

NELNET INC  
Form 10-Q  
November 05, 2015

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, 2015

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 001-31924

NELNET, INC.

(Exact name of registrant as specified in its charter)

NEBRASKA

(State or other jurisdiction of incorporation or organization)

84-0748903

(I.R.S. Employer Identification No.)

121 SOUTH 13TH STREET

SUITE 100

LINCOLN, NEBRASKA

(Address of principal executive offices)

(402) 458-2370

(Registrant's telephone number, including area code)

68508

(Zip Code)

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 [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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 October 31, 2015, there were 33,385,821 and 11,476,932 shares of Class A Common Stock and Class B Common Stock, par value \$0.01 per share, outstanding, respectively (excluding 11,317,364 shares of Class A Common Stock held by wholly owned subsidiaries).

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September 30, 2015

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## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

NELNET, INC. AND SUBSIDIARIES  
 CONSOLIDATED BALANCE SHEETS  
 (Dollars in thousands, except share data)  
 (unaudited)

	As of September 30, 2015	As of December 31, 2014
Assets:		
Student loans receivable (net of allowance for loan losses of \$50,380 and \$48,900, respectively)	\$28,954,280	28,005,195
Cash and cash equivalents:		
Cash and cash equivalents - not held at a related party	27,613	37,781
Cash and cash equivalents - held at a related party	86,885	92,700
Total cash and cash equivalents	114,498	130,481
Investments and notes receivable	236,010	235,709
Restricted cash and investments	895,271	850,440
Restricted cash - due to customers	100,089	118,488
Accrued interest receivable	380,441	351,588
Accounts receivable (net of allowance for doubtful accounts of \$2,062 and \$1,656, respectively)	64,640	50,552
Goodwill	126,200	126,200
Intangible assets, net	35,386	42,582
Property and equipment, net	46,706	45,894
Other assets	76,133	76,622
Fair value of derivative instruments	15,741	64,392
Total assets	\$31,045,395	30,098,143
Liabilities:		
Bonds and notes payable	\$28,827,603	28,027,350
Accrued interest payable	31,632	25,904
Other liabilities	170,611	167,881
Due to customers	100,089	118,488
Fair value of derivative instruments	80,061	32,842
Total liabilities	29,209,996	28,372,465
Commitments and contingencies		
Equity:		
Nelnet, Inc. shareholders' equity:		
Preferred stock, \$0.01 par value. Authorized 50,000,000 shares; no shares issued or outstanding	—	—
Common stock:		
Class A, \$0.01 par value. Authorized 600,000,000 shares; issued and outstanding 33,388,556 shares and 34,756,384 shares, respectively	334	348
Class B, convertible, \$0.01 par value. Authorized 60,000,000 shares; issued and outstanding 11,476,932 shares and 11,486,932 shares, respectively	115	115
Additional paid-in capital	1,441	17,290

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Retained earnings	1,830,387	1,702,560
Accumulated other comprehensive earnings	2,876	5,135
Total Nelnet, Inc. shareholders' equity	1,835,153	1,725,448
Noncontrolling interest	246	230
Total equity	1,835,399	1,725,678
Total liabilities and equity	\$31,045,395	30,098,143

Supplemental information - assets and liabilities of consolidated variable interest entities:

Student loans receivable	\$29,150,270	28,181,244
Restricted cash and investments	853,186	846,199
Other assets	381,698	351,934
Bonds and notes payable	(29,159,553	) (28,391,530 )
Other liabilities	(391,535	) (280,233 )
Fair value of derivative instruments, net	(53,866	) (20,455 )
Net assets of consolidated variable interest entities	\$780,200	687,159
See accompanying notes to consolidated financial statements.		

NELNET, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except share data)

(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Interest income:				
Loan interest	\$ 187,701	187,862	535,480	520,224
Investment interest	1,456	1,562	5,548	5,023
Total interest income	189,157	189,424	541,028	525,247
Interest expense:				
Interest on bonds and notes payable	77,164	71,937	221,344	201,176
Net interest income	111,993	117,487	319,684	324,071
Less provision for loan losses	3,000	2,000	7,150	6,000
Net interest income after provision for loan losses	108,993	115,487	312,534	318,071
Other income:				
Loan and guaranty servicing revenue	61,520	52,659	183,164	183,876
Tuition payment processing, school information, and campus commerce revenue	30,439	26,399	92,805	73,468
Enrollment services revenue	19,500	22,936	54,524	65,092
Other income	6,523	7,650	20,945	41,096
Gain on sale of loans and debt repurchases	597	—	4,987	57
Derivative market value and foreign currency adjustments and derivative settlements, net	(30,658	) 24,203	(27,234	) 21,508
Total other income	87,921	133,847	329,191	385,097
Operating expenses:				
Salaries and benefits	63,215	61,098	183,052	167,470
Cost to provide enrollment services	12,534	14,178	35,398	41,964
Loan servicing fees	7,793	7,077	22,829	19,798
Depreciation and amortization	6,977	5,493	19,140	15,490
Other	30,419	29,599	91,575	92,882
Total operating expenses	120,938	117,445	351,994	337,604
Income before income taxes	75,976	131,889	289,731	365,564
Income tax expense	26,999	46,513	104,985	130,202
Net income	48,977	85,376	184,746	235,362
Net income attributable to noncontrolling interest	22	157	117	1,363
Net income attributable to Nelnet, Inc.	\$ 48,955	85,219	184,629	233,999
Earnings per common share:				
Net income attributable to Nelnet, Inc. shareholders - basic and diluted	\$ 1.09	1.84	4.03	5.03
Weighted average common shares outstanding - basic and diluted	45,047,777	46,432,680	45,763,443	46,496,309

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(Dollars in thousands)  
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Net income	\$48,977	85,376	184,746	235,362
Other comprehensive (loss) income:				
Available-for-sale securities:				
Unrealized holding (losses) gains arising during period, net	(568	) (738	) (1,217	) 8,763
Less reclassification adjustment for gains recognized in net income, net of losses	(73	) (8	) (2,370	) (8,319
Income tax effect	234	276	1,328	(164
Total other comprehensive (loss) income	(407	) (470	) (2,259	) 280
Comprehensive income	48,570	84,906	182,487	235,642
Comprehensive income attributable to noncontrolling interest	22	157	117	1,363
Comprehensive income attributable to Nelnet, Inc.	\$48,548	84,749	182,370	234,279

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

(Dollars in thousands, except share data)

(unaudited)

	Nelnet, Inc. Shareholders		Class Preferred stock	Class A common stock	Class B common stock	Additional paid-in capital	Retained earnings	Accumulated other comprehensive earnings	Noncontrolling interest	Total equity
	Common stock Preferred Class A shares	Common stock Class B shares								
Balance as of June 30, 2014	—34,859,786	11,491,932	\$—	349	115	20,721	1,552,988	5,569	386	1,580,128
Net income	—	—	—	—	—	—	85,219	—	157	85,376
Other comprehensive loss	—	—	—	—	—	—	—	(470 )	—	(470 )
Distribution to noncontrolling interest	—	—	—	—	—	—	—	—	(275 )	(275 )
Cash dividend on Class A and Class B common stock - \$0.10 per share	—	—	—	—	—	—	(4,630 )	—	—	(4,630 )
Issuance of common stock, net of forfeitures	—28,729	—	—	—	—	213	—	—	—	213
Compensation expense for stock based awards	—	—	—	—	—	1,248	—	—	—	1,248
Repurchase of common stock	—(96,792 )	—	—	(1 )	—	(4,032 )	—	—	—	(4,033 )
Conversion of common stock	—5,000	(5,000 )	—	—	—	—	—	—	—	—
Balance as of September 30, 2014	—34,796,723	11,486,932	\$—	348	115	18,150	1,633,577	5,099	268	1,657,557
Balance as of June 30, 2015	—33,724,471	11,486,932	\$—	337	115	—	1,801,457	3,283	300	1,805,492
Issuance of noncontrolling interest	—	—	—	—	—	—	—	—	4	4
Net income	—	—	—	—	—	—	48,955	—	22	48,977
Other comprehensive loss	—	—	—	—	—	—	—	(407 )	—	(407 )
Distribution to noncontrolling	—	—	—	—	—	—	—	—	(80 )	(80 )

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interest									
Cash dividend on Class A and Class B common stock - \$0.10 per share	—	—	—	—	—	(4,486 )	—	—	(4,486 )
Issuance of common stock, net of forfeitures	—10,669	—	—	1	—	267	—	—	268
Compensation expense for stock based awards	—	—	—	—	—	1,246	—	—	1,246
Repurchase of common stock	—(356,584 )	—	—	(4 )	—	(72 )	(15,539 )	—	(15,615 )
Conversion of common stock	—10,000	(10,000 )	—	—	—	—	—	—	—
Balance as of September 30, 2015	—33,388,556	11,476,932	\$—334	115	1,441	1,830,387	2,876	246	1,835,399
Balance as of December 31, 2013	—34,881,338	11,495,377	\$—349	115	24,887	1,413,492	4,819	328	1,443,990
Issuance of noncontrolling interest	—	—	—	—	—	—	—	201	201
Net income	—	—	—	—	—	233,999	—	1,363	235,362
Other comprehensive income	—	—	—	—	—	—	280	—	280
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(1,624 )	(1,624 )
Cash dividends on Class A and Class B common stock - \$0.30 per share	—	—	—	—	—	(13,914 )	—	—	(13,914 )
Issuance of common stock, net of forfeitures	—234,236	—	—	2	—	3,339	—	—	3,341
Compensation expense for stock based awards	—	—	—	—	—	3,258	—	—	3,258
Repurchase of common stock	—(327,296 )	—	—	(3 )	—	(13,334 )	—	—	(13,337 )
Conversion of common stock	—8,445	(8,445 )	—	—	—	—	—	—	—

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Balance as of September 30, 2014	—34,796,723	11,486,932	\$—348	115	18,150	1,633,577	5,099	268	1,657,557
Balance as of December 31, 2014	—34,756,384	11,486,932	\$—348	115	17,290	1,702,560	5,135	230	1,725,678
Issuance of noncontrolling interest	—	—	—	—	—	—	—	23	23
Net income	—	—	—	—	—	184,629	—	117	184,746
Other comprehensive loss	—	—	—	—	—	—	(2,259 )	—	(2,259 )
Distribution to noncontrolling interest	—	—	—	—	—	—	—	(124 )	(124 )
Cash dividends on Class A and Class B common stock - \$0.30 per share	—	—	—	—	—	(13,659 )	—	—	(13,659 )
Issuance of common stock, net of forfeitures	—152,764	—	—	2	—	3,678	—	—	3,680
Compensation expense for stock based awards	—	—	—	—	3,957	—	—	—	3,957
Repurchase of common stock	—(1,530,592 )	—	—	(16 )	—	(23,484 )	(43,143 )	—	(66,643 )
Conversion of common stock	—10,000	(10,000 )	—	—	—	—	—	—	—
Balance as of September 30, 2015	—33,388,556	11,476,932	\$—334	115	1,441	1,830,387	2,876	246	1,835,399

See accompanying notes to consolidated financial statements.

NELNET, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Dollars in thousands)  
(unaudited)

	Nine months ended September 30,	
	2015	2014
Net income attributable to Nelnet, Inc.	\$ 184,629	233,999
Net income attributable to noncontrolling interest	117	1,363
Net income	184,746	235,362
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisitions:		
Depreciation and amortization, including debt discounts and student loan premiums and deferred origination costs	91,045	78,318
Student loan discount accretion	(32,684)	(32,393)
Provision for loan losses	7,150	6,000
Derivative market value adjustment	43,179	431
Foreign currency transaction adjustment	(32,480)	(39,216)
Proceeds from termination of derivative instruments	55,627	—
Payment to enter into derivative instruments	(2,936)	(9,087)
Gain on sale of loans	(351)	—
Gain from debt repurchases	(4,636)	(57)
Gain from sales of available-for-sale securities, net	(2,370)	(8,319)
Payments for purchases of trading securities, net	(8,168)	(3,380)
Deferred income tax (benefit) expense	(7,901)	21,391
Non-cash compensation expense	4,120	3,364
Other	2,469	5,638
(Increase) decrease in accrued interest receivable	(435)	4,303
Increase in accounts receivable	(14,088)	(1,884)
Decrease in other assets	1,848	2,723
Increase in accrued interest payable	5,242	2,314
Increase (decrease) in other liabilities	17,978	(2,441)
Net cash provided by operating activities	307,355	263,067
Cash flows from investing activities, net of acquisitions:		
Purchases of student loans and student loan residual interests	(1,994,416)	(3,211,328)
Net proceeds from student loan repayments, claims, capitalized interest, and other	2,843,119	2,721,886
Proceeds from sale of student loans	3,996	8
Purchases of available-for-sale securities	(6,939)	(143,695)
Proceeds from sales of available-for-sale securities	49,278	200,098
Purchases of investments and issuance of notes receivable	(65,548)	(35,454)
Proceeds from investments and notes receivable	27,773	11,006
Purchases of property and equipment, net	(12,756)	(21,691)
Decrease (increase) in restricted cash and investments, net	3,611	(32,720)
Business acquisitions, net of cash acquired	—	(45,583)
Net cash provided by (used in) investing activities	848,118	(557,473)
Cash flows from financing activities, net of borrowings assumed:		
Payments on bonds and notes payable	(3,483,804)	(3,013,378)
Proceeds from issuance of bonds and notes payable	2,401,993	3,362,227

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Payments of debt issuance costs	(9,859	)	(14,933	)
Dividends paid	(13,659	)	(13,914	)
Repurchases of common stock	(66,643	)	(13,337	)
Proceeds from issuance of common stock	617		476	
Issuance of noncontrolling interest	23		201	
Distribution to noncontrolling interest	(124	)	(1,624	)
Net cash (used in) provided by financing activities	(1,171,456	)	305,718	
Net (decrease) increase in cash and cash equivalents	(15,983	)	11,312	
Cash and cash equivalents, beginning of period	130,481		63,267	
Cash and cash equivalents, end of period	\$114,498		74,579	
Cash disbursements made for:				
Interest	\$165,885		155,962	
Income taxes, net of refunds	\$104,403		118,866	
Noncash activity:				
Investing activity - student loans and other assets acquired	\$2,025,453		2,571,997	
Financing activity - borrowings and other liabilities assumed in acquisition of student loans	\$1,885,453		2,444,874	

See accompanying notes to consolidated financial statements.

## NELNET, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts, unless otherwise noted)

(unaudited)

## 1. Basis of Financial Reporting

The accompanying unaudited consolidated financial statements of Nelnet, Inc. and subsidiaries (the "Company") as of September 30, 2015 and for the three and nine months ended September 30, 2015 and 2014 have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2014 and, in the opinion of the Company's management, the unaudited consolidated financial statements reflect all adjustments, consisting of normal recurring adjustments, necessary for a fair presentation of results of operations for the interim periods presented. The preparation of financial statements in conformity with U.S. generally accepted accounting principles 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, 2015 are not necessarily indicative of the results for the year ending December 31, 2015. The unaudited consolidated financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended December 31, 2014 (the "2014 Annual Report").

## Reclassifications

Certain amounts previously reported within the Company's consolidated balance sheet and statements of income have been reclassified to conform to the current period presentation. These reclassifications include:

• Reclassifying certain investments and notes receivable, which were previously included in "other assets" to "investments and notes receivable."

• Reclassifying third-party loan servicing fees, which were previously included in "other" operating expenses to "loan servicing fees."

The reclassifications had no effect on consolidated net income or consolidated assets and liabilities.

## 2. Student Loans Receivable and Allowance for Loan Losses

Student loans receivable consisted of the following:

	As of September 30, 2015	As of December 31, 2014
Federally insured loans		
Stafford and other	\$6,375,336	6,030,825
Consolidation	22,580,043	22,165,605
Total	28,955,379	28,196,430
Private education loans	232,824	27,478
	29,188,203	28,223,908
Loan discount, net of unamortized loan premiums and deferred origination costs (a)	(183,543	) (169,813
Allowance for loan losses – federally insured loans	(35,945	) (39,170
Allowance for loan losses – private education loans	(14,435	) (9,730
	\$28,954,280	28,005,195

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As of September 30, 2015 and December 31, 2014, "loan discount, net of unamortized loan premiums and deferred (a) origination costs" included \$35.4 million and \$28.8 million, respectively, of non-accretable discount associated with purchased loans of \$10.9 billion and \$8.5 billion, respectively.

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## Private Education Loans

During the first quarter of 2015, the Company entered into an agreement with CommonBond, Inc. ("CommonBond"), a student lending company that provides private education loans to graduate students, under which the Company committed to purchase private education loans for a period of 18 months, with the total purchase obligation limited to \$150.0 million. On August 17, 2015, the Company amended the agreement with CommonBond to increase the maximum purchase obligation to \$200.0 million. As of September 30, 2015, the Company had purchased \$127.8 million in private education loans from CommonBond pursuant to this agreement.

## Acquisition of Student Loan Residual Interests

On May 26, 2015, the Company acquired the ownership interest in a federally insured student loan securitization trust (the "May Trust"), giving the Company rights to the residual interest in \$504.2 million of securitized federally insured loans. The trust includes loans funded to term with \$448.9 million (par value) of bonds and notes payable.

On August 3, 2015, the Company acquired the ownership interest in two federally insured student loan securitization trusts (the "August Trusts"), giving the Company rights to the residual interest in \$1.5 billion of securitized federally insured loans. The two trusts include loans funded to term with \$1.5 billion (par value) of bonds and notes payable.

The Company has consolidated the May Trust and August Trusts on its consolidated balance sheet because management has determined the Company is the primary beneficiary of the trusts. Upon acquisition of the May Trust and August Trusts, the Company recorded all assets and liabilities of the trusts at fair value, resulting in the recognition of a student loan fair value discount of \$20.7 million and \$20.2 million, respectively, and a bonds and notes payable fair value premium of \$2.2 million and a fair value discount of \$86.7 million, respectively. The discounts/premium will be accreted/amortized using the effective interest method over the lives of the underlying assets and liabilities. All other assets acquired and liabilities assumed (restricted cash, accrued interest receivable/payable, and other assets/liabilities) were recorded at cost, which approximates fair value.

## Activity in the Allowance for Loan Losses

The provision for loan losses represents the periodic expense of maintaining an allowance sufficient to absorb losses, net of recoveries, inherent in the portfolio of student loans. Activity in the allowance for loan losses is shown below.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Balance at beginning of period	\$50,024	52,467	48,900	55,122
Provision for loan losses:				
Federally insured loans	2,000	2,000	6,000	7,000
Private education loans	1,000	—	1,150	(1,000)
Total provision for loan losses	3,000	2,000	7,150	6,000
Charge-offs:				
Federally insured loans	(2,817)	(3,521)	(9,225)	(11,290)
Private education loans	(357)	(623)	(1,479)	(1,642)
Total charge-offs	(3,174)	(4,144)	(10,704)	(12,932)
Recoveries - private education loans	250	279	742	989
Purchase (sale) of federally insured and private education loans, net	30	70	(200)	320
Transfer from repurchase obligation related to private education loans repurchased	250	1,296	4,492	2,469

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Balance at end of period	\$50,380	51,968	50,380	51,968
Allocation of the allowance for loan losses:				
Federally insured loans	\$35,945	39,470	35,945	39,470
Private education loans	14,435	12,498	14,435	12,498
Total allowance for loan losses	\$50,380	51,968	50,380	51,968

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## Repurchase Obligation

The Company has sold various portfolios of private education loans to third-parties. Per the terms of the servicing agreements, the Company's servicing operations are obligated to repurchase loans subject to the sale agreements in the event such loans become 60 or 90 days delinquent. As of September 30, 2015 and December 31, 2014, the balance of loans subject to these repurchase obligations was \$53.1 million and \$155.3 million, respectively. The Company repurchased \$94.1 million of private education loans during the first quarter of 2015. The Company's estimate related to its obligation to repurchase these loans is included in "other liabilities" in the Company's consolidated balance sheets and was \$3.3 million and \$11.8 million as of September 30, 2015 and December 31, 2014, respectively.

## Student Loan Status and Delinquencies

Delinquencies have the potential to adversely impact the Company's earnings through increased servicing and collection costs and account charge-offs. The table below shows the Company's loan delinquency amounts.

	As of September 30, 2015		As of December 31, 2014		As of September 30, 2014			
Federally insured loans:								
Loans in-school/grace/deferment	\$2,638,639		\$2,805,228		\$3,072,318			
Loans in forbearance	2,993,844		3,288,412		3,505,103			
Loans in repayment status:								
Loans current	19,681,517	84.4	% 18,460,279	83.5	% 18,672,178	83.8	%	
Loans delinquent 31-60 days	1,021,515	4.4	1,043,119	4.8	990,696	4.5		
Loans delinquent 61-90 days	638,037	2.7	588,777	2.7	569,879	2.6		
Loans delinquent 91-120 days	465,261	2.0	404,905	1.8	452,463	2.0		
Loans delinquent 121-270 days	1,139,864	4.9	1,204,405	5.4	1,183,616	5.3		
Loans delinquent 271 days or greater	376,702	1.6	401,305	1.8	405,346	1.8		
Total loans in repayment	23,322,896	100.0	% 22,102,790	100.0	% 22,274,178	100.0	%	
Total federally insured loans	\$28,955,379		\$28,196,430		\$28,851,599			
Private education loans:								
Loans in-school/grace/deferment	\$7,724		\$905		\$2,958			
Loans in forbearance	16		—		—			
Loans in repayment status:								
Loans current	216,502	96.2	% 18,390	69.2	% 65,560	87.8	%	
Loans delinquent 31-60 days	1,999	0.9	1,078	4.1	1,340	1.8		
Loans delinquent 61-90 days	1,206	0.5	1,035	3.9	1,516	2.0		
Loans delinquent 91 days or greater	5,377	2.4	6,070	22.8	6,249	8.4		
Total loans in repayment	225,084	100.0	% 26,573	100.0	% 74,665	100.0	%	
Total non-federally insured loans	\$232,824		\$27,478		\$77,623			

## 3. Bonds and Notes Payable

The following tables summarize the Company's outstanding debt obligations by type of instrument:

	As of September 30, 2015		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in asset-backed securitizations:			
Bonds and notes based on indices	\$26,346,635	0.08% - 6.90%	8/26/19 - 8/26/52
Bonds and notes based on auction	1,161,515	1.11% - 2.13%	3/22/32 - 11/26/46
Total variable-rate bonds and notes	27,508,150		
FFELP warehouse facilities	1,391,877	0.20% - 0.41%	12/17/17 - 7/9/18
Private education loan warehouse facility	170,081	0.42%	12/26/16
Unsecured line of credit	70,000	1.72%	6/30/19
Unsecured debt - Junior Subordinated Hybrid Securities	57,582	3.70%	9/15/61
Other borrowings	75,000	1.69%	10/31/16
	29,272,690		
Discount on bonds and notes payable	(445,087 )		
Total	\$28,827,603		
	As of December 31, 2014		
	Carrying amount	Interest rate range	Final maturity
Variable-rate bonds and notes issued in asset-backed securitizations:			
Bonds and notes based on indices	\$25,713,431	0.19% - 6.90%	5/25/18 - 8/26/52
Bonds and notes based on auction	1,311,669	0.47% - 2.17%	3/22/32 - 11/26/46
Total variable-rate bonds and notes	27,025,100		
FFELP warehouse facilities	1,241,665	0.16% - 0.26%	1/17/16 - 6/11/17
Unsecured line of credit	—	—	6/30/19
Unsecured debt - Junior Subordinated Hybrid Securities	71,688	3.63%	9/15/61
Other borrowings	81,969	1.67% - 5.10%	11/11/15 - 12/31/18
	28,420,422		
Discount on bonds and notes payable	(393,072 )		
Total	\$28,027,350		

## FFELP Warehouse Facilities

The Company funds a portion of its FFELP loan acquisitions using its FFELP warehouse facilities. Student loan warehousing allows the Company to buy and manage student loans prior to transferring them into more permanent financing arrangements.

As of September 30, 2015, the Company had three FFELP warehouse facilities as summarized below.

	NHELP-II	NHELP-III	NFSLW-I (a)	Total
Maximum financing amount	\$500,000	750,000	875,000	2,125,000
Amount outstanding	446,624	395,631	549,622	1,391,877
Amount available	\$53,376	354,369	325,378	733,123
Expiration of liquidity provisions	December 17, 2015	April 29, 2016	July 8, 2016	
Final maturity date	December 17, 2017	April 29, 2018	July 9, 2018	
Maximum advance rates	91.0 - 97.0%	92.2 - 95.0%	92.0 - 98.0%	
Minimum advance rates	91.0 - 97.0%	92.2 - 95.0%	84.0 - 90.0%	
Advanced as equity support	\$24,538	22,427	26,124	73,089

On July 10, 2015, the Company amended the agreement for this warehouse facility to temporarily increase the maximum financing amount to \$875.0 million, extend the expiration of the liquidity provisions to July 8, 2016, and (a) extend the maturity date to July 9, 2018. The maximum financing amount is scheduled to decrease by \$125.0 million on March 31, 2016.

## Asset-backed Securitizations

The following table summarizes the asset-backed securitization transactions completed during the nine months ended September 30, 2015.

	2015-1	2015-2		2015-3			Total		
		Class A-1 notes	Class A-2 notes	2015-2 total	Class A-1 notes	Class A-2 notes	Class A-3 notes	2015-3 total	
Date securities issued	2/27/15	3/26/15	3/26/15	3/26/15	5/21/15	5/21/15	5/21/15	5/21/15	
Total original principal amount	\$566,346	122,500	584,500	722,000	82,500	270,000	41,400	401,400	\$1,689,746
Class A senior notes:									
Total original principal amount	\$553,232	122,500	584,500	707,000	82,500	270,000	41,400	393,900	1,654,132
Bond discount	—	—	—	—	—	(380 )	(1,095 )	(1,475 )	(1,475 )
Issue price	\$553,232	122,500	584,500	707,000	82,500	269,620	40,305	392,425	1,652,657
Cost of funds (1-month LIBOR)	0.59 %	0.27 %	0.60 %		0.30 %	0.60 %	0.90 %		

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plus:) Final maturity date	4/25/41	3/25/20	9/25/42	1/27/25	2/26/46	6/25/49
Class B subordinated notes:						
Total original principal amount	\$13,114		15,000		7,500	35,614
Bond discount	(1,157 )		(1,793 )		(968 )	(3,918 )
Issue price	\$11,957		13,207		6,532	31,696
Cost of funds (1-month LIBOR	1.50 %		1.50 %		1.50 %	
plus:) Final maturity date	6/25/46		5/25/49			6/27/50

#### Private Education Loan Warehouse Facility

On June 26, 2015, the Company entered into a \$275.0 million private education loan warehouse facility. As of September 30, 2015, there was \$170.1 million outstanding on the facility and \$104.9 million was available for future use. The facility has a static advance rate that requires initial equity for loan funding, but does not require increased equity based on market movements. The maximum advance rate on the entire facility is 88 percent and minimum advance rates, depending on loan characteristics and program type, range from 64 percent to 99 percent. As of September 30, 2015, \$23.7 million was advanced on the facility as equity support. The facility is supported by liquidity provisions, which have a defined expiration date of June 24, 2016. In the event the Company is unable to renew the liquidity provisions by such date, the facility would become a term facility at a stepped-up cost, with no additional student loans being eligible for financing, and the Company would be required to refinance the existing loans in the facility by the facility's final maturity date of December 26, 2016.

#### Unsecured Line of Credit

On October 30, 2015, the Company entered into an amended and restated credit agreement for its \$350.0 million line of credit. Under the amended terms, the maturity date of the credit agreement was extended from June 30, 2019 to October 30, 2020. In addition, the following revisions were made to certain covenants:

A provision was added to permit acquisitions of businesses, for consideration of up to \$75.0 million per fiscal year, that are not in one of the Company's existing lines of business.

The cap for other non-specified permitted investments increased to 20 percent of the Company's consolidated net worth, with the cap excluding all existing investments at the time of the amendment.

The current cap related to the volume of private education loans that the Company may hold was reduced from \$900.0 million to a revised level of \$500.0 million. All private education loans that are held within securitization vehicles are excluded from the \$500.0 million threshold.

The minimum consolidated net worth threshold changed beginning as of September 30, 2015 to be not less than the sum of (i) \$1.35 billion, plus, in each case for periods after September 30, 2015, (ii) 50 percent of consolidated net income; plus (iii) 100 percent of the increase to consolidated net worth from the issuance of capital stock.

The facility size of \$350.0 million and cost of funds did not change as part of the amendment.

As of September 30, 2015, the unsecured line of credit had an outstanding balance of \$70.0 million and \$280.0 million was available for future use.

#### Debt Repurchases

The following table summarizes the Company's repurchases of its own debt. Gains recorded by the Company from the repurchase of debt are included in "gain on sale of loans and debt repurchases" on the Company's consolidated statements of income.

	Par value	Purchase price	Gain	Par value	Purchase price	Gain
	Three months ended			September 30, 2014		
	September 30, 2015			September 30, 2014		
Unsecured debt - Hybrid Securities	\$—	—	—	—	—	—
Asset-backed securities	9,650	9,053	597	2,500	2,500	—

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	\$9,650	9,053	597	2,500	2,500	—
	Nine months ended September 30, 2015			September 30, 2014		
Unsecured debt - Hybrid Securities	\$14,106	11,108	2,998	—	—	—
Asset-backed securities	31,800	30,162	1,638	4,000	3,943	57
	\$45,906	41,270	4,636	4,000	3,943	57

#### 4. Derivative Financial Instruments

The Company uses derivative financial instruments primarily to manage interest rate risk and foreign currency exchange risk. Derivative instruments used as part of the Company's risk management strategy are further described in note 5 of the notes to consolidated financial statements included in the 2014 Annual Report. A tabular presentation of such derivatives outstanding as of September 30, 2015 and December 31, 2014 is presented below.

##### Basis Swaps

The following table summarizes the Company's basis swaps outstanding as of September 30, 2015 and December 31, 2014 in which the Company receives three-month LIBOR set discretely in advance and pays one-month LIBOR plus or minus a spread as defined in the agreements (the "1:3 Basis Swaps").

Maturity	As of September 30, 2015	As of December 31, 2014
	Notional amount	Notional amount
2016	\$5,500,000	\$—
2021	—	250,000
2022	450,000	1,900,000
2023	1,050,000	3,650,000
2024	—	250,000
2026	200,000	800,000
2028	—	100,000
2036	—	700,000
2039	—	150,000
	\$7,200,000	\$7,800,000

The weighted average rate paid by the Company on the 1:3 Basis Swaps as of September 30, 2015 and December 31, 2014 was one-month LIBOR plus 9.0 basis points and 3.5 basis points, respectively.

##### Interest Rate Swaps – Floor Income Hedges

The following table summarizes the outstanding derivative instruments used by the Company to economically hedge loans earning fixed rate floor income.

Maturity	As of September 30, 2015		As of December 31, 2014	
	Notional amount	Weighted average fixed rate paid by the Company (a)	Notional amount	Weighted average fixed rate paid by the Company (a)
2015	\$—	—	% \$1,100,000	0.89 %
2016	1,000,000	0.76	750,000	0.85
2017	2,100,000	0.84	1,250,000	0.86
2018	1,350,000	1.11	—	—
2025	100,000	2.32	—	—
	\$4,550,000	0.93	% \$3,100,000	0.87 %

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

On August 20, 2014, the Company paid \$9.1 million for an interest rate swap option to economically hedge loans earning fixed rate floor income. The interest rate swap option gives the Company the right, but not the obligation, to enter into a \$250 million notional interest rate swap in which the Company would pay a fixed amount of 3.30% and receive discrete one-month LIBOR. If the interest rate swap option is exercised, the swap would become effective in

2019 and mature in 2024.

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## Interest Rate Swaps – Unsecured Debt Hedges

The Company had the following derivatives outstanding as of September 30, 2015 and December 31, 2014 that are used to effectively convert the variable interest rate on a portion of the Junior Subordinated Hybrid Securities to a fixed rate of 7.66%.

Maturity	Notional amount	Weighted average fixed rate paid by the Company (a)
2036	\$ 25,000	4.28 %

(a) For all interest rate derivatives, the Company receives discrete three-month LIBOR.

## Interest Rate Caps

In June 2015, in conjunction with the entry into the \$275.0 million private education loan warehouse facility, the Company paid \$2.9 million for two interest rate cap contracts with a total notional amount of \$275.0 million. The first interest rate cap has a notional amount of \$125.0 million and a one-month LIBOR strike rate of 2.50%, and the second interest rate cap has a notional amount of \$150.0 million and a one-month LIBOR strike rate of 4.99%. In the event that the one-month LIBOR rate rises above the applicable strike rate, the Company would receive monthly payments related to the spread difference. Both interest rate cap contracts have a maturity date of July 15, 2020.

## Foreign Currency Exchange Risk

In 2006, the Company issued €352.7 million of student loan asset-backed Euro Notes (the "Euro Notes") with an interest rate based on a spread to the EURIBOR index. As a result of the Euro Notes, the Company is exposed to market risk related to fluctuations in foreign currency exchange rates between the U.S. dollar and Euro. The principal and accrued interest on these notes are re-measured at each reporting period and recorded in the Company's consolidated balance sheet in U.S. dollars based on the foreign currency exchange rate on that date.

The Company entered into a cross-currency interest rate swap in connection with the issuance of the Euro Notes. Under the terms of the cross-currency interest rate swap, the Company receives from the counterparty a spread to the EURIBOR index based on a notional amount of €352.7 million and pays a spread to the LIBOR index based on a notional amount of \$450.0 million. In addition, under the terms of this agreement, all principal payments on the Euro Notes will effectively be paid at the exchange rate in effect between the U.S. dollar and Euro as of the issuance of the notes.

The following table shows the income statement impact as a result of the re-measurement of the Euro Notes and the change in the fair value of the related derivative instrument.

	Three months ended September 30,		Nine months ended September 30,	
	2015	2014	2015	2014
Re-measurement of Euro Notes	\$(1,058	) 37,418	32,480	39,216
Change in fair value of cross-currency interest rate swap	666	(37,224	) (35,207	) (40,261
Total impact to consolidated statements of income - (expense) income (a)	\$(392	) 194	(2,727	) (1,045

(a) The financial statement impact of the above items is included in "Derivative market value and foreign currency adjustments and derivative settlements, net" in the Company's consolidated statements of income.

The re-measurement of the Euro-denominated bonds generally correlates with the change in fair value of the corresponding cross-currency interest rate swap. However, the Company will experience unrealized gains or losses

related to the cross-currency interest rate swap if the two underlying indices (and related forward curve) do not move in parallel.

## Consolidated Financial Statement Impact Related to Derivatives

The following table summarizes the fair value of the Company's derivatives as reflected in the consolidated balance sheets:

	Fair value of asset derivatives		Fair value of liability derivatives	
	As of September 30, 2015	As of December 31, 2014	As of September 30, 2015	As of December 31, 2014
1:3 basis swaps	\$8,477	53,549	44	—
Interest rate swaps - floor income hedges	—	5,165	16,142	5,034
Interest rate swap option - floor income hedge	3,943	5,678	—	—
Interest rate swaps - hybrid debt hedges	—	—	8,212	7,353
Interest rate caps	1,796	—	—	—
Cross-currency interest rate swap	—	—	55,663	20,455
Other	1,525	—	—	—
Total	\$15,741	64,392	80,061	32,842

During the nine months ended September 30, 2015, the Company terminated a total notional amount of \$6.1 billion of 1:3 Basis Swaps for gross proceeds of \$55.6 million. There were no derivative terminations during the first nine months of 2014.

## Offsetting of Derivative Assets/Liabilities

The Company records derivative instruments in the consolidated balance sheets on a gross basis as either an asset or liability measured at its fair value. Certain of the Company's derivative instruments are subject to right of offset provisions with counterparties. The following tables include the gross amounts related to the Company's derivative portfolio recognized in the consolidated balance sheets, reconciled to the net amount when excluding derivatives subject to enforceable master netting arrangements and cash collateral received/pledged:

Derivative assets	Gross amounts of recognized assets presented in the consolidated balance sheets	Gross amounts not offset in the consolidated balance sheets		
		Derivatives subject to enforceable master netting arrangement	Cash collateral pledged (received)	Net asset (liability)
Balance as of September 30, 2015	\$15,741	(8,620	) —	7,121
Balance as of December 31, 2014	64,392	(12,387	) —	52,005

  

Derivative liabilities	Gross amounts of recognized liabilities presented in the	Gross amounts not offset in the consolidated balance sheets		
		Derivatives subject to enforceable master netting arrangement	Cash collateral pledged (received)	Net asset (liability)

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	consolidated balance sheets				
Balance as of September 30, 2015	\$ (80,061	) 8,620	37,274	(34,167	)
Balance as of December 31, 2014	(32,842	) 12,387	(1,454	) (21,909	)

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The following table summarizes the effect of derivative instruments in the consolidated statements of income.

	Three months ended September		Nine months ended	
	30, 2015	2014	September 30, 2015	2014
<b>Settlements:</b>				
1:3 basis swaps	\$179	808	568	2,547
Interest rate swaps - floor income hedges	(5,456)	) (5,421	) (15,490	) (19,345
Interest rate swaps - hybrid debt hedges	(255)	) (259	) (760	) (767
Cross-currency interest rate swap	(346)	) 38	(853	) 288
Total settlements - expense	(5,878)	) (4,834	) (16,535	) (17,277
<b>Change in fair value:</b>				
1:3 basis swaps	(1,886)	) 19,455	10,513	32,475
Interest rate swaps - floor income hedges	(18,935)	) 10,628	(16,273	) 11,173
Interest rate swap option - floor income hedge	(2,205)	) (847	) (1,736	) (847
Interest rate swaps - hybrid debt hedges	(1,948)	) (393	) (861	) (2,971
Interest rate caps	(939)	) —	(1,140	) —
Cross-currency interest rate swap	666	(37,224	) (35,207	) (40,261
Other	1,525	—	1,525	—
Total change in fair value - expense	(23,722)	) (8,381	) (43,179	) (431
Re-measurement of Euro Notes (foreign currency transaction adjustment) - (expense) income	(1,058)	) 37,418	32,480	39,216
Derivative market value and foreign currency adjustments and derivative settlements, net - (expense) income	\$ (30,658	) 24,203	(27,234	) 21,508

## 5. Investments and Notes Receivable

A summary of the Company's investments and notes receivable follows:

	As of September 30, 2015				As of December 31, 2014			
	Amortized cost	Gross unrealized gains	Gross unrealized losses (a)	Fair value	Amortized cost	Gross unrealized gains	Gross unrealized losses	Fair value
<b>Investments (at fair value):</b>								
<b>Available-for-sale investments:</b>								
Student loan asset-backed and other debt securities (b)	\$92,327	3,797	(712)	) 95,412	131,589	6,204	(236)	) 137,557
Equity securities	846	1,579	(100)	) 2,325	1,553	2,216	(33)	) 3,736
Total available-for-sale investments	\$93,173	5,376	(812)	) 97,737	133,142	8,420	(269)	) 141,293
<b>Trading investments:</b>								
Student loan asset-backed securities				6,146				7,830
Equity securities				9,852				—
Total trading investments				15,998				7,830
Total available-for-sale and trading investments				113,735				149,123
<b>Other Investments and Notes Receivable (not measured at fair value):</b>								
				80,372				36,991

Investments accounted for under the cost and equity methods		
Notes receivable	30,964	30,643
Other	10,939	18,952
Total investments and notes receivable	\$236,010	235,709

(a) As of September 30, 2015, the Company considered the decline in market value of its available-for-sale investments to be temporary in nature and did not consider any of its investments other-than-temporarily impaired.

(b) As of September 30, 2015, the stated maturities of the majority of the Company's student loan asset-backed and other debt securities classified as available-for-sale were greater than 10 years.

## 6. Intangible Assets and Goodwill

Intangible assets consist of the following:

	Weighted average remaining useful life as of September 30, 2015 (months)	As of September 30, 2015	As of December 31, 2014
Amortizable intangible assets:			
Customer relationships (net of accumulated amortization of \$21,736 and \$17,361, respectively)	217	\$22,954	27,330
Trade names (net of accumulated amortization of \$664 and \$272, respectively)	224	5,758	6,150
Computer software (net of accumulated amortization of \$3,624 and \$1,896, respectively)	35	5,242	6,969
Content (net of accumulated amortization of \$675 and \$0, respectively)	15	1,125	1,800
Covenants not to compete (net of accumulated amortization of \$47 and \$21, respectively)	104	307	333
Total - amortizable intangible assets	184	\$35,386	42,582

The Company recorded amortization expense on its intangible assets of \$2.4 million and \$2.0 million during the three months ended September 30, 2015 and 2014, respectively, and \$7.2 million and \$4.4 million during the nine months ended September 30, 2015 and 2014, respectively. The Company will continue to amortize intangible assets over their remaining useful lives. As of September 30, 2015, the Company estimates it will record amortization expense as follows:

2015 (October 1 - December 31)	\$2,399
2016	6,249
2017	3,752
2018	3,533
2019	2,861
2020 and thereafter	16,592
	\$35,386

There were no changes in the carrying amount of goodwill during the nine months ended September 30, 2015. The carrying amount of goodwill by reportable operating segment as of September 30, 2015 and December 31, 2014 is shown in the table below.

	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Asset Generation and Management	Corporate and Other Activities	Total
Balance as of December 31, 2014 and September 30, 2015	\$8,596	67,168	41,883	8,553	126,200



## 7. Earnings per Common Share

Presented below is a summary of the components used to calculate basic and diluted earnings per share. The Company applies the two-class method in computing both basic and diluted earnings per share, which requires the calculation of separate earnings per share amounts for common stock and unvested share based awards. Unvested share-based awards that contain nonforfeitable rights to dividends are considered securities which participate in undistributed earnings with common stock.

	Three months ended September 30, 2015			2014		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:						
Net income attributable to Nelnet, Inc.	\$48,436	519	48,955	84,330	889	85,219
Denominator:						
Weighted-average common shares outstanding - basic and diluted	44,570,519	477,258	45,047,777	45,948,255	484,425	46,432,680
Earnings per share - basic and diluted	\$1.09	1.09	1.09	1.84	1.84	1.84
	Nine months ended September 30, 2015			2014		
	Common shareholders	Unvested restricted stock shareholders	Total	Common shareholders	Unvested restricted stock shareholders	Total
Numerator:						
Net income attributable to Nelnet, Inc.	\$182,664	1,965	184,629	231,725	2,274	233,999
Denominator:						
Weighted-average common shares outstanding - basic and diluted	45,276,376	487,067	45,763,443	46,044,429	451,880	46,496,309
Earnings per share - basic and diluted	\$4.03	4.03	4.03	5.03	5.03	5.03

Unvested restricted stock awards are the Company's only potential common shares and, accordingly, there were no awards that were antidilutive and not included in average shares outstanding for the diluted earnings per share calculation.

## 8. Segment Reporting

See note 14 of the notes to consolidated financial statements included in the 2014 Annual Report for a description of the Company's operating segments. The following tables include the results of each of the Company's operating segments reconciled to the consolidated financial statements.

Effective January 1, 2015, internal reporting to executive management (the "chief operating decision maker") changed to reflect operational changes made within the organization. The operational and internal reporting changes included moving the majority of information technology infrastructure personnel and related functions to Corporate and Other Activities. The associated costs are allocated to the other operating segments based on those segments' actual use of information technology related products and services. Information technology infrastructure personnel and related functions were historically included within the Student Loan and Guaranty Servicing operating segment, and associated costs were allocated to the other operating segments based on those segments' actual use of the related products and services. Prior period segment operating results have been reclassified to reflect these changes; however, the reclassifications had no effect on any operating segment's net income.

Three months ended September 30, 2015

	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	\$ 14	—	188,197	1,385	(439 )	189,157
Interest expense	—	—	76,040	1,563	(439 )	77,164
Net interest income	14	—	112,157	(178 )	—	111,993
Less provision for loan losses	—	—	3,000	—	—	3,000
Net interest income after provision for loan losses	14	—	109,157	(178 )	—	108,993
Other income:						
Loan and guaranty servicing revenue	61,900	—	—	—	(380 )	61,520
Intersegment servicing revenue	12,027	—	—	—	(12,027 )	—
Tuition payment processing, school information, and campus commerce revenue	—	30,439	—	—	—	30,439
Enrollment services revenue	—	—	—	19,500	—	19,500
Other income	—	—	3,312	3,211	—	6,523
Gain on sale of loans and debt repurchases	—	—	608	(11 )	—	597
Derivative market value and foreign currency adjustments, net	—	—	(24,357 )	(423 )	—	(24,780 )
Derivative settlements, net	—	—	(5,623 )	(255 )	—	(5,878 )
Total other income	73,927	30,439	(26,060 )	22,022	(12,407 )	87,921
Operating expenses:						
Salaries and benefits	34,525	13,983	558	14,149	—	63,215
Cost to provide enrollment services	—	—	—	12,534	—	12,534
Loan servicing fees	—	—	7,793	—	—	7,793
Depreciation and amortization	484	2,202	—	4,291	—	6,977
Other	14,602	3,579	1,421	10,817	—	30,419
Intersegment expenses, net	10,886	2,872	12,578	(13,929 )	(12,407 )	—

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Total operating expenses	60,497	22,636	22,350	27,862	(12,407 )	120,938
Income (loss) before income taxes and corporate overhead allocation	13,444	7,803	60,747	(6,018 )	—	75,976
Corporate overhead allocation	(2,351 )	(941 )	(1,176 )	4,468	—	—
Income (loss) before income taxes	11,093	6,862	59,571	(1,550 )	—	75,976
Income tax (expense) benefit	(4,215 )	(2,606 )	(22,639 )	2,461	—	(26,999 )
Net income	6,878	4,256	36,932	911	—	48,977
Net (loss) income attributable to noncontrolling interest	(5 )	—	—	27	—	22
Net income attributable to Nelnet, Inc.	\$6,883	4,256	36,932	884	—	48,955

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Three months ended September 30, 2014

	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	\$5	2	187,949	1,814	(346 )	189,424
Interest expense	—	—	71,037	1,246	(346 )	71,937
Net interest income	5	2	116,912	568	—	117,487
Less provision for loan losses	—	—	2,000	—	—	2,000
Net interest income after provision for loan losses	5	2	114,912	568	—	115,487
Other income:						
Loan and guaranty servicing revenue	52,659	—	—	—	—	52,659
Intersegment servicing revenue	13,432	—	—	—	(13,432 )	—
Tuition payment processing, school information, and campus commerce revenue	—	26,399	—	—	—	26,399
Enrollment services revenue	—	—	—	22,936	—	22,936
Other income	—	—	4,294	3,356	—	7,650
Gain on sale of loans and debt repurchases	—	—	—	—	—	—
Derivative market value and foreign currency adjustments, net	—	—	29,430	(393 )	—	29,037
Derivative settlements, net	—	—	(4,575 )	(259 )	—	(4,834 )
Total other income	66,091	26,399	29,149	25,640	(13,432 )	133,847
Operating expenses:						
Salaries and benefits	33,627	13,288	565	13,618	—	61,098
Cost to provide enrollment services	—	—	—	14,178	—	14,178
Loan servicing fees	—	—	7,077	—	—	7,077
Depreciation and amortization	441	2,396	—	2,656	—	5,493
Other	12,643	3,312	1,559	12,085	—	29,599
Intersegment expenses, net	8,843	1,481	13,611	(10,503 )	(13,432 )	—
Total operating expenses	55,554	20,477	22,812	32,034	(13,432 )	117,445
Income (loss) before income taxes and corporate overhead allocation	10,542	5,924	121,249	(5,826 )	—	131,889
Corporate overhead allocation	(2,567 )	(856 )	(1,026 )	4,449	—	—
Income (loss) before income taxes	7,975	5,068	120,223	(1,377 )	—	131,889
Income tax (expense) benefit	(3,030 )	(1,926 )	(45,684 )	4,127	—	(46,513 )
Net income	4,945	3,142	74,539	2,750	—	85,376
Net income attributable to noncontrolling interest	—	—	—	157	—	157
Net income attributable to Nelnet, Inc.	\$4,945	3,142	74,539	2,593	—	85,219



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	Nine months ended September 30, 2015					
	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	\$34	3	536,899	5,352	(1,260 )	541,028
Interest expense	—	—	218,021	4,583	(1,260 )	221,344
Net interest income	34	3	318,878	769	—	319,684
Less provision for loan losses	—	—	7,150	—	—	7,150
Net interest income after provision for loan losses	34	3	311,728	769	—	312,534
Other income:						
Loan and guaranty servicing revenue	183,544	—	—	—	(380 )	183,164
Intersegment servicing revenue	37,121	—	—	—	(37,121 )	—
Tuition payment processing, school information, and campus commerce revenue	—	92,805	—	—	—	92,805
Enrollment services revenue	—	—	—	54,524	—	54,524
Other income	—	—	11,838	9,107	—	20,945
Gain on sale of loans and debt repurchases	—	—	2,000	2,987	—	4,987
Derivative market value and foreign currency adjustments, net	—	—	(11,363 )	664	—	(10,699 )
Derivative settlements, net	—	—	(15,775 )	(760 )	—	(16,535 )
Total other income	220,665	92,805	(13,300 )	66,522	(37,501 )	329,191
Operating expenses:						
Salaries and benefits	99,813	40,887	1,623	40,729	—	183,052
Cost to provide enrollment services	—	—	—	35,398	—	35,398
Loan servicing fees	—	—	22,829	—	—	22,829
Depreciation and amortization	1,457	6,592	—	11,091	—	19,140
Other	44,578	11,493	3,828	31,676	—	91,575
Intersegment expenses, net	32,152	8,271	38,016	(40,938 )	(37,501 )	—
Total operating expenses	178,000	67,243	66,296	77,956	(37,501 )	351,994
Income (loss) before income taxes and corporate overhead allocation	42,699	25,565	232,132	(10,665 )	—	289,731
Corporate overhead allocation	(6,798 )	(2,721 )	(3,401 )	12,920	—	—
Income before income taxes	35,901	22,844	228,731	2,255	—	289,731
Income tax (expense) benefit	(13,643 )	(8,680 )	(86,919 )	4,257	—	(104,985 )
Net income	22,258	14,164	141,812	6,512	—	184,746
Net (loss) income attributable to noncontrolling interest	(5 )	—	—	122	—	117
Net income attributable to Nelnet, Inc.	\$22,263	14,164	141,812	6,390	—	184,629

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Nine months ended September 30, 2014

	Student Loan and Guaranty Servicing	Tuition Payment Processing and Campus Commerce	Asset Generation and Management	Corporate and Other Activities	Eliminations	Total
Total interest income	\$25	5	520,514	6,508	(1,805 )	525,247
Interest expense	—	—	198,449	4,532	(1,805 )	201,176
Net interest income	25	5	322,065	1,976	—	324,071
Less provision for loan losses	—	—	6,000	—	—	6,000
Net interest income after provision for loan losses	25	5	316,065	1,976	—	318,071
Other income:						
Loan and guaranty servicing revenue	183,876	—	—	—	—	183,876
Intersegment servicing revenue	41,453	—	—	—	(41,453 )	—
Tuition payment processing, school information, and campus commerce revenue	—	73,468	—	—	—	73,468
Enrollment services revenue	—	—	—	65,092	—	65,092
Other income	—	—	12,954	28,142	—	41,096
Gain on sale of loans and debt repurchases	—	—	57	—	—	57
Derivative market value and foreign currency adjustments, net	—	—	41,755	(2,970 )	—	38,785
Derivative settlements, net	—	—	(16,510 )	(767 )	—	(17,277 )
Total other income	225,329	73,468	38,256	89,497	(41,453 )	385,097
Operating expenses:						