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, 2020

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, 2020, there were 375,237,815 shares of common stock outstanding.

SLM CORPORATION

CONSOLIDATED FINANCIAL STATEMENTS

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SLM CORPORATION

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

	September 30, 2020	December 31, 2019
Assets		
Cash and cash equivalents	$ 4,351,045	$ 5,563,877
Investments:		
Trading investments at fair value (cost of $12,551)	14,651	—
Available-for-sale investments at fair value (cost of $2,081,236 and $485,756, respectively)	2,090,707	487,669
Other investments	81,231	84,420
Total investments	2,186,589	572,089
Loans held for investment (net of allowance for losses of $1,734,559 and $441,912, respectively)	21,709,771	24,667,792
Restricted cash	162,448	156,883
Other interest-earning assets	53,808	52,564
Accrued interest receivable	1,472,602	1,392,725
Premises and equipment, net	148,773	134,749
Income taxes receivable, net	505,208	88,844
Tax indemnification receivable	28,256	27,558
Other assets	23,921	29,398
Total assets	$ 30,642,421	$ 32,686,479
Liabilities		
Deposits	$ 23,109,923	$ 24,283,983
Short-term borrowings	—	289,230
Long-term borrowings	4,947,647	4,354,037
Upromise member accounts	—	192,662
Other liabilities	384,405	254,731
Total liabilities	28,441,975	29,374,643
Commitments and contingencies		
Equity		
Preferred stock, par value $0.20 per share, 20 million shares authorized:		
Series B: 4 million and 4 million shares issued, respectively, at stated value of $100 per share	400,000	400,000
Common stock, par value $0.20 per share, 1.125 billion shares authorized: 456.6 million and 453.6 million shares issued, respectively	91,319	90,720
Additional paid-in capital	1,243,482	1,307,630
Accumulated other comprehensive loss (net of tax benefit of ($12,647) and ($3,995), respectively)	(38,941)	(12,367)
Retained earnings	1,302,654	1,850,512
Total SLM Corporation stockholders' equity before treasury stock	2,998,514	3,636,495
Less: Common stock held in treasury at cost: 81.4 million and 32.5 million shares, respectively	(798,068)	(324,659)
Total equity	2,200,446	3,311,836
Total liabilities and equity	$ 30,642,421	$ 32,686,479

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Interest income:				
Loans	$ 477,833	$ 564,698	$ 1,513,279	$ 1,672,082
Investments	3,327	2,145	9,086	5,272
Cash and cash equivalents	1,218	23,548	19,740	53,212
Total interest income	482,378	590,391	1,542,105	1,730,566
Interest expense:				
Deposits	83,500	143,393	318,858	405,977
Interest expense on short-term borrowings	3,424	1,400	11,041	3,700
Interest expense on long-term borrowings	30,887	40,533	98,750	116,675
Total interest expense	117,811	185,326	428,649	526,352
Net interest income	364,567	405,065	1,113,456	1,204,214
Less: provisions for credit losses	(3,640)	99,526	409,505	256,691
Net interest income after provisions for credit losses	368,207	305,539	703,951	947,523
Non-interest income (loss):				
Gains (losses) on sales of loans, net	(4)	—	238,562	—
Gains (loss) on derivatives and hedging activities, net	(15)	1,961	49,408	21,460
Other income	9,646	15,280	42,547	31,313
Total non-interest income	9,627	17,241	330,517	52,773
Non-interest expenses:				
Operating expenses:				
Compensation and benefits	62,743	64,980	219,413	210,213
FDIC assessment fees	1,455	8,814	17,508	23,788
Other operating expenses	63,292	79,827	179,424	198,573
Total operating expenses	127,490	153,621	416,345	432,574
Restructuring expenses	24,127	—	24,127	—
Total non-interest expenses	151,617	153,621	440,472	432,574
Income before income tax expense	226,217	169,159	593,996	567,722
Income tax expense	55,189	40,701	146,006	130,798
Net income	171,028	128,458	447,990	436,924
Preferred stock dividends	2,058	4,153	8,000	12,952
Net income attributable to SLM Corporation common stock	$ 168,970	$ 124,305	$ 439,990	$ 423,972
Basic earnings per common share attributable to SLM Corporation	$ 0.45	$ 0.29	$ 1.14	$ 0.99
Average common shares outstanding	375,094	424,149	386,587	429,295
Diluted earnings per common share attributable to SLM Corporation	$ 0.45	$ 0.29	$ 1.13	$ 0.98
Average common and common equivalent shares outstanding	377,918	427,336	389,391	432,572
Declared dividends per common share attributable to SLM Corporation	$ —	$ —	$ 0.09	$ 0.09

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	**2019**	**2020**	**2019**
Net income	$ 171,028	$ 128,458	$ 447,990	$ 436,924
Other comprehensive income (loss):				
Unrealized gains on investments	1,545	1,344	7,559	7,446
Unrealized gains (losses) on cash flow hedges	5,252	(10,083)	(42,785)	(48,213)
Total unrealized gains (losses)	6,797	(8,739)	(35,226)	(40,767)
Income tax (expense) benefit	(1,667)	2,135	8,652	9,961
Other comprehensive income (loss), net of tax (expense) benefit	5,130	(6,604)	(26,574)	(30,806)
Total comprehensive income	$ 176,158	$ 121,854	$ 421,416	$ 406,118

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Preferred Stock Shares	Common Stock Shares Issued	Common Stock Shares Treasury	Common Stock Shares Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
Balance at June 30, 2019	4,000,000	453,507,905	(26,912,915)	426,594,990	$ 400,000	$ 90,702	$ 1,296,409	$ (13,579)	$ 1,600,855	$ (277,071)	$ 3,097,316
Net income	—	—	—	—	—	—	—	—	128,458	—	128,458
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(6,604)	—	—	(6,604)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	121,854
Cash dividends declared:											
Preferred Stock, Series B ($1.04 per share)	—	—	—	—	—	—	—	—	(4,153)	—	(4,153)
Common stock dividend accrual adjustment	—	—	—	—	—	—	—	—	339	—	339
Issuance of common shares	—	26,137	—	26,137	—	5	87	—	—	—	92
Stock-based compensation expense	—	—	—	—	—	—	5,132	—	175	—	5,307
Common stock repurchased	—	—	(4,436,963)	(4,436,963)	—	—	—	—	—	(37,477)	(37,477)
Shares repurchased related to employee stock-based compensation plans	—	—	(15,238)	(15,238)	—	—	—	—	—	(146)	(146)
Balance at September 30, 2019	4,000,000	453,534,042	(31,365,116)	422,168,926	$ 400,000	$ 90,707	$ 1,301,628	$ (20,183)	$ 1,725,674	$ (314,694)	$ 3,183,132

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

		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 June 30, 2020	4,000,000	456,585,223	(81,349,436)	375,235,787	$ 400,000	$ 91,317	$ 1,234,450	$ (44,071)	$ 1,133,269	$ (798,046)	$ 2,016,919
Net income	—	—	—	—	—	—	—	—	171,028	—	171,028
Other comprehensive income, net of tax	—	—	—	—	—	—	—	5,130	—	—	5,130
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	176,158
Cash dividends declared:											
Preferred Stock, Series B ($0.51 per share)	—	—	—	—	—	—	—	—	(2,058)	—	(2,058)
Common stock dividend accrual adjustment	—	—	—	—	—	—	—	—	247	—	247
Issuance of common shares	—	5,150		5,150	—	2	14	—	—	—	16
Stock-based compensation expense	—	—	—	—	—	—	9,018	—	168	—	9,186
Shares repurchased related to employee stock-based compensation plans	—	—	(3,122)	(3,122)	—	—	—	—	—	(22)	(22)
Balance at September 30, 2020	4,000,000	456,590,373	(81,352,558)	375,237,815	$ 400,000	$ 91,319	$ 1,243,482	$ (38,941)	$ 1,302,654	$ (798,068)	$ 2,200,446

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

		Common Stock Shares									
	Preferred Stock Shares	Issued	Treasury	Outstanding	Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Treasury Stock	Total Equity
Balance at December 31, 2018	4,000,000	449,856,221	(14,174,733)	435,681,488	$ 400,000	$ 89,972	$ 1,274,635	$ 10,623	$ 1,340,017	$ (142,591)	$ 2,972,656
Net income	—	—	—	—	—	—	—	—	436,924	—	436,924
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(30,806)	—	—	(30,806)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	406,118
Cash dividends declared:											
Common stock ($0.09 per share)	—	—	—	—	—	—	—	—	(38,485)	—	(38,485)
Preferred Stock, Series B ($3.24 per share)	—	—	—	—	—	—	—	—	(12,952)	—	(12,952)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	5	—	(5)	—	—
Issuance of common shares	—	3,677,821	—	3,677,821	—	735	2,384	—	—	—	3,119
Stock-based compensation expense	—	—	—	—	—	—	24,604	—	175	—	24,779
Common stock repurchased	—	—	(15,861,718)	(15,861,718)	—	—	—	—	—	(157,597)	(157,597)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,328,665)	(1,328,665)	—	—	—	—	—	(14,506)	(14,506)
Balance at September 30, 2019	4,000,000	453,534,042	(31,365,116)	422,168,926	$ 400,000	$ 90,707	$ 1,301,628	$ (20,183)	$ 1,725,674	$ (314,694)	$ 3,183,132

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Preferred Stock Shares	Common Stock Shares			Preferred Stock	Common Stock	Additional Paid-In Capital	Accumulated Other Comprehensive Loss	Retained Earnings	Treasury Stock	Total Equity
		Issued	Treasury	Outstanding							
Balance at December 31, 2019	4,000,000	453,599,926	(32,506,562)	421,093,364	$ 400,000	$ 90,720	$ 1,307,630	$ (12,367)	$ 1,850,512	$ (324,659)	$ 3,311,836
Cumulative adjustment for the adoption of ASU No. 2016-13 (CECL)	—	—	—	—	—	—	—	—	(952,639)	—	(952,639)
Net income	—	—	—	—	—	—	—	—	447,990	—	447,990
Other comprehensive loss, net of tax	—	—	—	—	—	—	—	(26,574)	—	—	(26,574)
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	421,416
Cash dividends declared:											
Common Stock ($0.09 per share)	—	—	—	—	—	—	—	—	(35,097)	—	(35,097)
Preferred Stock, Series B ($2.00 per share)	—	—	—	—	—	—	—	—	(8,000)	—	(8,000)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	270	—	(280)	—	(10)
Issuance of common shares	—	2,990,447		2,990,447	—	599	2,298	—	—	—	2,897
Stock-based compensation expense	—	—	—	—	—	—	30,207	—	168	—	30,375
Common stock repurchased	—	—	(47,736,847)	(47,736,847)	—	—	(96,923)	—	—	(461,244)	(558,167)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,109,149)	(1,109,149)	—	—	—	—	—	(12,165)	(12,165)
Balance at September 30, 2020	4,000,000	456,590,373	(81,352,558)	375,237,815	$ 400,000	$ 91,319	$ 1,243,482	$ (38,941)	$ 1,302,654	$ (798,068)	$ 2,200,446

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Operating activities		
Net income	$ 447,990	$ 436,924
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provisions for credit losses	409,505	256,691
Income tax expense	146,006	130,798
Amortization of brokered deposit placement fee	14,881	12,292
Amortization of Secured Borrowing Facility upfront fee	2,159	838
Amortization of deferred loan origination costs and loan premium/(discounts), net	20,127	9,750
Net amortization of discount on investments	4,255	1,312
Unrealized gain on investments	(2,100)	—
(Increase) reduction in tax indemnification receivable	(698)	981
Depreciation of premises and equipment	11,386	10,850
Stock-based compensation expense	30,253	24,841
Unrealized gains on derivatives and hedging activities, net	(21,862)	(24,957)
Gains on sales of loans, net	(238,562)	—
Gain on sale of Upromise subsidiary, net	(11,331)	—
Other adjustments to net income, net	5,389	(2,447)
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(668,103)	(719,555)
Increase in non-marketable securities	—	(10,700)
Increase in other interest-earning assets	(1,244)	(47,513)
Decrease in tax indemnification receivable	—	—
Increase in other assets	(46,194)	(10,274)
Decrease in income taxes payable, net	(243,851)	(184,991)
Increase in accrued interest payable	38	21,831
Decrease in Upromise member accounts due to sale	(193,840)	—
Increase in other liabilities	126,645	15,928
Total adjustments	(657,141)	(514,325)
Total net cash used in operating activities	(209,151)	(77,401)
Investing activities		
Loans acquired and originated	(4,736,304)	(5,335,986)
Net proceeds from sales of loans held for investment	3,875,984	—
Proceeds from claim payments	22,563	31,474
Net decrease in loans held for investment	2,954,660	2,992,844
Purchases of available-for-sale securities	(1,897,511)	(305,872)
Proceeds from sales and maturities of available-for-sale securities	376,580	32,282
Proceeds from sale of Upromise subsidiary, net	16,922	—
Total net cash provided by (used in) investing activities	612,894	(2,585,258)
Financing activities		
Brokered deposit placement fee	(4,810)	(19,799)
Net (decrease) increase in certificates of deposit	(1,802,541)	2,682,850
Net increase in other deposits	501,843	911,985
Borrowings collateralized by loans in securitization trusts - issued	1,337,543	1,105,594
Borrowings collateralized by loans in securitization trusts - repaid	(749,300)	(793,062)
Borrowings under Secured Borrowing Facility	—	297,800
Repayment of borrowings under Secured Borrowing Facility	(289,230)	—
Fees paid on Secured Borrowing Facility	(3,251)	(1,116)
Common stock dividends paid	(35,097)	(38,485)

Preferred stock dividends paid	(8,000)	(12,952)
Common stock repurchased	(558,167)	(157,597)
Net cash (used in) provided by financing activities	(1,611,010)	3,975,218
Net (decrease) increase in cash, cash equivalents and restricted cash	(1,207,267)	1,312,559
Cash, cash equivalents and restricted cash at beginning of period	5,720,760	2,681,895
Cash, cash equivalents and restricted cash at end of period	$ 4,513,493	$ 3,994,454
Cash disbursements made for:		
Interest	$ 402,151	$ 489,599
Income taxes paid	$ 248,121	$ 185,138
Income taxes refunded	$ (4,024)	$ (853)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 4,351,045	$ 3,851,608
Restricted cash	162,448	142,846
Total cash, cash equivalents and restricted cash	$ 4,513,493	$ 3,994,454

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, 2020 are not necessarily indicative of the results for the year ending December 31, 2020 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, 2019 (the "2019 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.

Allowance for Credit Losses

We maintain an allowance for credit losses for the lifetime expected credit losses on loans in our portfolios, as well as for future loan commitments, at the reporting date.

In determining the lifetime expected credit losses on our Private Education Loan and Personal Loan portfolios, we use a discounted cash flow model. This method requires us to project future principal and interest cash flows on our loans in those portfolios.

To estimate the future expected cash flows, we use a vintage-based model that considers life of loan loss expectations, prepayments (both voluntary and involuntary), defaults, recoveries, and any other adjustments deemed necessary, to determine the adequacy of the allowance at each balance sheet date. These cash flows are discounted at the loan's effective interest rate to calculate the present value of those cash flows. Management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. The difference between the present value of those cash flows and the amortized cost basis of the underlying loans is the allowance for credit losses. Entities that measure credit losses based on the present value of expected future cash flows are permitted to report the entire change in present value as credit loss expense, but may alternatively report the change in present value due to the passage of time as interest income. We have elected to report the entire change in present value as credit loss expense.

In determining the loss rates used for the vintage-based approach, we start with our historical loss rates, stratify the loans within each vintage, and then adjust the loss rates based upon exogenous factors over a reasonable and supportable forecast period. The reasonable and supportable forecast period is meant to represent the period in which we believe we can estimate the impact of forecasted economic variables in our expected losses. At the end of the reasonable and supportable forecast period, we immediately revert our forecast of expected losses to our historical averages. We use a two-year reasonable and supportable forecast period, although this period is subject to change as our view evolves on our ability to reasonably estimate future losses based upon economic forecasts.

In estimating our current expected credit losses, we use a combination of expected economic scenarios coupled with our historical experience to derive a base case adjusted for any qualitative factors (as described below). We also develop an adverse and favorable economic scenario as well. At each reporting date, we determine the appropriate weighting of these alternate scenarios based upon the current economic conditions and our view of the risks of alternate outcomes. This weighting of expectations is used in calculating our current expected credit losses recorded each period.

In estimating recoveries, we use both estimates of what we would receive from the sale of defaulted loans as well as historical borrower payment behavior to estimate the timing and amount of future recoveries on charged-off loans.

Our prepayment estimates include the effect of voluntary prepayments and consolidation (if the loans are consolidated to third parties), both of which shorten the lives of loans. Constant Prepayment Rate ("CPR") estimates also consider the utilization of deferment, forbearance, and extended repayment plans, which lengthen the lives of loans. We regularly evaluate the assumptions used to estimate the CPRs. We use economic forecasts to help in the estimation of future CPRs. As with our loss forecasts, at the end of the two-year reasonable and supportable forecast for CPRs, we immediately revert to our historical long-term CPR rates.

In addition to the above modeling approach, we also take certain other qualitative factors into consideration when calculating the allowance for credit losses. These qualitative factors include, but are not limited to, changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not already included in the analysis, and the effect of other external factors such as legal and regulatory requirements on the level of estimated current expected credit losses.

The evaluation of the allowance for credit losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs, and recoveries is significantly different than estimated, or management assumptions or practices were to change, this could materially affect the estimate of the allowance for credit losses, the timing of when losses are recognized, and the related provision for credit losses on our consolidated statements of income.

When calculating our allowance for credit losses and liability for unfunded commitments, we incorporate several inputs that are subject to change period to period. These include, but are not limited to, CECL model inputs and any overlays deemed necessary by management. The most impactful CECL model inputs include:

- Economic forecasts;
- Weighting of economic forecasts;
- Prepayment speeds;
- New loan volume, including commitments made but not yet disbursed; and
- Loan sales.

Management overlays can encompass a broad array of factors not captured by model inputs, such as changes in servicing policies.

Below we describe in further detail our policies and procedures for the allowance for credit losses as they relate to our Private Education Loan, Personal Loan, Credit Card, and FFELP Loan portfolios.

Allowance for Private Education Loan Losses

We collect on defaulted loans through a mix of in-house collectors, third-party collectors and sales to third-parties. For September 30, 2020 and December 31, 2019, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted loans to estimate the timing and amount of future recoveries on charged-off loans.

1. Significant Accounting Policies (Continued)

In addition to the key assumptions/estimates described above, some estimates are unique to our Private Education Loan portfolio. Estimates are made on our Private Education Loans regarding when each borrower will separate from school. The cash flow timing of when a borrower will begin making full principal and interest payments is dependent upon when the student either graduates or leaves school. These dates can change based upon many factors. We receive information regarding projected graduation dates from a third-party clearinghouse. The separation from school date will be updated quarterly based on updated information received from the clearinghouse.

Additionally, when we have a contractual obligation to fund a loan or a portion of a loan at a later date, we make an estimate regarding the percentage of this obligation that will be funded. This estimate is based on historical experience. For unfunded commitments, we recognize the related life of loan allowance as a liability. Once the loan is funded, that liability transfers to the allowance for Private Education Loan losses.

Key Credit Quality Indicators - Private Education Loans

We determine the collectability of our Private Education Loan portfolio by evaluating certain risk characteristics. We consider credit score at original approval and periodically refreshed/updated credit scores through the loan's term, existence of a cosigner, loan status, and loan seasoning as the key credit quality indicators because they have the most significant effect on the determination of the adequacy of our allowance for credit losses. Credit scores are an indicator of the creditworthiness of borrowers and the higher the credit scores the more likely it is the borrowers will be able to make all of their contractual payments. Loan status affects the credit risk because a past due loan is more likely to result in a credit loss than a current loan. Additionally, loans in the deferred payment status have different credit risk profiles compared with those in current pay status. Loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments. The existence of a cosigner lowers the likelihood of default as well. We monitor and update these credit quality indicators in the analysis of the adequacy of our allowance for credit losses on a quarterly basis.

Private Education Loans generally do not require borrowers to begin principal and interest repayment until at least six months after the borrowers have graduated or otherwise separated from school. Consequently, the loss estimates for these loans are generally low while the borrower is in school and then increase upon the end of the grace period after separation from school. At September 30, 2020 and December 31, 2019, 27 percent and 25 percent, respectively, of the principal balance of the Private Education Loan portfolio was related to borrowers who are in an in-school (fully deferred), grace, or other deferment status and not required to make payments.

Our collection policies for Private Education Loans allow for periods of nonpayment for certain borrowers requesting an extended grace period upon leaving school or experiencing temporary difficulty meeting payment obligations. This is referred to as forbearance and is considered in estimating the allowance for credit losses.

As part of concluding on the adequacy of the allowance for credit losses for Private Education Loans, we review key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages, and forbearance percentages.

We consider a Private Education Loan to be delinquent if the borrower has not made a required payment prior to the 31st day after such payment was contractually due.

Troubled Debt Restructurings ("TDRs")

In estimating the expected defaults for our Private Education Loans that are considered TDRs, we follow the same discounted cash flow process described above but use the historical loss rates related to past TDR loans. The appropriate gross loss rates are determined for each individual loan by evaluating loan maturity, risk characteristics, and macroeconomic conditions.

The allowance for our TDR portfolio is included in our overall allowance for Private Education Loans. Our TDR portfolio is comprised mostly of loans with interest rate reductions and loans with forbearance usage greater than three months, as further described below.

1. Significant Accounting Policies (Continued)

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, 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 rate (currently to 4.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity 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.

We classify a loan as a TDR due to forbearance using a two-step process. The first step is to identify a loan that was in full principal and interest repayment status and received more than three months of forbearance in a 24-month period; however, during the first nine months after a loan had entered full principal and interest repayment status, we do not count up to the first six months of forbearance received during that period against the three-month policy limit. The second step is to evaluate the creditworthiness of the loan by examining its most recent refreshed FICO score. Loans that have met the criteria in the first test and have a FICO score above a certain threshold (based on the most recent quarterly FICO score refresh) will not be classified as TDRs. Loans that have met the criteria in the first test and have a FICO score under the threshold (based on the most recent quarterly FICO score refresh) will be classified as TDRs.

A loan also becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. About half our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. As of September 30, 2020 and December 31, 2019, approximately 47 percent and 50 percent, respectively, of TDRs were classified as such due to their forbearance status. For additional information, see Note 6, “Allowance for Credit Losses” in our 2019 Form 10-K.

During the first quarter of 2020, the respiratory disease caused by coronavirus 2019 or COVID-19 (“COVID-19”) began to spread worldwide and has caused significant disruptions to the U.S. and world economies.

On March 27, 2020, President Trump signed into law the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”), which, among other things, allows us to (i) elect to suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as TDRs, and (ii) suspend any determination of a loan modified as a result of the effects of COVID-19 as being a TDR, including impairment for accounting purposes.

We have elected to suspend TDR accounting for both forbearance and interest rate modifications of loans that occur as a result of COVID-19 for the applicable period of the CARES Act relief. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and that occur during the period beginning on March 1, 2020, and ending on the earlier of (i) sixty days after the date on which the national emergency related to the COVID-19 outbreak is terminated, or (ii) December 31, 2020.

Off-Balance Sheet Exposure for 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 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. The discounted cash flow approach described above includes expected future contractual disbursements. The portion of the allowance for credit losses related to future disbursements is shown as a liability on the face of the balance sheet, and related provision for credit losses is reflected on the income statement.

Uncollectible Interest

The majority of the total accrued interest receivable on our Private Education Loan portfolio represents accrued interest on deferred loans where no payments are due while the borrower is in school and on fixed-pay loans where the borrower makes a $25 monthly payment that is smaller than the interest accrued on the loan in that month. The accrued interest on these loans will be capitalized and increase the unpaid principal balance of the loans when the borrower exits the grace period after separation from school. The discounted cash flow approach described above considers both the collectability of principal as well as this portion of accrued interest that is expected to capitalize to the balance of the loan. Therefore, the allowance for this portion of accrued interest balance is included in our allowance for credit losses. The discounted cash flow approach does not consider interest accrued on loans that are in a full principal and interest repayment status or in interest-only repayment status. We separately capture the amount of expected uncollectible interest associated with these loans using historical experience to estimate the uncollectible interest for the next four months at each period-end date. This amount is recorded as a reduction of interest income. Accrued interest receivable is separately disclosed on the face of the balance sheet.

Allowance for Personal Loans

From late 2016 through mid-2018, we acquired newly-originated Personal Loans from a marketplace lender. In 2018, we began to originate Personal Loans. We ceased originating these loans at the end of 2019. We maintain an allowance for Personal Loan losses at an amount sufficient to absorb lifetime expected credit losses using the same discounted cash flow approach described above for Private Education Loans. The difference between the amortized cost basis and the present value of expected cash flows on our Personal Loan portfolio equals the allowance related to this portfolio. During the third quarter of 2020, we sold our entire Personal Loan portfolio. Therefore, at September 30, 2020, the allowance for Personal Loans was $0.

We collected on defaulted Personal Loans through a mix of in-house collectors, third-party collectors, and sales to third-parties. Prior to the sale of these loans, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted Personal Loans to estimate the timing and amount of future recoveries on charged-off Personal Loans.

*Key Credit Quality Indicators - Personal Loan*s

For Personal Loans, we considered FICO scores at original approval and periodically refreshed/updated credit scores through the loan's term, loan seasoning, and loan delinquency status to be our key credit quality indicators for the same reasons discussed above under "— Key Credit Quality Indicators — Private Education Loans."

As part of concluding on the adequacy of the allowance for Personal Loan losses, we reviewed key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages, and forbearance percentages. We considered a Personal Loan to be delinquent if the borrower had not made a required payment prior to the 31st day after such payment was contractually due.

Allowance for Credit Card Loans

We use the gross loss approach when estimating the allowance for credit losses for our Credit Card portfolio. Because our Credit Card portfolio is new and we do not have historical loss experience, we use estimated loss rates reported by other financial institutions to estimate our allowance for credit losses for Credit Cards, net of expected recoveries. In addition, we use a model that utilizes purchased credit card information with risk characteristics similar to those of our own portfolio as a challenger model. We then consider any qualitative factors that may change our future expectations of losses.

As all of our Credit Card loans are unconditionally cancelable by us, the issuer, we do not record any estimate of credit losses for unused portions of our Credit Card commitments.

Allowance for FFELP Loan Losses

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 default 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. Because we bear a maximum of three percent loss exposure due to this federal guarantee, our allowance for credit losses for FFELP Loans and related periodic provision expense are relatively small.

1. Significant Accounting Policies (Continued)

We use the gross loss approach when estimating the allowance for credit losses for our FFELP Loans. We maintain an allowance for credit losses for our FFELP Loans at a level sufficient to cover lifetime expected credit losses. The allowance for FFELP Loan losses uses historical experience of customer default behavior. We apply the default rate projections, net of applicable risk sharing, to our FFELP Loans for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for credit losses and determine if qualitative adjustments need to be considered.

Loan Interest Income

For all loans, including impaired loans, classified as held for investment, we recognize interest income as earned, adjusted for the amortization of deferred direct origination and acquisition costs. Deferred fees or costs are required to be recognized as yield adjustments over the life of the related loans and are recognized by the interest method. The objective of the interest method is to arrive at periodic interest income (including recognition of fees and costs) at a constant effective yield on the net investment in the receivable (i.e., the principal amount of the receivable adjusted by unamortized fees or costs, purchase premium or discount, and any hedging activity—these unamortized costs will collectively be referred to as “basis adjustments”). The difference between the periodic interest income so determined and the interest income determined by applying the stated interest rate to the outstanding principal amount of the receivable is the amount of periodic amortization of deferred direct origination and acquisition costs.

For the amortization of the basis adjustments, we determine the constant effective yield necessary to apply the interest method based upon the contractual terms of the loan contract, with no consideration given to expected prepayments.

For fixed-rate loans, when a prepayment occurs the unamortized balance of the basis adjustments is adjusted so that future amortization (based upon the contractual terms of the loan) will result in a constant effective yield equal to the original effective interest rate. Prepayments do not result in a change in the effective interest rate of the loan. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

For variable-rate loans, the effective interest rate at the time of origination is the loan’s effective interest rate assuming all future contractual payments. The effective interest rate remains the same for that loan until the loan rate changes. If there is no prepayment and no change in the stated interest rate, the periodic amortization of the basis adjustments is equal to the difference between the effective interest rate multiplied by the book basis and the contractual interest due. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

When the interest rate on a variable-rate loan changes, the effective interest rate is recalculated using the same methodology described in the previous paragraph; however, the future contractual payments are changed to reflect the new interest rate. There is no forecasting of future expected changes in interest rates. The accounting basis used to determine the effective interest rate of the cash flows is equal to the balances of the unpaid principal balance and unamortized basis adjustments at the time of the rate change.

We also pay to the U.S. Department of Education (the “DOE”) an annual 105 basis point Consolidation Loan Rebate Fee on FFELP consolidation loans, which is netted against loan interest income. Additionally, interest earned on education loans and Personal Loans reflects potential non-payment adjustments in accordance with our uncollectible interest recognition policy. We do not amortize any adjustments to the basis of loans when they are classified as held-for-sale.

With the adoption of CECL on January 1, 2020, we continue to analyze the collectability of accrued interest associated with loans not currently in full principal and interest repayment status or interest-only repayment status as discussed above; however, we have changed the recognition of the allowance for this portion of uncollectible interest (amounts to be capitalized after separation from school and the expiration of the grace period) to the provision for loan losses from our historical practice

1. Significant Accounting Policies (Continued)

of recording it as a reduction of interest income, as well as classifying this allowance as part of our allowance for credit losses as opposed to our historical practice of recording it as a reduction of accrued interest income receivable.

The allowance for the portion of uncollectible interest on loans making full interest payments will continue to be recorded as a reduction of interest income.

We recognize certain fee income (primarily late fees) on all loans when earned according to the contractual provisions of the promissory notes, as well as our expectation of collectability. Fee income is recorded when earned in “other non-interest income” in the accompanying consolidated statements of income.

Recently Issued and Adopted Accounting Pronouncements

ASU No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”

In June 2016, Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13, “Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,” which became effective for us on January 1, 2020 (“CECL”). This ASU eliminated the previous accounting guidance for the recognition of credit impairment. Under the new guidance, for all loans carried at amortized cost, upon loan origination we are required to measure our allowance for credit losses based on our estimate of all current expected credit losses over the remaining contractual term of the assets. Updates to that estimate each period will be recorded through provision expense. The estimate of loan losses must be based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU does not mandate the use of any specific method for estimating credit loss, permitting companies to use judgment in selecting the approach that is most appropriate in their circumstances.

In addition, Topic 326 made changes to the accounting for available-for-sale debt securities. One such change is to require an assessment of unrealized losses on available-for-sale debt securities that we have the ability and intent to hold for a period of time sufficient to recover the amortized cost of the security, for the purpose of determining credit impairment. If any credit impairment exists, an allowance for losses must be established for the amount of the unrealized loss that is determined to be credit-related.

Adoption of the standard had a material impact on how we record and report our financial condition and results of operations, and on regulatory capital. The following table illustrates the impact of the cumulative effect adjustment made upon adoption of CECL on January 1, 2020:

(Dollars in thousands, unless otherwise noted)

1. Significant Accounting Policies (Continued)

	January 1, 2020		
	As reported under CECL	Pre-CECL Adoption	Impact of CECL Adoption
Assets:			
Allowance for credit losses:			
Private Education Loans	$ 1,435,130	$ 374,300	$ 1,060,830
FFELP Loans	4,485	1,633	2,852
Personal Loans	145,060	65,877	79,183
Credit Cards	290	102	188
Total	$ 1,584,965	$ 441,912	$ 1,143,053
Deferred tax asset	$ 415,540	$ 109,369	$ 306,171
Liabilities:			
Allowance for credit losses:			
Off-balance sheet exposures	$ 118,239	$ 2,481	$ 115,758
Equity:			
Retained Earnings	$ 897,873	$ 1,850,512	$ (952,639)

This transition adjustment is inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

We also elected to use the relief offered in the final rule recently issued by the Federal Deposit Insurance Corporation (the “FDIC”) and other federal banking agencies that provides those banking organizations adopting CECL in the 2020 calendar year with the option 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. We have elected to use this option. Under this final rule, because we have elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, from January 1, 2020 through the end of the two-year deferral period, 25 percent of the ongoing impact of CECL on our allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts (“adjusted transition amounts”) and deferred for the two-year period. At the conclusion of the two-year period (i.e., beginning January 1, 2022), 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. For additional information, see Note 12, “Regulatory Capital.”

Sale of Upromise

On May 31, 2020, we sold our Upromise Inc. (“Upromise”) subsidiary to a third-party, which resulted in a gain of $11 million, recorded in “other income” on the consolidated statements of income for the nine months ended September 30, 2020.

1. Significant Accounting Policies (Continued)

Restructuring Activities

During the third quarter of 2020, we initiated a restructuring program to reduce costs and improve operating efficiencies by better aligning our organizational structure with our new corporate strategic initiatives. In conjunction with these restructuring plans, involuntary benefit arrangements, and certain other costs that are incremental and incurred as a direct result of our restructuring plan, are classified as restructuring expenses in the accompanying consolidated statements of income. Restructuring expenses of $24 million were recorded in the three and nine months ended September 30, 2020. Of that total, $20 million related to severance benefits and $4 million related to other related costs, primarily legal and consulting fees. There were no restructuring expenses recorded in the three or nine months ended September 30, 2019.

We sponsor employee severance plans that provide severance benefits in the event of termination of our full-time employees and part-time employees who work at least 24 hours per week. The severance plans establish specified benefits based on base salary, job level immediately preceding termination, and years of service upon termination of employment due to involuntary termination or a job abolishment, as defined in the severance plans. The benefits payable under the severance plans relate to past service. Accordingly, we recognize severance costs to be paid pursuant to the severance plans when payment of such benefits is probable and reasonably estimable. Such benefits, including severance pay calculated based on the severance plan, medical and dental benefits, outplacement services and continuation pay, have been incurred during the three and nine months ended September 30, 2020, as a direct result of our restructuring initiative. Accordingly, such costs are classified as restructuring expenses in the accompanying consolidated statements of income.

We are currently finalizing this restructuring plan and while we expect to record additional restructuring expenses in the fourth quarter of 2020, we expect those amounts to be immaterial. The majority of these restructuring expenses incurred through September 30, 2020 and expected to be incurred in future periods are severance costs related to the elimination of approximately 165 positions, or approximately 9 percent of the workforce that existed as of December 31, 2019.

(Dollars in thousands, unless otherwise noted)

2. Investments

Trading Investments

In March 2020, we sold approximately $1.7 billion of Private Education Loans through securitization transactions where we were required to retain a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitizations). We classified those vertical risk retention interests related to the transactions as available-for-sale investments, except for the interest in the residual classes, which we classified as trading investments recorded at fair value with changes recorded through earnings. At September 30, 2020, we had $15 million classified as trading investments.

Available-for-Sale Investments

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

	September 30, 2020				
	Amortized Cost	Allowance for credit losses[1]	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	$ 308,757	$ —	$ 5,670	$ (100)	$ 314,327
Utah Housing Corporation bonds	12,357	—	170	—	12,527
U.S. government-sponsored enterprises and Treasuries	1,687,856	—	3,688	(10)	1,691,534
Other securities	72,266	—	396	(343)	72,319
Total	$ 2,081,236	$ —	$ 9,924	$ (453)	$ 2,090,707

	December 31, 2019				
	Amortized Cost	Allowance for credit losses[1]	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	$ 215,888	$ —	$ 1,895	$ (658)	$ 217,125
Utah Housing Corporation bonds	19,474	—	145	(83)	19,536
U.S. government-sponsored enterprises	250,394	—	635	(21)	251,008
Total	$ 485,756	$ —	$ 2,675	$ (762)	$ 487,669

[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.

(Dollars in thousands, unless otherwise noted)

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:

	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, 2020:						
Mortgage-backed securities	$ (100)	$ 26,026	$ —	$ —	$ (100)	$ 26,026
Utah Housing Corporation bonds	—	—	—	—	—	—
U.S. government-sponsored enterprises and Treasuries	(10)	76,010	—	—	(10)	76,010
Other securities	(343)	33,918	—	—	(343)	33,918
Total	$ (453)	$ 135,954	$ —	$ —	$ (453)	$ 135,954
As of December 31, 2019:						
Mortgage-backed securities	$ (218)	$ 25,624	$ (440)	$ 42,448	$ (658)	$ 68,072
Utah Housing Corporation bonds	—	—	(83)	11,097	(83)	11,097
U.S. government-sponsored enterprises	(21)	14,977	—	—	(21)	14,977
Total	$ (239)	$ 40,601	$ (523)	$ 53,545	$ (762)	$ 94,146

For available-for-sale debt 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 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, with amortized costs of $38 million, $93 million, and $178 million, respectively, at September 30, 2020. We own these securities to meet our requirements under the Community Reinvestment Act ("CRA"). As of September 30, 2020, three of the separate mortgage-backed securities in our investment portfolio had unrealized losses. Approximately 33 percent of our mortgage-backed securities were issued under Ginnie Mae programs that carry a full faith and credit guarantee from the U.S. Government. The remaining securities in our portfolio carry a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively. We have the ability and the intent to hold each of these securities for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. As of December 31, 2019, 33 of the 107 separate mortgage-backed securities in our investment portfolio had unrealized losses, and 18 of the 33 securities in a net loss position were issued under Ginnie Mae programs that carry a full faith and credit guarantee from the U.S. Government. The remainder carried a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively.

(Dollars in thousands, unless otherwise noted)

2. Investments (Continued)

We also invest in Utah Housing Corporation bonds for the purpose of complying with the CRA. As of September 30, 2020, none of the three separate bonds was in a net loss position. These bonds are rated Aa3 by Moody's Investors Service, and the majority of the underlying assets are insured by the Federal Housing Administration or the Department of Veterans Affairs. Based on this qualitative analysis, we have determined that no credit impairment exists.

We also invest in U.S. government-sponsored enterprise securities issued by the Federal Home Loan Bank, Freddie Mac, and the Federal Farm Credit Bank. As of September 30, 2020, two of the 32 securities had unrealized losses. 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. These bonds are rated AA+ by Moody's Investors Service. Based on this qualitative analysis, we have determined that no credit impairment exists.

In March 2020, we sold approximately $1.7 billion of Private Education Loans through a securitization transaction where we were required to retain a 5 percent vertical risk retention interest. We classify the non-residual vertical retention interests as available-for-sale investments. As of September 30, 2020, eight out of 10 of these investments had unrealized losses. 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.

As of September 30, 2020, 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.

Year of Maturity	Amortized Cost	Estimated Fair Value
2020	$ 214,950	$ 214,970
2021	454,287	455,932
2022	878,920	880,483
2023	139,699	140,147
2038	172	195
2039	2,058	2,271
2042	5,738	5,750
2043	9,572	10,027
2044	12,993	13,540
2045	12,176	12,611
2046	19,044	19,485
2047	28,940	29,448
2048	6,907	7,209
2049	56,060	58,279
2050	167,454	168,041
2054	72,266	72,319
Total	$ 2,081,236	$ 2,090,707

Some mortgage-backed and U.S. government 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 $748 million and $252 million par value of securities pledged to this borrowing facility at September 30, 2020 and December 31, 2019, respectively, as discussed further in Note 6, "Borrowings."

2. Investments (Continued)

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. In the third quarter of 2019, we funded an additional investment in an issuer whose equity securities we purchased in the past. We used the valuation associated with the more recent securities investment to adjust the valuation of our previous investments and, as a result, recorded a gain of $8 million in the third quarter of 2019 on our earlier equity securities investments. As of September 30, 2020 and December 31, 2019, our total investment in the securities of this issuer was $26 million and $26 million, respectively.

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. Total carrying value of the LIHTC investments was $55 million at September 30, 2020 and $58 million at December 31, 2019. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was $22 million at September 30, 2020 and $29 million at December 31, 2019.

Related to these investments, we recognized tax credits and other tax benefits through tax expense of $1 million at September 30, 2020 and $6 million at December 31, 2019. 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, Personal 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 cash-back Credit Cards with bonus rewards. We use “Personal Loans” to mean those unsecured loans to individuals that may be used for non-educational purposes.

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. As of September 30, 2020 and December 31, 2019, 54 percent and 58 percent, respectively, of all of our Private Education Loans were indexed to LIBOR. 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 quarter of 2020, we recognized a $239 million gain from the sale of approximately $3.1 billion of our Private Education Loans, including $2.9 billion of principal, $199 million in capitalized interest, and $12 million in accrued interest, to unaffiliated third parties. There were VIEs created in the execution of certain of these loan sales; however, based on our

(Dollars in thousands, unless otherwise noted)

3. Loans Held for Investment (Continued)

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.

In the third quarter of 2020, we sold our entire Personal Loan portfolio, including $697 million of principal and $7 million in accrued interest, which resulted in a $43 million reduction to our provision for credit losses.

Loans held for investment are summarized as follows:

	September 30, 2020	December 31, 2019
Private Education Loans:		
Fixed-rate	$ 10,353,809	$ 9,830,301
Variable-rate	12,260,518	13,359,290
Total Private Education Loans, gross	22,614,327	23,189,591
Deferred origination costs and unamortized premium/(discount)	70,406	81,224
Allowance for credit losses	(1,728,811)	(374,300)
Total Private Education Loans, net	20,955,922	22,896,515
FFELP Loans	745,556	783,306
Deferred origination costs and unamortized premium/(discount)	2,027	2,143
Allowance for credit losses	(4,363)	(1,633)
Total FFELP Loans, net	743,220	783,816
Personal Loans (fixed-rate)	—	1,049,007
Deferred origination costs and unamortized premium/(discount)	—	513
Allowance for credit losses	—	(65,877)
Total Personal Loans, net	—	983,643
Credit Cards (fixed-rate)	11,540	3,884
Deferred origination costs and unamortized premium/(discount)	474	36
Allowance for credit losses	(1,385)	(102)
Total Credit Cards, net	10,629	3,818
Loans held for investment, net	$ 21,709,771	$ 24,667,792

The estimated weighted average life of education loans in our portfolio was approximately 5.4 years at both September 30, 2020 and December 31, 2019, respectively.

(Dollars in thousands, unless otherwise noted)

3. Loans Held for Investment (Continued)

The average balance and the respective weighted average interest rates of loans in our portfolio are summarized as follows:

	Three Months Ended September 30,			
	2020		2019	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 21,937,758	8.24 %	$ 22,202,420	9.30 %
FFELP Loans	750,925	3.46	806,865	4.54
Personal Loans	527,204	12.86	1,132,185	12.16
Total portfolio	$ 23,215,887		$ 24,141,470	

	Nine Months Ended September 30,			
	2020		2019	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 22,342,353	8.48 %	$ 21,896,218	9.40 %
FFELP Loans	762,863	3.86	821,870	4.83
Personal Loans	778,153	12.43	1,152,471	11.99
Total portfolio	$ 23,883,369		$ 23,870,559	

Certain Collection Tools - Private Education Loans

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loan. 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. Forbearance is granted prospectively for borrowers who are current in their payments and may be granted retroactively for certain delinquent borrowers.

Forbearance allows a borrower to temporarily not make scheduled payments or to make smaller than scheduled payments, in each case for a specified period of time. Using forbearance extends the original term of the loan by the term of forbearance taken. Forbearance does not grant any reduction in the total principal or interest repayment obligation. While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status (except as described below in the case of disaster forbearance).

3. Loans Held for Investment (Continued)

We grant forbearance through our servicing centers to borrowers who are current in their payments and through our collections centers to certain borrowers who are delinquent. Our forbearance policies and practices vary depending upon whether a borrower is current or delinquent at the time forbearance is requested, generally with stricter payment requirements for delinquent borrowers. We view the population of borrowers that use forbearance positively because the borrowers are either proactively reaching out to us to obtain assistance in managing their obligations or are working with our collections center to bring their loans current.

Forbearance may be granted through our servicing centers to customers who are exiting their grace period, which generally is the six-month period after the borrower separates from school and during which the borrower is not required to make full principal and interest payments, and to other customers who are current in their payments, to provide temporary payment relief. In these circumstances, a customer’s loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of the forbearance period, the customer will enter repayment status as current and is expected to begin making scheduled monthly payments. Currently, we generally grant forbearance in our servicing centers if a borrower who is current requests it for increments of up to three months at a time, for up to 12 months.

Forbearance may also be granted through our collections centers to customers who are delinquent in their payments. If specific payment requirements are met, the forbearance can cure the delinquency and the customer is returned to a current repayment status. Forbearance as a collection tool is used most effectively when applying historical experience and our judgment to a customer’s unique situation. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer’s ability and willingness to repay their obligation. This strategy is aimed at assisting customers while mitigating the risks of delinquency and default as well as encouraging resolution of delinquent loans. In all instances, we require one or more payments before granting forbearance to delinquent borrowers.

The COVID-19 pandemic is having far reaching, negative impacts on individuals, businesses, and, consequently, the overall economy. Specifically, COVID-19 has materially disrupted business operations throughout the country, resulting in significantly higher levels of unemployment or underemployment. As a result, we expect many of our individual customers will experience financial hardship, making it difficult, if not impossible, to meet their payment obligations to us without temporary assistance. We are monitoring key metrics as early warning indicators of financial hardship, including changes in weekly unemployment claims, enrollment in auto-debit payments, requests for new forbearances, enrollment in hardship payment plans, and early delinquency metrics.

As a result of the negative impact on employment from COVID-19, our customers are experiencing higher levels of financial hardship, which have led to higher levels of forbearance. We expect such higher levels of financial hardship to lead to higher levels of delinquencies and defaults in the future, as borrowers who had received disaster forbearance from us re-enter repayment status. We expect that, left unabated, this deterioration in forbearance, delinquency, and default rates will persist until such time as the economy and employment return to relatively normal levels.

We assist customers with an array of payment programs during periods of financial hardship as standard operating convention, including: forbearance, which defers payments during a short-term hardship; our Graduated Repayment Plan (“GRP”), which is an interest-only payment for 12 months; or a loan modification that, in the event of long-term hardship, reduces the interest rate on a loan to 4 percent for 24 months and/or permanently extends the maturity date of the loan. Historically, we have utilized disaster forbearance for material events, including hurricanes, wildfires, and floods. Disaster forbearance defers payments for as much as 90 days upon enrollment. We have invoked this same disaster forbearance program to assist our customers through COVID-19 and offer this program across our operations, including through mobile app and self-service channels such as chat and interactive voice response (“IVR”). Customers who receive a disaster forbearance will not progress in delinquency and will not be assessed late fees or other fees. During a disaster forbearance, a customer’s credit file will continue to reflect the status of the loan as it was immediately prior to granting the disaster forbearance. During the period of the disaster forbearance, interest will continue to accrue, but is not capitalized to the loan balance after the loan returns to repayment status. The first wave of disaster forbearance was granted primarily in 90-day increments. As these forbearances ended, we reduced the disaster forbearance to one-month increments and implemented additional discussions between our servicing agents and borrowers to encourage borrowers/cosigners to enter repayment. If the financial hardship extends beyond 90 days, additional assistance will be available for eligible customers. For example, for borrowers exiting disaster forbearance and not eligible for GRP, we may allow them to make interest only payments for 12 months before reverting to full principal and interest payments.

Management continually monitors our credit administration practices and may periodically modify these practices based upon performance, industry conventions, and/or regulatory feedback. In light of these considerations, we previously announced that we plan to implement certain changes to our credit administration practices in the future. As discussed below, however, we have postponed until the fourth quarter of 2020 the implementation of the announced credit administration practices changes due to the COVID-19 pandemic.

Specifically, we previously announced that we plan to revise our credit administration practices limiting the number of forbearance months granted consecutively and the number of times certain extended or reduced repayment alternatives may be granted. For example, we currently grant forbearance to borrowers without requiring any period of prior principal and interest payments, meaning that, if a borrower satisfies all eligibility requirements, forbearance increments may be granted consecutively. We previously announced that, beginning in the second quarter of 2020, we would phase in a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. We announced this required period will not apply, however, to forbearances granted during the first six months following a borrower’s grace period and will not be required for a borrower to receive a contractual interest rate reduction. In addition, we announced we would limit the participation of delinquent borrowers in certain short-term extended or interest-only repayment alternatives to once in 12 months and twice in five years.

As previously announced, prior to full implementation of the credit administration practices changes described above, management will conduct a controlled testing program on randomly selected borrowers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. The testing commenced in October 2019 for some of the planned changes on a very small percentage of our total portfolio and we originally expected to expand the number of borrowers in repayment who would be subject to the new credit administration practices. However, due to the COVID-19 pandemic, we postponed our efforts so that we can be more flexible in dealing with our customers’ financial hardship. In October 2020, we began to roll out in a methodical approach the implementation of the credit administration practices changes and related testing. Management now expects to have completed implementation of the planned credit administration practices changes by year-end 2022. However, we may modify or delay the contemplated practice changes, the proposed timeline, or the method of implementation as we learn more about the impacts of the program on our customers.

We also offer rate and term modifications to customers experiencing more severe hardship. Currently, we temporarily reduce the contractual interest rate on a loan to 4.0 percent (previously, to 2.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. As part of demonstrating the ability and willingness to pay, the customer must make three consecutive monthly payments at the reduced payment to qualify for the program. The combination of the rate reduction and maturity extension 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. At September 30, 2020 and December 31, 2019, 8.8 percent and 7.2 percent, respectively, of our loans then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program. We currently have no plans to change the basic elements of the rate and term modifications we offer to our customers experiencing more severe hardship.

While there are limitations to our estimate of the future impact of the credit administration practices changes described above, absent the effect of any mitigating measures, and based on an analysis of borrower behavior under our current credit administration practices, which may not be indicative of how borrowers will behave under revised credit administration practices, we expect that the credit administration practices changes described above will accelerate defaults and could increase

3. Loans Held for Investment (Continued)

life of loan defaults in our Private Education Loan portfolio by approximately 4 percent to 14 percent. Among the measures that we are planning to implement and expect may partly offset or moderate any acceleration of or increase in defaults will be greater focus on the risk assessment process to ensure borrowers are mapped to the appropriate program, better utilization of existing programs (e.g., GRP and rate modifications), and the introduction of a new program offering short-term payment reductions (permitting interest-only payments for up to six months) for certain early stage delinquencies.

The full impact of these changes to our collections practices described above may only be realized over the longer term, however. In particular, when we calculate the allowance for credit losses under CECL, which became effective on January 1, 2020, our loan loss reserves increased materially because we expect the life of loan defaults on our overall Private Education Loan portfolio to increase, in part as a result of the planned changes to our credit administration practices. As we progress with the controlled testing program of the planned changes to our credit administration practices, we expect to learn more about how our borrowers are reacting to these changes and, as we analyze such reactions, we will continue to refine our estimates of the impact of those changes on our allowance for credit losses.

4. 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 expected losses incurred in the loan portfolios. See Note 1, “Significant Accounting Policies — Allowance for Credit Losses — Allowance for Private Education Loan Losses, — Allowance for Personal Loans, — Allowance for FFELP Loan Losses, and — Allowance for Credit Card Loans” in this Form 10-Q for additional details.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

Allowance for Credit Losses Metrics

	Allowance for Credit Losses				
	Three Months Ended September 30, 2020				
	FFELP Loans	Private Education Loans	Personal Loans	Credit Cards	Total
Allowance for Credit Losses					
Beginning balance	$ 4,385	$ 1,760,559	$ 163,337	$ 1,042	$ 1,929,323
Transfer from unfunded commitment liability[1]	—	100,470	—	—	100,470
Provisions:					
Provision for current period	67	(81,710)	(8,762)	391	(90,014)
Loan sale reduction to provision	—	—	(42,916)	—	(42,916)
Total provision[2]	67	(81,710)	(51,678)	391	(132,930)
Net charge-offs:					
Charge-offs	(89)	(55,298)	(5,231)	(48)	(60,666)
Recoveries	—	4,790	2,106	—	6,896
Net charge-offs	(89)	(50,508)	(3,125)	(48)	(53,770)
Loan sales	—	—	(108,534)	—	(108,534)
Ending Balance	$ 4,363	$ 1,728,811	$ —	$ 1,385	$ 1,734,559
Allowance:					
Ending balance: individually evaluated for impairment	$ —	$ 138,663	$ —	$ —	$ 138,663
Ending balance: collectively evaluated for impairment	$ 4,363	$ 1,590,148	$ —	$ 1,385	$ 1,595,896
Loans:					
Ending balance: individually evaluated for impairment	$ —	$ 1,495,161	$ —	$ —	$ 1,495,161
Ending balance: collectively evaluated for impairment	$ 745,556	$ 21,119,166	$ —	$ 11,540	$ 21,876,262
Net charge-offs as a percentage of average loans in repayment (annualized)[3]	0.07 %	1.33 %	— %	1.73 %	
Allowance as a percentage of the ending total loan balance	0.59 %	7.64 %	— %	12.00 %	
Allowance as a percentage of the ending loans in repayment[3]	0.77 %	10.91 %	— %	12.00 %	
Allowance coverage of net charge-offs (annualized)	12.26	8.56	—	7.21	
Ending total loans, gross	$ 745,556	$ 22,614,327	$ —	$ 11,540	
Average loans in repayment[3]	$ 510,809	$ 15,182,703	$ —	$ 11,103	
Ending loans in repayment[3]	$ 564,442	$ 15,853,309	$ —	$ 11,540	

[1] See Note 5, “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 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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

	Three Months Ended September 30, 2020
Private Education Loan provision for credit losses:	
Provision for loan losses	$ (81,710)
Provision for unfunded commitments	129,290
Total Private Education Loan provision for credit losses	47,580
Other impacts to the provision for credit losses:	
Personal Loans	(51,678)
FFELP Loans	67
Credit Cards	391
Total	(51,220)
Provisions for credit losses reported in consolidated statements of income	$ (3,640)

(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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

	Allowance for Credit Losses			
	Three Months Ended September 30, 2019			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Credit Losses				
Beginning balance	$ 1,734	$ 307,968	$ 74,295	$ 383,997
Total provision	158	84,110	14,046	98,314
Net charge-offs:				
Charge-offs	(203)	(56,398)	(19,626)	(76,227)
Recoveries	—	6,864	1,458	8,322
Net charge-offs	(203)	(49,534)	(18,168)	(67,905)
Ending Balance	$ 1,689	$ 342,544	$ 70,173	$ 414,406
Allowance:				
Ending balance: individually evaluated for impairment	$ —	$ 171,884	$ —	$ 171,884
Ending balance: collectively evaluated for impairment	$ 1,689	$ 170,660	$ 70,173	$ 242,522
Loans:				
Ending balance: individually evaluated for impairment	$ —	$ 1,474,819	$ —	$ 1,474,819
Ending balance: collectively evaluated for impairment	$ 798,168	$ 21,645,350	$ 1,131,833	$ 23,575,351
Net charge-offs as a percentage of average loans in repayment (annualized)(1)	0.13 %	1.27 %	6.42 %	
Allowance as a percentage of the ending total loan balance	0.21 %	1.48 %	6.20 %	
Allowance as a percentage of the ending loans in repayment(1)	0.27 %	2.13 %	6.20 %	
Allowance coverage of net charge-offs (annualized)	2.08	1.73	0.97	
Ending total loans, gross	$ 798,168	$ 23,120,169	$ 1,131,833	
Average loans in repayment(1)	$ 621,706	$ 15,632,028	$ 1,131,965	
Ending loans in repayment(1)	$ 631,626	$ 16,072,979	$ 1,131,833	

(1) 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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

	Allowance for Credit Losses				
	Nine Months Ended September 30, 2020				
	FFELP Loans	Private Education Loans	Personal Loans	Credit Cards	Total
Allowance for Credit Losses					
Beginning balance	$ 1,633	$ 374,300	$ 65,877	$ 102	$ 441,912
Day 1 adjustment for the adoption of CECL	2,852	1,060,830	79,183	188	1,143,053
Transfer from unfunded commitment liability[1]	—	279,555	—	—	279,555
Provisions:					
Provision for current period	277	296,167	40,485	1,191	338,120
Loan sale reduction to provision	—	(161,793)	(42,916)	—	(204,709)
Total provision[2]	277	134,374	(2,431)	1,191	133,411
Net charge-offs:					
Charge-offs	(399)	(138,546)	(39,079)	(96)	(178,120)
Recoveries	—	18,298	4,984	—	23,282
Net charge-offs	(399)	(120,248)	(34,095)	(96)	(154,838)
Loan sales	—	—	(108,534)	—	(108,534)
Ending Balance	$ 4,363	$ 1,728,811	$ —	$ 1,385	$ 1,734,559
Allowance:					
Ending balance: individually evaluated for impairment	$ —	$ 138,663	$ —	$ —	$ 138,663
Ending balance: collectively evaluated for impairment	$ 4,363	$ 1,590,148	$ —	$ 1,385	$ 1,595,896
Loans:					
Ending balance: individually evaluated for impairment	$ —	$ 1,495,161	$ —	$ —	$ 1,495,161
Ending balance: collectively evaluated for impairment	$ 745,556	$ 21,119,166	$ —	$ 11,540	$ 21,876,262
Net charge-offs as a percentage of average loans in repayment (annualized)[3]	0.10 %	1.05 %	— %	1.51 %	
Allowance as a percentage of the ending total loan balance	0.59 %	7.64 %	— %	12.00 %	
Allowance as a percentage of the ending loans in repayment[3]	0.77 %	10.91 %	— %	12.00 %	
Allowance coverage of net charge-offs (annualized)	8.20	10.78	—	10.82	
Ending total loans, gross	$ 745,556	$ 22,614,327	$ —	$ 11,540	
Average loans in repayment[3]	$ 546,443	$ 15,336,253	$ —	$ 8,499	
Ending loans in repayment[3]	$ 564,442	$ 15,853,309	$ —	$ 11,540	

[1] See Note 5, "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 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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

	Nine Months Ended September 30, 2020
Private Education Loan provision for credit losses:	
Provision for loan losses	$ 134,374
Provision for unfunded commitments	276,094
Total Private Education Loan provision for credit losses	410,468
Other impacts to the provision for credit losses:	
Personal Loans	(2,431)
FFELP Loans	277
Credit Cards	1,191
Total	(963)
Provisions for credit losses reported in consolidated statements of income	$ 409,505

(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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

	Allowance for Credit Losses			
	Nine Months Ended September 30, 2019			
	FFELP Loans	Private Education Loans	Personal Loans	Total
Allowance for Credit Losses				
Beginning balance	$ 977	$ 277,943	$ 62,201	$ 341,121
Total provision	1,320	197,289	58,280	256,889
Net charge-offs:				
Charge-offs	(608)	(151,357)	(53,951)	(205,916)
Recoveries	—	18,669	3,643	22,312
Net charge-offs	(608)	(132,688)	(50,308)	(183,604)
Ending Balance	$ 1,689	$ 342,544	$ 70,173	$ 414,406
Allowance:				
Ending balance: individually evaluated for impairment	$ —	$ 171,884	$ —	$ 171,884
Ending balance: collectively evaluated for impairment	$ 1,689	$ 170,660	$ 70,173	$ 242,522
Loans:				
Ending balance: individually evaluated for impairment	$ —	$ 1,474,819	$ —	$ 1,474,819
Ending balance: collectively evaluated for impairment	$ 798,168	$ 21,645,350	$ 1,131,833	$ 23,575,351
Net charge-offs as a percentage of average loans in repayment (annualized)[1]	0.13 %	1.15 %	5.82 %	
Allowance as a percentage of the ending total loan balance	0.21 %	1.48 %	6.20 %	
Allowance as a percentage of the ending loans in repayment[1]	0.27 %	2.13 %	6.20 %	
Allowance coverage of net charge-offs (annualized)	2.08	1.94	1.05	
Ending total loans, gross	$ 798,168	$ 23,120,169	$ 1,131,833	
Average loans in repayment[1]	$ 636,538	$ 15,351,188	$ 1,152,555	
Ending loans in repayment[1]	$ 631,626	$ 16,072,979	$ 1,131,833	

[1] 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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

Troubled Debt Restructurings ("TDRs")

All of our loans are collectively assessed for impairment, except for loans classified as TDRs (where we conduct individual assessments of impairment). We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loan. 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 to 4.0 percent (previously, to 2.0 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. At September 30, 2020 and September 30, 2019, 8.8 percent and 8.0 percent, respectively, of our loans then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program.

Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. As of September 30, 2020 and December 31, 2019, approximately 47 percent and 50 percent, respectively, of TDRs were classified as such due to their forbearance status. For additional information, see Note 2, "Significant Accounting Policies —Allowance for Loan Losses — Troubled Debt Restructurings," and Note 6, "Allowance for Loan Losses" in our 2019 Form 10-K.

Within the Private Education Loan portfolio, loans greater than 90 days past due are 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.

At September 30, 2020 and December 31, 2019, all of our TDR loans had a related allowance recorded. The following table provides the recorded investment, unpaid principal balance and related allowance for our TDR loans.

	Recorded Investment	Unpaid Principal Balance	Allowance
September 30, 2020			
TDR Loans	$ 1,537,499	$ 1,495,161	$ 138,663
December 31, 2019			
TDR Loans	$ 1,612,896	$ 1,581,966	$ 186,697

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

The following table provides the average recorded investment and interest income recognized for our TDR loans.

	Three Months Ended September 30,			
	2020		2019	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 1,554,741	$ 24,972	$ 1,467,098	$ 24,639

	Nine Months Ended September 30,			
	2020		2019	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 1,579,640	$ 75,530	$ 1,391,167	$ 69,159

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

The following table provides information regarding the loan status and aging of TDR loans.

	September 30, 2020		December 31, 2019	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment[1]	$ 96,489		$ 87,749	
TDR loans in forbearance[2] and percentage of each status:				
TDR loans in forbearance - current[2]	102,973	99.9 %	99,054	100.0 %
TDR loans in forbearance - delinquent 31-60 days[2][4]	139	0.1	—	—
TDR loans in forbearance - delinquent 61-90 days[2][4]	—	—	—	—
TDR loans in forbearance - delinquent greater than 90 days[2][4]	—	—	—	—
Total TDR loans in forbearance[2]	103,112	100.0 %	99,054	100.0 %
TDR loans in repayment[3] and percentage of each status:				
Loans current	1,139,598	87.9 %	1,230,954	88.2 %
Loans delinquent 31-60 days[4]	70,790	5.5	85,555	6.1
Loans delinquent 61-90 days[4]	51,537	4.0	49,626	3.6
Loans delinquent greater than 90 days[4]	33,635	2.6	29,028	2.1
Total TDR loans in repayment[3]	1,295,560	100.0 %	1,395,163	100.0 %
Total TDR loans, gross	$ 1,495,161		$ 1,581,966	

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(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) 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).

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

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

The following table provides the amount of modified loans (which include forbearance and reductions in interest rates) that became TDRs in the periods presented. Additionally, for the periods presented, the table summarizes charge-offs occurring in the TDR portfolio, as well as TDRs for which a payment default occurred in the relevant period presented and within 12 months of the loan first being designated as a TDR. We define payment default as 60 days past due for this disclosure.

	Three Months Ended September 30, 2020			Three Months Ended September 30, 2019		
	Modified Loans[(1)]	Charge-offs	Payment-Default	Modified Loans[(1)]	Charge-offs	Payment-Default
TDR Loans	$ 30,990	$ 20,033	$ 19,788	$ 115,195	$ 21,092	$ 29,258

	Nine Months Ended September 30, 2020			Nine Months Ended September 30, 2019		
	Modified Loans[(1)]	Charge-offs	Payment-Default	Modified Loans[(1)]	Charge-offs	Payment-Default
TDR Loans	$ 200,471	$ 48,031	$ 68,790	$ 357,676	$ 54,173	$ 84,409

(1) Represents the principal balance of loans that have been modified during the period and resulted in a TDR.

Private Education Loan 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, by year of origination, stratified by key credit quality indicators.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

	Private Education Loans Credit Quality Indicators							
	September 30, 2020							
Year of Origination	**2020[1]**	**2019[1]**	**2018[1]**	**2017[1]**	**2016[1]**	**2015 and Prior[1]**	**Total[1]**	**% of Balance**
Cosigners:								
With cosigner	$ 2,583,111	$ 4,444,417	$ 3,156,414	$ 2,695,281	$ 2,338,980	$ 4,833,371	$ 20,051,574	89 %
Without cosigner	445,546	651,283	448,682	323,888	246,098	447,256	2,562,753	11
Total	$ 3,028,657	$ 5,095,700	$ 3,605,096	$ 3,019,169	$ 2,585,078	$ 5,280,627	$ 22,614,327	100 %
FICO at Origination[2]:								
Less than 670	$ 177,986	$ 361,387	$ 267,945	$ 228,293	$ 187,659	$ 414,785	$ 1,638,055	7 %
670-699	411,825	751,145	537,957	478,944	410,372	883,813	3,474,056	15
700-749	975,514	1,661,005	1,183,935	1,004,662	871,989	1,767,363	7,464,468	33
Greater than or equal to 750	1,463,332	2,322,163	1,615,259	1,307,270	1,115,058	2,214,666	10,037,748	45
Total	$ 3,028,657	$ 5,095,700	$ 3,605,096	$ 3,019,169	$ 2,585,078	$ 5,280,627	$ 22,614,327	100 %
FICO Refreshed[2][3]:								
Less than 670	$ 217,218	$ 395,572	$ 344,242	$ 336,857	$ 332,360	$ 837,360	$ 2,463,609	11 %
670-699	397,492	642,016	426,549	338,010	276,258	578,132	2,658,457	12
700-749	963,875	1,598,763	1,081,419	883,872	723,213	1,413,526	6,664,668	29
Greater than or equal to 750	1,450,072	2,459,349	1,752,886	1,460,430	1,253,247	2,451,609	10,827,593	48
Total	$ 3,028,657	$ 5,095,700	$ 3,605,096	$ 3,019,169	$ 2,585,078	$ 5,280,627	$ 22,614,327	100 %
Seasoning[4]:								
1-12 payments	$ 1,772,006	$ 2,163,584	$ 479,231	$ 482,319	$ 409,027	$ 603,765	$ 5,909,932	26 %
13-24 payments	21	968,742	1,437,060	261,628	247,112	502,320	3,416,883	15
25-36 payments	—	—	631,736	1,150,053	225,369	502,923	2,510,081	11
37-48 payments	—	—	—	403,088	941,217	482,116	1,826,421	8
More than 48 payments	—	—	—	—	304,878	2,590,571	2,895,449	13
Not yet in repayment	1,256,630	1,963,374	1,057,069	722,081	457,475	598,932	6,055,561	27
Total	$ 3,028,657	$ 5,095,700	$ 3,605,096	$ 3,019,169	$ 2,585,078	$ 5,280,627	$ 22,614,327	100 %
Current period[5] gross charge-offs	$ (458)	$ (6,040)	$ (18,124)	$ (25,359)	$ (24,979)	$ (63,586)	$ (138,546)	
Current period[5] recoveries	5	381	1,672	2,778	3,277	10,185	18,298	
Current period[5] net charge-offs	$ (453)	$ (5,659)	$ (16,452)	$ (22,581)	$ (21,702)	$ (53,401)	$ (120,248)	
Total accrued interest by origination vintage	$ 54,276	$ 308,207	$ 325,240	$ 289,104	$ 209,478	$ 267,871	$ 1,454,176	

(1) Balance represents gross Private Education Loans.
(2) Represents the higher credit score of the cosigner or the borrower.
(3) Represents the FICO score updated as of the third-quarter 2020.
(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, 2020 through September 30, 2020.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

	Private Education Loans Credit Quality Indicators							
	December 31, 2019							
Year of Origination	**2019[1]**	**2018[1]**	**2017[1]**	**2016[1]**	**2015[1]**	**2014 and Prior[1]**	**Total[1]**	**% of Balance**
Cosigners:								
With cosigner	$ 3,475,256	$ 4,303,772	$ 3,575,973	$ 3,112,873	$ 2,579,214	$ 3,662,547	$ 20,709,635	89 %
Without cosigner	571,792	584,601	427,512	320,985	241,958	333,108	2,479,956	11
Total	$ 4,047,048	$ 4,888,373	$ 4,003,485	$ 3,433,858	$ 2,821,172	$ 3,995,655	$ 23,189,591	100 %
FICO at Origination[2]:								
Less than 670	$ 283,040	$ 343,613	$ 285,747	$ 236,457	$ 203,145	$ 313,587	$ 1,665,589	7 %
670-699	592,376	714,779	617,676	529,575	439,050	676,569	3,570,025	16
700-749	1,319,563	1,601,904	1,325,387	1,155,253	944,135	1,324,506	7,670,748	33
Greater than or equal to 750	1,852,069	2,228,077	1,774,675	1,512,573	1,234,842	1,680,993	10,283,229	44
Total	$ 4,047,048	$ 4,888,373	$ 4,003,485	$ 3,433,858	$ 2,821,172	$ 3,995,655	$ 23,189,591	100 %
FICO Refreshed[2][3]:								
Less than 670	$ 401,979	$ 515,901	$ 475,007	$ 449,568	$ 419,308	$ 717,674	$ 2,979,437	13 %
670-699	582,256	645,422	497,497	397,889	308,607	451,451	2,883,122	13
700-749	1,284,867	1,506,849	1,199,564	994,309	772,205	1,048,808	6,806,602	29
Greater than or equal to 750	1,777,946	2,220,201	1,831,417	1,592,092	1,321,052	1,777,722	10,520,430	45
Total	$ 4,047,048	$ 4,888,373	$ 4,003,485	$ 3,433,858	$ 2,821,172	$ 3,995,655	$ 23,189,591	100 %
Seasoning[4]:								
1-12 payments	$ 2,376,404	$ 719,158	$ 705,181	$ 617,174	$ 462,946	$ 470,839	$ 5,351,702	23 %
13-24 payments	—	2,588,702	424,953	305,078	285,513	399,905	4,004,151	17
25-36 payments	—	—	1,862,587	418,048	227,391	394,339	2,902,365	12
37-48 payments	—	—	—	1,457,760	413,508	342,676	2,213,944	10
More than 48 payments	—	—	—	—	1,056,229	1,973,795	3,030,024	13
Not yet in repayment	1,670,644	1,580,513	1,010,764	635,798	375,585	414,101	5,687,405	25
Total	$ 4,047,048	$ 4,888,373	$ 4,003,485	$ 3,433,858	$ 2,821,172	$ 3,995,655	$ 23,189,591	100 %
2019 gross charge-offs	$ (1,697)	$ (14,650)	$ (29,119)	$ (40,576)	$ (41,141)	$ (81,795)	$ (208,978)	
2019 recoveries	69	1,016	2,622	4,431	5,175	12,452	25,765	
2019 net charge-offs	$ (1,628)	$ (13,634)	$ (26,497)	$ (36,145)	$ (35,966)	$ (69,343)	$ (183,213)	
Total accrued interest by origination vintage	$ 116,423	$ 321,568	$ 327,002	$ 261,083	$ 165,764	$ 174,318	$ 1,366,158	

(1) Balance represents gross Private Education Loans.

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

(3) Represents the FICO score updated as of the fourth-quarter 2019.

(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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

Private Education Loan Delinquencies

The following tables provide information regarding the loan status of our Private Education Loans, 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).

	Private Education Loan Delinquencies by Origination Vintage						
	September 30, 2020						
	2020	2019	2018	2017	2016	2015 and Prior	Total
Loans in-school/grace/deferment[1]	$ 1,256,630	$ 1,963,374	$ 1,057,069	$ 722,081	$ 457,475	$ 598,932	$ 6,055,561
Loans in forbearance:							
Loans in forbearance - loans current[2]	8,343	64,167	110,935	127,915	126,218	267,584	705,162
Loans in forbearance - loans delinquent 31-60 days[2][3]	—	5	14	25	71	159	274
Loans in forbearance - loans delinquent 61-90 days[2][3]	—	—	—	21	—	—	21
Loans in forbearance - loans delinquent greater than 90 days[2][3]	—	—	—	—	—	—	—
Total Private Education Loans in forbearance[2]	8,343	64,172	110,949	127,961	126,289	267,743	705,457
Loans in repayment:							
Loans current	1,758,337	3,031,984	2,374,526	2,092,242	1,920,310	4,197,607	15,375,006
Loans delinquent 31-60 days[3]	4,209	24,834	37,444	43,055	43,560	112,149	265,251
Loans delinquent 61-90 days[3]	828	8,421	17,289	22,429	24,515	66,341	139,823
Loans delinquent greater than 90 days[3]	310	2,915	7,819	11,401	12,929	37,855	73,229
Total Private Education Loans in repayment	1,763,684	3,068,154	2,437,078	2,169,127	2,001,314	4,413,952	15,853,309
Total Private Education Loans, gross	3,028,657	5,095,700	3,605,096	3,019,169	2,585,078	5,280,627	22,614,327
Private Education Loans deferred origination costs and unamortized premium/(discount)	16,654	18,633	11,151	8,354	6,971	8,643	70,406
Total Private Education Loans	3,045,311	5,114,333	3,616,247	3,027,523	2,592,049	5,289,270	22,684,733
Private Education Loans allowance for losses	(208,507)	(407,435)	(293,033)	(243,715)	(199,119)	(377,002)	(1,728,811)
Private Education Loans, net	$ 2,836,804	$ 4,706,898	$ 3,323,214	$ 2,783,808	$ 2,392,930	$ 4,912,268	$ 20,955,922
Percentage of Private Education Loans in repayment	58.2 %	60.2 %	67.6 %	71.8 %	77.4 %	83.6 %	70.1 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.3 %	1.2 %	2.6 %	3.5 %	4.0 %	4.9 %	3.0 %
Delinquencies as a percentage of Private Education Loans in repayment and delinquent forbearance loans	0.3 %	1.2 %	2.6 %	3.5 %	4.1 %	4.9 %	3.0 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.5 %	2.0 %	4.4 %	5.6 %	5.9 %	5.7 %	4.3 %

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(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.

(Dollars in thousands, unless otherwise noted)

4. Allowance for Credit Losses (Continued)

	Private Education Loan Delinquencies by Origination Vintage						
	December 31, 2019						
	2019	2018	2017	2016	2015	2014 and Prior	Total
Loans in-school/grace/deferment[1]	$ 1,670,644	$ 1,580,513	$ 1,010,764	$ 635,798	$ 375,585	$ 414,101	$ 5,687,405
Loans in forbearance:							
Loans in forbearance - current[2]	21,009	108,509	142,341	146,114	127,799	168,744	714,516
Loans in forbearance - delinquent 31-60 days[2][3]	—	—	—	—	—	—	—
Loans in forbearance - delinquent 61-90 days[2][3]	—	—	—	—	—	—	—
Loans in forbearance - delinquent greater than 90 days[2][3]	—	—	—	—	—	—	—
Total Private Education Loans in forbearance[2]	21,009	108,509	142,341	146,114	127,799	168,744	714,516
Loans in repayment:							
Loans current	2,340,221	3,159,878	2,781,132	2,566,815	2,225,721	3,241,884	16,315,651
Loans delinquent 31-60 days[3]	11,152	26,096	44,382	51,656	54,559	100,206	288,051
Loans delinquent 61-90 days[3]	3,087	9,527	17,048	21,161	24,562	45,917	121,302
Loans delinquent greater than 90 days[3]	935	3,850	7,818	12,314	12,946	24,803	62,666
Total Private Education Loans in repayment	2,355,395	3,199,351	2,850,380	2,651,946	2,317,788	3,412,810	16,787,670
Total Private Education Loans, gross	4,047,048	4,888,373	4,003,485	3,433,858	2,821,172	3,995,655	23,189,591
Private Education Loans deferred origination costs and unamortized premium/(discount)	23,661	17,699	13,843	12,304	8,564	5,153	81,224
Total Private Education Loans	4,070,709	4,906,072	4,017,328	3,446,162	2,829,736	4,000,808	23,270,815
Private Education Loans allowance for losses	(3,013)	(19,105)	(44,858)	(71,598)	(80,974)	(154,752)	(374,300)
Private Education Loans, net	$ 4,067,696	$ 4,886,967	$ 3,972,470	$ 3,374,564	$ 2,748,762	$ 3,846,056	$ 22,896,515
Percentage of Private Education Loans in repayment	58.2 %	65.4 %	71.2 %	77.2 %	82.2 %	85.4 %	72.4 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.6 %	1.2 %	2.4 %	3.2 %	4.0 %	5.0 %	2.8 %
Delinquencies as a percentage of Private Education Loans in repayment and delinquent forbearance loans	0.6 %	1.2 %	2.4 %	3.2 %	4.0 %	5.0 %	2.8 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.9 %	3.3 %	4.8 %	5.2 %	5.2 %	4.7 %	4.1 %

(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.

(Dollars in thousands, unless otherwise noted)

4. 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 greater than 90 days 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. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due Private Education Loan portfolio for all periods presented.

	Private Education Loans Accrued Interest Receivable		
	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
September 30, 2020	$ 1,454,176	$ 4,096	$ 4,427
December 31, 2019	$ 1,366,158	$ 2,390	$ 5,309

(Dollars in thousands, unless otherwise noted)

5. 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 Note 1, "Significant Accounting Policies — Allowance for Credit Losses — Off-Balance Sheet Exposure for Contractual Loan Commitments" for additional information.

At September 30, 2020, we had $1.8 billion of outstanding contractual loan commitments that we expect to fund during the remainder of the 2020/2021 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,			
	2020		2019	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	$ 85,958	$ 1,119,042	$ 755	$ 1,335,755
Provision/New commitments - net[1]	129,290	2,542,390	3,382	3,140,432
Transfer - funded loans[2]	(100,470)	(1,890,305)	(2,170)	(2,242,077)
Ending Balance	$ 114,778	$ 1,771,127	$ 1,967	$ 2,234,110

	Nine Months Ended September 30,			
	2020		2019	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	$ 2,481	$ 1,910,603	$ 2,165	$ 2,010,744
Day 1 adjustment for the adoption of CECL	115,758	—	—	—
Provision/New commitments - net[1]	276,094	4,542,560	5,516	5,122,672
Transfer - funded loans[2]	(279,555)	(4,682,036)	(5,714)	(4,899,306)
Ending Balance	$ 114,778	$ 1,771,127	$ 1,967	$ 2,234,110

(1) Net of expirations of commitments unused.
(2) When a loan commitment is funded, its related allowance for credit losses 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.

(Dollars in thousands, unless otherwise noted)

6. Deposits

The following table summarizes total deposits at September 30, 2020 and December 31, 2019.

	September 30, 2020	December 31, 2019
Deposits - interest bearing	$ 23,109,438	$ 24,282,906
Deposits - non-interest bearing	485	1,077
Total deposits	$ 23,109,923	$ 24,283,983

Our total deposits of $23.1 billion were comprised of $12.1 billion in brokered deposits and $11.0 billion in retail and other deposits at September 30, 2020, compared to total deposits of $24.3 billion, which were comprised of $13.8 billion in brokered deposits and $10.5 billion in retail and other deposits, at December 31, 2019.

Interest bearing deposits as of September 30, 2020 and December 31, 2019 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 $7.1 billion and $6.8 billion of our deposit total as of September 30, 2020 and December 31, 2019, 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 $5 million and $4 million in the three months ended September 30, 2020 and 2019, respectively, and placement fee expense of $15 million and $12 million in the nine months ended September 30, 2020 and 2019, respectively. Fees paid to third-party brokers related to brokered CDs were $2 million and $5 million for the three months ended September 30, 2020 and 2019, respectively, and fees paid to third-party brokers related to brokered CDs were $5 million and $20 million for the nine months ended September 30, 2020 and 2019, respectively.

Interest bearing deposits at September 30, 2020 and December 31, 2019 are summarized as follows:

	September 30, 2020		December 31, 2019	
	Amount	Qtr.-End Weighted Average Stated Rate[(1)]	Amount	Year-End Weighted Average Stated Rate[(1)]
Money market	$ 10,003,940	0.90 %	$ 9,616,547	2.04 %
Savings	866,611	0.69	718,616	1.71
Certificates of deposit	12,238,887	1.41	13,947,743	2.44
Deposits - interest bearing	$ 23,109,438		$ 24,282,906	

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

(Dollars in thousands, unless otherwise noted)

6. Deposits (Continued)

As of September 30, 2020, and December 31, 2019, there were $681 million and $963 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $64 million and $68 million at September 30, 2020 and December 31, 2019, respectively.

7. 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," which was previously called the asset-backed commercial paper facility or ABCP Facility). The following table summarizes our borrowings at September 30, 2020 and December 31, 2019.

	September 30, 2020			December 31, 2019		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	$ —	$ 198,768	$ 198,768	$ —	$ 198,159	$ 198,159
Total unsecured borrowings	—	198,768	198,768	—	198,159	198,159
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,398,239	3,398,239	—	2,629,902	2,629,902
Variable-rate	—	1,350,640	1,350,640	—	1,525,976	1,525,976
Total Private Education Loan term securitizations	—	4,748,879	4,748,879	—	4,155,878	4,155,878
Secured Borrowing Facility	—	—	—	289,230	—	289,230
Total secured borrowings	—	4,748,879	4,748,879	289,230	4,155,878	4,445,108
Total	$ —	$ 4,947,647	$ 4,947,647	$ 289,230	$ 4,354,037	$ 4,643,267

Short-term Borrowings

Secured Borrowing Facility

On February 19, 2020, we amended our Secured Borrowing Facility to, among other things, increase the amount that can be borrowed under the facility to $2 billion (from $750 million) and extend the maturity of the facility. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the amended Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstandings. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay and reborrow funds, until February 17, 2021. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on February 17, 2022 (or earlier, if certain material adverse events occur). At September 30, 2020, there were no borrowings outstanding under the Secured Borrowing Facility and at December 31, 2019, there were $289 million borrowings outstanding under the Secured Borrowing Facility.

(Dollars in thousands, unless otherwise noted)

7. **Borrowings (Continued)**

Long-term Borrowings

Secured Financings

2020 Transactions

On February 12, 2020, we executed our $636 million SMB Private Education Loan Trust 2020-A term ABS transaction, which was accounted for as a secured financing. We sold $636 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $634 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.18 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.88 percent. At September 30, 2020, $626 million of our Private Education Loans, including $582 million of principal and $44 million in capitalized interest, were encumbered because of this transaction.

On August 12, 2020, we executed our $707 million SMB Private Education Loan Trust 2020-B term ABS transaction, which was accounted for as a secured financing. We sold $707 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $705 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.14 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 1.30 percent. At September 30, 2020, $775 million of our Private Education Loans, including $720 million of principal and $55 million in capitalized interest, were encumbered because of this transaction.

Secured Financings at Issuance

The following summarizes our secured financings issued in 2019 and through September 30, 2020:

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds[1]	Weighted Average Life (in years)
Private Education:				
2019-A	March 2019	$ 453,000	1-month LIBOR plus 0.92%	4.26
2019-B	June 2019	657,000	1-month LIBOR plus 1.01%	4.41
Total notes issued in 2019		$ 1,110,000		
Total loan and accrued interest amount securitized at inception in 2019		$ 1,208,963		
2020-A	February 2020	$ 636,000	1-month LIBOR plus 0.88%	4.18
2020-B	August 2020	707,000	1-month LIBOR plus 1.30%	4.14
Total notes issued in 2020		$ 1,343,000		
Total loan and accrued interest amount securitized at inception in 2020		$ 1,463,230		

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

(Dollars in thousands, unless otherwise noted)

7. 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. We consolidate the following financing VIEs as of September 30, 2020 and December 31, 2019, respectively:

	September 30, 2020						
	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	$ —	$ 4,748,879	$ 4,748,879	$ 5,865,487	$ 162,448	$ 426,404	$ 6,454,339
Secured Borrowing Facility	—	—	—	—	—	1,248	1,248
Total	$ —	$ 4,748,879	$ 4,748,879	$ 5,865,487	$ 162,448	$ 427,652	$ 6,455,587

(1) Other assets primarily represent accrued interest receivable.

	December 31, 2019						
	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	$ —	$ 4,155,878	$ 4,155,878	$ 5,246,986	$ 145,760	$ 333,173	$ 5,725,919
Secured Borrowing Facility	289,230	—	289,230	339,666	8,803	23,832	372,301
Total	$ 289,230	$ 4,155,878	$ 4,445,108	$ 5,586,652	$ 154,563	$ 357,005	$ 6,098,220

(1) Other assets primarily represent accrued interest receivable.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at September 30, 2020. 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, 2020 or in the year ended December 31, 2019.

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, 2020 and December 31, 2019, the value of our pledged collateral at the FRB totaled $3.7 billion and $3.2 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, 2020 or in the year ended December 31, 2019.

8. 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 Note 10, “Derivative Financial Instruments” in our 2019 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, 2020, $8.4 billion notional of our derivative contracts were cleared on the CME and $0.4 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 95.1 percent and 4.9 percent, respectively, of our total notional derivative contracts of $8.8 billion at September 30, 2020.

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, 2020 was $(218) million and $22 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our exposure 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, 2020 and December 31, 2019, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of $54 million and $52 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, 2020 and December 31, 2019, and their impact on earnings and other comprehensive income for the three and nine months ended September 30, 2020 and 2019. Please refer to Note 10, “Derivative Financial Instruments” in our 2019 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

(Dollars in thousands, unless otherwise noted)

8. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Consolidated Balance Sheets

Fair Values[(1)]	Hedged Risk Exposure	Cash Flow Hedges		Fair Value Hedges		Trading		Total	
		September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Derivative Assets:[(2)]									
Interest rate swaps	Interest rate	$ 298	$ 715	$ 59	$ —	$ 184	$ —	$ 541	$ 715
Derivative Liabilities:[(2)]									
Interest rate swaps	Interest rate	—	—	—	(896)	—	(268)	—	(1,164)
Total net derivatives		$ 298	$ 715	$ 59	$ (896)	$ 184	$ (268)	$ 541	$ (449)

(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:

	Other Assets		Other Liabilities	
	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Gross position[(1)]	$ 541	$ 715	$ —	$ (1,164)
Impact of master netting agreement	—	(519)	—	519
Derivative values with impact of master netting agreements (as carried on balance sheet)	541	196	—	(645)
Cash collateral pledged[(2)]	53,808	52,564	—	—
Net position	$ 54,349	$ 52,760	$ —	$ (645)

(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.

	Cash Flow		Fair Value		Trading		Total	
Notional Values	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Interest rate swaps	$ 1,052,164	$ 1,150,518	$ 5,045,134	$ 5,031,429	$ 2,693,364	$ 3,744,917	$ 8,790,662	$ 9,926,864

(Dollars in thousands, unless otherwise noted)

8. Derivative Financial Instruments (Continued)

As of September 30, 2020 and December 31, 2019, the following amounts were recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges:

Line Item in the Balance Sheet in Which the Hedged Item is Included:	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, 2020	December 31, 2019	September 30, 2020	December 31, 2019
Deposits	$ (5,217,274)	$ (5,085,426)	$ (179,648)	$ (63,148)

Impact of Derivatives on the Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Fair Value Hedges				
Interest rate swaps:				
Interest recognized on derivatives	$ 23,851	$ (2,924)	$ 47,906	$ (10,812)
Hedged items recorded in interest expense	24,451	(16,391)	(116,500)	(98,094)
Derivatives recorded in interest expense	(24,458)	16,610	116,870	97,947
Total	$ 23,844	$ (2,705)	$ 48,276	$ (10,959)
Cash Flow Hedges				
Interest rate swaps:				
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense	$ (5,176)	$ 517	$ (10,922)	$ 3,002
Total	$ (5,176)	$ 517	$ (10,922)	$ 3,002
Trading				
Interest rate swaps:				
Change in fair value of future interest payments recorded in earnings	$ (12,848)	$ 2,844	$ 21,611	$ 25,288
Total	(12,848)	2,844	21,611	25,288
Total	$ 5,820	$ 656	$ 58,965	$ 17,331

(Dollars in thousands, unless otherwise noted)

8. Derivative Financial Instruments (Continued)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2020	2019	2020	2019
Amount of loss recognized in other comprehensive income (loss)	$ 76	$ (9,566)	$ (53,707)	$ (45,211)
Less: amount of gain (loss) reclassified in interest expense	(5,176)	517	(10,922)	3,002
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax (expense) benefit	$ 5,252	$ (10,083)	$ (42,785)	$ (48,213)

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 $19 million will be reclassified as an increase to interest expense.

Cash Collateral

As of September 30, 2020, 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 related to derivative exposure between us and our derivatives counterparties at September 30, 2020 and December 31, 2019, respectively. Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was $54 million and $53 million at September 30, 2020 and December 31, 2019, respectively. Collateral pledged is recorded in “Other interest-earning assets” on the consolidated balance sheets.

(Dollars in thousands, unless otherwise noted)

9. Stockholders' Equity

The following table summarizes our common share repurchases and issuances.

(Shares and per share amounts in actuals)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Common stock repurchased under repurchase program[1][2]	—	4,436,963	47,736,847	15,861,718
Average purchase price per share[3]	$ —	$ 8.45	$ 9.66	$ 9.94
Shares repurchased related to employee stock-based compensation plans[4]	3,122	15,238	1,109,149	1,328,665
Average purchase price per share	$ 7.05	$ 9.54	$ 10.97	$ 10.92
Common shares issued[5]	5,150	26,137	2,990,447	3,677,821

(1) Common shares purchased under our share repurchase programs. $75 million of capacity under the 2020 Share Repurchase Program remained available as of September 30, 2020.

(2) For the nine months ended September 30, 2020, the amount includes 44.9 million shares related to the initial delivery of shares under our accelerated share repurchase agreement, described below.

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

(4) 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.

(5) 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, 2020 was $8.09.

Dividend and Share Repurchases

In both September 2020 and 2019, we paid a common stock dividend of $0.03 per common share. In the nine months ended September 30, 2020 and 2019, we paid a total common stock dividend of $0.09 per common share.

The January 23, 2019 share repurchase program (the "2019 Share Repurchase Program"), which was effective upon announcement and expires on January 22, 2021, permits us to repurchase from time to time shares of our common stock up to an aggregate repurchase price not to exceed $200 million. Under the 2019 Share Repurchase Program, we repurchased no shares of common stock in the three months ended September 30, 2020 and 4 million shares of common stock for $37 million in the three months ended September 30, 2019. Under the 2019 Share Repurchase Program, we repurchased 3 million shares of common stock for $33 million in the nine months ended September 30, 2020 and 16 million shares of common stock for $157 million in the nine months ended September 30, 2019. We have now utilized all capacity under the 2019 Share Repurchase Program.

On January 22, 2020, we announced a new share repurchase program (the "2020 Share Repurchase Program"), which was effective upon announcement and expires on January 21, 2022, and permits us to repurchase shares of common stock from time to time up to an aggregate repurchase price not to exceed $600 million.

On March 10, 2020, we entered into an accelerated share repurchase agreement ("ASR") with a third-party financial institution under which we paid $525 million for an upfront delivery of our common stock and a forward agreement. On March 11, 2020, the third-party financial institution delivered to us approximately 44.9 million shares. The final total actual number of shares of common stock to be delivered to us pursuant to the forward agreement will be based generally upon a discount to the Rule 10b-18 volume-weighted average price at which the shares of our common stock trade during the regular trading sessions on the NASDAQ Global Select Market during the term of the ASR. At settlement of the forward agreement, the third-party financial institution may be obligated to deliver additional shares of common stock to us or we may be obligated to make delivery of common stock or a cash payment to them, at our option. The transactions are accounted for as equity transactions and are included in treasury stock when the shares are received, at which time there is an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share. We expect final settlement of the share repurchases under the ASR to occur before or during the first quarter of 2021.

Under the 2020 Share Repurchase Program, repurchases may occur from time to time and through a variety of methods, including open market repurchases, repurchases effected through Rule 10b5-1 trading plans, negotiated block purchases, accelerated share repurchase programs, tender offers, or other similar transactions.

10. 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.

(In thousands, except per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Numerator:				
Net income	$ 171,028	$ 128,458	$ 447,990	$ 436,924
Preferred stock dividends	2,058	4,153	8,000	12,952
Net income attributable to SLM Corporation common stock	$ 168,970	$ 124,305	$ 439,990	$ 423,972
Denominator:				
Weighted average shares used to compute basic EPS	375,094	424,149	386,587	429,295
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)	2,824	3,187	2,804	3,277
Weighted average shares used to compute diluted EPS	377,918	427,336	389,391	432,572
Basic earnings per common share attributable to SLM Corporation	$ 0.45	$ 0.29	$ 1.14	$ 0.99
Diluted earnings per common share attributable to SLM Corporation	$ 0.45	$ 0.29	$ 1.13	$ 0.98

(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, 2020 and 2019, securities covering approximately 2 million shares and no shares, respectively, and for the nine months ended September 30, 2020 and 2019, securities covering no shares were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

(Dollars in thousands, unless otherwise noted)

11. 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 Note 2, "Significant Accounting Policies - Fair Value Measurement" in our 2019 Form 10-K.

During the nine months ended September 30, 2020, 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.

	Fair Value Measurements on a Recurring Basis							
	September 30, 2020				December 31, 2019			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Available-for-sale investments	$ —	$ 2,018,388	$ 72,319	$ 2,090,707	$ —	$ 487,669	$ —	$ 487,669
Derivative instruments	—	541	—	541	—	715	—	715
Total	$ —	$ 2,018,929	$ 72,319	$ 2,091,248	$ —	$ 488,384	$ —	$ 488,384
Liabilities								
Derivative instruments	$ —	$ —	$ —	$ —	$ —	$ (1,164)	$ —	$ (1,164)
Total	$ —	$ —	$ —	$ —	$ —	$ (1,164)	$ —	$ (1,164)

(Dollars in thousands, unless otherwise noted)

11. Fair Value Measurements (Continued)

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

	September 30, 2020			December 31, 2019		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets:						
Loans held for investment, net:						
Private Education Loans	$ 24,328,972	$ 20,955,922	$ 3,373,050	$ 24,988,941	$ 22,896,515	$ 2,092,426
FFELP Loans	756,739	743,220	13,519	795,055	783,816	11,239
Personal Loans	—	—	—	1,047,119	983,643	63,476
Credit Cards	10,970	10,629	341	3,818	3,818	—
Cash and cash equivalents	4,351,045	4,351,045	—	5,563,877	5,563,877	—
Trading investments	14,651	14,651	—	—	—	—
Available-for-sale investments	2,090,707	2,090,707	—	487,669	487,669	—
Accrued interest receivable	1,567,103	1,472,602	94,501	1,491,471	1,392,725	98,746
Tax indemnification receivable	28,256	28,256	—	27,558	27,558	—
Derivative instruments	541	541	—	715	715	—
Total earning assets	$ 33,148,984	$ 29,667,573	$ 3,481,411	$ 34,406,223	$ 32,140,336	$ 2,265,887
Interest-bearing liabilities:						
Money-market and savings accounts	$ 10,944,983	$ 10,870,551	$ (74,432)	$ 10,363,691	$ 10,335,163	$ (28,528)
Certificates of deposit	12,464,852	12,238,887	(225,965)	14,065,007	13,947,743	(117,264)
Short-term borrowings	—	—	—	289,230	289,230	—
Long-term borrowings	5,136,732	4,947,647	(189,085)	4,434,323	4,354,037	(80,286)
Accrued interest payable	75,196	75,196	—	75,158	75,158	—
Derivative instruments	—	—	—	1,164	1,164	—
Total interest-bearing liabilities	$ 28,621,763	$ 28,132,281	$ (489,482)	$ 29,228,573	$ 29,002,495	$ (226,078)
Excess of net asset fair value over carrying value			$ 2,991,929			$ 2,039,809

Please refer to Note 14, “Fair Value Measurements” in our 2019 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

12. 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 ("UDFI"). 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 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.

U.S. Basel III is aimed at increasing both the quantity and quality of regulatory capital. Certain aspects of U.S. Basel III, including new deductions from and adjustments to regulatory capital and a capital conservation buffer, have been phased in over several years.

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, as of January 1, 2019, the Bank is subject to a fully phased-in Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. (As of December 31, 2018, the Bank was subject to a Common Equity Tier 1 capital conservation buffer of greater than 1.875 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, as of January 1, 2019, 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.

On August 26, 2020, the FDIC and other federal banking agencies published a final rule that provides those banking organizations that adopt CECL during the 2020 calendar year with the option 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. We have elected to use this option. The final rule is substantially similar to an interim final rule issued on March 27, 2020. Under this final rule, because we have elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, from January 1, 2020 through the end of the two-year deferral period, 25 percent of the ongoing impact of CECL on our allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts ("adjusted transition amounts") and deferred for the two-year period. At the conclusion of the two-year period (i.e., beginning January 1, 2022), 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. Our January 1, 2020 CECL transition amounts increased the 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.

(Dollars in thousands, unless otherwise noted)

12. Regulatory Capital (Continued)

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

	Actual		U.S. Basel III Minimum Requirements Plus Buffer[(1)(2)]		
	Amount	Ratio	Amount		Ratio
As of September 30, 2020:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 3,230,078	12.7 %	$ 1,785,181	≥	7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 3,230,078	12.7 %	$ 2,167,720	≥	8.5 %
Total Capital (to Risk-Weighted Assets)	$ 3,551,765	13.9 %	$ 2,677,771	≥	10.5 %
Tier 1 Capital (to Average Assets)	$ 3,230,078	10.2 %	$ 1,261,080	≥	4.0 %
As of December 31, 2019:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 3,264,309	12.2 %	$ 1,876,050	≥	7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 3,264,309	12.2 %	$ 2,278,060	≥	8.5 %
Total Capital (to Risk-Weighted Assets)	$ 3,600,668	13.4 %	$ 2,814,074	≥	10.5 %
Tier 1 Capital (to Average Assets)	$ 3,264,309	10.2 %	$ 1,282,642	≥	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.

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 no dividends and $568 million in dividends to the Company for the three and nine months ended September 30, 2020, respectively, and $20 million and $241 million in dividends for the three and nine months ended September 30, 2019, respectively. 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.

13. 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, 2020, we had $1.8 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2020/2021 academic year. At September 30, 2020, we had $115 million reserve recorded in “Other Liabilities” to cover lifetime expected credit losses on these unfunded commitments. See Note 1, “Significant Accounting Policies — Allowance for Credit Losses — Off-Balance Sheet Exposure for Contractual Loan Commitments” and Note 5, “Unfunded Loan Commitments” for additional information.

Regulatory Matters

On July 17, 2018, the Mississippi Attorney General filed a lawsuit in Mississippi state court against Navient, Navient Solutions, LLC, and the Bank arising out of the Multi-State Investigation. The complaint alleges unfair and deceptive trade practices against all three defendants as to private loan origination practices from 2000 to 2009, and against the two Navient defendants as to servicing practices between 2010 and the present. The complaint further alleges that Navient assumed responsibility for these matters under the Separation and Distribution Agreement for alleged conduct that pre-dated the Spin-Off. On September 27, 2018, the Mississippi Attorney General filed an amended complaint. On October 8, 2018, the Bank moved to dismiss the Mississippi Attorney General’s action as to the Bank, arguing, among other things, that the complaint failed to allege with sufficient particularity or specificity how the Bank was responsible for any of the alleged conduct, most of which predated the Bank’s existence. On November 20, 2018, the Mississippi Attorney General filed an opposition brief and the Bank filed a reply on December 21, 2018. The court heard oral argument on the Bank’s motion to dismiss on April 11, 2019. On August 15, 2019, the court entered an order denying the Bank’s motion to dismiss. On September 5, 2019, the Bank filed with the Supreme Court of Mississippi a petition for interlocutory appeal. The Mississippi Attorney General filed an opposition to the petition for interlocutory appeal on September 19, 2019. On October 16, 2019, the Supreme Court of Mississippi granted the Bank’s petition for interlocutory appeal and stayed the trial court proceedings. The Mississippi Attorney General has since agreed to dismiss with prejudice all claims against the Bank in the underlying case. On March 31, 2020, the Mississippi Attorney General and the Bank filed a Joint Motion to Dismiss Interlocutory Appeal with the Supreme Court of Mississippi. On April 10, 2020, the Mississippi Attorney General filed with the trial court a Notice of Voluntary Dismissal with Prejudice as to the Bank.

For additional information regarding our regulatory matters, see Note 18, “Commitments, Contingencies and Guarantees” in our 2019 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 damages 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

13. Commitments, Contingencies and Guarantees (Continued)

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.

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

The following information is current as of October 21, 2020 (unless otherwise noted) and should be read in connection with SLM Corporation’s Annual Report on Form 10-K for the year ended December 31, 2019 (filed with the Securities and Exchange Commission (the “SEC”) on February 28, 2020) (the “2019 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 2019 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 2020 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, earnings, and balance sheet position; and any estimates related to accounting standard changes. 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 2019 Form 10-K and subsequent filings with the SEC; the societal, business, and legislative/regulatory impact of pandemics and other public heath 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 “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 “Core Earnings” results. We provide “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 “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 “—‘Core Earnings’ ” in this

Form 10-Q for the quarter ended September 30, 2020 for a further discussion and a complete reconciliation between GAAP net income and “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

During the first quarter of 2020, the respiratory disease caused by coronavirus 2019 or COVID-19 (“COVID-19”) began to spread worldwide and has caused significant disruptions to the U.S. and world economies. On March 11, 2020, the World Health Organization declared the COVID-19 outbreak to be a pandemic. On March 13, 2020, President Trump declared a national emergency, which made federal funds available to respond to the crisis. Beginning on March 15, 2020, many businesses closed or reduced hours throughout the U.S. to combat the spread of COVID-19. All 50 states have reported cases of COVID-19 and each has implemented various containment efforts, including lockdowns on non-essential businesses. Early in the second quarter of 2020, severe restrictions were placed on businesses to slow the growth of COVID-19 infections. Many shut down, causing the unemployment rate to increase dramatically, while others instituted a work from home regime. In response, we offered disaster forbearance to those customers who contacted us and were negatively affected by COVID-19. As the second quarter of 2020 concluded, the country experienced a significant spike in COVID-19 infections as more people left homes for work and other activities. During the third quarter of 2020, economic and consumer trends appeared to be slightly improving and progress was made on vaccine trials and possible treatments to mitigate the spread of the virus. However, the absence of actions by the U.S. government to pass further economic relief legislation and the threat of a “second-wave” of COVID-19 infections in the fourth quarter of 2020 led to continued uncertainty in the economy. Economists expect the impact of COVID-19 on the U.S. economy will be significant during the remainder of 2020 and into 2021.

The impact of COVID-19 is felt by our colleagues, our customers, and our communities. In response to COVID-19, we implemented efforts to safeguard our team members and enable a remote work environment. In addition, we have taken steps to help our customers in this time of crisis. Further, The Sallie Mae Fund, our charitable arm, has made contributions to assist in our hometown communities. The following discussion highlights how we are responding and the expected impacts of COVID-19 on our business.

The COVID-19 crisis is unprecedented and has had a significant impact on the economic environment globally and in the U.S. While we have highlighted below how we have responded to the pandemic and described its financial impact, 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. Accordingly, the information below should be read in conjunction with our COVID-19 Pandemic risk factor. See Part II, Item 1A. “Risk Factors — COVID-19 Pandemic” in the quarterly report on Form 10-Q for the quarter ended March 31, 2020 for risks associated with COVID-19. See also Part I, Item 1A. “Risk Factors” in our 2019 Form 10-K. In addition, see the forward-looking and cautionary statements discussion above. 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 the 2019 Form 10-K and in the quarterly report on Form 10-Q for the quarter ended March 31, 2020.

Customers and Credit Performance

COVID-19 is having far reaching, negative impacts on individuals, businesses, and, consequently, the overall economy. Specifically, COVID-19 has materially disrupted business operations throughout the country, resulting in significantly higher levels of unemployment or underemployment. As a result, we expect many of our individual customers will experience financial hardship, creating a challenge to meet credit standards for new loan originations and making it difficult, if not impossible, to fulfill their payment obligations to us without temporary assistance. We are monitoring key metrics as early warning indicators of financial hardship, including changes in weekly unemployment claims, enrollment in auto-debit payments, requests for new forbearances, enrollment in hardship payment plans, and early delinquency metrics.

As a result of the negative impact on employment from COVID-19, our customers are experiencing higher levels of financial hardship, which has led to elevated levels of forbearance. We expect such higher levels of financial hardship to lead to higher levels of delinquencies and defaults in the future, as borrowers who had received disaster forbearance from us re-enter repayment status. We expect that, left unabated, this deterioration in forbearance, delinquency, and default rates will persist until such time as the economy and employment return to relatively normal levels. We maintain an allowance for credit losses that incorporates multiple economic scenarios. For the quarter ended September 30, 2020, we considered the current economic forecasts as well as how the significant uncertainty may affect future unemployment rates and the economy in estimating our allowance for credit losses. We could experience significant changes in our allowance for credit losses as the economic impact of the COVID-19 pandemic becomes clearer. The process for determining our allowance contemplates material external factors that may require management adjustments. We used Moody's Analytics economic forecasts in estimating the losses on our loan portfolio.

Historically we have utilized disaster forbearance for material events, including hurricanes, wildfires, and floods. Disaster forbearance defers payments for as many as 90 days upon enrollment. In accordance with regulatory guidance that encourages lenders to work constructively with customers who have been impacted by COVID-19, we have invoked this same disaster forbearance program to assist our customers through COVID-19 and offered this program across our operations, including through mobile and self-service channels such as chat and IVR to address initial high volumes at the onset of the pandemic. We have since returned to a policy of interacting with 100 percent of these customers through our customer care and collections personnel. Customers requesting a disaster forbearance or an extension of a disaster forbearance are required to speak with our customer care and collections personnel. The first wave of disaster forbearance was granted primarily in 90-day increments. As these forbearances ended in late second quarter and early third quarter, we have reduced the disaster forbearance to one-month increments and implemented additional discussions between our servicing agents and borrowers to encourage borrowers/cosigners to enter repayment. Customers who receive a disaster forbearance do not progress in delinquency and are not assessed late fees or other fees. During a disaster forbearance, a customer's credit file will continue to reflect the status of the loan as it was immediately prior to granting the disaster forbearance. During the period of the disaster forbearance, interest will continue to accrue, but is not capitalized to the loan balance after the loan returns to repayment status. If the financial hardship extends beyond 90 days, additional assistance will be available for eligible customers. For example, for borrowers exiting disaster forbearance and not eligible for GRP, we may allow them to make interest only payments for 12 months before reverting to full principal and interest payments.

We observed a significant increase in the use of disaster forbearance at the onset of the pandemic as businesses closed in accordance with broadly adopted 'shelter at home' policies and unemployment rose. While the pandemic persists, we have seen corresponding reductions in the usage of other payment programs and defaults, given the availability of the disaster forbearance. Additionally, we have seen lower usage of automatic direct debit payments as customers manage the uncertainty associated with the pandemic. For customers experiencing financial hardship unrelated to COVID-19, our normal collection efforts and programs are in place.

We previously disclosed that, beginning in the second quarter of 2020, we planned to revise our credit administration practices to phase in (i) a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives (with exceptions for forbearances granted during the first six months following a customer's grace period and exceptions for contractual interest rate reductions), and (ii) a limitation on the participation of delinquent customers in certain short-term extended or interest-only repayment alternatives to once in 12 months and twice in five years.

We also disclosed that prior to full implementation of the planned credit administration practices changes, which we originally expected to have been completed by year-end 2020, we planned to conduct a controlled testing program on randomly selected customers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. The testing commenced in October 2019 for some of the planned changes on a very small percentage of our total portfolio and we originally expected to expand the number of borrowers in repayment who would be subject to the new credit administration practices. However, due to the COVID-19 pandemic, we postponed our efforts so that we can be more flexible in dealing with our customers' financial hardship. In October 2020, we began to roll out in a methodical approach the implementation of the credit administration practices changes and related testing. Management now expects to have completed implementation of the planned credit administration practices changes by year-end 2022. However, we may modify the contemplated practice changes, the proposed timeline, or the method of implementation as we learn more about the impacts of the program on our customers.

To make it as easy as possible to access the assistance they need, we have communicated to our customers multiple times and in multiple ways. At the start of the pandemic, we sent all our customers an email explaining their self-serve options and how to contact us if they need assistance. We continue to send e-mails to those customers who have enrolled for COVID-19 disaster forbearance and we regularly update our website at www.SallieMae.com/coronavirus with the latest information on how our customers can access their account and get assistance or payment relief, if needed. We expect that, as the economic impact of COVID-19 evolves, we will continue to evaluate the measures we have put in place to assist our customers during this unprecedented time. We continue to adapt and evolve our customer care and collections practices to meet the needs of our customers, while operating in a safe and sound manner.

Our Team Members

Our team members have been affected by COVID-19 in many ways, including disruptions due to unexpected school and day-care closings, family underemployment or unemployment, and learning how to work remotely with, in some cases, new tools and technology to learn and support that work. Our goal has been to support our people during the present uncertainty while meeting the needs of our customers and providing business continuity. Early in the crisis, we provided our people with information about best practices to prevent the spread of COVID-19 and other viruses or illnesses. We recommended non-customer facing team members work from home and reduced office density to create space to implement social distancing protocols for those required to work in our offices. Later, we enabled substantially all of our workforce to work remotely. In addition, we have limited in-person meetings, non-employee visits to our locations, and non-essential business travel.

Based on the national and local guidelines, we developed a principles-based, phased-in approach for returning to the office, which will differ for each of our office locations. We have gathered team members' feedback and are considering social distancing measures, workplace layout, employee schedules, and sanitation policies for each phase. The phases are a flexible framework that may shift over time as we monitor guidelines from our national and local governments and prepare for workplace readiness.

To further protect the health and welfare of our people and respond to their individual circumstances, we have provided additional wellness assistance. We have also encouraged team members who potentially have been exposed to COVID-19 to self-quarantine for 14 days while we continue to pay them. To ease access to medical assistance, we are waiving co-payments for COVID-19 testing and telemedicine for those team members enrolled in our health insurance plans.

Operations

We have robust pandemic and business continuity plans that include our business units and technology environments. When COVID-19 advanced to a pandemic, we activated our business continuity plan. As an element of the plan, we activated our Executive Crisis Management Team ("ECMT"), a group of the most senior managers across the enterprise. The ECMT directed a series of activities to address the health and safety of our workforce, to assist customers, to sustain business operations, and to address our management of other ongoing pandemic activities.

In response to a growing infected population across the United States, we executed plans for social-distancing in our facilities and implemented work-from-home contingencies. As the virus spread, we created remote-working capabilities for our call center agents and consulted with regulators about our plans. We also completed a series of additional steps to appropriately ensure compliance with our telecommuting policy. The policy is designed to create a secure at-home work environment that protects our customers' information and transactions while also providing the necessary technology capabilities to enable effective remote-working for our team members.

In addition, we quickly trained more customer service agents on our chat functionality to increase their ability to work efficiently in a work-from-home environment, and we enhanced the functionality of our chatbot, IVR, mobile app, and website features to help our customers manage their accounts.

Initially there was a modest decline in productivity as our people adjusted to the significant change in their work experience. However, we largely have seen productivity return to pre-COVID-19 rates and customer satisfaction survey results also have returned to pre-crisis levels. We currently believe our technology infrastructure is sufficient to maintain a remote-working environment for the vast majority of our workforce for the foreseeable future. The level and ability of our team members to continue working from home could change, however, as conditions surrounding COVID-19 evolve and infections increase, or if there are interruptions in the internet infrastructure where our people live or if our internet service providers are otherwise adversely affected.

Liquidity and Capital

Over the course of 2019, we significantly increased our overall liquidity position for risk management purposes and enhanced our liquidity stress testing regime. As a result of these efforts and the activities that occurred in the first quarter of 2020, described below, we currently believe our liquidity position is stable and we expect to be able to fund our business operations through 2021. However, because of the disruptions in the capital markets that occurred at the onset of the pandemic, we implemented our Contingency Funding Plan, which entails monitoring and reporting to management our liquidity position and the health of deposit and asset-backed securities markets. In times of financial distress, we often see a flight to quality, where investors seek safer places to invest their money, such as banks and in guaranteed securities such as U.S. Treasuries and government- sponsored debt and mortgage-backed securities. We are currently seeing similar trends in the marketplace during this crisis and expect that as a well-capitalized insured depository institution, we will have ample access to deposit markets. Maintaining our focus on earnings quality as well as prudent liquidity management, we have actively managed the cost of our retail deposits downward in response to the rapid downturn in short-term interest rates in the first nine months of 2020. Despite the lower deposit rates, we have experienced only moderate retail deposit outflows, primarily in term CDs, that are within the outflow targets our Asset and Liability Committee approved. We manage our capital position through a rigorous capital stress testing regime. As a result, we believe that, given the high quality of our Private Education Loan portfolio, we have sufficient capital to withstand our current estimate of the expected downturn. If circumstances surrounding COVID-19 continue to change in a significantly adverse way, however, it is possible our liquidity and regulatory capital position could be materially and adversely affected, which could materially and adversely impact our business operations and our overall financial condition.

Regulatory agencies have also provided regulatory capital relief to financial institutions as a result of the crisis. See “ — Financial Results” for additional discussion regarding the regulatory relief.

2020 Securitizations

On February 12, 2020, we executed the $636 million SMB Private Education Loan Trust 2020-A term ABS transaction, which was accounted for as a secured financing. We sold $636 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $634 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.18 years and priced at a weighted average LIBOR equivalent cost of 1- month LIBOR plus 0.88 percent.

On August 12, 2020, we executed our $707 million SMB Private Education Loan Trust 2020-B term ABS transaction, which was accounted for as a secured financing. We sold $707 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $705 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.14 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 1.30 percent.

Amended and Increased Secured Borrowing Facility

On February 19, 2020, we amended and extended the maturity of our Secured Borrowing Facility, discussed in Note 7, “Borrowings.” The amended Secured Borrowing Facility is a $2 billion Secured Borrowing Facility (previously $750 million before the amendment), under which the full $2 billion is available for us to draw. Under the amended 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 February 17, 2021. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on February 17, 2022 (or earlier, if certain material adverse events occur).

2020 Loan Sales

In the first quarter of 2020, we sold $3.1 billion of our Private Education Loans, including $2.9 billion of principal, $199 million in capitalized interest, and $12 million in accrued interest, to unaffiliated third parties. There were VIEs created in the execution of certain of these loans 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, and we recognized a $239 million gain from the sale of these loans. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales.

In the third quarter of 2020, we sold our entire Personal Loan portfolio, including $697 million of principal and $7 million in accrued interest, which resulted in a $43 million reduction to our provision for credit losses.

Share Repurchase Programs and Common Stock Dividends

Under the 2019 Share Repurchase Program, we repurchased 3 million shares of our common stock in the first quarter of 2020 with the $33 million of remaining capacity under the 2019 Share Repurchase Program that was available as of December 31, 2019.

On January 22, 2020, we announced the 2020 Share Repurchase Program, which was effective upon announcement and expires on January 21, 2022, and permits us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed $600 million.

On March 10, 2020, we entered into an ASR with a third-party financial institution under which we paid $525 million for an upfront delivery of our common stock and a forward agreement. On March 11, 2020, the third-party financial institution delivered to us approximately 44.9 million shares. The final total actual number of shares of common stock to be delivered to us pursuant to the forward agreement will be based generally upon a discount to the Rule 10b-18 volume-weighted average price at which the shares of our common stock trade during the regular trading sessions on the NASDAQ Global Select Market during the term of the ASR. At settlement of the forward agreement, the third-party financial institution may be obligated to deliver additional shares of common stock to us or we may be obligated to make delivery of common stock or a cash payment to them, at our option. The transactions are accounted for as equity transactions and are included in treasury stock when the shares are received, at which time there is an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share. We expect final settlement of the share repurchases under the ASR to occur before or during the first quarter of 2021.

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. The Bank declared no dividends for the quarter ended September 30, 2020, and $568 million in dividends for the nine months ended September 30, 2020, with the proceeds from the dividends declared in the nine months ended September 30, 2020 primarily used to fund the 2020 Share Repurchase Program and stock dividends.

Regulatory

We are regulated by the FDIC, the UDFI, and the Consumer Financial Protection Bureau. These agencies have encouraged regulated entities to work constructively with customers affected by COVID-19 and have provided guidance regarding loan modifications.

The federal banking regulators have stated that working with customers who are current on existing loans, either individually or as part of a program for creditworthy customers who are experiencing short-term financial or operational problems as a result COVID-19, generally would not be considered TDRs. For modification programs, such as forbearance, designed to provide temporary relief for current customers affected by COVID-19, we may presume that customers who are current on payments are not experiencing financial difficulties at the time of the modification for purposes of determining TDR status, and thus no further TDR analysis is required for each loan modification in the program.

In addition, the regulators have indicated their examiners will exercise judgment in reviewing loan modifications, including TDRs, and will not automatically adversely risk-rate credits that are affected by COVID-19, including those considered TDRs. Regardless of whether modifications result in loans being considered TDRs or adversely classified, bank examiners have indicated they will not criticize prudent efforts to modify the terms of existing loans to affected customers.

We have briefed our regulators on the actions taken to date, including the vast majority of our employees working from home and the exceptions we have granted to our existing policies, and on privacy and security issues and how these risks have been mitigated in a work-from-home environment.

Community

We understand that the communities in which our employees live, work, and serve are also suffering financial distress as a result of COVID-19. Due to the growing needs of our neighbors, many of the organizations in place to provide assistance are overburdened. In March 2020, The Sallie Mae Fund donated a total of $1 million to local food banks in states home to Sallie Mae facilities. Each of the five organizations received a $200,000 grant from The Sallie Mae Fund to support emergency response efforts to combat food insecurity for those in the community impacted by the COVID-19 pandemic.

*Financial Result*s

For the quarter ended September 30, 2020, we considered the current economic forecasts as well as the how the significant uncertainty surrounding COVID-19 may affect future unemployment rates and the economy in estimating our allowance for credit losses. We remain cautious about the near term economic forecasts and have not changed the economic scenarios used in determining the allowance for credit losses in the third quarter of 2020 from the scenarios used in the second quarter of 2020. However, those economic forecasts have improved since June 30, 2020, and this improvement has caused a $98 million reduction in the provision for credit losses during the quarter ended September 30, 2020. The overall change in the provision was affected by new loan originations, loan sales, changes in prepayment rates, recovery rates, and other factors. We estimate that the expected losses related to the financial crisis caused by COVID-19 have resulted in an increase in our provision for credit losses by approximately $364 million for the nine months ended September 30, 2020. Offsetting the increase in the provision for credit losses for the nine months ended September 30, 2020 was a $162 million reduction to provision for credit losses from the sale of $3.1 billion of Private Education Loans in the first quarter of 2020 and a reduction to provision for credit losses of $43 million from the sale of our entire Personal Loan portfolio in the third quarter of 2020.

Loans in forbearance as a percentage of loans in repayment and forbearance was 4.3 percent at September 30, 2020, compared to 3.6 percent at September 30, 2019. The majority of our disaster forbearances were entered into during March and April of 2020 because of COVID-19 and the resulting shelter-at-home guidance that caused many businesses to shut down during the early part of the pandemic. When these disaster forbearances expired in June and July of 2020, they were no longer considered in forbearance until the borrower requested, and was granted, an additional forbearance. Many of these borrowers went back into repayment status at the end of their original three-month disaster forbearance. Other borrowers asked for additional forbearance and we began granting those in one-month increments. In the third quarter of 2020, we saw our forbearance rate decline from the high levels we experienced in the second quarter of 2020. Higher forbearance rates in the third quarter and first nine months of 2020 compared with the year-ago periods are primarily a result of our working with customers affected by COVID-19.

The majority of colleges, universities, and trade schools across the country have shifted their fall 2020 semester to a hybrid model, which includes a mix of on-line, in-person classes, and scaled back residential options. The remaining schools are executing a fully remote or on campus experience. Colleges and universities are beginning to report their enrollment figures for fall 2020 and have indicated lower results due to an increase in freshmen deferring enrollment. With fall courses underway, some campuses are beginning to signal the potential continuation of the existing learning model into the spring semester. Our application volumes have also decreased, and our current expectation is that our 2020 Private Education Loan origination volumes will be approximately $5.3 billion, a decline of 6 percent compared to 2019.

On March 27, 2020, President Trump signed into law the CARES Act, which, among other things, allows us to (i) elect to suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as TDRs, and (ii) suspend any determination of a loan modified as a result of the effects of COVID-19 as being a TDR, including impairment for accounting purposes.

We have elected to suspend TDR accounting for modifications of loans that occur as a result of COVID-19 for the applicable period of the CARES Act relief. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and that occur during the period beginning on March 1, 2020, and ending on the earlier of (i) sixty days after the date on which the national emergency related to the COVID-19 outbreak is terminated, or (ii) December 31, 2020.

On August 26, 2020, the federal banking agencies published a final rule that provides those banking organizations that adopt CECL during the 2020 calendar year with the option 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. We have elected to use this option. The final rule is substantially similar to an interim final rule issued on March 27, 2020. Under this final rule, because we have elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, from January 1, 2020 through the end of the two-year deferral period, 25 percent of the ongoing impact of CECL on our allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts ("adjusted transition amounts") and deferred for the two-year period. At the conclusion of the two-year period (i.e., beginning January 1, 2022), 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. Our January 1, 2020 CECL transition amounts increased the 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, 2020, the adjusted transition amounts, subject to changes over the two-year phase-in period, that will be deferred for regulatory capital purposes are as follows:

(Dollars in thousands)	Transition Amounts January 1, 2020	Adjustments for the Nine Months Ended September 30, 2020	Adjusted Transition Amounts September 30, 2020
Retained earnings	$ 952,639	$ 36,533	$ 989,172
Allowance for credit losses	1,143,053	37,398	1,180,451
Liability for unfunded commitments	115,758	(865)	114,893
Deferred tax asset	306,171	—	306,171

Selected Financial Information and Ratios

(In thousands, except per share data and percentages)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Net income attributable to SLM Corporation common stock	$ 168,970	$ 124,305	$ 439,990	$ 423,972
Diluted earnings per common share attributable to SLM Corporation	$ 0.45	$ 0.29	$ 1.13	$ 0.98
Weighted average shares used to compute diluted earnings per share	377,918	427,336	389,391	432,572
Return on assets[(1)]	2.2 %	1.7 %	1.9 %	2.0 %
Other Operating Statistics				
Ending Private Education Loans, net	$ 20,955,922	$ 22,855,728	$ 20,955,922	$ 22,855,728
Ending FFELP Loans, net	743,220	798,682	743,220	798,682
Ending total education loans, net	$ 21,699,142	$ 23,654,410	$ 21,699,142	$ 23,654,410
Ending Personal Loans, net	$ —	$ 1,062,254	$ —	$ 1,062,254
Ending Credit Cards, net	$ 10,629	$ —	$ 10,629	$ —
Average education loans	$ 22,688,683	$ 23,009,285	$ 23,105,216	$ 22,718,088
Average Personal Loans	$ 527,204	$ 1,132,185	$ 778,153	$ 1,152,471

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

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, 2020.

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; "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 2019 Form 10-K.

2020 Strategic Initiatives and Corporate Restructuring

During the third quarter of 2020, we announced the following five strategic initiatives that we believe will increase shareholder value:

- *Increase the profitability and growth of our core business*. Our goal is to focus on revenue growth with the intention to maximize revenue while managing unit costs. We plan to increase market share in the private student loan market through enhanced risk-adjusted pricing and underwriting, and through the deployment of new marketing, digital, and data capabilities. While we focus on this objective, we will continue a strong fixed-cost discipline and operating efficiency across our business areas.

- *Build a deep emotional connection to our brand among our customers.* We have cultivated strong relationships with our customers and have the knowledge to assist them with their ongoing and future financial needs. We are designing products and services that leverage our customer affiliation, while remaining true to our core mission.
- *Change the external narrative about student lending*. The marketplace presents both real and perceived political risk to private student loan lending. Currently, student loan reform centers around three platforms: free college, debt forgiveness, and bankruptcy reform. We plan to communicate the reasons why our business will perform well, even under leading reform proposals.
- *Optimize returns and pay our investors in a sustainable way.* We aim to maintain our capital allocation and return program by continuing to focus on Private Education Loan originations, offer Credit Cards to a high-quality customer base, and build other sources of revenue in a capital and expense efficient way. We plan to sell loans to maintain our general share repurchase strategy and, subject to Board approval, continue to pay quarterly common stock dividends.
- *Develop and nurture a mission-led culture.* The strategic initiatives outlined above have provided us an opportunity to refocus our resources and use these new goals as a roadmap to not only increase our customer base and deliver for our shareholders, but to create a culture where our team members are motivated and driven by our mission. We developed a new organizational structure with centralized activities to support internal teams and to work more collaboratively to achieve our objectives. We want our mission to inspire our team members, provide opportunities for professional growth, and continue to drive the success of the Company.

To help align us to accomplish these initiatives, during the third quarter of 2020 we restructured our senior management team and assigned a senior management team member to be responsible for each of the initiatives described above. In addition to the senior management changes, during the third quarter of 2020, we initiated a restructuring program to reduce costs and improve operating efficiencies by better aligning our organizational structure with our new corporate strategic initiatives. In conjunction with the restructuring plan, involuntary termination benefit arrangements and certain other costs that are incremental and incurred as a direct result of our restructuring plan are classified as restructuring expenses in the accompanying consolidated statements of income. Restructuring expenses of $24 million were recorded in the three and nine months ended September 30, 2020. We are currently finalizing this restructuring plan and while we expect to record additional restructuring expenses in the fourth quarter of 2020, we expect those amounts to be immaterial. The majority of these restructuring expenses incurred through September 30, 2020 and expected to be incurred in future periods are severance costs related to the elimination of approximately 165 positions, or approximately 9 percent of the workforce that existed as of December 31, 2019.

During the third quarter of 2020, we began making progress on the corporate strategic initiatives. In the third quarter of 2020, we sold our entire Personal Loan portfolio, including $697 million of principal and $7 million in accrued interest, which resulted in a $43 million reduction to our provision for credit losses.

Results of Operations

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

GAAP Consolidated Statements of Income (Unaudited)

(In millions, except per share data)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Increase (Decrease) $	Increase (Decrease) %	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019	Increase (Decrease) $	Increase (Decrease) %
Interest income:								
Loans	$ 478	$ 565	$ (87)	(15)%	$ 1,513	$ 1,672	$ (159)	(10)%
Investments	3	2	1	50	9	5	4	80
Cash and cash equivalents	1	23	(22)	(96)	20	53	(33)	(62)
Total interest income	482	590	(108)	(18)	1,542	1,730	(188)	(11)
Total interest expense	118	185	(67)	(36)	429	526	(97)	(18)
Net interest income	365	405	(40)	(10)	1,113	1,204	(91)	(8)
Less: provisions for credit losses	(4)	99	(103)	(104)	410	257	153	60
Net interest income after provisions for credit losses	368	306	63	21	703	947	(244)	(26)
Non-interest income:								
Gains on sales of loans, net	—	—	—	—	239	—	239	100
Gains (losses) on derivatives and hedging activities, net	—	2	(2)	(100)	49	21	28	133
Other income	10	15	(5)	(33)	43	32	11	34
Total non-interest income	10	17	(7)	(41)	331	53	278	525
Non-interest expenses:								
Total operating expenses	127	154	(26)	(17)	416	433	(17)	(4)
Restructuring expenses	24	—	24	100	24	—	24	100
Total non-interest expenses	152	154	(2)	(1)	440	433	7	2
Income before income tax expense	226	169	57	34	594	568	26	5
Income tax expense	55	41	14	34	146	131	15	11
Net income	171	128	43	34	448	437	11	3
Preferred stock dividends	2	4	(2)	(50)	8	13	(5)	(38)
Net income attributable to SLM Corporation common stock	$ 169	$ 124	$ 45	36 %	$ 440	$ 424	$ 16	4 %
Basic earnings per common share attributable to SLM Corporation	$ 0.45	$ 0.29	$ 0.16	55 %	$ 1.14	$ 0.99	$ 0.15	15 %
Diluted earnings per common share attributable to SLM Corporation	$ 0.45	$ 0.29	$ 0.16	55 %	$ 1.13	$ 0.98	$ 0.15	15 %
Declared dividends per common share attributable to SLM Corporation	$ —	$ —	$ —	— %	$ 0.09	$ 0.09	$ —	— %

GAAP Consolidated Earnings Summary

Three Months Ended September 30, 2020 Compared with Three Months Ended September 30, 2019

For the three months ended September 30, 2020, net income was $171 million, or $0.45 diluted earnings per common share, compared with net income of $128 million, or $0.29 diluted earnings per common share, for the three months ended September 30, 2019.

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

- Net interest income decreased by $40 million in the current quarter compared with the year-ago quarter primarily due to a $605 million decrease in average Personal Loans and a $265 million decrease in average Private Education Loans outstanding at the end of the current quarter, as well as a 76 basis point decrease in the net interest margin. The decrease in net interest margin was caused primarily by the yield we earn on our cash and other short-term investments and taxable securities declining faster than our deposit rates reset. Included in our short-term investments are $1.7 billion of U.S. government-sponsored enterprises debt and U.S. Treasuries. When the pandemic hit in early 2020, the rates on these securities and cash and cash equivalents dropped significantly and faster than we could reprice our short-term liabilities. Also contributing to the decline in the net interest margin was a $563 million increase in average cash and other short-term investments and a $1.7 billion increase in average taxable securities. The increase in our cash and cash equivalents balance was associated with our efforts to increase overall liquidity levels for risk management purposes. Yields on cash and other short-term investments and taxable securities are much lower than yields on consumer loans, which reduces the weighted average yield on our interest-earning assets and our net interest margin.

- Provisions for credit losses in the current quarter decreased by $103 million compared with the year-ago quarter. During the third quarter of 2020, the provision for credit losses was affected by a benefit of $98 million from improvements in the economic forecasts used compared to the second quarter of 2020, a benefit of $68 million from faster prepayment speeds, and a benefit of $43 million from the sale of our Personal Loan portfolio. The benefit from the economic forecasts was heavily influenced by a recalibration of the college graduate unemployment rate that occurred in the third quarter of 2020. The benefit from faster prepayment speeds was to reflect actual loan prepayment speeds being higher than what our models were predicting due to the significant amount of COVID-19 related government stimulus. These benefits were mostly offset by $129 million in additional provision for new commitments to lend that were entered into during the quarter, and other factors. We adopted CECL in the first quarter of 2020, requiring a life of loan allowance. Prior to the adoption of CECL, the estimate for the allowance for credit losses used a 12-month loss emergence period. For additional details on our CECL model inputs, see Note 1, “Significant Accounting Policies,” in this Form 10-Q.

- Gains (losses) on derivatives and hedging activities, net, was de minimis in the third quarter of 2020, compared with a net gain of $2 million in the year-ago quarter. The year-ago quarter was favorably impacted by an additional $416 million in notional derivative contracts entered into during the third quarter of 2019 that were economic hedges but did not receive hedge accounting treatment. These derivatives, as well as other derivative contracts that did not receive hedge accounting treatment, were favorably affected by interest rates during the third quarter of 2019.

- Other income was $10 million in the third quarter of 2020, compared with other income of $15 million in the year-ago quarter. Other income decreased $5 million compared to the year-ago period primarily as a result of an $8 million gain we recorded in the year-ago period related to changes in the valuation of certain non-marketable securities, which was offset by an increase of $5 million in third-party servicing fees in the third quarter of 2020 resulting from the sale of $3.1 billion of Private Education Loans in the first quarter of 2020.

- Third-quarter 2020 total operating expenses were $127 million, compared with $154 million in the year-ago quarter. The decrease in total operating expenses was primarily driven by lower personnel costs as a result of selling our Upromise subsidiary in second-quarter 2020, the discontinuance of marketing costs related to our Personal Loan portfolio, lower Credit Card marketing costs, and certain personnel expenses incurred during the quarter that are included in the restructuring charge described below.

- In the third quarter of 2020, we implemented a restructuring plan that resulted in our recording a $24 million restructuring charge in the quarter. These expenses are primarily related to involuntary termination benefit arrangements, as well as certain other costs, such as legal and consulting fees, that are incremental and incurred as a direct result of our restructuring plan. There were no restructuring expenses recorded in the year-ago period.

• Third-quarter 2020 income tax expense was $55 million, compared with $41 million in the year-ago quarter. Our effective income tax rate increased to 24.4 percent in the third quarter of 2020 from 24.1 percent in the year-ago quarter, which included $1 million in tax credits. Absent this item, the effective tax rate for the third quarter of 2019 would have been 24.7 percent. The decrease in the effective tax rate in the third quarter of 2020 is primarily due to federal tax benefits recorded in the third quarter of 2020 related to prior year tax filings.

Nine Months Ended September 30, 2020 Compared with Nine Months Ended September 30, 2019

For the nine months ended September 30, 2020, net income was $448 million, or $1.13 diluted earnings per common share, compared with net income of $437 million, or $0.98 diluted earnings per common share, for the nine months ended September 30, 2019.

The primary drivers of changes in net income for the first nine months of 2020 compared with the year-ago period are as follows:

• Net interest income decreased by $91 million in the first nine months of 2020 compared with the year-ago period primarily due to a 108 basis point decrease in net interest margin. Net interest margin decreased because the yield on our Private Education Loan portfolio decreased by 92 basis points while our costs of funds only decreased by 80 basis points, and also because of a $374 million decline in the average balance of our higher yielding Personal Loan portfolio. In addition, we held an additional $2.5 billion in average cash and other short-term investments and experienced a $1.1 billion increase in average taxable securities held in the first nine months of 2020 compared with the year-ago period. The increase in our cash and cash equivalents balance was associated with our efforts to increase overall liquidity levels for risk management purposes. Yields on cash and other short-term investments and taxable securities are much lower than yields on consumer loans, which reduces the weighted average yield on our interest-earning assets and our net interest margin. In addition, as a result of the pandemic, the interest rates earned on our other short-term investments and taxable securities declined much faster and farther than the interest rates paid on our deposits.

• Provisions for credit losses increased $153 million in the first nine months of 2020 compared with the year-ago period. This increase was primarily a result of our increasing the allowance for credit losses in response to the significant impact COVID-19 is expected to have on future losses. This increase was offset by the sale of $3.1 billion of Private Education Loans in the first quarter of 2020, which resulted in a reduction to our provision of $162 million, and the sale of our entire Personal Loan portfolio, which resulted in a reduction to our provision of $43 million.

• Gains on sales of loans, net, were $239 million in the first nine months of 2020 primarily as a result of the sale of $3.1 billion of Private Education Loans to unaffiliated third parties in the first quarter of 2020. There were no loan sales in the first nine months of 2019.

• Gains on derivatives and hedging activities, net, increased $28 million in the first nine months of 2020 compared with the year-ago period. The increase was driven by a significant decrease in interest rates during 2020 as a result of the economic impact of the COVID-19 pandemic, which made our receive/pay variable interest rate swaps that are not designated as accounting hedges, but are economic hedges, to increase in value.

• In the first nine months of 2020, other income increased $11 million from the year-ago period primarily due to an $11 million gain from the sale of our Upromise subsidiary in the second quarter of 2020, and an increase of $11 million in third-party servicing fees, offset by an $8 million gain we recorded in the year-ago period related to changes in the valuation of certain non-marketable securities and lower revenue from our Upromise business.

• For the nine months ended September 30, 2020, total operating expenses were $416 million, compared with $433 million in the year-ago period. The decrease in non-interest expenses was primarily driven by reduced personnel and marketing costs as a result of the suspension of Personal Loan originations and the subsequent sale of our Personal Loan portfolio, the sale of our Upromise subsidiary, and lower FDIC fees, which were offset by increased costs from growth in the serviced and owned loan portfolio, CEO transition costs, and costs related to other initiatives.

• In the third quarter of 2020, we implemented a restructuring plan that resulted in our recording a $24 million restructuring charge in the quarter. These expenses are primarily related to involuntary termination benefit arrangements, as well as certain other costs, such as legal and consulting fees that are incremental and incurred as a direct result of our restructuring plan. There were no restructuring expenses recorded in the year-ago period.

• Income tax expense for the nine months ended September 30, 2020 was $146 million, compared with $131 million in the year-ago period. The effective tax rate increased in the first nine months of 2020 to 24.6 percent from 23.0 percent in the year-ago period. The increase in the effective tax rate was primarily driven by $13 million in tax credits recorded in 2019.

“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 derivatives contracts recognized in GAAP, but not in “Core Earnings.”

“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 GAAP results of operations to our “Core Earnings” results, net of tax, relate to differing treatments for our 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 “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. “Core Earnings” is meant to represent what earnings would have been had these derivatives qualified for hedge accounting and there was no ineffectiveness.

“Core Earnings” are not a substitute for reported results under GAAP. We provide a “Core Earnings” basis of presentation because (i) earnings per share computed on a “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 those 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 “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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	**2020**	**2019**	**2020**	**2019**
Unrealized gains (losses) on instruments not in a hedging relationship	$ (12,848)	$ 2,843	$ 21,611	$ 25,287
Interest reclassification	12,833	(882)	27,797	(3,827)
Gains (losses) on derivatives and hedging activities, net	$ (15)	$ 1,961	$ 49,408	$ 21,460

The following table reflects adjustments associated with our derivative activities.

(Dollars in thousands, except per share amounts)	Three Months Ended September 30, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
"Core Earnings" adjustments to GAAP:				
GAAP net income	$ 171,028	$ 128,458	$ 447,990	$ 436,924
Preferred stock dividends	2,058	4,153	8,000	12,952
GAAP net income attributable to SLM Corporation common stock	$ 168,970	$ 124,305	$ 439,990	$ 423,972
Adjustments:				
Net impact of derivative accounting[1]	12,848	(2,843)	(21,611)	(25,287)
Net tax expense (benefit)[2]	3,136	(695)	(5,276)	(6,180)
Total "Core Earnings" adjustments to GAAP	9,712	(2,148)	(16,335)	(19,107)
"Core Earnings" attributable to SLM Corporation common stock	$ 178,682	$ 122,157	$ 423,655	$ 404,865
GAAP diluted earnings per common share	$ 0.45	$ 0.29	$ 1.13	$ 0.98
Derivative adjustments, net of tax	0.02	—	(0.04)	(0.04)
"Core Earnings" diluted earnings per common share	$ 0.47	$ 0.29	$ 1.09	$ 0.94

(1) Derivative Accounting: "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) "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, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Provisions for credit losses	$ (3,640)	$ 99,526	$ 409,505	$ 256,691
Total portfolio net charge-offs	$ (53,770)	$ (67,905)	$ (154,838)	$ (183,604)

In 2020, we began to evaluate management's performance internally using a measure that starts with "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.

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, 2020 Balance	Three Months Ended September 30, 2020 Rate	Three Months Ended September 30, 2019 Balance	Three Months Ended September 30, 2019 Rate	Nine Months Ended September 30, 2020 Balance	Nine Months Ended September 30, 2020 Rate	Nine Months Ended September 30, 2019 Balance	Nine Months Ended September 30, 2019 Rate
Average Assets								
Private Education Loans	$ 21,937,758	8.24 %	$ 22,202,420	9.30 %	$ 22,342,353	8.48 %	$ 21,896,218	9.40 %
FFELP Loans	750,925	3.46	806,865	4.54	762,863	3.86	821,870	4.83
Personal Loans	527,204	12.86	1,132,185	12.16	778,153	12.43	1,152,471	11.99
Taxable securities	2,134,005	0.59	413,804	2.05	1,376,342	0.84	280,616	2.52
Cash and other short-term investments	4,945,563	0.11	4,382,918	2.14	5,674,449	0.48	3,188,287	2.24
Total interest-earning assets	30,295,455	6.34 %	28,938,192	8.09 %	30,934,160	6.66 %	27,339,462	8.46 %
Non-interest-earning assets	(13,559)		1,357,045		86,471		1,300,480	
Total assets	$ 30,281,896		$ 30,295,237		$ 31,020,631		$ 28,639,942	
Average Liabilities and Equity								
Brokered deposits	$ 12,409,614	1.61 %	$ 11,968,552	2.71 %	$ 13,051,185	1.93 %	$ 11,231,178	2.74 %
Retail and other deposits	10,849,616	1.22	9,861,374	2.47	10,747,941	1.62	9,343,983	2.52
Other interest-bearing liabilities[(1)]	4,933,763	2.77	4,952,024	3.36	4,868,202	3.01	4,584,006	3.51
Total interest-bearing liabilities	28,192,993	1.66 %	26,781,950	2.75 %	28,667,328	2.00 %	25,159,167	2.80 %
Non-interest-bearing liabilities	36,829		378,935		129,102		404,582	
Equity	2,052,074		3,134,352		2,224,201		3,076,193	
Total liabilities and equity	$ 30,281,896		$ 30,295,237		$ 31,020,631		$ 28,639,942	
Net interest margin		4.79 %		5.55 %		4.81 %		5.89 %

(1) Includes the average balance of our unsecured borrowing, 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.

(Dollars in thousands)	Decrease	Change Due To[1] Rate	Volume
Three Months Ended September 30, 2020 vs. 2019			
Interest income	$ (108,013)	$ (132,622)	$ 24,609
Interest expense	(67,515)	(76,129)	8,614
Net interest income	$ (40,498)	$ (57,508)	$ 17,010
Nine Months Ended September 30, 2020 vs. 2019			
Interest income	$ (188,461)	$ (399,202)	$ 210,741
Interest expense	(97,703)	(164,835)	67,132
Net interest income	$ (90,758)	$ (238,056)	$ 147,298

(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 Loan Portfolio

Ending Loan Balances, net

	September 30, 2020				
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Total loan portfolio:					
In-school[1]	$ 4,084,202	$ 101	$ —	$ —	$ 4,084,303
Grace, repayment and other[2]	18,530,125	745,455	—	11,540	19,287,120
Total, gross	22,614,327	745,556	—	11,540	23,371,423
Deferred origination costs and unamortized premium/(discount)	70,406	2,027	—	474	72,907
Allowance for loan losses	(1,728,811)	(4,363)	—	(1,385)	(1,734,559)
Total loan portfolio, net	$ 20,955,922	$ 743,220	$ —	$ 10,629	$ 21,709,771
% 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.

(Dollars in thousands)	December 31, 2019 Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Total loan portfolio:					
In-school[1]	$ 4,288,239	$ 81	$ —	$ —	$ 4,288,320
Grace, repayment and other[2]	18,901,352	783,225	1,049,007	3,884	20,737,468
Total, gross	23,189,591	783,306	1,049,007	3,884	25,025,788
Deferred origination costs and unamortized premium/(discount)	81,224	2,143	513	36	83,916
Allowance for credit losses	(374,300)	(1,633)	(65,877)	(102)	(441,912)
Total loan portfolio, net	$ 22,896,515	$ 783,816	$ 983,643	$ 3,818	$ 24,667,792
% of total	93 %	3 %	4 %	— %	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.

Average Loan Balances (net of unamortized premium/discount)

(Dollars in thousands)	Three Months Ended September 30, 2020		2019		Nine Months Ended September 30, 2020		2019	
Private Education Loans	$ 21,937,758	95 %	$ 22,202,420	92 %	$ 22,342,353	94 %	$ 21,896,218	92 %
FFELP Loans	750,925	3	806,865	3	762,863	3	821,870	3
Personal Loans	527,204	2	1,132,185	5	778,153	3	1,152,471	5
Total portfolio	$ 23,215,887	100 %	$ 24,141,470	100 %	$ 23,883,369	100 %	$ 23,870,559	100 %

Loan Activity

(Dollars in thousands)	Three Months Ended September 30, 2020 Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Beginning balance	$ 19,792,515	$ 752,021	$ 609,051	$ 10,344	$ 21,163,931
Acquisitions and originations:					
Fixed-rate	882,782	—	—	—	882,782
Variable-rate	1,019,613	—	—	9,059	1,028,672
Total acquisitions and originations	1,902,395	—	—	9,059	1,911,454
Capitalized interest and deferred origination cost premium amortization	107,189	7,625	(50)	(252)	114,512
Sales	—	—	(588,285)	—	(588,285)
Loan consolidations to third-parties	(335,351)	(4,952)	—	—	(340,303)
Allowance	31,747	22	54,803	(343)	86,229
Repayments and other	(542,573)	(11,496)	(75,519)	(8,179)	(637,767)
Ending balance	$ 20,955,922	$ 743,220	$ —	$ 10,629	$ 21,709,771

(Dollars in thousands)	Three Months Ended September 30, 2019 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$ 21,394,781	$ 813,028	$ 1,060,837	$ 23,268,646
Acquisitions and originations:				
Fixed-rate	1,542,946	—	159,247	1,702,193
Variable-rate	714,404	—	—	714,404
Total acquisitions and originations	2,257,350	—	159,247	2,416,597
Capitalized interest and deferred origination cost premium amortization	121,520	7,075	(89)	128,506
Loan consolidations to third-parties	(346,371)	(6,773)	—	(353,144)
Allowance	(34,576)	45	4,122	(30,409)
Repayments and other	(536,976)	(14,693)	(161,863)	(713,532)
Ending balance	$ 22,855,728	$ 798,682	$ 1,062,254	$ 24,716,664

(Dollars in thousands)	Nine Months Ended September 30, 2020 Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Beginning balance	$ 22,896,515	$ 783,816	$ 983,643	$ 3,818	$ 24,667,792
Day 1 CECL Adjustment to Allowance	(1,060,830)	(2,852)	(79,183)	(188)	(1,143,053)
Acquisitions and originations:					
Fixed-rate	2,606,056	—	41	—	2,606,097
Variable-rate	2,103,322	—	—	26,885	2,130,207
Total acquisitions and originations	4,709,378	—	41	26,885	4,736,304
Capitalized interest and deferred origination cost premium amortization	334,355	19,196	(253)	(567)	352,731
Sales	(2,925,478)	—	(588,285)	—	(3,513,763)
Loan consolidations to third-parties	(1,085,184)	(16,659)	—	—	(1,101,843)
Allowance	(293,682)	122	36,526	(1,095)	(258,129)
Repayments and other	(1,619,152)	(40,403)	(352,489)	(18,224)	(2,030,268)
Ending balance	$ 20,955,922	$ 743,220	$ —	$ 10,629	$ 21,709,771

(Dollars in thousands)	Nine Months Ended September 30, 2019 Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$ 20,294,843	$ 847,889	$ 1,128,187	$ 22,270,919
Acquisitions and originations:				
Fixed-rate	3,335,589	—	406,797	3,742,386
Variable-rate	1,593,600	—	—	1,593,600
Total acquisitions and originations	4,929,189	—	406,797	5,335,986
Capitalized interest and deferred origination cost premium amortization	370,119	21,427	(221)	391,325
Loan consolidations to third-parties	(1,046,127)	(21,942)	—	(1,068,069)
Allowance	(64,601)	(712)	(7,972)	(73,285)
Repayments and other	(1,627,695)	(47,980)	(464,537)	(2,140,212)
Ending balance	$ 22,855,728	$ 798,682	$ 1,062,254	$ 24,716,664

“Loan consolidations to third-parties” and “Repayments and other” are both significantly affected by the volume of loans in our portfolio in full principal and interest repayment status. Loans in full principal and interest repayment status in our Private Education Loan portfolio at September 30, 2020 increased by 1 percent compared with September 30, 2019, and now total 43 percent of our Private Education Loan portfolio at September 30, 2020.

“Loan consolidations to third-parties” for the three months ended September 30, 2020 total 3.7 percent of our Private Education Loan portfolio in full principal and interest repayment status at September 30, 2020, or 1.6 percent of our total Private Education Loan portfolio at September 30, 2020, compared with the year-ago period of 3.9 percent of our Private Education Loan portfolio in full principal and interest repayment status, or 1.5 percent of our total Private Education Loan 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.

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.

Historically, voluntary prepayments, including loan consolidations, decrease when unemployment increases as borrowers and lenders look to conserve liquidity. While we saw a decrease in voluntary prepayments in the second quarter of 2020 as a result of the COVID-19 pandemic, the decrease was not as significant as we expected based upon historical experience during higher unemployment periods and has increased to closer to pre-pandemic levels in the third quarter of 2020 (as compared to the year-ago period).

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.

	Three Months Ended September 30,			
(Dollars in thousands)	2020	%	2019	%
Smart Option - interest only[1]	$ 451,835	24 %	$ 492,658	22 %
Smart Option - fixed pay[1]	539,600	28	638,378	28
Smart Option - deferred[1]	677,661	36	846,745	38
Smart Option - principal and interest	3,408	—	3,142	—
Graduate Loan	188,673	10	217,651	10
Parent Loan	34,468	2	46,440	2
Total Private Education Loan originations	$ 1,895,645	100 %	$ 2,245,014	100 %
Percentage of loans with a cosigner	87.7 %		88.1 %	
Average FICO at approval[2]	752		747	

	Nine Months Ended September 30,			
(Dollars in thousands)	2020	%	2019	%
Smart Option - interest only[1]	$ 1,077,148	23 %	$ 1,075,635	22 %
Smart Option - fixed pay[1]	1,323,344	28	1,366,829	28
Smart Option - deferred[1]	1,712,171	37	1,837,592	37
Smart Option - principal and interest	8,234	—	8,481	—
Graduate Loan	483,545	10	515,948	11
Parent Loan	89,314	2	103,730	2
Total Private Education Loan originations	$ 4,693,756	100 %	$ 4,908,215	100 %
Percentage of loans with a cosigner	86.4 %		87.1 %	
Average FICO at approval[2]	748		747	

(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 2019 Form 10-K for a further discussion.

(2) 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,								
	2020					2019			
(Dollars in thousands)	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Personal Loans	Total Portfolio
Beginning balance	$ 1,760,559	$ 4,385	$ 163,337	$ 1,042	$ 1,929,323	$ 307,968	$ 1,734	$ 74,295	$ 383,997
Transfer from unfunded commitment liability[1]	100,470	—	—	—	100,470	—	—	—	—
Less:									
Charge-offs	(55,298)	(89)	(5,231)	(48)	(60,666)	(56,398)	(203)	(19,626)	(76,227)
Loan sales	—	—	(108,534)	—	(108,534)	—	—	—	—
Plus:									
Recoveries	4,790	—	2,106	—	6,896	6,864	—	1,458	8,322
Provision for loan losses:									
Provision, current period	(81,710)	67	(8,762)	391	(90,014)	84,110	158	14,046	98,314
Loan sale reduction to provision	—	—	(42,916)	—	(42,916)	—	—	—	—
Total provision for loan losses[2]	(81,710)	67	(51,678)	391	(132,930)	84,110	158	14,046	98,314
Ending balance	$ 1,728,811	$ 4,363	$ —	$ 1,385	$ 1,734,559	$ 342,544	$ 1,689	$ 70,173	$ 414,406
Troubled debt restructurings[3]	$ 1,495,161	$ —	$ —	$ —	$ 1,495,161	$ 1,474,819	$ —	$ —	$ 1,474,819

[1] See Note 5, “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

(Dollars in thousands)	Three Months Ended September 30, 2020
Private Education Loan provision for credit losses:	
Provision for loan losses	$ (81,710)
Provision for unfunded commitments	129,290
Total Private Education Loan provision for credit losses	47,580
Other impacts to the provision for credit losses:	
Personal Loans	(51,678)
FFELP Loans	67
Credit Cards	391
Total	(51,220)
Provisions for credit losses reported in consolidated statements of income	$ (3,640)

[3] Represents the unpaid principal balance of loans classified as troubled debt restructurings.

(Dollars in thousands)	2020 Private Education Loans	2020 FFELP Loans	2020 Personal Loans	2020 Credit Cards	2020 Total Portfolio	2019 Private Education Loans	2019 FFELP Loans	2019 Personal Loans	2019 Total Portfolio
	Nine Months Ended September 30,								
Beginning balance	$ 374,300	$ 1,633	$ 65,877	$ 102	$ 441,912	$ 277,943	$ 977	$ 62,201	$ 341,121
Day 1 adjustment for adoption of CECL	1,060,830	2,852	79,183	188	1,143,053	—	—	—	—
Transfer from unfunded commitment liability[1]	279,555	—	—	—	279,555	—	—	—	—
Less:									
Charge-offs	(138,546)	(399)	(39,079)	(96)	(178,120)	(151,357)	(608)	(53,951)	(205,916)
Loan sales	—	—	(108,534)	—	(108,534)	—	—	—	—
Plus:									
Recoveries	18,298	—	4,984	—	23,282	18,669	—	3,643	22,312
Provision for credit losses:									
Provision, current period	296,167	277	40,485	1,191	338,120	197,289	1,320	58,280	256,889
Loan sale reduction to provision	(161,793)	—	(42,916)	—	(204,709)	—	—	—	—
Total provision for loan losses[2]	134,374	277	(2,431)	1,191	133,411	197,289	1,320	58,280	256,889
Ending balance	$ 1,728,811	$ 4,363	$ —	$ 1,385	$ 1,734,559	$ 342,544	$ 1,689	$ 70,173	$ 414,406
Troubled debt restructurings[3]	$ 1,495,161	$ —	$ —	$ —	$ 1,495,161	$ 1,474,819	$ —	$ —	$ 1,474,819

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[1] See Note 5, "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

(Dollars in thousands)	Nine Months Ended September 30, 2020
Private Education Loan provision for credit losses:	
Provision for loan losses	$ 134,374
Provision for unfunded commitments	276,094
Total Private Education Loan provision for credit losses	410,468
Other impacts to the provision for credit losses:	
Personal Loans	(2,431)
FFELP Loans	277
Credit Cards	1,191
Total	(963)
Provisions for credit losses reported in consolidated statements of income	$ 409,505

[3] Represents the unpaid principal balance of loans classified as troubled debt restructurings.

Private Education Loan Allowance for Credit Losses

In establishing the allowance for Private Education Loan losses as of September 30, 2020, 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 in full principal and interest repayment status were 43 percent of our total Private Education Loan portfolio at September 30, 2020, compared with 39 percent at September 30, 2019.

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 "—Allowance for Credit Losses" and Note 3, "Loans Held for Investment — Certain Collection Tools - Private Education Loans" in this Form 10-Q.

The table below presents our Private Education Loan 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			
	September 30,			
	2020		2019	
(Dollars in thousands)	Balance	%	Balance	%
Loans in-school/grace/deferment[1]	$ 6,055,561		$ 6,443,910	
Loans in forbearance and percentage of each status:				
Loans in forbearance - current[2]	705,162	100.0 %	603,280	100.0 %
Loans in forbearance - loans delinquent 31-60 days[2][3]	274	—	—	—
Loans in forbearance - loans delinquent 61-90 days[2][3]	21	—	—	—
Loans in forbearance - loans delinquent greater than 90 days[2][3]	—	—	—	—
Total Private Education Loans in forbearance[2]	705,457	100.0 %	603,280	100.0 %
Loans in repayment and percentage of each status:				
Loans current	15,375,006	97.0 %	15,627,722	97.2 %
Loans delinquent 31-60 days[3]	265,251	1.7	263,331	1.6
Loans delinquent 61-90 days[3]	139,823	0.9	120,007	0.8
Loans delinquent greater than 90 days[3]	73,229	0.4	61,919	0.4
Total Private Education Loans in repayment	15,853,309	100.0 %	16,072,979	100.0 %
Total Private Education Loans, gross	22,614,327		23,120,169	
Private Education Loans deferred origination costs and unamortized premium/(discount)	70,406		78,103	
Total Private Education Loans	22,684,733		23,198,272	
Private Education Loans allowance for losses	(1,728,811)		(342,544)	
Private Education Loans, net	$ 20,955,922		$ 22,855,728	
Percentage of Private Education Loans in repayment		70.1 %		69.5 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment		3.0 %		2.8 %
Delinquencies as a percentage of Private Education Loans in repayment and delinquent forbearance loans		3.0 %		2.8 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		4.3 %		3.6 %

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(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 in repayment and delinquent forbearance loans increased to 3.0 percent at September 30, 2020 from 2.8 percent at September 30, 2019, and the forbearance rate increased to 4.3 percent at September 30, 2020 from 3.6 percent at September 30, 2019. The slight increase in the delinquency rates was the result of significantly higher unemployment rates in the third of quarter 2020, as a result of the COVID-19 pandemic, than we saw in 2019. Typically, higher unemployment rates, as we saw in the third of quarter 2020, would cause delinquency rates to increase significantly; however, to help our borrowers in financial difficulty resulting from the COVID-19 pandemic, in accordance with regulatory guidance that encourages lenders to work constructively with customers who have been impacted by COVID-19, we have invoked a disaster forbearance program to assist our customers. The first wave of disaster forbearance was granted primarily in 90-day increments. When these disaster forbearances expired in June and July, they were no longer considered in forbearance until the borrower requested, and was granted, an additional forbearance. Many of these borrowers went back into repayment status at the end of their original three-month disaster forbearance. Other borrowers asked for additional forbearance and we began granting those in one-month increments. In the third quarter of 2020, we saw our forbearance rate decline from the high levels we experienced in the second quarter 2020, as borrowers exited their original three-month disaster forbearance. As our borrowers exit forbearance and enter repayment status, we expect to see an increase in delinquency rates in future periods as a result of the higher unemployment rates. Higher forbearance rates in the third quarter of 2020 compared with the year-ago period are primarily a result of our working with customers affected by COVID-19. Customers who receive a disaster forbearance do not progress in delinquency and are not assessed late fees or other fees. During a disaster forbearance, a customer’s credit file will continue to reflect the status of the loan as it was immediately prior to granting the disaster forbearance. See additional discussion related to collections activity and the COVID-19 pandemic in “ — Impact of COVID-19 on Sallie Mae — Customers and Credit Performance.”

Changes in Allowance for Private Education Loan Losses

The following table summarizes changes in the allowance for Private Education Loan losses.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands)	2020	2019	2020	2019
Beginning balance	$ 1,760,559	$ 307,968	$ 374,300	$ 277,943
Day 1 adjustment for adoption of CECL	—	—	1,060,830	—
Transfer from unfunded commitment liability[1]	100,470	—	279,555	—
Provision for loan losses:				—
Provision, current period	(81,710)	84,110	296,167	197,289
Loan sale reduction to provision	—	—	(161,793)	—
Total provision	(81,710)	84,110	134,374	197,289
Net charge-offs:				
Charge-offs	(55,298)	(56,398)	(138,546)	(151,357)
Recoveries	4,790	6,864	18,298	18,669
Net charge-offs	(50,508)	(49,534)	(120,248)	(132,688)
Allowance at end of period	$ 1,728,811	$ 342,544	$ 1,728,811	$ 342,544
Allowance as a percentage of the ending total loan balance	7.64 %	1.48 %	7.64 %	1.48 %
Allowance as a percentage of the ending loans in repayment[2]	10.91 %	2.13 %	10.91 %	2.13 %
Allowance coverage of net charge-offs (annualized)	8.56	1.73	10.78	1.94
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	1.33 %	1.27 %	1.05 %	1.15 %
Delinquent loans in repayment as a percentage of ending loans in repayment[2]	3.02 %	2.77 %	3.02 %	2.77 %
Delinquencies as a percentage of ending loans in repayment and delinquent forbearance loans[2]	3.02 %	2.77 %	3.02 %	2.77 %
Loans in forbearance as a percentage of ending loans in repayment and forbearance[2]	4.26 %	3.62 %	4.26 %	3.62 %
Ending total loans, gross	$ 22,614,327	$ 23,120,169	$ 22,614,327	$ 23,120,169
Average loans in repayment[2]	$ 15,182,703	$ 15,632,028	$ 15,336,253	$ 15,351,188
Ending loans in repayment[2]	$ 15,853,309	$ 16,072,979	$ 15,853,309	$ 16,072,979

(1) See Note 5, "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.

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.

Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, achieve better student outcomes, and increase the collectability of the loan. 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. Forbearance is granted prospectively for borrowers who are current in their payments and may be granted retroactively for certain delinquent borrowers.

Forbearance allows a borrower to temporarily not make scheduled payments or to make smaller than scheduled payments, in each case for a specified period of time. Using forbearance extends the original term of the loan by the term of forbearance taken. Forbearance does not grant any reduction in the total principal or interest repayment obligation. While a loan is in forbearance status, interest continues to accrue and is capitalized to principal when the loan re-enters repayment status (except as described below in the case of disaster forbearance).

We grant forbearance through our servicing centers to borrowers who are current in their payments and through our collections centers to certain borrowers who are delinquent. Our forbearance policies and practices vary depending upon whether a borrower is current or delinquent at the time forbearance is requested, generally with stricter payment requirements for delinquent borrowers. We view the population of borrowers that use forbearance positively because the borrowers are either proactively reaching out to us to obtain assistance in managing their obligations or are working with our collections center to bring their loans current.

Forbearance may be granted through our servicing centers to customers who are exiting their grace period, which generally is the six-month period after the borrower separates from school and during which the borrower is not required to make full principal and interest payments, and to other customers who are current in their payments, to provide temporary payment relief. In these circumstances, a customer's loan is placed into a forbearance status in limited monthly increments and is reflected in the forbearance status at month-end during this time. At the end of the forbearance period, the customer will enter repayment status as current and is expected to begin making scheduled monthly payments. Currently, we generally grant forbearance in our servicing centers if a borrower who is current requests it for increments of up to three months at a time, for up to 12 months.

Forbearance may also be granted through our collections centers to customers who are delinquent in their payments. If specific payment requirements are met, the forbearance can cure the delinquency and the customer is returned to a current repayment status. Forbearance as a collection tool is used most effectively when applying historical experience and our judgment to a customer's unique situation. We leverage updated customer information and other decision support tools to best determine who will be granted forbearance based on our expectations as to a customer's ability and willingness to repay their obligation. This strategy is aimed at assisting customers while mitigating the risks of delinquency and default as well as encouraging resolution of delinquent loans. In all instances, we require one or more payments before granting forbearance to delinquent borrowers.

The COVID-19 pandemic is having far reaching, negative impacts on individuals, businesses, and, consequently, the overall economy. Specifically, COVID-19 has materially disrupted business operations throughout the country, resulting in significantly higher levels of unemployment or underemployment. As a result, we expect many of our individual customers will experience financial hardship, making it difficult, if not impossible, to meet their payment obligations to us without temporary assistance. We are monitoring key metrics as early warning indicators of financial hardship, including changes in weekly unemployment claims, enrollment in auto-debit payments, requests for new forbearances, enrollment in hardship payment plans, and early delinquency metrics.

As a result of the negative impact on employment from COVID-19, our customers are experiencing higher levels of financial hardship, which have led to higher levels of forbearance. We expect such higher levels of financial hardship to lead to higher levels of delinquencies and defaults in the future, as borrowers who had received disaster forbearance from us re-enter repayment status. We expect that, left unabated, this deterioration in forbearance, delinquency, and default rates will persist until such time as the economy and employment return to relatively normal levels.

We assist customers with an array of payment programs during periods of financial hardship as standard operating convention, including: forbearance, which defers payments during a short-term hardship; our GRP, which is an interest-only payment for 12 months; or a loan modification that, in the event of long-term hardship, reduces the interest rate on a loan to 4 percent for 24 months and/or permanently extends the maturity date of the loan. Historically, we have utilized disaster forbearance for material events, including hurricanes, wildfires, and floods. Disaster forbearance defers payments for as much as 90 days upon enrollment. We have invoked this same disaster forbearance program to assist our customers through COVID-19 and offer this program across our operations, including through mobile app and self-service channels such as chat and IVR. Customers who receive a disaster forbearance will not progress in delinquency and will not be assessed late fees or other fees. During a disaster forbearance, a customer's credit file will continue to reflect the status of the loan as it was immediately prior to granting the disaster forbearance. During the period of the disaster forbearance, interest will continue to accrue, but is not capitalized to the loan balance after the loan returns to repayment status. The first wave of disaster forbearance was granted primarily in 90-day increments. As these forbearances ended, we reduced the disaster forbearance to one-month increments and implemented additional discussions between our servicing agents and borrowers to encourage borrowers/cosigners to enter repayment. If the financial hardship extends beyond 90 days, additional assistance will be available for eligible customers. For example, for borrowers exiting disaster forbearance and not eligible for GRP, we may allow them to make interest only payments for 12 months before reverting to full principal and interest payments.

Management continually monitors our credit administration practices and may periodically modify these practices based upon performance, industry conventions, and/or regulatory feedback. In light of these considerations, we previously announced that we plan to implement certain changes to our credit administration practices in the future. As discussed below, however, we have postponed until the fourth quarter of 2020 the implementation of the announced credit administration practices changes due to the COVID-19 pandemic.

Specifically, we previously announced that we plan to revise our credit administration practices limiting the number of forbearance months granted consecutively and the number of times certain extended or reduced repayment alternatives may be granted. For example, we currently grant forbearance to borrowers without requiring any period of prior principal and interest payments, meaning that, if a borrower satisfies all eligibility requirements, forbearance increments may be granted consecutively. We previously announced that, beginning in the second quarter of 2020, we would phase in a required six-month period between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. We announced this required period will not apply, however, to forbearances granted during the first six months following a borrower's grace period and will not be required for a borrower to receive a contractual interest rate reduction. In addition, we announced we would limit the participation of delinquent borrowers in certain short-term extended or interest-only repayment alternatives to once in 12 months and twice in five years.

As previously announced, prior to full implementation of the credit administration practices changes described above, management will conduct a controlled testing program on randomly selected borrowers to measure the impact of the changes on our customers, our credit operations, and key credit metrics. The testing commenced in October 2019 for some of the planned changes on a very small percentage of our total portfolio and we originally expected to expand the number of borrowers in repayment who would be subject to the new credit administration practices. However, due to the COVID-19 pandemic, we postponed our efforts so that we can be more flexible in dealing with our customers' financial hardship. In October 2020, we began to roll out in a methodical approach the implementation of the credit administration practices changes and related testing. Management now expects to have completed implementation of the planned credit administration practices changes by year-end 2022. However, we may modify or delay the contemplated practice changes, the proposed timeline, or the method of implementation as we learn more about the impacts of the program on our customers.

We also offer rate and term modifications to customers experiencing more severe hardship. Currently, we temporarily reduce the contractual interest rate on a loan to 4.0 percent (previously, to 2.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. As part of demonstrating the ability and willingness to pay, the customer must make three consecutive monthly payments at the reduced payment to qualify for the program. The combination of the rate reduction and maturity extension 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. At September 30, 2020 and December 31, 2019, 8.8 percent and 7.2 percent, respectively, of our loans then currently in full principal and interest repayment status were subject to interest rate reductions made under our rate modification program. We currently have no plans to change the basic elements of the rate and term modifications we offer to our customers experiencing more severe hardship.

While there are limitations to our estimate of the future impact of the credit administration practices changes described above, absent the effect of any mitigating measures, and based on an analysis of borrower behavior under our current credit administration practices, which may not be indicative of how borrowers will behave under revised credit administration practices, we expect that the credit administration practices changes described above will accelerate defaults and could increase life of loan defaults in our Private Education Loan portfolio by approximately 4 percent to 14 percent. Among the measures that we are planning to implement and expect may partly offset or moderate any acceleration of or increase in defaults will be greater focus on the risk assessment process to ensure borrowers are mapped to the appropriate program, better utilization of existing programs (e.g., GRP and rate modifications), and the introduction of a new program offering short-term payment reductions (permitting interest-only payments for up to six months) for certain early stage delinquencies.

The full impact of these changes to our collections practices described above may only be realized over the longer term, however. In particular, when we calculate the allowance for credit losses under CECL, which became effective on January 1, 2020, our loan loss reserves increased materially because we expect the life of loan defaults on our overall Private Education Loan portfolio to increase, in part as a result of the planned changes to our credit administration practices. As we progress with the controlled testing program of the planned changes to our credit administration practices, we expect to learn more about how our borrowers are reacting to these changes and, as we analyze such reactions, we will continue to refine our estimates of the impact of those changes on our allowance for credit losses.

The tables below show the composition and status of the Private Education Loan portfolio aged by number of months in active repayment status (months for which a scheduled monthly payment was due). The period of delinquency is based on the number of days scheduled payments are contractually past 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, 2020, loans in forbearance status as a percentage of total loans in repayment and forbearance were 2.8 percent for Private Education Loans that have been in active repayment status for fewer than 25 months. Approximately 66 percent of our Private Education Loans in forbearance status have been in active repayment status fewer than 25 months.

(Dollars in millions)	Private Education Loans Monthly Scheduled Payments Due						
September 30, 2020	0 to 12	13 to 24	25 to 36	37 to 48	More than 48	Not Yet in Repayment	Total
Loans in-school/grace/deferment	$ —	$ —	$ —	$ —	$ —	$ 6,056	$ 6,056
Loans in forbearance	351	113	88	63	90	—	705
Loans in repayment - current	5,345	3,223	2,356	1,719	2,732	—	15,375
Loans in repayment - delinquent 31-60 days	118	44	37	24	42	—	265
Loans in repayment - delinquent 61-90 days	63	25	19	13	20	—	140
Loans in repayment - delinquent greater than 90 days	33	12	10	7	11	—	73
Total	$ 5,910	$ 3,417	$ 2,510	$ 1,826	$ 2,895	$ 6,056	22,614
Deferred origination costs and unamortized premium/(discount)							71
Allowance for credit losses							(1,729)
Total Private Education Loans, net							$ 20,956
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	2.12 %	0.68 %	0.53 %	0.38 %	0.55 %	— %	4.26 %

(Dollars in millions) September 30, 2019	Private Education Loans 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	$ —	$ —	$ —	$ —	$ —	$ 6,444	$ 6,444
Loans in forbearance	341	87	68	50	57	—	603
Loans in repayment - current	5,442	3,482	2,551	1,934	2,219	—	15,628
Loans in repayment - delinquent 31-60 days	110	48	39	29	37	—	263
Loans in repayment - delinquent 61-90 days	52	23	17	12	16	—	120
Loans in repayment - delinquent greater than 90 days	26	12	9	6	9	—	62
Total	$ 5,971	$ 3,652	$ 2,684	$ 2,031	$ 2,338	$ 6,444	23,120
Deferred origination costs and unamortized premium/(discount)							78
Allowance for credit losses							(342)
Total Private Education Loans, net							$ 22,856
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	2.04 %	0.52 %	0.41 %	0.30 %	0.34 %	— %	3.62 %

Private Education Loan Types

The following table provides information regarding the loans in repayment balance and total loan balance by Private Education Loan product type at September 30, 2020 and December 31, 2019.

	September 30, 2020					
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
$ in repayment[(1)]	$ 224,305	$ 289,639	$ 14,720,928	$ 12,460	$ 605,977	$ 15,853,309
$ in total	$ 339,495	$ 295,598	$ 20,987,072	$ 13,281	$ 978,881	$ 22,614,327

	December 31, 2019					
(Dollars in thousands)	Signature and Other	Parent Loan	Smart Option	Career Training	Graduate Loan	Total
$ in repayment[(1)]	$ 205,203	$ 248,662	$ 15,928,942	$ 12,394	$ 392,469	$ 16,787,670
$ in total	$ 341,919	$ 251,104	$ 21,951,654	$ 12,895	$ 632,019	$ 23,189,591

(1) 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.

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 greater than 90 days 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. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due Private Education Loan portfolio for all periods presented.

	Private Education Loans Accrued Interest Receivable		
(Dollars in thousands)	Total Interest Receivable	Greater Than 90 Days Past Due	Allowance for Uncollectible Interest
September 30, 2020	$ 1,454,176	$ 4,096	$ 4,427
December 31, 2019	$ 1,366,158	$ 2,390	$ 5,309
September 30, 2019	$ 1,488,628	$ 2,348	$ 7,505

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 other loans, and servicing our Bank deposits. To achieve these objectives, we analyze and monitor our liquidity needs, maintain excess liquidity, and access diverse funding sources, such as deposits at the Bank, issuance of secured debt primarily through asset-backed securitizations, and other financing facilities. It is our policy to manage operations so liquidity needs are fully satisfied through normal operations to avoid unplanned asset sales under 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 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 has 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 cash equivalents and investments held as part of our ongoing efforts to enhance our ability to maintain a strong risk management position. We expect to continue to increase liquidity levels in 2020, and as such, we expect the increased proportion of cash in our assets will cause our net interest margin to be lower in 2020 when compared with 2019. 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, 2020	December 31, 2019
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	$ 3,197	$ 29,620
Sallie Mae Bank[1]	4,347,848	5,534,257
Available-for-sale investments	2,018,389	487,668
Total unrestricted cash and liquid investments	$ 6,369,434	$ 6,051,545

(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, 2020	Three Months Ended September 30, 2019	Nine Months Ended September 30, 2020	Nine Months Ended September 30, 2019
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	$ 6,172	$ 51,051	$ 24,061	$ 40,403
Sallie Mae Bank[1]	4,710,900	4,118,247	5,408,975	2,957,180
Available-for-sale investments	2,038,473	412,984	1,331,776	279,045
Total unrestricted cash and liquid investments	$ 6,755,545	$ 4,582,282	$ 6,764,812	$ 3,276,628

(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, 2020	December 31, 2019
Deposits - interest bearing	$ 23,109,438	$ 24,282,906
Deposits - non-interest bearing	485	1,077
Total deposits	$ 23,109,923	$ 24,283,983

Our total deposits of $23.1 billion were comprised of $12.1 billion in brokered deposits and $11.0 billion in retail and other deposits at September 30, 2020, compared to total deposits of $24.3 billion, which were comprised of $13.8 billion in brokered deposits and $10.5 billion in retail and other deposits, at December 31, 2019.

Interest bearing deposits as of September 30, 2020 and December 31, 2019 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 $7.1 billion and $6.8 billion of our deposit total as of September 30, 2020 and December 31, 2019, 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 $5 million and $4 million in the three months ended September 30, 2020 and 2019, respectively, and placement fee expense of $15 million and $12 million in the nine months ended September 30, 2020 and 2019, respectively. Fees paid to third-party brokers related to brokered CDs were $2 million and $5 million for the three months ended September 30, 2020 and 2019, respectively, and fees paid to third-party brokers related to brokered CDs were $5 million and $20 million for the nine months ended September 30, 2020 and 2019, respectively.

Interest bearing deposits at September 30, 2020 and December 31, 2019 are summarized as follows:

(Dollars in thousands)	September 30, 2020 Amount	September 30, 2020 Qtr.-End Weighted Average Stated Rate[1]	December 31, 2019 Amount	December 31, 2019 Year-End Weighted Average Stated Rate[1]
Money market	$ 10,003,940	0.90 %	$ 9,616,547	2.04 %
Savings	866,611	0.69	718,616	1.71
Certificates of deposit	12,238,887	1.41	13,947,743	2.44
Deposits - interest bearing	$ 23,109,438		$ 24,282,906	

[1] Includes the effect of interest rate swaps in effective hedge relationships.

As of September 30, 2020, and December 31, 2019, there were $681 million and $963 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $64 million and $68 million at September 30, 2020 and December 31, 2019, 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 composed of 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 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, 2020, $8.4 billion notional of our derivative contracts were cleared on the CME and $0.4 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 95.1 percent and 4.9 percent, respectively, of our total notional derivative contracts of $8.8 billion at September 30, 2020.

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, 2020 was $(218) million and $22 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments will be presented as realized gains (losses).

Our exposure 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, 2020 and December 31, 2019, we had a net positive exposure (derivative gain positions to us, less collateral held by us and plus collateral posted with counterparties) related to derivatives of $54 million and $52 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, 2020.

(Dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts
Total exposure, net of collateral	$ 54,349
Exposure to counterparties with credit ratings, net of collateral	$ 54,349
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 the FDIC and the UDFI. 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 regulatory 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 the remainder of 2020. As of September 30, 2020, 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, as of January 1, 2019, the Bank is subject to a fully phased-in Common Equity Tier 1 capital conservation buffer of greater than 2.5 percent. (As of December 31, 2018, the Bank was subject to a Common Equity Tier 1 capital conservation buffer of greater than 1.875 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, as of January 1, 2019, 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.

On August 26, 2020, the FDIC and other federal banking agencies published a final rule that provides those banking organizations that adopt CECL during the 2020 calendar year with the option 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. We have elected to use this option. The final rule is substantially similar to an interim final rule issued on March 27, 2020. Under this final rule, because we have elected to use the deferral option, the regulatory capital impact of our transition adjustments recorded on January 1, 2020 from the adoption of CECL will be deferred for two years. In addition, from January 1, 2020 through the end of the two-year deferral period, 25 percent of the ongoing impact of CECL on our allowance for credit losses, retained earnings, and average total consolidated assets, each as reported for regulatory capital purposes, will be added to the deferred transition amounts ("adjusted transition amounts") and deferred for the two-year period. At the conclusion of the two-year period (i.e., beginning January 1, 2022), 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. Our January 1, 2020 CECL transition amounts increased the 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.

The Bank's required and actual regulatory capital amounts and ratios under U.S. Basel III are shown in the following table.

	Actual		U.S. Basel III Minimum Requirements Plus Buffer[1][2]		
	Amount	Ratio	Amount		Ratio
As of September 30, 2020:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 3,230,078	12.7 %	$ 1,785,181	≥	7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 3,230,078	12.7 %	$ 2,167,720	≥	8.5 %
Total Capital (to Risk-Weighted Assets)	$ 3,551,765	13.9 %	$ 2,677,771	≥	10.5 %
Tier 1 Capital (to Average Assets)	$ 3,230,078	10.2 %	$ 1,261,080	≥	4.0 %
As of December 31, 2019:					
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 3,264,309	12.2 %	$ 1,876,050	≥	7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 3,264,309	12.2 %	$ 2,278,060	≥	8.5 %
Total Capital (to Risk-Weighted Assets)	$ 3,600,668	13.4 %	$ 2,814,074	≥	10.5 %
Tier 1 Capital (to Average Assets)	$ 3,264,309	10.2 %	$ 1,282,642	≥	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.

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 to the Company 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 no dividends and $568 million in dividends to the Company for the three and nine months ended September 30, 2020, respectively, and $20 million and $241 million in dividends for the three and nine months ended September 30, 2019, respectively. 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, 2020 and December 31, 2019, respectively. For additional information, see Notes to Consolidated Financial Statements, Note 7, "Borrowings."

	September 30, 2020			December 31, 2019		
(Dollars in thousands)	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	$ —	$ 198,768	$ 198,768	$ —	$ 198,159	$ 198,159
Total unsecured borrowings	—	198,768	198,768	—	198,159	198,159
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,398,239	3,398,239	—	2,629,902	2,629,902
Variable-rate	—	1,350,640	1,350,640	—	1,525,976	1,525,976
Total Private Education Loan term securitizations	—	4,748,879	4,748,879	—	4,155,878	4,155,878
Secured Borrowing Facility	—	—	—	289,230	—	289,230
Total secured borrowings	—	4,748,879	4,748,879	289,230	4,155,878	4,445,108
Total	$ —	$ 4,947,647	$ 4,947,647	$ 289,230	$ 4,354,037	$ 4,643,267

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at September 30, 2020. 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, 2020 or in the year ended December 31, 2019.

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, 2020 and December 31, 2019, the value of our pledged collateral at the FRB totaled $3.7 billion and $3.2 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, 2020 or in the year ended December 31, 2019.

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, 2020, we had $1.8 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2020/2021 academic year. At September 30, 2020, we had a $115 million reserve recorded in "Other Liabilities" to cover lifetime expected credit losses on these unfunded commitments. See Note 1, "Significant Accounting Policies — Allowance for Credit Losses — Off-Balance Sheet Exposure for Contractual Loan Commitments" and Note 5, "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. A discussion of our critical accounting policies, which include allowance for credit losses and derivative accounting, can be found in our 2019 Form 10-K. On January 1, 2020, we adopted FASB's ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments" ("CECL"), which resulted in a significant change to our allowance for credit losses policy, and is outlined below. There were no significant changes to our derivative accounting policy during the nine months ended September 30, 2020.

Recently Issued and Adopted Accounting Pronouncements

ASU No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments"

In June 2016, the FASB issued ASU No. 2016-13, which became effective for us on January 1, 2020. This ASU eliminated the previous accounting guidance for the recognition of credit impairment. Under the new guidance, for all loans carried at amortized cost, upon loan origination we are required to measure our allowance for credit losses based on our estimate of all current expected credit losses over the remaining contractual term of the assets. Updates to that estimate each period will be recorded through provision expense. The estimate of credit losses must be based on historical experience, current conditions, and reasonable and supportable forecasts. The ASU does not mandate the use of any specific method for estimating credit loss, permitting companies to use judgment in selecting the approach that is most appropriate in their circumstances.

In addition, Topic 326 made changes to the accounting for available-for-sale debt securities. One such change is to require an assessment of unrealized losses on available-for-sale debt securities that we have the ability and intent to hold for a period of time sufficient to recover the amortized cost of the security, for the purpose of determining credit impairment. If any credit impairment exists, an allowance for losses must be established for the amount of the unrealized loss that is determined to be credit-related.

On January 1, 2020, we adopted CECL using the modified retrospective method and it had a material impact on how we record and report our financial condition and results of operations and on regulatory capital. The following table illustrates the impact of the cumulative effect adjustment made upon adoption of CECL:

(Dollars in thousands)	January 1, 2020 As reported under CECL		Pre-CECL Adoption		Impact of CECL Adoption	
Assets:						
Allowance for credit losses:						
Private Education Loans	$	1,435,130	$	374,300	$	1,060,830
FFELP Loans		4,485		1,633		2,852
Personal Loans		145,060		65,877		79,183
Credit Cards		290		102		188
Total	$	1,584,965	$	441,912	$	1,143,053
Deferred tax asset	$	415,540	$	109,369	$	306,171
Liabilities:						
Allowance for credit losses:						
Off-balance sheet exposures	$	118,239	$	2,481	$	115,758
Equity:						
Retained Earnings	$	897,873	$	1,850,512	$	(952,639)

This transition adjustment is inclusive of qualitative adjustments incorporated into our CECL allowance as necessary, to address any limitations in the models used.

Allowance for Credit Losses

We maintain an allowance for credit losses for the lifetime expected credit losses on loans in our portfolios, as well as for future loan commitments, at the reporting date.

In determining the lifetime expected credit losses on our Private Education Loan and Personal Loan portfolios, we use a discounted cash flow model. This method requires us to project future principal and interest cash flows on our loans in those portfolios.

To estimate the future expected cash flows, we use a vintage-based model that considers life of loan loss expectations, prepayments (both voluntary and involuntary), defaults, recoveries, and any other adjustments deemed necessary, to determine the adequacy of the allowance at each balance sheet date. These cash flows are discounted at the loan's effective interest rate to calculate the present value of those cash flows. Management adjusts the effective interest rate used to discount expected cash flows to incorporate expected prepayments. The difference between the present value of those cash flows and the amortized cost basis of the underlying loans is the allowance for credit losses. Entities that measure credit losses based on the present value of expected future cash flows are permitted to report the entire change in present value as credit loss expense, but may alternatively report the change in present value due to the passage of time as interest income. We have elected to report the entire change in present value as credit loss expense.

In determining the loss rates used for the vintage-based approach, we start with our historical loss rates, stratify the loans within each vintage, and then adjust the loss rates based upon exogenous factors over a reasonable and supportable forecast period. The reasonable and supportable forecast period is meant to represent the period in which we believe we can estimate the impact of forecasted economic variables in our expected losses. At the end of the reasonable and supportable forecast period, we immediately revert our forecast of expected losses to our historical averages. We use a two-year reasonable and supportable forecast period, although this period is subject to change as our view evolves on our ability to reasonably estimate future losses based upon economic forecasts.

In estimating our current expected credit losses, we use a combination of expected economic scenarios coupled with our historical experience to derive a base case adjusted for any qualitative factors (as described below). We also develop an adverse and favorable economic scenario as well. At each reporting date, we determine the appropriate weighting of these alternate scenarios based upon the current economic conditions and our view of the risks of alternate outcomes. This weighting of expectations is used in calculating our current expected credit losses recorded each period.

In estimating recoveries, we use both estimates of what we would receive from the sale of defaulted loans as well as historical borrower payment behavior to estimate the timing and amount of future recoveries on charged-off loans.

Our prepayment estimates include the effect of voluntary prepayments and consolidation (if the loans are consolidated to third parties), both of which shorten the lives of loans. CPR estimates also consider the utilization of deferment, forbearance, and extended repayment plans, which lengthen the lives of loans. We regularly evaluate the assumptions used to estimate the CPRs. We use economic forecasts to help in the estimation of future CPRs. As with our loss forecasts, at the end of the two-year reasonable and supportable forecast for CPRs, we immediately revert to our historical long-term CPR rates.

In addition to the above modeling approach, we also take certain other qualitative factors into consideration when calculating the allowance for credit losses. These qualitative factors include, but are not limited to, changes in lending policies and procedures, including changes in underwriting standards and collection, charge-off and recovery practices not already included in the analysis, and the effect of other external factors such as legal and regulatory requirements on the level of estimated current expected credit losses.

The evaluation of the allowance for credit losses is inherently subjective, as it requires material estimates that may be susceptible to significant changes. If actual future performance in delinquency, charge-offs, and recoveries is significantly different than estimated, or management assumptions or practices were to change, this could materially affect the estimate of the allowance for credit losses, the timing of when losses are recognized, and the related provision for credit losses on our consolidated statements of income.

When calculating our allowance for credit losses and liability for unfunded commitments, we incorporate several inputs that are subject to change period to period. These include, but are not limited to, CECL model inputs and any overlays deemed necessary by management. The most impactful CECL model inputs include:

- Economic forecasts;
- Weighting of economic forecasts;
- Prepayment speeds;
- New loan volume, including commitments made but not yet disbursed; and
- Loan sales.

Management overlays can encompass a broad array of factors not captured by model inputs such as changes in servicing policies.

Below we describe in further detail our policies and procedures for the allowance for credit losses as they relate to our Private Education Loan, Personal Loan, Credit Card, and FFELP Loan portfolios.

Allowance for Private Education Loan Losses

We collect on defaulted loans through a mix of in-house collectors, third-party collectors and sales to third-parties. For September 30, 2020 and December 31, 2019, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted loans to estimate the timing and amount of future recoveries on charged-off loans.

In addition to the key assumptions/estimates described above, some estimates are unique to our Private Education Loan portfolio. Estimates are made on our Private Education Loans regarding when each borrower will separate from school. The cash flow timing of when a borrower will begin making full principal and interest payments is dependent upon when the student either graduates or leaves school. These dates can change based upon many factors. We receive information regarding projected graduation dates from a third-party clearinghouse. The separation from school date will be updated quarterly based on updated information received from the clearinghouse.

Additionally, when we have a contractual obligation to fund a loan or a portion of a loan at a later date, we make an estimate regarding the percentage of this obligation that will be funded. This estimate is based on historical experience. For unfunded commitments, we recognize the related life of loan allowance as a liability. Once the loan is funded, that liability transfers to the allowance for Private Education Loan losses.

Key Credit Quality Indicators - Private Education Loans

We determine the collectability of our Private Education Loan portfolio by evaluating certain risk characteristics. We consider credit score at original approval and periodically refreshed/updated credit scores through the loan's term, existence of a cosigner, loan status, and loan seasoning as the key credit quality indicators because they have the most significant effect on the determination of the adequacy of our allowance for credit losses. Credit scores are an indicator of the creditworthiness of borrowers and the higher the credit scores the more likely it is the borrowers will be able to make all of their contractual payments. Loan status affects the credit risk because a past due loan is more likely to result in a credit loss than a current loan. Additionally, loans in the deferred payment status have different credit risk profiles compared with those in current pay status. Loan seasoning affects credit risk because a loan with a history of making payments generally has a lower incidence of default than a loan with a history of making infrequent or no payments. The existence of a cosigner lowers the likelihood of default as well. We monitor and update these credit quality indicators in the analysis of the adequacy of our allowance for credit losses on a quarterly basis.

Private Education Loans generally do not require borrowers to begin (principal and interest) repayment until at least six months after the borrowers have graduated or otherwise separated from school. Consequently, the loss estimates for these loans are generally low while the borrower is in school and then increase upon the end of the grace period after separation from school. At September 30, 2020 and December 31, 2019, 27 percent and 25 percent, respectively, of the principal balance of the Private Education Loan portfolio was related to borrowers who are in an in-school (fully deferred), grace, or other deferment status and not required to make payments.

Our collection policies for Private Education Loans allow for periods of nonpayment for certain borrowers requesting an extended grace period upon leaving school or experiencing temporary difficulty meeting payment obligations. This is referred to as forbearance and is considered in estimating the allowance for credit losses.

As part of concluding on the adequacy of the allowance for credit losses for Private Education Loans, we review key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages, and forbearance percentages.

We consider a Private Education Loan to be delinquent if the borrower has not made a required payment prior to the 31st day after such payment was contractually due.

Troubled Debt Restructurings

In estimating the expected defaults for our Private Education Loans that are considered TDRs, we follow the same discounted cash flow process described above but use the historical loss rates related to past TDR loans. The appropriate gross loss rates are determined for each individual loan by evaluating loan maturity, risk characteristics, and macroeconomic conditions.

The allowance for our TDR portfolio is included in our overall allowance for Private Education Loans. Our TDR portfolio is comprised mostly of loans with interest rate reductions and loans with forbearance usage greater than three months, as further described below.

We adjust the terms of loans for certain borrowers when we believe such changes will help our customers manage their student loan obligations, 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 rate (currently to 4.0 percent) for a two-year period and, in the vast majority of cases, permanently extend the final maturity 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.

We classify a loan as a TDR due to forbearance using a two-step process. The first step is to identify a loan that was in full principal and interest repayment status and received more than three months of forbearance in a 24-month period; however, during the first nine months after a loan had entered full principal and interest repayment status, we do not count up to the first six months of forbearance received during that period against the three-month policy limit. The second step is to evaluate the creditworthiness of the loan by examining its most recent refreshed FICO score. Loans that have met the criteria in the first test and have a FICO score above a certain threshold (based on the most recent quarterly FICO score refresh) will not be classified as TDRs. Loans that have met the criteria in the first test and have a FICO score under the threshold (based on the most recent quarterly FICO score refresh) will be classified as TDRs.

A loan also becomes a TDR when it is modified to reduce the interest rate on the loan (regardless of when such modification occurs and/or whether such interest rate reduction is temporary). Once a loan qualifies for TDR status, it remains a TDR for allowance purposes for the remainder of its life. About half of our loans that are considered TDRs involve a temporary forbearance of payments and do not change the contractual interest rate of the loan. As of September 30, 2020 and December 31, 2019, approximately 47 percent and 50 percent, respectively, of TDRs were classified as such due to their forbearance status. For additional information, see Note 6, "Allowance for Loan Losses" in our 2019 Form 10-K.

During the first quarter of 2020, COVID-19 began to spread worldwide and has caused significant disruptions to the U.S. and world economies.

On March 27, 2020, President Trump signed into law the CARES Act, which, among other things, allows us to (i) elect to suspend the requirements under GAAP for loan modifications related to COVID-19 that would otherwise be categorized as TDRs, and (ii) suspend any determination of a loan modified as a result of the effects of COVID-19 as being a TDR, including impairment for accounting purposes.

We have elected to suspend TDR accounting for both forbearance and interest rate modifications of loans that occur as a result of COVID-19 for the applicable period of the CARES Act relief. The relief from TDR guidance applies to modifications of loans that were not more than 30 days past due as of December 31, 2019, and that occur during the period beginning on March 1, 2020, and ending on the earlier of (i) sixty days after the date on which the national emergency related to the COVID-19 outbreak is terminated, or (ii) December 31, 2020.

Off-Balance Sheet Exposure for 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 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. The discounted cash flow approach described above includes expected future contractual disbursements. The portion of the allowance for credit losses related to future disbursements is shown as a liability on the face of the balance sheet, and related provision for credit losses is reflected on the income statement.

Uncollectible Interest

The majority of the total accrued interest receivable on our Private Education Loan portfolio represents accrued interest on deferred loans where no payments are due while the borrower is in school and on fixed-pay loans where the borrower makes a $25 monthly payment that is smaller than the interest accrued on the loan in that month. The accrued interest on these loans will be capitalized and increase the unpaid principal balance of the loans when the borrower exits the grace period after separation from school. The discounted cash flow approach described above considers both the collectability of principal as well as this portion of accrued interest that is expected to capitalize to the balance of the loan. Therefore, the allowance for this portion of accrued interest balance is included in our allowance for credit losses. The discounted cash flow approach does not consider interest accrued on loans that are in a full principal and interest repayment status or in interest-only repayment status. We separately capture the amount of expected uncollectible interest associated with these loans using historical experience to estimate the uncollectible interest for the next four months at each period-end date. This amount is recorded as a reduction of interest income. Accrued interest receivable is separately disclosed on the face of the balance sheet.

Allowance for Personal Loans

From late 2016 through mid-2018, we acquired newly-originated Personal Loans from a marketplace lender. In 2018, we began to originate Personal Loans. We ceased originating these loans at the end of 2019. We maintain an allowance for Personal Loan losses at an amount sufficient to absorb lifetime expected credit losses using the same discounted cash flow approach described above for Private Education Loans. The difference between the amortized cost basis and the present value of expected cash flows on our Personal Loan portfolio equals the allowance related to this portfolio. During the third quarter of 2020, we sold our entire Personal Loan portfolio. Therefore, at September 30, 2020, the allowance for Personal Loans was $0.

We collected on defaulted Personal Loans through a mix of in-house collectors, third-party collectors, and sales to third-parties. Prior to the sale of these loans, we used both an estimate of recovery rates from in-house collections as well as expectations of future sales of defaulted Personal Loans to estimate the timing and amount of future recoveries on charged-off Personal Loans.

*Key Credit Quality Indicators - Personal Loan*s

For Personal Loans, we considered FICO scores at original approval and periodically refreshed/updated credit scores through the loan's term, loan seasoning, and loan delinquency status to be our key credit quality indicators for the same reasons discussed above under "— Key Credit Quality Indicators — Private Education Loans."

As part of concluding on the adequacy of the allowance for Personal Loan losses, we reviewed key allowance and loan metrics. The most relevant of these metrics considered are the allowance as a percentage of ending total loans, delinquency percentages, and forbearance percentages. We considered a Personal Loan to be delinquent if the borrower had not made a required payment prior to the 31st day after such payment was contractually due.

Allowance for Credit Card Loans

We use the gross loss approach when estimating the allowance for credit losses for our Credit Card portfolio. Because our Credit Card portfolio is new and we do not have historical loss experience, we use estimated loss rates reported by other financial institutions to estimate our allowance for credit losses for Credit Cards, net of expected recoveries. In addition, we use a model that utilizes purchased credit card information with risk characteristics similar to those of our own portfolio as a challenger model. We then consider any qualitative factors that may change our future expectations of losses.

As all of our Credit Card loans are unconditionally cancelable by us, the issuer, we do not record any estimate of credit losses for unused portions of our Credit Card commitments.

Allowance for FFELP Loan Losses

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 default 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. Because we bear a maximum of three percent loss exposure due to this federal guarantee, our allowance for credit losses for FFELP Loans and related periodic provision expense are relatively small.

We use the gross loss approach when estimating the allowance for credit losses for our FFELP Loans. We maintain an allowance for credit losses for our FFELP Loans at a level sufficient to cover lifetime expected credit losses. The allowance for FFELP Loan losses uses historical experience of customer default behavior. We apply the default rate projections, net of applicable risk sharing, to our FFELP Loans for the current period to perform our quantitative calculation. Once the quantitative calculation is performed, we review the adequacy of the allowance for credit losses and determine if qualitative adjustments need to be considered.

Loan Interest Income

For all loans, including impaired loans, classified as held for investment, we recognize interest income as earned, adjusted for the amortization of deferred direct origination and acquisition costs. Deferred fees or costs are required to be recognized as yield adjustments over the life of the related loans and are recognized by the interest method. The objective of the interest method is to arrive at periodic interest income (including recognition of fees and costs) at a constant effective yield on the net investment in the receivable (i.e., the principal amount of the receivable adjusted by unamortized fees or costs, purchase premium or discount and any hedging activity—these unamortized costs will collectively be referred to as "basis adjustments"). The difference between the periodic interest income so determined and the interest income determined by applying the stated interest rate to the outstanding principal amount of the receivable is the amount of periodic amortization of deferred direct origination and acquisition costs.

For the amortization of the basis adjustments, we determine the constant effective yield necessary to apply the interest method based upon the contractual terms of the loan contract, with no consideration given to expected prepayments.

For fixed-rate loans, when a prepayment occurs the unamortized balance of the basis adjustments is adjusted so that future amortization (based upon the contractual terms of the loan) will result in constant effective yield equal to the original effective interest rate. Prepayments do not result in a change in the effective interest rate of the loan. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

For variable-rate loans, the effective interest rate at the time of origination is the loan's effective interest rate assuming all future contractual payments. The effective interest rate remains the same for that loan until the loan rate changes. If there is no prepayment and no change in the stated interest rate, the periodic amortization of the basis adjustments is equal to the difference between the effective interest rate multiplied by the book basis and the contractual interest due. We determine the contractual payments on a pool basis; as such, when a prepayment occurs, future contractual payments will be determined assuming the pool will make smaller payments through the original term of the contract. The adjustment to the unamortized basis adjustment balance is recorded in interest income.

When the interest rate on a variable-rate loan changes, the effective interest rate is recalculated using the same methodology described in the previous paragraph; however, the future contractual payments are changed to reflect the new interest rate. There is no forecasting of future expected changes in interest rates. The accounting basis used to determine the effective interest rate of the cash flows is equal to the balances of the unpaid principal balance and unamortized basis adjustments at the time of the rate change.

We also pay to the DOE an annual 105 basis point Consolidation Loan Rebate Fee on FFELP consolidation loans, which is netted against loan interest income. Additionally, interest earned on education loans and Personal Loans reflects potential non-payment adjustments in accordance with our uncollectible interest recognition policy. We do not amortize any adjustments to the basis of loans when they are classified as held-for-sale.

With the adoption of CECL on January 1, 2020, we continue to analyze the collectability of accrued interest associated with loans not currently in full principal and interest repayment status or in interest only repayment status as discussed above; however, we have changed the recognition of the allowance for this portion of uncollectible interest (amounts to be capitalized after separation from school and the expiration of the grace period) to the provision for loan losses from our historical practice of recording it as a reduction of interest income, as well as classifying this allowance as part of our allowance for credit losses as opposed to our historical practice of recording it as a reduction of accrued interest income receivable.

The allowance for the portion of uncollectible interest on loans making full interest payments will continue to be recorded as a reduction of interest income.

We recognize certain fee income (primarily late fees) on all loans when earned according to the contractual provisions of the promissory notes, as well as our expectation of collectability. Fee income is recorded when earned in "other non-interest income" in the accompanying consolidated statements of income.

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. Other interest rate changes are correlated to changes in 1-month LIBOR for analytic purposes, with higher or lower correlations based on historical relationships. In addition, key rates are modeled with a floor, which indicates how low each specific rate is likely to move in practice. 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 1-month LIBOR, with the resulting changes in other indices correlated accordingly. Interest rate ramps represent a linear increase in 1-month LIBOR 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, 2020 and 2019, based upon a sensitivity analysis performed by management assuming hypothetical increases in market interest rates of 100 and 300 basis points while credit and funding spreads remain constant. 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.

At today's levels of interest rates, a 100 or 300-basis point downward rate shock does not provide a meaningful indication of interest rate sensitivity, so results for those scenarios have not been presented. At September 30, 2020, the full impact of a 100-basis point downward rate shock cannot be modeled for some instruments on our balance sheet, due to the precipitous fall in many short-term rates since February 2020. These EAR results indicate a market risk profile that is less sensitive than one year ago to rate changes and is now at a nearly rate-neutral position for net interest income, based on static balance sheet assumptions over the next two years. For the quarter ended September 30, 2020, the increased sensitivity in the EVE risk metric is the result of an increase in fixed-rate assets on the balance sheet relative to fixed-rate liabilities and a change in the model used to perform the calculation. A portion of the increased sensitivity is due to portfolio structural changes as we now have a higher percentage of assets invested in fixed-rate loans and highly liquid fixed-rate securities. In addition, several changes to the EVE calculation methodology have been made since second quarter 2019 that have caused the ratios presented below to increase. Significant changes in methodology have occurred with the recent implementation of a new asset and liability model, which offers capabilities to model the expected cashflows of our Private Education Loan portfolio more precisely. These changes have lengthened the projected remaining weighted average lives of our education loan assets. Further duration increases have occurred due to COVID-19, with projections of slightly slower prepayments on the student loan portfolio.

	September 30,					
	2020			2019		
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points
EAR - Shock	-0.4%	-0.0%	N/A	+3.5%	+1.2%	-1.1%
EAR - Ramp	-0.0%	+0.1%	N/A	+3.2%	+0.9%	-0.7%
EVE	-15.6%	-5.2%	N/A	-5.4%	-2.0%	+2.2%

In the preceding tables, the interest rate sensitivity analysis reflects the balance sheet mix of fully variable LIBOR-based loans, and fully variable funding, including brokered CDs that have been converted to LIBOR 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 (i) the impact of FFELP Loans, which receive floor income in low interest rate environments, and will therefore not reprice fully with interest rate shocks and (ii) the impact of fixed-rate loans that have not been fully match-funded through derivative transactions and fixed-rate funding from CDs and asset securitization.

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, 2020. 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.)

(Dollars in millions) Index	Frequency of Variable Resets	Assets	Funding [(1)]	Funding Gap
Fed Funds Effective Rate	daily/weekly/monthly	$ —	$ 448.5	$ (448.5)
3-month Treasury bill	weekly	109.9	—	109.9
Prime	monthly	12.9	—	12.9
3-month LIBOR	quarterly	—	400.0	(400.0)
1-month LIBOR	monthly	12,286.9	10,542.9	1,744.0
1-month LIBOR	daily	635.7	—	635.7
Non-Discrete reset[(2)]	daily/weekly	4,528.1	3,864.9	663.2
Fixed-Rate[(3)]		13,068.9	15,386.1	(2,317.2)
Total		$ 30,642.4	$ 30,642.4	$ —

(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 1-month LIBOR monthly, Non-Discrete reset and fixed-rate categories. Changes in the Fed Funds Effective Rate, 3-month LIBOR and 1-Month LIBOR daily categories are generally quite highly correlated, and should offset each other relatively effectively. The funding in the fixed-rate bucket includes $1.8 billion of equity and $0.6 billion of non-interest bearing liabilities. We consider the overall repricing risk to be moderate.

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, 2020.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	5.39
Personal loans	—
Cash and investments	0.49
Total earning assets	4.30
Deposits	
Short-term deposits	0.47
Long-term deposits	2.25
Total deposits	0.93
Borrowings	
Long-term borrowings	3.93
Total borrowings	3.93

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, 2020. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2020, our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is (a) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (b) accumulated and communicated to our management, including our principal executive 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, 2020 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.

On July 17, 2018, the Mississippi Attorney General filed a lawsuit in Mississippi state court against Navient, Navient Solutions, LLC, and the Bank arising out of the Multi-State Investigation. The complaint alleges unfair and deceptive trade practices against all three defendants as to private loan origination practices from 2000 to 2009, and against the two Navient defendants as to servicing practices between 2010 and the present. The complaint further alleges that Navient assumed responsibility for these matters under the Separation and Distribution Agreement for alleged conduct that pre-dated the Spin-Off. On September 27, 2018, the Mississippi Attorney General filed an amended complaint. On October 8, 2018, the Bank moved to dismiss the Mississippi Attorney General's action as to the Bank, arguing, among other things, that the complaint failed to allege with sufficient particularity or specificity how the Bank was responsible for any of the alleged conduct, most of which predated the Bank's existence. On November 20, 2018, the Mississippi Attorney General filed an opposition brief and the Bank filed a reply on December 21, 2018. The court heard oral argument on the Bank's motion to dismiss on April 11, 2019. On August 15, 2019, the court entered an order denying the Bank's motion to dismiss. On September 5, 2019, the Bank filed with the Supreme Court of Mississippi a petition for interlocutory appeal. The Mississippi Attorney General filed an opposition to the petition for interlocutory appeal on September 19, 2019. On October 16, 2019, the Supreme Court of Mississippi granted the Bank's petition for interlocutory appeal and stayed the trial court proceedings. The Mississippi Attorney General has since agreed to dismiss with prejudice all claims against the Bank in the underlying case. On March 31, 2020, the Mississippi Attorney General and the Bank filed a Joint Motion to Dismiss Interlocutory Appeal with the Supreme Court of Mississippi. On April 10, 2020, the Mississippi Attorney General filed with the trial court a Notice of Voluntary Dismissal with Prejudice as to the Bank.

For additional information regarding our legal proceedings, see Part I, Item 3. "Legal Proceedings" in our 2019 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 2019 Form 10-K as well as the risk factors disclosed in Part II, Item 1A. "Risk Factors" of our quarterly report on Form 10-Q for the quarter ending March 31, 2020.

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, 2020.

(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]	Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs[2]	
Period:						
July 1 - July 31, 2020	2	$	6.88	—	$	75,000
August 1 - August 31, 2020	—	$	—	—	$	75,000
September 1 - September 30, 2020	1	$	7.51	—	$	75,000
Total third-quarter 2020	3	$	7.05	—		

(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) On January 23, 2019, our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed $200 million under the 2019 Share Repurchase Program. At the end of January 2020, $31 million of capacity remained under the 2019 Share Repurchase Program; with the purchase of 2.7 million shares in February 2020, we utilized all remaining capacity under the 2019 Share Repurchase Program. On January 22, 2020, our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed $600 million under the 2020 Share Repurchase Program. The 2020 Share Repurchase Program expires on January 21, 2022. In the first quarter of 2020, we paid $525 million under an ASR agreement and received an initial delivery of 44.9 million shares. See Note 9, "Stockholders' Equity" to our consolidated financial statements for further discussion.

The closing price of our common stock on the NASDAQ Global Select Market on September 30, 2020 was $8.09.

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:

10.1	Separation Agreement between Paul Thome and the Company effective August 10, 2020.
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).

SIGNATURES

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

SLM CORPORATION
(Registrant)

By: /s/ STEVEN J. MCGARRY

Steven J. McGarry
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Date: October 21, 2020

EXHIBIT 10.1

SEPARATION AGREEMENT AND RELEASE

SLM Corporation and its subsidiaries, predecessors, and affiliates (collectively "**SLM**") and I, Paul Thome**,** have reached the following understanding and agreement. In exchange for the Plan Benefits and other consideration listed below, I agree to comply fully with the terms of this Separation Agreement and Release ("**Agreement**"). In exchange for my Agreement, SLM agrees to provide me with the Plan Benefits and other consideration listed below, to which I am not otherwise entitled.

(1) <u>Plan Benefits and Other Consideration</u>:

(a) <u>Resignation as Chief Administrative Officer and Bank President</u>. Effective as of the close of business on August 10, 2020 (the "**Transition Date**"), I hereby, automatically and without further action on my part or any other person or entity, resign as Executive Vice President, Chief Administrative Officer of SLM and any subsidiary of SLM, including Sallie Mae Bank (the "**Bank**"), and all other offices and titles, boards of directors (or similar governing bodies), committees of such boards of directors (or similar governing bodies) and SLM's committees and any other positions I may hold with SLM or any subsidiary of SLM, including the Bank, other than my role as expressly described in this Section (1)(a). I acknowledge that, following the Transition Date, I will remain an employee of SLM, serving as President of the Bank (the "**Bank President**") through December 31, 2020 (the "**Effective Date**," and the period between the Transition Date and the Effective Date, the "**Transition Period**"). I acknowledge and agree that, following the Transition Date, the responsibilities of the Chief Administrative Officer will be transitioned to the CEO or his delegate, and that, following the Effective Date, the responsibilities of the Bank President will be transitioned as well. I acknowledge and agree that, during the Transition Period, I will report directly to the CEO or his delegate and shall perform such duties as may be reasonably requested by such person(s) in connection with the transition of the duties of the Chief Administrative Officer and Bank President.

(b) <u>Rehiring</u>: If I am rehired as an employee of SLM or any of its subsidiaries or affiliates within the twelve (12) month period following the Effective Date, I hereby agree to repay the Plan Benefits, divided by twelve (12) multiplied by the number of months remaining in the twelve (12) month period following the Effective Date, adjusted and reduced by the amount of taxes paid and withheld on that sum, within thirty (30) days after rehire, as a condition of rehire to SLM or any of its subsidiaries or affiliates.

(c) <u>Consulting Period</u>.

(i) Subject to my continued compliance with my obligations under this Agreement, and in consideration of the covenants set forth herein and the waiver and release set forth below, including the reaffirmation of such release at the conclusion of the Consulting Period (as defined below) by signing Schedule A (the "**Reaffirmation**"), I will be engaged as a consultant to SLM for a period beginning the day immediately following the Effective Date and ending on December 31, 2021 (the "**Consulting End Date**," and the period between the Effective Date and the Consulting End Date, the "**Consulting Period**"), unless otherwise terminated by either me or SLM upon thirty (30) days' written notice. My services hereunder during the Consulting Period will consist of such consulting and advisory services, and shall be provided at such times as may be requested from time to time by the Board of Directors of SLM (the "**Board**"), the Chief Executive Officer ("**CEO**") or any other executive officer of SLM; *provided*, *however*, that such services shall not be required for more than an average of twenty (20) hours per month. During the Consulting Period, I may perform such duties and responsibilities as may be required by the Board, the CEO or any other executive officer of SLM as a consultant from any location within the United States; *provided* that, in the event any such travel is required on behalf of SLM or the Bank, as requested by the Board, the CEO or any other executive officer of SLM, SLM shall reimburse me for any reasonable travel and lodging expenses in connection with my travel. During the Consulting Period, I will not be treated as an employee of SLM or any of its subsidiaries or affiliates for any purposes, including, without limitation, for purposes of any past, present or future employee benefit plan, program or arrangement of SLM or any of its subsidiaries or affiliates, and I will not have any authority to bind SLM or any of its subsidiaries or affiliates in any way. My services hereunder during the Consulting Period, if any, will be performed in the capacity of an independent contractor.

(ii) In connection with my services as a consultant during the Consulting Period, SLM will pay me an aggregate consulting fee of $**225,000**, with such amount to be paid in equal monthly installments from January 1, 2021 through December 31, 2021, to be paid in arrears (the "**Consulting Fees**"); *provided* that the payment of the final monthly Consulting Fee will be contingent on my executing and not revoking the Reaffirmation at the end of the Consulting Period.

(d) Plan Benefits: Unless I have revoked this Agreement pursuant to Section (8) below, and *provided* I execute and do not revoke the Reaffirmation following the Effective Date and remain in compliance with the terms of this Agreement and the SLM Corporation Executive Severance Plan for Senior Officers (the "**Plan**") from the date of this Agreement through the Effective Date, SLM will pay me severance of approximately $**1,571,100** (with such amount subject to change based on a potential increase or decrease to the Average Bonus, as provided for in further detail below) pursuant to the Plan which has been calculated in the following manner: (i) **$1,008,600,** which represents one (1) times the sum of (A) my base salary as of the Effective Date ($450,000) and (B) my Average Bonus (as such term is defined in the Plan) ($558,600) (together, the "**Cash Severance**"); and (ii) **$562,500,** which represents my target bonus for 2020 (the "**Target Bonus**," and, together with the Cash Severance, the "**Plan Benefits**"). The value of the Average Bonus is subject to change based on the relative achievement of SLM's performance metrics through the Effective Date, with such Average Bonus to be measured as set forth in the Plan. For the avoidance of doubt, the Target Bonus set forth herein will be paid in lieu of, and not in addition to, any annual incentive bonus I would otherwise have been entitled to receive under the SLM Corporation Executive Management Incentive Plan. The Plan Benefits will be paid in a lump sum no earlier than the Effective Date or the eighth (8^{th}) calendar day after my execution of the Reaffirmation, and no later than the thirtieth (30th) calendar day after the Effective Date. In addition, unless I have revoked this Agreement pursuant to Section (8) or the Reaffirmation executed on or around the Effective Date, and *provided* I execute and do not revoke the same Reaffirmation following the Consulting End Date and remain in compliance with the terms of this Agreement during the Consulting Period, if my consulting services are terminated by SLM, except by reason of a termination for reasons that would qualify as "For Cause" (as such term is defined in the Plan) or by me for any reason, during the Consulting Period, I will receive any remaining Consulting Fees that I would have received between the date of such termination and the Consulting End Date. The Consulting Fees will be paid in a lump sum no earlier than the Consulting End Date or the eighth (8th) calendar day after my execution of the Reaffirmation, and no later than the thirtieth (30th) calendar day after the Consulting End Date.

(e) Medical/Dental/Vision Continuation: My current medical, dental, and vision coverage will continue through the end of the month of the Effective Date. Beginning on the first (1st) day of the month following the Effective Date, I will have the right to continue my current medical, dental, and vision coverage through the Consolidated Omnibus Budget Reconciliation Act ("**COBRA**") for up to 18 months following the Effective Date. Under the Plan, if I properly elect COBRA continuation coverage, SLM will pay the employer portion of the total cost of my medical, dental and vision insurance premiums during the 18-month period following the Effective Date, with such period being from January 1, 2021 through June 30, 2022; *provided*, *however*, that, if payment of such premiums would result in excise tax or other penalties imposed on SLM, a dollar amount equal to such premiums that SLM would have paid under this Section (1)(e) during the applicable payment period shall be paid to me, instead of such premium, as additional cash severance pay.

(f) Benefit Programs: Effective on the Effective Date, I waive future coverage and benefits under all SLM disability programs, but this Agreement does not affect my eligibility for other SLM medical, dental, life insurance, retirement, and benefit plans. Whether I sign this Agreement or not, I understand that my rights and continued participation in those plans will be governed by their terms, and that I generally will become ineligible for them shortly after the Effective Date, after which I may be able to purchase continued coverage under certain of such plans. I understand that, except for the benefits that may be due under the 401(k) plans, deferred compensation, equity or pension plans to which I may be entitled under SLM's standard employee benefit plans for similarly situated employees and executives, I will not receive any other wage, paid time off, or other similar payments from SLM or any of the entities discussed in Section (2).

(g) Subject to any earlier payment provisions set forth above, and except for the benefits and payments described in Sections (1)(e) (Medical/Dental/Vision Continuation) and (1)(f) (Benefit Programs), all payments or reimbursements described in this Section (1) shall be paid to me on or before the eighth (8th) calendar day and no later than the twenty-first (21st) calendar day after my signature on this Agreement.

(h) Outstanding Equity Awards: I acknowledge that I may receive "retirement-eligible" treatment on my unvested equity awards. Each unvested equity award has been granted pursuant to the SLM Corporation 2012 Omnibus Incentive Plan (the "**Omnibus Incentive Plan**"), and has been evidenced by a term sheet and award agreement setting forth the terms and conditions of such equity award (the "**Award Agreement**"). I acknowledge that, in connection with this Agreement, my outstanding unvested equity awards will continue to be subject to the terms and conditions, including such vesting conditions, set forth in the applicable underlying Award Agreements. Whether I sign this Agreement or not, I understand that my rights to the equity awards and continued participation in the Omnibus Incentive Plan will be governed by the terms of the Omnibus Incentive Plan and the applicable Award Agreements.

(i) Section 409A: I acknowledge and agree that, as a "specified employee" (as such term is defined under Section 409A(a)(2)(B)(i) of the Code), a portion of the payments and/or benefits that I may receive under this Agreement may be subject to an additional tax under Section 409A(a)(1)(B) of the Code unless the commencement of such payments and/or benefits will be delayed until the earlier of (x) the date that is six months following the Effective Date or (y) the date of my death (in each case, the "**Distribution Date**").

(2) **Release**: In consideration of the benefits described in Section (1) above, I agree to release SLM, the Bank, and all of their subsidiaries, affiliates, predecessors, successors, and all related companies, and all of their former and current officers, employees, directors, agents, representatives, advisors and employee benefit programs (and the trustees, administrators, fiduciaries, and insurers of such programs) of any of them (collectively "**Released Parties**") from all actions, charges, claims, demands, damages or liabilities of any kind or character whatsoever, known or unknown, which I now have or may have had through the date I sign this Agreement, except claims that the law does not permit me to waive by signing this Agreement. For example, I am releasing all common law contract, tort, or other claims I might have, as well as all claims I might have under the Age Discrimination in Employment Act ("**ADEA**"), the Worker Adjustment and Retraining Notification Act of 1988 (including any state or local law equivalents), Title VII of the Civil Rights Act of 1964, Sections 1981 and 1983 of the Civil Rights Act of 1866, the National Labor Relations Act, the Americans with Disabilities Act ("**ADA**"), Family and Medical Leave Act, the Genetic Information Non-Discrimination Act ("**GINA**") of 2008, the Employee Retirement Income Security Act of 1974 ("**ERISA**"), individual relief under the Sarbanes-Oxley Act of 2002, or individual relief under the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010 or the American Recovery and Reinvestment Act of 2009, and any other federal, state or local laws. I further waive any right to payment of attorneys' fees, which I may have incurred. It is understood and agreed that by entering into this Agreement, SLM does not admit any violation of law, or any violation of my rights as an employee; SLM has entered into this Agreement solely in the interest of resolving finalizing all claims and issues relating to my employment and separation.

SLM and I, the Parties ("**Parties**"), expressly agree however, that nothing in this Agreement shall preclude my participation as a member of a class in any suit or regulatory action brought against the Released Parties arising out of or relating to any alleged securities violations or diminution in the value of SLM securities. SLM agrees that the release under this Section (2) shall not cover, and I reserve and do not waive, my rights, directly or indirectly to seek further indemnification and/or contribution under the By-Laws of SLM. SLM hereby reaffirms that I am entitled to indemnification after the Effective Date, for actions taken in my capacity as an officer of SLM Corporation or applicable SLM Corporation subsidiaries under the bylaws of the applicable subsidiary or SLM (subject to the provisions of the By-Laws, which limit indemnity in certain circumstances). SLM hereby reaffirms that I am entitled to indemnification through and after the Effective Date for actions taken in my capacity as an officer of SLM Corporation or applicable SLM Corporation subsidiaries under the By-Laws of the applicable subsidiary or SLM (subject to the provisions of the By-Laws, which limit indemnity in certain circumstances), and that my right to indemnification shall at all times remain equivalent to the indemnification provided to other executive officers of SLM.

(3) **<u>Covenant Not to Sue</u>**: I agree not to sue the Released Parties with respect to any claims, demands, liabilities or obligations released by this Agreement. The Parties agree, however, that nothing contained in this covenant not to sue or elsewhere in this Agreement shall:

(a) prevent me from challenging, under the Older Workers Benefits Protection Act (29 U.S.C. § 626), the knowing and voluntary nature of my release of any age claims in this Agreement before a court, the Equal Employment Opportunity Commission ("**EEOC**"), or any other federal, state, or local agency;

(b) prevent me from enforcing any future claims or rights that arise under ADEA after I have signed this Agreement; or

(c) prohibit or restrict me from: (i) making any disclosure of information required by law; (ii) filing a charge, initiating, making disclosures, testifying in, providing information to, or assisting in an investigation or proceeding brought by or to any governmental or regulatory body or official, or in any judicial or administrative action; (iii) making disclosures that are required or protected under the Sarbanes-Oxley Act of 2002, the Securities Exchange Act of 1934, and any other law, rule or regulation, subject to the jurisdiction of the Securities and Exchange Commission; or (iv) from testifying, participating in or otherwise assisting in a proceeding relating to an alleged violation of any federal or state employment law or any federal law relating to fraud or any rule or regulation of the Securities and Exchange Commission or any self-regulatory organization.

Except with respect to the proviso in Section (2) regarding alleged securities violations and notwithstanding anything to the contrary in this paragraph, I hereby waive and release any right to receive any personal relief (for example, money) as a result of any investigation or proceeding of the U.S. Department of Labor, EEOC, U.S. Department of Education, OIG, Securities and Exchange Commission, Consumer Financial Protection Bureau, or any federal, state, or local government agency or court. Further, with my waiver and release of claims in this Agreement, I specifically assign to the Released Parties my right to any recovery arising from any such investigation or proceeding.

(4) **<u>Additional Representations and Promises</u>**: I further acknowledge and agree that:

(a) To the extent any payments owed to me under this Agreement, including the Plan Benefits, are subject to any withholding taxes or deduction, SLM is authorized to make any such withholdings or deductions as required by law, and I will not be eligible for any additional payments in relation to such withholdings or deductions.

(b) I will return all SLM and Released Parties' property in my possession or control to them.

(c) Other than previously disclosed to SLM's General Counsel, Deputy General Counsel, or the Board, I hereby represent and warrant that I have not reported any illegal or potentially illegal conduct or activities to any supervisor, manager, department head, human resources representative, director, officer, agent or any other representative of SLM, any member of the legal or compliance departments, or to the Code of Business Conduct hotline and have no knowledge of any such illegal or potentially illegal conduct or activities. I have disclosed to SLM any information I have concerning any conduct involving SLM that I have reason to believe may be unlawful or that involves any false claims to the United States. I promise to cooperate fully in any investigation SLM undertakes into matters occurring during my employment with SLM. I understand that nothing in this Agreement prevents me from cooperating with any U.S. government investigation. In addition, to the fullest extent permitted by law, I hereby irrevocably assign to the U.S. government any right I might have to any proceeds or awards in connection with any false claims proceedings against SLM.

(d) I understand that SLM in the future may change employee benefits or pay. I understand that my job may be refilled.

(e) I have not suffered any job-related wrongs or injuries, such as any type of discrimination, for which I might still be entitled to compensation or relief in the future. I have properly reported all hours that I have worked and I have been paid all wages, overtime, commissions, compensation, benefits, and other amounts that SLM or any Released Party should have paid me in the past, other than with respect to any benefit plan terminations or distributions authorized as of the Effective Date.

(f) I intentionally am releasing claims that I do not know I might have and that, with hindsight, I might regret having released. I have not assigned or given away any of the claims that I am releasing.

(g) If I initially did not think any representation I am making in this Agreement was true, or if I initially was uncomfortable making it, I resolved all my concerns before signing this Agreement. I have carefully read this Agreement, I fully understand what it means, I am entering into it knowingly and voluntarily, and all my representations in it are true. SLM would not have signed this Agreement but for my promises and representations.

(5) **Arbitration of Disputes**: Except with respect to the proviso in Section (2) concerning securities litigation, SLM and I agree to resolve any disputes we may have with each other through final and binding arbitration. For example, I am agreeing to arbitrate any dispute about the validity of this Agreement or any discrimination claim, which means that an Arbitrator and not a court of law will decide issues of arbitrability and of liability with respect to any claim I may bring; *provided*, *however*, that either party may pursue a temporary restraining order and/or preliminary injunctive relief, with expedited discovery where necessary, in a court of competent jurisdiction to protect common law or contractual trade secret or confidential information rights and to enforce the post-employment restrictions in Section (6). I also agree to resolve through final and binding arbitration any disputes I have with SLM, its affiliates, or any current or former officers, employees or directors who elects to arbitrate those disputes under this subsection. Arbitrations shall be conducted by JAMS (also known as Judicial Arbitration & Mediation Services) in accordance with its employment dispute resolution rules. This Agreement to arbitrate does not apply to government agency proceedings, but does apply to any lawsuit I might bring, including but not limited to any lawsuit related to a government agency proceeding. By agreeing to this Agreement, I understand that I am waiving my right to a jury trial.

(6) **Confidentiality, Intellectual Property, Non-Competition, and Non-Solicitation**: In consideration of the Plan Benefits, I hereby acknowledge that I previously signed an Agreement Regarding Confidentiality, Intellectual Property and Non-Solicitation, and that I continue to be bound by the terms of that agreement except as modified in this Section (6). Notwithstanding the foregoing, in consideration of the Plan Benefits, I agree as follows:

(a) I shall not, directly or indirectly, provide Competing Services (as defined herein) for any person, trade or business that engages in a Competing Business (as defined herein) with SLM or its subsidiaries or affiliates during the Transition Period, Consulting Period or for a period of **twelve (12)** months after the Effective Date (together, the "**Restricted Period**"). For the purposes of this Section (6), "**Competing Services**" means owning, managing, operating, financing, working, consulting, advising, representing, or providing the same or similar services with or without compensation in any capacity as those I provided to SLM within the last two (2) years of my employment, including any role as director and/or executive officer, to any Competing Business. "**Competing Business**" means any person, trade or business, including any business unit of such person, trade or business, engaged in the origination, servicing, marketing, underwriting and/or sale/purchase of private education loans; *provided* that "**Competing Business**" will not include any company engaged in the business of providing banking or financial services, even if such company offers the origination, servicing, marketing, underwriting and/or sale/purchase of private education loans among its financial services, if, in the course of my duties with such company, I do not provide any Competing Services to the company in any relation to the origination, servicing, marketing, underwriting and/or sale/purchase of private education loans.

(b) At all times during my employment or after the Effective Date, except as required or permitted by statute, regulation or court order, or pursuant to written consent given by SLM's General Counsel, I agree not to disclose to anyone any of the information or materials that are proprietary or trade secrets of SLM or are otherwise confidential. Notwithstanding the foregoing, nothing in this Agreement or otherwise limits my ability to communicate directly with and provide information, including documents, not otherwise protected from disclosure by any applicable law or privilege to the Securities and Exchange Commission (the "**SEC**"), or any other federal, state or local governmental agency or commission or self-regulatory organization (each such agency, commission or organization, a "**Government Agency**") regarding possible legal violations, without disclosure to SLM. SLM may not retaliate against me for any of these activities, and nothing in this Agreement requires me to waive any monetary award or other relief that I might become entitled to from the SEC or any other Government Agency.

Pursuant to the Defend Trade Secrets Act of 2016, SLM and I acknowledge and agree that I shall not have criminal or civil liability under any federal or state trade secret law for the disclosure of a trade secret that (i) is made (A) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney and (B) solely for the purpose of reporting or investigating a suspected violation of law; or (ii) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition and without limiting the preceding sentence, if I file a lawsuit for retaliation by SLM for reporting a suspected violation of law, I may disclose the trade secret to my attorney and may use the trade secret information in the court proceeding, if I (X) file any document containing the trade secret under seal and (Y) do not disclose the trade secret, except pursuant to court order.

(c) I agree that, during the Restricted Period, I shall not solicit or encourage any employee with whom I communicated within the last year of my employment to leave the employ of SLM, or hire any such employees. Further, during the Restricted Period, I shall not, directly or indirectly, contact or accept business that SLM could otherwise perform from any of SLM's customers or prospective customers with whom I communicated within the last two (2) years of my employment.

(d) I further agree not to disparage, place in a false or negative light or criticize, or make any false statements that may damage the reputation of, orally or in writing, SLM, its business practices, products, policies, services, decisions, directors, officers, employees, agents, representatives, advisors or any other entity or person covered by this Agreement.

(e) I expressly agree that the markets served by SLM extend nationally, are not dependent on the geographic location of the personnel or the businesses by which they are employed and that the restrictions set forth in this Section (6) have been designed to be reasonable, are no greater than are required for the protection of SLM and do not prevent me from earning a livelihood by working in positions that do not compete with SLM. In the event that a court shall determine that any provision of the Agreement is unenforceable, the Parties shall request that the court construe this Agreement in such a fashion as to render it enforceable and to revise time, geographic and functional limits to those minimum limits that the court believes are reasonable to protect the interests of SLM. I acknowledge and agree that this covenant has unique, substantial and immeasurable value to SLM, that I have sufficient skills to provide a livelihood for me while this covenant remains in force, and that this covenant will not interfere with my ability to work consistent with my experience, training, and education. To enable SLM to monitor compliance with the obligations imposed by this Agreement, I further agree to inform in writing Sallie Mae's Senior Vice President, Human Resources, with a copy to the General Counsel, of the identity of my subsequent employer(s) and my prospective job title and responsibilities prior to beginning employment. I agree that this notice requirement shall remain in effect during the Restricted Period.

(f) In the event that the Board or its successor reasonably determines that I have violated any of the post-employment restrictions of the Agreement or if a court at my request determines that all or a substantial part of such restrictions are held to be unenforceable, I will return to SLM all payments made under the Plan Benefits. The illegality, unenforceability, or ineffectiveness of any provision of this Section (6) shall not affect the legality, enforceability, or effectiveness of any other provision of this Agreement.

(7) **<u>Review Period</u>**: I hereby acknowledge (a) that I initially received a copy of the original draft of this Agreement on or before **August 7, 2020**; (b) that I was offered a period of forty-five (45) calendar days to review and consider it; (c) that I understand I could use as much of the forty-five (45) calendar day period as I wish prior to signing; and (d) that I was strongly encouraged to consult with an attorney in writing before signing this Agreement, and understood whether or not to do so was my decision. I waive any rights to further time to consider the Agreement.

(8) **<u>Revocation of Claims</u>**: I understand that I may revoke the waiver of the ADEA claims made in this Agreement within seven (7) days of my signing. My waiver and release of claims under ADEA shall not be effective or enforceable and I will not receive any of the cash Plan Benefits described in Section (1) above. Revocation of claims can be made by delivering a written notice of revocation to the Chief Human Resources Officer, with a copy to the General Counsel, at the following address: Sallie Mae, Inc., 300 Continental Drive, Newark, DE 19713. Such revocation shall also be sent by sending an email to the Chief Human Resources Officer and the General Counsel.

(9) I acknowledge that I have read and understand all of the provisions of this Agreement. This Agreement represents the entire agreement between the Parties concerning the subject matter hereof and shall not be altered, amended, modified, or otherwise changed except by a writing executed by both Parties. I understand and agree that this Agreement, if not timely revoked pursuant to Section (8), is final and binding when executed by me. I sign this document freely, knowingly and voluntarily. I acknowledge that I have not relied upon any representation or statement, written or oral, not set forth in this Agreement. If any provision of this Agreement is held by a court of competent jurisdiction or by an arbitrator to be unenforceable or contrary to law, the remainder of that provision and the remaining provisions of this Agreement will remain in full force and effect to the maximum extent permitted by applicable law. If this Agreement is held to be unenforceable or contrary to law, I agree to repay the Plan Benefit I received. This Agreement is governed by federal laws and the laws of the State of Delaware.

(10) In addition, in consideration of the Plan Benefits and other consideration described above, I further agree to cooperate with SLM, its affiliates, and its legal counsel in any legal proceedings currently pending or brought in the future against SLM, including, but not limited to: (a) participation as a witness; (b) drafting, producing, and reviewing documents; (c) assisting with interviews, depositions, discovery, hearings, and trial; and (d) contacting SLM. In the event I am requested, with reasonable notice, to travel as part of this litigation cooperation, SLM agrees to pay my reasonable out of pocket expenses, including reasonably incurred attorney fees.

(11) This Agreement may be executed and delivered (including by electronic mail in portable document format (PDF), facsimile, or other electronic transmission) by the Parties in two or more counterparts, each of which is deemed to be an original, with all such counterparts constituting one and the same instrument, and all signatures need not appear on any one counterpart.

[Signature page to follow]

Before you sign this Agreement, please read through each section and carefully consider it. SLM recommends that you discuss it with your personal attorney (any personal attorney fees are not covered under the terms of this Agreement). You have up to forty-five (45) calendar days to consider this Agreement. By signing this Agreement, you will be waiving any claims whether known or unknown.

/s/ Paul Thome August 10, 2020
Name: Paul Thome Date

/s/ Bonnie Rumbold August 11, 2020
Name: Bonnie Lynn Rumbold Date
Chief Human Resources Officer
SLM Corporation

Exhibit 31.1

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 21, 2020

Exhibit 31.2

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 21, 2020

Exhibit 32.1

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

In connection with the Quarterly Report of SLM Corporation (the “Company”) on Form 10-Q for the quarter ended September 30, 2020, 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 21, 2020

Exhibit 32.2

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

In connection with the Quarterly Report of SLM Corporation (the "Company") on Form 10-Q for the quarter ended September 30, 2020, 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 21, 2020