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, 2021

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, 2021, there were 293,177,407 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, 2021	December 31, 2020
Assets		
Cash and cash equivalents	$ 2,717,752	$ 4,455,292
Investments:		
Trading investments at fair value (cost of $29,049 and $12,551)	36,792	16,923
Available-for-sale investments at fair value (cost of $2,506,087 and $1,986,957, respectively)	2,505,372	1,996,634
Other investments	140,725	80,794
Total investments	2,682,889	2,094,351
Loans held for investment (net of allowance for losses of $1,215,407 and $1,361,723, respectively)	21,281,527	19,183,143
Loans held for sale	—	2,885,640
Restricted cash	175,473	154,417
Other interest-earning assets	11,890	42,874
Accrued interest receivable	1,403,146	1,387,305
Premises and equipment, net	153,334	154,670
Income taxes receivable, net	320,136	374,706
Tax indemnification receivable	12,486	18,492
Other assets	32,506	19,533
Total assets	$ 28,791,139	$ 30,770,423
Liabilities		
Deposits	$ 20,890,860	$ 22,666,039
Short-term borrowings	199,583	—
Long-term borrowings	5,219,748	5,189,217
Other liabilities	349,687	352,332
Total liabilities	26,659,878	28,207,588
Commitments and contingencies		
Equity		
Preferred stock, par value $0.20 per share, 20 million shares authorized:		
Series B: 2.5 million and 2.5 million shares issued, respectively, at stated value of $100 per share	251,070	251,070
Common stock, par value $0.20 per share, 1.125 billion shares authorized: 432.0 million and 456.7 million shares issued, respectively	86,403	91,346
Additional paid-in capital	1,068,059	1,331,247
Accumulated other comprehensive loss (net of tax benefit of ($6,288) and ($10,908), respectively)	(19,703)	(34,200)
Retained earnings	2,543,411	1,722,365
Total SLM Corporation stockholders' equity before treasury stock	3,929,240	3,361,828
Less: Common stock held in treasury at cost: 138.8 million and 81.4 million shares, respectively	(1,797,979)	(798,993)
Total equity	2,131,261	2,562,835
Total liabilities and equity	$ 28,791,139	$ 30,770,423

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,	
	2021	2020	2021	2020
Interest income:				
Loans	$ 442,576	$ 477,833	$ 1,304,479	$ 1,513,279
Investments	3,366	3,327	9,262	9,086
Cash and cash equivalents	1,613	1,218	4,662	19,740
Total interest income	447,555	482,378	1,318,403	1,542,105
Interest expense:				
Deposits	51,629	83,500	175,483	318,858
Interest expense on short-term borrowings	5,458	3,424	14,360	11,041
Interest expense on long-term borrowings	32,950	30,887	101,144	98,750
Total interest expense	90,037	117,811	290,987	428,649
Net interest income	357,518	364,567	1,027,416	1,113,456
Less: provisions for credit losses	138,442	(3,640)	(17,648)	409,505
Net interest income after provisions for credit losses	219,076	368,207	1,045,064	703,951
Non-interest income:				
Gains (losses) on sales of loans, net	(10)	(4)	402,780	238,562
Gains (losses) on derivatives and hedging activities, net	44	(15)	161	49,408
Other income	13,879	9,646	76,747	42,547
Total non-interest income	13,913	9,627	479,688	330,517
Non-interest expenses:				
Operating expenses:				
Compensation and benefits	66,229	62,743	200,426	219,413
FDIC assessment fees	6,521	1,455	17,634	17,508
Other operating expenses	67,899	63,292	175,098	179,424
Total operating expenses	140,649	127,490	393,158	416,345
Restructuring expenses	108	24,127	1,255	24,127
Total non-interest expenses	140,757	151,617	394,413	440,472
Income before income tax expense	92,232	226,217	1,130,339	593,996
Income tax expense	19,392	55,189	276,091	146,006
Net income	72,840	171,028	854,248	447,990
Preferred stock dividends	1,166	2,058	3,559	8,000
Net income attributable to SLM Corporation common stock	$ 71,674	$ 168,970	$ 850,689	$ 439,990
Basic earnings per common share attributable to SLM Corporation	$ 0.24	$ 0.45	$ 2.62	$ 1.14
Average common shares outstanding	299,890	375,094	324,148	386,587
Diluted earnings per common share attributable to SLM Corporation	$ 0.24	$ 0.45	$ 2.59	$ 1.13
Average common and common equivalent shares outstanding	304,511	377,918	329,064	389,391
Declared dividends per common share attributable to SLM Corporation	$ 0.03	$ —	$ 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,	
	2021	2020	2021	2020
Net income	$ 72,840	$ 171,028	$ 854,248	$ 447,990
Other comprehensive income:				
Unrealized gains (losses) on investments	(2,539)	1,545	(10,256)	7,559
Unrealized gains (losses) on cash flow hedges	5,095	5,252	29,374	(42,785)
Total unrealized gains (losses)	2,556	6,797	19,118	(35,226)
Income tax (expense) benefit	(619)	(1,667)	(4,621)	8,652
Other comprehensive income (loss), net of tax (expense) benefit	1,937	5,130	14,497	(26,574)
Total comprehensive income	$ 74,777	$ 176,158	$ 868,745	$ 421,416

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

See accompanying notes to consolidated financial statements.

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 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)
Balance at January 1, 2020	4,000,000	453,599,926	(32,506,562)	421,093,364	400,000	90,720	1,307,630	(12,367)	897,873	(324,659)	2,359,197
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 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, 2020	2,510,696	456,729,251	(81,441,252)	375,287,999	$ 251,070	$ 91,346	$ 1,331,247	$ (34,200)	$ 1,722,365	$ (798,993)	$ 2,562,835
Net income	—	—	—	—	—	—	—	—	854,248	—	854,248
Other comprehensive income, net of tax	—	—	—	—	—	—	—	14,497	—	—	14,497
Total comprehensive income	—	—	—	—	—	—	—	—	—	—	868,745
Cash dividends declared:											
Common stock ($0.09 per share)	—	—	—	—	—	—	—	—	(29,104)	—	(29,104)
Preferred Stock, Series B ($1.42 per share)	—	—	—	—	—	—	—	—	(3,559)	—	(3,559)
Dividend equivalent units related to employee stock-based compensation plans	—	—	—	—	—	—	522	—	(539)	—	(17)
Issuance of common shares	—	3,785,490		3,785,490	—	757	4,134	—	—	—	4,891
Stock-based compensation expense	—	—	—	—	—	—	24,254	—	—	—	24,254
Common stock repurchased and cancelled	—	(28,502,460)	—	(28,502,460)	—	(5,700)	(466,782)	—	—	—	(472,482)
Common stock repurchased	—	—	(56,025,796)	(56,025,796)	—	—	174,684	—	—	(978,883)	(804,199)
Shares repurchased related to employee stock-based compensation plans	—	—	(1,367,826)	(1,367,826)	—	—	—	—	—	(20,103)	(20,103)
Balance at September 30, 2021	2,510,696	432,012,281	(138,834,874)	293,177,407	$ 251,070	$ 86,403	$ 1,068,059	$ (19,703)	$ 2,543,411	$ (1,797,979)	$ 2,131,261

See accompanying notes to consolidated financial statements.

SLM CORPORATION

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

	Nine Months Ended September 30,	
	2021	2020
Operating activities		
Net income	$ 854,248	$ 447,990
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Provisions for credit losses	(17,648)	409,505
Income tax expense	276,091	146,006
Amortization of brokered deposit placement fee	11,932	14,881
Amortization of Secured Borrowing Facility upfront fee	1,845	2,159
Amortization of deferred loan origination costs and loan premium/(discounts), net	11,851	20,127
Net amortization of discount on investments	5,902	4,255
Unrealized gain on investments	—	(2,100)
Reduction (increase) in tax indemnification receivable	6,006	(698)
Depreciation of premises and equipment	11,445	11,386
Stock-based compensation expense	24,254	30,253
Unrealized (gains) losses on derivatives and hedging activities, net	21,434	(21,862)
Gains on sales of loans, net	(402,780)	(238,562)
Gain on sale of Upromise subsidiary, net	—	(11,331)
Other adjustments to net income, net	(29,229)	5,389
Changes in operating assets and liabilities:		
Increase in accrued interest receivable	(556,143)	(668,103)
Increase in non-marketable securities	(9,415)	—
Decrease (increase) in other interest-earning assets	30,983	(1,244)
Increase in other assets	(110,841)	(46,194)
Decrease in income taxes payable, net	(230,072)	(243,851)
Increase in accrued interest payable	4,153	38
Decrease in Upromise member accounts due to sale	—	(193,840)
Increase in other liabilities	860	126,645
Total adjustments	(949,372)	(657,141)
Total net cash used in operating activities	(95,124)	(209,151)
Investing activities		
Loans acquired and originated	(4,744,212)	(4,736,304)
Net proceeds from sales of loans held for investment	3,436,075	3,875,984
Proceeds from claim payments	14,653	22,563
Net decrease in loans held for investment	2,835,850	2,954,660
Purchases of available-for-sale securities	(1,159,667)	(1,897,511)
Proceeds from sales and maturities of available-for-sale securities	799,193	376,580
Proceeds from sale of Upromise subsidiary, net	—	16,922
Total net cash provided by investing activities	1,181,892	612,894
Financing activities		
Brokered deposit placement fee	(11,182)	(4,810)
Net decrease in certificates of deposit	(1,690,990)	(1,802,541)
Net (decrease) increase in other deposits	(12,172)	501,843
Borrowings collateralized by loans in securitization trusts - issued	1,053,633	1,337,543
Borrowings collateralized by loans in securitization trusts - repaid	(830,026)	(749,300)
Issuance costs for unsecured debt offering	(325)	—
Repayment of borrowings under Secured Borrowing Facility	—	(289,230)
Fees paid on Secured Borrowing Facility	(2,846)	(3,251)
Common stock dividends paid	(29,104)	(35,097)
Preferred stock dividends paid	(3,559)	(8,000)

Common stock repurchased	(1,276,681)	(558,167)
Total net cash used in financing activities	(2,803,252)	(1,611,010)
Net decrease in cash, cash equivalents and restricted cash	(1,716,484)	(1,207,267)
Cash, cash equivalents and restricted cash at beginning of period	4,609,709	5,720,760
Cash, cash equivalents and restricted cash at end of period	$ 2,893,225	$ 4,513,493
Cash disbursements made for:		
Interest	$ 261,205	$ 402,151
Income taxes paid	$ 237,882	$ 248,121
Income taxes refunded	$ (7,610)	$ (4,024)
Reconciliation of the Consolidated Statements of Cash Flows to the Consolidated Balance Sheets:		
Cash and cash equivalents	$ 2,717,752	$ 4,351,045
Restricted cash	175,473	162,448
Total cash, cash equivalents and restricted cash	$ 2,893,225	$ 4,513,493

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, 2021 are not necessarily indicative of the results for the year ending December 31, 2021 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, 2020 (the "2020 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.

(Dollars in thousands, unless otherwise noted)

2. Investments

Trading Investments

We periodically sell Private Education Loans through securitization transactions where we are required to retain a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitizations). We classify those vertical risk retention interests related to the transactions as available-for-sale investments, except for the interest in the residual classes, which we classify as trading investments recorded at fair value with changes recorded through earnings. At September 30, 2021 and December 31, 2020, we had $37 million and $17 million, respectively, classified as trading investments.

Available-for-Sale Investments

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

	September 30, 2021				
	Amortized Cost	Allowance for credit losses[1]	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	$ 368,545	$ —	$ 2,636	$ (5,408)	$ 365,773
Utah Housing Corporation bonds	6,943	—	108	—	7,051
U.S. government-sponsored enterprises and Treasuries	1,925,622	—	1,952	(1,125)	1,926,449
Other securities	204,977	—	1,475	(353)	206,099
Total	$ 2,506,087	$ —	$ 6,171	$ (6,886)	$ 2,505,372

	December 31, 2020				
	Amortized Cost	Allowance for credit losses[1]	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Available-for-sale:					
Mortgage-backed securities	$ 308,913	$ —	$ 6,095	$ (134)	$ 314,874
Utah Housing Corporation bonds	12,357	—	210	—	12,567
U.S. government-sponsored enterprises	1,596,890	—	3,395	—	1,600,285
Other securities	68,797	—	462	(351)	68,908
Total	$ 1,986,957	$ —	$ 10,162	$ (485)	$ 1,996,634

[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, 2021:						
Mortgage-backed securities	$ (5,283)	$ 277,142	$ (125)	$ 5,869	$ (5,408)	$ 283,011
Utah Housing Corporation bonds	—	—	—	—	—	—
U.S. government-sponsored enterprises and Treasuries	(1,125)	413,177	—	—	(1,125)	413,177
Other securities	(353)	47,401	—	—	(353)	47,401
Total	$ (6,761)	$ 737,720	$ (125)	$ 5,869	$ (6,886)	$ 743,589
As of December 31, 2020:						
Mortgage-backed securities	$ (134)	$ 46,011	$ —	$ —	$ (134)	$ 46,011
Utah Housing Corporation bonds	—	—	—	—	—	—
U.S. government-sponsored enterprises	—	—	—	—	—	—
Other securities	(351)	30,441	—	—	(351)	30,441
Total	$ (485)	$ 76,452	$ —	$ —	$ (485)	$ 76,452

At September 30, 2021 and December 31, 2020, 38 of 177 and 14 of 163, respectively, of our available-for-sale securities were in an unrealized loss position.

Impairment

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

Our investment portfolio contains mortgage-backed securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac, as well as Utah Housing Corporation bonds. We own these securities to meet our requirements under the Community Reinvestment Act ("CRA"). We also invest in other U.S. government-sponsored enterprise securities issued by the Federal Home Loan Bank, Freddie Mac, and the Federal Farm Credit Bank. Our mortgage-backed securities that were issued under Ginnie Mae programs carry a full faith and credit guarantee from the U.S. Government. The remaining mortgage-backed securities in a net loss position carry a principal and interest guarantee by Fannie Mae or Freddie Mac, respectively. Our Treasury and other U.S. government-sponsored enterprise bonds are rated Aaa by Moody's Investors Service or AA+ by Standard and Poor's. The decline in value from December 31, 2020 to September 30, 2021 was driven by the current interest

(Dollars in thousands, unless otherwise noted)

2. Investments (Continued)

rate environment and is not credit related. We have the intent and ability to hold these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. Based on this qualitative analysis, we have determined that no credit impairment exists.

We periodically sell Private Education Loans through securitization transactions where we are required to retain a 5 percent vertical risk retention interest. We classify the non-residual vertical risk retention interests as available-for-sale investments. We have the intent and ability to hold each of these bonds for a period of time sufficient for the market price to recover to at least the adjusted amortized cost of the security. We expect to receive all contractual cash flows related to these investments and do not consider a credit impairment to exist.

As of September 30, 2021, 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
2021	$ 16,029	$ 16,045
2022	850,772	851,858
2023	162,641	162,906
2024	448,293	447,649
2026	447,886	447,991
2038	74	80
2039	1,079	1,187
2042	3,421	3,443
2043	6,121	6,394
2044	7,826	8,164
2045	7,143	7,418
2046	10,898	11,170
2047	13,598	13,935
2048	2,966	3,070
2049	24,506	25,449
2050	148,550	145,645
2051	149,307	146,869
2053	148,730	149,218
2054	56,247	56,881
Total	$ 2,506,087	$ 2,505,372

Some of our securities have been pledged to the Federal Reserve Bank (the “FRB”) as collateral against any advances and accrued interest under the Primary Credit lending program sponsored by the FRB. We had $645 million and $815 million par value of securities pledged to this borrowing facility at September 30, 2021 and December 31, 2020, respectively, as discussed further in Notes to Consolidated Financial Statements, Note 8, “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. Changes in market value are recorded through earnings. Because these are non-marketable securities, we use observable price changes of identical or similar securities of the same issuer in determining any changes in the value of the securities. In the second quarter of 2021, we funded an additional investment, as part of a larger equity raise, in an issuer whose equity securities we purchased in the past. We used the valuation associated with the more recent equity raise to adjust the valuation of our previous investments, and, as a result, recorded a gain of $35 million on our earlier equity securities investments. This gain was recorded in “other income” in the consolidated statements of income for the nine months ended September 30, 2021. As of September 30, 2021 and December 31, 2020, our total investment in these securities was $69 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 and tax benefits from net operating losses on the underlying properties. Total carrying value of the LIHTC investments was $69 million at September 30, 2021 and $54 million at December 31, 2020. We are periodically required to provide additional financial support during the investment period. Our liability for these unfunded commitments was $33 million at September 30, 2021 and $19 million at December 31, 2020.

Related to these investments, we recognized tax credits and other tax benefits through tax expense of $1 million at September 30, 2021 and $6 million at December 31, 2020. 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 Credit Cards with bonus rewards. We use “Personal Loans” to mean those unsecured loans to individuals that may be used for non-educational purposes. In the third quarter of 2020, we sold our entire Personal Loan portfolio.

Our Private Education Loans are made largely to bridge the gap between the cost of higher education and the amount funded through financial aid, government loans, and customers’ resources. Private Education Loans bear the full credit risk of the customer. We manage this risk through risk-performance underwriting strategies and qualified cosigners. Private Education Loans may be fixed-rate or may carry a variable interest rate indexed to LIBOR, the London interbank offered rate, or SOFR, the Secured Overnight Financing Rate. As of September 30, 2021 and December 31, 2020, 53 percent and 55 percent, respectively, of all of our Private Education Loans were indexed to LIBOR or SOFR. We provide incentives for customers to include a cosigner on the loan, and the vast majority of Private Education Loans in our portfolio are cosigned. We also encourage customers to make payments while in school.

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

(Dollars in thousands, unless otherwise noted)

3. Loans Held for Investment (Continued)

disbursed after October 1, 1993, and before July 1, 2006, we receive 98 percent reimbursement on all qualifying claims. For loans disbursed prior to October 1, 1993, we receive 100 percent reimbursement on all qualifying claims.

In the first nine months of 2021, we recognized a $403 million gain from the sale of approximately $3.19 billion of our Private Education Loans, including $2.99 billion of principal and $195 million in capitalized interest, to an unaffiliated third party. There were VIEs created in the execution of certain of these loan sales; however, based on our consolidation analysis, we are not the primary beneficiary of these VIEs. These transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. For additional information, see Notes to Consolidated Financial Statements, Note 8, "Borrowings."

Loans held for investment are summarized as follows:

	September 30, 2021	December 31, 2020
Private Education Loans:		
Fixed-rate	$ 10,306,885	$ 8,950,216
Variable-rate	11,395,952	10,779,121
Total Private Education Loans, gross	21,702,837	19,729,337
Deferred origination costs and unamortized premium/(discount)	68,584	63,475
Allowance for credit losses	(1,209,460)	(1,355,844)
Total Private Education Loans, net	20,561,961	18,436,968
FFELP Loans	705,691	737,593
Deferred origination costs and unamortized premium/(discount)	1,870	1,993
Allowance for credit losses	(4,206)	(4,378)
Total FFELP Loans, net	703,355	735,208
Credit Cards (fixed-rate)	17,766	12,238
Deferred origination costs and unamortized premium/(discount)	186	230
Allowance for credit losses	(1,741)	(1,501)
Total Credit Cards, net	16,211	10,967
Loans held for investment, net	$ 21,281,527	$ 19,183,143

The estimated weighted average life of education loans in our portfolio was approximately 4.7 years and 5.4 years at September 30, 2021 and December 31, 2020, 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,			
	2021		2020	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 20,944,581	8.26 %	$ 21,937,758	8.24 %
FFELP Loans	713,517	3.45	750,925	3.46
Personal Loans	—	—	527,204	12.86
Credit Cards	14,894	6.95	11,086	(6.58)
Total portfolio	$ 21,672,992		$ 23,226,973	

	Nine Months Ended September 30,			
	2021		2020	
	Average Balance	Weighted Average Interest Rate	Average Balance	Weighted Average Interest Rate
Private Education Loans	$ 20,860,973	8.23 %	$ 22,342,353	8.48 %
FFELP Loans	723,656	3.43	762,863	3.86
Personal Loans	—	—	778,153	12.43
Credit Cards	12,821	4.97	8,588	(7.20)
Total portfolio	$ 21,597,450		$ 23,891,957	

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 and 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 not make scheduled payments 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 (added to principal) at the end of the forbearance. Interest will not capitalize at the end of certain types of forbearance, such as disaster forbearance, however.

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, 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.

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 most instances, we require one payment before granting forbearance to delinquent borrowers.

Historically, we also have utilized disaster forbearance to assist borrowers affected by material events, including hurricanes, wildfires, floods, and the COVID-19 pandemic. We typically grant disaster forbearance to affected borrowers in increments of up to three months at a time, but the disaster forbearance granted generally does not apply toward the 12-month forbearance limit described below.

During COVID-19, our customers experienced higher levels of financial hardship, which initially led to higher levels of forbearance. We expect for some customers financial hardship may lead to higher levels of delinquencies and defaults in the future, as borrowers who had received disaster forbearance from us re-enter repayment status. Beginning in June 2021, we stopped granting disaster forbearance in response to the COVID-19 pandemic. As borrowers in the various delinquency buckets exit disaster forbearance and begin to enter repayment, we expect elevated levels of losses on this segment of our customers. We expect that, left unabated, this deterioration in delinquency and default rates may persist until economic conditions return to pre-pandemic levels.

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 certain planned changes to our credit administration practices, including the imposition of limits on the number of forbearance months granted consecutively and the number of times certain extended or reduced repayment alternatives may be granted. Prior to implementation of the previously announced changes, borrowers could receive consecutive forbearance grants without intervening payments of principal and interest, if they satisfied all eligibility requirements.

We commenced testing in October 2019 for some of the previously announced planned changes on a very small percentage of our total portfolio and in March 2020 we began to expand the number of borrowers who would be subject to the new credit administration practices. However, due to the COVID-19 pandemic, in April 2020 we postponed our efforts so that we could be more flexible in dealing with our customers' financial hardship. In October 2020, we re-initiated a multi-phased deployment of the previously announced credit administration practices changes. To date, we have implemented many changes. We also have decided to make additional changes in our credit administration practices, as described below, and expect to implement the additional changes as early as by the end of 2021.

Currently, we generally grant forbearance in increments of one to two months at a time, for up to 12 months over the life of the loan, although disaster forbearance, certain assistance we grant to borrowers who are still in school, and our short-term extended repayment alternative currently do not apply toward the 12-month limit. We also currently require six months of

3. Loans Held for Investment (Continued)

positive payment performance by a borrower (meaning the borrower must make payment in a cumulative amount equivalent to six monthly required payments under the loan) between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. This required period of positive payment performance does not apply, however, to forbearances granted during the first six months following a borrower's grace period and is not required for a borrower to receive a contractual interest rate reduction. In addition, we currently 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. We have decided to make further changes in our credit administration practices, which we expect to implement as early as by the end of 2021, to (i) require 12 months of positive payment performance (meaning the borrower must make payment in a cumulative amount equivalent to 12 monthly required payments under the loan) between successive grants of forbearance and between forbearance grants and certain other repayment alternatives, and (ii) count the number of months a borrower receives a short-term extended repayment alternative toward the 12-month forbearance limit described above.

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 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. We currently limit the granting of a permanent extension of the final maturity date of the loan under our loan modification program to one time over the life of the loan. We also currently permit two consecutive rate reductions to 4.0 percent so long as the borrower qualifies and makes three consecutive monthly payments at the reduced payment in connection with each rate reduction. We currently require six months of positive payment performance after the interest rate adjusts upward to its previous rate (at the end of the rate reduction periods) before the borrower may be eligible for a forbearance or certain other repayment alternatives, however. We have decided to further adjust certain requirements regarding our loan modification program, which we expect to implement as early as by the end of 2021, to (i) limit the number of interest rate reductions to twice over the life of the loan, and (ii) require 12 months of positive payment performance after the interest rate adjusts upward to its previous rate (at the end of the rate reduction periods) before the borrower may be eligible for forbearance or certain other repayment alternatives. At September 30, 2021 and December 31, 2020, 9.2 percent and 7.8 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.

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, we expect that the credit administration practices described above, including the described changes we expect to implement as early as by the end of 2021, will accelerate periodic defaults and could increase periodic defaults in our Private Education Loan held for investment portfolio by approximately 10.1 percent to 16.6 percent. Among the measures that we have implemented and may modify further 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 loss mitigation programs (e.g., Graduated Repayment Plan ("GRP") and rate modifications), and the use of a 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 will only be realized over the long term. When we calculated the allowance for credit losses under CECL at September 30, 2021, 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 changes to our credit administration practices described above. As we progress with full implementation of the 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.

As discussed above, we will continue to monitor our credit administration practices and may modify them further from time to time based upon performance, industry conventions, and/or regulatory feedback.

4. Loans Held for Sale

We had no loans held for sale and $2.9 billion in loans held for sale at September 30, 2021 and December 31, 2020, respectively. At December 31, 2020, we reversed $206 million through the provisions for credit losses for the allowance related to those loans held for sale, when the loans were transferred from held for investment to held for sale.

During the first quarter of 2021, we sold $3.16 billion of our Private Education Loans, including $2.97 billion of principal and $193 million in capitalized interest, to an unaffiliated third party. During the second quarter of 2021, we sold $27 million of our Private Education Loans, including $25 million of principal and $2 million in capitalized interest, to an unaffiliated third party. The transactions qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. These sales resulted in our recognizing a gain of $403 million in the first nine months of 2021. For additional information, see Notes to Consolidated Financial Statements, Note 3, “Loans Held for Investment,” and Note 8, “Borrowings.”

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses

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

Allowance for Credit Losses Metrics

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

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

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

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

[3] Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

	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 provisions[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 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

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

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

		Three Months Ended September 30, 2020
Private Education Loan provisions for credit losses:		
Provisions for loan losses	$	(81,710)
Provisions for unfunded loan commitments		129,290
Total Private Education Loan provisions for credit losses		47,580
Other impacts to the provisions 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)

5. Allowance for Credit Losses (Continued)

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

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

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

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

[3] Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

(Dollars in thousands, unless otherwise noted)

5. 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
Balance at January 1, 2020	4,485	1,435,130	145,060	290	1,584,965
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 provisions[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 6, "Unfunded Loan Commitments," for a summary of the activity in the allowance for and balance of unfunded loan commitments, respectively.

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

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

	Nine Months Ended September 30, 2020
Private Education Loan provisions for credit losses:	
Provisions for loan losses	$ 134,374
Provisions for unfunded loan commitments	276,094
Total Private Education Loan provisions for credit losses	410,468
Other impacts to the provisions 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.

5. Allowance for Credit Losses (Continued)

Allowance for Credit Losses - Forecast Assumptions

In determining the adequacy of the allowance for credit losses, we include forecasts of college graduate unemployment and the Consumer Price Index in our loss forecasting models. We obtain forecasts for these two inputs from Moody's Analytics. Moody's Analytics provides a range of forecasts for each of these inputs with various likelihoods of occurring. We determine which forecasts we will include in our estimation of allowance for credit losses and the associated weightings for each of these inputs. At both January 1, 2020 (the initial adoption date of the Financial Accounting Standards Board's Accounting Standards Update No. 2016-13, "Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments," or "CECL"), and September 30, 2021, we used the Base (50th percentile likelihood of occurring)/S1 (stronger near-term growth scenario with 10 percent likelihood of occurring)/S3 (downside scenario with 10 percent likelihood of occurring) scenarios and weighted them 40 percent, 30 percent and 30 percent, respectively. Management reviews both the scenarios and their respective weightings each quarter in determining the allowance for credit losses.

Provisions for credit losses in the first nine months of 2021 decreased by $427 million compared with the year-ago period. During the first nine months of 2021, the provision for credit losses was primarily affected by improvements in the economic forecasts, the use of the more balanced weightings of the various Moody's Analytics scenarios described above, and faster prepayment speeds, as compared to the year-ago period. For the nine months ended September 30, 2020, we recognized a significant increase in the provision for credit losses primarily in response to the COVID-19 pandemic and surge in COVID-19 infections that occurred in third quarter 2020. In response to the increase in COVID-19, at September 31, 2020, we were using Moody's Analytics Base and S4 downturn scenarios, weighted 50 percent each, in determining the allowance for credit losses.

During the first quarter of 2021, we increased our estimates of future prepayment speeds during both the two-year reasonable and supportable period as well as the remaining term of the underlying loans. These faster estimated prepayment speeds during the two-year reasonable and supportable period reflect the significant improvement in economic forecasts, as well as the implementation of an updated prepayment speed model. We experienced higher prepayments during the COVID-19 pandemic, when unemployment rates were elevated, than we would have expected based upon our experience during past financial crises.

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 loans. These changes generally take the form of a temporary forbearance of payments, a temporary interest rate reduction, a temporary interest rate reduction with a permanent extension of the loan term, and/or a short-term extended repayment alternative.

When we give a borrower facing financial difficulty an interest rate reduction, we temporarily reduce the contractual interest rate on a loan to 4.0 percent for a two-year period and, in the vast majority of cases, permanently extend the final maturity date of the loan. The combination of these two loan term changes helps reduce the monthly payment due from the borrower and increases the likelihood the borrower will remain current during the interest rate modification period as well as when the loan returns to its original contractual interest rate. At September 30, 2021 and September 30, 2020, 9.2 percent and 8.8 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 both September 30, 2021 and December 31, 2020, approximately 47 percent of TDRs were classified as such due to their forbearance status. For additional information, including the process we use for determining whether a loan will be classified as a TDR, see Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies —Allowance for Loan Losses 2020," and Note 7, "Allowance for Credit Losses" in our 2020 Form 10-K.

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

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, 2021 and December 31, 2020, 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, 2021			
TDR Loans	$ 1,185,820	$ 1,148,282	$ 69,626
December 31, 2020			
TDR Loans	$ 1,312,805	$ 1,274,590	$ 104,265

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

	Three Months Ended September 30,			
	2021		2020	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 1,208,333	$ 21,198	$ 1,554,741	$ 24,972

	Nine Months Ended September 30,			
	2021		2020	
	Average Recorded Investment	Interest Income Recognized	Average Recorded Investment	Interest Income Recognized
TDR Loans	$ 1,249,721	$ 64,177	$ 1,579,640	$ 75,530

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

The following table provides information regarding the loan status and aging of TDR loans. For the periods presented below, we updated our delinquency bucket periods to conform with the delinquency bucket periods defined by the Federal Financial Institutions Examination Council ("FFIEC").

	September 30, 2021		December 31, 2020	
	Balance	%	Balance	%
TDR loans in in-school/grace/deferment[1]	$ 90,417		$ 88,750	
TDR loans in forbearance[2]	48,892		76,704	
TDR loans in repayment[3] and percentage of each status:				
Loans current	917,756	91.0 %	971,880	87.7 %
Loans delinquent 30-59 days[4]	43,766	4.3	59,249	5.3
Loans delinquent 60-89 days[4]	24,984	2.5	43,576	3.9
Loans 90 days or greater past due[4]	22,467	2.2	34,431	3.1
Total TDR loans in repayment[3]	1,008,973	100.0 %	1,109,136	100.0 %
Total TDR loans, gross	$ 1,148,282		$ 1,274,590	

(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)

5. 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,					
	2021			2020		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$ 1,063	$ 14,807	$ 1,588	$ 30,990	$ 20,033	$ 19,788

	Nine Months Ended September 30,					
	2021			2020		
	Modified Loans[1]	Charge-offs	Payment-Default	Modified Loans[1]	Charge-offs	Payment-Default
TDR Loans	$ 6,697	$ 48,643	$ 9,305	$ 200,471	$ 48,031	$ 68,790

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

Private Education Loans Held for Investment - Key Credit Quality Indicators

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

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

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

Private Education Loans Held for Investment - Credit Quality Indicators

	September 30, 2021							
Year of Origination	**2021[1]**	**2020[1]**	**2019[1]**	**2018[1]**	**2017[1]**	**2016 and Prior[1]**	**Total[1]**	**% of Balance**
Cosigners:								
With cosigner	$ 2,740,609	$ 3,859,697	$ 3,131,422	$ 2,239,265	$ 1,938,613	$ 5,201,099	$ 19,110,705	88 %
Without cosigner	449,218	601,172	481,391	322,867	233,512	503,972	2,592,132	12
Total	$ 3,189,827	$ 4,460,869	$ 3,612,813	$ 2,562,132	$ 2,172,125	$ 5,705,071	$ 21,702,837	100 %
FICO at Origination[2]:								
Less than 670	$ 206,260	$ 250,867	$ 275,722	$ 207,725	$ 177,237	$ 461,829	$ 1,579,640	7 %
670-699	423,163	598,066	548,962	396,081	358,145	961,855	3,286,272	15
700-749	1,010,429	1,439,849	1,184,965	848,391	725,425	1,917,552	7,126,611	33
Greater than or equal to 750	1,549,975	2,172,087	1,603,164	1,109,935	911,318	2,363,835	9,710,314	45
Total	$ 3,189,827	$ 4,460,869	$ 3,612,813	$ 2,562,132	$ 2,172,125	$ 5,705,071	$ 21,702,837	100 %
FICO Refreshed[2][3]:								
Less than 670	$ 262,997	$ 271,778	$ 282,320	$ 247,343	$ 249,302	$ 795,264	$ 2,109,004	10 %
670-699	425,798	510,906	411,306	278,497	229,881	622,290	2,478,678	11
700-749	1,003,524	1,393,710	1,117,756	759,346	624,787	1,584,356	6,483,479	30
Greater than or equal to 750	1,497,508	2,284,475	1,801,431	1,276,946	1,068,155	2,703,161	10,631,676	49
Total	$ 3,189,827	$ 4,460,869	$ 3,612,813	$ 2,562,132	$ 2,172,125	$ 5,705,071	$ 21,702,837	100 %
Seasoning[4]:								
1-12 payments	$ 1,837,837	$ 1,772,385	$ 397,777	$ 329,370	$ 311,956	$ 543,901	$ 5,193,226	24 %
13-24 payments	—	1,027,243	1,487,280	221,972	220,104	532,905	3,489,504	16
25-36 payments	—	42	619,601	996,813	189,051	527,481	2,332,988	11
37-48 payments	—	—	—	397,585	777,883	513,718	1,689,186	8
More than 48 payments	—	—	—	—	250,029	2,892,624	3,142,653	14
Not yet in repayment	1,351,990	1,661,199	1,108,155	616,392	423,102	694,442	5,855,280	27
Total	$ 3,189,827	$ 4,460,869	$ 3,612,813	$ 2,562,132	$ 2,172,125	$ 5,705,071	$ 21,702,837	100 %
2021 Current period[5] gross charge-offs	$ (372)	$ (4,159)	$ (14,794)	$ (23,210)	$ (26,696)	$ (91,808)	$ (161,039)	
2021 Current period[5] recoveries	14	254	1,398	2,679	3,288	14,344	21,977	
2021 Current period[5] net charge-offs	$ (358)	$ (3,905)	$ (13,396)	$ (20,531)	$ (23,408)	$ (77,464)	$ (139,062)	
Total accrued interest by origination vintage	$ 58,245	$ 250,412	$ 331,670	$ 259,988	$ 192,350	$ 293,762	$ 1,386,427	

(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 2021.
(4) Number of months in active repayment (whether interest only payment, fixed payment, or full principal and interest payment status) for which a scheduled payment was due.
(5) Current period refers to period from January 1, 2021 through September 30, 2021.

SLM CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

Private Education Loans Held for Investment - Credit Quality Indicators

December 31, 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	$ 2,915,328	$ 3,467,219	$ 2,556,400	$ 2,262,635	$ 1,977,952	$ 4,198,748	$ 17,378,282	88 %
Without cosigner	527,437	559,629	384,111	277,159	211,270	391,449	2,351,055	12
Total	$ 3,442,765	$ 4,026,848	$ 2,940,511	$ 2,539,794	$ 2,189,222	$ 4,590,197	$ 19,729,337	100 %
FICO at Origination[2]:								
Less than 670	$ 195,214	$ 290,711	$ 225,276	$ 197,948	$ 162,413	$ 369,609	$ 1,441,171	7 %
670-699	464,785	594,950	441,357	407,394	351,303	771,477	3,031,266	16
700-749	1,111,373	1,310,390	967,802	846,983	740,028	1,533,517	6,510,093	33
Greater than or equal to 750	1,671,393	1,830,797	1,306,076	1,087,469	935,478	1,915,594	8,746,807	44
Total	$ 3,442,765	$ 4,026,848	$ 2,940,511	$ 2,539,794	$ 2,189,222	$ 4,590,197	$ 19,729,337	100 %
FICO Refreshed[2][3]:								
Less than 670	$ 240,154	$ 331,229	$ 301,784	$ 298,195	$ 293,077	$ 734,599	$ 2,199,038	11 %
670-699	438,665	493,135	336,966	283,906	231,759	504,779	2,289,210	12
700-749	1,102,666	1,248,806	871,677	734,222	603,160	1,220,468	5,780,999	29
Greater than or equal to 750	1,661,280	1,953,678	1,430,084	1,223,471	1,061,226	2,130,351	9,460,090	48
Total	$ 3,442,765	$ 4,026,848	$ 2,940,511	$ 2,539,794	$ 2,189,222	$ 4,590,197	$ 19,729,337	100 %
Seasoning[4]:								
1-12 payments	$ 2,068,517	$ 600,038	$ 469,143	$ 472,258	$ 381,197	$ 507,343	$ 4,498,496	23 %
13-24 payments	163	2,096,635	383,977	223,332	217,379	425,345	3,346,831	17
25-36 payments	—	—	1,353,567	370,250	181,940	439,337	2,345,094	12
37-48 payments	—	—	—	965,476	351,433	402,552	1,719,461	9
More than 48 payments	—	—	—	—	729,510	2,310,905	3,040,415	15
Not yet in repayment	1,374,085	1,330,175	733,824	508,478	327,763	504,715	4,779,040	24
Total	$ 3,442,765	$ 4,026,848	$ 2,940,511	$ 2,539,794	$ 2,189,222	$ 4,590,197	$ 19,729,337	100 %
2020 gross charge-offs[5]	$ (1,087)	$ (10,940)	$ (27,000)	$ (35,851)	$ (36,416)	$ (94,032)	$ (205,326)	
2020 recoveries[5]	42	636	2,274	3,585	4,284	13,200	24,021	
2020 net charge-offs[5]	$ (1,045)	$ (10,304)	$ (24,726)	$ (32,266)	$ (32,132)	$ (80,832)	$ (181,305)	
Total accrued interest by origination vintage	$ 90,438	$ 265,688	$ 252,251	$ 209,178	$ 141,094	$ 210,247	$ 1,168,896	

(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 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) For period from January 1, 2020 through December 31, 2020.

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

Delinquencies - Private Education Loans Held for Investment

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

Private Education Loans Held for Investment Delinquencies by Origination Vintage

	September 30, 2021						
	2021	2020	2019	2018	2017	2016 and Prior	Total
Loans in-school/grace/deferment[1]	$ 1,351,990	$ 1,661,199	$ 1,108,155	$ 616,392	$ 423,102	$ 694,442	$ 5,855,280
Loans in forbearance[2]	3,673	32,584	54,337	53,675	57,093	156,063	357,425
Loans in repayment:							
Loans current	1,830,182	2,743,889	2,404,326	1,840,620	1,636,992	4,659,532	15,115,541
Loans delinquent 30-59 days[3]	3,051	15,107	25,793	27,398	28,340	100,253	199,942
Loans delinquent 60-89 days[3]	650	5,787	12,784	14,313	15,251	52,727	101,512
Loans 90 days or greater past due[3]	281	2,303	7,418	9,734	11,347	42,054	73,137
Total Private Education Loans in repayment	1,834,164	2,767,086	2,450,321	1,892,065	1,691,930	4,854,566	15,490,132
Total Private Education Loans, gross	3,189,827	4,460,869	3,612,813	2,562,132	2,172,125	5,705,071	21,702,837
Private Education Loans deferred origination costs and unamortized premium/(discount)	16,763	17,970	11,357	6,901	5,275	10,318	68,584
Total Private Education Loans	3,206,590	4,478,839	3,624,170	2,569,033	2,177,400	5,715,389	21,771,421
Private Education Loans allowance for losses	(173,374)	(252,460)	(220,891)	(148,040)	(118,966)	(295,729)	(1,209,460)
Private Education Loans, net	$ 3,033,216	$ 4,226,379	$ 3,403,279	$ 2,420,993	$ 2,058,434	$ 5,419,660	$ 20,561,961
Percentage of Private Education Loans in repayment	57.5 %	62.0 %	67.8 %	73.8 %	77.9 %	85.1 %	71.4 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.2 %	0.8 %	1.9 %	2.7 %	3.2 %	4.0 %	2.4 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.2 %	1.2 %	2.2 %	2.8 %	3.3 %	3.1 %	2.3 %

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

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

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

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

	Private Education Loans Held for Investment Delinquencies by Origination Vintage						
	December 31, 2020						
	2020	2019	2018	2017	2016	2015 and Prior	Total
Loans in-school/grace/deferment[(1)(2)]	$ 1,374,085	$ 1,330,175	$ 733,824	$ 508,478	$ 327,763	$ 504,715	$ 4,779,040
Loans in forbearance[(1)(3)]	16,159	92,677	110,319	118,946	109,073	198,302	645,476
Loans in repayment[(1)]:							
Loans current	2,043,033	2,573,228	2,045,012	1,850,539	1,685,572	3,701,564	13,898,948
Loans delinquent 30-59 days[(4)]	6,400	16,983	26,934	30,771	33,040	91,400	205,528
Loans delinquent 60-89 days[(4)]	2,628	9,143	15,026	18,121	19,064	55,661	119,643
Loans 90 days or greater past due[(4)]	460	4,642	9,396	12,939	14,710	38,555	80,702
Total Private Education Loans in repayment	2,052,521	2,603,996	2,096,368	1,912,370	1,752,386	3,887,180	14,304,821
Total Private Education Loans, gross	3,442,765	4,026,848	2,940,511	2,539,794	2,189,222	4,590,197	19,729,337
Private Education Loans deferred origination costs and unamortized premium/(discount)	21,129	13,933	8,671	6,708	5,721	7,313	63,475
Total Private Education Loans	3,463,894	4,040,781	2,949,182	2,546,502	2,194,943	4,597,510	19,792,812
Private Education Loans allowance for losses	(210,875)	(298,776)	(218,136)	(184,265)	(150,150)	(293,642)	(1,355,844)
Private Education Loans, net	$ 3,253,019	$ 3,742,005	$ 2,731,046	$ 2,362,237	$ 2,044,793	$ 4,303,868	$ 18,436,968
Percentage of Private Education Loans in repayment	59.6 %	64.7 %	71.3 %	75.3 %	80.0 %	84.7 %	72.5 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment	0.5 %	1.2 %	2.4 %	3.2 %	3.8 %	4.8 %	2.8 %
Loans in forbearance as a percentage of loans in repayment and forbearance	0.8 %	3.4 %	5.0 %	5.9 %	5.9 %	4.9 %	4.3 %

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(1) For some students, going back to school in the fall was not an option because of the pandemic, or for other reasons. Therefore, some students are taking a “gap year” before returning to school. In 2020, for those students that had unexpectedly separated from school, we provided an extension of time through fall 2021 to re-enroll, before beginning their grace period that occurs prior to entering full principal and interest repayment status. At December 31, 2020, the loans in the “in-school/grace/deferment” category above include $401 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At December 31, 2020, the loans in the “in forbearance” category above include $30 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. At December 31, 2020, the loans in the “in repayment” category above include $609 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received such extension of time from us to re-enroll before beginning their grace period. This program ended in September 2021.

(2) 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).

(3) 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.

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

(Dollars in thousands, unless otherwise noted)

5. Allowance for Credit Losses (Continued)

Accrued Interest Receivable

The following table provides information regarding accrued interest receivable on our Private Education Loans. The table also discloses the amount of accrued interest on loans 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	90 Days and Greater Past Due	Allowance for Uncollectible Interest
September 30, 2021	$ 1,386,427	$ 3,636	$ 4,351
December 31, 2020	$ 1,168,895	$ 4,354	$ 4,467

(Dollars in thousands, unless otherwise noted)

6. Unfunded Loan Commitments

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

At September 30, 2021, we had $2.0 billion of outstanding contractual loan commitments that we expect to fund during the remainder of the 2021/2022 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,			
	2021		2020	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	$ 64,772	$ 1,161,696	$ 85,958	$ 1,119,042
Provision/New commitments - net[1]	129,904	2,885,024	157,337	2,542,390
Other provision items	15,068	—	(28,047)	—
Transfer - funded loans[2]	(110,613)	(2,083,128)	(100,470)	(1,890,305)
Ending Balance	$ 99,131	$ 1,963,592	$ 114,778	$ 1,771,127

	Nine Months Ended September 30,			
	2021		2020	
	Allowance	Unfunded Commitments	Allowance	Unfunded Commitments
Beginning Balance	$ 110,044	$ 1,673,018	$ 2,481	$ 1,910,603
Day 1 adjustment for the adoption of CECL	—	—	115,758	—
Balance at January 1	110,044	1,673,018	118,239	1,910,603
Provision/New commitments - net[1]	218,304	4,963,789	279,008	4,542,560
Other provision items	32,831	—	(2,914)	—
Transfer - funded loans[2]	(262,048)	(4,673,215)	(279,555)	(4,682,036)
Ending Balance	$ 99,131	$ 1,963,592	$ 114,778	$ 1,771,127

(1) Net of expirations of commitments unused.

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

(Dollars in thousands, unless otherwise noted)

6. Unfunded Loan Commitments (Continued)

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

7. Deposits

The following table summarizes total deposits at September 30, 2021 and December 31, 2020.

	September 30, 2021	December 31, 2020
Deposits - interest bearing	$ 20,890,292	$ 22,664,899
Deposits - non-interest bearing	568	1,140
Total deposits	$ 20,890,860	$ 22,666,039

Our total deposits of $20.9 billion were comprised of $11.6 billion in brokered deposits and $9.3 billion in retail and other deposits at September 30, 2021, compared to total deposits of $22.7 billion, which were comprised of $11.9 billion in brokered deposits and $10.8 billion in retail and other deposits, at December 31, 2020.

Interest bearing deposits as of September 30, 2021 and December 31, 2020 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 $7.0 billion and $7.1 billion of our deposit total as of September 30, 2021 and December 31, 2020, 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 $4 million and $5 million in the three months ended September 30, 2021 and 2020, respectively, and placement fee expense of $12 million and $15 million in the nine months ended September 30, 2021 and 2020, respectively. Fees paid to third-party brokers related to brokered CDs were $10 million and $2 million for the three months ended September 30, 2021 and 2020, respectively, and fees paid to third-party brokers related to brokered CDs were $11 million and $5 million for the nine months ended September 30, 2021 and 2020, respectively.

(Dollars in thousands, unless otherwise noted)

7. Deposits (Continued)

Interest bearing deposits at September 30, 2021 and December 31, 2020 are summarized as follows:

	September 30, 2021		December 31, 2020	
	Amount	Qtr.-End Weighted Average Stated Rate[1]	Amount	Year-End Weighted Average Stated Rate[1]
Money market	$ 10,082,114	0.71 %	$ 10,159,657	0.83 %
Savings	956,571	0.44	907,976	0.55
Certificates of deposit	9,851,607	1.16	11,597,266	1.34
Deposits - interest bearing	$ 20,890,292		$ 22,664,899	

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

As of September 30, 2021, and December 31, 2020, there were $676 million and $571 million, respectively, of deposits exceeding Federal Deposit Insurance Corporation ("FDIC") insurance limits. Accrued interest on deposits was $46 million and $50 million at September 30, 2021 and December 31, 2020, respectively.

8. Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term asset-backed securitization ("ABS") program and our Private Education Loan multi-lender secured borrowing facility (the "Secured Borrowing Facility"). For additional information regarding our borrowings, see Notes to Consolidated Financial Statements, Note 11, "Borrowings" in our 2020 Form 10-K. The following table summarizes our borrowings at September 30, 2021 and December 31, 2020.

	September 30, 2021			December 31, 2020		
	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	$ 199,583	$ 494,585	$ 694,168	$ —	$ 692,879	$ 692,879
Total unsecured borrowings	199,583	494,585	694,168	—	692,879	692,879
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,698,662	3,698,662	—	3,261,233	3,261,233
Variable-rate	—	1,026,501	1,026,501	—	1,235,105	1,235,105
Total Private Education Loan term securitizations	—	4,725,163	4,725,163	—	4,496,338	4,496,338
Secured Borrowing Facility	—	—	—	—	—	—
Total secured borrowings	—	4,725,163	4,725,163	—	4,496,338	4,496,338
Total	$ 199,583	$ 5,219,748	$ 5,419,331	$ —	$ 5,189,217	$ 5,189,217

8. Borrowings (Continued)

Short-term Borrowings

Secured Borrowing Facility

On July 30, 2021, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is $2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the Secured Borrowing Facility, we incur financing costs on unused borrowing capacity and on outstanding advances. The amended Secured Borrowing Facility extended the revolving period, during which we may borrow, repay and reborrow funds, until May 17, 2022. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 17, 2023 (or earlier, if certain material adverse events occur). At both September 30, 2021 and December 31, 2020, there were no secured borrowings outstanding under the Secured Borrowing Facility.

Long-term Borrowings

Secured Financings

2021 Transactions

On May 19, 2021, we executed our $531 million SMB Private Education Loan Trust 2021-B term ABS transaction, which was accounted for as a secured financing. We sold $531 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $529 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.26 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.77 percent. At September 30, 2021, $521 million of our Private Education Loans, including $484 million of principal and $37 million in capitalized interest, were encumbered because of this transaction.

On August 18, 2021, we executed our $527 million SMB Private Education Loan Trust 2021-D term ABS transaction, which was accounted for as a secured financing. We sold $527 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $525 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.22 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.69 percent. At September 30, 2021, $539 million of our Private Education Loans, including $501 million of principal and $38 million in capitalized interest, were encumbered because of this transaction.

(Dollars in thousands, unless otherwise noted)

8. Borrowings (Continued)

Secured Financings at Issuance

The following summarizes our secured financings issued in 2020 and in 2021 through September 30, 2021:

Issue	Date Issued	Total Issued	Weighted Average Cost of Funds[1]	Weighted Average Life (in years)
Private Education:				
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[2]		$ 1,463,230		
2021-B	May 2021	$ 531,000	1-month LIBOR plus 0.77%	4.26
2021-D	August 2021	527,000	1-month LIBOR plus 0.69%	4.22
Total notes issued in 2021		$ 1,058,000		
Total loan and accrued interest amount securitized at inception in 2021		$ 1,104,248		

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

[2] At September 30, 2021, $1.18 billion of our Private Education Loans, including $1.10 billion of principal and $84 million in capitalized interest, were encumbered related to these transactions.

(Dollars in thousands, unless otherwise noted)

8. 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.

	September 30, 2021						
	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	$ —	$ 4,725,163	$ 4,725,163	$ 5,788,954	$ 175,472	$ 407,634	$ 6,372,060
Secured Borrowing Facility	—	—	—	—	—	1,436	1,436
Total	$ —	$ 4,725,163	$ 4,725,163	$ 5,788,954	$ 175,472	$ 409,070	$ 6,373,496

(1) Other assets primarily represent accrued interest receivable.

	December 31, 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	$ —	$ 4,496,338	$ 4,496,338	$ 5,661,123	$ 154,417	$ 356,967	$ 6,172,507
Secured Borrowing Facility	—	—	—	—	—	436	436
Total	$ —	$ 4,496,338	$ 4,496,338	$ 5,661,123	$ 154,417	$ 357,403	$ 6,172,943

(1) Other assets primarily represent accrued interest receivable.

Unconsolidated VIEs

Private Education Loan Securitizations

Unconsolidated VIEs include variable interests that we hold in certain securitization trusts created by the sale of our Private Education Loans to unaffiliated third parties in the first quarter of 2020 and the first six months of 2021. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales, and we are also the administrator of these trusts. Additionally, we own 5 percent of the securities issued by the trusts to meet risk retention requirements.

2021-A Transaction

On February 9, 2021, we closed an SMB Private Education Loan Trust 2021-A term ABS transaction (the "2021-A Transaction"), in which the unaffiliated third-party sold to the trust approximately $2.5 billion of Private Education Loans that the third-party seller previously purchased from us on January 8, 2021. In the 2021-A Transaction, we were the sponsor, servicer and administrator, and the seller of an additional $130 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2021-A Transaction and we recorded an $18 million gain on sale associated with this transaction. In connection with the 2021-A Transaction settlement, we retained a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitization). We classified those vertical risk retention interests related to the 2021-A Transaction as available-for-sale investments, except for the interest in the residual class, which we classified as a trading investment recorded at fair value with changes recorded through earnings.

(Dollars in thousands, unless otherwise noted)

2021-C Transaction

On May 27, 2021, we closed an SMB Private Education Loan Trust 2021-C term ABS transaction (the "2021-C Transaction"), in which the unaffiliated third-party sold to the trust approximately $505 million of Private Education Loans that the third-party seller previously purchased from us on January 8, 2021. In the 2021-C Transaction, we were the sponsor, servicer and administrator, and the seller of an additional $27 million of Private Education Loans into the trust. The sale of such additional loans qualified for sale treatment and removed these loans from our balance sheet on the settlement date of the 2021-C Transaction and we recorded an $4 million gain on sale associated with this transaction. In connection with the 2021-C Transaction settlement, we retained a 5 percent vertical risk retention interest (i.e., 5 percent of each class issued in the securitization). We classified those vertical risk retention interests related to the 2021-C Transaction as available-for-sale investments, except for the interest in the residual class, which we classified as a trading investment recorded at fair value with changes recorded through earnings.

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

	September 30, 2021			December 31, 2020		
	Debt Interests(1)	Equity Interests(2)	Total Exposure	Debt Interests(1)	Equity Interests(2)	Total Exposure
Private Education Loan term securitizations	$ 206,099	$ 36,792	$ 242,891	$ 68,908	$ 16,923	$ 85,831

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

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at September 30, 2021. 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, 2021 or in the year ended December 31, 2020.

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, 2021 and December 31, 2020, the value of our pledged collateral at the FRB totaled $2.7 billion and $3.8 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, 2021 or in the year ended December 31, 2020.

9. Derivative Financial Instruments

Risk Management Strategy

We maintain an overall interest rate risk management strategy that incorporates the use of derivative instruments to reduce the economic effect of interest rate changes. Our goal is to manage interest rate sensitivity by modifying the repricing frequency and underlying index characteristics of certain balance sheet assets or liabilities so any adverse impacts related to movements in interest rates are managed within low to moderate limits. As a result of interest rate fluctuations, hedged balance sheet positions will appreciate or depreciate in market value or create variability in cash flows. Income or loss on the derivative instruments linked to the hedged item will generally offset the effect of this unrealized appreciation or depreciation or volatility in cash flows for the period the item is being hedged. We view this strategy as a prudent management of interest rate risk. Please refer to Notes to Consolidated Financial Statements, Note 12, “Derivative Financial Instruments” in our 2020 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, 2021, $5.9 billion notional of our derivative contracts were cleared on the CME and $0.3 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 94.6 percent and 5.4 percent, respectively, of our total notional derivative contracts of $6.2 billion at September 30, 2021.

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, 2021 was $(96) million and $11 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure to the counterparty is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At September 30, 2021 and December 31, 2020, 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 $12 million and $43 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, 2021 and December 31, 2020, and their impact on earnings and other comprehensive income for the nine months ended September 30, 2021 and September 30, 2020. Please refer to Notes to Consolidated Financial Statements, Note 12, “Derivative Financial Instruments” in our 2020 Form 10-K for a full discussion of cash flow hedges, fair value hedges, and trading activities.

(Dollars in thousands, unless otherwise noted)

9. Derivative Financial Instruments (Continued)

Impact of Derivatives on the Consolidated Balance Sheets

		Cash Flow Hedges		Fair Value Hedges		Trading		Total	
Fair Values[1]	**Hedged Risk Exposure**	**September 30, 2021**	**December 31, 2020**	**September 30, 2021**	**December 31, 2020**	**September 30, 2021**	**December 31, 2020**	**September 30, 2021**	**December 31, 2020**
Derivative Assets:[2]									
Interest rate swaps	Interest rate	$ —	$ —	$ 489	$ 594	$ 38	$ 135	$ 527	$ 729
Derivative Liabilities:[2]									
Interest rate swaps	Interest rate	(909)	(287)	—	—	—	—	(909)	(287)
Total net derivatives		$ (909)	$ (287)	$ 489	$ 594	$ 38	$ 135	$ (382)	$ 442

(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, 2021	**December 31, 2020**	**September 30, 2021**	**December 31, 2020**
Gross position[1]	$ 527	$ 729	$ (909)	$ (287)
Impact of master netting agreement	(527)	(176)	527	176
Derivative values with impact of master netting agreements (as carried on balance sheet)	—	553	(382)	(111)
Cash collateral pledged[2]	11,890	42,874	—	—
Net position	$ 11,890	$ 43,427	$ (382)	$ (111)

(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, 2021**	**December 31, 2020**	**September 30, 2021**	**December 31, 2020**	**September 30, 2021**	**December 31, 2020**	**September 30, 2021**	**December 31, 2020**
Interest rate swaps	$ 1,469,867	$ 1,018,976	$ 4,007,008	$ 4,845,543	$ 766,726	$ 2,693,364	$ 6,243,601	$ 8,557,883

(Dollars in thousands, unless otherwise noted)

9. Derivative Financial Instruments (Continued)

As of September 30, 2021 and December 31, 2020, 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, 2021	December 31, 2020	September 30, 2021	December 31, 2020
Deposits	$ (4,083,115)	$ (4,992,867)	$ (81,460)	$ (154,235)

Impact of Derivatives on the Consolidated Statements of Income

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2021	2020	2021	2020
Fair Value Hedges				
Interest rate swaps:				
Interest recognized on derivatives	$ 21,763	$ 23,851	$ 67,230	$ 47,906
Hedged items recorded in interest expense	20,551	24,451	72,774	(116,500)
Derivatives recorded in interest expense	(20,602)	(24,458)	(72,787)	116,870
Total	$ 21,712	$ 23,844	$ 67,217	$ 48,276
Cash Flow Hedges				
Interest rate swaps:				
Amount of gain (loss) reclassified from accumulated other comprehensive income into interest expense	$ (5,228)	$ (5,176)	$ (15,791)	$ (10,922)
Total	$ (5,228)	$ (5,176)	$ (15,791)	$ (10,922)
Trading				
Interest rate swaps:				
Change in fair value of future interest payments recorded in earnings	$ (3,571)	$ (12,848)	$ (21,383)	$ 21,611
Total	(3,571)	(12,848)	(21,383)	21,611
Total	$ 12,913	$ 5,820	$ 30,043	$ 58,965

(Dollars in thousands, unless otherwise noted)

9. 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,	
	2021	2020	2021	2020
Amount of gain (loss) recognized in other comprehensive income (loss)	$ (133)	$ 76	$ 13,583	$ (53,707)
Less: amount of gain (loss) reclassified in interest expense	(5,228)	(5,176)	(15,791)	(10,922)
Total change in other comprehensive income (loss) for unrealized gains (losses) on derivatives, before income tax (expense) benefit	$ 5,095	$ 5,252	$ 29,374	$ (42,785)

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, 2021, 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, 2021 and December 31, 2020, respectively. Cash collateral pledged related to derivative exposure between us and our derivatives counterparties was $12 million and $43 million at September 30, 2021 and December 31, 2020, respectively. Collateral pledged is recorded in "Other interest-earning assets" on the consolidated balance sheets.

(Dollars in thousands, unless otherwise noted)

10. Stockholders' Equity

The following table summarizes our common share repurchases and issuances.

(Shares and per share amounts in actuals)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Common stock repurchased under repurchase programs[(1)(2)(3)]	13,018,585	—	84,528,256	47,736,847
Average purchase price per share[(4)]	$ 18.75	$ —	$ 17.17	$ 9.66
Shares repurchased related to employee stock-based compensation plans[(5)]	115,414	3,122	1,367,826	1,109,149
Average purchase price per share	$ 18.83	$ 7.05	$ 14.70	$ 10.97
Common shares issued[(6)]	504,183	5,150	3,785,490	2,990,447

(1) Common shares purchased under our share repurchase programs. We have utilized all capacity under our 2020 Share Repurchase Program. There was $51 million of capacity remaining under the 2021 Share Repurchase Program at September 30, 2021.

(2) For the nine months ended September 30, 2021 and 2020, the amount includes 13 million shares and 45 million shares, respectively, related to the accelerated share repurchase agreement described below.

(3) For the nine months ended September 30, 2021, the amount includes 28.5 million shares related to the settlement of our common stock tender offer described below.

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

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

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

The closing price of our common stock on the NASDAQ Global Select Market on September 30, 2021 was $17.60.

Common Stock Dividends

In both September 2021 and September 2020, we paid a common stock dividend of $0.03 per common share. In both the nine months ended September 30, 2021 and 2020, we paid a common stock dividend of $0.09 per common share.

Share Repurchases

The January 22, 2020 share repurchase program (the "2020 Share Repurchase Program"), which was effective upon announcement and expires on January 21, 2022, permitted us to repurchase from time-to-time shares of common stock up to an aggregate repurchase price not to exceed $600 million. Under the authority of the 2020 Share Repurchase Program, 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 45 million shares. The final total actual number of shares of common stock delivered to us pursuant to the forward agreement was based generally upon a volume-weighted average price at which the shares of our common stock traded during the regular trading sessions on the NASDAQ Global Select Market during the term of the ASR. The transactions were accounted for as equity transactions and were included in treasury stock when the shares were received, at which time there was an immediate reduction in the weighted average common shares calculation for basic and diluted earnings per share. On January 26, 2021, we completed the ASR and upon final settlement on January 28, 2021, we received an additional 13 million shares. In total, we repurchased 58 million shares under the ASR at an average price per share of $9.01. Under the 2020 Share Repurchase Program, we also repurchased an additional 4 million shares of common

10. Stockholders' Equity (Continued)

stock for $75 million in the three months ended March 31, 2021. We have now utilized all capacity under the 2020 Share Repurchase Program.

On January 27, 2021, we announced a share repurchase program (the "2021 Share Repurchase Program"), which was effective upon announcement and expires on January 26, 2023, and originally permitted us to repurchase shares of our common stock from time to time up to an aggregate repurchase price not to exceed $1.25 billion. Under the 2021 Share Repurchase Program, we repurchased 13.0 million shares of common stock for $244 million in the three months ended September 30, 2021, and we repurchased 66.8 million shares of common stock for $1.2 billion in the nine months ended September 30, 2021. (For the nine months ended September 30, 2021, those amounts include the shares repurchased under the Tender Offer described below.) There was $51 million of capacity remaining under the 2021 Share Repurchase Program at September 30, 2021.

In October 2021, our Board of Directors approved a $250 million increase in the amount of common stock that may be repurchased under our 2021 Share Repurchase Program, which expires on January 26, 2023. This is in addition to the $51 million of capacity remaining under the 2021 Share Repurchase Program at September 30, 2021.

Repurchases under our share repurchase programs may occur from time to time and through a variety of methods, including tender offers, open market repurchases, repurchases effected through Rule 10b5-1 trading plans, negotiated block purchases, accelerated share repurchase programs, or other similar transactions. The timing and volume of any repurchases under the 2021 Share Repurchase Program will be subject to market conditions, and there can be no guarantee that the Company will repurchase up to the limit of its share repurchase programs or at all.

Common Stock Tender Offer

On February 2, 2021, we announced the commencement of a "modified Dutch Auction" tender offer (the "Tender Offer") to purchase up to $1 billion in aggregate purchase price of our outstanding shares of common stock, par value $0.20 per share. Pursuant to the Tender Offer, we repurchased 28.5 million shares at a price of $16.50 per share. The purchase of shares settled on March 16, 2021, for an aggregate cost of approximately $472 million, including fees and expenses related to the Tender Offer. We cancelled the 28.5 million shares purchased in connection with the Tender Offer. This cancellation decreased the balances of common stock by $6 million and of additional paid-in capital by $466 million, respectively.

Share Repurchases under our Rule 10b5-1 trading plan

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

11. 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.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands, except per share data)	2021	2020	2021	2020
Numerator:				
Net income	$ 72,840	$ 171,028	$ 854,248	$ 447,990
Preferred stock dividends	1,166	2,058	3,559	8,000
Net income attributable to SLM Corporation common stock	$ 71,674	$ 168,970	$ 850,689	$ 439,990
Denominator:				
Weighted average shares used to compute basic EPS	299,890	375,094	324,148	386,587
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)	4,621	2,824	4,916	2,804
Weighted average shares used to compute diluted EPS	304,511	377,918	329,064	389,391
Basic earnings per common share attributable to SLM Corporation	$ 0.24	$ 0.45	$ 2.62	$ 1.14
Diluted earnings per common share attributable to SLM Corporation	$ 0.24	$ 0.45	$ 2.59	$ 1.13

(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, 2021 and 2020, securities covering approximately 1 million shares and 2 million shares, respectively, and for the nine months ended September 30, 2021 and 2020, securities covering approximately 1 million shares and no shares, respectively, were outstanding but not included in the computation of diluted earnings per share because they were anti-dilutive.

(Dollars in thousands, unless otherwise noted)

12. Fair Value Measurements

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

We categorize our fair value estimates based on a hierarchical framework associated with three levels of price transparency utilized in measuring financial instruments at fair value. For additional information regarding our policies for determining fair value and the hierarchical framework, see Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies - Fair Value Measurement” in our 2020 Form 10-K.

During the nine months ended September 30, 2021, 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, 2021				December 31, 2020			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Assets								
Trading investments	$ —	$ —	$ 36,792	$ 36,792	$ —	$ —	$ 16,923	$ 16,923
Available-for-sale investments	—	2,505,372	—	2,505,372	—	1,996,634	—	1,996,634
Derivative instruments	—	527	—	527	—	729	—	729
Total	$ —	$ 2,505,899	$ 36,792	$ 2,542,691	$ —	$ 1,997,363	$ 16,923	$ 2,014,286
Liabilities								
Derivative instruments	$ —	$ (909)	$ —	$ (909)	$ —	$ (287)	$ —	$ (287)
Total	$ —	$ (909)	$ —	$ (909)	$ —	$ (287)	$ —	$ (287)

(Dollars in thousands, unless otherwise noted)

12. Fair Value Measurements (Continued)

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

	September 30, 2021			December 31, 2020		
	Fair Value	Carrying Value	Difference	Fair Value	Carrying Value	Difference
Earning assets:						
Loans held for investment, net:						
Private Education Loans	$ 24,299,804	$ 20,561,960	$ 3,737,844	$ 22,124,171	$ 18,436,968	$ 3,687,203
FFELP Loans	716,277	703,355	12,922	748,657	735,208	13,449
Credit Cards	17,791	16,212	1,579	12,249	10,967	1,282
Loans held for sale	—	—	—	3,226,029	2,885,640	340,389
Cash and cash equivalents	2,717,752	2,717,752	—	4,455,292	4,455,292	—
Trading investments	36,792	36,792	—	16,923	16,923	—
Available-for-sale investments	2,505,372	2,505,372	—	1,996,634	1,996,634	—
Accrued interest receivable	1,542,907	1,403,146	139,761	1,527,816	1,387,305	140,511
Tax indemnification receivable	12,486	12,486	—	18,492	18,492	—
Derivative instruments	527	527	—	729	729	—
Total earning assets	$ 31,849,708	$ 27,957,602	$ 3,892,106	$ 34,126,992	$ 29,944,158	$ 4,182,834
Interest-bearing liabilities:						
Money-market and savings accounts	$ 11,082,540	$ 11,038,685	$ (43,855)	$ 11,136,560	$ 11,067,633	$ (68,927)
Certificates of deposit	9,944,973	9,851,607	(93,366)	11,799,223	11,597,266	(201,957)
Short-term borrowings	203,770	199,583	(4,187)	—	—	—
Long-term borrowings	5,387,187	5,219,748	(167,439)	5,398,309	5,189,217	(209,092)
Accrued interest payable	64,425	64,425	—	60,272	60,272	—
Derivative instruments	909	909	—	287	287	—
Total interest-bearing liabilities	$ 26,683,804	$ 26,374,957	$ (308,847)	$ 28,394,651	$ 27,914,675	$ (479,976)
Excess of net asset fair value over carrying value			$ 3,583,259			$ 3,702,858

Please refer to Notes to Consolidated Financial Statements, Note 16, “Fair Value Measurements” in our 2020 Form 10-K for a full discussion of the methods and assumptions used to estimate the fair value of each class of financial instruments.

13. 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.

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

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

On August 26, 2020, the FDIC and other federal banking agencies published a final rule that provides those banking organizations that adopted 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)

13. 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, 2021:								
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$	3,255,466	13.1	%	$	1,736,176	≥ 7.0	%
Tier 1 Capital (to Risk-Weighted Assets)	$	3,255,466	13.1	%	$	2,108,214	≥ 8.5	%
Total Capital (to Risk-Weighted Assets)	$	3,408,359	13.7	%	$	2,604,265	≥ 10.5	%
Tier 1 Capital (to Average Assets)	$	3,255,466	10.9	%	$	1,193,100	≥ 4.0	%
As of December 31, 2020:								
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$	3,579,005	14.0	%	$	1,794,780	≥ 7.0	%
Tier 1 Capital (to Risk-Weighted Assets)	$	3,579,005	14.0	%	$	2,179,375	≥ 8.5	%
Total Capital (to Risk-Weighted Assets)	$	3,849,820	15.0	%	$	2,692,169	≥ 10.5	%
Tier 1 Capital (to Average Assets)	$	3,579,005	11.3	%	$	1,264,424	≥ 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 $50 million in dividends and $1.2 billion in dividends to the Company for the three and nine months ended September 30, 2021, respectively, and no dividends and $568 million in dividends to the Company for the three and nine months ended September 30, 2020, respectively, with the proceeds primarily used to fund the 2021 and 2020 Share Repurchase Programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.

14. 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, 2021, we had $2.0 billion of outstanding contractual loan commitments which we expect to fund during the remainder of the 2021/2022 academic year. At September 30, 2021, we had a $99 million reserve recorded in “Other Liabilities” to cover lifetime expected credit losses on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, “Significant Accounting Policies - Allowance for Credit Losses 2020 — Off-Balance Sheet Exposure for Contractual Loan Commitments” in our 2020 Form 10-K and Note 6, “Unfunded Loan Commitments” in this Form 10-Q for additional information.

Regulatory Matters

For additional information regarding our regulatory matters, see Notes to Consolidated Financial Statements, Note 20, “Commitments, Contingencies and Guarantees” in our 2020 Form 10-K.

Contingencies

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

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

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

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

15. Subsequent Events

Increase to 2021 Share Repurchase Program

In October 2021, our Board of Directors approved a $250 million increase in the amount of common stock that may be repurchased under our 2021 Share Repurchase Program, which expires on January 26, 2023. This is in addition to the $51 million of capacity remaining under the 2021 Share Repurchase Program at September 30, 2021. For additional details on our share repurchase programs, see Note 10, “Stockholders’ Equity” in this Form 10-Q .

Declaration of Fourth Quarter 2021 Dividend

A 2021 fourth-quarter dividend of $0.11 per share on our stock has been declared and will be paid on December 15, 2021 to shareholders of record at the close of business on December 3, 2021.

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

The following information should be read in connection with SLM Corporation's Annual Report on Form 10-K for the year ended December 31, 2020 (filed with the Securities and Exchange Commission (the "SEC") on February 25, 2021) (the "2020 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 2020 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 2021 guidance; the Company's three-year horizon outlook; the Company's expectation and ability to execute loan sales and share repurchases; the Company's projections regarding originations, net charge-offs, non-interest expenses, earnings, balance sheet position, and other metrics; any estimates related to accounting standard changes; and any estimates related to the impact of credit administration practices changes, including the results of simulations or other behavioral observations. Forward-looking statements are subject to risks, uncertainties, assumptions, and other factors that may cause actual results to be materially different from those reflected in such forward-looking statements. These factors include, among others, the risks and uncertainties set forth in Item 1A. "Risk Factors" and elsewhere in our 2020 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, 2021 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 outbreak of 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. Beginning on March 15, 2020, many businesses closed or reduced hours throughout the U.S. to combat the spread of COVID-19. Throughout 2020, all 50 states reported cases of COVID-19 and each implemented various containment efforts, including lockdowns on non-essential businesses and work from home regimes. As a result of these measures, in early 2020 the unemployment rate increased dramatically. In response, we offered disaster forbearance to those customers who contacted us and were negatively affected by COVID-19. The second half of 2020 saw improvements in economic and consumer trends, but continued waves of new cases of COVID-19 created continued uncertainty in the economic environment. However, at the end of the fourth quarter of 2020 and into the first quarter of 2021, the rollout of new vaccines and the ratification of two additional stimulus laws have resulted in lower infection rates and significant improvement in the outlook of the economy. The improved outlook in the economy has contributed to faster prepayment rates and lower expected credit losses. We have continued to see improved trends in unemployment rates in 2021 despite the increase in COVID-19 infections from the Delta variant that occurred in the third quarter of 2021.

In the second quarter of 2021, we communicated our return to office plans to our team members. Based on the national and local guidelines, we developed a phased-in approach for returning to the office. Under this phased-in approach, we opened our offices in early July 2021 for employees who wanted to voluntarily come to the office. We had planned for a more substantial return to our campuses in early October; however, with the increase in new cases due to the COVID-19 Delta variant, we postponed a more fulsome return to our offices until the first quarter of 2022. The return to our offices will include enhanced safety protocols and processes to provide the best working environment for our team members and we will implement limited flexible work-from-home schedules for employees.

For the start of the 2021-2022 academic year, the majority of colleges, universities, and trade schools have returned to in-person classes while offering full residential options. While these schools have moved away from an emphasis on hybrid and online policies, some regional reports indicate an increase in colleges maintaining online classes as a safety precaution, due to the recent uptick in COVID-19 variant infections.

For some students, going back to school in the fall of 2020 was not an option because of the pandemic or for other reasons. Therefore, some students took a "gap year" before returning to school. In 2020, for those students that had unexpectedly separated from school, we had provided an extension of time, until the fall of 2021, to re-enroll before beginning their grace period that occurs upon separation from school and prior to entering full principal and interest repayment status. At December 31, 2020, $1.0 billion of Private Education Loans had been granted this extended period of time. Beginning September 30, 2021, we no longer granted this "gap year" extension.

For further discussion of the impact of the COVID-19 pandemic on the Company, see Part II. Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae" in the 2020 Form 10-K.

The COVID-19 crisis is unprecedented and has had a significant impact on the economic environment globally and in the U.S. There is a significant amount of uncertainty as to the length and breadth of the impact to the U.S. economy and, consequently, on us. Economists expect the impact of COVID-19 on the U.S. economy to continue to be significant well into 2021. See Part I, Item 1A. "Risk Factors" in the 2020 Form 10-K for additional discussion regarding the risks associated with COVID-19.

Selected Financial Information and Ratios

(In thousands, except per share data and percentages)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Net income attributable to SLM Corporation common stock	$ 71,674	$ 168,970	$ 850,689	$ 439,990
Diluted earnings per common share attributable to SLM Corporation	$ 0.24	$ 0.45	$ 2.59	$ 1.13
Weighted average shares used to compute diluted earnings per share	304,511	377,918	329,064	389,391
Return on assets[(1)]	1.0 %	2.2 %	3.8 %	1.9 %
Other Operating Statistics (Held for Investment)				
Ending Private Education Loans, net	$ 20,561,961	$ 20,955,922	$ 20,561,961	$ 20,955,922
Ending FFELP Loans, net	703,355	743,220	703,355	743,220
Ending total education loans, net	$ 21,265,316	$ 21,699,142	$ 21,265,316	$ 21,699,142
Ending Credit Cards, net	$ 16,211	$ 10,629	$ 16,211	$ 10,629
Average education loans	$ 21,658,098	$ 22,688,683	$ 21,584,629	$ 23,105,216
Average Personal Loans	$ —	$ 527,204	$ —	$ 778,153
Average Credit Cards	$ 14,894	$ 11,086	$ 12,821	$ 8,588

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

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, 2021.

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 2020 Form 10-K.

LIBOR Transition

On July 27, 2017, the United Kingdom's Financial Conduct Authority (“UKFCA”), which regulates LIBOR, publicly announced that it intends to stop persuading or compelling banks on the London interbank market to submit LIBOR rates after 2021. On March 5, 2021, ICE Benchmark Administration, as the administrator of LIBOR, and the UKFCA, as regulator, announced LIBOR settings will no longer be published for 1 week and 2 month USD LIBOR and all tenors for other currencies after December 31, 2021, and for the remaining USD settings after June 30, 2023. The UKFCA does not expect that any

LIBOR settings will become unrepresentative before those dates. U.S. banking and other global financial services regulators have directed regulated institutions to cease entering into new LIBOR-based contracts as soon as practicable and in any event by the end of 2021.

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

The project team monitors developments, assesses impacts, proposes plans and, with the approval of an executive committee, implements changes. The Chief Financial Officer and/or project team reports status regularly to our Board of Directors. In 2020, we began issuing certain deposits based on SOFR. In the second quarter of 2021, we began to issue variable-rate Private Education Loans that use SOFR as a reference rate. We plan to significantly reduce the number of contracts that reference LIBOR, either through modification or replacement, by June 2023.

See Part I, Item 1A. "Risk Factors" in the 2020 Form 10-K for additional discussion regarding the risks associated with the transition from LIBOR.

Strategic Imperatives

To further focus and align our business and increase shareholder value, we continue to advance our strategic imperatives. Our focus remains on maximizing the profitability and growth of our core private student loan business, while harnessing and optimizing the power of our brand and attractive client base. In addition, we continue to better inform the external narrative about student lending and Sallie Mae's role in helping students and families responsibly plan and pay for college. We maintain a rigorous and predictable capital allocation and return program to create shareholder value while also driving a mission-led culture that continues to make Sallie Mae a great place to work.

A full description of these imperatives can be found in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our 2020 Form 10-K.

During the first nine months of 2021, we made the following progress on the above corporate strategic imperatives.

New Servicing Call Center Platform and Rebranded Online Resource Tools

In late March 2021, we migrated our servicing call center to a new integrated platform that will further our goal to deliver exceptional customer experiences. This new platform will also allow us to streamline our processes and provide efficiencies, thereby creating more customer-centric capabilities for our team members. We also relaunched our online resource to provide a centralized and simplified site that provides information on tools and resources for school counselors as they assist students and families plan and pay for college. We are also creating a suite of confidence inspiring tools and resources as well as new, innovative partnerships that will provide significant value to our customers.

Introduced new www.SallieMakesSense.com website

We launched www.SallieMakesSense.com to help educate and inform policymakers, influencers, media, and others about who Sallie Mae is today and illustrate the important role we continue to play in helping students and families plan and pay for college. In addition to providing key statistics and information about the success of our customers, and the important role of private student lenders, the site also highlights the various tools and resources we provide families to make an informed decision about higher education. It also features content on the higher education landscape and our work in helping students complete their education.

2021 Loan Sales and 2021-A and 2021-C Transactions

During the first nine months of 2021, we sold $3.19 billion of our Private Education Loans, including $2.99 billion in principal and $195 million in capitalized interest, to an unaffiliated third party. The transaction qualified for sale treatment and removed the balance of the loans from our balance sheet on the respective settlement dates. We remained the servicer of these loans pursuant to applicable servicing agreements executed in connection with the sales. These sales resulted in our recognizing a gain of $403 million during the first nine months of 2021. For additional information regarding these transactions, see Notes to Consolidated Financial Statements, Note 4, "Loans Held for Sale" and Note 8, "Borrowings - Unconsolidated VIEs."

2021-B Securitization

On May 19, 2021, we executed our $531 million SMB Private Education Loan Trust 2021-B term ABS transaction, which was accounted for as a secured financing. We sold $531 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $529 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.26 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.77 percent.

2021-D Securitization

On August 18, 2021, we executed our $527 million SMB Private Education Loan Trust 2021-D term ABS transaction, which was accounted for as a secured financing. We sold $527 million of notes to third parties and retained a 100 percent interest in the residual certificates issued in the securitization, raising approximately $525 million of gross proceeds. The Class A and Class B notes had a weighted average life of 4.22 years and priced at a weighted average LIBOR equivalent cost of 1-month LIBOR plus 0.69 percent.

Final Settlement of ASR

On January 26, 2021, we completed our ASR with a third-party financial institution and we received an additional 13 million shares. In total, we repurchased 58 million shares under the ASR at an average price per share of $9.01. For additional information regarding this ASR, see Notes to Consolidated Financial Statements, Note 10, “Stockholders’ Equity.”

Common Stock Tender Offer

On February 2, 2021, we announced the commencement of a “modified Dutch Auction” tender offer to purchase up to $1 billion in aggregate purchase price of our outstanding shares of common stock, par value $0.20 per share. Pursuant to the Tender Offer, we repurchased 28.5 million shares at a price of $16.50 per share. The purchase of shares settled on March 16, 2021, for an aggregate cost of approximately $472 million, including fees and expenses related to the Tender Offer. We cancelled the 28.5 million shares purchased in connection with the Tender Offer.

Share Repurchases under our Rule 10b5-1 trading plan

During the nine months ended September 30, 2021, we repurchased 42.6 million shares of our common stock at a total cost of $804 million under a Rule 10b5-1 trading plan authorized under our share repurchase programs.

In October 2021, our Board of Directors approved a $250 million increase in the amount of common stock that may be repurchased under our 2021 Share Repurchase Program, which expires on January 26, 2023. This is in addition to the $51 million of capacity remaining under the 2021 Share Repurchase Program at September 30, 2021.

Common Stock Dividend

A 2021 fourth-quarter dividend of $0.11 per share on our common stock has been declared and will be paid on December 15, 2021 to shareholders of record at the close of business on December 3, 2021.

Secured Borrowing Facility

On July 30, 2021, we amended and extended the maturity of the Secured Borrowing Facility, discussed in Notes to Consolidated Financial Statements, Note 8, “Borrowings.” The Secured Borrowing Facility is a $2 billion secured borrowing facility, 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 May 17, 2022. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 17, 2023 (or earlier, if certain material adverse events occur).

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, 2021	Three Months Ended September 30, 2020	Increase (Decrease) $	Increase (Decrease) %	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020	Increase (Decrease) $	Increase (Decrease) %
Interest income:								
Loans	$ 443	$ 478	$ (35)	(7) %	$ 1,304	$ 1,513	$ (209)	(14) %
Investments	3	3	—	—	9	9	—	—
Cash and cash equivalents	2	1	1	100	5	20	(15)	(75)
Total interest income	448	482	(34)	(7)	1,318	1,542	(224)	(15)
Total interest expense	90	118	(28)	(24)	291	429	(138)	(32)
Net interest income	358	365	(7)	(2)	1,027	1,113	(86)	(8)
Less: provisions for credit losses	138	(4)	142	3,550	(18)	409	(427)	(104)
Net interest income after provisions for credit losses	219	368	(149)	(40)	1,045	704	341	48
Non-interest income:								
Gains on sales of loans, net	—	—	—	—	403	239	164	69
Gains on derivatives and hedging activities, net	—	—	—	—	—	49	(49)	(100)
Other income	14	10	4	40	77	43	34	79
Total non-interest income	14	10	4	40	480	331	149	45
Non-interest expenses:								
Total operating expenses	141	127	14	11	393	416	(23)	(6)
Restructuring expenses	—	24	(24)	(100)	1	24	(23)	(96)
Total non-interest expenses	141	152	(11)	(7)	394	440	(46)	(10)
Income before income tax expense	92	226	(134)	(59)	1,130	594	536	90
Income tax expense	19	55	(36)	(65)	276	146	130	89
Net income	73	171	(98)	(57)	854	448	406	91
Preferred stock dividends	1	2	(1)	(50)	4	8	(4)	(50)
Net income attributable to SLM Corporation common stock	$ 72	$ 169	$ (97)	(57) %	$ 850	$ 440	$ 410	93 %
Basic earnings per common share attributable to SLM Corporation	$ 0.24	$ 0.45	$ (0.21)	(47) %	$ 2.62	$ 1.14	$ 1.48	130 %
Diluted earnings per common share attributable to SLM Corporation	$ 0.24	$ 0.45	$ (0.21)	(47) %	$ 2.59	$ 1.13	$ 1.46	129 %
Declared dividends per common share attributable to SLM Corporation	$ 0.03	$ —	$ 0.03	100 %	$ 0.09	$ 0.09	$ —	— %

GAAP Consolidated Earnings Summary

Three Months Ended September 30, 2021 Compared with Three Months Ended September 30, 2020

For the three months ended September 30, 2021, net income was $73 million, or $0.24 diluted earnings per common share, compared with net income of $171 million, or $0.45 diluted earnings per common share, for the three months ended September 30, 2020.

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 $7 million in the current quarter compared with the year-ago quarter primarily due to a $1.6 billion reduction in average loans outstanding. The decline in average loans outstanding was due to the sale of our Personal Loan portfolio that occurred in the third quarter of 2020 and the sale of $3.19 billion of Private Education Loans during the first nine months of 2021. Offsetting the lower average loans outstanding was a 24-basis point increase in our net interest margin. Our net interest margin increased as a result of the cost of our interest-bearing liabilities decreasing by more than the decline in the yield on our interest-earning assets. When rates declined significantly during the first nine months of 2020, as a result of the COVID-19 pandemic, our variable-rate assets repriced more quickly than our interest-bearing liabilities. These interest-bearing liabilities continued to reprice downward during the latter half of 2020 and first nine months of 2021 to reflect the lower interest rate environment. As a result, the cost of our interest-bearing liabilities for the third quarter of 2021 was 31 basis points lower than for the third quarter of 2020.

- Provision for credit losses in the current quarter was $138 million, compared with a $4 million negative provision in the year-ago quarter. During the third quarter of 2021, the provision for credit losses was primarily affected by new loan commitments made during the quarter, an increase in provisions related to our continuing implementation of new credit administration practices (as described in Item 2. “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Financial Condition — Allowance for Credit Losses — Use of Forbearance and Rate Modifications as a Private Education Loan Collection Tool” in this Form 10-Q) and other factors. In the year-ago quarter, the provision for credit losses was favorably affected by improved economic forecasts compared to the second quarter of 2020, faster prepayments speeds, and a $43 million benefit from the sale of our Personal Loan portfolio. The benefit from the economic forecasts in the year-ago quarter was heavily influenced by a recalibration of the college graduate unemployment rate that occurred in the third quarter of 2020.

- Other income was $14 million in the third quarter of 2021, compared with $10 million in the year-ago quarter. The increase in other income compared with the year-ago quarter was primarily the result of a $4 million increase in third-party servicing fees. Third-party servicing fees increased because we sold a total of $3.19 billion in loans in the first nine months of 2021 where we retained servicing rights.

- Third-quarter 2021 total operating expenses were $141 million, compared with $127 million in the year-ago quarter. The increase in total operating expenses was primarily driven by higher personnel costs and increased costs associated with the growth in loans owned and serviced.

- In the third quarter of 2020, we implemented a restructuring plan that resulted in our recording a $24 million restructuring charge in the year-ago quarter. These expenses were primarily related to involuntary termination benefit arrangements, as well as certain other costs, such as legal and consulting fees, that were incremental and incurred as a direct result of our 2020 restructuring plan. There were de minimis restructuring expenses recorded in the current period.

- Third-quarter 2021 income tax expense was $19 million, compared with $55 million in the year-ago quarter. Our effective income tax rate decreased to 21.0 percent in the third quarter of 2021 from 24.4 percent in the year-ago quarter. The decrease in the effective rate for the third quarter of 2021 was primarily due to a tax benefit related to stock compensation and lower state tax expense.

Nine Months Ended September 30, 2021 Compared with Nine Months Ended September 30, 2020

For the nine months ended September 30, 2021, net income was $854 million, or $2.59 diluted earnings per common share, compared with net income of $448 million, or $1.13 diluted earnings per common share, for the nine months ended September 30, 2020.

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

- Net interest income decreased by $86 million in the first nine months of 2021 compared with the year-ago period primarily due to a $2.3 billion reduction in average loans outstanding and a 10 basis point decrease in the net interest margin. The decline in average loans outstanding was due to the sale of our Personal Loan portfolio that occurred in the third quarter of 2020 and the sale of $3.19 billion of Private Education Loans in the first nine months of 2021. The decline in net interest margin was due to a combination of factors, including the sale of our higher-yielding Personal Loan portfolio in the third quarter of 2020 and an increase in our lower-yielding taxable securities portfolio. Our average taxable securities in the first nine months of 2021 increased by $632 million compared with the year-ago period. The lower yields on these investments, which declined significantly from the year-ago period, coupled with their larger balances, contributed to the decline in the net interest margin. 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 for the nine months ended September 30, 2021 was a negative provision of $18 million, compared with a provision of $409 million for the year-ago period. This decrease of $427 million in the first nine months of 2021 compared with the year-ago period was primarily the result of improving economic forecasts in 2021, a change in the economic scenarios used and their respective weightings when estimating our allowance for credit losses, and faster prepayment speeds. During the first quarter of 2021, we increased our estimates of future prepayment speeds during both the two-year reasonable and supportable period as well as the remaining term of the underlying loans. These faster estimated prepayment speeds during the two-year reasonable and supportable period reflect the significant improvement in economic forecasts, as well as the implementation of an updated prepayment speed model.

- Gains on sales of loans, net were $403 million in the first nine months of 2021, compared with $239 million in the year-ago period. The increase in gains on sales of loans was primarily the result of improved pricing on the sale of loans in the first nine months of 2021 compared with the year-ago period and, to a lesser extent, $157 million in additional loan sales in the first nine months of 2021 when compared with the year-ago period.

- Gains on derivatives and hedging activities, net, were de minimis in the first nine months of 2021, compared with a net gain of $49 million in the year-ago period. The year-ago period was favorably impacted by a significant decrease in interest rates caused by the economic fallout from the COVID-19 pandemic, which made our receive fixed/pay variable interest rate swaps that are not designated as accounting hedges, but are economic hedges, to increase in value.

- Other income was $77 million in the first nine months of 2021, compared with $43 million in the year-ago period. The increase in other income compared with the year-ago period was primarily the result of a $35 million gain related to changes in the valuation of certain non-marketable securities, and a $21 million increase in third-party servicing fees, offset by an $11 million gain from the sale of our Upromise subsidiary recognized in the year-ago period and $6 million in lower revenue related to our Upromise subsidiary. In addition, other income during the first nine months of 2021 was negatively affected by a $6 million reduction in the tax indemnification receivable related to uncertain tax positions. Third-party servicing fees increased because we sold $3.19 billion in loans in the first nine months of 2021 where we retained servicing rights.

- For the nine months ended September 30, 2021, total operating expenses were $393 million, compared with $416 million in the year-ago period. The decrease in total operating expenses was primarily driven by lower personnel costs as a result of the corporate reorganization that occurred in the second half of 2020, the divestiture of our Upromise subsidiary, the sale of the Personal Loan portfolio, and lower initiative spending and improved servicing efficiencies.

- In the third quarter of 2020, we implemented a restructuring plan that resulted in our recording a $24 million restructuring charge in the nine months ended September 30, 2020. These expenses were primarily related to involuntary termination benefit arrangements, as well as certain other costs, such as legal and consulting fees, that were incremental and incurred as a direct result of our 2020 restructuring plan. There were de minimis restructuring expenses recorded in the current period.

- Income tax expense for the nine months ended September 30, 2021 was $276 million, compared with $146 million in the year-ago period. Our effective income tax rate decreased in the first nine months of 2021 to 24.4 percent from 24.6 percent in the year-ago period. The decrease in the in effective income tax rate year to date is primarily due to a tax benefit related to stock compensation expense.

“Core Earnings”

We prepare financial statements in accordance with GAAP. However, we also produce and report our after-tax earnings on a separate basis that we refer to as “Core Earnings.” The difference between our non-GAAP “Core Earnings” and GAAP results for periods presented generally is driven by the unrealized, mark-to-fair value gains (losses) on derivative contracts recognized in GAAP, but not in “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 “Core Earnings” results to our GAAP results of operations, net of tax, relate to differing treatments for those derivative instruments used to hedge our economic risks that do not qualify for hedge accounting treatment. The amount recorded in “Gains (losses) on derivatives and hedging activities, net” includes (i) the accrual of the current payment on the interest rate swaps that do not qualify for hedge accounting treatment and (ii) the change in fair values related to future expected cash flows for derivatives that do not qualify for hedge accounting treatment. For purposes of “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 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)	2021	2020	2021	2020
Unrealized gains (losses) on instruments not in a hedging relationship	$ (3,571)	$ (12,848)	$ (21,383)	$ 21,611
Interest reclassification	3,615	12,833	21,544	27,797
Gains (losses) on derivatives and hedging activities, net	$ 44	$ (15)	$ 161	$ 49,408

The following table reflects adjustments associated with our derivative activities.

	Three Months Ended September 30,		Nine Months Ended September 30,	
(Dollars in thousands, except per share amounts)	2021	2020	2021	2020
“Core Earnings” adjustments to GAAP:				
GAAP net income	$ 72,840	$ 171,028	$ 854,248	$ 447,990
Preferred stock dividends	1,166	2,058	3,559	8,000
GAAP net income attributable to SLM Corporation common stock	$ 71,674	$ 168,970	$ 850,689	$ 439,990
Adjustments:				
Net impact of derivative accounting(1)	3,571	12,848	21,383	(21,611)
Net tax expense (benefit)(2)	864	3,136	5,172	(5,276)
Total “Core Earnings” adjustments to GAAP	2,707	9,712	16,211	(16,335)
“Core Earnings” attributable to SLM Corporation common stock	$ 74,381	$ 178,682	$ 866,900	$ 423,655
GAAP diluted earnings per common share	$ 0.24	$ 0.45	$ 2.59	$ 1.13
Derivative adjustments, net of tax	—	0.02	0.04	(0.04)
“Core Earnings” diluted earnings per common share	$ 0.24	$ 0.47	$ 2.63	$ 1.09

(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, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Provisions for credit losses	$ 138,442	$ (3,640)	$ (17,648)	$ 409,505
Total portfolio net charge-offs	$ (48,920)	$ (53,770)	$ (139,582)	$ (154,838)

We 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.

	Three Months Ended September 30,				Nine Months Ended September 30,			
	2021		2020		2021		2020	
(Dollars in thousands)	Balance	Rate	Balance	Rate	Balance	Rate	Balance	Rate
Average Assets								
Private Education Loans	$ 20,944,581	8.26 %	$ 21,937,758	8.24 %	$ 20,860,973	8.23 %	$ 22,342,353	8.48 %
FFELP Loans	713,517	3.45	750,925	3.46	723,656	3.43	762,863	3.86
Personal Loans	—	—	527,204	12.86	—	—	778,153	12.43
Credit Cards	14,894	6.95	11,086	(6.58)	12,821	4.97	8,588	(7.20)
Taxable securities	2,029,739	0.66	2,134,005	0.59	2,007,867	0.62	1,376,342	0.84
Cash and other short-term investments	4,477,634	0.16	4,934,477	0.13	5,574,427	0.13	5,665,861	0.49
Total interest-earning assets	28,180,365	6.30 %	30,295,455	6.34 %	29,179,744	6.04 %	30,934,160	6.66 %
Non-interest-earning assets	655,288		(13,559)		656,357		86,471	
Total assets	$ 28,835,653		$ 30,281,896		$ 29,836,101		$ 31,020,631	
Average Liabilities and Equity								
Brokered deposits	$ 10,706,147	1.26 %	$ 12,409,614	1.61 %	$ 11,281,800	1.38 %	$ 13,051,185	1.93 %
Retail and other deposits	10,377,808	0.66	10,849,616	1.22	10,533,660	0.73	10,747,941	1.62
Other interest-bearing liabilities[(1)]	5,371,756	2.88	4,933,763	2.77	5,235,105	2.99	4,868,202	3.01
Total interest-bearing liabilities	26,455,711	1.35 %	28,192,993	1.66 %	27,050,565	1.44 %	28,667,328	2.00 %
Non-interest-bearing liabilities	159,371		36,829		323,184		129,102	
Equity	2,220,571		2,052,074		2,462,352		2,224,201	
Total liabilities and equity	$ 28,835,653		$ 30,281,896		$ 29,836,101		$ 31,020,631	
Net interest margin		5.03 %		4.79 %		4.71 %		4.81 %

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

Rate/Volume Analysis

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

		Change Due To[1]	
(Dollars in thousands)	**Decrease**	**Rate**	**Volume**
Three Months Ended September 30, 2021 vs. 2020			
Interest income	$ (34,823)	$ (2,618)	$ (32,205)
Interest expense	(27,774)	(21,188)	(6,586)
Net interest income	$ (7,049)	$ 18,164	$ (25,213)
Nine Months Ended September 30, 2021 vs. 2020			
Interest income	$ (223,702)	$ (138,155)	$ (85,547)
Interest expense	(137,662)	(114,177)	(23,485)
Net interest income	$ (86,040)	$ (23,114)	$ (62,926)

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

Summary of Our Loans Held for Investment Portfolio

Ending Loans Held for Investment Balances, net

	September 30, 2021			
(Dollars in thousands)	**Private Education Loans**	**FFELP Loans**	**Credit Cards**	**Total Loans Held for Investment**
Total loan portfolio:				
In-school[1]	$ 3,735,655	$ 71	$ —	$ 3,735,726
Grace, repayment and other[2]	17,967,182	705,620	17,766	18,690,568
Total, gross	21,702,837	705,691	17,766	22,426,294
Deferred origination costs and unamortized premium/(discount)	68,584	1,870	186	70,640
Allowance for credit losses	(1,209,460)	(4,206)	(1,741)	(1,215,407)
Total loans held for investment portfolio, net	$ 20,561,961	$ 703,355	$ 16,211	$ 21,281,527
% 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, 2020 Private Education Loans		FFELP Loans		Credit Cards	Total Loans Held for Investment
Total loan portfolio:							
In-school[1]	$	3,582,394	$	81	$	—	$ 3,582,475
Grace, repayment and other[2][3]		16,146,943		737,512		12,238	16,896,693
Total, gross		19,729,337		737,593		12,238	20,479,168
Deferred origination costs and unamortized premium/(discount)		63,475		1,993		230	65,698
Allowance for credit losses		(1,355,844)		(4,378)		(1,501)	(1,361,723)
Total loans held for investment portfolio, net	$	18,436,968	$	735,208	$	10,967	$ 19,183,143
% of total		96%		4%		—%	100%

[1] Loans for customers still attending school and who are not yet required to make payments on the loans. At December 31, 2020, the loans in the "in-school" category include $254 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 because of the pandemic, or other reasons, and who received an extension of time from us to re-enroll before beginning their grace period and, therefore, were not then required to make any payments. This program ended in September 2021. For further discussion, see Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae" in this Form 10-Q.

[2] At December 31, 2020, the loans in the "grace, repayment and other" category include (a) $147 million of Private Education Loans whose borrowers were in a grace or deferred status and who did not return to school in the fall of 2020, who received an extension of time from us to re-enroll before beginning their grace period and, therefore, were not then required to make any payments, and (b) $639 million of Private Education Loans whose borrowers were in a forbearance or repayment status and who did not return to school in the fall of 2020 and who received an extension of time from us to re-enroll before beginning their grace period. This program ended in September 2021. For further discussion, see Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae" in this Form 10-Q.

[3] 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 Loans Held for Investment Balances (net of unamortized premium/discount)

(Dollars in thousands)	Three Months Ended September 30, 2021			2020			Nine Months Ended September 30, 2021			2020		
Private Education Loans	$	20,944,581	97 %	$	21,937,758	95 %	$	20,860,973	97 %	$	22,342,353	94 %
FFELP Loans		713,517	3		750,925	3		723,656	3		762,863	3
Personal Loans		—	—		527,204	2		—	—		778,153	3
Credit Cards		14,894	—		11,086	—		12,821	—		8,588	—
Total portfolio	$	21,672,992	100 %	$	23,226,973	100 %	$	21,597,450	100 %	$	23,891,957	100 %

Loans Held for Investment, Net Activity

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

(Dollars in thousands)	Three Months Ended September 30, 2020 Private Education Loans[1]	FFELP Loans	Personal Loans	Credit Cards	Total Loans Held for Investment, net[1]
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[1]	(296,322)	(4,952)	—	—	(301,274)
Allowance	31,747	22	54,803	(343)	86,229
Repayments and other[1]	(581,602)	(11,496)	(75,519)	(8,179)	(676,796)
Ending balance	$ 20,955,922	$ 743,220	$ —	$ 10,629	$ 21,709,771

(1) In our Form 10-Qs for the first three fiscal quarters of 2020: (i) the “loan consolidations to third-parties” line item incorrectly included consolidation activity for loans we serviced but did not own, and (ii) the “repayments and other” line item did not correctly reflect the total of all scheduled repayments and voluntary prepayments made on loans in repayment that we owned and held for investment. The “ending balance” line item, which includes the effects of those two line items, was reflected correctly in the Form 10-Qs. The “loan consolidations to third-parties” line item was overstated in the Form 10-Q for the three months ended September 30, 2020 by $39 million. The “repayments and other” line item was understated in the Form 10-Q for the three months ended September 30, 2020 by $39 million. In order to correctly reflect the activity that occurred in the third quarter of 2020 regarding those line items for loans we owned and held for investment, the “loan consolidations to third-parties” line item above reflects a reduction of $39 million to the line item amount to reflect the aggregate overstatement for the third quarter of 2020, and the “repayments and other” line item above reflects an increase of $39 million to the line item amount to reflect the aggregate understatement for the third quarter of 2020.

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

(Dollars in thousands)	Nine Months Ended September 30, 2020				
	Private Education Loans[(1)]	FFELP Loans	Personal Loans	Credit Cards	Total Loans Held for Investment, net[(1)]
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)
Balance at January 1, 2020	21,835,685	780,964	904,460	3,630	23,524,739
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)]	(988,299)	(16,659)	—	—	(1,004,958)
Allowance	(293,682)	122	36,526	(1,095)	(258,129)
Repayments and other[(1)]	(1,716,037)	(40,403)	(352,489)	(18,224)	(2,127,153)
Ending balance	$ 20,955,922	$ 743,220	$ —	$ 10,629	$ 21,709,771

(1) In our Form 10-Qs for the first three fiscal quarters of 2020: (i) the “loan consolidations to third-parties” line item incorrectly included consolidation activity for loans we serviced but did not own, and (ii) the “repayments and other” line item did not correctly reflect the total of all scheduled repayments and voluntary prepayments made on loans in repayment that we owned and held for investment. The “ending balance” line item, which includes the effects of those two line items, was reflected correctly in the Form 10-Qs. The “loan consolidations to third-parties” line item was overstated in the Form 10-Q for the nine months ended September 30, 2020 by $97 million. The “repayments and other” line item was understated in the Form 10-Q for the nine months ended September 30, 2020 by $97 million. In order to correctly reflect the activity that occurred in the first nine months of 2020 regarding those line items for loans we owned and held for investment, the “loan consolidations to third-parties” line item above reflects a reduction of $97 million to the line item amount to reflect the aggregate overstatement for the first nine months of 2020, and the “repayments and other” line item above reflects an increase of $97 million to the line item amount to reflect the aggregate understatement for the first nine months of 2020.

“Loan consolidations to third-parties” and “Repayments and other” are both significantly affected by the volume of loans in our held for investment portfolio in full principal and interest repayment status. Loans in full principal and interest repayment status in our Private Education Loans held for investment portfolio at September 30, 2021 decreased by 6 percent compared with September 30, 2020, and now total 36 percent of our Private Education Loans held for investment portfolio at September 30, 2021.

“Loan consolidations to third-parties” for the three months ended September 30, 2021 total 5.5 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status at September 30, 2021, or 2.0 percent of our total Private Education Loans held for investment portfolio at September 30, 2021, compared with the year-ago period of 3.7 percent of our Private Education Loans held for investment portfolio in full principal and interest repayment status, or 1.6 percent of our total Private Education Loans held for investment portfolio, respectively. The increase in consolidations is attributable to consolidators having ready access to funding in spite of the COVID-19 pandemic impact on the economy. 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 and loan consolidations decrease when unemployment increases as borrowers and lenders look to conserve liquidity.

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)	2021	%	2020	%
Smart Option - interest only[1]	$ 411,644	20 %	$ 451,835	24 %
Smart Option - fixed pay[1]	670,646	32	539,600	28
Smart Option - deferred[1]	790,532	38	677,661	36
Smart Option - principal and interest	3,838	—	3,408	—
Graduate Loan	176,898	8	188,673	10
Parent Loan	34,401	2	34,468	2
Total Private Education Loan originations	$ 2,087,959	100 %	$ 1,895,645	100 %
Percentage of loans with a cosigner	87.8 %		87.7 %	
Average FICO at approval[2]	749		752	

	Nine Months Ended September 30,			
(Dollars in thousands)	2021	%	2020	%
Smart Option - interest only[1]	$ 984,974	21 %	$ 1,077,148	23 %
Smart Option - fixed pay[1]	1,444,831	31	1,323,344	28
Smart Option - deferred[1]	1,735,677	37	1,712,171	37
Smart Option - principal and interest	9,399	—	8,234	—
Graduate Loan	432,837	9	483,545	10
Parent Loan	77,958	2	89,314	2
Total Private Education Loan originations	$ 4,685,676	100 %	$ 4,693,756	100 %
Percentage of loans with a cosigner	86.7 %		86.4 %	
Average FICO at approval[2]	750		748	

[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 2020 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,								
	2021				2020				
(Dollars in thousands)	**Private Education Loans**	**FFELP Loans**	**Credit Cards**	**Total Portfolio**	**Private Education Loans**	**FFELP Loans**	**Personal Loans**	**Credit Cards**	**Total Portfolio**
Beginning balance	$ 1,154,540	$ 4,262	$ 1,442	$ 1,160,244	$ 1,760,559	$ 4,385	$ 163,337	$ 1,042	$ 1,929,323
Transfer from unfunded commitment liability[(1)]	110,613	—	—	110,613	100,470	—	—	—	100,470
Less:									
Charge-offs	(56,000)	(106)	(119)	(56,225)	(55,298)	(89)	(5,231)	(48)	(60,666)
Loan sales	—	—	—	—	—	—	(108,534)	—	(108,534)
Plus:									
Recoveries	7,302	—	3	7,305	4,790	—	2,106	—	6,896
Provision for loan losses:									
Provision, current period	(6,995)	50	415	(6,530)	(81,710)	67	(8,762)	391	(90,014)
Loan sale reduction to provision	—	—	—	—	—	—	(42,916)	—	(42,916)
Total provisions for credit losses[(2)]	(6,995)	50	415	(6,530)	(81,710)	67	(51,678)	391	(132,930)
Ending balance	$ 1,209,460	$ 4,206	$ 1,741	$ 1,215,407	$ 1,728,811	$ 4,363	$ —	$ 1,385	$ 1,734,559
Troubled debt restructurings[(3)]	$ 1,148,282	$ —	$ —	$ 1,148,282	$ 1,495,161	$ —	$ —	$ —	$ 1,495,161

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

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

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

	Three Months Ended September 30,	
(Dollars in thousands)	**2021**	**2020**
Private Education Loan provisions for credit losses:		
Provisions for loan losses	$ (6,995)	$ (81,710)
Provisions for unfunded loan commitments	144,972	129,290
Total Private Education Loan provisions for credit losses	137,977	47,580
Other impacts to the provisions for credit losses:		
Personal Loans	—	(51,678)
FFELP Loans	50	67
Credit Cards	415	391
Total	465	(51,220)
Provisions for credit losses reported in consolidated statements of income	$ 138,442	$ (3,640)

(3) Represents the unpaid principal balance of loans classified as troubled debt restructurings.

	Nine Months Ended September 30,								
	2021				2020				
(Dollars in thousands)	Private Education Loans	FFELP Loans	Credit Cards	Total Portfolio	Private Education Loans	FFELP Loans	Personal Loans	Credit Cards	Total Portfolio
Beginning balance	$ 1,355,844	$ 4,378	$ 1,501	$ 1,361,723	$ 374,300	$ 1,633	$ 65,877	$ 102	$ 441,912
Day 1 adjustment for adoption of CECL	—	—	—	—	1,060,830	2,852	79,183	188	1,143,053
Balance at January 1	1,355,844	4,378	1,501	1,361,723	1,435,130	4,485	145,060	290	1,584,965
Transfer from unfunded commitment liability(1)	262,049	—	—	262,049	279,555	—	—	—	279,555
Less:									
Charge-offs	(161,039)	(249)	(281)	(161,569)	(138,546)	(399)	(39,079)	(96)	(178,120)
Loan sales	—	—	—	—	—	—	(108,534)	—	(108,534)
Plus:									
Recoveries	21,977	—	10	21,987	18,298	—	4,984	—	23,282
Provision for loan losses:									
Provision, current period	(260,923)	77	511	(260,335)	296,167	277	40,485	1,191	338,120
Loan sale reduction to provision	(10,335)	—	—	(10,335)	(161,793)	—	(42,916)	—	(204,709)
Loans transferred from held-for-sale	1,887	—	—	1,887	—	—	—	—	—
Total provisions for credit losses(2)	(269,371)	77	511	(268,783)	134,374	277	(2,431)	1,191	133,411
Ending balance	$ 1,209,460	$ 4,206	$ 1,741	$ 1,215,407	$ 1,728,811	$ 4,363	$ —	$ 1,385	$ 1,734,559
Troubled debt restructurings(3)	$ 1,148,282	$ —	$ —	$ 1,148,282	$ 1,495,161	$ —	$ —		$ 1,495,161

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

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

Consolidated Statements of Income
Provisions for Credit Losses Reconciliation

	Nine Months Ended September 30,	
(Dollars in thousands)	2021	2020
Private Education Loan provisions for credit losses:		
Provisions for loan losses	$ (269,371)	$ 134,374
Provisions for unfunded loan commitments	251,135	276,094
Total Private Education Loan provisions for credit losses	(18,236)	410,468
Other impacts to the provisions for credit losses:		
Personal Loans	—	(2,431)
FFELP Loans	77	277
Credit Cards	511	1,191
Total	588	(963)
Provisions for credit losses reported in consolidated statements of income	$ (17,648)	$ 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, 2021, we considered several factors with respect to our Private Education Loan portfolio, in particular, credit quality and delinquency, forbearance, and charge-off trends.

Private Education Loans held for investment in full principal and interest repayment status were 36 percent of our total Private Education Loans held for investment portfolio at September 30, 2021, compared with 43 percent at September 30, 2020.

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 Notes to Consolidated Financial Statements, Note 3, "Loans Held for Investment — Certain Collection Tools - Private Education Loans" in this Form 10-Q and Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Allowance for Credit Losses" and Notes to Consolidated Financial Statements, Note 5, "Loans Held for Investment — Certain Collection Tools - Private Education Loans" in the 2020 Form 10-K.

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

	Private Education Loans Held for Investment			
	September 30,			
	2021		2020	
(Dollars in thousands)	Balance	%	Balance	%
Loans in-school/grace/deferment[(1)(2)]	$ 5,855,280		$ 6,055,561	
Loans in forbearance[(1)] and percentage of each status				
Loans in forbearance - current[(3)]	357,425	100.0 %	705,162	100.0 %
Loans in forbearance - loans delinquent 30-59 days[(2)(3)]	—	—	274	—
Loans in forbearance - loans delinquent 60-89 days[(2)(3)]	—	—	21	—
Loans in forbearance - loans 90 days or greater past due[(2)(3)]	—	—	—	—
Total Private Education Loans in forbearance[(2)]	357,425	100.0 %	705,457	100.0 %
Loans in repayment[(1)] and percentage of each status:				
Loans current	15,115,541	97.6 %	15,375,006	97.0 %
Loans delinquent 30-59 days[(4)]	199,942	1.3	265,251	1.7
Loans delinquent 60-89 days[(4)]	101,512	0.6	139,823	0.9
Loans 90 days or greater past due[(4)]	73,137	0.5	73,229	0.4
Total Private Education Loans in repayment	15,490,132	100.0 %	15,853,309	100.0 %
Total Private Education Loans, gross	21,702,837		22,614,327	
Private Education Loans deferred origination costs and unamortized premium/(discount)	68,584		70,406	
Total Private Education Loans	21,771,421		22,684,733	
Private Education Loans allowance for losses	(1,209,460)		(1,728,811)	
Private Education Loans, net	$ 20,561,961		$ 20,955,922	
Percentage of Private Education Loans in repayment		71.4 %		70.1 %
Delinquent Private Education Loans in repayment as a percentage of Private Education Loans in repayment		2.4 %		3.0 %
Delinquencies as a percentage of Private Education Loans in repayment and delinquent forbearance loans		2.4 %		3.0 %
Loans in forbearance as a percentage of Private Education Loans in repayment and forbearance		2.3 %		4.3 %

(1) At September 30, 2020, the loans in the "in-school/grace/deferment" category above include $379 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 because of the pandemic, or for other reasons, and who received an extension of time from us to re-enroll before beginning their grace period. At September 30, 2020, the loans in the "in forbearance" category above include $11 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received an extension of time from us to re-enroll before beginning their grace period. At September 30, 2020, the loans in the "in repayment" category above include $447 million of Private Education Loans whose borrowers did not return to school in the fall of 2020 and who received an extension of time from us to re-enroll before beginning their grace period. This program ended in September 2021. For further discussion, see Item 2. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae" in this Form 10-Q.

(2) 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).

(3) 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.

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

Delinquencies as a percentage of Private Education Loans (held for investment) in repayment and delinquent forbearance loans decreased to 2.4 percent at September 30, 2021 from 3.0 percent at September 30, 2020, and the forbearance rate decreased to 2.3 percent at September 30, 2021 from 4.3 percent at September 30, 2020. The delinquency rate on September 30, 2021 was lower than the year-ago quarter due to several factors, including the suspension of payments on federal loans which reduced the payment burden by our borrowers, multiple stimulus packages signed into law during 2020 and the first quarter of 2021, and to a lesser extent, the disaster forbearance program we invoked to assist our customers. The first wave of disaster forbearance was granted primarily in 90-day increments. When those disaster forbearances expired in June and July 2020, the loans were no longer considered in forbearance until the borrowers requested, and were granted, an additional forbearance. Many of those 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. We stopped providing COVID-19 related disaster forbearances in June 2021. See additional discussion related to collections activity and the COVID-19 pandemic in Part II, Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations — Impact of COVID-19 on Sallie Mae — Customers and Credit Performance" in the 2020 Form 10-K.

Changes in Allowance for Private Education Loan Losses

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

(Dollars in thousands)	Three Months Ended September 30, 2021	Three Months Ended September 30, 2020	Nine Months Ended September 30, 2021	Nine Months Ended September 30, 2020
Beginning balance	$ 1,154,540	$ 1,760,559	$ 1,355,844	$ 374,300
Day 1 adjustment for adoption of CECL	—	—	—	1,060,830
Adjusted beginning balance	1,154,540	1,760,559	1,355,844	1,435,130
Transfer from unfunded commitment liability[1]	110,613	100,470	262,049	279,555
Provisions for credit losses:				
Provision, current period	(6,995)	(81,710)	(260,923)	296,167
Loan sale reduction to provision	—	—	(10,335)	(161,793)
Loans transferred from held-for-sale	—	—	1,887	—
Total provision	(6,995)	(81,710)	(269,371)	134,374
Net charge-offs:				
Charge-offs	(56,000)	(55,298)	(161,039)	(138,546)
Recoveries	7,302	4,790	21,977	18,298
Net charge-offs	(48,698)	(50,508)	(139,062)	(120,248)
Ending balance	$ 1,209,460	$ 1,728,811	$ 1,209,460	$ 1,728,811
Allowance as a percentage of the ending total loan balance	5.57 %	7.64 %	5.57 %	7.64 %
Allowance as a percentage of the ending loans in repayment[2]	7.81 %	10.91 %	7.81 %	10.91 %
Allowance coverage of net charge-offs (annualized)	6.21	8.56	6.52	10.78
Net charge-offs as a percentage of average loans in repayment (annualized)[2]	1.29 %	1.33 %	1.25 %	1.05 %
Delinquent loans in repayment as a percentage of ending loans in repayment[2]	2.42 %	3.02 %	2.42 %	3.02 %
Delinquencies as a percentage of ending loans in repayment and delinquent forbearance loans[2]	2.42 %	3.02 %	2.42 %	3.02 %
Loans in forbearance as a percentage of ending loans in repayment and forbearance[2]	2.26 %	4.26 %	2.26 %	4.26 %
Ending total loans, gross	$ 21,702,837	$ 22,614,327	$ 21,702,837	$ 22,614,327
Average loans in repayment[2]	$ 15,108,802	$ 15,182,703	$ 14,877,937	$ 15,336,253
Ending loans in repayment[2]	$ 15,490,132	$ 15,853,309	$ 15,490,132	$ 15,853,309

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

[2] Loans in repayment include loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period.

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 and 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 not make scheduled payments 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 (added to principal) at the end of the forbearance. Interest will not capitalize at the end of certain types of forbearance, such as disaster forbearance, however.

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, 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.

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 most instances, we require one payment before granting forbearance to delinquent borrowers.

Historically, we also have utilized disaster forbearance to assist borrowers affected by material events, including hurricanes, wildfires, floods, and the COVID-19 pandemic. We typically grant disaster forbearance to affected borrowers in increments of up to three months at a time, but the disaster forbearance granted generally does not apply toward the 12-month forbearance limit described below.

During COVID-19, our customers experienced higher levels of financial hardship, which initially led to higher levels of forbearance. We expect for some customers financial hardship may lead to higher levels of delinquencies and defaults in the future, as borrowers who had received disaster forbearance from us re-enter repayment status. Beginning in June 2021, we stopped granting disaster forbearance in response to the COVID-19 pandemic. As borrowers in the various delinquency buckets exit disaster forbearance and begin to enter repayment, we expect elevated levels of losses on this segment of our customers. We expect that, left unabated, this deterioration in delinquency and default rates may persist until economic conditions return to pre-pandemic levels.

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 certain planned changes to our credit administration practices, including the imposition of limits on the number of forbearance months granted consecutively and the number of times certain extended or reduced repayment alternatives may be granted. Prior to implementation of the previously announced changes, borrowers could receive consecutive forbearance grants without intervening payments of principal and interest, if they satisfied all eligibility requirements.

We commenced testing in October 2019 for some of the previously announced planned changes on a very small percentage of our total portfolio and in March 2020 we began to expand the number of borrowers who would be subject to the new credit administration practices. However, due to the COVID-19 pandemic, in April 2020 we postponed our efforts so that we could be more flexible in dealing with our customers' financial hardship. In October 2020, we re-initiated a multi-phased deployment of the previously announced credit administration practices changes. To date, we have implemented many changes. We also have decided to make additional changes in our credit administration practices, as described below, and expect to implement the additional changes as early as by the end of 2021.

Currently, we generally grant forbearance in increments of one to two months at a time, for up to 12 months over the life of the loan, although disaster forbearance, certain assistance we grant to borrowers who are still in school, and our short-term extended repayment alternative currently do not apply toward the 12-month limit. We also currently require six months of positive payment performance by a borrower (meaning the borrower must make payment in a cumulative amount equivalent to six monthly required payments under the loan) between successive grants of forbearance and between forbearance grants and certain other repayment alternatives. This required period of positive payment performance does not apply, however, to forbearances granted during the first six months following a borrower's grace period and is not required for a borrower to receive a contractual interest rate reduction. In addition, we currently 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. We have decided to make further changes in our credit administration practices, which we expect to implement as early as by the end of 2021, to (i) require 12 months of positive payment performance (meaning the borrower must make payment in a cumulative amount equivalent to 12 monthly required payments under the loan) between successive grants of forbearance and between forbearance grants and certain other repayment alternatives, and (ii) count the number of months a borrower receives a short-term extended repayment alternative toward the 12-month forbearance limit described above.

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 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. We currently limit the granting of a permanent extension of the final maturity date of the loan under our loan modification program to one time over the life of the loan. We also currently permit two consecutive rate reductions to 4.0 percent so long as the borrower qualifies and makes three consecutive monthly payments at the reduced payment in connection with each rate reduction. We currently require six months of positive payment performance after the interest rate adjusts upward to its previous rate (at the end of the rate reduction periods) before the borrower may be eligible for a forbearance or certain other repayment alternatives, however. We have decided to further adjust certain requirements regarding our loan modification program, which we expect to implement as early as by the end of 2021, to (i) limit the number of interest rate reductions to twice over the life of the loan, and (ii) require 12 months of positive payment performance after the interest rate adjusts upward to its previous rate (at the end of the rate reduction periods) before the borrower may be eligible for forbearance or certain other repayment alternatives. At September 30, 2021 and December 31, 2020, 9.2 percent and 7.8 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.

Upon full implementation of the credit administration practices changes described above, we believe our collection and servicing practices will generally align with guidelines for student lending published by the Office of the Comptroller of the Currency.

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, we expect that the credit administration practices described above, including the described changes we expect to implement as early as by the end of 2021, will accelerate periodic defaults and could increase periodic defaults in our Private Education Loan held for investment portfolio by approximately 10.1 percent to 16.6 percent. Among the measures that we have implemented and may modify further 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 loss mitigation programs (e.g., Graduated Repayment Plan ("GRP") and rate modifications), and the use of a 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 will only be realized over the long term. When we calculated the allowance for credit losses under CECL at September 30, 2021, 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 changes to our credit administration practices described above. As we progress with full implementation of the 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.

As discussed above, we will continue to monitor our credit administration practices and may modify them further from time to time based upon performance, industry conventions, and/or regulatory feedback.

The tables below show the composition and status of the Private Education Loan portfolio held for investment aged by number of months in active repayment status (months for which a scheduled monthly payment was due). Active repayment status includes loans on which borrowers are making interest only or fixed payments, as well as loans that have entered full principal and interest repayment status after any applicable grace period. Our experience shows that the percentage of loans in forbearance status generally decreases the longer the loans have been in active repayment status. At September 30, 2021, loans in forbearance status as a percentage of total loans in repayment and forbearance were 1.6 percent for Private Education Loans (held for investment) that have been in active repayment status for fewer than 25 months. Approximately 70 percent of our Private Education Loans (held for investment) in forbearance status have been in active repayment status fewer than 25 months. For the periods presented below, we updated our delinquency bucket periods to conform with the delinquency bucket periods defined by the FFIEC.

	Private Education Loans Held for Investment Monthly Scheduled Payments Due						
(Dollars in millions) September 30, 2021	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	$ —	$ —	$ —	$ —	$ —	$ 5,855	$ 5,855
Loans in forbearance	195	56	37	27	42	—	357
Loans in repayment - current	4,853	3,364	2,244	1,625	3,030	—	15,116
Loans in repayment - delinquent 30-59 days	74	37	28	21	40	—	200
Loans in repayment - delinquent 60-89 days	43	19	14	9	17	—	102
Loans in repayment - 90 days and greater past due	28	14	10	7	14	—	73
Total	$ 5,193	$ 3,490	$ 2,333	$ 1,689	$ 3,143	$ 5,855	21,703
Deferred origination costs and unamortized premium/(discount)							68
Allowance for credit losses							(1,209)
Total Private Education Loans, net							$ 20,562
Loans in forbearance as a percentage of total Private Education Loans in repayment and forbearance	1.23 %	0.35 %	0.24 %	0.17 %	0.27 %	— %	2.26 %

(Dollars in millions) September 30, 2020	Private Education Loans Held for Investment Monthly Scheduled Payments Due 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 30-59 days	118	44	37	24	42	—	265
Loans in repayment - delinquent 60-89 days	63	25	19	13	20	—	140
Loans in repayment - 90 days or greater past due	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 %

Private Education Loans Held for Investment Types

The following table provides information regarding the loans in repayment balance and total loan balance by Private Education Loan held for investment product type at September 30, 2021 and December 31, 2020.

	September 30, 2021											
(Dollars in thousands)	Signature and Other		Parent Loan		Smart Option		Career Training		Graduate Loan		Total	
$ in repayment[(1)]	$	227,775	$	310,230	$	14,120,968	$	10,765	$	820,394	$	15,490,132
$ in total	$	324,811	$	312,544	$	19,786,611	$	11,073	$	1,267,798	$	21,702,837

	December 31, 2020											
(Dollars in thousands)	Signature and Other		Parent Loan		Smart Option		Career Training		Graduate Loan		Total	
$ in repayment[(1)]	$	215,439	$	285,323	$	13,130,229	$	12,250	$	661,580	$	14,304,821
$ in total	$	330,979	$	289,572	$	18,067,491	$	12,797	$	1,028,498	$	19,729,337

[(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 held for investment. 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. The majority of the total accrued interest receivable represents accrued interest on deferred loans where no payments are due while the borrower is in school and fixed-pay loans where the borrower makes a $25 monthly payment that is smaller than the interest accruing on that loan in that month. The accrued interest on these loans will be capitalized against the balance of the loans when the borrower exits the grace period upon separation from school. The allowance for uncollectible interest exceeds the amount of accrued interest on our 90 days past due portfolio for all periods presented.

	Private Education Loans Accrued Interest Receivable					
(Dollars in thousands)	Total Interest Receivable		90 Days and Greater Past Due		Allowance for Uncollectible Interest	
September 30, 2021	$	1,386,427	$	3,636	$	4,351
December 31, 2020	$	1,168,895	$	4,354	$	4,467
September 30, 2020	$	1,454,176	$	4,096	$	4,427

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

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

Key risks associated with our liquidity relate to our ability to access the capital markets and the markets for bank deposits at reasonable rates. This ability may be affected by our performance, competitive pressures, the macroeconomic environment, and the impact they have on the availability of funding sources in the marketplace. We target maintaining sufficient on-balance sheet and contingent sources of liquidity to enable us to meet all contractual and contingent obligations under various stress scenarios, including severe macroeconomic stresses as well as specific stresses that test the resiliency of our balance sheet. As the Bank has grown, we have improved our liquidity stress testing practices to align more closely with the industry, which 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. By early 2020 we held a significant liquidity buffer of cash and securities, which we expect to maintain through 2021. 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, 2021	December 31, 2020
Sources of primary liquidity:		
Unrestricted cash and liquid investments:		
Holding Company and other non-bank subsidiaries	$ 2,784	$ 1,117
Sallie Mae Bank[1]	2,714,968	4,454,175
Available-for-sale investments	2,299,273	1,927,726
Total unrestricted cash and liquid investments	$ 5,017,025	$ 6,383,018

(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, 2021	2020	Nine Months Ended September 30, 2021	2020
Sources of primary liquidity:				
Unrestricted cash and liquid investments:				
Holding Company and other non-bank subsidiaries	$ 4,621	$ 6,172	$ 3,903	$ 24,061
Sallie Mae Bank[(1)]	4,271,373	4,710,900	5,370,768	5,408,975
Available-for-sale investments	1,817,721	2,038,473	1,822,730	1,331,776
Total unrestricted cash and liquid investments	$ 6,093,715	$ 6,755,545	$ 7,197,401	$ 6,764,812

(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, 2021	December 31, 2020
Deposits - interest bearing	$ 20,890,292	$ 22,664,899
Deposits - non-interest bearing	568	1,140
Total deposits	$ 20,890,860	$ 22,666,039

Our total deposits of $20.9 billion were comprised of $11.6 billion in brokered deposits and $9.3 billion in retail and other deposits at September 30, 2021, compared to total deposits of $22.7 billion, which were comprised of $11.9 billion in brokered deposits and $10.8 billion in retail and other deposits, at December 31, 2020.

Interest bearing deposits as of September 30, 2021 and December 31, 2020 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 $7.0 billion and $7.1 billion of our deposit total as of September 30, 2021 and December 31, 2020, 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 $4 million and $5 million in the three months ended September 30, 2021 and 2020, respectively, and placement fee expense of $12 million and $15 million in the nine months ended September 30, 2021 and 2020, respectively. Fees paid to third-party brokers related to brokered CDs were $10 million and $2 million for the three months ended September 30, 2021 and 2020, respectively, and fees paid to third-party brokers related to brokered CDs were $11 million and $5 million for the nine months ended September 30, 2021 and 2020, respectively.

Interest bearing deposits at September 30, 2021 and December 31, 2020 are summarized as follows:

	September 30, 2021		December 31, 2020	
(Dollars in thousands)	Amount	Qtr.-End Weighted Average Stated Rate[1]	Amount	Year-End Weighted Average Stated Rate[1]
Money market	$ 10,082,114	0.71 %	$ 10,159,657	0.83 %
Savings	956,571	0.44	907,976	0.55
Certificates of deposit	9,851,607	1.16	11,597,266	1.34
Deposits - interest bearing	$ 20,890,292		$ 22,664,899	

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

As of September 30, 2021, and December 31, 2020, there were $676 million and $571 million, respectively, of deposits exceeding FDIC insurance limits. Accrued interest on deposits was $46 million and $50 million at September 30, 2021 and December 31, 2020, respectively.

Counterparty Exposure

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

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

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

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

Title VII of the Dodd-Frank Act requires all standardized derivatives, including most interest rate swaps, to be submitted for clearing to central counterparties to reduce counterparty risk. Two of the central counterparties we use are the CME and the LCH. All variation margin payments on derivatives cleared through the CME and LCH are accounted for as legal settlement. As of September 30, 2021, $5.9 billion notional of our derivative contracts were cleared on the CME and $0.3 billion were cleared on the LCH. The derivative contracts cleared through the CME and LCH represent 94.6 percent and 5.4 percent, respectively, of our total notional derivative contracts of $6.2 billion at September 30, 2021.

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, 2021 was $(96) million and $11 million for the CME and LCH, respectively. Changes in fair value for derivatives not designated as hedging instruments are presented as realized gains (losses).

Our exposure to the counterparty is limited to the value of the derivative contracts in a gain position less any collateral held and plus any collateral posted. When there is a net negative exposure, we consider our exposure to the counterparty to be zero. At September 30, 2021 and December 31, 2020, 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 $12 million and $43 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, 2021.

(Dollars in thousands)	SLM Corporation and Sallie Mae Bank Contracts
Total exposure, net of collateral	$ 11,509
Exposure to counterparties with credit ratings, net of collateral	$ 11,509
Percent of exposure to counterparties with credit ratings below S&P AA- or Moody's Aa3	— %
Percent of exposure to counterparties with credit ratings below S&P A- or Moody's A3	— %

Regulatory Capital

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

Capital Management

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

We believe that current and projected capital levels are appropriate for 2021. As of September 30, 2021, the Bank's risk-based and leverage capital ratios exceed the required minimum ratios and the applicable buffers under the fully phased-in U.S. Basel III standards as well as the "well capitalized" standards under the prompt corrective action framework.

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

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

On August 26, 2020, the FDIC and other federal banking agencies published a final rule that provides those banking organizations that adopted 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, 2021, 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 Year Ended December 31, 2020	Adjustments for the Nine Months Ended September 30, 2021	Adjusted Transition Amounts September 30, 2021
Retained earnings	$ 952,639	$ (57,859)	$ (39,308)	$ 855,472
Allowance for credit losses	1,143,053	(55,811)	(36,579)	1,050,663
Liability for unfunded commitments	115,758	(2,048)	(2,729)	110,981
Deferred tax asset	306,171	—	—	306,171

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

	Actual		U.S. Basel III Minimum Requirements Plus Buffer[1][2]	
	Amount	Ratio	Amount	Ratio
As of September 30, 2021:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 3,255,466	13.1 %	$ 1,736,176	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 3,255,466	13.1 %	$ 2,108,214	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	$ 3,408,359	13.7 %	$ 2,604,265	≥ 10.5 %
Tier 1 Capital (to Average Assets)	$ 3,255,466	10.9 %	$ 1,193,100	≥ 4.0 %
As of December 31, 2020:				
Common Equity Tier 1 Capital (to Risk-Weighted Assets)	$ 3,579,005	14.0 %	$ 1,794,780	≥ 7.0 %
Tier 1 Capital (to Risk-Weighted Assets)	$ 3,579,005	14.0 %	$ 2,179,375	≥ 8.5 %
Total Capital (to Risk-Weighted Assets)	$ 3,849,820	15.0 %	$ 2,692,169	≥ 10.5 %
Tier 1 Capital (to Average Assets)	$ 3,579,005	11.3 %	$ 1,264,424	≥ 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 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 $50 million in dividends and $1.2 billion in dividends to the Company for the three and nine months ended September 30, 2021, respectively, and no dividends and $568 million in dividends to the Company for the three and nine months ended September 30, 2020, respectively, with the proceeds primarily used to fund the 2021 and 2020 Share Repurchase Programs and stock dividends. In the future, we expect that the Bank will pay dividends to the Company as may be necessary to enable the Company to pay any declared dividends on its Series B Preferred Stock and common stock and to consummate any common share repurchases by the Company under its share repurchase programs.

Borrowings

Outstanding borrowings consist of unsecured debt and secured borrowings issued through our term ABS program and our Secured Borrowing Facility. The issuing entities for those secured borrowings are VIEs and are consolidated for accounting purposes. The following table summarizes our borrowings at September 30, 2021 and December 31, 2020, respectively. For additional information, see Notes to Consolidated Financial Statements, Note 8, "Borrowings."

	September 30, 2021			December 31, 2020		
(Dollars in thousands)	Short-Term	Long-Term	Total	Short-Term	Long-Term	Total
Unsecured borrowings:						
Unsecured debt (fixed-rate)	$ 199,583	$ 494,585	$ 694,168	$ —	$ 692,879	$ 692,879
Total unsecured borrowings	199,583	494,585	694,168	—	692,879	692,879
Secured borrowings:						
Private Education Loan term securitizations:						
Fixed-rate	—	3,698,662	3,698,662	—	3,261,233	3,261,233
Variable-rate	—	1,026,501	1,026,501	—	1,235,105	1,235,105
Total Private Education Loan term securitizations	—	4,725,163	4,725,163	—	4,496,338	4,496,338
Secured Borrowing Facility	—	—	—	—	—	—
Total secured borrowings	—	4,725,163	4,725,163	—	4,496,338	4,496,338
Total	$ 199,583	$ 5,219,748	$ 5,419,331	$ —	$ 5,189,217	$ 5,189,217

Short-term borrowings

On July 30, 2021, we amended our Secured Borrowing Facility to extend the maturity of the facility. The amount that can be borrowed under the facility is $2 billion. We hold 100 percent of the residual interest in the Secured Borrowing Facility trust. Under the 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 May 17, 2022. The scheduled amortization period, during which amounts outstanding under the Secured Borrowing Facility must be repaid, ends on May 17, 2023 (or earlier, if certain material adverse events occur). At both September 30, 2021 and December 31, 2020, there were no secured borrowings outstanding under the Secured Borrowing Facility.

Other Borrowing Sources

We maintain discretionary uncommitted Federal Funds lines of credit with various correspondent banks, which totaled $125 million at September 30, 2021. 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, 2021 or in the year ended December 31, 2020.

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, 2021 and December 31, 2020, the value of our pledged collateral at the FRB totaled $2.7 billion and $3.8 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, 2021 or in the year ended December 31, 2020.

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, 2021, we had $2.0 billion of outstanding contractual loan commitments that we expect to fund during the remainder of the 2021/2022 academic year. At September 30, 2021, we had a $99 million reserve recorded in "Other Liabilities" to cover lifetime expected credit losses on these unfunded commitments. See Notes to Consolidated Financial Statements, Note 2, "Significant Accounting Policies - Allowance for Credit Losses 2020 — Off-Balance Sheet Exposure for Contractual Loan Commitments" in our 2020 Form 10-K and Note 6, "Unfunded Loan Commitments" in this Form 10-Q for additional information.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations addresses our consolidated financial statements, which have been prepared in accordance with GAAP. A discussion of our critical accounting policies, which include allowance for credit losses and derivative accounting, can be found in our 2020 Form 10-K. There were no significant changes to our critical accounting policies during the three months ended September 30, 2021.

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Interest Rate Sensitivity Analysis

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

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

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

The following tables summarize the potential effect on earnings over the next 24 months and the potential effect on market values of balance sheet assets and liabilities at September 30, 2021 and 2020, 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. EAR analysis assumes a static balance sheet, with maturities of each product replaced with assumed issuance of new products of the same type. The EVE sensitivity is applied only to financial assets and liabilities, including hedging instruments, that existed at the balance sheet date, and does not reflect any impact of new assets, liabilities, commitments, or hedging instruments that may arise in the future.

With current interest rates very low, 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, 2021, the full impact of a 100-basis point downward rate shock cannot be modeled for some instruments on our balance sheet, due to the current low rate environment. The EAR results for September 30, 2021 indicate a market risk profile of low sensitivity to rate changes, based on static balance sheet assumptions over the next two years. This position has increased from one year ago, but is still well within our risk tolerances. Similarly, the EVE metrics have changed from one year ago, due to a higher level of fixed-rate liabilities relative to fixed-rate assets, partially offset by a negative valuation in the base market value of equity in response to higher discount rates than the year-ago period. In terms of the risk profile in place at September 30, 2021, long-term rate sensitivity has decreased since one year ago.

	September 30,					
	2021			2020		
	+300 Basis Points	+100 Basis Points	-100 Basis Points	+300 Basis Points	+100 Basis Points	-100 Basis Points
EAR - Shock	+2.6%	+1.0%	N/A	-0.4%	-0.0%	N/A
EAR - Ramp	+1.8%	+0.7%	N/A	-0.0%	+0.1%	N/A
EVE	-9.3%	-2.8%	N/A	-15.6%	-5.2%	N/A

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

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

Asset and Liability Funding Gap

The table below presents our assets and liabilities (funding) arranged by underlying indices as of September 30, 2021. 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	$ —	$ 518.2	$ (518.2)
SOFR	monthly	878.0	175.7	702.3
3-month Treasury bill	weekly	105.7	—	105.7
Prime	monthly	18.8	—	18.8
3-month LIBOR	quarterly	—	251.1	(251.1)
1-month LIBOR	monthly	10,592.9	7,760.6	2,832.3
1-month LIBOR	daily	600.0	527.7	72.3
Non-Discrete reset[2]	daily/weekly	2,930.0	4,107.9	(1,177.9)
Fixed-Rate[3]		13,665.7	15,449.9	(1,784.2)
Total		$ 28,791.1	$ 28,791.1	$ —

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

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

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

The “Funding Gap” in the above table shows primarily mismatches in the Fed Funds Effective, SOFR, 1-Month LIBOR monthly, Non-Discrete reset and fixed-rate categories. Changes in the Fed Funds Effective Rate, SOFR, 3-month LIBOR and 1-Month LIBOR daily categories are generally quite highly correlated and the rates should offset each other relatively effectively. The funding in the fixed-rate bucket includes $1.9 billion of equity and $0.4 billion of non-interest bearing liabilities. We consider the overall repricing risk to be moderate, which is supported by other analyses of interest rate sensitivity.

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

Weighted Average Life

The following table reflects the weighted average lives of our earning assets and liabilities at September 30, 2021.

(Averages in Years)	Weighted Average Life
Earning assets	
Education loans	4.65
Cash and investments	1.40
Total earning assets	4.01
Deposits	
Short-term deposits	0.60
Long-term deposits	2.63
Total deposits	1.08
Borrowings	
Short-term borrowings	0.51
Long-term borrowings	3.58
Total borrowings	3.46

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, 2021. Based on this evaluation, our principal executive officer and principal financial officer concluded that, as of September 30, 2021, 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, 2021 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

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

For additional information regarding our legal proceedings, see Part I, Item 3. “Legal Proceedings” in our 2020 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 2020 Form 10-K.

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

Share Repurchases

The following table provides information relating to our purchase of shares of our common stock in the three months ended September 30, 2021.

(In thousands, except per share data)	Total Number of Shares Purchased[1]		Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs[2][3]		Approximate Dollar Value of Shares That May Yet Be Purchased Under Publicly Announced Plans or Programs[2]
Period:						
July 1 - July 31, 2021	3,531	$	19.85	3,531	$	225,000
August 1 - August 31, 2021	4,636	$	18.74	4,521	$	141,000
September 1 - September 30, 2021	4,967	$	17.98	4,967	$	51,000
Total third-quarter 2021	13,134	$	18.75	13,019		

(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 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. In the first quarter of 2021 we utilized all remaining capacity under the 2020 Share Repurchase Program. On January 27, 2021, our Board of Directors authorized us to repurchase shares of our common stock up to an aggregate repurchase price not to exceed $1.25 billion under the 2021 Share Repurchase Program. In October 2021, our Board of Directors approved a $250 million increase in the amount of common stock that may be repurchased under our 2021 Share Repurchase Program, which expires on January 26, 2023. This is in addition to the $51 million of capacity remaining under the 2021 Share Repurchase Program at September 30, 2021.

(3) In the third quarter of 2021, we repurchased 13.0 million shares under our 10b5-1 trading plans. See Note 10, "Stockholders' Equity" to our consolidated financial statements in this Form 10-Q for further discussion.

The closing price of our common stock on the NASDAQ Global Select Market on September 30, 2021 was $17.60.

Item 3. Defaults Upon Senior Securities

Nothing to report.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Nothing to report.

Item 6. Exhibits

The following exhibits are furnished or filed, as applicable:

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

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 20, 2021

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 20, 2021

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 20, 2021

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, 2021, 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 20, 2021

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, 2021, 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 20, 2021