commitments	115,758	(2,048)	(9,333)	(26,094)	78,283					
Deferred tax asset	306,171	—	—	(76,542)	229,629					

The Bank's required and actual regulatory capital amounts and ratios under U.S. Basel III are shown in the following table. The following capital amounts and ratios are based upon the Bank's average assets and risk-weighted assets, as indicated.

(Dollars in thousands)	Actual		U.S. Basel III Minimum Requirements Plus Buffer ⁽¹⁾⁽²⁾	
	Amount	Ratio	Amount	Ratio
As of September 30, 2022⁽³⁾:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,098,799	13.3 %	\$ 1,626,628	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,098,799	13.3 %	\$ 1,975,191	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,391,178	14.6 %	\$ 2,439,942	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,098,799	10.6 %	\$ 1,170,406	≥ 4.0 %
As of December 31, 2021:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,314,657	14.1 %	\$ 1,643,132	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	\$ 3,314,657	14.1 %	\$ 1,995,232	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	\$ 3,410,183	14.5 %	\$ 2,464,699	≥ 10.5 %
Tier 1 Capital (to Average Assets)	\$ 3,314,657	11.1 %	\$ 1,198,808	≥ 4.0 %

⁽¹⁾ Reflects the U.S. Basel III minimum required ratio plus the applicable capital conservation buffer.

⁽²⁾ The Bank's regulatory capital ratios also exceeded all applicable standards for the Bank to qualify as "well capitalized" under the prompt corrective action framework.

⁽³⁾ For September 30, 2022, the actual amounts and the actual ratios include the adjusted transition amounts discussed above that were phased in at the beginning of 2022.

Dividends

The Bank is chartered under the laws of the State of Utah and its deposits are insured by the FDIC. The Bank's ability to pay dividends is subject to the laws of Utah and the regulations of the FDIC. Generally, under Utah's industrial bank laws and regulations as well as FDIC regulations, the Bank may pay dividends from its net profits without regulatory approval if, following the payment of the dividend, the Bank's capital and surplus would not be impaired. The Bank declared \$241 million and \$642 million in dividends to the Company for the three and nine months ended September 30, 2022, respectively, and \$50 million and \$1.2 billion in dividends to the Company for the three and nine months ended September 30, 2021, respectively, with the proceeds primarily used to fund the 2022, 2021, and 2020 share repurchase programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.

Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our Secured Borrowing Facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our borrowings at September 30, 2022 and December 31, 2021, respectively. For additional information, see Notes to Consolidated Financial Statements, Note 9, "Borrowings" in this Form 10-Q.

(Dollars in thousands)	September 30, 2022			December 31, 2021		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	\$ —	\$ 988,182	\$ 988,182	\$ —	\$ 986,138	\$ 986,138
Total unsecured borrowings	—	988,182	988,182	—	986,138	986,138
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,673,627	3,673,627	—	3,897,996	3,897,996
Variable-rate	—	860,502	860,502	—	1,046,856	1,046,856
Total Private Education Loan term securitizations	—	4,534,129	4,534,129	—	4,944,852	4,944,852
Secured Borrowing Facility	—	—	—	—	—	—
Total secured borrowings	—	4,534,129	4,534,129	—	4,944,852	4,944,852
Total	\$ —	\$ 5,522,311	\$ 5,522,311	\$ —	\$ 5,930,990	\$ 5,930,990

Short-term Borrowings

On May 17, 2022, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is \$2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay, and reborrow funds, until May 16, 2023. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 16, 2024 (or earlier, if certain material adverse events occur). At both September 30, 2022, and December 31, 2021, there were no secured borrowings outstanding under the Secured Borrowing Facility.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled \$125 million at September 30, 2022. The interest rate we are charged on these lines of credit is priced at Fed Funds plus a spread at the time of borrowing and is payable daily. We did not utilize these lines of credit in the nine months ended September 30, 2022 or in the year ended December 31, 2021.

We established an account at the FRB to meet eligibility requirements for access to the Primary Credit borrowing facility at the FRB's Window. The Primary Credit borrowing facility is a lending program available to depository institutions that are in generally sound financial condition. All borrowings at the Window must be fully collateralized. We can pledge asset-backed and mortgage-backed securities, as well as FFELP Loans and Private Education Loans, to the FRB as collateral for borrowings at the Window. Generally, collateral value is assigned based on the estimated fair value of the pledged assets. At September 30, 2022 and December 31, 2021, the value of our pledged collateral at the FRB totaled \$2.6 billion and \$3.3 billion, respectively. The interest rate charged to us is the discount rate set by the FRB. We did not utilize this facility in the nine months ended September 30, 2022 or in the year ended December 31, 2021.

Contractual Loan Commitments

When we approve a Private Education Loan at the beginning of an academic year, that approval may cover the borrowing for the entire academic year. As such, we do not always disburse the full amount of the loan at the time of such approval, but instead have a commitment to fund a portion of the loan at a later date (usually at the start of the second semester or subsequent trimesters). We estimate expected credit losses over the contractual period in which we are exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by us. At September 30, 2022, we had \$2.2 billion of outstanding contractual loan commitments that we expect to fund during the 2022/2023 academic year. At September 30, 2022, we had a \$108 million reserve recorded in "Other Liabilities" to cover lifetime expected credit losses on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses - 2021 and 2020 — Off-Balance Sheet Exposure for Contractual Loan Commitments - 2021 and 2020" in our 2021 Form 10-K and Note 6, "Unfunded Loan Commitments" in this Form 10-Q for additional information.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. In preparing our consolidated financial statements, we have identified certain accounting estimates and assumptions that we consider to be the most critical to an understanding of our financial statements because they involve significant judgments and uncertainties.

The critical accounting estimates we have identified relate to the allowance for credit losses. These estimates reflect our best judgment about current and, for some estimates, including management overlays, future economic and market conditions. These estimates are based on information available as of the date of these financial statements. If conditions change from those expected, it is reasonably possible that these judgments and estimates could change, which may result in a change in the allowance for credit losses or material changes to our consolidated financial statements. A discussion of our critical accounting policies can be found in our 2021 Form 10-K. During the nine months ended September 30, 2022, we adopted ASU No. 2022-02, which affects the accounting and disclosure of TDRs, as discussed below.

Recently Issued and Adopted Accounting Pronouncements

On March 31, 2022, the FASB issued ASU No. 2022-02, "Troubled Debt Restructurings and Vintage Disclosures," which eliminates the accounting guidance for TDRs while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The enhanced disclosures are required to be provided for modifications made starting in the period of adoption. Information about modifications in periods before adoption is not required to be provided.

ASU No. 2022-02 also requires that entities disclose current-period gross charge-offs by year of origination. For entities that have adopted CECL, the amendment is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

Early adoption of the amendments in ASU No. 2022-02 is permitted if an entity has adopted CECL. The amendments should be applied prospectively. For the transition method related to the recognition and measurement of TDRs, an entity has the option to apply a modified retrospective transition method. We elected to early adopt ASU No. 2022-02 prospectively for the period beginning January 1, 2022. The adoption was immaterial to our consolidated financial statements. For additional information, see Notes to Consolidated Financial Statements, Note 5, "Allowance for Credit Losses" in this Form 10-Q.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

Our interest rate risk management program seeks to manage and control interest rate risk, thereby reducing our exposure to fluctuations in interest rates and achieving consistent and acceptable levels of profit in any rate environment, and sustainable growth in net interest income over the long term. We evaluate and monitor interest rate risk through two primary methods:

- Earnings at Risk (“EAR”), which measures the impact of hypothetical changes in interest rates on net interest income; and
- Economic Value of Equity (“EVE”), which measures the sensitivity or change in the economic value of equity to changes in interest rates.

A number of potential interest rate scenarios are simulated using our asset liability management system. The Bank is the primary source of interest rate risk within the Company. At present, a significant portion of the Bank’s earning assets and a large balance of deposits are indexed to 1-month LIBOR. Therefore, 1-month LIBOR is considered a core rate in our interest rate risk analysis. 1-month LIBOR and other rates are shocked in parallel for shock scenarios unless otherwise indicated. In addition, key rates are modeled with a floor, which indicates how low each specific rate is likely to move in practice. On April 1, 2021, we began offering variable-rate Private Education Loans based on the 30-day average SOFR, replacing 1-month LIBOR for new originations. Rates are adjusted up or down via a set of scenarios that includes both rate shocks and ramps. Rate shocks represent an immediate and sustained change in key rates, including both 1-month LIBOR and 30-day average SOFR, with the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear increase in those key rates over the course of 12 months, with the resulting changes in other indices correlated accordingly.

The following tables summarize the potential effect on earnings over the next 24 months and the potential effect on market values of balance sheet assets and liabilities at September 30, 2022 and 2021, based upon a sensitivity analysis performed by management assuming hypothetical increases in market interest rates of 100 and 300 basis points and a decrease of 100 basis points while credit and funding spreads remain constant. EAR analysis assumes a static balance sheet, with maturities of each product replaced with assumed issuance of new products of the same type. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date, and does not reflect any impact of new assets, liabilities, commitments, or hedging instruments that may arise in the future.

With current interest rates levels, a 300-basis point downward rate shock does not provide a meaningful indication of interest rate sensitivity, so results for that scenario have not been presented. The EAR results for September 30, 2022 indicate a market risk profile of low sensitivity to rate changes, based on static balance sheet assumptions over the next two years. The EVE metrics demonstrate lower sensitivity than results from one year ago.

As of September 30,	2022			2021		
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points
EAR - Shock	+1.8%	+0.6%	-0.7%	+2.6%	+1.0%	N/A
EAR - Ramp	+1.0%	+0.3%	-0.4%	+1.8%	+0.7%	N/A
EVE	-6.0%	-2.0%	+1.8%	-9.3%	-2.8%	N/A

In the preceding tables, the interest rate sensitivity analysis reflects the balance sheet mix of fully variable LIBOR, SOFR, and Prime-based loans, and fully variable funding, including brokered CDs that have been converted to LIBOR or SOFR through derivative transactions. The analysis assumes that retail MMDAs and retail savings balances, while relatively sensitive to interest rate changes, will not correlate 100 percent to the full interest rate shocks or ramps. Also considered is the impact of FFELP Loans, which receive floor income in low interest rate environments, and will therefore not reprice fully with interest rate shocks.

Although we believe that these measurements provide an estimate of our interest rate sensitivity, they do not account for potential changes in credit quality, balance sheet mix, and size of our balance sheet. They also do not account for other business developments that could affect net income, or for management actions that could affect net income or could be taken to change our risk profile. Accordingly, we can give no assurance that actual results would not differ materially from the estimated outcomes of our simulations. Further, such simulations do not represent our current view of expected future interest rate movements.

Asset and Liability Funding Gap

The table below presents our assets and liabilities (funding) arranged by underlying indices as of September 30, 2022. In the following GAAP presentation, the funding gap only includes derivatives that qualify as effective hedges (those derivatives which are reflected in net interest income, as opposed to those reflected in the “gains (losses) on derivatives and hedging activities, net” line on the consolidated statements of income). The difference between the asset and the funding is the funding gap for the specified index. This represents at a high level our exposure to interest rate risk in the form of basis risk and repricing risk, which is the risk that the different indices may reset at different frequencies or may not move in the same direction or at the same magnitude. (Note that all fixed-rate assets and liabilities are aggregated into one line item, which does not capture the differences in time due to maturity.)

As of September 30, 2022 (dollars in millions) Index	Frequency of Variable Resets	Assets	Funding ⁽¹⁾	Funding Gap
Fed Funds Effective Rate	daily/weekly/monthly	\$ —	\$ 1,499.9	\$ (1,499.9)
SOFR Rate	daily/weekly/monthly	2,618.7	2,910.2	(291.5)
3-month Treasury bill	weekly	98.8	—	98.8
Prime	monthly	31.1	—	31.1
3-month LIBOR	quarterly	—	251.1	(251.1)
1-month LIBOR	monthly	6,886.1	3,442.6	3,443.5
1-month LIBOR	daily	544.8	—	544.8
Non-Discrete reset ⁽²⁾	daily/weekly	5,072.1	4,154.9	917.2
Fixed-Rate ⁽³⁾		13,887.5	16,880.4	(2,992.9)
Total		\$ 29,139.1	\$ 29,139.1	\$ —

⁽¹⁾ Funding (by index) includes the impact of all derivatives that qualify as effective hedges.

⁽²⁾ Assets include restricted and unrestricted cash equivalents and other overnight type instruments. Funding includes liquid retail deposits and the obligation to return cash collateral held related to derivatives exposures.

⁽³⁾ Assets include receivables and other assets (including premiums and reserves). Funding includes unswapped time deposits, liquid MMDAs swapped to fixed-rates and stockholders' equity.

The “Funding Gap” in the above table shows primarily mismatches in the Fed Funds Effective, SOFR, 3-month LIBOR, 1-Month LIBOR monthly, 1-Month LIBOR daily, Non-Discrete reset, and fixed-rate categories. Changes in the Fed Funds Effective Rate, SOFR, 3-month LIBOR, and 1-Month LIBOR categories are generally quite highly correlated and the rates should offset each other relatively effectively. The funding in the fixed-rate bucket includes \$1.7 billion of equity and \$0.3 billion of non-interest bearing liabilities. We consider the overall repricing risk to be moderate, which is supported by other analyses of interest rate sensitivity.

We use interest rate swaps and other derivatives to achieve our risk management objectives. Our asset liability management strategy is to match assets with debt (in combination with derivatives) that have the same underlying index and reset frequency or have interest rate characteristics that we believe are highly correlated. The use of funding with index types and reset frequencies that are different from our assets exposes us to interest rate risk in the form of basis and repricing risk. This could result in our cost of funds not moving in the same direction or with the same magnitude as the yield on our assets. While we believe this risk is low, as all of these indices are short-term with rate movements that are highly correlated over a long period of time, market disruptions (some currently impacting today's market) can lead to a temporary divergence between indices, resulting in a negative impact to our earnings.

Weighted Average Life

The following table reflects the weighted average lives of our earning assets and liabilities at September 30, 2022.

As of September 30, 2022 (averages in years)	Weighted Average Life
Earning assets	
Education loans	4.96
Cash and investments	1.29
Total earning assets	<u>3.96</u>
Deposits	
Short-term deposits	1.01
Long-term deposits	2.62
Total deposits	<u>1.36</u>
Borrowings	
Long-term borrowings	3.46
Total borrowings	<u>3.46</u>

Item 4. Controls and Procedures

Disclosure Controls and Procedures

Our management, with the participation of our principal executive officer and principal financial officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of September 30, 2022. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2022, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (i) recorded, processed, summarized, and reported within the time periods specified in the SEC’s rules and forms and (ii) accumulated and communicated to our management, including our principal executive officer and principal financial officer as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control over Financial Reporting

No change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) occurred during the fiscal quarter ended September 30, 2022 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

We and our subsidiaries and affiliates are subject to various claims, lawsuits, and other actions that arise in the normal course of business. It is common for the Company, our subsidiaries, and affiliates to receive information and document requests and investigative demands from state attorneys general, legislative committees, and administrative agencies. These requests may be for informational or regulatory purposes and may relate to our business practices, the industries in which we operate, or other companies with whom we conduct business. Our practice has been and continues to be to cooperate with these bodies and be responsive to any such requests.

For additional information regarding our legal proceedings, see Part I, Item 3. "Legal Proceedings" in our 2021 Form 10-K.

Item 1A. Risk Factors

Our business activities involve a variety of risks. Readers should carefully consider the risk factors disclosed in Part I, Item 1A. "Risk Factors" of our 2021 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended September 30, 2022.

(In thousands, except per share data)	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs ⁽²⁾⁽³⁾	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs ⁽²⁾
Period:				
July 1 - July 31, 2022	—	\$ —	—	\$ 753,000
August 1 - August 31, 2022	—	\$ —	—	\$ 753,000
September 1 - September 30, 2022	1,192	\$ 14.14	1,191	\$ 736,000
Total third-quarter 2022	1,192	\$ 14.14	1,191	

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

⁽²⁾ In the first quarter of 2022, we utilized all capacity then remaining under the 2021 Share Repurchase Program. As of September 30, 2022, we had \$736 million remaining under the 2022 Share Repurchase Program.

⁽³⁾ In the third quarter of 2022, we repurchased 1.2 million shares under our 10b5-1 trading plan. See Note 11, "Stockholders' Equity" to our consolidated financial statements in this Form 10-Q for further discussion.

The closing price of our common stock on the NASDAQ Global Select Market on September 30, 2022 was \$13.99.

Item 3. Defaults Upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

- 31.1 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 31.2 [Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.](#)
- 32.1 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 32.2 [Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.](#)
- 101.INS XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
- 101.SCH XBRL Taxonomy Extension Schema Document.
- 101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.DEF XBRL Taxonomy Extension Definition Linkbase Document.
- 101.LAB XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.
 - 104 Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101).

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

I, Jonathan W. Witter, certify that:

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

/s/ JONATHAN W. WITTER

Jonathan W. Witter
Chief Executive Officer
(Principal Executive Officer)
October 26, 2022

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

I, Steven J. McGarry, certify that:

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

/s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
October 26, 2022

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

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan W. Witter, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ JONATHAN W. WITTER

Jonathan W. Witter
Chief Executive Officer
(Principal Executive Officer)
October 26, 2022

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

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven J. McGarry, Executive Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

/s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)
October 26, 2022